

	NATO	NORTH ATLANTIC COUNCIL
	OTAN	CONSEIL DE L'ATLANTIQUE NORD

NATO SANS CLASSIFICATION

11 décembre 2018

DOCUMENT
C-M(2018)0060-AS1

RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN (IBAN) SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2017 DU COMMANDEMENT ALLIÉ OPÉRATIONS (ACO)

NOTE SUR LA SUITE DONNÉE

Le 10 décembre 2018, au terme d'une procédure d'accord tacite, le Conseil a pris note du rapport de l'IBAN sur les états financiers 2017 de l'ACO joint au C-M(2018)0060, il a avalisé le rapport établi par le RPPB au sujet du rapport de l'IBAN et il a donné son accord pour que le rapport du RPPB, le rapport de l'IBAN et les états financiers correspondants soient communiqués au public.

(signé) Jens Stoltenberg
Secrétaire général

NB : La présente note fait partie du C-M(2018)0060 et doit être placée en tête de ce document.

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4 décembre 2018

DOCUMENT

C-M(2018)0060

Procédure d'accord tacite :

10 déc 2018 17:30

**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES
DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2017
DU COMMANDEMENT ALLIÉ OPÉRATIONS (ACO)**

Note du secrétaire général

1. On trouvera ci-joint le rapport que le Collège international des commissaires aux comptes de l'OTAN (IBAN) a établi à la suite de la vérification des états financiers 2017 du Commandement allié Opérations (ACO). L'IBAN a émis une opinion avec réserve sur ces états financiers ainsi que sur la conformité.
2. Le rapport de l'IBAN a été examiné par le Bureau de la planification et de la politique générale des ressources (RPPB) (voir annexe).
3. Je ne pense pas que la question doive être débattue plus avant. Par conséquent, **sauf avis contraire me parvenant d'ici au lundi 10 décembre 2018 à 17h30**, je considérerai que le Conseil aura pris note du rapport de l'IBAN sur les états financiers 2017 de l'ACO, qu'il aura avalisé le rapport établi par le RPPB au sujet du rapport de l'IBAN, et qu'il aura donné son accord pour que le rapport du RPPB, le rapport de l'IBAN et les états financiers correspondants soient communiqués au public.

(signé) Jens Stoltenberg

1 annexe
1 pièce jointe

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NATO SANS CLASSIFICATION

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**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES
DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2017
DU COMMANDEMENT ALLIÉ OPÉRATIONS (ACO)**

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

Références :

- | | |
|-------------------------------|---|
| A. IBA-AR(2018)0009 | Rapport de l'IBAN sur la vérification des états financiers 2017 de l'ACO |
| B. C-M(2016)0023 | Cadre comptable OTAN |
| C. C-M(2015)0025 | Règlement financier de l'OTAN |
| D. BC-D(2015)0260-REV2 | Règles et procédures financières de l'OTAN |
| E. BC-D(2017)0199-FINAL | Enseignements tirés |
| F. BC-D(2018)0202 + ADD1 | Force NAEW&C : demande de relèvement des limites des transferts pour les reports d'exercices précédents |
| G. BC-DS(2018)0058, point III | |

INTRODUCTION

1. Le présent rapport porte sur le rapport que le Collège international des commissaires aux comptes de l'OTAN (IBAN) a consacré à la vérification des états financiers 2017 consolidés de l'ACO (référence A). L'IBAN a émis une opinion avec réserve sur ces états financiers ainsi que sur leur conformité.

OBSERVATIONS

2. L'IBAN a formulé huit observations, assorties de recommandations. L'une de ces observations a motivé la réserve émise au sujet des états financiers et de leur conformité, à savoir l'observation portant sur le fait que l'IBAN n'a pas été en mesure d'obtenir suffisamment d'éléments probants pour vérifier si les données relatives aux immobilisations corporelles acquises avant 2013 étaient correctes. Les sept autres observations et recommandations n'ont pas eu d'incidence sur l'opinion émise par l'IBAN, mais elles couvrent un large éventail de sujets, parmi lesquels les procédures d'acquisition, la passation de marché, l'approbation des reports, la gestion des risques et les contrôles internes.

3. L'IBAN a fait le point sur les questions ayant fait l'objet de recommandations lors d'audits précédents. Il a constaté que trois questions avaient été réglées, qu'une question avait été partiellement réglée, que cinq questions restaient à régler et que trois questions avaient été rendues caduques par des observations formulées pour 2017. Les questions partiellement réglées et les questions restant à régler portent sur des thèmes tels que l'actualisation ou la signature d'accords, l'amélioration de l'administration des systèmes, la confirmation des soldes de fin d'exercice avec d'autres entités OTAN, la revue de la méthode comptable appliquée aux ventes militaires à l'étranger (FMS) et le solde excédentaire cumulé relatif au programme OTAN d'investissement au service de la sécurité (NSIP). La question du solde excédentaire cumulé du NSIP a été traitée dans

l'AC/4(PP)D/27926. Le nécessaire mémorandum d'accord entre l'ACO et l'Agence OTAN d'information et de communication (NCIA) a été rédigé et fait toujours l'objet d'un processus de concertation entre le Commandement et l'Agence. Par ailleurs, l'ACO a amélioré son processus de confirmation des soldes de fin d'exercice en collaborant avec de nombreux organismes OTAN, mais ce processus doit encore être affiné. L'ACO compte que les deux questions seront réglées pour 2019. Pour plus de précisions, on se reportera à la partie « Suites données aux observations antérieures » du rapport de l'IBAN (pages 3-18 à 3-23 du document cité en référence A).

4. Observation 1 – Inexactitudes dans les registres des actifs : l'IBAN a constaté que l'ACO avait déployé des efforts considérables en 2017 pour établir une liste fiable et exacte des infrastructures et des équipements financés par l'OTAN (autrement dit, un registre des actifs). Ainsi, le Commandement a effectué des vérifications ponctuelles par sondage des actifs de l'OTAN sur le théâtre ainsi que des inspections régulières sur site, et il a chargé une équipe du Commandement allié de forces interarmées de Brunssum (JFCBS) d'aller effectuer sur place des examens des actifs de théâtre. Certaines de ces visites, mais pas toutes, étaient achevées fin 2017, et il restait du travail à accomplir pour faire en sorte que le registre des actifs soit tout à fait fiable, complet et cohérent. L'IBAN a relevé des incohérences et des omissions dans le registre des actifs s'agissant de ceux qui ont été acquis avant 2013 et qui portent sur des infrastructures financées par l'OTAN (NFI) à l'aérodrome de Kandahar (KAF), à l'aéroport international Hamid Karzaï (HKIA) et à Hérat, ainsi que sur des véhicules de la mission Resolute Support. L'IBAN a constaté que 30 actifs du KAF, 9 actifs de l'HKIA ainsi que des actifs essentiels relatifs aux NFI, par exemple des pistes, diverses installations d'aérodrome et des hôpitaux, ne figuraient pas dans les registres des actifs ou n'étaient pas traités de manière cohérente. De plus, l'IBAN a constaté qu'il n'a pas été possible de rapprocher la liste des véhicules de l'ACO sur le théâtre établie par les logisticiens de la mission Resolute Support et les registres des actifs financiers. En raison des omissions et des incohérences évoquées, l'IBAN a constaté que la présentation des actifs acquis avant 2013 était très largement incomplète et inexacte. Les éléments concernés figurent dans le tableau K-B, à la page N-48 des états financiers 2017 de l'ACO.

5. L'ACO a souscrit à la constatation de l'IBAN concernant les actifs relatifs aux NFI. Il a indiqué que les insuffisances relevées étaient dues principalement à l'absence de système informatique intégré, mais il a aussi réaffirmé qu'il était déterminé à continuer de travailler avec tous les sites pour garantir que la comptabilisation des actifs soit conforme au Règlement financier de l'OTAN (NFR), aux règles et procédures financières (FRP) de l'OTAN et aux directives ACO en la matière. En 2018, l'ACO entend poursuivre sur la voie des progrès réalisés en 2017 dans le cadre des efforts concertés qu'il déploie pour établir des registres des actifs acquis avant 2013 et procéder à leur rapprochement, en mettant l'accent, par l'intermédiaire du JFCBS, sur les outils en place pour la mission Resolute Support, l'objectif étant d'assurer la cohérence du compte rendu en formant des agents comptables des biens et en veillant à la bonne application des règles et des règlements en vigueur. Sur le court terme, l'ACO travaille à l'amélioration des outils de gestion des actifs en place afin qu'ils puissent être utilisés à l'appui de l'établissement du compte rendu financier pour l'exercice 2018.

6. Le contrôleur des finances de l'ACO n'a pas pleinement souscrit à la constatation de l'IBAN concernant les véhicules de la mission Resolute Support, notant que certaines erreurs ont été commises au moment de la collecte des données relatives aux véhicules de cette mission. Il a toutefois redit à l'IBAN que les informations voulues étaient disponibles et qu'elles étaient enregistrées dans les outils logistiques actuellement disponibles. Selon l'ACO, les véhicules de la mission Resolute Support acquis avant 2013 sont comptabilisés et gérés conformément au cadre comptable OTAN (NAF), qui prévoit que les organismes OTAN doivent donner le nombre approximatif d'actifs acquis avant 2013 (référence B), et non le nombre exact. L'IBAN a confirmé son constat initial et a réaffirmé que, en vertu du NFR, les organismes OTAN doivent préserver l'actif et doivent établir et tenir des registres comptables complets répertoriant tous les actifs (référence C).

7. Le contrôleur des finances de l'ACO a réaffirmé que les efforts se poursuivront pour rendre compte des actifs, y compris ceux qui concernent les véhicules et les infrastructures de la mission Resolute Support acquis avant 2013, ainsi que le prévoit le NAF, le but ultime étant de faire en sorte qu'une opinion sans réserve soit émise sur les états financiers de l'exercice 2018. Le contrôleur des finances a également noté que la réalisation de cet ambitieux objectif était une responsabilité transversale reposant sur un certain nombre de parties prenantes, de politiques, de processus et de systèmes. L'ACO continuera de suivre les progrès qui seront réalisés dans ce domaine en s'entretenant avec toutes les parties prenantes en vue de l'examen du tout dernier plan d'action du JFCBS et de la mission Resolute Support en novembre 2018.

8. Observation 2 – Inexactitudes dans la présentation des actifs radiés : l'IBAN a constaté que la présentation des radiations relatives à la mission Resolute Support était inexacte. L'ACO a souscrit à la constatation de l'IBAN et, comme pour l'observation 1, il a réaffirmé qu'il déployait d'importants efforts afin de respecter les dispositions relatives à la gestion des actifs en général, et notamment celles qui portent sur l'établissement d'un compte rendu cohérent et exact s'agissant des radiations. La question devrait être réglée en mars 2019.

9. Observation 3 – Approbation des transferts internes dans les dotations reportées : l'IBAN a constaté que huit transferts portant sur un montant supérieur au niveau D de la limite financière établie (LFE) et représentant un montant total de 3 259 584 euros avaient été autorisés par le contrôleur des finances de la Force aéroportée de détection lointaine et de contrôle de l'OTAN (NAEW&CF), mais pas par le Comité des budgets, contrairement à ce que prévoient les FRP (référence D). L'ACO a confirmé que la constatation était exacte, et il entend demander une dérogation à l'article 25.23 des FRP afin d'accroître le pouvoir en matière de transfert s'agissant de la Force NAEW&C. En attendant que la demande de dérogation soit approuvée, l'ACO appliquera les FRP. Il considère que la question est réglée.

10. Observations 4 et 5 – Mémoires d'entente (MOU) et accords techniques : l'IBAN a constaté que les MOU et les accords techniques conclus entre l'ACO et les pays-cadres pour la mission Resolute Support, Mazar-i-Sharif (MES), l'HKIA et Hérat contenaient des incohérences, qu'ils étaient dépassés et incomplets ou qu'ils n'étaient pas appliqués. L'ACO a pris bonne note des observations de l'IBAN et s'emploie à reformuler,

à mettre à jour et à appliquer ses MOU, travail qui devrait être achevé en mars 2019. Il note toutefois que les délais de réalisation dépendent beaucoup du degré de coopération des pays concernés.

11. Observation 6 – Justification incomplète de dérogations à la procédure d'acquisition : l'IBAN a relevé pour la mission Resolute Support sept cas traités par la Division Achats et contrats pour lesquels des dérogations à la procédure d'acquisition ont été autorisées de manière appropriée soit par le contrôleur des finances sur le théâtre soit par le contrôleur des finances du JFCBS, mais pour lesquels les éléments justificatifs fournis étaient insuffisants. Dans cinq de ces cas, il aurait fallu en principe avoir recours à un appel d'offres international ; les dérogations octroyées ont permis de suivre une procédure d'« offres formelles » plus simple, nécessitant seulement cinq offres. Dans les deux autres cas, il aurait fallu en principe suivre une procédure d'acquisition simplifiée ; les dérogations octroyées ont permis la passation de marchés de gré à gré. Selon l'ACO, dans le cadre du stage sur les contrats de services d'urgence qui a lieu deux fois par an à Oberammergau ainsi qu'à l'occasion des conférences et/ou des réunions annuelles portant sur les contrats et achats, il faut aborder la nécessité de fournir des documents exacts et exhaustifs à l'appui des dérogations. L'ACO prévoit que la question sera réglée pour la fin de l'exercice 2018.

12. Observation 7 – Nécessité d'améliorer le processus d'amendement ou de suppression des clauses relatives aux pénalités : l'IBAN a constaté qu'un contrat ne comportait pas de clause de pénalité et qu'on ne disposait pas de pièces justificatives attestant que l'avis d'un conseiller juridique avait été sollicité. L'ACO soutient que le fait que le comité d'adjudication des marchés (CAC) ait donné son accord signifie qu'un conseiller juridique a été consulté parce que, pour les contrats portant sur un tel montant¹, ce comité compte toujours un juriste parmi ses membres. L'ACO reconnaît toutefois que ce cas n'a pas été étayé par des documents appropriés. Le directeur des marchés de l'ACO entend appeler l'attention des chefs des sections Achats et contrats de l'ensemble du Commandement sur cette exigence au travers de la révision prévue de la directive 60-70 (Achats et marchés) des deux commandements stratégiques dès que le Commandement allié Transformation (ACT) aura donné son accord. L'ACO prévoit que la question sera réglée en 2019.

13. Observation 8 – Nécessité d'apporter des améliorations dans les domaines de la gestion des risques et du contrôle interne : l'IBAN a constaté que l'ACO avait continué de progresser dans la mise en œuvre du NFR, en particulier pour ce qui concerne les articles relatifs au contrôle interne, à la gestion des risques et à l'audit interne. L'ACO a diffusé une directive établissant son cadre de contrôle interne, qui s'appuie sur le cadre du COSO (Committee of Sponsoring Organisations of the Treadway Commission), et il a effectué une évaluation de ses activités de gestion des risques. Il a également poursuivi ses efforts pour consigner par écrit les activités de contrôle interne et de gestion des risques, notant que, dans le domaine financier, la détermination des procédures de contrôle interne et de gestion des risques relève du contrôleur des finances du Commandement et que l'objectif est de faire en sorte que les commandements locaux s'approprient les mesures d'assurance des

¹ Le contrat attribué concernait des services TV et radio et portait sur un montant de 1 792 058 euros (y compris une année optionnelle).

risques et de contrôle interne pour leurs domaines respectifs. L'IBAN a noté que, pour le moment, des contrôles internes consignés par écrit sont effectués uniquement pour les processus financiers et qu'ils n'ont pas été étendus à d'autres domaines ou à d'autres divisions, comme les ressources humaines ou la gestion des actifs. Le contrôleur des finances de l'ACO a réaffirmé que c'était un besoin hautement prioritaire, mais que les efforts en ce sens étaient entravés par l'absence de ressources affectées spécifiquement à ces tâches et qu'ils étaient tributaires de la réussite de l'adaptation de la structure de commandement de l'OTAN, et notamment de l'autorisation d'octroi de ressources supplémentaires dans le domaine financier.

EXAMEN DE LA QUESTION

14. Les nombreuses initiatives que l'ACO continue de prendre pour améliorer la gestion des actifs et pour faire en sorte qu'une opinion sans réserve soit formulée sont de nature à rassurer le RPPB. Le RPPB prend bonne note de la révision, en février 2017, de la directive ACO relative à la comptabilisation et au contrôle des biens, qui a contribué à améliorer la gestion et la comptabilisation des actifs. Il prend note aussi de la solution novatrice consistant à envoyer des équipes sur place afin qu'elles effectuent un examen des actifs de théâtre à l'appui de l'exercice de l'obligation de rendre compte s'agissant des biens, après les difficultés rencontrées avec les services du domaine fonctionnel logistique. Le RPPB note aussi que, par rapport à 2016, les conclusions de l'IBAN concernant la gestion des actifs sont beaucoup moins sévères.

15. Alors que l'ACO a souscrit à la majorité des constatations de l'IBAN, le RPPB note que le Commandement n'a souscrit que partiellement à la constatation relative à la présentation des véhicules de la mission Resolute Support acquis avant 2013. Le RPPB rappelle que l'objectif du NAF est de permettre aux organismes OTAN de centrer leurs efforts sur le travail de comptabilisation et de compte rendu concernant les actifs acquis en 2013 et après, par rapport aux actifs acquis avant 2013. Cela étant, les problèmes de gestion des actifs que l'ACO connaît de longue date, en particulier pour la mission Resolute Support, et l'impossibilité pour l'IBAN d'affirmer que des registres comptables complets répertoriant tous les actifs détenus concernant la mission Resolute Support ont été établis sont autant d'arguments qui devraient servir pour réaffirmer qu'il faut encore améliorer la gestion des actifs acquis avant 2013 s'agissant de la mission Resolute Support.

16. Le RPPB a noté que le Comité des budgets avait approuvé la demande de dérogation à l'article 25.23 des FRP que l'ACO lui avait soumise et qui vise à accroître le pouvoir en matière de transfert s'agissant de la Force NAEW&C au moyen de la fixation d'une limite supplémentaire. Ainsi, pour les contrats de maintenance à l'échelon de dépôt (DLM), pour les contrats au titre des FMS et pour les factures relatives aux opérations portant sur le carburant aviation dans le budget Approvisionnement (code budgétaire 162) de la Force NAEW&C, lorsque le besoin final dépasse l'engagement initial, le contrôleur des finances est habilité à compenser la différence, jusqu'à hauteur d'un montant équivalent au niveau E des LFE (800 000 euros) par transaction, en opérant un transfert interne dans la dotation totale reportée (référence G).

17. La diversité des observations de l'IBAN témoigne des difficultés que soulève l'application du NFR, des FRP et du NAF au sein de l'ACO. Le RPPB comprend que l'ACO continuera d'affecter prioritairement ses ressources à la gestion des actifs pour faire en sorte qu'une opinion sans réserve soit formulée sur ses états financiers de 2018.

CONCLUSIONS

18. L'IBAN a émis une opinion avec réserve sur les états financiers 2017 de l'ACO ainsi que sur la conformité. En 2015 et en 2016, les insuffisances constatées dans la gestion des actifs et dans le compte rendu s'y rapportant ont eu des incidences sur l'opinion émise. En 2017, une insuffisance bien précise a donné lieu à la formulation d'une opinion avec réserve, à savoir la présentation inexacte des immobilisations corporelles de la mission Resolute Support acquises avant 2013. La gestion des actifs demeure le principal obstacle à la formulation d'une opinion sans réserve sur les états financiers, même s'il est évident que l'ACO a réalisé d'importants progrès dans ce domaine.

19. Les efforts que l'ACO déploie en continu pour régler toutes les questions soulevées dans le rapport de l'IBAN sont de nature à rassurer le RPPB et témoignent de l'engagement et du dévouement à la tâche de tous les agents concernés dans l'ensemble du Commandement. Cela étant, le RPPB profite de cette occasion pour souligner qu'il est nécessaire de faire en sorte que le renforcement du contrôle interne et de la gestion des risques conformément au NFR incombe au chef d'organisme OTAN et qu'il ne soit pas seulement du ressort des contrôleurs des finances. Il est impératif que l'ACO continue de renforcer son environnement de gestion des risques et de contrôle interne dans toutes ses divisions pour assurer le respect du NFR, des FRP et du NAF.

RECOMMANDATIONS

20. Le RPPB recommande au Conseil :

20.1. de prendre note du rapport de l'IBAN cité en référence A ;

20.2. d'approuver les conclusions figurant aux paragraphes 18 et 19 du présent rapport ;

20.3. d'approuver la communication au public du présent rapport, du rapport de l'IBAN et des états financiers 2017 de l'ACO.



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD
INTERNATIONAL BOARD OF AUDITORS
COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES

NATO UNCLASSIFIED



IBA-A(2018)0085
29 August 2018

To: Secretary General
(Attn: Director of the Private Office)

Cc: Supreme Allied Commander Europe (SACEUR)
Chief of Staff, Allied Command Operations (ACO)
Financial Controller, Allied Command Operations (ACO)
Chairman, Resource Policy & Planning Board (RPPB)
Branch Head, Plans and Policy Branch, NATO Office of Resources (NOR)
Private Office Registry

Subject: *International Board of Auditors for NATO (Board) Auditor's Report and Letter of Observations and Recommendations on the audit of the Allied Command Operations (ACO) Consolidated Financial Statements for the year ended 31 December 2017 – IBA-AR(2018)0009*

The Board submits herewith its approved Auditor's Report (Annex 2) and Letter of Observations and Recommendations (Annex 3) with a Summary Note for distribution to the Council (Annex 1). A draft note by the Secretary General is attached.

The Board's report sets out a qualified opinion on the Financial Statements of the Allied Command Operations (ACO) and on compliance for financial year 2017.

Yours sincerely,

Hervé-Adrien Metzger
Chairman

Attachments: As stated above.

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Note succincte du Collège international des commissaires aux comptes de l'OTAN à l'intention du Conseil sur la vérification des états financiers consolidés du Commandement allié Opérations (ACO) pour l'exercice clos le 31 décembre 2017

Le Collège a vérifié les états financiers consolidés du Commandement allié Opérations (ACO) pour l'exercice clos le 31 décembre 2017. En 2017, les dépenses (engagements plus déboursements effectifs) effectuées par l'ACO sur les budgets relevant du Comité des budgets se sont établies au total à 1,1 milliard d'euros (contre 1,04 milliard d'euros en 2016). En outre, en 2017, l'ACO a déboursé 0,7 million d'euros (MEUR) (contre 0,6 MEUR en 2016) pour des dépenses liées à des projets du programme OTAN d'investissement au service de la sécurité (NSIP).

Le Collège a émis une opinion avec réserve sur les états financiers ainsi que sur la conformité pour l'exercice clos le 31 décembre 2017.

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

On trouvera ci-après un relevé des principales constatations. La première observation a une incidence sur l'opinion émise par le Collège concernant les états financiers ainsi que la conformité.

1. Inexactitudes dans les registres des actifs pour la mission Resolute Support.
2. Inexactitudes dans la présentation des actifs radiés pour la mission Resolute Support.
3. Non-respect du Règlement financier de l'OTAN s'agissant de l'approbation des transferts internes dans les dotations reportées au sein de la Force aéroportée de détection lointaine et de contrôle de l'OTAN.
4. Nécessité de mettre à jour les modalités de financement et les mémorandums d'entente pour cinq services d'aérodrome essentiels dans le cadre de la mission Resolute Support.
5. Non-signature d'arrangements techniques pour l'utilisation des équipements et des infrastructures financés par l'OTAN à l'aéroport international Hamid Karzaï (HKIA), à Mazar-i-Sharif (MES) et à Hérat.
6. Justification incomplète de dérogations à la procédure d'acquisition normale concernant la mission Resolute Support.
7. Nécessité d'améliorer le processus d'amendement ou de suppression des clauses relatives aux pénalités.

8. Nécessité d'apporter des améliorations dans les domaines de la gestion des risques et du contrôle interne.

Le Collège a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors d'audits précédents, et il a constaté que trois questions avaient été réglées, qu'une question avait été partiellement réglée, que cinq questions restaient à régler et que trois questions avaient été rendues caduques par des observations formulées pour 2017.

L'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) ont été transmises à l'ACO, dont les commentaires ont ensuite été intégrés dans la lettre, avec, le cas échéant, la position du Collège à leur sujet (appendice à l'annexe 3).

29 août 2018

**OPINION SUR LES ÉTATS FINANCIERS CONSOLIDÉS
DU COMMANDEMENT ALLIÉ OPÉRATIONS
(ACO)
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2017**

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

Rapport sur les états financiers

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers du Commandement allié Opérations (ACO), composés de l'état de la situation financière de l'ACO au 31 décembre 2017, 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 l'état de l'exécution du budget pour l'exercice clos le 31 décembre 2017.

Responsabilité de la direction

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

Responsabilité du Collège

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

Un audit consiste à appliquer des procédures permettant d'obtenir des éléments probants relatifs aux montants et aux informations figurant dans les états financiers. Les procédures retenues à cette fin sont laissées à l'appréciation de l'auditeur, qui évalue notamment les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur. Pour l'évaluation de ces risques, le système de contrôle interne sur lequel s'appuient l'établissement et la présentation des états financiers de l'entité concernée est pris en considération, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité. 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.

Justification de l'opinion avec réserve émise sur les états financiers

Le Collège n'a pas été en mesure d'obtenir suffisamment d'éléments pour déterminer si toutes les immobilisations corporelles et toutes les immobilisations incorporelles acquises par l'ACO avant 2013 avaient été correctement comptabilisées et présentées dans les états financiers du Commandement. En particulier, l'ACO ne dispose pas d'éléments suffisants pour établir si toutes les immobilisations corporelles acquises avant 2013 s'agissant de la mission Resolute Support ont été correctement comptabilisées et présentées. Le Collège n'a pas été en mesure de déterminer si les chiffres présentés dans les tableaux K-B des notes jointes aux états financiers, qui portent sur les immobilisations corporelles acquises avant 2013 et dont la présentation est obligatoire en vertu du cadre comptable OTAN, donnent une image fidèle de la situation s'agissant de la mission Resolute Support.

Opinion avec réserve sur les états financiers

L'opinion du Collège est que, à l'exception des effets possibles des questions mentionnées au paragraphe précédent, les états financiers donnent, à tous égards significatifs, une image fidèle, conforme au cadre comptable de l'OTAN, de la situation financière de l'ACO au 31 décembre 2017, 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.

Justification de l'opinion avec réserve émise sur la conformité

Le Collège n'a pas obtenu suffisamment d'éléments pour établir avec certitude que des registres comptables complets répertorient tous les biens acquis par l'ACO ont été établis et tenus comme le requiert l'article 12 du Règlement financier de l'OTAN. En particulier, en raison des insuffisances dans la gestion des actifs de la mission Resolute Support, l'ACO n'a pas été en mesure de disposer, pour l'exercice clos le 31 décembre 2017, de registres exacts des biens concernant cette mission.

Opinion avec réserve sur la conformité

L'opinion du Collège est que, à l'exception des effets possibles des questions mentionnées au paragraphe précédent, 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 29 août 2018



Hervé-Adrien Metzger
Président

29 août 2018

**LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
CONCERNANT LE COMMANDEMENT ALLIÉ OPÉRATIONS (ACO)
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2017**

Introduction

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers consolidés du Commandement allié Opérations (ACO) pour l'exercice clos le 31 décembre 2017 et a émis une opinion avec réserve à leur sujet ainsi que sur la conformité.

Observations et recommandations

Au cours de l'audit, le Collège a formulé huit observations assorties de recommandations.

La première de ces observations a une incidence sur l'opinion émise par le Collège concernant les états financiers ainsi que la conformité :

1. Inexactitudes dans les registres des actifs pour la mission Resolute Support

Les sept autres observations n'ont pas d'incidence sur l'opinion :

2. Inexactitudes dans la présentation des actifs radiés pour la mission Resolute Support
3. Non-respect du Règlement financier de l'OTAN s'agissant de l'approbation des transferts internes dans les dotations reportées au sein de la Force aéroportée de détection lointaine et de contrôle de l'OTAN
4. Nécessité de mettre à jour les modalités de financement et les mémorandums d'entente pour cinq services d'aérodrome essentiels dans le cadre de la mission Resolute Support
5. Non-signature d'arrangements techniques pour l'utilisation des équipements et des infrastructures financés par l'OTAN à l'aéroport international Hamid Karzaï (HKIA), à Mazar-i-Sharif (MES) et à Hérat.
6. Justification incomplète de dérogations à la procédure d'acquisition normale concernant la mission Resolute Support.
7. Nécessité d'améliorer le processus d'amendement ou de suppression des clauses relatives aux pénalités
8. Nécessité d'apporter des améliorations dans les domaines de la gestion des risques et du contrôle interne

Le Collège a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors d'audits précédents, et il a constaté que trois questions avaient été réglées, qu'une question avait été partiellement réglée, que cinq questions restaient à

régler et que trois questions avaient été rendues caduques par des observations formulées pour 2017.

Par ailleurs, le Collège a adressé au chef d'état-major de l'ACO une lettre (IBA-AML(2018)0006) contenant quatorze observations nécessitant l'attention de la direction.

La lettre d'observations et de recommandations a été soumise à l'ACO dont les commentaires officiels ont été intégrés dans la lettre avec, le cas échéant, la position du Collège à leur sujet (appendice à l'annexe 3).

OBSERVATIONS ET RECOMMANDATIONS**1. INEXACTITUDES DANS LES REGISTRES DES ACTIFS POUR LA MISSION RESOLUTE SUPPORT****Contexte**

1.1 En vertu du Règlement financier de l'OTAN (NFR), les chefs d'organisme OTAN sont chargés d'assurer à tout moment une saine gestion financière et de mettre en place les mécanismes de gouvernance nécessaires à cet effet, tout en respectant leur obligation de rendre compte. Dans ce contexte, ils veillent notamment à mettre en place des contrôles internes pour assurer la préservation des actifs, l'exactitude et la fiabilité des données comptables et la conformité avec les procédures établies. En outre, le contrôleur des finances doit veiller à établir et à tenir des registres comptables complets répertoriant tous les actifs et passifs.

1.2 Il incombe globalement et en dernier ressort aux commandants de l'ACO de préserver les actifs financés sur des fonds communs ou contrôlés par les commandements, et de veiller à ce qu'ils soient utilisés de manière efficace et efficiente. S'agissant des actifs de théâtre, la Commission des besoins pour la gestion des crises (CMRB) a décidé en 2014, en s'appuyant sur les orientations données par le Grand Quartier général des Puissances alliées en Europe (SHAPE), que la chaîne de commandement de l'OTAN resterait responsable du compte rendu financier pour l'ensemble des équipements et des infrastructures financés par l'Organisation jusqu'à la fin de la mission Resolute Support. Les personnels clés doivent donc avoir une connaissance approfondie des systèmes logistiques et comptables de l'OTAN. Il faut en outre une approche cohérente et globale de la gestion des actifs de l'Organisation sur le terrain.

Observation

a) Caractère incomplet, au 31 décembre 2017, du registre des actifs s'agissant des infrastructures financées par l'OTAN

1.3 Le Collège a constaté que l'ACO avait déployé des efforts considérables en 2017 pour établir un registre fiable et exact des actifs s'agissant des infrastructures financées par l'OTAN (NFI) pour la mission Resolute Support. Des procédures sont maintenant en place, qui prévoient des inspections régulières et des vérifications ponctuelles par sondage des actifs de l'OTAN dans chaque site sur le théâtre. L'accent est mis davantage sur la nécessité d'une gestion efficace des actifs. De plus, une équipe composée d'agents du Commandement allié de forces interarmées de Brunssum (JFCBS) a effectué une revue sur le théâtre (dans certains sites) afin de mettre à jour et de vérifier la liste des bâtiments et des autres infrastructures qui a été établie par les ingénieurs. Après les visites, de nouvelles listes des NFI pour le Quartier général (QG) de la mission Resolute Support, pour l'aéroport international Hamid Karzaï (HKIA) et pour l'aérodrome de

Kandahar (KAF) ont été utilisées pour reconstituer, à des fins de compte rendu financier, le registre des actifs acquis avant 2013. Les listes relatives à deux autres sites de l'OTAN, à savoir Hérat et Mazar-i-Sharif (MES), n'avaient toujours pas été validées par les services financiers fin 2017.

1.4 Bien que des progrès considérables aient été réalisés en 2017, le Collège a constaté que certains actifs pourtant inscrits dans les listes établies par les ingénieurs n'étaient pas comptabilisés dans le registre des actifs utilisé pour l'établissement du compte rendu financier. Plus précisément, 30 actifs concernant le KAF et 9 actifs concernant le HKIA n'étaient pas comptabilisés.

1.5 En outre, le Collège a constaté que certains actifs clés relatifs aux NFI, par exemple des pistes ainsi que diverses installations d'aérodrome et des hôpitaux, ne figuraient pas dans les registres des actifs. Par ailleurs, l'OTAN a financé l'hôpital de rôle 2 implanté à Hérat, mais celui-ci n'a pas été inscrit dans le registre des actifs alors que d'autres hôpitaux financés par l'OTAN (au HKIA et au KAF) figurent dans les registres des actifs.

1.6 Pour ce qui concerne les pistes et diverses installations d'aérodrome, sauf indication contraire, on s'attend à ce qu'une même approche soit suivie pour les quatre aérodromes (KAF, HKIA, Hérat et MES) qui peuvent bénéficier des cinq services d'aérodrome essentiels. Il faut inscrire dans les registres des actifs, pour l'ensemble des sites, les mêmes actifs d'infrastructure essentiels. Le Collège a constaté par exemple que les pistes figuraient dans les registres des actifs pour certains des sites mais pas pour les autres.

1.7 En raison de ce qui précède, la présentation des actifs d'infrastructure acquis avant 2013 est très largement incomplète dans les états financiers consolidés de l'ACO.

b) Inexactitudes dans la comptabilisation d'équipements de transport dans les registres des actifs au 31 décembre 2017

1.8 Le Collège a reçu la liste des véhicules présents sur le théâtre qui a été établie par les logiciens et arrêtée au mois d'avril 2018. Il a relevé des différences considérables entre cette liste et les registres des actifs financiers. Les registres des actifs financiers (acquis avant et après 2013) comprennent 799 véhicules (ce qui ne tient pas compte du fait que certains véhicules sont classés dans la catégorie des machines), alors que la liste des véhicules établie par les logisticiens (qui tient compte des véhicules classés dans la catégorie des machines) fait état de 666 véhicules (y compris les ajouts effectués en 2018). Bien que les listes comportent différentes catégories, il n'a pas été possible d'effectuer un rapprochement des éléments qu'elles contenaient.

1.9 Les logisticiens ont confirmé que le travail de mise à jour des registres de tous les équipements de transport se poursuivait sur le théâtre. Dans le même temps, une étude de la flotte est menée par la mission Resolute Support et par le JFCBS en

concertation avec le SHAPE. Les logisticiens du SHAPE ont par ailleurs confirmé que les listes actuelles d'équipements de transport pour la mission Resolute Support n'étaient pas tout à fait à jour ni tout à fait exactes.

1.10 En raison de ce qui précède, le Collège estime qu'il y a une incertitude significative quant à la question de savoir si tous les véhicules appartenant à l'OTAN ont été correctement comptabilisés au 31 décembre 2017. Par ailleurs, les registres des actifs financiers contiennent des véhicules non enregistrés par les logisticiens. Cela a une incidence sur l'exactitude des données présentées dans les états financiers consolidés de l'ACO pour les actifs acquis avant et après 2013.

Recommandations

1.11 Le Collège recommande à l'ACO de diffuser les instructions d'exploitation nécessaires pour faire en sorte que des registres des actifs pleinement fiables et à jour soient établis, et notamment d'y donner des instructions claires afin qu'une approche cohérente soit suivie dans les différents sites de la mission Resolute Support pour l'enregistrement comptable des actifs (par exemple les hôpitaux, les pistes et diverses installations d'aérodrome) dans les registres des actifs. En outre, les registres des actifs financiers devraient être pleinement justifiés et rapprochés des registres des stocks et des registres des infrastructures tenus par les ingénieurs et les logisticiens.

2. INEXACTITUDES DANS LA PRÉSENTATION DES ACTIFS RADIÉS POUR LA MISSION RESOLUTE SUPPORT

Contexte

2.1 Le Règlement financier de l'OTAN (NFR), les règles et procédures financières (FRP) et la directive 060-80 de l'ACO, relative à la comptabilisation et au contrôle des biens, définissent les procédures à suivre pour la préparation et l'approbation des radiations d'actifs et pour le compte rendu s'y rapportant.

2.2 Selon l'article XVII des FRP, des informations sur les radiations doivent être présentées sous la forme d'un état global dans les états financiers.

Observation

2.3 Le Collège a constaté que, dans le tableau I-1 des états financiers, le montant indiqué pour les radiations d'immobilisations corporelles de la mission Resolute Support n'était pas correct.

2.4 Il ressort du tableau I-1 que 185 actifs en tout ont été radiés en 2017. Le Collège a toutefois constaté que les articles des immobilisations corporelles inscrits dans les procès-verbaux de vérification (ROS) établis en 2016 mais approuvés début 2017 n'avaient pas été pris en compte dans le tableau I-1 des états financiers de 2016 ni dans

les états financiers de 2017. Il a recensé au moins 50 articles manquants qui n'étaient pas présentés correctement, mais il n'a pas été en mesure d'évaluer le nombre total réel d'articles concernés.

2.5 Le Collège a par ailleurs constaté que des radiations d'actifs entamées en 2017 et approuvées en 2018 étaient présentées comme des radiations d'actifs dans les états financiers 2017 consolidés de l'ACO. Ce n'est pas cohérent avec l'approche que d'autres quartiers généraux de l'ACO suivent pour rendre compte des radiations.

Recommandation

2.6 Le Collège recommande à l'ACO d'établir des procédures garantissant la présentation exhaustive, dans les états financiers, de toutes les radiations qui ont été effectuées et qui ont été dûment autorisées au cours de l'exercice concerné, et de veiller à ce que les données présentées soient rapprochées des données figurant dans les registres détaillés des immobilisations corporelles et des données contenues dans les procès-verbaux de vérification.

3. NON-RESPECT DU RÈGLEMENT FINANCIER DE L'OTAN S'AGISSANT DE L'APPROBATION DES TRANSFERTS INTERNES DANS LES DOTATIONS REPORTÉES AU SEIN DE LA FORCE AÉROPORTÉE DE DÉTECTION LOINTAINE ET DE CONTRÔLE DE L'OTAN

Contexte

3.1 Selon le NFR, une autorisation engagée et reportée ne peut être utilisée qu'aux fins auxquelles elle était destinée au départ et pour lesquelles une obligation juridique a été contractée. Selon l'article 25.7 du NFR, si le besoin final est légèrement supérieur à l'engagement initial, le contrôleur des finances est autorisé à faire preuve de souplesse, lorsque c'est possible, pour déduire la différence du total des autorisations reportées. De telles opérations sont effectuées en toute transparence.

3.2 L'article 25.23 des FRP stipule que, lorsque le besoin final dépasse l'engagement initial, le contrôleur des finances est habilité à compenser la différence, jusqu'à hauteur d'un montant équivalent au niveau D des LFE (160 000 EUR) par transaction, en opérant un transfert interne dans la dotation totale reportée. Les transferts supérieurs à ce montant doivent être approuvés par le Comité des budgets.

Observation

3.3 En cours d'exercice, la Force NAEW&C effectue des transferts budgétaires entre des projets et des lignes budgétaires gérés par la NSPA sur la base de demandes de modification des crédits soumises par des gestionnaires de fonds et par la NSPA. En outre, des transferts internes dans les dotations reportées sont effectués régulièrement entre projets en raison de la nature des projets pluriannuels.

3.4 Par exemple, pour un projet portant sur une activité de maintenance à l'échelon dépôt (DLM) relative à un aéronef, une somme de 407 163 EUR a été ajoutée le 6 juillet 2017 dans la ligne budgétaire des reports de 2016 suite au transfert de crédits excédentaires provenant d'autres projets. Ce transfert, d'un montant supérieur à celui pour lequel des pouvoirs ont été délégués au contrôleur des finances, n'a pas été approuvé par le Comité des budgets, alors que les FRP stipulent que l'accord de ce comité est nécessaire.

3.5 Le Collège a constaté que huit transferts effectués en 2017 et portant chacun sur un montant supérieur au niveau D des LFE ont été autorisés par le contrôleur des finances de la Force NAEW&C, mais n'ont pas été approuvés par le Comité des budgets. En tout, ces huit transferts représentaient un montant de 3 259 584 EUR.

Recommandation

3.6 Le Collège recommande à la Force NAEW&C de solliciter l'autorisation du Comité des budgets pour les transferts d'un montant supérieur à celui pour lequel le contrôleur des finances s'est vu déléguer des pouvoirs. Le caractère significatif, du point de vue qualitatif, de ce type de cas de non-conformité est susceptible de donner lieu à la formulation d'une réserve pour les états financiers à l'avenir.

4. NÉCESSITÉ DE METTRE À JOUR LES MODALITÉS DE FINANCEMENT ET LES MÉMORANDUMS D'ENTENTE POUR CINQ SERVICES D'AÉRODROME ESSENTIELS DANS LE CADRE DE LA MISSION RESOLUTE SUPPORT

Contexte

4.1 Le financement de la mission Resolute Support repose principalement sur le principe d'imputation des dépenses à leur auteur. Les pays doivent donc prendre en charge tous les coûts liés à leur participation.

4.2 Les modalités de financement de la mission Resolute Support, prévoient que, à titre exceptionnel et provisoire, les services d'aérodrome essentiels pour le secteur militaire dans quatre aéroports sont admissibles au financement commun. Il s'agit des services de contrôle de la circulation aérienne, des services de sauvetage et de lutte contre le feu en cas d'accident, des services du Bureau Gestion de la sécurité, des services météorologiques et des services de communication, de navigation et de surveillance, à condition que ces services soient en rapport avec les besoins militaires minimums (MMR).

4.3 Des mémorandums d'entente (MOU) ont été signés en 2015 et en 2016 entre le SHAPE et les quatre pays-cadres. L'annexe B des MOU présente la répartition entre les cinq services d'aérodrome admissibles au financement commun. Selon les MOU, seuls

les coûts liés aux services d'aérodrome essentiels spécifiés dans l'annexe B sont remboursables par l'OTAN.

4.4 Le Collège croit savoir que l'annexe B est différente pour chacun des MOU, étant donné que les besoins qui y sont définis sont uniquement les besoins à couvrir pour répondre aux MMR à l'appui de la mission Resolute Support dans différents sites.

Observation

4.5 Au cours de sa mission d'audit, le Collège a constaté que, pour le remboursement des cinq services d'aérodrome essentiels, les règles n'étaient pas toujours claires et n'étaient pas toujours en phase avec la situation sur le théâtre. Par exemple, l'annexe B des MOU signés entre le SHAPE et les pays-cadres ne donne pas vraiment une description à jour et cohérente des services admissibles au remboursement. Ainsi, le Collège a relevé des cas où des coûts ont été remboursés dans le cadre des cinq services d'aérodrome essentiels (par exemple pour des réparations dans des logements, la réparation de pistes et le carburant), alors que ces services n'étaient pas mentionnés spécifiquement dans l'annexe B des MOU correspondants.

4.6 Par ailleurs, les modalités de financement pour la mission Resolute Support ont été établies en 2014, sur la base des informations disponibles à l'époque et du principe selon lequel les dispositions relatives aux services d'aérodrome essentiels pour le secteur militaire faisaient exception aux principes fixés dans les modalités de financement et avaient un caractère provisoire. Cette mesure provisoire a pris un caractère permanent et, de 2014 à 2018, elle a absorbé une partie significative du budget annuel de la mission Resolute Support ; par ailleurs, il n'est pas prévu de transférer dans un avenir proche les responsabilités au gouvernement de la République islamique d'Afghanistan. Pour ces raisons, la formulation des modalités de financement n'est pas pleinement adaptée à la situation actuelle.

4.7 De plus, il y a un manque de cohérence entre les modalités de financement et les MOU. Les modalités de financement prévoient expressément que le financement de certains services est une responsabilité nationale. Toutefois, les MOU signés avec les pays-cadres pour MES et l'HKIA couvrent ces services en tant que services remboursables.

4.8 Par ailleurs, le Collège a constaté que le MOU concernant Hérat n'avait toujours pas été actualisé. Il ne reflète pas la situation actuelle, qui se caractérise par le fait que les services sont fournis par l'intermédiaire de l'Agence OTAN de soutien et d'acquisition (NSPA) (depuis mai 2016), et non plus par l'intermédiaire des pays. Le MOU (principalement son annexe B) n'étant pas mis à jour, on ne sait pas exactement quels sont, pour chacun des cinq services d'aérodrome, les types de coûts qui sont admissibles au financement commun et quels sont les services nécessaires pour répondre aux MMR ; de ce fait, lorsque des demandes de remboursement de coûts sont soumises, le JFCBS

prend une décision après avoir examiné ces demandes avec le pays-cadre concerné et avec la NSPA.

Recommandations

4.9 Le Collège recommande que le SHAPE, en concertation avec le JFCBS, prenne les mesures nécessaires :

- a) pour mettre à jour et harmoniser les annexes des MOU et pour demander aux pays de mettre à jour les modalités de financement concernant la mission Resolute Support afin qu'elles reflètent mieux la situation actuelle et de spécifier les dépenses admissibles s'agissant des cinq services d'aérodrome essentiels ;
- b) pour envisager d'accorder expressément au JFCBS une certaine marge de manœuvre pour décider de l'admissibilité des demandes soumises par les pays-cadres pour des services qui ne sont pas inscrits spécifiquement dans les annexes des MOU mais qui pourraient avoir un lien avec la fourniture des cinq services d'aérodrome essentiels ;
- c) pour mettre à jour immédiatement le MOU concernant Hérat et faire ainsi en sorte qu'un accord écrit sur les coûts admissibles au financement commun soit mis en place.

5. NON-SIGNATURE D'ARRANGEMENTS TECHNIQUES POUR L'UTILISATION DES ÉQUIPEMENTS ET DES INFRASTRUCTURES FINANCÉS PAR L'OTAN À L'AÉROPORT INTERNATIONAL HAMID KARZAÏ (HKIA), À MAZAR-I-SHARIF (MES) ET À HÉRAT

Contexte

5.1 En vertu des MOU établis entre le SHAPE et les pays-cadres pour la fourniture de cinq services d'aérodrome essentiels, les procédures à suivre et les obligations à respecter pour l'utilisation d'équipements et d'infrastructures financés par l'OTAN ainsi que pour le compte rendu s'y rapportant doivent être conformes aux arrangements techniques signés entre l'OTAN et chacun des pays-cadres.

Observation

5.2 Il n'y a pas encore eu de signature avec le pays-cadre chargé de l'HKIA d'un arrangement technique pour l'utilisation d'équipements et d'infrastructures financés par l'OTAN, alors que ce pays assume les responsabilités relatives à l'HKIA depuis le 1^{er} janvier 2015. Le JFCBS a rédigé un arrangement technique, mais celui-ci n'a pas été signé par le pays-cadre. L'absence d'accord signé pour l'utilisation d'actifs de l'OTAN

génère un certain nombre de risques s'agissant des rôles et des responsabilités en matière de gestion des actifs de l'OTAN.

5.3 Le Collège a constaté par ailleurs qu'aucun arrangement technique n'avait été signé avec les pays-cadres à Mazar-i-Sharif et à Hérat. Bien que le nombre d'équipements et d'infrastructures financés par l'OTAN soit limité dans ces sites, le Collège estime qu'il est important de signer officiellement des accords afin que les rôles et les responsabilités soient clairement définis s'agissant de l'utilisation et de la maintenance d'actifs financés par l'OTAN.

Recommandation

5.4 Le Collège recommande à l'ACO de faire en sorte que des arrangements techniques relatifs à l'utilisation d'actifs de l'OTAN soient signés avec chaque pays dès que possible, le but étant de garantir le respect de l'obligation de rendre compte grâce à une répartition claire des rôles et des responsabilités.

6. JUSTIFICATION INCOMPLÈTE DE DÉROGATIONS À LA PROCÉDURE D'ACQUISITION NORMALE CONCERNANT LA MISSION RESOLUTE SUPPORT

Contexte

6.1 En vertu du NFR, le contrôleur des finances fait en sorte que les principes d'acquisition et de passation de marchés soient respectés et qu'ils cadrent avec les principes de saine gestion financière.

6.2 Les demandes de dérogation aux méthodes normales d'acquisition doivent être pleinement justifiées, et il faut conserver dans le dossier relatif au marché concerné les pièces justificatives. Des dérogations peuvent être octroyées pour des raisons de sécurité, d'urgence opérationnelle, de normalisation ou pour d'autres raisons pratiques. Les demandes de dérogation doivent être fondées sur l'incapacité pour les QG de l'ACO de respecter raisonnablement les critères de mise en concurrence. Par ailleurs, l'urgence née d'une absence de décision en temps utile ne constitue pas un motif suffisant pour ne pas respecter les exigences eu égard au nombre minimum de fournisseurs et pour ne pas mettre en concurrence un maximum de fournisseurs admissibles. De plus, des considérations éthiques supérieures doivent prévaloir en cas de dérogation, le but étant d'éviter de donner l'impression d'agir en dehors de toute mise en concurrence.

Observation

6.3 Le Collège a examiné 11 marchés attribués en 2017 par la division Achats et contrats dans le cadre de la mission Resolute Support. Sept de ces marchés ont été attribués sur la base d'une dérogation à la procédure normale d'acquisition. Les marchés

ainsi attribués portaient sur des montants se situant dans une fourchette allant de 120 000 EUR à 2 000 000 EUR.

6.4 Pour cinq de ces sept marchés, si une dérogation n'avait pas été octroyée, il aurait fallu avoir recours à un appel d'offres international. La dérogation a permis de suivre une procédure d'« offres formelles » plus simple, nécessitant seulement cinq offres. Pour les deux marchés restants, une procédure d'acquisition simplifiée (nécessitant trois à cinq offres, en fonction des montants concernés) aurait dû être suivie, mais il était demandé dans les dérogations que le marché soit passé de gré à gré.

6.5 Pour les sept dérogations octroyées, le Collège a constaté que les raisons invoquées pour déroger à la procédure normale d'acquisition n'étaient pas dûment justifiées. Les raisons invoquées à l'appui des demandes de dérogation étaient les suivantes :

- dans cinq cas, la durée estimée d'une procédure d'appel d'offres international ; il est indiqué dans les demandes de dérogation qu'un appel d'offres international prendrait trop de temps, ce qui aurait un impact négatif sur le début de la fourniture des services visés ; l'impact négatif invoqué n'était pas étayé par des documents ni justifié ; il n'y avait pas non plus d'autres pièces justificatives écrites à l'appui des demandes de dérogation s'inscrivant dans le cadre de la réglementation relative aux acquisitions ;
- dans les deux autres cas, l'urgence opérationnelle ; le seul élément justificatif fourni était le fait que la demande émanait d'un officier de haut rang.

6.6 Le Collège estime que les raisons susmentionnées ne sont pas des motifs valables pour justifier une dérogation. L'urgence née d'une absence de décision en temps utile ne constitue pas un motif suffisant pour ne pas respecter les exigences eu égard au nombre minimum de fournisseurs et pour ne pas mettre en concurrence un maximum de fournisseurs admissibles. En outre, l'urgence opérationnelle doit être dûment expliquée et justifiée.

Recommandation

6.7 Le Collège recommande que le JFCBS, en concertation avec le QG de la mission Resolute Support, fasse en sorte que les dérogations à la procédure normale d'acquisition soient dûment justifiées et consignées par écrit conformément aux règles en vigueur.

7. NÉCESSITÉ D'AMÉLIORER LE PROCESSUS D'AMENDEMENT OU DE SUPPRESSION DES CLAUSES RELATIVES AUX PÉNALITÉS

Contexte

7.1 Selon l'article 32 du NFR, l'acquisition des biens et services se fait d'une manière transparente et équitable sur la base du principe de non-discrimination et d'équité, en vertu duquel les fournisseurs admissibles se voient donner les mêmes chances et réserver le même traitement.

7.2 L'établissement de clauses et de conditions claires et bien formulées réduit au minimum le risque pour ce qui est des responsabilités et des litiges et aide à faire respecter les dispositions contractuelles. Les clauses relatives aux pénalités ont généralement pour but de fixer le montant de la pénalité à verser en cas de non-exécution des prestations et ainsi d'encourager l'exécution du contrat. En outre, par principe, il faudrait que les conditions générales types ne soient pas modifiées, sauf dans des cas exceptionnels qui devront être expressément approuvés.

Observation

7.3 Un marché pour la fourniture de services de télévision et de radio destinés au Groupe interarmées multinational pour les opérations psychologiques (CJPOTF) dans le cadre de la mission Resolute Support a été attribué par le comité d'adjudication des marchés (CAC) en mars 2017 ; il portait sur un montant de 1 792 058 EUR (année optionnelle comprise). Il s'agissait d'un marché de gré à gré, passé sur la base d'une dérogation approuvée par le Comité des budgets.

7.4 Le Collège a constaté que, au cours de la négociation du contrat, la clause relative aux pénalités qui figurait au paragraphe 48 (« Dommages et intérêts fixés contractuellement ») des conditions générales a été supprimée à la demande du contractant. Les amendements aux conditions générales sont présentés dans la « Clause particulière ».

7.5 Les amendements apportés aux clauses du contrat ont été approuvés par le CAC sur le théâtre, mais le Collège n'a trouvé aucun élément probant indiquant que la Division Achats et contrats du JFCBS ou du SHAPE avait été consultée avant la signature du contrat.

7.6 Le Collège estime qu'en supprimant les clauses types relatives aux pénalités, les responsables de la mission Resolute Support prennent un certain nombre de risques et laissent l'OTAN sans protection dans les cas où les prestations des contractants ne seraient pas conformes aux dispositions contractuelles. De plus, une telle décision non étayée risque de susciter la méfiance et de nuire à la réputation de l'OTAN.

Recommandation

7.7 Le Collège recommande au SHAPE d'établir des orientations et des procédures claires pour l'approbation d'amendements aux conditions générales types définies dans les contrats. Les raisons invoquées à l'appui des demandes de modification ou d'amendement de clauses types doivent être consignées par écrit de manière explicite et claire et doivent être dûment approuvées par la Division Achats et contrats du JFCBS ou du SHAPE.

8. NÉCESSITÉ D'APPORTER DES AMÉLIORATIONS DANS LES DOMAINES DE LA GESTION DES RISQUES ET DU CONTRÔLE INTERNE**Contexte**

8.1 Aux termes de l'article 11 du NFR, les chefs d'organisme OTAN veillent à ce que la réalisation des objectifs fixés par les pays puisse s'appuyer sur des procédures de gestion des risques conformes aux exigences d'efficacité, d'efficience et d'économie. Les risques qui pèsent sur la réalisation de ces objectifs doivent être déterminés, évalués et atténués.

8.2 Selon l'article XI des FRP, le contrôleur des finances rend compte de la gestion des risques financiers, fixe les normes en la matière et prévoit un cadre approprié de contrôle interne, qui est revu par le responsable contrôle interne.

8.3 Aux termes de l'article 12 du NFR, les chefs d'organisme OTAN veillent à ce que les fonctions de gestion interne nécessaires soient en place pour assurer un contrôle interne efficace. Cet article stipule aussi que les activités de contrôle interne portent notamment sur un examen et une évaluation périodiques des risques et du bon fonctionnement du système de contrôle interne. Afin qu'il soit satisfait aux critères souhaités de contrôle interne, le contrôleur des finances veille à établir un système de contrôle financier et budgétaire interne couvrant tous les aspects de la gestion financière.

Observation

8.4 Le Collège a constaté que l'ACO continuait de progresser s'agissant de se conformer pleinement aux dispositions de la nouvelle version du NFR et des FRP.

Gestion des risques

La gestion des risques aux niveaux stratégique et opérationnel à l'ACO a commencé à être mise en place en 2012, et elle a évolué depuis. Le cadre ACO de gestion des risques vient en complément du plan ACO de gestion stratégique (ASMP) pour 2017-2021, qui est mis à jour chaque année. L'ACO aligne ses activités de gestion des risques sur ses buts et ses objectifs stratégiques. L'ASMP prévoit aussi un processus pour la mesure de

la performance et la détermination des rôles et des responsabilités au sein de ce processus. Chaque commandement est chargé de mettre en œuvre, à son niveau, ses propres processus de gestion des risques, et de les aligner sur le cadre ACO. Il existe un registre des risques centralisé, qui est tenu à jour par le SHAPE.

8.6 La Force NAEW&C et la Force OTAN de la capacité alliée de surveillance terrestre (NAGSF) ne font pas partie du cadre ACO de gestion des risques stratégiques, même si le Collège a constaté que la Force NAEW&C a commencé à rendre compte des risques dans le registre des risques centralisé de l'ACO. La Force NAEW&C met actuellement au point son propre cadre de gestion des risques, en réponse à une instruction donnée par son commandant. Des progrès ont été réalisés en 2017, mais il n'existe pas encore de registre des risques complet et global. La NAGSF est en train de se mettre en place et de prendre les mesures nécessaires pour atteindre sa capacité opérationnelle initiale (IOC) ; la gestion des risques n'y a donc pas encore été mise en œuvre. Dans le cadre de la mise en place de la Force et de la préparation du système allié de surveillance terrestre, un certain nombre de risques doivent toutefois être gérés correctement. Aucun registre des risques n'a été établi à ce stade, mais le Collège croit savoir que des réunions portant sur l'examen des questions en cours ont lieu toutes les semaines avec le commandant par intérim.

8.7 Pour ce qui concerne la gestion des risques financiers, le contrôleur des finances de l'ACO a diffusé des orientations spécifiques qui sont sur le point d'être mises en œuvre. Les principaux processus dans les domaines de la budgétisation, des acquisitions, des finances et de la comptabilité ont été définis. Pour chacun de ces processus, les objectifs, les risques et les contrôles internes nécessaires sont en train d'être définis, répertoriés et consignés par écrit suivant une procédure normalisée établie par le contrôleur des finances de l'ACO. Lorsque ce travail sera achevé, le contrôleur des finances de l'ACO disposera d'un registre des risques global, qui recensera tous les risques dans les domaines de la budgétisation, des acquisitions et des finances.

Contrôles internes

8.8 Certains progrès ont été réalisés pour ce qui est de l'exécution des activités de contrôle interne au sein de l'ACO. La directive ACO 80-108, qui établit le cadre ACO de contrôle interne, a été diffusée le 22 août 2017. Elle s'applique à l'ACO et à ses commandements subordonnés, qui sont par ailleurs tenus d'établir leurs propres directives en la matière. Le cadre ACO de contrôle interne est fondé sur le cadre de contrôle interne du COSO (Committee of Sponsoring Organisations of the Treadway Commission).

8.9 L'important travail d'évaluation et de consignation par écrit des diverses procédures de contrôle interne et de gestion des risques entamé en 2016 est toujours en cours. Un cadre de contrôle interne portant spécifiquement sur les activités d'acquisition a été établi. Les contrôles internes relatifs aux activités d'acquisition ont été analysés et répertoriés sur la base d'une auto-évaluation effectuée par le contrôleur des finances et

le chef de la Section Achats et contrats à l'échelle locale, et ils ont ensuite fait l'objet d'un examen au niveau de l'ACO. Un travail d'évaluation et de consignation par écrit des contrôles internes est aussi en cours pour d'autres fonctionnalités majeures placées sous la responsabilité du contrôleur des finances de l'ACO.

8.10 Le Collège note que, pour l'heure, des contrôles internes consignés par écrit sont effectués uniquement pour le processus financier et n'ont pas été étendus à d'autres domaines ou à d'autres divisions, comme les Ressources humaines ou la gestion des actifs.

8.11 La consignation par écrit des diverses procédures de contrôle interne et de gestion des risques est indispensable pour montrer clairement à tous qu'un système complet de contrôle interne et de gestion des risques est en place.

Audit interne

8.12 En 2017, le service d'audit interne de l'ACO a effectué une mission de conseil qui a porté sur les activités de gestion des risques à l'ACO et qui avait été approuvée par la commission consultative sur l'audit. Il a notamment tiré comme conclusion de ce travail qu'il existait plusieurs programmes de gestion des risques dans les QG de l'ACO, mais qu'il y avait des différences considérables en termes de degré de maturité de ces programmes, en partie en raison des insuffisances dans les orientations centrales.

8.13 Le Collège a constaté que le service d'audit interne de l'ACO n'avait pas encore pleinement évalué, dans l'ensemble de l'organisme, l'exposition aux risques et l'efficacité des contrôles internes pour ce qui est de la gestion des risques inhérents à la gouvernance, à l'exploitation et aux systèmes d'information, alors qu'il s'agit d'une exigence de l'article 13. Cela tient en partie au fait que l'ACO, comme indiqué plus haut, n'a pas encore pleinement consigné par écrit ses procédures de contrôle interne et de gestion des risques.

Recommandations

8.14 Le Collège formule les recommandations suivantes :

- a) l'ACO devrait finaliser au plus vite le travail d'évaluation et de consignation par écrit des procédures de contrôle interne et de gestion des risques afin de se conformer à son cadre de contrôle interne ;
- b) une fois qu'une suite aura été donnée à la recommandation formulée au point a), le service d'audit interne de l'ACO devrait évaluer pleinement le contrôle interne et la gestion des risques dans l'ensemble de l'organisme, et il devrait veiller à ce que ce travail soit clairement documenté, de manière à ce que l'on puisse aboutir à la conclusion que l'ACO respecte le cadre choisi ;

- c) l'ACO, en tant qu'entité consolidante, devrait se mettre en contact avec la Force NAEW&C et avec la NAGSF pour faire en sorte que des procédures de gestion des risques stratégiques soient mises en œuvre au sein de ces deux forces, que les risques soient repérés et qu'il y soit remédié de manière appropriée.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

Le Collège a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits. Ces observations sont résumées ci-après, avec un point de la situation.

(1)

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
(1) ACO – EXERCICE FINANCIER 2016 IBA-AR(2017)08, paragraphe 1 INSUFFISANCES DANS LA GESTION ET LA PRÉSENTATION DES ACTIFS S'AGISSANT DES COMMANDEMENTS ET DES OPÉRATIONS DE L'ACO Recommandation du Collège Le Collège recommande à l'ACO de poursuivre les efforts visant à mettre à jour les registres d'actifs sur la base des actifs effectivement contrôlés par chaque entité. Pour ce faire, il faudrait veiller à ce que les données relatives aux actifs qui sont enregistrées dans les outils logistiques (NDSS, PILS ou listes établies à la main) fassent l'objet d'un rapprochement avec celles des registres d'actifs qui servent à établir le compte rendu financier. De plus, il faut assurer une coordination appropriée entre toutes les parties prenantes et affecter suffisamment de personnel à l'exécution des tâches nécessaires. S'agissant de l'implémentation d'un nouvel outil logistique de gestion des actifs (LOG FS), le Collège recommande que l'ACO collabore étroitement avec le pays hôte pour faire en sorte que tout nouveau système serve les besoins du Commandement à la fois en matière de gestion des actifs et de compte rendu financier. De plus, l'ACO devrait travailler avec le pays hôte pour faire en sorte que, dans la mesure du possible, tout nouveau système remplace les systèmes actuels de gestion des actifs et que, ainsi, un seul outil logistique soit utilisé dans l'ensemble du Commandement. Le Collège recommande à l'ACO de faire en sorte que les procédures de liquidation d'actifs radiés soient correctement appliquées, de sorte que les articles hors service soient radiés et éliminés en temps utile, et, lorsque c'est nécessaire, supprimés du NDSS et d'autres registres d'actifs. Le Collège recommande aussi à l'ACO d'évaluer, de documenter et de motiver les décisions relatives à l'utilisation, à la réaffectation ou à l'élimination des		Question rendue caduque par l'observation 1 formulée pour l'exercice 2017.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
équipements ayant une valeur élevée. Une fois les décisions prises, il est essentiel de tracer physiquement les actifs, de procéder à leur transfert en bonne et due forme et de prendre les mesures nécessaires sur la base des décisions arrêtées.		
(2) ACO – EXERCICE FINANCIER 2016 IBA-AR(2017)08, paragraphe 2 RÉALISATION DE PROGRÈS SUR LA VOIE DE LA CONFORMITÉ AVEC LE 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 Recommandation du Collège Le Collège formule les recommandations suivantes : a) l'ACO devrait poursuivre le travail d'évaluation et de consignation par écrit des procédures de contrôle interne et de gestion des risques en vue d'une mise en conformité avec son cadre de contrôle interne ; b) le service d'audit interne de l'ACO devrait évaluer pleinement le contrôle interne et la gestion des risques dans l'ensemble de l'organisme, et il devrait veiller à ce que ce travail soit clairement documenté, de manière à ce que l'on puisse aboutir à la conclusion que l'ACO respecte le cadre COSO ; c) le Conseil devrait faire en sorte que le NFR et les FRP soient cohérents en ce qui concerne la marge de manœuvre autorisée pour le report de crédits budgétaires de l'exercice en cours correspondant à des biens et services à fournir pendant l'exercice suivant ; s'agissant des FMS, il faudrait déterminer si, à des fins budgétaires, le NFR doit être adapté ; Il conviendra de tenir compte de cette recommandation à l'occasion du recensement des enseignements à tirer de la nouvelle version du NFR qui doit être effectué en 2017 ; d) le Conseil devrait prendre note de l'interprétation faite par la Force NAEW&C de la « comptabilité de caisse modifiée » pour la comptabilisation des FMS dans l'état de la performance financière	L'ACO a continué d'appliquer l'article XXV des FRP, qui autorise les entités à engager un montant correspondant à 1 % des autorisations de l'exercice en cours pour des biens et/ou des services à recevoir pendant l'exercice suivant. Le NFR et les FRP feront l'objet d'une revue par les pays en 2020. Le Conseil est favorable à l'approche pragmatique que l'ACO a suivie pour l'application de la méthode de	Question rendue caduque par l'observation 8 formulée pour l'exercice 2017. Question rendue caduque par l'observation 8 formulée pour l'exercice 2017. Question restant à régler. Question réglée.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
(montants portés en charge lorsque des avances sont versées à la NSPA), et il devrait noter que le Collège accepte cette interprétation.	la « comptabilité de caisse modifiée » aux biens et aux services fournis dans le cadre des contrats relatifs aux ventes militaires à l'étranger (FMS) passés avec les États-Unis.	
(3) ACO – EXERCICE FINANCIER 2016 IBA-AR(2017)08, paragraphe 3 ABSENCE DE GARANTIE QUANT AU FONCTIONNEMENT CONTINU D'UN SYSTÈME ESSENTIEL AU SEIN DE LA FORCE AÉROPORTÉE DE DÉTECTION LOINTAINE ET DE CONTRÔLE DE L'OTAN (NAEW&CF) Recommandation du Collège Le Collège recommande à la Force NAEW&C d'établir un plan destiné à garantir la bonne administration du PILS. Pour y parvenir, la Force pourrait par exemple veiller à former un plus grand nombre d'agents, désigner des suppléants, établir des procédures par écrit ainsi qu'un manuel sur le processus à suivre, ou réfléchir aux possibilités de recours à des contractants extérieurs pour l'exécution de certaines fonctions. La Force NAEW&C devrait en outre faire en sorte qu'une capacité adéquate de maintenance et d'administration du PILS soit en place.	Bien que la Force NAEW&C fasse davantage appel à des contractants extérieurs, aucune suppléance n'est prévue, et les procédures en place ne sont pas consignées par écrit. En outre, la Force ne dispose pas encore d'une capacité adéquate pour assurer la maintenance et l'administration du système.	Question restant à régler .
(4) ACO – EXERCICE FINANCIER 2016 IBA-AR(2017)08, paragraphe 4 REPORTS DANS LE BUDGET DÉFENSE AÉRIENNE (SOL) NON CONFORMES AU RÈGLEMENT FINANCIER DE L'OTAN Recommandation du Collège Le Collège recommande que l'ACO, en concertation avec la NSPA, fixe de manière plus précise le calendrier des services et établisse les budgets annuels en conséquence.	Le montant des reports dans ce budget a diminué considérablement : il est tombé de 12 046 034 EUR en 2016 à 6 253 882 EUR à la fin de l'exercice 2017. Cela s'explique par la coordination accrue entre l'ACO et la NSPA s'agissant de l'établissement des budgets et de leur exécution annuelle.	Question réglée .
(5) ACO – EXERCICE FINANCIER 2016 IBA-AR(2017)08, paragraphe 5 ABSENCE DE MÉMORANDUM D'ACCORD AVEC LA NCIA Recommandation du Collège		

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
Le Collège recommande à l'ACO de poursuivre le travail d'établissement d'un mémorandum d'accord avec la NCIA. Il faudrait aussi établir au plus vite un SLA pour la KFOR.	Il n'y a pas encore eu de signature d'un mémorandum d'accord avec la NCIA. Par ailleurs, aucun accord n'a encore été mis en place pour les services de domaine fonctionnel pour la fourniture de services SIC au sein de la KFOR, alors que la NCIA fournit un soutien SIC à la KFOR depuis le 1 ^{er} janvier 2017.	Question restant à régler .
(6) ACO – EXERCICE FINANCIER 2016 IBA-AR(2017)08, paragraphe 6 EXCÉDENT CUMULÉ DE 8,9 MEUR NON ENCORE RESTITUÉ AU PROGRAMME OTAN D'INVESTISSEMENT AU SERVICE DE LA SÉCURITÉ (NSIP) Recommandation du Collège Le Collège recommande que l'ACO, en concertation avec le NOR, fasse en sorte que les procédures en place soient respectées et, dès lors, que les excédents cumulés soient remboursés régulièrement. S'agissant plus précisément du solde de 7 622 095 EUR résultant des fluctuations de change, l'ACO devrait travailler avec le NOR à la recherche d'une réponse à la question de savoir si ce solde doit être restitué au NSIP.	Il a été décidé que la somme de 1 282 564 EUR concernant les intérêts bancaires cumulés serait restituée au NSIP dans le cadre des appels de contributions pour 2018. À l'avenir, les intérêts bancaires perçus seront remboursés dans le cadre des appels de contributions émis à intervalle régulier. S'agissant du solde cumulé de 7 622 095 EUR résultant des fluctuations de change, aucune solution n'a encore été trouvée, mais la question fait l'objet d'un examen avec le NOR et avec le Comité des investissements. L'ACO a par erreur retraité les produits financiers relatifs à 2016 et a comptabilisé la somme de 7 622 095 EUR en tant que produit financier relatif à 2016 alors qu'il ne s'agissait pas d'un produit financier reçu en 2016.	Question restant à régler .
(7) ACO – EXERCICE FINANCIER 2015 IBA-AR(2016)09, paragraphe 6		

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
NÉCESSITÉ D'ÉTABLIR DE NOUVEAUX ACCORDS DE SOUTIEN LOGISTIQUE AVEC LA NSPA Recommandation du Collège Pour une meilleure gestion des moyens déployables et du soutien de la Force NAEW&C, le Collège recommande à l'ACO de prendre des mesures afin d'établir des accords globaux avec la NSPA. Pour assurer une transparence et un compte rendu optimum, ces accords devraient spécifier clairement les services à fournir, les rôles, les responsabilités, les conditions, les indicateurs de performance, les indicateurs de qualité et les exigences en matière de compte rendu.	La Force NAEW&C est en train d'établir un nouvel accord de soutien logistique avec la NSPA. Peu de progrès ont été effectués dans ce domaine en 2017.	Question restant à régler.
(8) ACO – EXERCICE FINANCIER 2013 IBA-AR(2014)20, paragraphe 4 ABSENCE D'ACCORD JURIDIQUE AVEC L'AGENCE OTAN D'INFORMATION ET DE COMMUNICATION (NCIA) POUR LA FOURNITURE DE SERVICES À LA FORCE INTERNATIONALE D'ASSISTANCE À LA SÉCURITÉ (FIAS) Recommandation du Collège Le Collège recommande que le QG du JFCBS établisse officiellement des arrangements détaillés relatifs au soutien des SIC pour la FIAS avant d'émettre un ordre d'achat portant sur une année et destiné à couvrir les coûts d'exploitation et de maintenance. Cela fait maintenant plusieurs années que le Collège formule une telle recommandation.	Un plan supplétif concernant les SIC (CISSUPPLAN) a été établi avec la NCIA et approuvé en 2017.	Question réglée.
(9) ACO – EXERCICE FINANCIER 2013 IBA-AR(2014)20, paragraphe 5 NÉCESSITÉ D'UNE CONFIRMATION PAR LES ENTITÉS OTAN DU SOLDE DES ÉLÉMENTS D'ACTIF ET DE PASSIF EN FIN D'EXERCICE Recommandation du Collège Le Collège recommande que, à partir de l'exercice 2014, l'ACO se fasse confirmer par les autres organismes OTAN concernés le solde des éléments d'actif et de passif leur correspondant en prévision de l'établissement des états financiers.	Pour les procédures de fin d'exercice, l'ACO envoie une lettre aux autres entités OTAN, dans laquelle il leur demande de confirmer le solde des éléments d'actif et de passif restant entre elles. De plus, chacun des commandements relevant de l'ACO a été en contact avec les autres entités OTAN pendant la clôture des	Question partiellement réglée

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
	comptes afin de confirmer les soldes détaillés. D'importants progrès ont été réalisés et de nombreux soldes ont été confirmés et approuvés, mais l'ACO n'a pas, dans tous les cas, reçu une réponse de la NSPA ou de la NCIA. En particulier pour les biens et les services fournis dans le cadre de la mission Resolute Support, les soldes restants n'ont pas été pleinement confirmés dans tous les cas. Le Collège recommande que l'ACO, en concertation étroite avec la NSPA et la NCIA, continue de chercher à obtenir auprès des autres entités OTAN confirmation des soldes restants.	

**COMMENTAIRES OFFICIELS DU COMMANDEMENT ALLIÉ OPÉRATIONS (ACO)
CONCERNANT LA LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
ET POSITION DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX
COMPTES DE L'OTAN**

**OBSERVATION 1 :
INEXACTITUDES DANS LES REGISTRES DES ACTIFS POUR LA MISSION
RESOLUTE SUPPORT**

Commentaires officiels de l'ACO

1. *L'ACO souscrit à l'observation 1a.*
2. *La détermination de la valeur totale des actifs relatifs aux infrastructures financées par l'OTAN a commencé en 2017, et le travail n'était pas pleinement achevé en décembre 2017. Le service CJ-ENG considère qu'il s'agit d'une tâche importante. Toutefois, il a aussi à gérer les priorités opérationnelles de la mission, et ces deux tâches contraignent parfois les divisions des CJ de réévaluer leurs priorités.*
3. *L'ACO note avec satisfaction que l'IBAN reconnaît que des améliorations importantes ont été apportées. L'équipe concernée poursuit les efforts visant à garantir que des procédures soient en place et que des contrôles réguliers soient exécutés. Plus précisément, le CJ8 a effectué une visite sur le terrain à Hérat à la fin du mois de mars 2018, lors de laquelle des vérifications ponctuelles par sondage ont été effectuées pour ce qui est des équipements fournis par l'OTAN. À nouveau, l'ACO tient à signaler que les insuffisances constatées sont dues principalement à l'absence de système informatique intégré. Le Commandement est toutefois déterminé à continuer de travailler avec tous les sites pour garantir que l'enregistrement comptable des actifs soit conforme au Règlement financier de l'OTAN (NFR), aux règles et procédures financières (FRP) et aux directives ACO concernées. C'est la raison pour laquelle l'ACO, en concertation avec l'Agence OTAN jouant le rôle de fournisseur de services, fait maintenant tout ce qui est en son pouvoir pour améliorer les outils existants (par exemple le système de soutien des dépôts de l'OTAN (NDSS)). Quelques modifications ont déjà été demandées, et il est prévu de les implémenter rapidement, afin qu'elles puissent servir pour l'établissement du compte rendu financier relatif à l'exercice 2018.*
4. *L'ACO souscrit partiellement à l'observation 1b.*
5. *Jusqu'en 2017, s'agissant de la mission Resolute Support, le seul outil logistique disponible pour comptabiliser les véhicules était le module Comptabilité des biens (PAM). Les données sont exhaustives et ont servi à*

établir les registres des actifs. Comme l'IBAN l'indique au point 1.3 de son rapport, les actifs sont soumis à « des inspections régulières et des vérifications ponctuelles par sondage ». En 2018, la NSPA a commencé à implémenter le module Gestion des transports à moteur (MTM) pour la mission Resolute Support, mais ce travail n'est pas encore terminé. Pour la première fois, des registres des actifs relatifs à l'exercice 2017 ont été tenus et/ou mis à jour par les agents comptables des biens (PAO) selon les principes fixés dans la nouvelle directive ACO 060-080. À la différence des autres QG de l'ACO, le QG de la mission Resolute Support dispose de quatre PAO, de cinq sites différents, mais de deux registres des actifs (un pour les actifs acquis avant 2013 et un pour les actifs en 2013 et au cours des exercices suivants). Dans les registres des actifs relatifs à 2016 qui ont dû être mis à jour, il n'y avait pas, pour certains véhicules, d'informations sur l'endroit où ils se trouvaient, et comme chaque PAO a travaillé sur ses propres données, ces véhicules n'ont pas été pris en compte. Les PAO n'ayant pas été en mesure de voir les données concernant ces véhicules pour leurs sites respectifs, ils ont ajouté ces véhicules dans la liste, ce qui fait qu'ils ont été présentés deux fois dans les registres des actifs relatifs à l'exercice 2017. Selon les informations disponibles à ce jour, 154 véhicules ont été présentés deux fois : 150 de ces véhicules ont été acquis avant 2013 et les 4 autres l'ont été après 2013 mais avant 2015. Dans le registre des actifs acquis en 2013 ou après, 4 véhicules seulement sont comptabilisés deux fois : cela représente 3 % de l'ensemble des véhicules et équipements de transport et 0,05 % des immobilisations corporelles. Presque tous les véhicules comptabilisés deux fois ont été acquis avant 2013. Les véhicules sont enregistrés dans le PAM du NDSS, contrôlés et gérés.

6. *La mission Resolute Support s'inscrit dans un cadre relativement complexe qui comprend 4 PAO, 5 sites différents et 4 pays-cadres utilisant des infrastructures et des équipements financés par l'OTAN. Ce cadre n'est pas comparable à celui des autres QG de l'OTAN, et pourtant la mission Resolute Support doit se conformer aux mêmes règles, procédures et méthodes que ces QG.*

7. *Le cadre comptable OTAN est censé donner aux entités OTAN la possibilité d'affecter leurs ressources aux actifs acquis à partir du 1^{er} janvier 2013 et de présenter intégralement ces actifs conformément aux normes comptables internationales du secteur public (IPSAS). Mais, en même temps, il prévoit aussi qu'il faut donner le nombre approximatif d'actifs acquis avant 2013. Ainsi que le prévoit cette deuxième exigence, ce nombre ne doit pas être absolument exact. Selon l'esprit et la lettre du cadre comptable OTAN, l'important est de montrer que ces actifs restent sous contrôle.*

8. *Depuis la mi-2016, un travail considérable a été effectué par le CJ4, par le Groupe de soutien et par le CJ-ENG pour ce qui est du recensement des actifs,*

de leur comptabilisation et de la correction des données. Fin 2017, pratiquement tous les actifs avaient été recensés et enregistrés dans le PAM du NDSS pour ce qui est des équipements financés par l'OTAN (NFE), et dans des tableaux pour ce qui est des installations financées par l'OTAN (NFI). Ce travail se poursuit.

9. *Certaines erreurs ont été commises au moment de la collecte des données relatives à la mission Resolute Support, mais les informations sont disponibles et ont été enregistrées dans les outils logistiques. Les actifs visés sont comptabilisés et gérés et, selon les responsables sur place, la gestion des actifs de la mission Resolute Support et le compte rendu s'y rapportant sont conformes aux exigences fixées dans le cadre comptable OTAN pour ce qui est donner un nombre approximatif pour les actifs.*

10. *Il est à noter qu'aucune observation significative n'est formulée pour les registres des actifs acquis après 2013.*

Position du Collège

Alors que le cadre comptable OTAN prévoit qu'il faut donner dans les états financiers le nombre approximatif d'articles acquis avant 2013, le Règlement financier de l'OTAN stipule que l'organisme OTAN doit préserver l'actif et qu'il doit établir et tenir des registres comptables complets répertoriant tous les actifs. Sur la base de son travail de vérification, le Collège n'est pas en mesure d'affirmer que des registres comptables complets répertoriant tous les actifs détenus concernant la mission Resolute Support ont été établis.

OBSERVATION 2 :

INEXACTITUDES DANS LA PRÉSENTATION DES ACTIFS RADIÉS POUR LA MISSION RESOLUTE SUPPORT

Commentaires officiels de l'ACO

11. *L'ACO souscrit à l'observation formulée au paragraphe 2.3, mais ne souscrit que partiellement à l'observation formulée au paragraphe 2.4.*

12. *Il ressort du tableau I-1 des états financiers que 3 995 articles au total ont été radiés (y compris des fournitures consommables). Ce chiffre correspond à celui des procès-verbaux de vérification (ROS) relatifs à l'exercice 2016, signés en 2017, et des ROS relatifs à l'exercice 2017 : 24 ROS pour 2016 et 72 ROS pour 2017. Les données des ROS 2017 ont été présentées correctement pour les différentes catégories d'actifs concernées. Les inexactitudes relevées dans le tableau I-1 des états financiers sont liées aux ROS 2016, dans lesquels la*

répartition entre les actifs et les fournitures consommables n'est pas correcte ; par ailleurs, un de ces ROS ne porte pas sur une véritable radiation, mais sur un processus de regroupement d'éléments d'une catégorie inférieure vers une catégorie supérieure. En outre, un autre ROS englobait certains articles des activités sociorécréatives.

13. *Les données des ROS 2016 qui ont été signés en 2017 figurent dans le tableau I-1.*

14. *Il est à noter que tous les sites de l'ACO, y compris les missions, déploient d'importants efforts pour mettre en œuvre correctement la directive ACO 060-080.*

15. *Le Service Comptabilité générale et contrôle de la J8 du SHAPE mène actuellement plusieurs initiatives, en coordination très étroite avec les contrôleurs des finances locaux et avec l'ensemble des parties prenantes concernées, pour faire en sorte qu'une approche cohérente soit suivie pour les processus métiers et les procédures de gestion et de comptabilisation des actifs à l'échelle de l'ACO, dans le respect des règles de l'OTAN et de la directive ACO concernée.*

Position du Collège

Le Collège maintient sa position, à savoir que la présentation des actifs radiés n'est pas correcte. Il note avec satisfaction que l'ACO met actuellement en œuvre des procédures visant à garantir qu'une approche cohérente soit suivie pour la gestion et la comptabilisation des actifs et pour le compte rendu relatif aux actifs radiés.

**OBSERVATION 3 :
NON-RESPECT DU RÈGLEMENT FINANCIER DE L'OTAN S'AGISSANT DE
L'APPROBATION DES TRANSFERTS INTERNES DANS LES DOTATIONS
REPORTÉES AU SEIN DE LA FORCE AÉROPORTÉE DE DÉTECTION LOINTAINE
ET DE CONTRÔLE DE L'OTAN**

Commentaires officiels de l'ACO

16. *L'ACO confirme que l'observation faite au paragraphe 3 est d'ordre factuel.*

17. *La Force NAEW&C savait qu'il existait une limite pour les transferts à partir d'exercices précédents. La Force a signalé à l'ACO, même si cela s'est fait relativement tard dans le processus, qu'elle avait l'intention de traiter la question dans le cadre de l' « examen des enseignements tirés de la mise en œuvre du*

Règlement financier de l'OTAN et des règles et procédures financières de l'OTAN ». Malheureusement, en raison des changements de titulaire aux postes de contrôleur des finances, cette question n'a pas encore été traitée à ce jour. Selon l'interprétation faite par la Force NAEW&C de l'esprit de l'article 25.23, les transferts effectués au cours des exercices précédents sont limités par les dispositions relatives à leur ampleur et/ou leur finalité (d'anciens crédits ne peuvent servir à couvrir de nouveaux besoins) et que le contrôleur des finances a le pouvoir d'autoriser les transferts interchapitres uniquement. La limite maintenant en place, à savoir transfert autorisé jusqu'à hauteur d'un montant équivalent au niveau D des LFE (160 kEUR) par transaction, limite considérablement la capacité de la Force NAEW&C à faire face à de simples « ajustements » pour ce qui concerne les estimations des coûts de réparation ou même l'augmentation des taux de change ou des prix des carburants. En outre, la limite « par transaction » n'est pas un élément vraiment objectif, étant donné qu'elle dépend principalement de la granularité/du niveau de détail de chaque ligne budgétaire. Une réduction de la granularité au moyen du regroupement en une seule ligne de tous les coûts des interventions de maintenance à l'échelon dépôt (DLM) réduirait considérablement la nécessité de transactions à la hausse ou à la baisse, par rapport à la méthode utilisée par la Force NAEW&C, à savoir une ligne par aéronef. Une augmentation de la granularité au moyen d'une subdivision de chaque activité en ses éléments constitutifs spécifiques limiterait probablement le nombre de transactions d'un montant supérieur à 160 kEUR. De l'avis de la Force, le degré de granularité choisi est différent pour chaque budget et ne constitue donc pas un critère objectif.

18. *Un autre élément qui n'est pas pris en considération dans l'actuelle limite par transaction est l'ampleur du budget et des reports relatifs à la Force NAEW&C. Pour l'exercice considéré, on recense pour cette force 55 lignes d'articles avec un report dépassant 160 kEUR, le montant total de ces divers reports s'établissant à 48,6 MEUR. À ce niveau d'activité et compte tenu du montant des marchés concernés (activités DLM portant sur des montants allant jusqu'à 20 MEUR, contrats de ventes militaires à l'étranger (FMS) portant sur montant de 20 millions de dollars des États-Unis (USD)), il est fréquent que des ajustements supérieurs à 160 kEUR soient effectués pour honorer les obligations juridiques existantes.*

19. *À l'avenir, l'ACO a l'intention de demander une dérogation à l'article 25.23 des FRP afin de porter au niveau E l'autorisation de transfert pour la Force NAEW&C, le but étant de tenir compte ainsi de la marge de manœuvre nécessaire dans le budget. Pour l'heure, l'approbation du Comité des budgets sera sollicitée (de préférence dans les rapports sur l'exécution du budget) si le transfert demandé dépasse le niveau fixé actuellement dans les FRP.*

20. *La nature et l'ampleur du budget de la Force rendent nécessaires de tels transferts, le but étant de garantir l'utilisation optimale des dotations approuvées.*

**OBSERVATION 4 :
NÉCESSITÉ DE METTRE À JOUR LES MODALITÉS DE FINANCEMENT ET LES
MÉMORANDUMS D'ENTENTE POUR CINQ SERVICES D'AÉRODROME
ESSENTIELS DANS LE CADRE DE LA MISSION RESOLUTE SUPPORT**

Commentaires officiels de l'ACO

21. *L'ACO confirme que l'observation faite au paragraphe 4 est d'ordre factuel.*

22. *Il est nécessaire de reformuler complètement le MOU relatif à Hérat (pays-cadre : Italie) en raison de la modification du modèle de fourniture de services à l'aérodrome d'Hérat. Le projet de MOU a été établi et soumis aux autorités italiennes, mais aucune réponse n'a été reçue à ce jour.*

23. *S'agissant des MOU relatifs à l'Allemagne et aux États-Unis, il est nécessaire de mettre à jour leur annexe B sur la base des débats relatifs à l'admissibilité qui sont en cours au sein du Bureau OTAN des ressources (NOR). Des contacts n'ont pas encore été pris avec les pays à ce jour. Le MOU concernant la Turquie est le plus récent et il n'est pas nécessaire de le modifier.*

24. *Les délais de réalisation dépendent principalement du degré de coopération des pays concernés.*

**OBSERVATION 5 :
NON-SIGNATURE D'ARRANGEMENTS TECHNIQUES POUR L'UTILISATION DES
ÉQUIPEMENTS ET DES INFRASTRUCTURES FINANCÉS PAR L'OTAN À
L'AÉROPORT INTERNATIONAL HAMID KARZAÏ (HKIA), À MAZAR-I-SHARIF (MES)
ET À HÉRAT**

Commentaires officiels de l'ACO

25. *L'ACO confirme que l'observation faite au paragraphe 5 est d'ordre factuel. Il estime toutefois que, lorsque les MOU auront été modifiés, il ne sera plus nécessaire d'établir des accords techniques. Le texte des MOU devrait être modifié dans cet esprit.*

26. *Le texte des MOU fait référence à un accord technique (signé ou à signer) qui, selon l'ACO, concerne l'utilisation des NFE et des NFI. C'est le cas de l'accord technique signé avec les États-Unis pour le KAF et de celui qui est prêt à être signé avec la Turquie.*

27. Toutefois, la partie relative aux NFE est limitée s'agissant des aérodromes de Hérat et de MES. C'est l'une des raisons pour lesquelles cette question n'a pas été traitée par le passé (ces aérodromes n'avaient pas le statut d'aéroport de débarquement (APOD) de l'OTAN dans le cadre de la mission de Force internationale d'assistance à la sécurité (FIAS), ce qui explique qu'il y ait beaucoup moins de NFE dans ces deux sites.

28. Il faudra effectuer une évaluation, et si nécessaire, désigner la J4 comme pilote ; il faut tout d'abord que le SHAPE autorise le chef d'état-major adjoint Soutien (DCOS/SPT) à signer les éventuels nouveaux accords techniques.

Position du Collège

Le Collège est d'accord pour dire que les rôles et les responsabilités relatifs à l'utilisation et à la gestion des NFE et des NFI pourraient être présentés en détail dans les versions modifiées des MOU plutôt que dans des arrangements techniques, si l'ACO juge qu'il s'agit de la meilleure solution.

OBSERVATION 6 :

JUSTIFICATION INCOMPLÈTE DE DÉROGATIONS À LA PROCÉDURE D'ACQUISITION NORMALE CONCERNANT LA MISSION RESOLUTE SUPPORT

Commentaires officiels de l'ACO

29. L'ACO souscrit partiellement à la recommandation de l'IBAN.

30. L'ACO est d'accord pour dire que les dérogations doivent s'appuyer sur les motifs définis dans la directive 60-70 (Acquisitions) des deux commandements stratégiques. Toutefois, les postes occupés par les responsables qui soumettent des demandes et par les agents chargés des achats sur le théâtre étant soumis à rotation, il faut en permanence réexpliquer les processus. Toutefois, l'hypothèse selon laquelle la planification des acquisitions permettrait à elle seule de régler la question est factuellement incorrecte. Pour établir un plan d'acquisition, il faut au départ qu'un plan des besoins ait été établi, qui sert de base à la demande de crédits. Ce n'est que lorsque le projet de budget a été soumis et que son approbation est en bonne voie que la planification concrète des acquisitions peut vraiment commencer. Dans le cadre du stage sur les contrats de services d'urgence qui a lieu deux fois par an à Oberammergau ainsi qu'à l'occasion des conférences et/ou des réunions annuelles portant sur les Contrats et achats, le directeur des marchés de l'ACO traite de manière approfondie la nécessité d'établir des documents exacts et exhaustifs concernant les dérogations. Il est recommandé à l'IBAN d'envisager d'effectuer une

évaluation plus globale du processus de dérogation pour y inclure les mesures prises par les responsables qui soumettent les demandes.

Position du Collège

Il ne faut pas nécessairement éviter d'avoir recours à des dérogations, mais celles-ci doivent être fondées sur des raisons valables telles que celles qui sont envisagées dans le NFR et dans la directive 60-70 (Acquisitions) des deux commandements stratégiques.

OBSERVATION 7 : NÉCESSITÉ D'AMÉLIORER LE PROCESSUS D'AMENDEMENT OU DE SUPPRESSION DES CLAUSES RELATIVES AUX PÉNALITÉS

Commentaires officiels de l'ACO

31. *L'ACO souscrit partiellement à la recommandation de l'IBAN.*

32. *Il importe d'appeler l'attention sur le paragraphe 5-17 du chapitre 5 de la directive 60-70 des deux commandements stratégiques, intitulé « Dommages et intérêts fixés contractuellement », qui stipule ce qui suit :*

« Lorsque les termes du contrat l'y autorisent, la PRM peut protéger les intérêts du QG de l'ACO ou de l'ACT en exerçant le droit contractuel de réclamer des dommages-intérêts fixés contractuellement... ». Cette clause commence par le terme « lorsque », étant donné que, pour évaluer les dommages et intérêts fixés contractuellement, il faut être en mesure de prouver que des dommages ont été subis. Dans l'exemple choisi, l'absence de fourniture d'accès à des services de radio/télévision aurait pour effet l'absence de paiement, mais on ne sait pas exactement quel serait l'impact financier sur l'OTAN de la non-fourniture de ces services.

33. *Enfin, les marchés portant sur un tel montant sont approuvés par l'intermédiaire d'un comité d'adjudication des marchés et une clause de représentation juridique figure toujours dans le contrat. S'il avait été jugé indispensable d'inclure une clause de dommages et intérêts fixés contractuellement et s'il avait été jugé que l'OTAN risquait de subir des conséquences financières, la question aurait été soulevée. Il n'y a pas de disposition exigeant que ces décisions soient approuvées par trois niveaux de commandement.*

34. *Dans le cas particulier qui est évoqué, la clause de « dommages et intérêts fixés contractuellement » a été retirée du contrat pour le marché de gré à gré*

relatif aux opérations psychologiques (PSYCHOPS) à la demande du titulaire du marché.

35. *Les clauses de dommages et intérêts fixés contractuellement ont pour objet de déterminer à l'avance le montant des dommages au cas où une partie au contrat ne respecte pas l'accord conclu. Pour savoir si les dispositions prévues sont valables et doivent être appliquées, il faut savoir s'il s'agit d'une clause de pénalité ou d'une clause de dommages et intérêts fixés contractuellement. Si le tribunal saisi estime que la disposition prévue est une pénalité, elle ne sera pas appliquée. Ainsi, une clause de dommages et intérêts fixés contractuellement ne s'applique pas automatiquement. Le montant des dommages fixé dans la clause doit être une estimation raisonnable de la perte liée au préjudice résultant de la violation de l'accord. S'il est relativement simple de donner une telle estimation pour les marchés de construction, il n'en va pas de même pour les marchés PSYCHOPS.*

36. *En l'absence d'un cadre réglementaire spécifiant à l'intention de la PRM le type de clause à utiliser en fonction du type de services ou de prestations, la PRM a explicitement le pouvoir, en vertu des FRP et de la directive Acquisitions établie par les deux commandements stratégiques, de contracter des obligations et de prendre des engagements juridiques commerciaux au nom du QG.*

37. *Il incombe aussi à la PRM de veiller à l'efficacité de la passation de marchés et à la sauvegarde des intérêts de l'ACO, ainsi que le prévoit l'alinéa i du paragraphe 1-2 du chapitre 1 de la directive 60-70.*

38. *De plus, l'alinéa f du paragraphe 1-2 de la directive 60-70 prévoit expressément que les PRM doivent évaluer séparément chacune des mesures relatives aux acquisitions et évaluer les risques s'y rapportant étant donné que chaque marché est unique. Dans ce contexte, les PRM devront souvent solliciter l'avis d'un conseiller juridique qualifié.*

39. *Dans le cas susmentionné, il n'est pas possible de déterminer si la PRM, en n'insérant pas de clause de dommages et intérêts fixés contractuellement, aurait ou pas fait peser un plus grand risque sur le marché. Il est également à noter que si, dans le cas d'un marché de gré à gré, la PRM refuse de négocier une clause contractuelle, cela pourrait donner lieu à une interruption des services, en particulier dans le domaine des PSYCHOPS, où cela pourrait avoir un impact opérationnel. La PRM doit donc faire en sorte que l'avis juridique d'un conseiller qualifié soit sollicité. Dans de nombreux cas, un tel avis pourrait n'être disponible que dans un QG de niveau supérieur.*

40. *Compte tenu de ce qui précède, le QG de la mission Resolute Support devra veiller à ce qu'un conseiller juridique qualifié soit sollicité lorsque, dans des*

circonstances exceptionnelles, une clause contractuelle doit être modifiée ou supprimée. Il devra aussi faire en sorte que la modification ou la suppression soit approuvée par le CAC, qu'elle soit dûment consignée par écrit et que les documents soient conservés à des fins d'audit. Le directeur des marchés de l'ACO adressera aux différentes PRM une recommandation de voie à suivre qui s'inscrira dans le cadre réglementaire en place pour les acquisitions.

**OBSERVATION 8 :
NÉCESSITÉ D'APPORTER DES AMÉLIORATIONS DANS LES DOMAINES DE LA
GESTION DES RISQUES ET DU CONTRÔLE INTERNE**

Commentaires officiels de l'ACO

41. *L'ACO souscrit partiellement à la recommandation de l'IBAN.*

42. *L'ACO continue de faire évoluer tant la gestion des risques que le contrôle interne en tenant compte des contraintes en termes de ressources humaines disponibles et des priorités de degré plus élevé. Mis à part le Quartier général des opérations spéciales de l'OTAN (NSHQ) avec lequel il a des liens particuliers, l'ACO ne peut contraindre des entités de la structure de forces de l'OTAN (NFS) ou des entités ayant signé des MOU (comme la Force NAEW&C et la NAGSF) de mener des activités de gestion des risques fondées sur les directives et les plans de gestion stratégique du Commandement. En dépit de cela, les entités qui fournissent au SACEUR une capacité de combat au cours d'une éventuelle transition faisant suite à des activités de base et à des opérations courantes (BACO) sont invitées à aligner leurs processus sur ceux de l'ACO. Récemment, la Force NAEW&C a participé à une réunion du conseil de gestion ACO, à laquelle les Forces navales OTAN d'intervention et de soutien (STRIKFORNATO) étaient aussi présentes. Par ailleurs, malgré le départ du responsable ACO de la gestion des risques (gestion de la qualité) et le fait que l'on n'ait pas encore pu engager un remplaçant, l'ACO estime que la Force NAEW&C a avancé sur la voie de la gestion des risques : elle a établi un registre des risques et elle travaille actuellement, avec l'Agence de gestion du programme du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAPMA), à l'établissement d'un registre des risques pour le dernier programme de prolongation de la durée de vie (FLEP) – à paraître sous peu – afin de couvrir les risques attendus. Étant donné que la NAGSF n'en est encore qu'à sa phase de mise en place et qu'elle ne met encore aucune capacité à disposition, elle n'a pas été invitée la réunion évoquée. L'ACO est toutefois prêt à fournir une aide à la NAGSF pour toute activité de gestion des risques.*

43. *Il faut aussi noter que l'ACO insiste sur la responsabilité qui incombe à chacun de ses commandements s'agissant d'appliquer les processus de gestion des risques spécifiques qui existent à leur niveau et de les aligner sur le*

cadre ACO de gestion des risques. Dans ce contexte, il incombe au contrôleur des finances de l'ACO de définir des procédures de contrôle interne et de gestion des risques. Le contrôleur des finances de l'ACO continue de mettre l'accent sur la mise à disposition d'orientations visant à garantir une application harmonisée des procédures à l'échelle de l'ACO. Un atelier sur la gestion des risques a été organisé et a rassemblé tous les facilitateurs locaux de la gestion des risques de la J8. Les travaux ont été très concluants. Les commandements qui y ont participé ont accepté d'endosser le rôle de responsable ou de fournir une aide pour le prochain cycle de revue des processus de la J8. L'objectif est que les commandements locaux s'approprient les mesures d'assurance des risques et de contrôle interne pour leurs domaines respectifs.

44. La feuille de route de la J8 qui énumère tous les grands processus à évaluer est revue en permanence. De précédents programmes pilotes et ensembles de mesures mis en place au sein du SHAPE – comme le programme de cartes d'achat, le processus de paiement centralisé et le processus itératif concernant les rubriques spéciales À payer/À recevoir/Achats (AP/AR/PO) – ont fait l'objet d'un examen, y compris les registres des risques. Le directeur des marchés de l'ACO communiquera sous peu aux PRM les résultats des travaux qui ont été menés concernant les contrats portant sur des montants faibles ou sur des montants élevés.

45. Le cadre de contrôle interne pour les activités d'acquisition est utilisé depuis 2016 et a servi pour l'analyse de l'état du contrôle interne ACO pour l'exercice 2017. Le cadre de contrôle interne pour le processus budgétaire vient d'être diffusé au sein de la communauté ACO.

46. Le cadre de contrôle interne pour le compte rendu financier est fondé sur les orientations ACO en vigueur et sera officialisé sous peu, en phase avec la méthode définie par le COSO, en vue de sa diffusion d'ici à la fin de l'année 2018.

47. L'établissement du cadre de contrôle interne pour les contrôles à implémenter dans le cadre de l'ERP en place à l'ACO (FinS, système de gestion financière) a été finalisé fin juin et il va maintenant faire l'objet d'une évaluation en vue de son implémentation progressive au sein de l'ACO.

48. Il est à noter que le chef du service d'audit interne du SHAPE, récemment nommé, a donné son aval aux méthodes de gestion des risques et aux travaux menés jusqu'à présent. Il est prévu que le service d'audit interne du SHAPE, conformément au NFR et aux FRP, s'attachera à faire progresser l'implémentation de la gestion des risques, à examiner les registres des risques en place et à évaluer les résultats de l'application des cadres de contrôle interne.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

Commentaires officiels de l'ACO

49. Les commentaires de l'ACO sur les recommandations de l'IBAN relatives aux exercices précédents sont reproduits ci-après, seulement pour les « **Questions partiellement réglées** » et pour les « **Questions restant à régler** » présentées dans le tableau qui se trouve dans l'annexe 3 du rapport d'audit 2017 de l'IBAN.

(2) ACO – EXERCICE FINANCIER 2016

IBA-AR(2017)08, paragraphe 2

RÉALISATION DE PROGRÈS SUR LA VOIE DE LA CONFORMITÉ AVEC LE RÈGLEMENT FINANCIER DE L'OTAN, ET EN PARTICULIER AVEC LES ARTICLES RELATIFS AU CONTRÔLE INTERNE, À LA GESTION DES RISQUES ET À L'AUDIT INTERNE

Commentaires officiels de l'ACO

50. L'ACO souscrit à l'observation faite par l'IBAN au paragraphe c.

51. Au paragraphe 14 de son rapport sur les enseignements tirés du NFR et des FRP (BC-DS(2017)0199-FINAL), le Comité des budgets a estimé qu'il fallait garder une certaine souplesse dans le cadre de la transition. L'ACO a donc continué d'appliquer l'article XXV des FRP, qui autorise les entités à engager un montant correspondant à 1 % des autorisations de l'exercice en cours pour des biens et/ou des services à recevoir pendant l'exercice suivant. Le Comité des budgets examinera la question dans le cadre de sa prochaine revue du NFR, en 2020.

(3) ACO – EXERCICE FINANCIER 2016

IBA-AR(2017)08, paragraphe 3

ABSENCE DE GARANTIE QUANT AU FONCTIONNEMENT CONTINU D'UN SYSTÈME ESSENTIEL AU SEIN DE LA FORCE AÉROPORTÉE DE DÉTECTION LOINTAINE ET DE CONTRÔLE DE L'OTAN (NAEW&CF)

Commentaires officiels de l'ACO

52. L'ACO souscrit à l'observation faite par l'IBAN.

53. Bien que la Force NAEW&C fasse davantage appel à des contractants extérieurs, aucune suppléance n'est prévue et aucune des procédures en place n'a été consignée par écrit. En outre, la Force ne dispose pas encore d'une capacité adéquate pour assurer la maintenance et l'administration du système.

Des fonds supplémentaires sont alloués en 2018, et les agents qui s'occupent du système logistique intégré au programme (PILS) collaboreront avec les contractants extérieurs pour remédier à certaines des insuffisances évoquées dans l'observation de l'IBAN, mais cela prendra encore un certain temps.

(5) ACO – EXERCICE FINANCIER 2016

IBA-AR(2017)08, paragraphe 5

ABSENCE DE MÉMORANDUM D'ACCORD AVEC LA NCIA

Commentaires officiels de l'ACO

54. *L'ACO souscrit à l'observation faite par l'IBAN.*

55. *Le mémorandum d'accord (MOA) entre la J8 et la J6 du SHAPE et la NCIA n'est pas encore finalisé. Dès qu'il le sera, il pourrait servir d'accord-cadre entre l'ACO et la NCIA, en déterminant les rôles et les responsabilités de chacun ainsi que les conditions de prestation. Pour l'heure, certaines mesures ont été mises en place :*

a. la J6 de la Force pour le Kosovo (KFOR) fournit au Commandement allié de forces interarmées de Naples (JFCNP) des rapports trimestriels sur les niveaux de service relatifs aux SIC, dans lesquels elle présente le soutien informatique fourni au sein de la KFOR ;

b. dans les rapports qu'elle fournit au JFCNP, la KFOR recense les services SIC qui lui sont fournis et précise leur niveau ;

c. les rapports de la KFOR serviront à fournir des éléments probants pour les futurs audits, en montrant que le JFCNP assure la supervision de la KFOR pour ce qui concerne les services SIC à un niveau agréé et contrôlé, de façon similaire à ce qui se fait dans le cadre d'un accord sur les niveaux de service (SLA).

(6) ACO – EXERCICE FINANCIER 2016

IBA-AR(2017)08, paragraphe 6

EXCÉDENT CUMULÉ DE 8,9 MEUR NON ENCORE RESTITUÉ AU PROGRAMME OTAN D'INVESTISSEMENT AU SERVICE DE LA SÉCURITÉ (NSIP)

Commentaires officiels de l'ACO

56. *L'ACO souscrit à l'observation faite par l'IBAN.*

57. *Comme il a déjà été dit, l'excédent cumulé de 8,9 MEUR qui doit être restitué au NSIP se compose de deux éléments : d'une part, de divers intérêts perçus sur les contributions NSIP entre le moment où ces contributions sont*

versées sur les comptes bancaires et le moment où les paiements sont effectués aux contractants pour l'exécution des projets, et, d'autre part, des fluctuations des cours de change, qui résultent des cours du marché et qui constituent un facteur incontournable dans le cadre de la passation de marchés dans des devises et des pays différents.

58. *L'ACO a travaillé en coordination étroite avec le NOR pour régler cette question en suspens. Une proposition a été soumise au Comité des investissements début juillet 2018, qui a simplement débouché sur la confirmation que les intérêts seraient restitués dans le cadre du quatrième appel de contributions NSIP pour 2018. Au sein du Comité des investissements, certains pays ont demandé que la question soit examinée plus avant. Comme il a déjà été dit, cette question est uniquement du ressort du NOR/du Comité des investissements.*

(7) ACO – EXERCICE FINANCIER 2015

IBA-AR(2016)09, paragraphe 6

NÉCESSITÉ D'ÉTABLIR DE NOUVEAUX ACCORDS DE SOUTIEN LOGISTIQUE AVEC LA NSPA

Commentaires officiels de l'ACO

59. *L'ACO souscrit à l'observation faite par l'IBAN.*

60. *La Force NAEW&C met tout en œuvre pour qu'un premier projet soit soumis à l'examen de l'ACO, de la NSPA et de la NAPMA d'ici à la fin 2018. Il y a eu des retards en raison de la charge de travail supplémentaire relative au bureau Passation des marchés qui doit encore être mis en place ; de ce fait, il incombe à une PRM de traiter actuellement toutes les procédures de passation de marché concernant les pays hôtes, les activités sociorécréatives et les SIC, y compris un certain nombre d'appels d'offres internationaux. La mise au point des accords de soutien logistique (LSA) pourrait prendre un certain temps étant donné qu'elle nécessite l'accord du Comité de direction de la NAPMO.*

(9) ACO – EXERCICE FINANCIER 2013

IBA-AR(2014)20, paragraphe 5

NÉCESSITÉ D'UNE CONFIRMATION PAR LES ENTITÉS OTAN DU SOLDE DES ÉLÉMENTS D'ACTIF ET DE PASSIF EN FIN D'EXERCICE

Commentaires officiels de l'ACO

61. *L'ACO reconnaît que la question n'est toujours pas réglée en dépit du fait que plusieurs initiatives ont été prises en concertation avec les autres entités OTAN. Comme l'IBAN l'a constaté au cours de son audit sur place, la*

qualité des informations reçues s'est encore améliorée, En plus de l'interaction entre les opérations de l'ACO et les agences, le JFCBS et la mission Resolute Support ont implémenté un contrôle supplémentaire pour tous les marchés passés avec la NCIA et avec la NSPA afin de disposer d'une évaluation ayant fait l'objet d'un rapprochement et d'une mise à jour en concertation avec les parties concernées. Cette procédure est appliquée fin octobre pour préparer les données financières en vue de la clôture de l'exercice financier.



ALLIED COMMAND OPERATIONS CONSOLIDATED FINANCIAL STATEMENTS 2017



ACO Consolidated Financial Statements 2017

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Allied Command Operations

Executive Summary

Introduction

1. The Allied Command Operations' (ACO) mission is to fulfil NATO's core tasks by providing early crisis identification; planning, preparing and conducting military operations; and cooperating with partners in order to contribute to the overall security and territorial integrity of NATO member states.
2. ACO is a functional chain of military command and is neither a legal entity nor a juridical organisation. ACO Consolidated Financial Statements cannot be construed as superseding any existing agreements or organisational norms, or otherwise creating any legal effect.
3. The ultimate controlling and decision-making entity for the Alliance and its components are the 29 Alliance Member Nations, which provide military forces along with physical and financial resources for the daily operations of ACO and its subordinate Commands.
4. ACO's principal headquarters, the Supreme Headquarters Allied Powers Europe (SHAPE), is located in Casteau, Belgium. The ACO chain of command includes two Allied Joint Force Commands (JFCs) located in Brunssum, The Netherlands and Naples, Italy. The JFCs currently provide theatre oversight and assistance, respectively, in Afghanistan and the Balkans (Sarajevo, Bosnia Herzegovina; Pristina, Kosovo). There are three ACO single service commands: Allied Land Command in Izmir, Turkey; Allied Maritime Command in Northwood, United Kingdom; and Allied Air Command in Ramstein, Germany. The latter also includes two Combined Air Operations Centres (CAOC), one in Uedem, Germany and the other in Torrejon, Spain. The NATO Communications and Information Systems Group (NCISG) is located in Casteau, Belgium and includes three subordinate NATO Signal Battalions located in Wesel, Germany; Grazzanise, Italy; and Bydgoszcz, Poland. There are two NATO Force Structure units with organisational and financial reporting requirements to ACO: the NATO Airborne Early Warning and Control Force (NAEW&CF GK) in Geilenkirchen, Germany, and the NATO Alliance Ground Surveillance Force (NAGSF) in Sigonella, Italy.
5. The NAEW&CF GK aircraft are a key element of the Alliance's early warning capability, providing airborne surveillance, warning and control capability over large distances and at low altitude. The NAEW&CF implemented its new force structure in November 2015. The restructuring included a reduction in the number of wings and squadrons, with the deactivation of the Information Technology Wing, the Training Wing, the Aircraft Maintenance Squadron, the Electronic Maintenance Squadron and Flying Squadron 3 as of 01 November 2015. The Base Support Wing was reactivated and will be the backbone of the Control Force operational structure together with the Operation Wing and the Logistics Wing. The NAGSF core capabilities enable the Alliance to perform persistent surveillance over wide areas from High-Altitude Long-Endurance (HALE) aircraft, operating at considerable stand-off distances and in any weather or light conditions. The NAGSF main operating base is located at Sigonella Air Base, Italy, which serves multiple purposes as a NATO Joint Intelligence, Surveillance and Reconnaissance (JISR) deployment base, and data exploitation and training centre. The

engagement of NATO common funds for infrastructure, communications, operation and support will follow normal funding authorisation procedures applicable within the Alliance.

Role of ACO

6. ACO's mission is supported by the ACO Strategic Management Plan (ASMP) which, coupled with reporting and risk management systems, seeks to enable a unity of effort across ACO in delivering the required outputs by synchronising the prioritisation and resource management processes with developing operational requirements.

7. The ASMP provides the highest level direction and guidance in ACO's hierarchy of strategic guidance, setting the expectations for the organisation in terms of the conduct and delivery of all ACO activities over the coming five year period. As such, it is to be used by all ACO staff as their primary reference point in the planning and conduct of their functions. The ASMP provides the framework for the development and management of ACO's objectives; its main aim is to foster the delivery of timely, accurate and evidence-based information related to the capacity and ability of ACO's processes, structures and resources to achieve its stated tasks. The products of the strategic management system aim to support decision-making on the synchronisation and balance of operational requirements, resources, capabilities and tasks. This will ensure that steps can be taken to align ACO towards the realistic and efficient accomplishment of its missions and tasks, assuring its ongoing relevance and taking any remedial actions at an early stage.

8. The ASMP's Strategic Management system is composed of a coherent and standardised set of Goals and measurable Objectives applied across ACO, and reported against consistently and coherently across all levels of ACO. The system provides internal controls, performance measurement, performance management and risk management functions across ACO, in compliance with NATO rules and policy standards, as well as with international best practice.

9. The ASMP includes a number of explicit and implicit tasks and activities that are essential to support a visible deterrence posture, to maintain situational awareness, to detect emerging crises, and to contribute to Alliance security. These tasks are prioritised and executed in a comprehensive and synergistic way and include:

- a. Core tasks: Collective Defence, Crisis Management and Cooperative Security.
- b. Permanent tasks: Deterrence; Strategic Awareness; Visible Assurance; Integrated Air and Missile Defense; Cyber Defense; Chemical, Biological, Radiological, Nuclear (CBRN) Defense; and Advanced Planning. Permanent tasks can contribute to all three Core tasks of the Alliance.

2017 Highlights

10. In December 2015, at the foreign ministers' meeting of NATO Allies and their RESOLUTE SUPPORT (RS) partners, it was agreed to sustain the RS presence, including in the regions of Afghanistan, during 2016. Six months later, in May 2016, they agreed to sustain the RS presence beyond 2016. At a meeting of defence ministers in November 2017, RS troop-contributing nations confirmed that the number of troops deployed would increase from around 13,000 to around 16,000 troops. Beyond the training, advice and assistance mission, Allies and

partner countries are committed to the broader international community's support for the long-term financial sustainment of the Afghan security forces until the end of 2020 (ANA Trust Fund). RS comes under the command of Headquarters Allied Joint Force Command Brunssum (HQ JFCBS), Brunssum, The Netherlands, and forces are generated from national assets.

11. NATO has been leading a peace-support operation in Kosovo – the Kosovo Force (KFOR) – since June 1999 contributing towards maintaining a safe and secure environment in Kosovo and freedom of movement for all. On 19 April 2013, Belgrade and Pristina reached an EU-facilitated First Agreement of Principles Governing the Normalisation of Relations; an implementation plan was agreed on 22 May 2013. In June 2013, the European Council decided to open accession negotiations with Belgrade and negotiations with Pristina on a Stabilisation and Association Agreement (SAA). The SAA agreement was signed on 27 October 2015 and entered into force on 01 April 2016. NATO continues to offer strong political support to the Belgrade-Pristina Agreement, and KFOR stands ready to support its implementation within its current mandate. KFOR comes under the command of Headquarters Allied Joint Force Command Naples (HQ JFCNP), Lago Patria, Italy, and forces are generated from national assets.

12. NATO's flexible maritime operation called SEA GUARDIAN can perform the full range of maritime security tasks, if the NAC so decides. SEA GUARDIAN is currently performing three tasks in the Mediterranean Sea: it is providing support to maritime situational awareness, counter-terrorism at sea, and contributing to maritime security capacity-building. Through SEA GUARDIAN, NATO is contributing to the maintenance of a secure and safe maritime environment while supporting the Alliance's three core tasks: collective defence, crisis management and cooperative security. SEA GUARDIAN comes under the command of Headquarters Allied Maritime Command (HQ MARCOM), Northwood, United Kingdom, and forces are generated from national assets.

13. NATO Training and Capacity Building Activity in Iraq (NTCB-I) was borne out of the NATO Summit in Warsaw in July 2016. In January 2017, NATO established a small Core Team of civilian and military personnel in Baghdad to coordinate training and capacity-building activities in the country in support of Iraqi security forces and institutions. The focus of NATO's efforts in Iraq is on areas agreed upon with the Iraqi authorities – tailored to the needs of the Iraqi security forces and institutions – and where NATO can provide added value. NATO training and capacity building activities do not have a fixed duration. NATO Allies keep their progress under regular review, in close consultation with the Iraqi authorities. NTCB-I comes under the command of Headquarters Allied Joint Force Command Naples (HQ JFCNP), Lago Patria, Italy, and forces are generated from national assets.

ACO Military Budget

14. ACO managed approximately 1,004 MEUR in allocated NATO common funding within the annual 2017 Military Budget, as well as providing oversight for NATO Security and Investment Programmes (NSIP) funds, Nation Borne Costs (NBC), Trust Funds, and Morale and Welfare Activity (MWA) Funds.

Policies

15. The Budget Committee (BC) conducted an interim lessons learned review in November 2016 noting the successful implementation of many of the changes introduced in the NATO Financial Regulations (NFRs) such as recruitment of Financial Controllers (FC), simplified procurement procedures and establishment of Audit Advisory Panels as well as the key challenges involved in some other areas, most notably internal control, risk management and commitment practices. With a first full budgetary cycle now complete, all FCs contributed to a broader lessons learned report that was presented to the BC on 14 June 2017. The most important issues identified by the FCs relate to Article 12 (Internal Control) and Article 25 (Commitments, Contract Authority and Carry Forward) of the NFRs.

16. Article 12 of the NFRs makes clear that the Heads of NATO bodies have the responsibility to ensure that internal control arrangements are in place for the delivery of objectives and operational efficiency in all areas of business not just the financial domain. However, FCs continue to voice their concern over the lack of additional resources and dedicated personnel to implement the internal control requirements of the NFRs. The BC expects this requirement, considered alongside others, to be fully taken into account in any manning adjustments as part of the adaptation proposals for the NATO Command Structure (NCS) and separately for the International Staff (IS). In the meantime, the lack of resources and manpower will be persistent and will continue to affect the timeline for the full implementation of the NFRs in this regard.

17. For Article 25, application of the new regulations on commitment practices has been a major challenge to all NATO bodies. The BC emphasises the need for tighter discipline and better planning underpinning the goal and intent of the NFRs to improve the efficiency and effectiveness of budgetary and financial administration across NATO. That said, some Financial Controllers have proposed the need for additional clarification in some areas (Contract Authority, Special Carry Forward requests, End-of-year Flexibility and Multi-year Programmes) which will help improve the effective application of the NFRs and FRPs.

18. 2017 realised the finalisation and promulgation of the NATO Accounting Policies on Property Plant and Equipment (PP&E), Inventories and Intangible Assets, with the aim of providing relevant accounting guidance on the application of the rules and principles laid down in the NATO Accounting framework, in order to ensure a comprehensive and consistent accounting treatment of the assets in the Financial Statements of all NATO Entities. As far as ACO is concerned, 2017 further realised the revision of the ACO Directive 60-80 Property Accounting and Control in February 2017. Not only does the Directive aim to review some business processes but also to bridge the asset management to the asset accounting to guarantee a reliable financial reporting. Further to the promulgation of the Directive in February 2017, ACO has started working in coordination with the ACO Commands, to ensure that the revised Directive is fully implemented consistently across ACO. Moreover, the possibility to have within ACO a single tool to manage the asset is still an open issue. Currently the LOGFS project is under revision due to the proposed cessation of the contract. Therefore, the timelines foreseen are now shifted to the future and technical solutions are still unknown.

ACO Relations with NATO Agencies

19. ACO has continued to work with the NATO Support and Procurement Agency (NSPA) and NATO Communications and Information Agency (NCI Agency) throughout 2017, to implement the necessary agreements and contractual arrangements in light of the overarching Memorandum of Understanding (MOU) on logistics cooperation that was finalised in July 2015, establishing the principles for services to be further supplemented by individual Logistic Service Agreements (LSA) for each major programme.

20. 2017 has seen the push to strengthen the governance arrangements between ACO and the agencies. The signature of the CIS Mission Support Plan for RS, represented a significant milestone and allowed closure of a long standing IBAN observation. With NSPA, the updating of the Basic Text Agreements at NAEW&C FC for the AWACS program continues to be a challenge given the complexity of the existing arrangements which date back 30 years. At the other end of the life cycle spectrum the LSA for Alliance Ground Surveillance (AGS) should be negotiated and signed in 2018 and this will help define the relationship between NAGSF, NSPA and the AGS Support Partnership going forward.

21. ACO and NCI Agency conducted joint workshops in 2017 to introduce standardised text for the centralised and local Service Level Agreements (SLA) where possible. The agreed upon standardised text was implemented for the 2018 SLA and helps provide consistent Communication and information Services (CIS) service funding and control mechanisms throughout ACO. The standardised SLA text will be reviewed annually for necessary changes and applicability

IBAN Observations on Previous ACO Financial Statements

22. The main observation raised by the IBAN concerns weaknesses in asset management and reporting included in the 2016 IBAN Financial Audit report. This issue continues to represent the main challenge for ACO in achieving an unqualified audit opinion especially in relation to ACO's assets managed in theatre and by third parties, mainly NSPA. However, in order to reduce discrepancies in asset management and remove the IBAN qualification, ACO is mainly depending on the efforts to be obtained in theatre by RS Command Group in coordination with the NATO agencies. SHAPE J8 has continued over the year 2017 to proactively contribute to the development of NATO-wide accounting policies under the auspices of the IS-NOR and the Head of Financial Reporting Policies (HFRP), as well as to revise internal ACO business processes on property accounting and control, thus creating the foundation for a proper asset management and related financial reporting that will likely solve in future the weaknesses found by the IBAN.

23. Another observation raised by the IBAN is related to the ACO's compliance with NFRs with a focus on Internal Control, risk management and internal audit. This is also another key-area where the Board is focusing its attention within all the NATO entities. The Board recognised the progress made by ACO in achieving full compliance with all the revised NFRs.

24. SHAPE continues to focus and work at corporate level on improving the accuracy and reliability of financial data and to focus on the ACO Internal Control Framework, optimise internal business processes and develop a strong risk and performance management culture

across ACO. SHAPE will continue to cooperate with the NATO Agencies and other third parties as well as to implement best practices within theatres of operations.

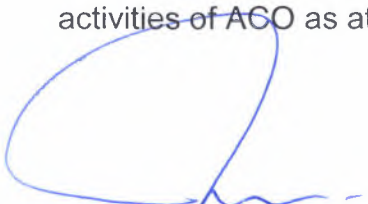
Responsibility

25. The attached, unaudited fiscal year 2017 ACO consolidated financial statements for the period starting 01 January 2017 and ending 31 December 2017, have been prepared in accordance with the NFRs, NATO Accounting Framework (NAF) and relevant International Public Sector Accounting Standards (IPSAS). In accordance with NFR Article 3.2, they are jointly signed by the ACO Strategic Commander and the ACO Financial Controller, and conform to the responsibility and accountability principles prescribed in NFR Article 3.1, and are submitted to the IBAN in accordance with NFR Article 35.

26. In preparing these accounts, ACO has:

- a. Observed the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis.
- b. Made judgements and estimates on a reasonable basis.
- c. Stated whether applicable accounting standards approved by the NAC have been followed and disclosed, and explained any material departures.
- d. Prepared the accounts on a going concern basis.

27. We hereby certify that to the best of our knowledge, we have a reasonable assurance that the attached financial statements and notes present a true and fair view of the financial activities of ACO as at 31 December 2017.



Mr Christophe Rappe
Financial Controller
Allied Command Operations



Curtis M. Scaparrotti
General, U.S. Army
Supreme Allied Commander Europe

STATEMENT OF INTERNAL CONTROL

Scope of Responsibility

1. As Supreme Allied Commander Europe, I am responsible and accountable for maintaining a sound system of internal control that supports the achievement of ACO's goals, objectives, and priority of efforts and resources. These are detailed in the ACO Strategic Management Plan (ASMP), which establishes an objective, evidence-based management system to determine ACO's capacity and ability to undertake its current and future functions and activities, as well as align activities, track organisational progress and manage risk.
2. As ACO Financial Controller, I am responsible for safeguarding the Nations' common funds that have been entrusted to ACO, in accordance with the responsibilities assigned to me in the NATO Financial Regulations (NFRs).

Purpose and limitation of the System of Internal Control

3. ACO is a functional chain of military command and is neither a legal entity nor a juridical organisation. The Statement of Internal Control cannot be construed as superseding any existing agreements or organisational norms, or otherwise creating any legal effect.
4. At the organisational level, Internal Control is broadly defined as a process carried out by the entity's management and other personnel.
5. ACO's Internal Control system is an on-going process designed, within a risk management framework, to identify the principal tasks necessary for achieving the organisation's aims and objectives, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. The cost of the internal controls should not outweigh the risks they are mitigating.
6. The aim is to reduce and manage, rather than eliminate risks, and to provide reasonable assurance that the objectives of the organisation are achieved, specifically regarding the efficiency and effectiveness of operations, accuracy and reliability of financial reporting and compliance with laws and regulations.

Capacity to Handle Risk

7. The Command's ability to respond to the demands of a complex and resource constrained strategic environment is paramount. The agility required to realign priority of efforts and resources relies on fundamental knowledge of the operating environment, clear understanding of objectives, and proper risk management and performance management in key areas. As such, risk and performance management are at the core of ACO's strategic management functions. ACO Strategic Risk Management is conducted at all levels of the organisation, requiring stakeholders to identify, assess and respond to risks and opportunities within their area of responsibility.
8. Nevertheless, some risks and issues with significant operational impact remain beyond ACO's capacity to handle and are usually dependent upon the Nations in the areas of manning, capability delivery, and common funded resources.

9. Within the ACO Strategic Risk Management construct, the ACO Financial Controller manages risk under a Financial Risk Management framework. Identified risks that are beyond the remit of the ACO Financial Controller will be escalated through the ASMP Risk Management process to the appropriate NATO authority as necessary.

Risk and Control Framework

10. ACO Risk Management (ARM), contained within the ASMP, is currently being re-written to make it a standalone ACO Directive. Nonetheless, it describes the overall risk management structure, roles and responsibilities, objectives and activities required to successfully conduct Strategic Risk Management. The aim of ARM is to ensure a directed, deliberate approach to risk management. It does this through the acknowledgement of ACO's risk environment and the identification, assessment, prioritisation and effective management of risks which may impact the achievement of ACO's strategic objectives.

11. ACO has an organisational structure for planning, executing, controlling and monitoring business operations in order to achieve the Command's objectives. Lines of responsibility and delegation of authorities are documented. Key elements of the internal control system include, but are not limited to:

- a. NATO Code of Conduct,
- b. NATO Financial Regulations (NFR) and Financial Rules and Procedures (FRP),
- c. NATO Civilian Personnel Regulations (NCPRs),
- d. 2015-2020 Military Budget Medium Term Financial Plan,
- e. Annual Military Budget Guidance,
- f. ACO Strategic Management Plan,
- g. ACO Risk Management Framework,
- h. ACO Internal Control Framework Directive,
- i. Bi-SC Directives, ACO Directives and standard operating procedures and policies,
- j. An ACO Internal Audit function and an associated ACO Audit Advisory Panel (AAP),
- k. An Internal Control Framework for the ACO Procurement Activities,
- l. A clear delineation of responsibilities in line with the NFRs as well as an effective delegation system compliant with the FRPs, and
- m. Proper and effective segregation of duties between Budget Officers, Authorising Officers, Finance and Accounting Officers, Treasurers, as well as between requirement holders and Purchasing and Contracting Officers.

12. The ACO centralised Financial System (FinS) provides a technical platform for improved business processes, which enhances the accuracy and reliability of financial data reporting while also serving as a financial internal control framework. The latter includes control procedures designed to ensure complete and accurate accounting for financial transactions and to limit potential exposure to fraud or loss of assets. These procedures are relevant across ACO and provide for incremental approvals and monitoring at increasingly higher levels of management.

Review of Effectiveness

AAP Assessment

13. In acknowledging their responsibility to provide reasonable assurance regarding the effectiveness of ACO's Internal Control systems for the period 01 January 2017 to 31 December 2017, the ACO Audit Advisory Panel (AAP) have during the course of 2017:

- a. Received oversight of the effectiveness of existing ACO Internal Controls.
- b. Reviewed the findings and recommendations resulting from audits conducted by the ACO Internal Audit Branch and all ACO financially-related IBAN reports, along with management responses to those findings.
- c. Determined whether the Internal Audit Branch function was properly resourced and had appropriate standing within the organisation.
- d. Reviewed and provided input to the Internal Audit Branch (IAB) Annual Programme of Work (PoW) and subsequently monitored the progress made by the IAB to achieve the targets set in the 2017 PoW.

14. Having also made such inquiries throughout the year as they considered necessary, the AAP have provided the assurance assessment statement below.

15. Since its formation, the ACO Audit Advisory Panel has confined its attention almost exclusively to providing assurance advice on financial and asset management issues, compliance and performance objectives. However, recognising the need to broaden its oversight beyond purely financially related issues, and in light of the significant and wide-ranging organisational changes that will take place throughout ACO as a result of the implementation of the ACO NATO Command Structure Adaptation (NCS-A) Programme, one of the primary focuses for the AAP during 2018 will be scrutiny of key NCS-A related Internal Control elements.

16. Where ACO did achieve progress during 2017 was within risk and performance management, particularly in the following two areas:

- a. Firstly, by the introduction of more granular and detailed objectives within the ASMP framework. This has enabled SHAPE PLANS JCAP to better capture major ACO-wide programs, plans and activities, and to provide a more consolidated basis for reporting and assessing risk.
- b. Secondly, by introducing a risk assurance program for support activities. Currently the only area where such a program has been initiated is related to the ACO Financial Risk Management Program, under the responsibility of the ACO Financial Controller.

However, a similar initiative now needs to be taken forward for broader assurance issues as recommended in a recent survey on ACO risk management, conducted by the ACO IAB.

17. Despite those positive developments, the Panel nevertheless observes that there is still more potential to further improve the identification and reporting of internal control related risks, particularly those which should be addressed in the short-term. A lack of dedicated resources currently hampers the full implementation of the internal control and risk management initiatives. With this in mind, the AAP assert that improvements within this key area could be realised by the appointment of a Chief Internal Control Officer, who would report to the Chief of Staff and would be answerable to the AAP Chairman, and tasked with the implementation of an ACO Risk Assurance Programme. The details with regards to the responsibilities, location and reporting modalities of such a position should be further assessed during 2018. This post should be supported by designated J8 Internal control officers across ACO, as required by the revised NFRs. The Panel also notes that by enhancing Strategic Risk Management, ACO can significantly mitigate the impact that risks already have on operational issues, such as manning, capability delivery and the employment of common funded resources.

18. The shortfall in NCS deployable Capability Packages, raised in last year's report, is now being addressed within the context of the ACO NCS-A. In particular, the fact that in the future NCS HQs will be static war-fighting entities rather than fully deployable components, with a much reduced requirement to deploy only small tailored entities, will inevitably significantly change this requirement.

19. Subject to final approval by the Nations, the implementation of new NCS-A related organisational functions, processes and concepts (underpinned by doctrine), will deliver a NCS which is 'fit-for-purpose'. Moreover, their implementation, plus the resolution of residual deficiencies already identified in the ACO Optimisation Programme and the Readiness Action Plan (RAP) initiative will enable ACO to make best use of its resources. Recognition of the significance and scope of the changes involved has prompted the AAP to concentrate most of its effort during 2018, on providing senior leadership with assurance oversight in respect of the efficiency and effectiveness of selected Internal Control-related aspects of the NCS-A Implementation Programme.

20. The key management processes that have been identified pertain to the Programme's:

- a. Governance Framework including the effective implementation of the Internal Control Framework,
- b. Risk Management Process and output,
- c. Enhancement of assured access to non-NCS capabilities, and
- d. Criteria for implementation Initial Operating Capability (IOC) and Full Operating Capability (FOC).

21. In parallel with the aforementioned NCS-A oversight, the AAP's intention is to continue to concentrate much of its efforts on ACO financial issues through reports submitted by the IAB and the International Board Auditors NATO (IBAN). In taking this approach, throughout 2018, Panel members will be better able to provide focused and prioritised assurance advice on these two significant areas of interest to ACO.

ACO Financial Controller Assessment

22. Within the ACO Financial Risk Management, the Acquisition Community has been the forefront of implementation of Internal Control Framework initiative and 2017 was its second year of using a formalised process and methodology. It uses the Committee of Sponsoring Organisation (COSO) Internal Control-Integrated Framework model and consists of a Framework Document which is adjusted as required based on input obtained from all ACO HQs, through an Internal Control Self-Assessment performed by each HQ Financial Controller supported by the Purchasing and Contracting (P&C) Office Chief. The results are reviewed at the ACO level by the ACO Financial Controller and the ACO Head of Contracts.

23. The self-assessment relies on the professional integrity of the local Financial Controllers and results are reviewed and discussed with the ACO Head of Contracts during the Staff Assistance Visit (SAVs), mandated by COS SHAPE and performed within means and capabilities. SAVs are an extremely valuable tool which provides the ACO Head of Contracts the ability to engage with the local organic P&C offices and Financial Controllers in a collegiate manner while also conducting his functional oversight in accordance with FRP Article III 1. Overall, the internal control framework currently in place in the procurement area, provides a relatively good level of assurance on the state of controls within ACO. However, weaknesses in available human resources, the lack of comprehensive approach in risk management and internal control, limited the success during the 2017 financial year.

24. ACO has strong controls in place within the financial management functions, such as procure-to-pay, General Ledger, Accounts Payable, Accounts Receivable, Cash management, managing significant amounts of moneys on behalf of the NATO's Nations and for the ANA Trust Funds Program. Since 2012 ACO has progressively implemented control mechanisms providing reasonable assurance that the local financial data making up the Consolidated Financial Statement reflects accurate and complete financial information pertaining to each of the ACO Commands before its release to the IBAN. It must be noted that some of this financial data is provided by other NATO entities, e.g. NSPA, NAPMA. Therefore, an iterative reconciliation process is in place and a formal certification is required at the end of the year from those entities' Financial Controllers to compensate for the lack of direct access and control of the provided data.

25. The reliability of ACO's financial reporting is also dependent upon sound internal control systems that includes an effective Enterprise Resource Planning (ERP) system. The ACO FinS system utilises a corporate architecture for centralised financial transactions and reporting, which has enhanced internal business processes and contributed to improving the accuracy and reliability of financial data. Specifically, FinS provides appropriate budgetary controls applicable to funding in order to monitor variance and properly reflect authorised deviations by:

- a. Appropriate levels of financial transaction reviews and approvals by ACO personnel responsible for the local ACO entities.
- b. Accurate access for ACO personnel with delegated financial responsibilities.
- c. A system of authorisation, recording and procedures adequate to provide accounting control in relation to assets, liabilities, revenue and expenses directly managed by ACO.

- d. Proper segregation of functional responsibilities and procedures to review the adequacies of and compliance with the rules and regulations.

26. During 2017 and within the assessment of the proper implementation of the revised NFRs/FRPs and the use of best practice, ACO launched the "Fortification Project" to tackle the control activities and directly relate to the control objectives. These controls are respectively designed to limit the possibility of an undesirable outcome being realised, ensure that objectives are achieved, and potential issues detected straight away. It also aims to detect violations through the regular running and analysis of reports to identify potential issues. In this context, all of the functions assigned to the different responsibilities have been analysed and documented and a revised ACO Segregation of Duties Matrix ("SoD Matrix") is under final revision by the ACO Financial Controller. Additional milestones for the completion of the project are foreseen during 2018. The revised SoD will provide a useful tool to manage the effective level of control within the financial processes managed in FinS.

Areas of Improvement or Concern

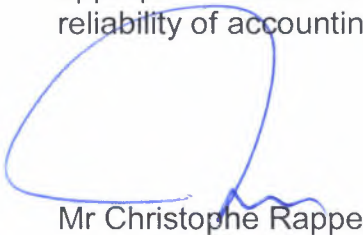
27. The legacy issues related to the ISAF Fuel Basic Ordering Agreement (BOA), have implied additional workload for ACO's staff. Since late 2015 with the unprecedented lawsuit launched by a former Fuel supplier and disciplinary actions appeals at the Administrative Tribunal, both LEGAD and J8 staffs have dedicated substantial time and efforts to follow-on and provide oversight of the proper close-out and potential final settlement of the ISAF fuel contracts, as well as following up the development of Food contracts in ISAF. The Resource Planning Policy Board (RPPB) has recognised the challenges faced by ACO in this respect and has agreed to allocate additional resources with the creation of the Special Litigation Team (SPL) at SHAPE level under the VCOS supervision. Since March 2017, when the Handover Takeover (HOTO) process with JFCBS was concluded, SHAPE SPL has been in the full lead of the Fuel Case against the Supreme Group (SG). The main proceedings, initiated by the Fuel supplier in December 2015, remain stayed by the incidental proceedings on immunity from jurisdiction since June 2016. On 08 February 2017, the Dutch First Instance Court acknowledged the said immunity, but has refused to uphold it when balanced against Art. 6 of the European Convention on Human Rights. This decision was appealed by SHAPE/JFCBS. The pro-forma interim appeal against such decision was filed on 09 May 2017. A decision in appeal can be reasonably expected by autumn 2018 or the first half of 2019. SHAPE's Paris Protocol-based Immunity from Execution has been successfully recognised and upheld by the Dutch courts in first instance and appeal. Moreover, proceedings to declare both the judgements enforceable in Belgium have also been successful. On 21 August 2017, the Supreme Group appealed in cassation the ruling on Immunity from execution before the Supreme Court of the Netherlands. A decision can be expected by autumn 2018. Furthermore, SPL is currently dealing with the fuel customer Troop Contributing Nations (TCNs) in order to shield their potential liabilities and to build substantial evidence to counter Supreme's claims. The proper management of such an important dispute by the SPL Team must be further supported by ACO in order to reduce risks to NATO's immunities and mitigate the potential financial impact on NATO and fuel BOA customers TCNs.

28. ACO continues to face challenges with third party asset management and reporting, particularly with organisations that utilise disparate Information Technology (IT) systems that are not compatible with FinS for transactional reporting. The NATO Logistics Functional Services (LOGFS) IT system was expected to provide a platform after 2018. However, this project is now on-hold due to the possible cessation of the contract with the selected contractor.

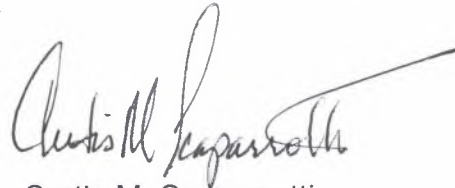
29. Until a proper system is implemented, ACO Commands will continue to face gaps and challenges already identified in the use of the legacy systems. However, ACO in conjunction with Head of Financial Reporting Policy and the IBAN, will continue to identify mitigation measures necessary to resolve property accounting discrepancies. Proper asset management and reporting in the RESOLUTE SUPPORT Mission is an on-going process and requires continuous oversight and monitoring of asset registers, due to the high rotation of staff in key accountability positions, as well as a very dynamic operational environment and high rate of asset turnover.

30. The ASMP, ARM and Financial Risk Management initiative will all require continuous monitoring and refinement in order to ensure the efficient and effective use of resources and the achievement of ACO's strategic objectives. An ACO Internal Control Framework Directive was approved in 2017 where the primary mechanisms and elements are institutionalised. It also established the foundation for a deliberate, comprehensive and systematic approach towards the achievement of the objectives set for ACO. We are confident that we can optimise our existing business processes and are committed to instilling a strong risk and performance management culture throughout ACO.

31. We will therefore continue to ensure that the necessary internal management functions are in place to support effective internal control and provide reasonable assurance that assets are properly safeguarded, that established managerial and command policies are adhered to, that the Command operates in an efficient manner, that a system of internal financial and budgetary controls are in place which embrace all aspects of financial management for appropriated and non-appropriated funds within our jurisdiction, and that the accuracy and reliability of accounting data and records are verified.



Mr Christophe Rappe
Financial Controller
Allied Command Operations



Curtis M. Scaparrotti
General, U.S. Army
Supreme Allied Commander Europe

ACO Consolidated Financial Statements 2017

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ACO Consolidated Financial Statements 2017

STATEMENT 1: ACO CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2017
in EUR

*Notes**2017*

Restated
2016 (II)

*2016***ASSETS****Current Assets**

Cash and Cash Equivalents	B.1	1,081,354,197	1,099,629,710	1,099,629,710
Short Term Investments	B.2	440,241,700	96,094,955	96,094,955
Receivables	B.3	65,910,140	68,889,040	68,889,040
Prepayments	B.4	25,988,825	41,210,521	24,087,826
Other Current Assets	B.5	4,474,933	3,404,290	3,404,290
Inventories	B.6	37,624,149	35,048,439	35,039,841

Total Current Assets

1,655,593,944 **1,344,276,955** **1,327,145,662**

Non-current Assets

Receivables		-	-	-
Property, Plant & Equipment	B.7	323,505,807	126,121,746	116,075,182
Other Non-current Assets	B.8	6,611,547	7,321,276	4,719,831

Total Non-current Assets

330,117,354 **133,443,022** **120,795,013**

Total ASSETS

1,985,711,298 **1,477,719,977** **1,447,940,675**

LIABILITIES**Current Liabilities**

Payables	B.9	(314,271,961)	(290,800,294)	(279,232,283)
Deferred Revenue	B.10	(1,072,431,404)	(813,430,052)	(808,589,155)
Advances	B.11	(298,687,399)	(258,413,312)	(258,413,312)
Short Term Provisions	B.12	(5,200,489)	(5,743,473)	(5,743,473)
Other Current Liabilities	B.13	-	-	(96,991)

Total Current Liabilities

(1,690,591,253) **(1,368,387,131)** **(1,352,075,214)**

Non-current Liabilities

Long Term Provisions	B.14	(7,187,038)	(8,042,462)	(4,719,831)
Non-current Deferred Revenue	B.15	(287,933,007)	(101,290,385)	(90,946,285)
Other Non-current Liabilities	B.16	-	-	(199,345)

Total Non-current Liabilities

(295,120,045) **(109,332,846)** **(95,865,461)**

Total LIABILITIES

(1,985,711,298) **(1,477,719,977)** **(1,447,940,675)**

NET ASSETS

C.19

-

-

-

(I) In all tables, credit amounts/balances such as liabilities and revenue are presented with negative signs. Debit amounts such as assets and expenses carry a positive sign.

(II) Restatement mainly concerns prepayments, inventory and PP&E. More information can be found in the relevant note disclosure

(III) Not all balances provided are reported on accrual basis. More information can be found in the Note B5. Ref. ACO Accounting Policy, Note A.

ACO Consolidated Financial Statements 2017

STATEMENT 2: ACO CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 December 2017
in EUR

	<i>Notes</i>	<i>2017</i>	<i>Restated 2016 (II)</i>	<i>2016</i>
Revenue				
Revenue		(941,909,256)	(896,175,189)	(899,456,977)
Other Revenue		(3,149,101)	(13,141,328)	(16,463,960)
Financial Revenue		(4,338,153)	(10,601,861)	(2,979,766)
Total to be returned to the Nations		2,700,773	8,987,994	1,365,900
Total Revenue	C.17	(946,695,736)	(910,930,384)	(917,534,803)
Expenses				
Personnel		180,598,686	197,245,902	197,245,902
Contractual Supplies and Services		697,689,621	664,514,643	673,338,772
Foreign Military Sales (FMS) (III)		27,154,230	11,432,009	11,432,009
Depreciation and Amortization		37,915,730	34,054,416	31,830,042
Provisions		-	-	-
Other Expenses		14,447	6,200	6,200
Financial Costs		3,323,022	3,677,214	3,681,878
Total Expenses	C.18	946,695,736	910,930,384	917,534,803
Result of the year		-	-	-

(I) In all tables, credit amounts/balances such as liabilities and revenue are presented with negative signs. Debit amounts such as assets and expenses carry a positive sign.

(II) Restatement mainly concerns prepayments, inventory and PP&E. More information can be found in the relevant note disclosure

(III) The amount for FMS is on cash rather than accrual basis. Ref. ACO Accounting Policy, Note A.

ACO Consolidated Financial Statements 2017

STATEMENT 3: ACO CONSOLIDATED STATEMENT OF CASH FLOWS

<i>As at 31 December 2017</i> <i>in EUR</i>	<i>2017</i>	<i>Restated</i> <i>2016 (II)</i>	<i>2016</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Result of the year	-	-	-
Non-cash movements			
Depreciation	37,915,730	34,054,416	31,830,042
Increase (Decrease) in payables	23,471,668	40,196,002	28,627,991
Increase (Decrease) in other current liabilities	288,491,016	(20,053,726)	(24,894,622)
Increase (Decrease) in other non-current liabilities	(577,964)	3,556,788	511,617
Increase (Decrease) in current deferred revenue for PP&E	(24,831,361)	(6,998,681)	(6,998,681)
Increase (Decrease) in non-current deferred revenue for PP&E	221,978,157	22,573,295	12,229,195
(III) Property, plant and equipment, from other funding	(224,576,585)	(37,341,526)	(28,582,119)
(Increase) Decrease in other current assets	13,651,053	5,322,807	22,445,502
(Increase) Decrease in other non-current assets	432,269	(2,833,825)	(509,840)
(Increase) Decrease in receivables	2,978,900	70,353,305	70,353,305
(Increase) Decrease in Inventories	(2,575,710)	(3,846,055)	(3,837,457)
Net cash flows from operating activities	336,357,173	104,982,800	101,174,933
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and AuC	(10,485,941)	(12,287,504)	(8,659,867)
Proceeds from sale of plant and equipment	-	-	-
Proceeds from sale of investments	-	-	-
Short term investment	(344,146,745)	133,905,045	133,905,045
Net cash flows from investing activities	(354,632,686)	121,617,541	125,245,178
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	-	-	258,000
Repayment of borrowings	-	-	(77,770)
Distribution/dividend to Nations	-	-	-
Net cash flows from financing activities	-	-	180,230
Change in cash flow	(18,275,513)	226,600,341	226,600,341
Cash and cash equivalents at beginning of period	1,099,629,710	873,029,369	873,029,369
Cash and cash equivalents at end of period	1,081,354,197	1,099,629,710	1,099,629,710
Net increase/(decrease) in cash and cash equivalents	(18,275,513)	226,600,341	226,600,341

(I) In all tables, credit amounts/balances such as liabilities and revenue are presented with negative signs. Debit amounts such as assets and expenses carry a positive sign.

(II) Restatement mainly related to prepayments, inventory, PP&E and accrual data. More information can be found in the relevant note disclosure

(III) Other funding refers to assets funded through NSIP, or programmes like NAPMA, where other entities than SHAPE are acting as Host Nation, and of AuC that has been completed and capitalised within the reporting year. This did not require any cash outflow from ACO.

ACO Consolidated Financial Statements 2017

STATEMENT 4: ACO CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

<i>For the year ended 31 December 2017</i> <i>in EUR</i>	<i>Notes</i>	<i>2017</i>	<i>Restated</i> <i>2016</i>	<i>2016</i>
Equity at beginning of year		-	-	-
Result of for the year	C.19	-	-	-
Net recognized revenue and expenses for the year		-	-	-
Equity at End of year		-	-	-

ACO Consolidated Financial Statements 2017

STATEMENT 5/1: ACO BC BUDGET EXECUTION REPORT¹

(Note H)

¹ The statements of budget execution have to be considered as a separate annex in accordance with NFR article 34.4

EUR

	Initial budget	Transfers	BA2	Transfers	BA3	Transfers	Final Budget	Commitments	Expenses	Total spent	Carry-forward	Lapsed
2017 NCSEP at 28/29												
	416,699,103	-	416,699,103	(310,126)	416,388,976	(2,574,777)	413,814,200	11,526,026	398,886,896	410,412,922	11,526,026	3,401,278
Budget 101 SHAPE	61,068,905	-	61,068,905	1,441,491	62,510,396	412,243	62,922,639	690,442	61,896,609	62,587,050	690,442	335,589
Budget 103 JFC HQ BRUNSSUM	24,226,055	(1,250,000)	22,976,055	(239,440)	22,736,615	372,925	23,109,540	1,165,186	21,689,195	22,854,380	1,165,186	255,160
Budget 104 JFC HQ NAPLES	25,519,368	1,920,826	27,440,194	(380,000)	27,060,194	(620,236)	26,439,958	110,347	26,031,150	26,141,496	110,347	298,462
Budget 105 HQ AC RAMSTEIN	19,521,950	(430,500)	19,091,450	(730,414)	18,361,036	(1,752,185)	16,608,851	336,432	15,926,534	16,262,966	336,432	345,884
Budget 111 HQ AC IZMIR	10,861,325	-	10,861,325	128,100	10,989,425	473,675	11,463,100	682,691	10,671,741	11,354,432	682,691	108,668
Budget 118 HQ MC NORTHWOOD	7,163,175	-	7,163,175	(71,072)	7,092,102	64,923	7,157,025	233,294	6,922,288	7,155,583	233,294	1,442
Budget 131 DEPLOYABLE ASSETS	10,538,000	-	10,538,000	(422,000)	10,116,000	(283,864)	9,832,136	408,136	9,408,106	9,816,242	408,136	15,894
Budget 164 AIR DEFENCE (GROUND)	28,982,000	(240,326)	28,741,674	(245,000)	28,496,674	(1,378,847)	27,117,827	5,560,863	21,535,380	27,096,243	5,560,863	21,584
Budget 166 ACCS Support	62,579,835	-	62,579,835	-	62,579,835	(507,653)	62,072,182	560,919	59,942,590	60,503,509	560,919	1,568,674
Budget 177 NCCB	129,069,721	-	129,069,721	1,139,750	130,209,471	1,014,243	131,223,714	1,567,500	129,652,899	131,220,399	1,567,500	3,316
Budget 178 NATO CIS GROUP (NCISG)	32,928,769	-	32,928,769	(231,541)	32,697,228	(370,000)	32,327,228	187,643	32,012,757	32,200,400	187,643	126,828
Budget 502 PFP ACO	4,240,000	-	4,240,000	(700,000)	3,540,000	-	3,540,000	22,574	3,197,650	3,220,224	22,574	319,776
2017 AGS at 26/27												
	60,729,017	-	60,729,017	-	60,729,017	-	60,729,017	44,565,169	6,006,757	50,571,926	44,565,169	10,157,091
Budget 167 AGS	60,729,017	-	60,729,017	-	60,729,017	-	60,729,017	44,565,169	6,006,757	50,571,926	44,565,169	10,157,091
2017 AGS at 28/29												
	2,270,983	-	2,270,983	(20,000)	2,250,983	-	2,250,983	-	2,170,022	2,170,022	-	80,961
Budget 168 AGS CIS	2,270,983	-	2,270,983	(20,000)	2,250,983	-	2,250,983	-	2,170,022	2,170,022	-	80,961
2017 NAEW at 16+1/26+2												
	272,219,500	-	272,219,500	-	272,219,500	-	272,219,500	47,155,409	211,427,051	258,582,460	47,155,409	13,637,041
Budget 162 NAEW&CF	272,219,500	-	272,219,500	-	272,219,500	-	272,219,500	47,155,409	211,427,051	258,582,460	47,155,409	13,637,041
2017 NAEW at 16												
	1,500,000	-	1,500,000	-	1,500,000	-	1,500,000	479,893	-	479,893	479,893	1,020,108
Budget 123 NAEW Reorganisation	1,500,000	-	1,500,000	-	1,500,000	-	1,500,000	479,893	-	479,893	479,893	1,020,108
2017 AOM at 28/29												
	253,112,647	-	253,112,647	(54,301)	253,058,346	-	253,058,346	2,558,832	246,919,041	249,477,872	2,558,832	3,580,474
Budget 183 Balkans Operations	22,386,513	-	22,386,513	(74,827)	22,311,686	-	22,311,686	1,190,441	20,407,883	21,598,324	1,190,441	713,362
Budget 187 NATO Support to the African Union	448,451	-	448,451	-	448,451	-	448,451	19,666	339,505	359,171	19,666	89,280
Budget 189 Operation Active Endeavour	147,058	-	147,058	20,526	167,584	-	167,584	1,193	152,103	153,297	1,193	14,287
Budget 194 RSM	230,130,625	-	230,130,625	-	230,130,625	-	230,130,625	1,347,532	226,019,549	227,367,081	1,347,532	2,763,544
Total 2017	1,006,531,249		1,006,531,250		1,006,146,823	(2,574,777)	1,003,572,046	106,285,329	865,409,766	971,695,095	106,285,329	31,876,951

EUR

	Initial budget	Transfers	BA2	Transfers	BA3	Transfers	Final Budget	Commitments	Expenses	Total spent	Carry-forward	Lapsed
2016 NCSEP at 28												
	17,247,771	-	17,247,771	-	17,247,771	-	17,247,771	1,415,450	13,659,282	15,074,732	1,415,450	2,173,039
Budget 101 SHAPE	1,011,110	-	1,011,110	-	1,011,110	-	1,011,110	-	857,238	857,238	-	153,872
Budget 103 JFC HQ BRUNSSUM	99,330	-	99,330	-	99,330	-	99,330	35,000	59,737	94,737	35,000	4,592
Budget 104 JFC HQ NAPLES	316,938	-	316,938	-	316,938	-	316,938	47,958	262,040	309,997	47,958	6,941
Budget 105 HQ AC RAMSTEIN	2,185,699	-	2,185,699	-	2,185,699	-	2,185,699	293,558	567,536	861,094	293,558	1,324,605
Budget 111 HQ AC IZMIR	90,233	-	90,233	-	90,233	-	90,233	-	82,020	82,020	-	8,213
Budget 118 HQ MC NORTHWOOD	862,567	-	862,567	-	862,567	(604,366)	258,202	14,049	226,598	240,647	14,049	17,555
Budget 164 AIR DEFENCE (GROUND)	9,336,411	-	9,336,411	-	9,336,411	-	9,336,411	693,019	8,122,158	8,815,176	693,019	521,234
Budget 166 ACCS Support	2,435,574	-	2,435,574	-	2,435,574	-	2,435,574	91,866	2,300,387	2,392,253	91,866	43,321
Budget 177 NCCB	289,702	-	289,702	-	289,702	604,366	894,068	240,000	604,214	844,214	240,000	49,854
Budget 178 NATO CIS GROUP (NCISG)	577,171	-	577,171	-	577,171	-	577,171	-	551,889	551,889	-	25,282
Budget 502 PFP ACO	43,036	-	43,036	-	43,036	-	43,036	-	25,467	25,467	-	17,570
2016 AGS at 26												
	6,782	-	6,782	-	6,782	-	6,782	-	5,752	5,752	-	1,031
Budget 167 AGS	6,782	-	6,782	-	6,782	-	6,782	-	5,752	5,752	-	1,031
2016 AGS at 28												
	2,638	-	2,638	-	2,638	-	2,638	-	2,638	2,638	-	-
Budget 168 AGS CIS	2,638	-	2,638	-	2,638	-	2,638	-	2,638	2,638	-	-
2016 NAEW at 16+1												
	42,446,457	-	42,446,457	-	42,446,457	-	42,446,457	8,748,038	31,280,967	40,029,005	8,748,038	2,417,452
Budget 162 NAEW&CF	42,446,457	-	42,446,457	-	42,446,457	-	42,446,457	8,748,038	31,280,967	40,029,005	8,748,038	2,417,452
2016 NAEW at 16												
	4,385,398	-	4,385,398	-	4,385,398	-	4,385,398	485,370	1,277,347	1,762,716	485,370	2,622,681
Budget 123 NAEW Reorganisation	4,385,398	-	4,385,398	-	4,385,398	-	4,385,398	485,370	1,277,347	1,762,716	485,370	2,622,681
2016 AOM at 28												
	10,136,484	-	10,136,484	-	10,136,484	-	10,136,484	8,075,097	2,015,866	10,090,963	8,075,097	45,521
Budget 183 Balkans Operations	858,401	-	858,401	-	858,401	-	858,401	15,308	801,696	817,004	15,308	41,396
Budget 189 Operation Active Endeavour	18,705	-	18,705	-	18,705	-	18,705	-	18,148	18,148	-	557
Budget 191 Operation Ocean Shield	1,259	-	1,259	-	1,259	-	1,259	-	422	422	-	838
Budget 194 RSM	9,258,119	-	9,258,119	-	9,258,119	-	9,258,119	8,059,789	1,195,600	9,255,388	8,059,789	2,730
Total 2017	74,225,530		74,225,530		74,225,530	-	74,225,530	18,723,954	48,241,851	66,965,805	18,723,954	7,259,725

EUR

	Initial budget	Transfers	BA2	Transfers	BA3	Transfers	Final Budget	Commitments	Expenses	Total spent	Carry-forward	Lapsed
2015 NCSEP at 28												
	12,917,602	-	12,917,602	-	12,917,602	-	12,917,602	449,667	11,419,490	11,869,157	449,667	1,048,445
Budget 101 SHAPE	1,081,326	-	1,081,326	-	1,081,326	-	1,081,326	449,667	322,939	772,606	449,667	308,720
Budget 104 JFC HQ NAPLES	1,560	-	1,560	-	1,560	-	1,560	-	1,560	1,560	-	-
Budget 105 HQ AC RAMSTEIN	254,077	-	254,077	-	254,077	-	254,077	-	240,023	240,023	-	14,055
Budget 118 HQ MC NORTHWOOD	125	-	125	-	125	-	125	-	125	125	-	-
Budget 131 DEPLOYABLE ASSETS	31,628	-	31,628	-	31,628	-	31,628	-	-	-	-	31,628
Budget 164 AIR DEFENCE (GROUND)	2,709,623	-	2,709,623	-	2,709,623	-	2,709,623	-	2,462,772	2,462,772	-	246,851
Budget 166 ACCS Support	8,388,563	-	8,388,563	-	8,388,563	-	8,388,563	-	8,159,913	8,159,913	-	228,649
Budget 177 NCCB	450,000	-	450,000	-	450,000	-	450,000	-	232,159	232,159	-	217,841
Budget 502 PFP ACO	700	-	700	-	700	-	700	-	-	-	-	700
2015 AGS at 28												
	5,537	-	5,537	-	5,537	-	5,537	-	1,202	1,202	-	4,334
Budget 168 AGS CIS	5,537	-	5,537	-	5,537	-	5,537	-	1,202	1,202	-	4,334
2015 NAEW at 16												
	16,441,003	-	16,441,003	-	16,441,003	-	16,441,003	1,000,000	12,334,155	13,334,155	1,000,000	3,106,848
Budget 162 NAEW&CF	15,155,364	-	15,155,364	-	15,155,364	-	15,155,364	-	12,052,787	12,052,787	-	3,102,577
Budget 123 NAEW Reorganisation	1,285,639	-	1,285,639	-	1,285,639	-	1,285,639	1,000,000	281,368	1,281,368	1,000,000	4,271
2015 NAEW at 17												
	618	-	618	-	618	-	618	-	-	-	-	618
Budget 112 NAEW&C FC	618	-	618	-	618	-	618	-	-	-	-	618
2015 AOM at 28												
	1,116,003	-	1,116,003	-	1,116,003	-	1,116,003	-	1,112,480	1,112,480	-	3,524
Budget 183 Balkans Operations	1,067,660	-	1,067,660	-	1,067,660	-	1,067,660	-	1,067,604	1,067,604	-	56
Budget 189 Operation Active Endeavour	1,949	-	1,949	-	1,949	-	1,949	-	330	330	-	1,620
Budget 194 RSM	46,394	-	46,394	-	46,394	-	46,394	-	44,546	44,546	-	1,848
Total 2015	30,480,764		30,480,764		30,480,764	-	30,480,764	1,449,667	24,867,327	26,316,994	1,449,667	4,163,770

EUR

	Initial budget	Transfers	BA2	Transfers	BA3	Transfers	Final Budget	Commitments	Expenses	Total spent	Carry-forward	Lapsed
2014 NCSEP at 28												
	810,579	-	810,579	-	810,579	-	810,579	172,930	184,199	357,129	172,930	453,450
Budget 101 SHAPE	810,579	-	810,579	-	810,579	-	810,579	172,930	184,199	357,129	172,930	453,450
2014 AOM at 28												
	26,474,910	-	26,474,910	-	26,474,910	-	26,474,910	26,144,910	261,725	26,406,635	26,144,910	68,275
Budget 185 ISAF	26,474,910	-	26,474,910	-	26,474,910	-	26,474,910	26,144,910	261,725	26,406,635	26,144,910	68,275
Total 2014	27,285,489		27,285,489		27,285,489	-	27,285,489	26,317,840	445,924	26,763,764	26,317,840	521,725

EUR

	<i>Initial budget</i>	<i>Transfers</i>	<i>BA2</i>	<i>Transfers</i>	<i>BA3</i>	<i>Transfers</i>	<i>Final Budget</i>	<i>Commitments</i>	<i>Expenses</i>	<i>Total spent</i>	<i>Carry-forward</i>	<i>Lapsed</i>
2013 NCSEP at 28												
	6,595,247	-	6,595,247	-	6,595,247	-	6,595,247	4,087,528	1,842,430	5,929,958	4,087,528	665,289
<i>Budget 101 SHAPE</i>	688,247	-	688,247	-	688,247	-	688,247	299,458	380,487	679,945	299,458	8,302
<i>Budget 105 HQ AC RAMSTEIN</i>	650,000	-	650,000	-	650,000	-	650,000	-	308,508	308,508	-	341,492
<i>Budget 166 ACCS Support</i>	300,000	-	300,000	-	300,000	-	300,000	-	-	-	-	300,000
<i>Budget 177 NCCB</i>	1,207,000	-	1,207,000	-	1,207,000	-	1,207,000	293,000	914,000	1,207,000	293,000	-
<i>Budget 178 NATO CIS GROUP (NCISG)</i>	3,750,000	-	3,750,000	-	3,750,000	-	3,750,000	3,495,070	239,435	3,734,505	3,495,070	15,495
Total 2014	6,595,247		6,595,247		6,595,247	-	6,595,247	4,087,528	1,842,430	5,929,958	4,087,528	665,289
Total for all MB Cost Shares, Years and Budgets	1,145,118,279		1,145,118,279		1,144,733,852	(2,574,777)	1,142,159,076	156,864,318	940,807,299	1,097,671,617	156,864,318	44,487,459

ACO Consolidated Financial Statements 2017
ACO BC CONTRACT AUTHORITIES

EUR

	<i>Initial budget</i>	<i>Transfers</i>	<i>BA2</i>	<i>Transfers</i>	<i>BA3</i>	<i>(*)</i>	<i>Final Budget</i>	<i>Net Commitment</i>
NCSEP at 29								
	198,959,088	1,936,051	200,895,139	597,756	201,492,895	2,121,369	203,614,264	129,924,248
101 SHAPE	4,853,709	1,604,241	6,457,950	298,520	6,756,470	22,339	6,778,809	863,356
103 JFC HQ BRUNSSUM	3,631,735	18,588	3,650,323	134,889	3,785,212	-	3,785,212	33,000
104 JFC HQ NAPLES	11,743,901	-	11,743,901	(7,166,406)	4,577,495	-	4,577,495	4,359,320
105 HQ AC RAMSTEIN	1,669,209	(1,393,809)	275,400	133,500	408,900	-	408,900	224,274
118 HQ MC NORTHWOOD	551,092	-	551,092	(539,666)	11,426	992	12,418	12,418
131 DEPLOYABLE ASSETS	794,899	-	794,899	199,255	994,154	-	994,154	534,982
164 AIR DEFENCE GROUND (ADG)	14,818,000	-	14,818,000	6,113,000	20,931,000	-	20,931,000	6,113,000
166 ACCS Support	45,878,341	-	45,878,341	-	45,878,341	-	45,878,341	-
177 NCCB	114,939,002	1,786,231	116,725,233	1,424,664	118,149,897	2,098,037	120,247,935	117,783,897
AGS at 27								
	5,210,000	2,165,160	7,375,160	-	7,375,160	-	7,375,160	3,061,146
167 AGS	5,210,000	2,165,160	7,375,160	-	7,375,160	-	7,375,160	3,061,146
NAEW at 16								
	123,713,742	11,138,077	134,851,819	-	134,851,819	-	134,851,818	121,747,433
123 NAEW Reorganisation	1,519,327	-	1,519,327	-	1,519,327	-	1,519,327	479,893
NAEW at 16+1/26+2								
	122,194,415	11,138,077	133,332,492	-	133,332,492	-	133,332,492	121,267,541
162 NAEW & CF	122,194,415	11,138,077	133,332,492	-	133,332,492	-	133,332,492	121,267,541
AOM at 29								
	4,395,628	316,100	4,711,728	93,077,956	97,789,684	66,208,395	163,998,079	83,499,300
183 Balkans Operations	4,395,628	-	4,395,628	-	4,395,628	-	4,395,628	672,537
194 Resolute Support Mission	-	316,100	316,100	93,077,956	93,394,056	66,208,395	159,602,451	82,826,763
Total for all MBC Cost Shares, Years and Budget	330,759,131	15,555,389	346,314,519	93,675,712	439,990,231	68,329,764	508,319,995	337,752,234

(*)Budget 118: the difference is due to the exchange rate between 2016 and 2017 for multiyear contract awarded in 2016. (*)Budget 118: the difference is due to the exchange rate between 2016 and 2017 for multiyear contract awarded in 2016.

(*)Budget 177: the difference is due to the funding increase as per BC-DS(2017)0064.

(*)Budget 194: the difference is due to the Funding authority authorized as per BC-DS(2017)0047.

ACO Consolidated Financial Statements 2017
STATEMENT 5/2: SUMMARY BUDGET EXECUTION REPORT - OTHER

EUR

	<i>Expenditure Ceiling</i>	<i>Net Commitment</i>	<i>Actual Expenses</i>	<i>Total Spend</i>
<i>Non-Consolidated BC</i>				
	10,520,215	719,630	8,713,614	9,433,244
2017	10,204,400	677,983	8,626,503	9,304,486
259 ACT EXERCISES & TRAINING	10,204,400	677,983	8,626,503	9,304,486
2016	312,105	41,646	87,111	128,757
259 ACT EXERCISES & TRAINING	312,105	41,646	87,111	128,757
2015	3,710	-	-	-
259 ACT EXERCISES & TRAINING	3,710	-	-	-

ACO Consolidated Financial Statements 2017

Notes to the ACO Consolidated Financial Statements 2017

ACO Consolidated Financial Statements 2017

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ACO Consolidated Financial Statements 2017

NOTES TO THE ACO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

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ACO Consolidated Financial Statements 2017

A. Significant accounting Policies

Basis of preparation

The consolidated financial statements (FS) of the Allied Command Operation (ACO) have been prepared in accordance with the NATO Accounting Framework¹ (NAF) as adopted by the NATO Council. The NATO Accounting Framework is an adaptation of the International Public Sector Accounting Standards (IPSAS).

The FS comply with the financial reporting requirements of the NATO Financial Regulations (NFRs) and the relevant ACO directives and policies. Where the NAF permits a choice of accounting policy, the accounting policy, judged as the most appropriate to the particular circumstances of the ACO for giving a true and fair view, has been selected.

The FS have been prepared on a going-concern basis which means that ACO will continue in existence for at least a year from the date the financial statements are issued.

The FS 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 deemed 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. There is one exception related to the Foreign Military Sales acquired directly or via a NATO Agency from the US Defence Department where the financial data on accrual basis are not always available and are therefore reflected on a modified cash basis. Details are disclosed in the relevant notes.

In accordance with Article 2.1 of the NFRs, the financial year of ACO begins on 1 January 2017 and ends on 31 December 2017.

Changes in Accounting Standards

ACO discloses whenever it has not yet applied a new accounting standard, and provides any information relevant to assessing the possible impact that the initial application of the new standard would have on the FS. The standards reported below are effective for annual financial statements covering period beginning on or after 1 January 2017. The new relevant standards have not been applied by ACO in preparing the ACO Consolidated 2017 FS. They are expected to have no material impact on ACO's financial reporting.

IPSAS	Name	Effective date for periods beginning on or after
IPSAS 33	<i>First-time Adoption of Accrual Basis IPSASs</i>	<i>1 January 2017</i>
IPSAS 34	<i>Separate Financial Statements</i>	<i>1 January 2017</i>
IPSAS 35	<i>Consolidated Financial Statements</i>	<i>1 January 2017</i>
IPSAS 36	<i>Investment in Associates and Joint Ventures</i>	<i>1 January 2017</i>
IPSAS 37	<i>Joint Arrangements</i>	<i>1 January 2017</i>
IPSAS 38	<i>Disclosure of Interests in other entities</i>	<i>1 January 2017</i>
IPSAS 39	<i>Employee Benefits</i>	<i>1 January 2018</i>
IPSAS 40	<i>Public Sector Combinations</i>	<i>1 January 2019</i>

Accounting estimates and judgments

In accordance with IPSAS and generally accepted accounting principles, the FS 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.

Specifically, when precise information was not available for measuring the value of Property, Plant & Equipment (PP&E) to be recognised in the statement of financial position some estimates have been applied by reference to the buying price of similar assets in an active and liquid market or to the historical cost trend of similar acquisitions occurred over the last 3 - 5 years. For infrastructure funded through the

¹ C-M-(2016)0023: NATO Accounting Framework, dated 29 Apr. 2016.

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NATO Security and Investment Programme (NSIP) and where no actual cost has been provided by the territorial host nation, the authorised amount has been used as basis for the acquisition cost. Moreover, a percentage of the acquisition cost of these infrastructures has been applied for determining the value of the fixed assets and the installed equipment where the project authorisation breakdown was not available.

The CNS/ATM upgrades managed by NAPMA include also all the costs related to the development. For ACO some of these upgrades are reported as assets in 2017 and the remaining are expected to be recognised in 2018. Therefore, the development costs were apportioned to each upgraded unit accordingly.

The estimates and underlying assumptions are reviewed on an on-going 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 FS.

Changes in Accounting Policy

The same accounting policies are applied within each period and from one period to the next, unless a change in accounting policy meets one of the criteria set in IPSAS 3. For the 2017 FS, the NAF and ACO accounting policies have been applied consistently throughout the reporting period.

One of the main changes in 2017 ACO accounting policy is related to the NAGSF assets financial reporting. Based on the final Alliance Ground Surveillance (AGS) Transition Plan approved on 26 April 2017, equipment and infrastructure not included in the AGS Core-system and managed via the NSIP channel is under the financial reporting responsibility of ACO, whilst ownership rights and accountability responsibilities of the AGS Core system assets still reside to NSPA as the NATO AGS Governance Body after the transfer from NAGSMA.

The assessment of the finance leases changed as well. For the 2017 reporting period ACO based the specific accounting criteria on substantial transfer of all the risks and rewards. To guarantee comparative analysis, related data for FY 2016 were restated.

The impacts of any other change to the ACO accounting policy have been identified in the notes under the appropriate headings.

Reclassification

The asset categories have been further assessed and divided into sub-categories for the application of specific useful life. The creation of new sub-categories has resulted in the reclassification and restatement of data for some assets as reported below.

Restatements

ACO has restated a number of balances in the FS. They mainly relate to pre-payment, PP&E, inventory, accruals, finance leases and assessment of previous years' audit observations.

Foreign currency

These FS are presented in Euro, which is the ACO functional and reporting currency. All entities included in the consolidated FS adopt Euro as functional currency. Data from ACO budgets approved in different currency are converted and reported in Euro using a fixed rate. The fixed rate applied for GBP for 2017 is equal to 0.848 EUR.

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 2017. Resulting realised and unrealised gains and losses are recognised in the Statement of Financial Performance.

Consolidation

The ACO Consolidated FS include the financial results of ACO² as the controlling entity exercising control over the controlled entities listed below.

² ACO is a functional chain of military command and neither a legal entity nor an organization. The consolidation of statements into the ACO FS cannot be construed as creating any other legal effect that for financial reporting purposes in accordance with IPSAS 6 principles. The term "ACO Headquarters" relates only to those principles and does not supersede the legal status or personality of existing Headquarters across ACO

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ACO HQ NAME	LOCATION
SHAPE HQ	Casteau, Belgium
JFC Brunssum HQ	Brunssum, Netherlands
Resolute Support HQ	Kabul, Afghanistan
NAEW&C Force GK HQ	Geilenkirchen, Germany
JFC Naples HQ	Naples, Italy
AIRCOM Ramstein ³ HQ	Ramstein, Germany
MARCOM Northwood HQ	Northwood, UK
NCIS Group HQ ⁴	Casteau, Belgium
KFOR HQ	Pristina, Kosovo
NHQSa HQ	Sarajevo, Bosnia Herzegovina
LANDCOM Izmir HQ	Izmir, Turkey
NAGSF HQ	Sigonella, Italy
ACO Corporate Accounting and Control Office	Casteau, Belgium

Inter-entity balances and transactions have been eliminated in consolidation. ACO has obtained from the above listed Commands all the information and financial data necessary for the production of the accounts that show ACO's consolidated assets and liabilities as well as revenues and expenses. The Financial Controllers of the above mentioned controlled entities have certified the correctness of the data reported to ACO CAC for further analysis and consolidation in the ACO FS.

The ACO MWA financial data are not consolidated into the primary ACO FS in accordance with the adapted IPSAS 6 included in the NAF which prescribes that the NATO reporting entities shall not consolidate the Morale and Welfare Activities and/or Staff Association activities into their respective FS even when they are considered to be under the control, from a financial reporting perspective, of the NATO Reporting Entity preparing and issuing the FS. Relevant details are reported by way of a disclosure note (Note M).

Services in-kind

In these consolidated FS, services in kind are not recognised.

Financial Instruments disclosure/presentation

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

ACO uses only non-derivative financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, short-term investments, accounts receivable, liabilities. They are recognised in the statement of financial position at fair value.

Financial risk factors

ACO has no powers to borrow money or to invest surplus funds. Other than financial assets and liabilities which are generated by day-to-day operational activities, no financial instruments are held.

Credit risk

ACO's clients are mainly NATO Members' Nations or Troop Contributing Nations (TCNs) very often sponsored by NATO's Nations and NATO agencies. ACO is therefore not exposed to material credit risks.

Liquidity risk

ACO is not exposed to any liquidity risk due to the funding mechanisms from the contributing NATO's Member Nations, as well as internal policies and procedure put in place to ensure there are always

³ It includes data related to AIRCOM HQ, Ramstein, Germany, Deployable Air Command and Control Centre (DACCC), Poggio Renatico, Italy, Combined Air Operations Centre (CAOC), Uedem, Germany, Combined Air Operations Centre (CAOC), Torrejon, Spain

⁴ It includes data related to the NCISG HQ, SHAPE, Belgium, 1st NSB, Wesel, Germany, 2nd NSB, Grazianise, Italy, 3rd NSB, Bydgoszcz, Poland

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appropriate resources to meet the financial obligations.

Foreign currency risk

ACO has some exposure to foreign currency because some contracts and activities are denominated in currencies different than Euro, mainly USD and GBP. A constant monitoring of the various activities in foreign currencies is executed to identify the potential exposure to exchange rate variations and to manage the risk accordingly. ACO doesn't maintain significant assets or liabilities in foreign currency, except for some operational balances related to service provided at MARCOM HQ, NAEW&C Force and for the TCNs in theatre.

Realised and unrealised gains and losses resulting from the settlement of transactions in foreign currencies and from the revaluation at the reporting date are recognised in the Statement of Financial Performance.

Interest rate risk

ACO has successfully implemented a centralised Cash Management office. Therefore, the cash holding is mainly kept and managed at corporate level with few exceptions. Liquidity is invested in saving accounts until 3 months or short term deposits for not more than 12 months in accordance with NFRs, to ensure the best possible return on cash holdings considering the current financial market situation. The exposure to interest risk strictly follows the current market for all public and international organisations.

Assets**a. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, petty cash, current bank accounts, deposits held with banks, other short-term investments (with a maturity of three months or less). Any amounts held in a foreign currency are translated into Euro at the exchange rate on the date of reporting.

b. Short-term investments

These are short-term investments with a maturity of more than 3 and less than 12 months.

c. Receivables

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

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

d. Inventories

In accordance with the adapted IPSAS 12 as approved within the NAF, items acquired from 1 January 2013 and held on stock at the reporting date are recorded as inventories if their useful life is less than one year and they exceed the materiality threshold reported in the table below.

Inventory Categories	Threshold	Basis
Consumable	€50,000	Per location/warehouse
Spare parts	€50,000	Per location/warehouse
Ammunition	€50,000	Per location/warehouse

ACO Inventory items are classified by group classes with the exception of NAEW&C Force GK HQ for which the Tech Degree codes (ERRC) is considered the first filter for categorizing items as inventory. Remaining codes are classified in accordance with the assigned group class.

Shipping/transportation costs have been added for the recognition of new items as actual cost, if identifiable, or apportioned from the total costs of delivering inventory to the warehouse. The materiality threshold is 2% of the overall budget executed by the respective ACO Command.

ACO inventories are reported using the WAC method where adjustment is made to cater for the reduced value of non-strategic slow moving items.

Inventories qualified as non-strategic held on stock at the reporting date and which were identified as 'slow moving' over the last three reporting periods are written down to the net realisable value, it being 35% of the last WAC of the same inventory item, The category of 'slow moving' is reported only for items identified at NAEW&C Force HQ.

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ACO is also reporting legacy assets (i.e. those acquired before 1 January 2013) by way of a disclosure note to include the approximate number of items per inventory category for each respective location iaw NAF.

e. Property, Plant and Equipment

According to the NAF all assets qualified as PP&E, which were under the control of ACO at the reporting date, acquired (received) from 1 January 2013 have been capitalised and recognised as non-current assets in the statement of financial position if acquisition cost exceed the ACO capitalisation thresholds.

Depreciation is recognised 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 PP&E 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 from the disposal or retirement of an item is determined as the difference between the sales proceeds and the carrying amount of the asset and it is recognised in the statement of financial performance.

ACO PP&E categories for static HQs are listed in the table below:

Category	Threshold	Depreciation life
Land	€200,000	N/A
Buildings	€200,000	40 years
Other infrastructure	€200,000	<i>Dependent on type</i>
Installed equipment	€30,000	<i>Dependent on type</i>
Machinery	€30,000	10 years
Vehicles	€10,000	5 years
Aircraft (Planes, Upgrades & Spare parts)	€200,000	<i>Dependent on type</i>
Vessels	€200,000	<i>Dependent on type</i>
Mission equipment	€50,000	3 years
Furniture	€30,000	10 years
Communications	€50,000	3 years
Automated Information Systems	€50,000	3 years

The above categories and thresholds are valid also for the ACO AOM operations assets physically located in a theatre of operation. However, according to the NAF each of the AOM PP&E asset categories has a useful life of one year to reflect the intensive nature of the operations.

PP&E items have been identified based on the groups and classes identified by the US Federal Supply Classification which classifies items of supply identified under the Federal Cataloguing Program. This approach is in place within all the ACO Commands with the exception of NAEW&C Force GK HQ where the primary criterion is related to the serialisation of the item.

Assets acquired through other NATO entities and handed-over at the reporting date to ACO or managed by third parties on behalf of ACO, such as the deployable non-CIS assets stored in the NSPA Depot in Taranto (ITA), are included in the ACO FS.

During 2017 SHAPE has continued to work with the subordinate Commands in order to consistently apply proper classification of the assets in accordance with the categories established for PP&E by the NAF. Moreover, SHAPE, in coordination with experts at NAEW&C Force HQ made further analysis for assets related to airfields as well as extensive revision of the useful life for the assets belonging to the infrastructure asset category. This has resulted in a re-assessment of the lifetimes for all sub-categories of infrastructures, as well as buildings and aircraft related assets.

The CIS assets (Communication and Automated Information System) reported in the 2017 ACO FS relate to NHQSa and NAEW&C Force GK HQ. In those 2 ACO sites the CIS assets are not under the control of the NCIA but of ACO.

The category of 'Asset under Construction' (AuC) refers to NSIP projects expenses occurred after 1 January 2013 for ACO requirements and implemented by SHAPE as HN; AuC is reported by ACO until the project is accepted by the users (completed) and put in service by the receiving HQ. It also includes infrastructure projects managed by local HQs via annual budgets mainly related to NAEW&C Force GK HQ. ACO is not recognising any other AuC.

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The PP&E data of Resolute Support include the NATO assets located at HQ RS plus the four regional airports of KAF, MeS, Herat and HKIA where USA, Germany, Italy and Turkey respectively assumed responsibilities as Framework Nations (FWN). The Memorandum Of Understanding (MOUs) for the RS Mission airfield services refer to Technical Agreements (TA) to be signed between SHAPE and the FWNs to determine the responsibilities for the use of the NATO-funded assets by the FWN. So far only the KAF TA with USA has been signed. Nonetheless, the SHAPE CMRB decision dated 8 September 2014 clarified that the NATO Chain of Command remains accountable for all the NATO funded assets through the end of the RS. To this extent the transfer of NATO assets from ISAF to RS Mission following the procedures set forth by the ACO Directive 80-100 has been considered under the on-going concern principle.

Building and infrastructure facilities in use across the ACO static Commands have been analysed in light of the control criteria set forth by the NAF and the Garrison Support Agreements as well as the Host Nation Support Policy and Standards⁵, the Base Support Concept⁶ and the NSIP regulations, to determine whether they are under the control of ACO or the HNs. Although the analysis highlighted that the HN, besides being the owners maintain also a certain level of control over the infrastructure, these buildings and infrastructure have been reported in the ACO FS even when for some criteria the control over the infrastructure has resulted to be either of ACO or shared between ACO and the HNs. The HQ facilities in Sarajevo for NHQSa are not reported as they are under the control and responsibility of EUFOR based on the Berlin Plus Agreement.

Further to the PO (2015)0342, Organisational Framework for the Operations and Support of NATO Alliance Ground Surveillance (AGS) Force, dated 17 June 2015, the assets of the NATO AGS Core System are not reported by ACO as they fall under the direct responsibility of the AGS Support Partnership which is governed by the NATO Support and Procurement Agency (NSPA) as executive body. Equipment facilities, building and capital improvements provided by the HN Italy will remain the property of the HN, buildings and capital improvements provided through NATO funding will be reported by NAGSF; whilst ownership rights and accountability responsibilities of the AGS Core system assets will be transferred from NAGSMO to NSPA as the NATO AGS Governance Body.

ACO does not report assets of the Alliance Defence Ground (ADG) and Air Command and Control System (ACCS) either, as they are under National control and responsibility.

ACO is reporting also the legacy assets (i.e. those acquired before 1 January 2013) by way of a disclosure note to include the approximate number of items per asset category for each respective location.

Leases

Leases are classified as finance leases whenever the terms of the lease substantially transfer 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.

In these FS ACO is not reporting any assets or liabilities related to finance lease.

f. Intangible Assets

ACO does not hold intangible assets at the reporting date.

Impairment of tangible and intangible assets

At the end of each accounting period, ACO 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 minus costs to sell and value in use. Impairment losses, if any, are recognised in the statement of financial performance. For 2017 the impairment for Machinery and AIS is recognised for NAEW.

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.

⁵ PO(2011)0020 dated 8 February 2011

⁶ CM-128-2011 dated 16 November 2011

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b. Deferred Revenue

Deferred revenue represents income/contributions from member nations and/or third parties that have been called for current or prior years' budgets and that have not yet been recognised as revenue.

c. Advances

Advances are income/contributions from member nations/third parties called or received related to future years' budgets.

d. Employee benefits

The employees in ACO⁷ participate in one of the three NATO pensions funds: the Provident Fund, and the Coordinated Pension Scheme are benefit plans, and the Defined Contribution Pension Scheme (DCPS) is a contribution plan, all are administered by NATO and RMCF. The assets and liabilities for these pension schemes are accounted for centrally at NATO Headquarters and therefore are not recognised in these FS, ACO accounts only for the contribution paid during the year.

DCPS and Provident Fund:

ACO contributes a specified percentage of payroll costs to the DCPS and to the Provident Fund to fund the benefits. In addition to the employer's contribution, a portion of the employees' salaries is deducted and contributed to the annual financing of 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 ACO HQs.

Coordinated Pension Scheme:

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

ACO recognises a provision in the Statement of Financial Position for the TFR to be paid to the Italian Local Wage Rate employees by JFC HQ Naples as a termination benefit (further details are disclosed in Note D) and other severance and/or bonus obligations to staff members. The accounting treatment consists of partial advance to the national entity responsible for the collection and the allocation of the remaining obligation as provision. The amount is counterbalanced by a receivable from the Nation for future funding when required.

e. Provisions

Provisions are recognised 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.

Net Assets

Net assets represent the residual interest in the assets of the entity after deducting its liabilities. Unspent revenue and potential revenue from liquidation of assets are to be reimbursed to the contributing nations and is recorded as a liability. ACO is therefore not recording any net assets.

Revenue and expense recognition**a. Revenue**

Revenue comprises contributions from Member Nations and income from other customers to fund ACO's requirements through the Military Budget (MB) and the NATO Security Investment Programme (NSIP). It is recognised in the year when these contributions are used for their intended purpose. 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. Unused contributions and other revenue that relate to future periods are deferred accordingly.

⁷ ACO is neither a legal entity nor an organization in the legal sense of the term. ACO cannot exert the rights and prerogatives, nor bear the liabilities of an employer. In conformity with NAF and IPSAS 6 principles, the term "employee" is meant for the purposes of financial reporting exclusively. It cannot be construed as superseding existing status or contracts between the relevant legal persons, either moral or natural.

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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 2017, 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

Budgetary expenses are recognised 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/unrealised exchange rate losses are recognised as finance costs

Result of the year

In accordance with ACO accounting policies ACO revenue is recognised up to the amount of the matching expenses, therefore any result is the net of financial and/or other miscellaneous income and expenses.

Trust Funds

ACO manages a number of trust funds on behalf of other entities. The primary purpose of trust funding is to provide a mechanism for the NATO Commander to achieve objectives and undertake authorised activities, complementary to the mission, which are not eligible for NATO common funding through the Military budget or the NSIP.

Trust Funds are not considered core activities of ACO. NATO recognises an asset when it controls access to the asset and gains economic benefit or service potential, but matches this to an equal liability. ACO does not recognise any expenditure or revenue in relation to the Trust Funds in its statement of financial performance which it does not control with the only exception of the remaining KSF project related to KFOR, if required. Details are shown in Note K.

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).

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B. Notes to Statement of Financial Position**Assets – Current Assets****1. Cash and cash equivalents**

Cash and cash equivalents	2017	2016 Restated	2016
Cash accounts	235,919	231,424	231,424
Petty Cash and Advances	332,057	339,684	339,684
Current Bank Accounts	826,818,213	829,062,431	829,062,431
Clearing-Bank accounts	(192,807)	(3,829)	(3,829)
Cash Equivalent	254, 160,815	270,000,000	270,000,000
Total	1,081,354,197	1,099,629,710	1,099,629,710

2. Short Term Investments

Short Term Investments	2017	2016 Restated	2016
Total	440,241,700	96,094,955	96,094,955

The overall cash holding in ACO for 2017 is higher compared to the balance of the previous year, due to an increase of 326 MEUR.

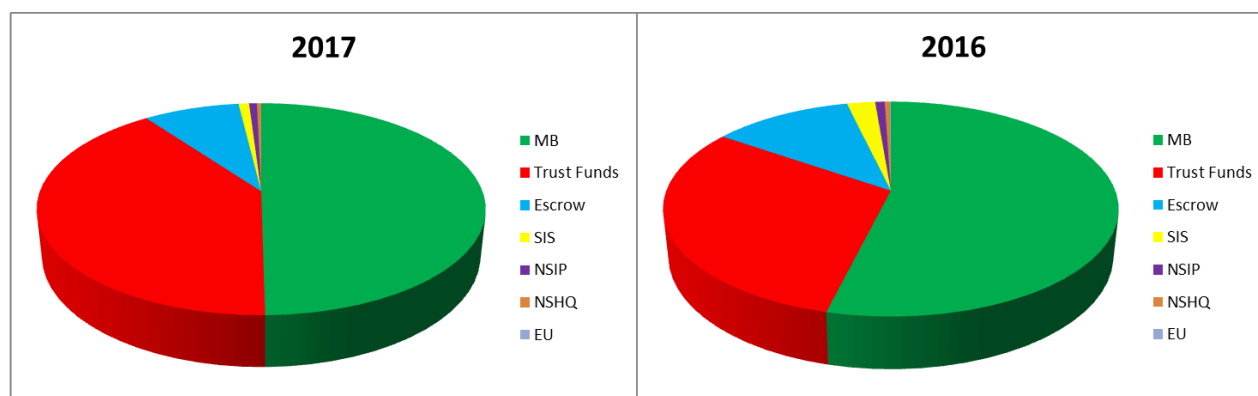
MB cash holdings increased for a total of 113 MEUR. This is partially due to the fact that in 2017 the NAEW second call for contribution 2017 included the advance for Financial Year 2018, as requested by the Nations.

ANA trust Funds cash holdings increased for a total 243 MEUR. The NSIP overall cash holdings increased for 520 KEUR. The SIS overall cash holdings decreased for 16 MEUR. The EU Operation Althea cash holdings decreased for 669 KEUR. The corresponding balance related to the Escrow Account is lower than the 2016 balance for an amount of approximately 16 MEUR due to the exchange rate between EUR/USD as of 31 December 2017.

The local cash holdings are kept as low as possible due to the centralised cash management structure within ACO. ACO holds bank accounts in foreign currencies to execute the management of activities conducted in foreign currencies. The balances are constantly monitored to ensure the required balances are available and additional currency is acquired at a reasonable exchange rate when needed.

The breakdown for the main categories is reported below:

Table 1.A – ACO Cash holding breakdown



The year-end balance is not representative of the average cash holdings during the financial year. Cash holdings tend to increase towards the end of the financial year due to the cash received upon the final cash call and the request of some nations to liquidate uncalled contributions for the following year. The trend continues until March of the following financial year.

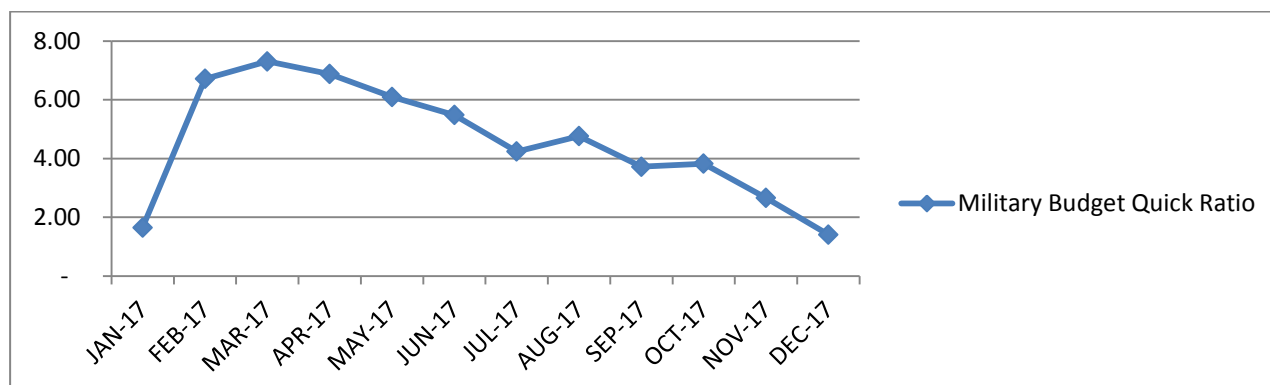
The cash holdings are shown in the chart below through the Quick Ratio. This ratio measures the ability of the entity to meet its short-term obligations at a certain point in time; a value higher than 1 means that the entity can pay off all its short-term liabilities.

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The ratio is close to 1 at the end of 2017 due to the end of year assessment of accruals which has a direct impact on the level of liability recognised at year-end.

Table 1.B – ACO MB Quick ratio Fiscal year 2017



At ACO the cash and cash equivalents shown in Note B.1 include balances for purposes other than MB budget and NSIP. Since ACO has control of these balances, they are shown as assets of ACO with a matching liability.

Funds categorized as cash equivalent are invested in saving accounts for a period not exceeding 3 months. They are convertible to known amounts of cash and subject to no risk of changes in value. The MB cash equivalent at the end of 2017 is 160 MEUR. The Trust Funds cash equivalent at the end of 2017 is 94 MEUR.

Furthermore, short-term investments include ACO investments if their maturity is within a period of 12 months or less. All investments are managed centrally by ACO CAC branch. The STIs reported at the end of 2017 are related to MB Funds for approximately 241 MEUR, ANA Trust Funds for approximately 184 MEUR and to other projects for approximately 15 MEUR.

Interest rates

From early 2016 some banks started charging negative interests to customers holding deposits of above 5 MEUR in their bank account. ACO managed so far to avoid any negative interest despite the considerable EUR balance. In addition, interest revenue is only one part of the relationship ACO has with banks. ACO pays almost no fees taking into account the volume of the transactions managed in all currencies and countries (involving corresponding banks and potential extra costs). ACO regularly analyse and consider as well the most valuable approach regarding foreign currencies.

3. Receivables

Receivables	2017	2016 Restated	2016
Receivables Contribution from Member Nations	36,704,093	34,457,764	34,457,764
Receivable Assessment/under call 2015	0	428,000	428,000
Receivables from Troop Contributing Nations	7,544,426	11,732,315	11,732,315
Receivables from Other NATO bodies	6,645,285	5,295,333	5,295,333
Receivables from Staff Members	168,726	105,489	105,489
Receivables from Nations	4,416,987	2,190,527	2,190,527
Other Receivables/Recoverable	10,430,623	14,679,612	14,679,612
Total	65,910,140	68,889,040	68,889,040

The main accounts receivable balance is reported in the ACO CAC segment reporting. ACO CAC receives funds mainly from Nations for Calls for Contributions, recovery of the NBC and other calls for contribution.

The balances in foreign currencies are converted to the reporting currency at the NATO exchange rate prevailing at the end of the reporting period.

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Receivable from TCNs

Receivable from TCNs	2017	2016 Restated	2016
NHQSa NBC	60,064	64,930	64,930
KFOR NBC	1,568,451	1,319,664	1,319,664
ISAF/Resolute Support NBC	5,725,701	10,347,721	10,347,721
NTCB-Iraq	192,309	-	-
Total	7,544,426	11,732,315	11,732,315

These credits are for NBC outstanding from Nations participating in the AOM activities and for which ACO is providing services related to their troops.

The outstanding credits are monitored on a recurring basis and a follow-up procedure is in place. NBC workload continues to be work intensive despite the decreased amount of outstanding credits due to the constant required liaison between ACO and the TCNs.

The ending receivable balances for 2017 is showing a significant drop in amount of uncollected NBC items. The large amounts accrued from long outstanding NBC have been recovered during 2017.

NHQSa/EUFOR: NBC continues to be raised for the remaining troops at Camp Butmir. Since 2011, the low costs include some additional charges of severance being made to the TCNs.

KFOR: In 2017 there have been no significant problems billing the concerned TCNs for KFOR HQ NBC.

Resolute Support HQ: Resolute Support HQ is still a large NBC work oriented area.

HKIA: Although on 1 January 2016 ACO ceased to be responsible for billing the TCNs for NBC at HKIA. Final 2015 billing data from NSPA were received at the end of 2017. As per NAC (PO (2018)0009), ACO is tasked to manage the HKIA billing and follow-up for TCNs during the fiscal year 2018.

NTCB-Iraq: Due to the establishment of a NATO Training and Capacity building Activity in Iraq, some limited services related to NBC were performed including the recovery of the related cost.

Receivable from other NATO bodies

These are receivables for other NATO entities for services provided to them. The balance includes approximately 1.2 MEUR for ACT, 687 KEUR for NCIA, and 2.3 MEUR for NSHQ.

Receivable from staff members⁸

These are receivables from staff members, such as short term loans, salaries and allowances to be reimbursed by staff members and other receivables. Collections are assured through payroll withholding and staff separation payments. The change is due to the reclassification of advances paid for travels which has been transferred to advances.

4. Prepayments

Prepayments	2017	2016 Restated	2016
Advances and Prepayments	25,988,825	41,210,521	24,087,826
Total	25,988,825	41,210,521	24,087,826

Prepayments are net of related accruals previously recorded and associated expenses. Advances entered in foreign currency were accrued in that currency. The reported amounts are mainly advances and prepayments to other NATO entities and LWR Severance Pay (TFR) for JFC Naples as described in Note A – 'Employee benefits'. It should be noted that the prepayments related to NAEW&C Force GK HQ reflects mainly advances done to NSPA for FMS for which financial data on accrual basis are not available and NAPMA for the upgrade programme as detailed below.

This prepayment balance includes also approximately 3.5 MEUR paid by SHAPE HQ for FMS cases, 12.6 MEUR paid by NAEW&C Force GK HQ to NAPMA for upgrade related to the CNS/ATM and Mode 5 projects to be delivered in 2018 (in 2016 the advance for the same projects related to NAEW was almost double, 22.5 MEUR).

⁸ See footnote n. 8 at page N-8.

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5. Other current assets

Other current assets	2017	2016 Restated	2016
Bank Interest Accrued	1,499,303	580,346	580,346
Receivable for Provisions	2,975,630	2,823,944	2,823,944
Total	4,474,933	3,404,290	3,404,290

The majority of the Bank Interest Accrued relates to deposits with ACO CAC bank accounts and the Escrow USD bank account managed by ACO CAC.

Details for the provisions are reported in Note D.

6. Inventories

Inventories	2017	2016 Restated	2016
Consumables	14,817,647	13,489,757	13,416,081
Spare parts	22,806,502	21,558,683	21,623,760
Total	37,624,149	35,048,439	35,039,841

ACO is reporting inventory as established in the ACO accounting policy.

No inventory is pledged as security for liabilities.

Inventory	
Opening as of 1 January 2016	31,202,384
Adjustments to opening	(13,176)
Adjusted opening as of 1 January 2016	31,189,208
Additions	38,591,872
Expensed	(34,612,122)
Write off/write down	(44,854)
Adjustments to ending	(75,665)
Ending balance as of 31 December 2016	35,048,439
Opening as of 1 January 2017	35,048,439
Adjustments to opening	(1,271,712)
Adjusted opening as of 1 January 2017	33,776,727
Additions	35,880,607
Expensed	(31,961,226)
Write off/write down	(2,441)
Adjustments to ending	(69,518)
Ending balance as of 31 December 2017	37,624,149

Restatement/adjustments of the 2017 inventories

The adjustments to ending balances for FY 2016 and FY 2017 are due to the exclusion of balances below the applicable threshold; the adjustment to opening FY 2017 is mainly due to the transfer of CIS to NCIA in KFOR.

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Assets - Non-current Assets**7. Property, Plant and Equipment**

Property, Plant & Equipment	2017	2016 Restated	2016
Land	-	-	-
Buildings	46,054,001	35,718,558	28,848,999
Other infrastructure	17,235,744	17,156,971	18,807,449
Installed Equipment	22,806,233	17,508,422	14,745,361
Machinery	6,465,730	5,879,150	5,539,199
Vehicles	4,222,622	1,495,762	1,475,058
Aircrafts (Planes, Upgrades & Spare parts)	175,424,410	3,545,558	3,553,089
Mission Equipment	27,142,099	34,951,265	33,445,203
Furniture	1,424,873	1,035,596	806,546
Communication	11,037,501	1,129,895	1,129,895
Automated Information Systems	5,106,976	1,635,246	1,664,511
AuC	6,585,617	6,065,323	6,059,871
Total for Property, Plant and Equipment	323,505,807	126,121,746	116,075,182

According to the NAF all assets qualified as PP&E under the control of ACO at the reporting date, acquired (received) from 1 January 2013 have been capitalized and recognised as non-current assets in the statement of financial position in accordance with the ACO capitalisation thresholds.

The CIS assets relate to CIS assets at NAEW&C Force GK HQ and NHQSa HQ.

No assets are pledged as security for liabilities.

The main variance reported in the PP&E for 2017 compared to previous year is related to the Airplanes (Upgrade and Spare parts) category for NAEW&C Force GK HQ. During 2017, 7 of the 14 CNS/ATM upgrades were formally handed over from NAPMA to the NAEW&C Force GK HQ. This upgrade includes flight Simulation Training Devices for a total of 6.1 MEUR and the release of the upgrade for 7 airplanes for a total of 193.3 MEUR. Moreover, the release of the third simulator training device is scheduled during 2018 like the remaining 7 upgrades for the airplanes.

The CNS/ATM modification of the NAEW aircraft is part of the overall modernisation effort of the NAEW fleet. The project entails a complete update of the cockpit from an analogue system to a largely digital one to ensure that the NAEW aircraft can meet the evolving navigation system requirements and is able to access airspace in projected NATO operating areas. The CNS/ATM configuration addresses also diminishing manufacturing sources for the legacy cockpit by replacing outdated analogue flight instruments and navigation equipment.

Restatement 2016

The main restatement relates to NAGSF HQ due to the reassessment of the financial reporting responsibility for ACO. The temporary facilities provided through NSIP funding is now reported by ACO and restated for a total cost of 10 MEUR. Other smaller restatements due to the re-assessment of lifetimes were recorded.

2017 data

The main variance in PP&E in 2017 is due to the delivery of cockpit upgrades for 7 planes in NAEW&C Force GK HQ as reported above. Assets related to this upgrade have been recorded in the following asset categories; Automated Information Systems (AIS), Communication, Mission Equipment and Aircrafts. New buildings, building extension and related installed equipment are reported for JFC Brunssum HQ, NCIS Group HQ and AIRCOM HQ.

Increase in asset category for the Vehicles is due to new acquisitions mainly in RS Mission, KFOR HQ and NAEW&C Force GK HQ.

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TABLE 6 – Property, Plant and Equipment – Breakdown of transactions for the year

	Land	Buildings	Other Infrastructures	Installed Equipment	Machinery	Vehicles
Acquisition cost as of 1 January 2016	-	49,600,649	54,708,496	11,390,794	7,913,555	5,403,703
Adjustment to opening balance	-	7,448,192	(738,457)	2,836,009	1,020,295	2,027,001
	-	57,048,841	53,970,039	14,226,802	8,933,850	7,430,704
Additions FinS	-	-	858,764	3,206,735	430,045	789,901
Manual additions - NSIP/other funding	-	16,040,358	4,656,040	3,383,638	49,921	265,513
Adjustment to additions 2016	-	(2,834,644)	2,697,739	96,277	312,585	407,550
Adjustment to additions - NSIP/other funding	-	-	-	-	-	-
+ Total Additions	-	13,205,714	8,212,543	6,686,650	792,552	1,462,964
- Disposals/retirements	-	-	-	(733,734)	-	(173,522)
- Capitalized/Expensed WIP	-	-	-	-	-	-
+ Revaluations	-	-	-	-	-	-
- Impairments	-	-	-	-	-	-
	-	23,576,784	19,122,826	12,735,843	1,897,689	3,159,956
- Accumulated depreciation	-	(33,302,470)	(38,283,293)	(1,974,881)	(2,148,126)	(4,584,779)
Adjustment to opening balance	-	(214,937)	(436,497)	16,295	(867,866)	(1,954,143)
	-	(33,517,408)	(38,719,790)	(1,958,586)	(3,015,992)	(6,538,921)
+ Disposals/retirements	-	-	-	733,734	-	166,010
- Depreciation 2016	-	(654,894)	(5,967,203)	(1,260,924)	(706,196)	(391,768)
Adjustment to depreciation 2016	-	(363,695)	(338,619)	(185,520)	(125,063)	(459,703)
Ending balance as of 31 December 2016	-	35,718,558	17,156,971	17,508,422	5,879,150	1,495,762
Acquisition cost as of 1 January 2017	-	70,254,555	62,182,583	20,179,718	9,726,402	8,720,146
Adjustment to opening balance	-	70,254,555	62,182,583	20,179,718	9,726,402	8,720,146
Additions FinS	-	396,012	-	1,053,712	241,855	3,126,115
Manual additions - NSIP/other funding	-	11,970,014	3,753,751	6,409,365	1,407,652	1,158,643
+ Total additions	-	12,366,026	3,753,751	7,463,077	1,649,507	4,284,758
- Disposals/retirements	-	-	-	-	-	-
+ Revaluations	-	-	-	-	-	-
- Impairments	-	-	-	-	-	-
Accumulated acquisition cost	-	82,620,581	65,936,334	27,642,795	11,375,909	13,004,904
- Accumulated depreciation as of 1 January 2017	-	(34,535,997)	(45,025,612)	(2,671,297)	(3,847,252)	(7,224,383)
Adjustment to opening balance	-	-	0	0	-	-
	-	(34,535,997)	(45,025,612)	(2,671,296)	(3,847,252)	(7,224,383)
+ Disposals/retirements	-	0	(0)	(0)	0	-
- Depreciation 2017	-	(2,030,583)	(36,566,580)	(2,165,265)	(1,062,927)	(1,557,896)
Ending balance as of 31 December 2017	-	46,054,001	17,235,744	22,806,233	6,465,730	4,222,622

	Airplanes & Components	Mission Equipment	Furniture	Communications	AIS	AuC	Total
Acquisition cost as of 1 January 2016	3,487,524	77,138,401	841,669	1,503,449	2,894,034	4,468,098	219,350,373
Adjustment to opening balance	-	1,268,914	256,878	-	(37,626)	-	14,081,205
	3,487,524	78,407,315	1,098,547	1,503,449	2,856,408	4,468,098	233,431,578
Additions FinS	306,038	705,924	210,017	184,047	721,730	-	7,413,202
Manual additions - NSIP/other funding	-	3,811,427	-	-	37,626	2,475,533	30,720,056
Adjustment to additions 2016	-	1,713,811	-	-	-	-	2,393,319
Adjustment to additions - NSIP/other funding	-	-	-	-	-	5,451	5,451
+ Total Additions	306,038	6,231,163	210,017	184,047	759,356	2,480,985	40,532,028
- Disposals/retirements	-	-	(398)	-	-	-	(907,654)
- Capitalized/Expensed WIP	-	-	-	-	-	(883,761)	(883,761)
+ Revaluations	-	-	-	-	-	-	-
- Impairments	-	-	-	-	-	-	-
	306,038	6,231,163	209,619	184,047	759,356	1,597,224	38,740,613
- Accumulated depreciation	(141,708)	(26,714,308)	(152,710)	(358,443)	(1,026,416)	-	(108,687,135)
Adjustment to opening balance	-	(749,748)	(2,141)	-	-	-	(4,209,037)
	(141,708)	(27,464,057)	(154,850)	(358,443)	(1,026,416)	-	(112,896,172)
+ Disposals/retirements	-	-	398	-	-	-	900,142
- Depreciation 2016	(98,765)	(21,496,241)	(92,431)	(199,158)	(962,463)	-	(31,830,042)
Adjustment to depreciation 2016	(7,531)	(726,915)	(25,688)	(272,571)	8,361	(1,980,518)	(146,050,446)
Ending balance as of 31 December 2016	3,545,558	34,951,265	1,035,596	1,129,895	1,635,246	6,065,322	126,121,745
Acquisition cost as of 1 January 2017	3,793,562	84,638,477	1,308,167	1,687,496	3,615,764	6,065,322	272,172,192
Adjustment to opening balance	-	-	-	(60,860)	-	-	(60,860)
	3,793,562	84,638,477	1,308,167	1,626,637	3,615,764	6,065,322	272,111,332
Additions FinS	2,042,963	661,156	434,807	-	324,967	-	8,281,587
Manual additions - NSIP/other funding	174,594,554	10,646,387	145,916	11,933,053	4,478,576	2,204,354	228,702,265
+ Additions	176,637,517	11,307,543	580,723	11,933,053	4,803,543	2,204,354	236,983,852
- Disposals/retirements	-	-	(163)	-	-	-	(163)
- Capitalized/Expensed WIP	-	-	-	-	-	(1,684,059)	(1,684,059)
+ Revaluations	-	-	-	-	-	-	-
- Impairments	-	-	-	-	-	-	-
Accumulated acquisition cost	180,431,079	95,946,020	1,888,727	13,559,689	8,419,307	520,295	235,299,630
- Accumulated depreciation as of 1 January 2017	(248,003)	(49,687,213)	(272,571)	(557,601)	(1,980,518)	-	(146,050,446)
Adjustment to opening balance	-	-	-	60,860	-	-	60,860
	(248,003)	(49,687,213)	(272,571)	(496,742)	(1,980,518)	-	(145,989,586)
+ Disposals/retirements	-	0	162	-	-	-	163
- Depreciation 2017	(4,758,665)	(19,116,709)	(68,803,922)	(2,025,447)	(1,331,814)	(3,312,331)	(37,915,730)
Ending balance as of 31 December 2017	175,424,410	27,142,099	1,424,873	11,037,501	5,106,976	6,585,617	323,505,807

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8. Other Non-Current Assets

Other Non-Current Assets	2017	2016 Restated	2016
Long Term Receivables for Provisions	6,611,547	7,321,276	4,719,831
Total	6,611,547	7,321,276	4,719,831

The accounts Long Term Receivable for Provisions cover amounts reported as Provisions for which there is no Special Carry Forward approved and no other budget credits available as of 31 December 2017. The 3 cases are related to the severance and removal allowance for Resolute Support HQ (EUR 1,071,609) severance and leaving allowance for LWRs in LANDCOM HQ (EUR 1,675,436) and the Company's claim for electricity arrears at former JFC Naples HQ compound (EUR 3,864,502). Details are provided in Note D.

Liabilities – Current Liabilities**9. Payables**

Payables	2017	2016 Restated	2016
Payables to Suppliers	(294,906,528)	(255,437,346)	(253,369,938)
Payables to Staff members	(500,657)	(136,498)	(136,498)
Payables to Nations	(13,365,325)	(22,731,928)	(5,609,233)
Other Payables	(5,499,451)	(12,494,520)	(20,116,614)
Total	(314,271,961)	(290,800,292)	(279,232,283)

Accrued amounts for goods and services are not automatically classified by the accounting system to match the reported categories. They are reported as Payable to Suppliers. Only manual accruals are assigned to an ad-hoc category.

Payables to suppliers

Payables to suppliers include:

- Suppliers as third parties invoices received from commercial vendors not settled and goods and services received and accrued where no invoice has been received by reporting date.

Foreign Military Sales (FMS) cases. This category represents payables due to goods and services acquired for NAEW&C Force GK HQ through NSPA including those related to FMS cases acquired from the US Defence Department through the Agency. To note that ACO is managing directly FMS cases only for SHAPE and NAGSF. Further details are shown in the Note C.17.

- NATO entities providing services to ACO Commands. The accrued and open payable balances include approximately 6 MEUR for ACT, 85 MEUR for NSPA and 129 MEUR for NCIA

Untaken leave

Detailed information for the amount reported as untaken leave is disclosed in Note C.

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10. Deferred Revenue

Deferred Revenue	2017	2016 Restated	2016
Deferred Revenue MB	(155,788,826)	(143,103,282)	(145,522,523)
Liabilities from MB Lapse	(64,204,429)	(43,736,770)	(44,107,325)
Liabilities from MB Result of the year	(1,798,003)	(2,016,140)	(2,016,140)
Liability from unrealised exchange rate differences	(5,278,692)	(4,392,489)	(4,392,489)
Liabilities from NSIP Cash Call	317,123	730,520	730,520
Liabilities from NSIP Accumulated result of the year	(8,921,225)	(8,904,658)	(1,282,564)
Other Deferred Revenue	(763,560,403)	(552,127,432)	(552,127,432)
Deferred Revenue Inventory	(37,624,149)	(35,048,439)	(35,039,841)
Deferred Revenue PP&E	(35,572,800)	(24,831,361)	(24,831,361)
Total	(1,072,431,404)	(813,430,052)	(808,589,155)

Deferred Revenue MB

Deferred revenue for MB budgets corresponds to contributions for each budget/cost share under ACO responsibility eligible for call to NATO members' Nations for which corresponding expenditures will be incurred after the reporting date. It is accounted for by type, cost share, mission and year in accordance with the ACO policy.

Liabilities from MB Lapse

MB Lapse	2017	2016 Restated	2016
Budgetary lapses	(44,487,458)	(31,071,603)	(31,071,603)
Overestimated accruals	(19,201,416)	(13,035,722)	(13,035,722)
Other adjustments	(515,555)	370,555	0
Total	(64,204,429)	(43,736,770)	(44,107,325)

These liabilities are used to record unused budget credits authorized as of end of year 2017. The lapse is an amount owed back to the Nations. The balance will be included in the 2nd Assessment call for 2018 and will be distributed by type and cost share as per below table. An amount of EUR 870,555 was erroneously reported as lapsed in 2016, duly corrected and reported in the second call for contribution of 2017. An additional amount of EUR 500,000 was accrued in 2016, however, after negotiation with the supplier a credit note was issued and data duly restated. This amount is part of the balance of other adjustments for 2017 and will be returned to the Nations in 2018.

Cost share⁹/ Year	16+1N/26+ 2 NAEW	16N NAEW	17N NAEW	28/29N NCSEP	26/27N AGS	28/29N AGS	28/29N AOM	Total
2017	13,637,040	1,020,108	-	3,416,834	10,157,091	80,961	3,580,474	31,892,508
2016	3,789,141	2,622,682	-	5,333,795	961,387	14,530	567,059	13,288,594
2015	3,135,682	-	618	2,514,582	-	4,335	2,854,755	8,509,972
2014	3,126	-	-	556,453	1,266	-	4,468,997	5,029,842
2013	19,509	-	-	714,840	-	-	4,507,407	5,241,755
2012	-	-	-	1,888	-	-	-	1,888
2009	-	-	-	239,870	-	-	-	239,870
Total	20,584,498	3,642,789	618	12,778,262	11,119,744	99,826	15,978,692	64,204,429

Liabilities from Result of the year

Distribution of Result of the year	2017	2016 Restated	2016
Result of the year MB	(2,700,773)	(1,365,900)	(1,365,900)
Unrealised exchange rate gain/loss	886,203	(675,257)	(675,257)
Result of the year NSIP	16,567	25,016	25,016
Liabilities from Result of the year	(1,798,003)	(2,016,140)	(2,016,140)

The net amount of miscellaneous income, interest revenue, bank charges, and realised gain/losses to be returned to the Nations is summarised at ACO level, apportioned by type, cost share and mission and reflected as a liability.

⁹The Table reports the latest cost share approved for each type of Military Budget. The redistribution is based on the official cost share approved by the relevant Committee for each Financial Year.

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The balance will be included in the 2nd Assessment call for 2018 and will be distributed by type and cost share as per below table.

Cost share ¹⁰ / Year	16+1N/26+ 2 NAEW	16N NAEW	28/29N NCSEP	26/27N AGS	28/29N AGS	28/29N AOM	Total
2017	43,362	1,278	1,046,191	51,302	1,917	314,274	1,458,324
2016	74,313	-	5,584	-	-	262	80,159
2015	-	-	159,645	-	-	-	159,645
2014	-	-	3,111	-	-	-	3,111
2013	-	-	4,710	-	-	-	4,710
2012	-	-	55,813	-	-	32,280	88,093
2011	-	-	-	-	-	3,961	3,961
TOTAL	117,675	1,278	1,275,054	51,302	1,917	350,777	1,798,003

The unrealised gain/loss for exchange rate is not part of the redistribution.

Deferred Revenue NSIP

On a quarterly basis, expenses, forecasts and status of the projects are updated in the CIRIS system tracking the NSIP projects for all the HNs. The quarterly revision is the basis for the calculations of the NSIP calls for contributions. Calls not expensed in the year are Deferred Revenue. Any difference is normally returned or received with the following cash calls.

Liabilities from NSIP Cash Call

ACO is reporting NSIP expenses on a quarterly basis. No funds are requested in advance for ACO; therefore this positive balance represents expenses for 3rd and 4th quarter to be reimbursed.

Liabilities Result of the year NSIP

Result of the year NSIP	2017	2016 Restated	2016
Cumulated result of previous years	(8,904,658)	(8,879,642)	(1,257,547)
Result of the year	(16,567)	(25,016)	(25,016)
Liabilities Result of the year NSIP	(8,921,225)	(8,904,658)	(1,282,564)

Interest and results, distributed by cost share, have been reported on a recurring basis to the NOR who is responsible for the redistribution to the Nations via the NSIP call for contributions¹¹.

The amount of 7,622,095 EUR represents currency fluctuations for the period 1991 to 2003 and is solely related to NSIP activity; the amount is held in ACO treasury and has been constantly reported in the ACO Consolidated FS. ACO escalated once again the issue to the NOR and an in-depth analysis and assessment were performed between ACO, NOR and IBAN. To date, discussions are still ongoing to decide the allocation of this amount related to NSIP.

Other Deferred Revenue

The amount represents funds related to ACO non-core activities, like SHAPE International School (SIS), Trusts Funds, NSHQ, the EUFOR and the Escrow account. A balance of 2.2 MEUR is reported in this category and refers to an amount unilaterally withheld from the final monthly invoices due to a food contractor at ISAF and secured in the ACO Treasury. This is in line with the recommendations of the RPPB [AC/335-N (2015)0006-REV1] and IBAN [C-M (2015)0052]. Further details are reported in Note D.

Deferred Revenue Inventory

This amount consists of Deferred Revenue received from Nations used for acquisition of inventories. It will be recognised as revenue in the applicable reporting period

Deferred Revenue PP&E

Revenue is recognised incrementally and equally with the depreciation. The revenue is matched to the depreciation to correspond to revenue earned with the consumption of the asset. With this option, there are no surpluses or deficit resulting from asset depreciation or acquisition.

¹⁰ See footnote n. 9 at page N-17

¹¹ Based on the feedback received from the NOR, as part of the regular process, and subject to the development of the technical solution in CIRIS, this amount will be included in a forthcoming NSIP call for contributions during 2018 and will, as of 2018, be recovered annually.

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The Current-Deferred Revenue reported here represents the counterpart of the PP&E Net Value net of the amount recorded as liability for finance lease that will be settled within twelve months. Comparative data were reclassified in order to apply the change in the accounting policy consistently.

11. Advances

Advances	2017	2016 Restated	2016
Advance MB Contributions	(298,119,810)	(258,229,830)	(258,229,830)
Other Advance	(567,589)	(183,482)	(183,482)
Total	(298,687,399)	(258,413,312)	(258,413,312)

Advance MB Contributions

The amount is related to:

- Advance contribution called on the 2nd call 2017 for an amount of EUR 251,437,000 (AGS/NCSEP/AOM/NAEW cost share) and related to budget authorization for 2018. These advances are recorded using appropriate account code by type/year/cost share. The amount is higher than last year because of the advance called for NAEW before the end of 2017, as requested by the Nations.
- Advances for an amount of EUR 46,682,810 made by some member Nations, mainly in coordination with the NATO IS Treasury for non ACO called advances.
- Other advances relates mainly to amounts received for NBC.

12. Short Term Provisions

Short Term Provisions	2017	2016 Restated	2016
Total	(5,200,489)	(5,743,473)	(5,743,473)

Provisions are assessed using the best accounting estimate available. The amounts of the provisions reported in the ACO 2017 statement of financial position are shown in more detail in Note D, Table. Provisions are reported as either short term or long term liability based on the assessment of when the cases are expected to be settled, For 2017 ACO is reporting 4 cases as long term for a total amount of EUR 7,187,038 and the remaining amount of EUR 5,200,489 is considered as short term.

Other Current Liabilities

Other Current Liabilities	2017	2016 Restated	2016
Short Term Loans	-	-	(96,991)
Total	-	-	(96,991)

Short term loans were recognised for finance lease recorded for SHAPE in 2016. No data for 2017 due to the change in the accounting policy as reported at page N-3.

Liabilities – Non-Current Liabilities**13. Long Term Provisions**

Long Term Provisions	2017	2016 Restated	2016
Total	(7,187,038)	(7,765,002)	(4,719,831)

See Note B12 for short term provisions.

The restated amount is due to the recognition of severance and other leaving allowances related to ISAF mission, Resolute Support HQ and LANDCOM Izmir HQ.

14. Non-current Deferred Revenue

Deferred Revenue	2017	2016 Restated	2016
Deferred Revenue for PP&E and AuC	(287,933,007)	(101,290,385)	(90,946,285)
Total	(287,933,007)	(101,290,385)	(90,946,285)

Revenue is recognised incrementally and equally with the depreciation. The revenue is matched to the depreciation to correspond to revenue earned with the consumption of the asset. With this option, there are no surpluses or deficit resulting from asset depreciation or acquisition.

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The non-current Deferred Revenue is the counterpart of the PP&E net of the amount recorded as current deferred revenue. Comparative data were reclassified in order to apply consistently the disclosure requirements.

15. Other Non-Current Liabilities

Other Non-Current Liabilities	2017	2016 Restated	2016
Long Term Loans	-	-	(199,345)
Total	-	-	(199,345)

The long term loans were recognised for finance lease recorded for SHAPE in 2016. No data are reported for 2017 due to the change in the accounting policy as reported at page N-3.

C. Notes to Statement of Financial Performance**16. Revenue**

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

17. Expenses

Expenses for ACO entities are recognised by nature as follows:

a) Personnel¹²

All civilian and military Personnel expenses as well as other non-salary related expenses, in support of common funded activities. The amounts include expenses for salaries and emoluments for approved NATO permanent civilian positions and temporary personnel, for other salary related and non-related allowances including overtime, medical examinations, recruitment, installation, and removal and for contracted consultants and training.

Employee Disclosure

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

The compensation consists of basic salary, various allowances, health insurance, pension plan and other benefits as agreed with each Host Nation and the Protocols of NATO. Cash compensations are exempt from income tax in accordance with NATO Nations agreement. ACO is not liable for retirement benefits.

Different pension plans are applicable to employees in ACO; provident fund, defined benefit plan, and defined contribution plan. All pension plans are managed by NATO HQ and are therefore not included in the ACO FS. Contributions to the plans are expensed when occurred. The total amount paid for 2017 is 3,692,898 EUR (which shows a slight increase as compared to 3,381,640 EUR paid in 2016) for NIC staff. Accurate data is not available for locally hired staff, LWR and LCH, but based on available data expenses are estimated to be 1.5 MEUR.

Untaken leave

Untaken Leave	2017	2016
Opening	3,938,019	4,119,885
Addition	3,816,172	3,938,019
Reversed	(3,938,019)	(4,119,885)
Ending	3,816,172	3,938,019

IPSAS requires the specific disclosure of employee benefits. Employee benefits relating to the current financial year are reported as an expense under "Personnel" in the Statement of Financial Performance.

The cost for these untaken leave days has been absorbed during the year through the monthly salaries whereas the loss of production capacity when the leave to be taken is pushed forward into the next year. This constitutes an ACO liability towards the future which is recognized.

¹² See footnote n. 8 at page N-8.

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Other

Termination benefits are applicable if PE positions are deleted and replacement of an employee is not possible. This change requires approval at high level and budget credits must be approved by the BC. Termination benefits are recorded as a liability when employees have been notified of termination, as described under Note D for provision, and expensed when paid.

ACO has different groups of employees¹³. Below is a table showing a summary of the different groups with number for filled positions.

Table C20 – ACO Personnel

PE positions	
<i>Military</i>	5,648
<i>Civilian</i>	937
Total PE positions	6,585
CE Positions	
<i>Military</i>	1,315
<i>Civilian</i>	5
Total CE positions	1,320
ICC	156
LWR/LCH	961
Others	415

The category 'Others' includes mainly additional military staff provided by Nations.

b) Contractual Supplies and Services

Contractual Suppliers and Services	2017	2016 Restated	2016
Total	697,705,176	664,514,643	673,338,772

Contractual Supplies and Services expenses include expenses for general administrative overheads, and the maintenance costs of buildings/grounds, communication and information systems, transportation, travel expenses, representation/hospitality and miscellaneous expenses. These expenses were mainly needed to meet HQs' operational requirements in order to fulfil the different missions. The expenses reflected in this area are also related to budget credits nominally labelled '*Capital & Investment*'.

During 2017, one plane completed the Depot Level Maintenance and was returned to NAEW&C Force HQ; two planes started the maintenance and are expected to be completed in 2018, and another one was sent to depot at the beginning of 2018. In 2017 a total amount of MEUR 16.8 was expensed for the ongoing maintenance described above. In the 2017 the total expense recorded for Foreign Military Sales (FMS) is 27,154,230 EUR. This financial information is reported in a separate line in accordance with the ACO Accounting Policy reported at Note A.

It is to be noted that ACO manage directly only FMS for SHAPE HQ and NAGSF HQ. In 2017 SHAPE disclosed an amount of 15,555 EUR. The remaining amount reported belongs to FMS cases for NAEW managed directly by NSPA. Those expenses are reported in the ACO FS on a modified cash basis build on the cash credit request/outflows exchange between the two NATO entities. The expenses for the financial year are not recognised on accrual basis with the exception of the FMS cases where tangible information is provided by the NAEW customers with regards to the effective delivery of goods and services.

As a result, credits provided by NAEW to NSPA for those FMS cases might be reconciled by the FMS organisation with a considerable time gap between the NATO release of the funds and the final bill. The NAEW&C Force GK HQ conducts twice a year (March and September) FMS case review meetings with several US organisations (AFSAC, DFAS, ANG, NAPMO US Agent, TCG) in close coordination with NSPA. Key factor of these meetings is the review of each single pending FMS case with respect of period of performance, deliveries and budgets in order to ensure financial correctness, at least in terms of cash expenditures as no accruals data are available.

¹³ See footnote n. 8 at page N-8.

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Operating Leases

The following table shows a list of operating leases in force in the various ACO Commands at the reporting date. The disclosure of this information is made for those leases which exceed ACO's financial reporting materiality threshold of 50 KEUR Euro per lease contract/year, in relation to lease payments occurred during the reporting year, and expose ACO to future liabilities beyond the reporting period. The information shown in the table includes the amount of payments recognised as an expense in the reporting period, the total of future payments to be made in the subsequent periods, a general description of the leasing arrangements including renewal or purchase options and/or restrictions.

Site	PP&E Category	Asset Leased	Amount paid in 2017 (EUR)	Amount to pay in 2018 (EUR)	Amount to pay in 2019-2022 (EUR)	Amount to pay after 2022 (EUR)	Renewal or purchase options/restrictions
SHAPE	Transport Equipment	Civilian lease - fleet	64,200	64,200	82,925	-	Expires in 2020
SHAPE	Transport Equipment	Civilian lease - fleet	234,232	338,925	338,925	-	First option until 2019
SHAPE	Machinery	Repro equipment	68,647	32,291	-	-	Expires in 2018
JFCBS	Transport Equipment	Civilian lease - fleet	134,441	67,220	-	-	Expires in 2018
NAEW&CF	AIS	Servers	289,623	289,623	-	-	Expires in 2018
JFCNP	AIS	Multi-Functional Devices	167,502	177,425	206,996	-	One year contract with option up to four one year extensions
JFCNP	Building	NS2AU Villa Addis Ababa	101,180	101,180	303,541	-	One year contract with option up to four one year extensions

c) Depreciation

Depreciation and Amortization	2017	2016 Restated	2016
Total	37,915,730	34,054,416	31,830,042

The amount disclosed for 2017 includes depreciation for different asset categories, like Mission Equipment for a total of 19 MEUR, upgrades of airplane and parts for a total of 4.8 MEUR, Communication Systems and AIS related mainly to the airplanes for a total of 3.3 MEUR, Other Infrastructures for a total of 3.6 MEUR. ACO is also recognising 34 KEUR as cost for impairment for NAEW related to asset category of Machinery to be written-off during 2018.

d) Provisions

	Total
FS 2016	10,463,303
Adjustment 2016	3,045,171
Restated 2016 / Opening 2017	13,508,474
Addition 2017	9,563,968
Used 2017	(378,903)
Reversed 2017	(10,306,012)
Ending Balance 31-Dec-17	12,387,527

Provisions reported in 2016 for a total amount of EUR 1,708,872 have been settled in 2017 with a net payment of EUR 1,351,699.

Reimbursable activities

ACO manages a number of reimbursable activities on behalf of other non-ACO entities. The total expenses made by ACO for reimbursable activities in 2017 amount to 48.0 MEUR which reflects an increase of 4.2 MEUR compared to 2016, mainly due to increased real life support services required in the missions. The reimbursable costs relate to a variety of services financially administered by ACO, as follows:

An amount of approximately 4.4 MEUR (2016 4.2 MEUR) relates to reimbursable costs made by HQ NAEW&C Force GK HQ for the provision of aviation fuel for national use.

An amount of 2.9 MEUR (2016 3.0 MEUR) corresponds to travel services and administration of payrolls provided to the NCIA by JFC Naples HQ, JFC Brunssum HQ, LANDCOM Izmir HQ, AIRCOM Ramstein HQ and MARCOM Northwood HQ.

A total amount of approximately 15.7 MEUR (2016 10.9 MEUR) corresponds to real life support services provided mainly by KFOR HQ and Resolute Support HQs to the TCNs, such as messing, water, billeting, and laundry, fuel whose costs are not eligible for common funding and, therefore, shall be borne by the Nations (NBC). The NBC costs are, therefore, pre-financed by ACO and afterwards recovered from the TCNs through an established cost recovery mechanism.

Expenses for security guards on SHAPE are managed by SHAPE HQ but reimbursed by Host Nation in accordance with the Garrison Support Agreement, the amount for 2017 is MEUR 3.1.

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Expenses for the remaining amount of 21.9 MEUR were made mainly by the ACO Commands on behalf of local NMRs or NSEs, MWAs, Host Nations and other co-located entities in accordance with Memorandum of Understanding or other ad-hoc agreements. This includes, but is not limited to, advance payments made by ACO for shared utilities, maintenance and cleaning services, etc. which is recovered from the customers through charges calculated on a pro-rata basis.

Some expenses are also related to the SHAPE Special Litigation (SPL) team¹⁴

18. Total to be returned

The result of the year is the difference of non-budgetary revenue and expenses, such as interests, exchange rate loss or gain, and depreciation. The amount, except unrealised gain/losses for exchange rate, will be re-distributed to the Nations in the 2nd Assessment Call for 2018.

19. Net Asset

As explained in Note A, ACO is not recording any net assets.

D. Contingent Assets, Contingent Liabilities and Provisions

Contingent Assets

For the closing reporting period ACO has no contingent assets to disclose.

Contingent Liabilities

Based on IPSAS 19.101 and the nature of the items identified for the 2017 reporting period, ACO has aggregated the contingent liabilities (CL) reported by the ACO consolidated entities in the following categories:

- I. **NATO Administrative Tribunal:** this category includes cases related to NATO employees pending before the NATO Administrative Tribunal (NAT);
- II. **Claims under Art. VIII SOFA:** this category includes cases related to damages caused to third parties by NATO personnel. The majority of the cases reported relate to damages to property or to individuals, including those provoked due to car accidents or initiated through health and safety Offices. The category also includes claims raised in the Bosnia and Herzegovina (BiH) theatre of operations, although the claim process is governed by the GFAP SOFA and Claims Annex to the Technical Arrangement between the Republic of BiH Ministry of Justice and Implementation forces and not by article VIII of NATO SOFA. The amounts, when disclosed and related to article VIII SOFA, represent 75% due by NATO being the remaining 25% to be paid by the Host Nation; the same cost share does not apply in the BiH where under the terms of GFAP SOFA, the entire burden (100%) for the payment of claims rests with NATO HQ Sarajevo, as legal successor of IFOR and SFOR.
- III. **Labour court cases:** this category includes cases pending before local Courts in relation to employment issues;
- IV. **Litigations:** this category includes other cases of legal or contractual litigations such as contractual claims for alleged damages;
- V. **Liabilities due to HQs closure:** this category includes costs for dismantling/removal of NATO property or any other type of direct or indirect liabilities derived from the closure of AOMs, ACO Commands, their transformation, and transfer or for the closure of programmes of works previously contracted.
- VI. **Others:** this is a residual category where there are reported cases which do not fall within one of the above mentioned categories, including liabilities for employees' emoluments due to severance pay, Trattamento di Fine Rapporto (TFR)¹⁵, pensions contributions, etc.

The table A below provides the summary of the CL pending at the reporting date as reported by the ACO Commands, broken down into the above mentioned categories, whose out-flow of resources can be reliably estimated.

¹⁴ Reference to BC-DS(2016)0054, dated 14 Nov. 2016 and to BC-DS(2017)0021, dated 02 Jun. 2017.

¹⁵ Liabilities due to TFR for JFCNP are only reported as provisions.

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TABLE A – Summary of the 2017 CL

CL Categories	Total Amount (€)
I NATO Administrative Tribunal	241,000
II Claims under Art. VIII SOFA	529,368
III Labour court cases	9,020,309
IV Litigations	453,204
V Liabilities due to HQs closure	1,614,910
VI Others	1,442,729
Grand Total	13,301,520

A breakdown of these amounts is provided in the following paragraphs, including the disclosure of the CL whose out-flow of resources cannot be reliably estimated.

I. **NATO Administrative Tribunal:** the amount of € 241,000 was reported by NAEW as a new liability for claims raised by two employees challenging the refusal to grant them compensation for arduous and hazardous duty due to their deployment in FOB Konya in light of C-M(2005)0041, [REDACTED]

II. **Claims under Art. VIII SOFA:** the main portion of the amount disclosed under this category for a total of € 529,368 was reported by NHQSa in the amount of € 486,861, with the remaining amount of € 42,057 reported collectively by SHAPE, JFCBS and JFCNP (respectively, € 1,058, € 2,949, € 38,500) representing the possible NATO-share of costs for various alleged damages caused to property or individuals as per the NATO SOFA. [REDACTED]

NATO, IFOR, SFOR and AF BiH to privately owned land and houses in Glamoc Range.

III. **Labour court cases:** Out of the total amount of € 9,020,309 disclosed in this category the amount of € 8,988,592 EUR relates to NHQSa. [REDACTED]

The remaining amount of € 31,717 disclosed in this category is reported by SHAPE, NAEW, LANDCOM and AIRCOM and it relates to various liabilities for employment cases pending at the reporting date before the respective local labour Courts. [REDACTED]

IV. **Litigations:** the amount related to liabilities disclosed within this category has significantly dropped from € 15,113,734 as reported last year to a total amount of € 453,204 disclosed in the 2017 FS. [REDACTED]

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[REDACTED]

The total amount disclosed under category IV consist of a CL already disclosed last year by KFOR amounting to € 453,204 (537,500 USD, converted by using the exchange rate valid as of 31 December 2017) related to a claim for accommodation for rental services contracted in 1999 with a private company to rent premises for housing and related services for KFOR troops at the Sports and Recreation Centre in Pristina.

[REDACTED]

[REDACTED]

II. Liabilities due to HQs closure: within this category JFCBS has reported possible liabilities due to the termination of the ISAF mission on 31 December 2014 and the NATO reduced footprint in Resolute Support Mission. The liability is related to the ACO's responsibility towards NSPA for the payment of the LOJI associated with redundant NSPA NIC manpower approved by SHAPE to support the ISAF operation and the RS Mission. The amount of € 1,614,910 represents the NATO share of the liability. The costs for this liability are part of a special carry forward of credits amounting to € 25,011,197 which was approved by the BC from the 2014 ISAF Budget.

As part of this category JFCNP and KFOR have reported possible liabilities whose amount cannot be reliably measured. JFCNP's liability concerns potential remediation costs for soil pollution at Bagnoli compound. In 2016 FS JFCNP recognised a provision related to core drilling works of the soil to verify the contamination of the ground. These works have been completed and JFCNP is now waiting to receive the results, based on which the Italian Authorities can impose restoration works to JFCNP of the polluted site.

KFOR's liability stems from the agreement signed between SHAPE and the United Nations Mission in Kosovo (UNMIK) for the transfer of Camp Novo Selo from NATO to the UN. Based on the agreement ACO has, upon departure, the obligation to restore the camp in its original condition. The proposed way ahead is currently to conduct an engineering and environmental study to determine the cost magnitude for removing and clean-up of the camp and to check the status of the land in order to assess any remediation cost that can be required.

[REDACTED]

[REDACTED]

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An additional amount of € 278,220 is reported for NAEW based on the NSPA Airborne Surveillance Systems Programme (LW)'s reporting on 2017 CLs, due to pending VAT issues with the Turkish Tax Offices in relation to the MG 2002 contract with IAMCO. Taking into account that NATO is normally exempted from VAT liabilities the possibility that NATO will have to pay the above indicated amount is considered low, although possible.

Provisions

The table B below provides the summary of the legal provisions pending at the reporting date as reported by the ACO Commands, broken down into the categories disclosed above for the CL, for cases where the likelihood of the out-flow of resources required to settle the obligation is considered to be probable or virtually certain and the amount is above the materiality threshold of € 5,000 and can be reliably measured.

Table B – Summary of the 2017 Provisions

Provisions	Total Amount (€)
II Claims under Art. VIII SOFA	213,425
III Labour court cases	9,666
IV Litigations	4,064,502
VI Others	8,099,934
Grand Total	12,387,527

A breakdown of these amounts is provided in the following paragraphs.

II. Claims under Art. VIII SOFA: NAEW, KFOR and NHQSa reported provisions within this category amounting totally to € 213,425 mainly related to claims due to car accidents or damages to land and property. The total liability recognised under this category has significantly reduced compared to last year where it was recognised for a total amount of € 1,715,960. The main reason of the reduction is due to the settlement during 2017 of the outstanding rental costs of the NATO Liaison Office Skopje office location at the Gazela Shoe Factory amounting to € 1,060,214. Additionally a provision reported by JFCNP for costs related to damages allegedly caused by a car accident occurred in 2004 and amounting to € 408,213 (equal to 75% of the NATO share) were paid off during 2017 by JFCNP. The individual has further submitted an appeal requesting also compensation for moral damages, for which JFCNP has disclosed a CL with no reliable amount. Other three cases reported by KFOR last year in the total amount of € 106,000 for damages to land derived by the use of VHF Communication Network Antennas by KFOR as well as for claims raised by private landlords of the Forward Assembly Area in Novo Selo used by NATO for Reserve Forces, remain outstanding but they have been re-estimated at a total value of € 85,000.

III. Labour court cases: one employment case reported by LANDCOM pending before the local Court, whose costs amount to 43,801 TRY converted into € 9,666 based on the exchange rate valid as of 31 December 2017, is expected to be settled in favour of the claimants.

IV. Litigations: two provisions are recognised by JFCNP within this category as also reported last year. The first refers to a claim of the former JFCNP energy supplier that has requested the payment of arrears for the period 2005 – 2008 due to a malfunctioning of the electrical meter in the Bagnoli compound. The amount of € 3,864,502 recognised as a provision last year for this liability remains unchanged. Next hearing before the court is scheduled to occur on 12 June 2018.

The second provision of JFCNP amounting to € 200,000 relates to outstanding payments withheld by JFCNP due to the former provider of cleaning services because of non-satisfactory contract performance. Although JFCNP reported that the next hearing of the case before the court was scheduled on 1 March 2018, no further updates were provided by the site, thus confirming the request for the recognition of the provision as done last year.

JFCNP and NAEW are recognising two additional provisions within this category for 2017 requirements not covered by the respective HQs budgets. In particular, JFCNP is reporting a provision

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amounting to € 131,432 to cater for increased salary costs due to the renewal of the JFC Naples LWR National Labour Contract and Salary, which is supposed to be retroactively approved effective 1 January 2017; whilst NAEW is reporting a provision amounting to € 16,069 for the 2017 costs related to the implementation of the NATO HR Shared Services online e-recruitment solution.

Two provisions are recognised within this category for JFCBS and LANDCOM due to costs related to the compensation to staff for Severance Pay and Removal Allowance. In particular JFCBS is recognising a provision for ISAF and RS allowances due to ICCs and LCHs in accordance with RS Civilian Personnel Policy & Regulation (CPPR). Based on RS CJ1 calculation the total provision amounting to € 1,647,100 has been recognised for civilian staff members, ICCs and LCHs, who completed two consecutive years of employment in ISAF (€ 575,491) and RS (1,071,609). The amount of € 1,675,436 recognised as a provision by LANDCOM refers to the severance allowance that would be payable to LWRs if they were to leave LANDCOM as at reporting date, plus a 7 month notice allowance payable to LWR's on retirement or termination by employer.

A provision amounting to € 1,020,900 is recognised for NAEW based on accruals data provided by NSPA in relation to services rendered by the Agency to NAEW in 2017. Based on the ACO policy on accruals, in the event that NSPA has provided services in excess to what requested by NAEW and the services in excess are covered by a contract authority approved by the BC, NAEW has an obligation to receive the services and cannot deny payment to NSPA. Out of the above total, the amount of \$ 232,598.81 relates to services committed by NAEW in 2017 which exceeded the budget available for 2017 (the USD currency has been converted into EUR by applying the exchange rate valid as of as of 31 December 2017); while the remaining amount of € 824,779.87, although not supported by a 2017 commitment is, however, covered by a contract authority.

Finally a provision is reported within this residual category for the "Trattamento di Fine Rapporto" (TFR) for JFCNP amounting to € 3,069,504. In application of the Italian Law and in accordance with IPSAS 19, TFR is a vested benefit payable to the employee for a part of his/her salary deferred in time to the moment when termination of contract takes place; this applies to LWR. The value of this liability is determined annually and includes interests for the loan forcedly made by the employee to the employer given the fact that payment is deferred to a later time. In view of the foregoing, TFR has to be considered as a termination benefit calculated as one extra monthly instalment of the annual pay.

Some provisions below the materiality threshold have been identified, but not recognised, within the categories II and III for SHAPE, JFCNP, NAEW, LANDCOM, the NCISG and NHQSa.

Conclusion

The estimates of the outcome and the financial impact of the reported provisions and contingencies have been determined based on judgment supplemented by past experience of similar transactions.

The provisions and contingencies reported above are based on the information provided by the Legal Offices of the respective ACO Commands and the local ACO Financial Controllers. All reported contingencies and provisions were further analysed at corporate level by SHAPE to make a final assessment on the recognition of provisions and the disclosure of contingent liabilities. This final assessment is the result of internal coordination and additional clarifications occurred during the preparation of the ACO FS between SHAPE, the local sites and the NATO agencies when involved in the business. ACO has collected from each ACO site all the necessary detailed information on the cases reported that can be made available upon request for auditing purposes.

Other than those recognised and disclosed in the Notes to the financial statement, SHAPE is not aware of any other event that could give rise to potential provisions, contingent assets and/or liabilities.

E. Segment Reporting

In accordance with IPSAS 18, ACO discloses financial statement information about distinguishable activities of its consolidated reporting entities. IPSAS 18 distinguishes two types of 'segments':

- a) 'service segments' refer to a distinguishable component of an entity as engaged in providing outputs or achieving particular operating objectives consistent with the overall mission of each entity; and
- b) 'geographical segments' are a distinguishable component of an entity as engaged in providing outputs or achieving particular operating objectives within a specific geographical area.

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The financial reporting by segments elected by ACO is based on service segments on the HQ structure shown under the 'Consolidation' section that represents the grouping of activities for which ACO is responsible. In the preparation of the ACO 2017 FS the segment reporting has been prepared in conformity with the accounting policies and also reported in the ACO guidance for EOY 2017.

The tables presented for the segment reporting are adjusted for balances against other parts/segments within the entity. Where reported, the column 'restated' reflects mainly the changes in inventory and PP&E. Each segment includes the intercompany balance at year-end between ACO consolidated entities that is cleared at consolidated level.

NSIP is shown as a separate segment and includes all 4 locations executing the different projects for which SHAPE is HN. The aggregated segment information disclosed is reconciled to the information reported in the consolidated FS, according to IPSAS 18, para 64.

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Segment reporting MB
Statement of Financial Position per HQ

	SHAPE HQ			NAGSF HQ			JFC Brunssum HQ		
	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016
ASSETS									
Current Assets									
Cash and Cash Equivalents	12,636	18,234	18,234	-	54	54	96,643	187,834	187,834
Interentity	93,773,022	73,235,858	72,365,303	2,593,674	2,226,226	2,226,226	12,824,096	22,267,945	21,546,759
Receivables	10,963,417	10,538,001	10,538,001	25,377	38,197	38,197	1,113,311	1,358,049	1,358,049
Prepayments	3,554,137	4,089,805	4,089,805	-	-	-	4,852	18,118	18,118
Other Current Assets	-	-	-	-	-	-	-	5,707	5,707
Inventories	527,261	462,742	454,144	-	-	-	143,495	158,366	158,366
Total Current Assets	108,830,473	88,344,640	87,465,487	2,619,051	2,264,477	2,264,477	14,182,398	23,996,019	23,274,833
Non-current Assets									
Receivables	-	-	-	-	-	-	-	-	-
Property, plant & equipment	32,957,587	46,315,202	46,366,224	9,418,152	9,878,532	313,831	14,699,632	3,696,987	3,754,351
Other Non-current Assets	-	-	-	-	-	-	-	-	-
Total Non-current Assets	32,957,587	46,315,202	46,366,224	9,418,152	9,878,532	313,831	14,699,632	3,696,987	3,754,351
Total ASSETS	141,788,060	134,659,842	133,831,711	12,037,203	12,143,009	2,578,307	28,882,030	27,693,006	27,029,184
LIABILITIES									
Current Liabilities									
Payables	(100,149,501)	(81,046,346)	(80,176,990)	(1,678,588)	(2,264,477)	(2,264,477)	(4,336,346)	(15,254,246)	(15,254,246)
Deferred Revenue	(17,966,248)	(25,839,014)	(25,830,416)	(1,398,541)	(14,713)	(14,713)	(9,922,563)	(8,092,342)	(8,092,342)
Advances	(19,050)	-	-	-	-	-	-	-	-
Short Term Provisions	-	-	-	-	-	-	-	(5,707)	(5,707)
Other Current Liabilities	-	-	(96,991)	-	-	-	-	-	-
Surpl./Deficit to be returned	(743,843)	(353,325)	(353,325)	(2,302)	-	-	(108,726)	(164,070)	(164,070)
Total Current Liabilities	(118,878,641)	(107,238,685)	(106,457,722)	(3,079,431)	(2,279,190)	(2,279,190)	(14,367,635)	(23,516,365)	(23,516,365)
Non-current Liabilities									
Payables	-	-	-	-	-	-	-	-	-
Long Term Provisions	-	-	-	-	-	-	(575,491)	(721,186)	-
Deferred Revenue	(22,909,419)	(27,421,158)	(27,174,643)	(8,957,772)	(9,863,819)	(299,117)	(13,938,904)	(3,455,455)	(3,512,819)
Other Non-current Liabilities	-	-	(199,345)	-	-	-	-	-	-
Total Non-current Liabilities	(22,909,419)	(27,421,158)	(27,373,988)	(8,957,772)	(9,863,819)	(299,117)	(14,514,395)	(4,176,641)	(3,512,819)
Total LIABILITIES	(141,788,060)	(134,659,842)	(133,831,710)	(12,037,203)	(12,143,009)	(2,578,307)	(28,882,030)	(27,693,006)	(27,029,184)

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	AIRCOM Ramstein HQ			NAEW&C Force HQ			JFC Naples HQ		
	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016
ASSETS									
Current Assets									
Cash and Cash Equivalents	31,025	53,245	53,245	234,441	370,778	370,778	799,837	88,398	88,398
Interentity	1,281,912	843,048	843,048	38,605,474	16,640,926	14,942,871	4,835,826	658,372	658,372
Receivables	315,422	824,832	824,832	3,011,078	3,545,119	3,545,119	2,574,560	2,568,605	2,568,605
Prepayments	22,930	31,129	31,129	17,012,194	34,635,469	17,512,774	2,000,260	1,939,947	1,939,947
Other Current Assets	-	-	-	1,047,469	414,868	414,868	1,676,336	2,146,230	2,146,230
Inventories	105,746	122,865	122,865	29,257,578	25,434,874	25,434,874	135,610	224,979	224,979
Total Current Assets	1,757,035	1,875,118	1,875,118	89,168,234	81,042,034	62,221,285	12,022,430	7,626,533	7,626,533
Non-current Assets									
Receivables	-	-	-	-	-	-	-	-	-
Property, plant & equipment	2,253,581	1,468,083	1,469,641	242,664,266	49,625,466	50,482,671	373,593	275,771	275,771
Other Non-current Assets	-	-	-	-	-	-	3,864,502	3,864,502	3,864,502
Total Non-current Assets	2,253,581	1,468,083	1,469,641	242,664,266	49,625,466	50,482,671	4,238,095	4,140,272	4,140,272
Total ASSETS	4,010,615	3,343,202	3,344,760	331,832,500	130,667,501	112,703,956	16,260,525	11,766,805	11,766,805
LIABILITIES									
Current Liabilities									
Payables	(1,448,252)	(1,517,893)	(1,517,893)	(55,815,164)	(53,953,789)	(35,133,039)	(8,456,156)	(3,328,172)	(3,328,172)
Deferred Revenue	(815,290)	(763,770)	(763,770)	(49,345,456)	(28,286,608)	(28,286,608)	(225,889)	(296,009)	(296,009)
Advances	-	-	-	-	(6,150)	(6,150)	-	-	-
Short Term Provisions	-	-	-	(1,047,469)	(414,868)	(414,868)	(3,400,936)	(4,005,476)	(4,005,476)
Other Current Liabilities	-	-	-	-	-	-	-	-	-
Surpl./Deficit to be returned	(44,477)	(140,595)	(140,595)	(1,638,611)	(778,707)	(778,707)	(10,142)	(51,646)	(51,646)
Total Current Liabilities	(2,308,019)	(2,422,259)	(2,422,258)	(107,846,700)	(83,440,123)	(64,619,373)	(12,093,123)	(7,681,303)	(7,681,303)
Non-current Liabilities									
Payables	-	-	-	-	-	-	-	-	-
Long Term Provisions	-	-	-	-	-	-	(3,864,502)	(3,864,502)	(3,864,502)
Deferred Revenue	(1,702,596)	(920,943)	(922,501)	(223,985,800)	(47,227,378)	(48,084,583)	(302,900)	(221,001)	(221,001)
Other Non-current Liabilities	-	-	-	-	-	-	-	-	-
Total Non-current Liabilities	(1,702,596)	(920,943)	(922,501)	(223,985,800)	(47,227,378)	(48,084,583)	(4,167,402)	(4,085,503)	(4,085,503)
Total LIABILITIES	(4,010,615)	(3,343,202)	(3,344,759)	(331,832,500)	(130,667,501)	(112,703,956)	(16,260,525)	(11,766,805)	(11,766,806)

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	NHQSa HQ			LANDCOM Izmir HQ			NCIS Group HQ		
	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016
ASSETS									
Current Assets									
Cash and Cash Equivalents	173,777	45,311	45,311	821,523	203,344	203,344	10,296	7,371	7,371
Interentity	355,915	81,411	81,411	(1,054,173)	(462,634)	(462,634)	11,375,858	1,913,652	2,413,652
Receivables	107,045	70,385	70,385	510,001	679,622	679,622	1,473,115	867,487	867,487
Prepayments	-	-	-	-	-	-	2,516,473	28,121	28,121
Other Current Assets	157,418	127,925	127,925	11,963	17,588	17,588	-	7,900	7,900
Inventories	827,444	787,854	787,854	779,448	794,704	794,704	720,607	992,761	992,761
Total Current Assets	1,621,600	1,112,885	1,112,885	1,068,761	1,232,624	1,232,624	16,096,348	3,817,291	4,317,291
Non-current Assets									
Receivables	-	-	-	-	-	-	-	-	-
Property, plant & equipment	59,096	44,962	-	443,819	263,078	263,078	14,659,459	9,688,103	9,674,638
Other Non-current Assets	-	774,657	774,657	1,675,436	1,946,011	-	-	-	-
Total Non-current Assets	59,096	819,619	774,657	2,119,255	2,209,089	263,078	14,659,459	9,688,103	9,674,638
Total ASSETS	1,680,696	1,932,505	1,887,542	3,188,017	3,441,713	1,495,702	30,755,807	13,505,394	13,991,929
LIABILITIES									
Current Liabilities									
Payables	(124,959)	(170,535)	(170,535)	(448,547)	(589,052)	(589,052)	(14,953,939)	(2,381,240)	(2,881,240)
Deferred Revenue	(893,255)	(796,270)	(796,270)	(819,174)	(817,842)	(817,842)	(1,898,401)	(1,764,178)	(1,764,178)
Advances	-	-	-	-	-	-	-	-	-
Short Term Provisions	(657,418)	(127,925)	(127,925)	(9,666)	(15,382)	(15,382)	-	(7,900)	(7,900)
Other Current Liabilities	-	-	-	-	-	-	-	-	-
Surpl./Deficit to be returned	(5,065)	(18,155)	(18,155)	168,920	166,513	166,513	(31,821)	(18,338)	(18,338)
Total Current Liabilities	(1,680,696)	(1,112,885)	(1,112,885)	(1,108,468)	(1,255,762)	(1,255,762)	(16,884,161)	(4,171,655)	(4,671,656)
Non-current Liabilities									
Payables	-	-	-	-	-	-	-	-	-
Long Term Provisions	-	(774,657)	(774,657)	(1,675,436)	(1,946,011)	-	-	-	-
Deferred Revenue	-	(44,962)	-	(404,113)	(239,940)	(239,940)	(13,871,646)	(9,333,739)	(9,320,274)
Other Non-current Liabilities	-	-	-	-	-	-	-	-	-
Total Non-current Liabilities	-	(819,619)	(774,657)	(2,079,549)	(2,185,951)	(239,940)	(13,871,646)	(9,333,739)	(9,320,274)
Total LIABILITIES	(1,680,696)	(1,932,505)	(1,887,542)	(3,188,017)	(3,441,713)	(1,495,702)	(30,755,807)	(13,505,394)	(13,991,930)

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	Resolute Support Mission HQ			KFOR HQ			MARCOM Northwood HQ		
	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016
ASSETS									
Current Assets									
Cash and Cash Equivalents	99,508	67,715	67,715	568,626	984,428	984,428	78,856	67,693	67,693
Interentity	125,444,978	120,612,142	120,612,142	935,524	1,649,140	1,649,140	582,367	601,605	601,605
Receivables	223,761	248,452	248,452	549,908	567,923	567,923	521,869	399,710	399,710
Prepayments	1,147	-	-	225,039	411,011	411,011	7,507	6,438	6,438
Other Current Assets	-	-	-	85,000	106,000	106,000	-	-	-
Inventories	5,011,426	4,472,556	4,472,556	53,812	1,498,315	1,498,315	61,723	98,423	98,423
Total Current Assets	130,780,820	125,400,865	125,400,865	2,417,908	5,216,818	5,216,818	1,252,321	1,173,869	1,173,869
Non-current Assets									
Receivables	-	-	-	-	-	-	-	-	-
Property, plant & equipment	2,160,351	1,962,719	577,587	2,067,740	1,711,536	1,711,536	782,070	101,828	101,828
Other Non-current Assets	1,071,609	655,434	-	-	-	-	-	-	-
Total Non-current Assets	3,231,960	2,618,153	577,587	2,067,740	1,711,536	1,711,536	782,070	101,828	101,828
Total ASSETS	134,012,780	128,019,018	125,978,452	4,485,648	6,928,354	6,928,354	2,034,391	1,275,697	1,275,697
LIABILITIES									
Current Liabilities									
Payables	(119,460,748)	(121,102,057)	(121,102,057)	(2,015,938)	(2,342,565)	(2,342,565)	(1,110,566)	(1,020,567)	(1,020,567)
Deferred Revenue	(10,375,309)	(5,882,357)	(5,882,357)	(2,173,446)	(3,258,025)	(3,258,025)	(127,912)	(128,945)	(128,945)
Advances	(212,251)	-	-	-	-	-	-	-	-
Short Term Provisions	-	-	-	(85,000)	(1,166,214)	(1,166,214)	-	-	-
Other Current Liabilities	-	-	-	-	-	-	-	-	-
Surpl./Deficit to be returned	(2,755,369)	1,005,962	1,005,962	(205,469)	(161,549)	(161,549)	(45,805)	(38,807)	(38,807)
Total Current Liabilities	(132,803,677)	(125,978,452)	(125,978,452)	(4,479,854)	(6,928,354)	(6,928,354)	(1,284,283)	(1,188,318)	(1,188,318)
Non-current Liabilities									
Payables	-	-	-	-	-	-	-	-	-
Long Term Provisions	(1,071,609)	(655,434)	-	-	-	-	-	-	-
Deferred Revenue	(137,493)	(1,385,132)	-	(5,795)	-	-	(750,108)	(87,379)	(87,379)
Other Non-current Liabilities	-	-	-	-	-	-	-	-	-
Total Non-current Liabilities	(1,209,102)	(2,040,566)	-	(5,795)	-	-	(750,108)	(87,379)	(87,379)
Total LIABILITIES	(134,012,780)	(128,019,018)	(125,978,452)	(4,485,648)	(6,928,354)	(6,928,354)	(2,034,391)	(1,275,697)	(1,275,697)

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	ACO Corporate Accounting and Control Office			NSIP		
	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016
ASSETS						
Current Assets						
Cash and Cash Equivalents	1,068,402,259	1,088,031,520	1,088,031,520	10,024,770	9,503,785	9,503,785
Short Term Investment	440,241,700	96,094,955	96,094,955	-	-	-
Interentity	(291,554,473)	(240,267,692)	(237,477,897)	-	-	-
Receivables	44,287,560	47,092,523	47,092,523	233,715	90,135	90,135
Prepayments	644,286	50,484	50,484	-	-	-
Other Current Assets	1,496,748	578,071	578,071	-	-	-
Inventories	-	-	-	-	-	-
Total Current Assets	1,263,518,080	991,579,860	994,369,656	10,258,485	9,593,920	9,593,920
Non-current Assets						
Receivables	-	-	-	-	-	-
Property, plant & equipment	-	-	-	966,460	1,089,479	1,084,028
Other Non-current Assets	-	-	-	-	80,672	80,672
Total Non-current Assets	-	-	-	966,460	1,170,151	1,164,700
Total ASSETS	1,263,518,080	991,579,860	994,369,656	11,224,945	10,764,071	10,758,619
LIABILITIES						
Current Liabilities						
Payables	(2,618,874)	(4,409,574)	(4,409,574)	(1,654,383)	(1,419,782)	(9,041,876)
Deferred Revenue	(966,067,813)	(727,299,701)	(730,089,497)	317,123	730,520	730,520
Advances	(298,456,099)	(258,407,162)	(258,407,162)	-	-	-
Short Term Provisions	-	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-	-
Surpl./Deficit to be returned	3,624,706	(1,463,423)	(1,463,423)	(8,921,225)	(8,904,658)	(1,282,564)
Total Current Liabilities	(1,263,518,080)	(991,579,860)	(994,369,656)	(10,258,485)	(9,593,920)	(9,593,920)
Non-current Liabilities						
Payables	-	-	-	-	-	-
Long Term Provisions	-	-	-	-	(80,672)	(80,672)
Deferred Revenue	-	-	-	(966,460)	(1,089,479)	(1,084,028)
Other Non-current Liabilities	-	-	-	-	-	-
Total Non-current Liabilities	-	-	-	(966,460)	(1,170,151)	(1,164,700)
Total LIABILITIES	(1,263,518,080)	(991,579,860)	(994,369,656)	(11,224,945)	(10,764,071)	(10,758,619)
NET ASSETS	-	-	-	-	-	-

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ACO Consolidated Financial Statements 2017

Segment reporting: Reconciliation to Consolidated Financial Statement Statement of Financial Position

	TOTAL FOR SEGMENTS			ELIMINATIONS			CONSOLIDATED		
	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016
ASSETS									
Current Assets									
Cash and Cash Equivalents	1,081,354,197	1,099,629,710	1,099,629,710	-	-	-	1,081,354,197	1,099,629,710	1,099,629,710
Short Term Investment	440,241,700	96,094,955	96,094,955	-	-	-	440,241,700	96,094,955	96,094,955
Interentity	-	-	-	-	-	-	-	-	-
Receivables	65,910,140	68,889,040	68,889,040	-	-	-	65,910,140	68,889,040	68,889,040
Prepayments	25,988,825	41,210,521	24,087,826	-	-	-	25,988,825	41,210,521	24,087,826
Other Current Assets	4,474,933	3,404,290	3,404,290	-	-	-	4,474,933	3,404,290	3,404,290
Inventories	37,624,149	35,048,439	35,039,841	-	-	-	37,624,149	35,048,439	35,039,841
Total Current Assets	1,655,593,945	1,344,276,955	1,327,145,662	-	-	-	1,655,593,944	1,344,276,955	1,327,145,662
Non-current Assets									
Receivables	-	-	-	-	-	-	-	-	-
Property, plant & equipment	323,505,807	126,121,746	116,075,182	-	-	-	323,505,807	126,121,746	116,075,182
Intangible Assets	-	-	-	-	-	-	-	-	-
Other Non-current Assets	6,611,547	7,321,276	4,719,831	-	-	-	6,611,547	7,321,276	4,719,831
Total Non-current Assets	330,117,354	133,443,022	120,795,013	-	-	-	330,117,354	133,443,022	120,795,013
Total ASSETS	1,985,711,299	1,477,719,977	1,447,940,675	-	-	-	1,985,711,298	1,477,719,977	1,447,940,675
LIABILITIES									
Current Liabilities									
Payables	(314,271,962)	(290,800,294)	(279,232,284)	-	-	-	(314,271,962)	(290,800,294)	(279,232,283)
Deferred Revenue	(1,061,712,175)	(802,509,253)	(805,290,452)	10,719,229	10,920,799	3,298,703	(1,072,431,404)	(813,430,052)	(808,589,155)
Advances	(298,687,399)	(258,413,312)	(258,413,312)	-	-	-	(298,687,399)	(258,413,312)	(258,413,312)
Short Term Provisions	(5,200,489)	(5,743,473)	(5,743,473)	-	-	-	(5,200,489)	(5,743,473)	(5,743,473)
Other Current Liabilities	-	-	(96,991)	-	-	-	-	-	(96,991)
Surpl./Deficit to be returned	(10,719,229)	(10,920,798)	(3,298,704)	(10,719,229)	(10,920,798)	(3,298,704)	-	-	-
Total Current Liabilities	(1,690,591,254)	(1,368,387,130)	(1,352,075,215)	-	-	-	(1,690,591,254)	(1,368,387,131)	(1,352,075,214)
Non-current Liabilities									
Payables	-	-	-	-	-	-	-	-	-
Long Term Provisions	(7,187,038)	(8,042,462)	(4,719,831)	-	-	-	(7,187,038)	(8,042,462)	(4,719,831)
Deferred Revenue	(287,933,007)	(101,290,385)	(90,946,285)	-	-	-	(287,933,007)	(101,290,385)	(90,946,285)
Other Non-current Liabilities	-	-	(199,345)	-	-	-	-	-	(199,345)
Total Non-current Liabilities	(295,120,045)	(109,332,846)	(95,865,461)	-	-	-	(295,120,045)	(109,332,846)	(95,865,461)
Total LIABILITIES	(1,985,711,299)	(1,477,719,977)	(1,447,940,675)	-	-	-	(1,985,711,299)	(1,477,719,977)	(1,447,940,675)

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ACO Consolidated Financial Statements 2017

Segment reporting MB

Statement of Financial Performance per HQ

	SHAPE HQ			NAGSF HQ			JFC Brunssum HQ		
	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016
REVENUE									
Revenue	(328,490,669)	(307,575,679)	(306,655,054)	(6,888,192)	(6,275,084)	(5,829,418)	(14,451,937)	(16,952,135)	(16,239,998)
Other Revenue	(734,892)	(636,361)	(636,361)	-	-	-	(268,566)	(303,386)	(303,386)
Financial Revenue	(118,622)	(19,678)	(19,678)	(2,347)	-	-	(8)	-	-
Total to be returned to the Nations	743,843	353,325	353,325	2,302	-	-	108,726	164,070	164,070
Total REVENUE	(328,600,341)	(307,878,392)	(306,957,768)	(6,888,238)	(6,275,084)	(5,829,418)	(14,611,786)	(17,091,451)	(16,379,315)
EXPENSES									
Expenses	311,429,399	287,169,444	286,277,093	6,427,812	5,814,704	5,814,704	14,011,329	16,256,819	16,256,819
Personnel	34,354,244	33,368,857	33,368,857	777,749	287,275	287,275	9,618,033	8,332,573	8,332,573
Contractual Supplies and Services	277,059,600	253,794,825	252,902,474	5,650,064	5,484,859	5,484,859	4,393,297	7,924,246	7,924,246
Foreign Military Sales (FMS)	15,555	5,762	5,762	-	42,570	42,570	-	-	-
Depreciation	17,061,270	20,634,623	20,601,686	460,380	460,380	14,713	592,010	222,231	231,280
Provisions	7,490	-	-	-	-	-	-	721,186	-
Other Expenses	-	-	-	-	-	-	373	-	-
Financial Costs	102,181	74,326	78,990	46	-	-	8,074	(108,784)	(108,784)
Total EXPENSES	328,600,341	307,878,392	306,957,768	6,888,238	6,275,084	5,829,418	14,611,786	17,091,451	16,379,315
Result of the year	-	-	-	-	-	-	-	-	-
	AIRCOM Ramstein HQ			NAEW&C Force HQ			JFC Naples HQ		
	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016
REVENUE									
Revenue	(18,709,659)	(17,435,514)	(17,436,680)	(247,569,106)	(218,123,763)	(224,612,623)	(31,912,179)	(31,558,602)	(31,558,602)
Other Revenue	(7,588)	(148,856)	(148,856)	(337,322)	(14,874,284)	(14,874,284)	(677,023)	(47,023)	(47,023)
Financial Revenue	(20,648)	(22)	(22)	(871,418)	(284,824)	(284,824)	(878)	(8,415)	(8,415)
Total to be returned to the Nations	44,477	140,595	140,595	1,638,611	778,707	778,707	10,142	51,646	51,646
Total REVENUE	(18,693,418)	(17,443,797)	(17,444,963)	(247,139,236)	(232,504,164)	(238,993,024)	(32,579,938)	(31,562,394)	(31,562,394)
EXPENSES									
Expenses	17,966,435	16,870,916	16,870,916	235,311,108	228,894,212	235,926,620	32,505,914	30,748,689	30,748,689
Personnel	4,288,923	4,315,363	4,315,363	71,507,072	86,778,713	86,778,713	13,946,066	13,699,605	13,699,605
Contractual Supplies and Services	13,677,512	12,555,552	12,555,552	136,665,360	130,731,821	137,764,229	18,559,848	17,049,085	17,049,085
Foreign Military Sales (FMS)	-	-	-	27,138,675	11,383,677	11,383,677	-	-	-
Depreciation	743,224	564,599	565,765	11,625,398	3,030,100	2,486,551	61,409	43,499	43,499
Provisions	-	-	-	632,601	-	-	-	766,414	766,414
Other Expenses	-	-	-	-	-	-	-	6,168	6,168
Financial Costs	(16,240)	8,283	8,283	(429,870)	579,852	579,852	12,615	(2,376)	(2,376)
Total EXPENSES	18,693,418	17,443,797	17,444,963	247,139,236	232,504,164	238,993,024	32,579,938	31,562,394	31,562,394
Result of the year	-	-	-	-	-	-	-	-	-

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	NHQSa HQ			LANDCOM Izmir HQ			NCIS Group HQ		
	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016
REVENUE									
Revenue	(2,618,349)	(2,463,660)	(2,508,622)	(10,981,333)	(15,245,824)	(13,299,813)	(33,945,387)	(30,576,119)	(31,089,584)
Other Revenue	(250,749)	(918,913)	(918,913)	(315,483)	(15,570)	(15,570)	(56,000)	(19,691)	(19,691)
Financial Revenue	(388)	(61)	(61)	(33,658)	(19,973)	(19,973)	3,880	(2,347)	(2,347)
Total to be returned to the Nations	5,065	18,155	18,155	(168,920)	(166,513)	(166,513)	31,821	18,338	18,338
Total REVENUE	(2,864,420)	(3,364,478)	(3,409,441)	(11,499,394)	(15,447,880)	(13,501,869)	(33,965,685)	(30,579,818)	(31,093,284)
EXPENSES									
Expenses	2,798,851	3,329,720	3,374,683	11,228,015	13,289,532	13,289,532	33,515,018	30,461,015	30,976,685
Personnel	2,059,394	1,862,635	1,862,635	4,630,979	5,567,309	5,567,309	7,428,595	6,824,215	6,824,215
Contractual Supplies and Services	739,457	1,467,085	1,512,048	6,597,037	7,722,223	7,722,223	26,086,423	23,636,800	24,152,470
Foreign Military Sales (FMS)	-	-	-	-	-	-	-	-	-
Depreciation	64,661	33,940	33,940	29,608	22,308	22,308	438,269	112,814	110,609
Provisions	-	-	-	-	1,946,011	-	-	2,290	2,290
Other Expenses	41	32	32	-	-	-	1,500	-	-
Financial Costs	867	786	786	241,770	190,030	190,030	10,898	3,700	3,700
Total EXPENSES	2,864,420	3,364,478	3,409,441	11,499,394	15,447,880	13,501,869	33,965,685	30,579,818	31,093,284
Result of the year	-	-	-	-	-	-	-	-	-
	Resolute Support Mission HQ			KFOR HQ			MARCOM Northwood HQ		
	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016
REVENUE									
Revenue	(220,389,445)	(225,323,901)	(225,581,674)	(17,409,398)	(15,277,472)	(15,277,472)	(7,952,161)	(8,731,699)	(8,731,699)
Other Revenue	(112,618)	(17,702)	(17,702)	(1,308,338)	(172,876)	(172,876)	(105)	(51,263)	(51,263)
Financial Revenue	(2,071,500)	80,818	80,818	(102)	(234)	(234)	(46,826)	(19,256)	(19,256)
Total to be returned to the Nations	2,755,369	(1,005,962)	(1,005,962)	205,469	161,549	161,549	45,805	38,807	38,807
Total REVENUE	(219,818,194)	(226,266,747)	(226,524,520)	(18,512,368)	(15,289,034)	(15,289,034)	(7,953,286)	(8,763,412)	(8,763,412)
EXPENSES									
Expenses	217,176,961	216,545,662	218,669,103	14,467,706	14,458,854	14,458,854	7,931,874	8,717,250	8,717,250
Personnel	24,422,214	28,291,886	28,291,886	5,545,300	5,525,026	5,525,026	2,020,117	2,392,445	2,392,445
Contractual Supplies and Services	192,754,747	188,253,776	190,377,217	8,922,406	8,933,828	8,933,828	5,911,757	6,324,805	6,324,805
Foreign Military Sales (FMS)	-	-	-	-	-	-	-	-	-
Depreciation	2,796,309	8,132,856	6,922,623	4,022,906	782,619	782,619	20,286	14,449	14,449
Provisions	416,175	655,434	-	-	35,954	35,954	-	-	-
Other Expenses	-	-	-	12,534	-	-	-	-	-
Financial Costs	(571,251)	932,794	932,794	9,222	11,607	11,607	1,126	31,713	31,713
Total EXPENSES	219,818,194	226,266,747	226,524,520	18,512,368	15,289,034	15,289,034	7,953,286	8,763,412	8,763,412
Result of the year	-	-	-	-	-	-	-	-	-

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	ACO Corporate Accounting and Control Office			NSIP		
	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016
REVENUE						
Revenue	-	-	-	(591,442)	(635,737)	(635,737)
Other Revenue	(56,011)	(62,690)	(62,690)	(80,672)	-	-
Financial Revenue	(1,158,910)	(2,680,545)	(2,680,545)	(16,727)	(7,647,325)	(25,231)
Total to be returned to the Nations	(2,738,504)	788,166	788,166	16,567	7,647,111	25,016
Total REVENUE	(3,953,425)	(1,955,069)	(1,955,069)	(672,273)	(635,952)	(635,952)
EXPENSES						
Expenses	-	-	-	672,114	635,737	635,737
Personnel	-	-	-	-	-	-
Contractual Supplies and Services	-	-	-	672,114	635,737	635,737
Foreign Military Sales (FMS)	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Provisions	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-
Financial Costs	3,953,425	1,955,069	1,955,069	160	215	215
Total EXPENSES	3,953,425	1,955,069	1,955,069	672,273	635,952	635,952
Result of the year	-	-	-	-	-	-

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**Segment reporting: Reconciliation to Consolidated Financial Statement
Statement of Financial Performance**

	TOTAL FOR SEGMENTS			ELIMINATIONS			CONSOLIDATED PERFORMANCE		
	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016	2017	2016 RESTATED	2016
REVENUE									
Revenue	(941,909,256)	(896,175,189)	(899,456,977)	-	-	-	(941,909,256)	(896,175,189)	(899,456,977)
Other Revenue	(4,205,367)	(17,268,617)	(17,268,617)	(1,056,266)	(4,127,288)	(804,657)	(3,149,101)	(13,141,328)	(16,463,959)
Financial Revenue	(4,338,153)	(10,601,861)	(2,979,766)	-	-	-	(4,338,153)	(10,601,861)	(2,979,766)
Total to be returned to the Nations	2,700,773	8,987,994	1,365,900	-	-	-	2,700,773	8,987,994	1,365,900
Total REVENUE	(947,752,002)	(915,057,672)	(918,339,460)	(1,056,266)	(4,127,288)	(804,657)	(946,695,736)	(910,930,384)	(917,534,803)
EXPENSES									
Expenses	905,442,537	873,192,553	882,016,684				905,442,536	873,192,553	882,016,684
Personnel	180,598,686	197,245,902	197,245,902	-	-	-	180,598,686	197,245,902	197,245,902
Contractual Supplies and Services	697,689,621	664,514,642	673,338,772	-	-	-	697,689,621	664,514,643	673,338,772
Foreign Military Sales (FMS)	27,154,230	11,432,009	11,432,009	-	-	-	27,154,230	11,432,009	11,432,009
Depreciation	37,915,730	34,054,416	31,830,042	-	-	-	37,915,730	34,054,416	31,830,042
Provisions	1,056,266	4,127,288	804,657	1,056,266	4,127,288	804,657	-	-	-
Other Expenses	14,447	6,200	6,200	-	-	-	14,447	6,200	6,200
Financial Costs	3,323,022	3,677,214	3,681,878	-	-	-	3,323,022	3,677,214	3,681,878
Total EXPENSES	947,752,002	915,057,672	918,339,460	1,056,266	4,127,288	804,657	946,695,736	910,930,384	917,534,803
Result of the year	-	-	-	-	-	-	-	-	-

F. Related Parties Disclosure

IPSAS 20 requires that financial statements disclose the existence of related party relationships and transactions between the entity and its related parties. Under IPSAS 20 related parties are parties that control or have significant influence over the reporting entity.

(1) Identification of ACO related parties.

- (a) Key Management Personnel (KMP). KMP include members of the governing body **who have the greatest responsibility for the government of ACO** and their close family members. Based on the definitions provided by IPSAS 20 and the KMP within ACO have been identified as follows¹⁶:
 - i. Members of the governing body of the entity: SACEUR'S Commanders' Conference (SCC)¹⁷ which acts as the **ACO Board of Directors**.
 - ii. Key advisors: the members of the SHAPE Management Board/Crisis Operations Board (SMB/COB) are considered as the **key advisors**.
 - iii. Senior management group of the reporting entity: **the ACO Management Board is the principle executive body within ACO** for implementing command-wide strategic management on behalf of SACEUR
- (b) Consolidated entities: they are the ACO subordinate Commands that are controlled by SHAPE The list of those entities is provided in the Note A.
- (c) Other NATO entities: this includes the NATO agencies which provide goods and services to ACO at an agreed price.

(2) Identification of the transactions between ACO and its related parties.

- (a) ACO and the KMP. Since the remuneration of the military personnel is a national responsibility under the principle of 'costs lie where they fall' the only amount charged against the international funds is to cover the salary payment of 3 NATO International Civilians (NICs) identified within this category, i.e. the ACO Financial Controller, the SHAPE Legal Advisor and the SHAPE Chief of the Strategic & International Affairs. The net remuneration received during the reporting year by these 3 NICs, including any salary transfer in foreign currencies, amounts to 498,671 EUR (corresponding to 126,589 EUR plus 159,760 EUR plus 212,322 EUR, respectively, for the three mentioned NICs).

As a result of a campaign of enhancing transparency at ACO and in accordance with IPSAS 20 requirements, as well as the NATO code of conduct, the KMP were requested to fill in and sign a declaration statement of any related party transaction between them, their close family members and ACO. The statements made by the ACO KMP were all collected prior to publishing the 2017 FS. They will not be given public disclosure but only made available upon request for audit purposes.

- (b) ACO and its consolidated entities. All intercompany transactions are posted and balances are reconciled with ACO CAC as of the reporting date. Intercompany balances are eliminated as part of the consolidation.
- (c) ACO and other NATO entities. ACO is an integral part of NATO and it transacts in its normal business activities with other NATO bodies and these transactions occur at cost.

(3) Gratuities

As part of the effective management of the ethic program and to specifically ensure that any actual, potential or apparent conflicts of interest arising from staff members' financial interests, business relationships or other outside activities can be identified and managed in the best interest of ACO, a list of gratuities accepted by the ACO Commanders on behalf of the respective Headquarters is submitted annually to ACO in accordance with the prescriptions of the ACO Directive 60-54. A negative statement is also requested to be reported to ACO.

(4) Representation of funds

The current ACO Directive for Hospitality and Representation aims at reducing the bureaucracy and focuses on the distinction between Representation versus Hospitality, aligns the type of expenditures eligible for both Funds as well as the ratio to be used between guest(s) and host(s).

¹⁶ The composition and Job titles have been updated in accordance with the AD 015-004, ACO High level Business Processes, dated 31 Oct. 2013.

¹⁷ Only the ACO KMP of the SCC that are part of the NATO Command Structure, plus the NAEW&C Force GK Commander.

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Within ACO Representation and Hospitality funds are provided to high officials of the ACO Headquarters¹⁸, primarily the Commanders who may make sub-allocations to their most senior staff and deputy Commanders.

During 2017 the total expenditure made by ACO for Representation amounted to 262 KEUR which represents 74% of the overall authorised budget of 355 KEUR.

G. Events after Reporting Date

ACO is required to disclose events, both favourable and unfavourable, that occurred between the reporting date and the date when the FS are authorized for issue by the SACEUR and the ACO Financial Controller. IPSAS requires two types of events which should be identified:

- Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

ACO is not aware of any events categorized under the two categories that need to be reported.

H. MB Budget Execution

According to article 34.4 of the NFRs ACO has included the ACO Budget execution report in its FS.

It is worth noting that although ACO deems that the ACO budgets and the actual amounts in its FS are prepared on a comparable basis- albeit with some differences

The budgets in the year concerned do include a commitment-based component carried over from the past two years; however, excluding the special carry forwards which are approved by the relevant Committee under exceptional circumstances, the percentage in the ACO budgets of amounts estimated on a commitment basis versus those prepared on actual and accrual basis is significantly lower and it can be considered not material.

The table below reports the reconciliation between the ACO Budget Execution and the ACO Consolidated Financial Performance.

Table H-A – ACO Budget Execution/ACO Statement of Financial Performance reconciliation

	ACO Statement of Financial Performance	Budget execution report (adjusted)
Official Tables		
ACO Budget Execution Report: total expenses		940,807,299
Budget Execution Report-other: total expenses		8,713,614
<i>Inventory variances</i>		-3,916,940
<i>Property, Plant and Equipment and WIP</i>		-9,765,940
<i>Over-estimated accruals</i>		-19,201,416
<i>Untaken Leave</i>		-146,014
<i>Expense variance - Upgrade FFS/FTD - NAEW</i>		-11,720,179
<i>NSIP 2017 execution</i>		672,114
		905,442,537
ACO Consolidated Statement of Financial Performance:		
Personnel	180,598,686	
Contractual Supplies and Services	697,689,621	
Foreign Military Sales (FMS) (IV)	27,154,230	905,442,537

Statement of transfers

In accordance with the NFRs, Art. 26, transfers of appropriations approved by the relevant finance committee or the Financial Controller within his/her delegated authority shall be recorded in the annual financial statement. Further to the FRPs which have specified that only inter-budget transfers between

¹⁸ See footnote n. 8 at page N-8.

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NATO bodies shall be reported in the annual FS, the following transfer occurred in 2017 from, ACO to ACT is hereafter disclosed:

- A total amount of EUR 2,574,777 from ACO to ACT for regularisation of efficiencies achieved by NCIA (EUR 1,464,000) and for special carry forward (EUR 1,110,777) to cover 2018 requirements.

. The changes between the initial and the final budget which were due to reallocations either authorised by the BC or by the ACO Financial Controller are presented in the Budget Execution Report which is prepared using a similar accrual basis approach used for the preparation of the statements of financial position and performance. The ACO Budget Execution Report also includes the contract authority already committed against credits converted into cash in the same financial year.

Statement of Credits Carried forward

The credits carried forward are presented in the Budget Execution Statement. They represent the remaining credits due to later than expected delivery of goods/services when contracts placed in good faith of delivery before end of 2017. For all of them there is a legal liability and are equal to the closing Deferred Revenue.

Special Carry Forward

The total special carry forward of funds authorised by NAC into 2018 from the past five years ACO budgets amount totally to 89,544,945 EUR (2016 EUR 60,038,188).

AOM: An amount of 34.2 MEUR is carried forward from 2014, 2016 and 2017 budgets mainly to cover potential ISAF/RS liabilities such as for NSPA LOJI, for redeployment and disposal activities and for ongoing litigations with former ISAF provider for catering services as well as for other NATO liabilities in the Balkans like the claim for pension contribution for former employees at NHQSa as described under provision.

AGS: An amount of 43.0 MEUR is carried forward from 2017 for provision of initial spares and operational test and evaluation. The delivery of equipment was expected during 2017 and related funds were therefore approved and as a consequence of the delay of the delivery a special carry forward was requested and authorised.

NCSEP: An amount of 11.3 MEUR is carried forward from the 2013, 2014, 2015 and 2017 to cover various ACO requirements within the ACO Static Commands and programmes such as ADG, NCISG and NCCB.

NAEW: An amount of 1.0 MEUR from the 2015 to cover an unexpected increase in parts reclamation from retired aircrafts.

The table below provides the summary of the approved 2018 special carry forward reconciled with the related contingent liabilities and provisions, if any, as further disclosed in the Note D.

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Table H-B – ACO Special Carry Forward/Contingent Liabilities and Provisions¹⁹

NCSEP	2013	2014	2015	2016	2017	Total	Note
BC 101 - In support of SHAPE Staff Advisory Group	231,458	113,542				345,000	
BC 101 - Finalisation of JISR Synchronisation Mechanism	68,000					68,000	
BC 101 - Finalisation of Computer Based Training		12,000				12,000	
BC 101 - Finalisation of upgrade NATO Occupational Capability Codes		44,388				44,388	
BC 101 - Finalisation of Establishment Review Tool infrastructure upgrade		3,000				3,000	
BC 101 - Finalisation of Cyber Division FOC requirements			60,000			60,000	
BC 101 - Finalisation of Cyber Domain requirements			389,667			389,667	
BC 101 - Green Fleet vehicles replacement					90,000	90,000	
BC 103 - Critical CIS requirements for the HQ - NCIA Service Delivery Costs					544,424	544,424	
BC 111 - Critical CIS requirements for the HQ - NCIA Service Delivery Costs					678,837	678,837	
BC 118 - Critical CIS requirements for the HQ - NCIA Service Delivery Costs (GBP 175,142)					202,406	202,406	
BC 131 - In support of high-priority 2018 requirements					408,136	408,136	
164 - ADG, Key Alliance Priorities					3,000,000	3,000,000	
BC 164 - Requirements for obsolescence management, spareparts and transportation					1,838,000	1,838,000	
BC 177 - In support of Nuclear C2 requirements	293,000					293,000	
BC 177 - In support of high-priority 2018 requirements					1,567,500	1,567,500	
BC 178 - Afloat Command Platform equipment and manpower requirements	1,657,677					1,657,677	1)
BC 178 - Finalisation of DCEP replacement					95,000	95,000	
NCSEP Total	2,250,135	172,930	449,667	0	8,424,303	11,297,035	
AGS	2013	2014	2015	2016	2017	Total	
BC 167 - Provision of initial spares					35,000,000	35,000,000	
BC 167 - Operational Test & Evaluation					8,000,000	8,000,000	
AGS Total	0	0	0	0	43,000,000	43,000,000	
AOM	2013	2014	2015	2016	2017	Total	
BC 183 - KFOR for replacement of 19 vehicles					500,000	500,000	
BC 183 - NHQSa pension contributions					500,000	500,000	2)
BC 185 - Potential residual requirements in 2018		25,011,197				25,011,197	3)
BC 185 - Extension of 5 archivists for the period 2018-2021		1,003,713				1,003,713	4)
BC 185 - Archivists contract and deployments for 2018		130,000				130,000	5)
BC 194 - For potential 2018 requirements				7,103,000		7,103,000	
AOM Total	0	26,144,910	0	7,103,000		34,247,910	
NAEW	2013	2014	2015	2016	2017	Total	
BC 123 - NAEW&C Force, for parts reclamation during 2018			1,000,000			1,000,000	
Total per year	2013	2014	2015	2016	2017	Total	
All budget groups	2,250,135	26,317,840	1,449,667	7,103,000	51,424,303	89,544,945	

1) An amount of EUR 3,750,000 was transferred from SCF for emerging high-priority requirements, of which EUR 1,657,677 has been confirmed as SCF in 2017; the amount of EUR 1,837,393 has been contracted and is carried forward in 2018

2) A provision is recognised for an amount of EUR 884,431 for LCH contribution of the period 1996-2006

3) A provision is recognised for an amount of EUR 575,491 for severance pay and removal allowance related to ISAF employees; a contingent liability is disclosed for an amount of EUR 1,021,112 for LOJI related to NSPA staff.

4) Ref: BC-DS(2017)0054

5) Ref: BC-DS(2017)0030

¹⁹ Ref: BC-DS(2017)0057 & BC-DS(2017)0062

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Table H-C – Reconciliation between ACO authorised Budgets and Calls in 2017

The table below is showing the reconciliation between the Budget Authorisation and the Calls made in 2017:

Budget authorization 2017										
Budget Groups	Advance 2017 called in 2016	1st Call 2017	2nd Call 2017	Total called as of 31 Dec 2017 (BA3)	Final Budget (1)	Actual as of 31 Dec 17	CF as of 31 Dec 17	Difference between Calls, Actual and CF as of 31 Dec 17	Lapse	Adjustment
28/29N NCSEP (1), (2), (4)	100,000,000	212,398,122	103,549,314	415,947,436	413,814,200	398,886,896	11,526,026	5,534,514	(3,401,278)	2,133,236
26/27N AGS (5)	2,818,000	42,728,763	15,182,254	60,729,017	60,729,017	6,006,757	44,565,169	10,157,091	(10,157,091)	
28/29N AGS	394,000	1,309,237	547,746	2,250,983	2,250,983	2,170,022	-	80,961	(80,961)	
16+1N/26+2N NAEW (3)	-	204,164,625	68,054,875	272,219,500	272,219,500	211,427,051	47,155,409	13,637,040	(13,637,041)	
16N NAEW	-	1,125,000	375,000	1,500,000	1,500,000	-	479,893	1,020,107	(1,020,108)	
28/29N AOM (1), (6)	50,995,000	138,836,894	63,216,349	253,048,243	253,058,346	246,919,041	2,558,832	3,570,370	(3,580,474)	(10,104)
TOTAL	154,207,000	600,562,641	250,925,538	1,005,695,179	1,003,572,046	865,409,766	106,285,329	34,000,083	(31,876,951)	2,123,132
(1) Exchange rate: budgets authorised in GBP were converted and executed using a fixed rate for the fiscal year 2017. The rate used was as of 1st January 2017, 1 EUR = GBP 0.8480. The 2nd cash call was converted to EUR using the rate 1 EUR = GBP 0.9024										
(2) Special Carry Forward and exchange rate: EUR 2,574,777 was transferred to ACT to cover special carry forward. Remaining difference of EUR (441,541+10,104) is due to exchange rate difference										
(3) Cost Share: The cost share 16+1 refers to the percentage cost share of 16 Nations and a lump sum for 1 Nation. The cost share 26+2 refers to the percentage applicable with effect from 1 July 2017 due to the broadened participation.										
(4) Special carry forward approved by BC with ref. BC-DS(2016)0057						8,424,303				
(5) Special carry forward approved by BC with ref. BC-DS(2017)0057						43,000,000				
(6) Special carry forward approved by BC with ref. BC-DS(2017)0057						1,000,000				
						52,424,303				
Budget authorization 2016										
Budget Groups	Carry Forward	Adjustment to Carry Forward (4)	Adjusted Carry Forward	Actual as of 31 Dec 17	CF as of 31 Dec 17	Lapse				
28N NCSEP	17,247,771		17,247,771	13,659,282	1,415,450	(2,173,039)				
26N AGS	6,782		6,782	5,752	-	(1,031)				
28N AGS	2,638		2,638	2,638	-	-				
16N NAEW (7)	44,144,511	(1,698,054)	42,446,457	31,280,967	8,748,038	(2,417,452)				
17N NAEW	4,385,398		4,385,398	1,277,347	485,370	(2,622,681)				
28N AOM (8)	10,136,484		10,136,484	2,015,866	8,075,097	(45,521)				
TOTAL	75,923,584	(1,698,054)	74,225,530	48,241,851	18,723,954	(7,259,725)				
(7) Adjustment to Carry Forward is due to restatements of accrual data for 2016										
(8) Special carry forward approved by BC with ref. BC-DS(2016)0057						7,103,000				
Budget authorization 2015										
Budget Groups	Carry Forward	Adjustment to Carry Forward	Adjusted Carry Forward	Actual as of 31 Dec 17	CF as of 31 Dec 17	Lapse				
28N NCSEP (9)	12,917,602		12,917,602	11,419,490	449,667	(1,048,445)				
28N AGS	5,537		5,537	1,202	-	(4,335)				
16N NAEW (10)	16,441,003		16,441,003	12,334,155	1,000,000	(3,106,848)				
17N NAEW	618		618	-	-	(618)				
28N AOM	1,116,003		1,116,003	1,112,480	-	(3,523)				
TOTAL	30,480,763	-	30,480,763	24,867,327	1,449,667	(4,163,770)				
(9) Special carry forward approved by BC with ref. BC-DS(2016)0057						449,667				
(10) Special carry forward approved by BC with ref. BC-DS(2017)0057						1,000,000				
						1,449,667				
Budget authorization 2014										
Budget Groups	Carry Forward	Adjustment to Carry Forward	Adjusted Carry Forward	Actual as of 31 Dec 17	CF as of 31 Dec 17	Lapse				
28N NCSEP (11)	810,579		810,579	184,199	172,930	(453,450)				
28N AOM (12), (13), (14)	26,474,910		26,474,910	261,725	26,144,910	(68,275)				
TOTAL	27,285,489	-	27,285,489	445,924	26,317,840	(521,725)				
(11) Special carry forward approved by BC with ref. BC-DS(2017)0057						172,930				
(12) Special carry forward approved by BC with ref. BC-DS(2017)0057						25,011,197				
(13) Special carry forward approved by BC with ref. BC-DS(2017)0054						1,003,713				
(14) Special carry forward approved by BC with ref. BC-DS(2017)0030						130,000				
						26,317,840				
Budget authorization 2013										
Budget Groups	Carry Forward	Adjustment to Carry Forward	Adjusted Carry Forward	Actual as of 31 Dec 17	CF as of 31 Dec 17	Lapse				
28N NCSEP (15), (16)	6,595,247		6,595,247	1,842,430	4,087,528	(665,289)				
TOTAL	6,595,247	-	6,595,247	1,842,430	4,087,528	(665,289)				
(15) Special carry forward approved by BC with ref. BC-DS(2016)0073						1,837,393				
(16) Special carry forward approved by BC with ref. BC-DS(2017)0057						2,250,135				
						4,087,528				

I. NSIP Project Execution

Table I-A - NSIP Active projects²⁰

OVERALL - NSIP PROJECT EXECUTION STATUS					
Active projects					
Status	Authorized Budget	Commitments	Actuals YTD	Actuals PJTD	Funds Available
BRUNSSUM	6,581,400	841,066	412,609	944,960	4,795,373
NAPLES	19,749,709	-	248,815	19,640,261	109,448
KFOR	5,516,660	-	71,452	4,972,624	544,035
NHQSa	7,680,532	-	-	7,680,532	-
SHAPE	77,905,515	1,234,067	659,240	73,124,625	3,546,823
Grand Total	117,433,815	2,075,134	1,392,115	106,363,002	8,995,679
Reimbursement of prefinanced projects					
2006/5VA30399	(4,213,552)	-	-	(4,213,552)	-
2009/5VA30534	(832,700)	-	-	(832,700)	-
Total	(5,046,252)	-	-	(5,046,252)	-

TABLE I-B - NSIP closed projects with COFFA

OVERALL - NSIP PROJECT EXECUTION STATUS					
Closed projects					
Status	Authorized Budget	Commitments	Actuals YTD	Actuals PJTD	Funds Available
BRUNSSUM	78,165,523	-	-	78,165,523	-
NAPLES	28,071,938	-	-	28,071,938	-
KFOR	92,088,882	-	-	92,088,882	-
NHQSa	115,089,335	-	-	115,089,335	-
SHAPE	563,357,424	-	-	563,357,424	-
Grand Total	876,773,101	-	-	876,773,101	-

TOTAL TABLES I-A & I-B

Total	994,206,916	2,075,134	1,392,115	983,136,103	8,995,679
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The tables A and B above show the overall value, respectively, of the NSIP projects assigned to SHAPE HN still active and of the projects which have been completed and financially closed at the reporting date. The amounts shown in the tables are broken down by the ACO Commands responsible for the implementation of the projects further to the delegation of authority provided by SHAPE.

During 2017 a total amount of 1,392,115 EUR was spent against seven NSIP projects in total, which are being executed by SHAPE (€ 659,240) as well as JFCBS (€ 412,609), JFCNP (€ 248,815) and KFOR (€ 71,452) through delegation. The seven projects refer to three main categories as follows:

- AOM.** An amount of € 484,060 was charged against AOM projects, for contingency funding to repair the network of strategic Main Supply Routes (MSRs) at KFOR. Other two contingency projects funded the emergency damage repairs and a force protection requirement in support of the RS Mission.
- Static HQs.** An amount of € 892,153 was spent on projects related to the provision of a concrete cabin to house all high voltage and low voltage equipment, supply and related works to comply with the Technical Requirements of the Network Connection for high Voltage Distribution) and to hire some additional temporary NIC personnel to support the SHAPE Project Office for the construction of new ACO Main HQ Building. Within this group, one minor work project was delegated to JFCNP for the replacement of video walls.
- Centralised projects.** An amount of € 15,902 was further spent to finalise the implementation of the ACO/ACT Mission Identification System (AMIS) at KFOR in order to standardise a common AMIS ID card throughout the entire NCS.

²⁰ YTD indicates the actual data as of 31 December 2017; PJTD indicates the cumulated data for all the projects until 31 December 2017.

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The total amount of 876.7 MEUR shown at Table B represents the aggregated value of the projects assigned to SHAPE HN which were closed at the reporting date. The total costs of projects financially closed only during 2017 amount to MEUR 32.

The projects 2006/5VA30399 and 2009/5VA30534 reported in the table I-A above are related to the reimbursement of NSIP pre-financed projects for third parties. The entire amount was billed to the TCNs following the Cost recovery mechanism and fully reimbursed at the end of 2016. Although they are shown in Table A as part of the NSIP active projects, they have been recently financially audited by the IBAN and just awaiting for the formalization of the related COFFA certificate.

The amounts shown in the tables I-A and I-B above are based on data recorded in the ACO Financial system (FinS). Any discrepancy with the data provided by CIRIS for the same projects have been duly verified and reconciled.

Write Off and Donations

In accordance with article 17 of the NFRs, an annual summary of property and cash losses written-off in 2017 is annexed to the annual FS at the following tables:

Table I-1 – ACO Headquarters International Property Write-off

Asset Categories	SHAPE		NAGSF		JFCBS		JFCNP		AIRCOM		LANDCOM		NAEW		NCISG		RS		KFOR		NHQSa		Total	
	QTY	€	QTY	€	QTY	€	QTY	€	QTY	€	QTY	€	QTY	€	QTY	€	QTY	€	QTY	€	QTY	€	QTY	€
MACHINERY	-	-	-	-	75	-	27	-	34	-	10	-	-	-	4	-	49	-	13	-	36	-	248	-
TRANSPORT EQUIPMENT - VEHICLES	-	-	-	-	12	-	-	-	1	-	4	-	-	-	47	-	12	-	3	-	-	-	79	-
MISSION EQUIPMENT	-	-	-	-	35	-	2	-	12	-	4	-	-	-	4	-	83	-	79	-	2	-	221	-
FURNITURE	-	-	-	-	663	130	197	-	236	-	84	-	-	-	-	-	7	-	114	-	-	-	1,301	130
INSTALLED EQUIPMENT	-	-	-	-	-	-	-	-	4	-	-	-	-	-	-	-	11	-	-	-	-	-	15	-
OTHER INFRASTRUCTURE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23	-	-	-	-	-	23	-
COMMUNICATION	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-	5	-
AUTOMATED INFORMATION SYSTEM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	85	-	85	-
CONSUMABLES	-	-	-	-	467	2,441	78	-	52	-	-	-	-	-	-	-	3,810	-	-	-	-	-	4,407	2,441
SPARE PARTS	-	-	-	-	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8	-
Grand Total	-	-	-	-	1,260	2,571	304	-	339	-	102	-	-	-	55	-	3,995	-	209	-	128	-	6,392	2,571

The table above shows the number of items written-off during 2017 by the ACO Commands per asset categories and the related accounting value. Due to the ongoing implementation of the AD 60-80 and the change to the write off procedure, several HQs did not perform any write offs during 2017. An increase is therefore expected for 2018. In accordance with the revised NFRs/FRPs the assets were written off under the authority of the Financial Controllers based on the net book value (NBV). The total quantities shown in the table represent the summary of items acquired prior to as well as after 1 January 2013. The majority of the write-offs relate to the legacy assets (acquired prior to the aforementioned cut-off date) that are fully depreciated with a zero residual value as per the NAF. However, some of the items included in the total quantities reported above refer to assets acquired after 1 January 2013, however they were not capitalised because their value was below the materiality threshold. Only JFC Brunssum HQ wrote-off, during 2017, one capitalised item of furniture at its NBV of € 130. The value reported for JFC Brunssum HQs write off of consumables refers to one write off approved before the implementation of the new directive, all other consumables and spare parts have been written off at a zero value.

Table I-2-ACO Headquarters International cash losses and irrecoverable debt write-off

Site	Amount in EUR
SHAPE	2,475
JFC Brunssum	373
NAEW&C Force	665
NHQSa	40
NCISG	1,500
KFOR	12,534
Total	17,587

Some ACO Commands reported write-offs due to cash losses and/or irrecoverable debts as shown in the table above. The more significant amount of € 12,534 was reported by KFOR and represents two separate write-offs. The first one for a total of € 9,206 originates in 2010. KFOR through the Legad department sued in a local court the company and the case was adjudicated in KFOR favour. Nevertheless, when the collection was initiated, the company appeared to be insolvent. The second write-off is for € 3,328 related to a VAT reimbursement from FYROM Government for 2013. SHAPE HQ is reporting a write-off of € 2,475 for unpaid utility fees related to a concessionaire who was declared bankrupt during 2016.

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ACO Headquarters International Property Donations

In accordance with article 17.4 of the NFRs, donations of property/assets that ACO has ownership and control of which were authorised during the year by the relevant finance committee shall be reported in the Annual FS. In 2017 ACO submitted only one request for the donation of some musical instruments of the SHAPE International Band to the Canadian Section of the SHAPE International School which was approved by the Committee on 25 January 2017²¹. ACO has received during March 2018 two other requests, respectively from NHQSa through JFCNP for the donation of vehicles to various governmental and non-governmental organizations and from NSPA SOC through SHAPE HQ of some ACO deployable assets to the Italian Airforce. These requests will be submitted to the BC presumably during April 2018; therefore, subject to the Committee's approval, they will be reported in the 2018 ACO FS.

J. Trust Funds

The Trust Funds reported in 2017 are the Trust Funds for Afghan National Army (ANA), Kosovo Security Forces (KSF), MHI missions and nationally-funded projects. Trust Funds contributions are transferred to the ACO CAC dedicated bank accounts. Upon proper authorisation ACO CAC also executes payments on behalf of the Trust Funds Boards. All incoming and outgoing funds are recorded in the Weekly Status Reports and in FinS. All the Trust Funds at ACO are managed purely for inflow and outflow through ACO CAC with the exception of KSF. During 2017 KFOR executed the entire procure-to-pay process for approx. 1,050,000 EUR on behalf of KSF.

One of the main fund is the ANA Trust Fund (ANA TF), originally set up by the NAC in 2006 to support the efforts to equip the Afghan National Army. The role of ANA was expanded first in 2009 and later in 2013 taking into consideration the 2012 Chicago Summit commitments. A revised MOU dated 17 June 2014 was signed by the US, NATO HQ and SHAPE. On November 2017, the NAC agreed to extend the validity of the ANA Trust Fun Arrangements, Roles and Responsibilities and of the terms of Reference for the ANA trust Fund Board until 31 December 2020 (PO(2017)0544). The role of SHAPE is confirmed as responsible for the financial management of the SHAPE ANA TF bank accounts by providing Treasury Functions. The daily management of the ANA TF falls to the NATO ANA TF Office (NATFO).

²¹ BC-DS(2017)0001 dated 9 February 2017

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The following tables show the Trust Funds balance as of 31 December 2017:

	<u>Funds received</u>	<u>Interests</u>	<u>Actual expenses</u>	<u>Cash transfers</u>	<u>Assessment rate</u>	<u>Total</u>	<u>Accumulated balance</u>
ANA Trust Funds							
Previous years	1,382,088,750	4,530,413	(3,461,093)	(1,040,966,412)	15,880,351	358,072,009	358,072,009
2017	360,102,903	3,506,709		(86,353,846)	(31,982,787)	245,272,979	603,344,988
Total	1,742,191,654	8,037,122	(3,461,093)	(1,127,320,258)	(16,102,436)	603,344,988	
KSF Trust Funds							
Previous years	7,673,728	106,073	(7,703,352)	-	-	76,450	76,450
2017	-	72	(37,425)	-	-	(37,353)	39,096
Total	7,673,728	106,145	(7,740,777)	-	-	39,096	
KSF Trust Funds - US National funded							
Previous years	1,777,500	47,316	(418,549)	-	-	1,406,267	1,406,267
2017	-	1,735	(1,012,883)	-	-	(1,011,147)	395,120
Total	1,777,500	49,051	(1,431,431)	-	-	395,120	
Multinational Helicopter Initiative (MHI)							
Previous years	32,305,172	521,800	-	(24,377,180)	(51,822)	8,397,970	8,397,970
2017	-	18,170	-	(936,893)	-	(918,722)	7,479,248
Total	32,305,172	539,970	-	(25,314,072)	(51,822)	7,479,248	
POHRF - ISAF							
Previous years	4,983,792	(5,232)	-	(4,938,862)	-	39,698	39,698
2017	-	-	-	(3,859)	-	(3,859)	35,839
Total	4,983,792	(5,232)	-	(4,942,720)	-	35,839	

K. Inventory and PP&E prior to 2013

As reported in the above Note A, almost all the PP&E and Inventory have been analysed across ACO sites in terms of correct quantity, asset category and control criteria. As a consequence the data reported in the 2016 FS have been restated also with regard to the assets acquired prior to 1 January 2013.

Data reported in the Tables below are shown net of write-offs and presented by location and type of assets with the indication of the approximate number of items held per asset category, in accordance with the requirements set forth by the NAF.

It should be noted that items reported for AIRCOM HQ also include also assets held at the reporting date by the DACCC, the CAOC in Poggio Renatico (ITA) and the CAOC in Torrejon (SP). Likewise the assets reported for the NCISG include data related to the 1st, 2nd and 3rd NSBs located, respectively, in Wesel (GER), Grazianise (ITA) and Bydgoszcz (POL)

Table K-A – Inventory prior to 2013- status as of 31 December 2017 (quantities per site/category)

Inventory Categories	NAEW&C Force GK	NHQSa	LANDCOM HQ	Total
CONSUMABLES	2,142,812	504,817		2,647,629
SPARE PARTS	838,303	14,905	45,896	899,104
AMMUNITION	14,222			14,222
Grand Total	2,995,337	519,722	45,896	3,560,955

Inventories acquired prior to 1 January 2013 and still present as of 31 December 2017 are reported by NAEW&C Force GK HQ, NHQSa HQ, and LANDCOM Izmir HQ. The former still holds a significant quantity of consumables and spare parts due to stockpiles accumulated in the past to satisfy maintenance requirements of the former NE-3A Component AWACS fleet. The items are continuously monitored through normal stock-counting and technically checked to verify their serviceability.

Amongst the inventories shown in the Table above there are also CIS legacy for NHQSa HQ and a minor quantity of ammunition reported by the NAEW&C Force GK HQ which represents an exception as ammunitions are normally provided by the Nations.

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TABLE K-B – PP&E prior to 2013 – status as of 31 December 2017 (quantities per site/category)

Asset Categories	SHAPE HQ	JFC BRUNSSUM HQ	AIRCOM HQ	RSM HQ	NAEW & C Force GK HQ	JFC NAPLES HQ	NHQSa HQ	LANDCOM HQ	NCISG HQ	KFOR HQ	MARCOM HQ	Total
LAND		1			1							2
BUILDING	24	39	15	113	240	9		31	51	123	1	661
OTHER INFRASTRUCTURES	53	8	-	84	164	18		17	6	11		361
INSTALLED EQUIPMENT	92	248	160	1,415	10,399	65		11	166	228	5	12,949
MACHINERY	813	1,284	463	1,383	17,193	666	1,608	558	194	1,973	73	26,671
TRANSPORT EQUIPMENT - VEHICLES	233	48	74	638	278	40	101	31	785	113	2	2,417
TRANSPORT EQUIPMENT - AIRPLANES					15							15
TRANSPORT EQUIPMENT - AIRPLANES (Upgrades, Training Devices & Spare Parts)					22,940							22,940
MISSION EQUIPMENT	1,059	400	403	2,448	13,476	212	1,903	371	288	369	6	21,338
FURNITURE	31,136	8,154	11,055	1,677	342	14,908	14,955	8,509	2,412	14,456	2,347	121,006
COMMUNICATION					24,023		781					24,804
AUTOMATED INFORMATION SYSTEM					7,549		533					8,082
Grand Total	33,410	10,182	12,170	7,758	96,620	15,918	19,881	9,528	3,902	17,273	2,434	241,246

As specified in Note A (Assets) above the legal ownership of installations and facilities fixed to the ground belongs to the respective territorial Host Nations. However, due to the fact that ACO exercises a certain control over these assets they are reported in the ACO FS. The category of buildings mainly includes the facilities provided by the HNs to ensure the effective operation of the NATO installations as well as a variety of infrastructure made by concrete/brick and by metal and wood frame. They also include other facilities such as the access control posts at the entrance gates, warehouses, storage houses, garages, bunkers, electrical stations, etc. Although traced, the electrical systems, fire detection, transformers etc. which are part of the infrastructure are not counted as separate assets from the infrastructure they serve.

The HQ facilities of the NHQSa are not reported as they are under the control and responsibility of EU Operation Althea based on the Berlin-Plus Agreement.

The only CIS assets reported in the 2017 ACO FS relate to NHQSa HQ and NAEW&C Force GK HQ as they are not under the control of the NCIA but rather of ACO as disclosed in Note A above.

L. ACO Morale & Welfare Activities

The ACO Morale & Welfare Activities report is presented on an annual basis to the BC.

All the ACO commands with the exception of NHQSa have performed MWA activities during 2017. The result is characterised by an overall loss of 770,960 EUR versus the profit of 459,998 EUR generated in 2016 (restated data).

The negative result is mainly due to JFCNP with a loss of 938 KEUR and the EUR/USD rate at year end for the liquidity related to the closed MWA activities kept at central level. However, the structural analysis of the financial data indicates that a high level of cash and capital reserves have been ring-fenced by the various MWA programmes to cater for current losses and for future contingencies as well as to protect themselves against discontinuity of revenue income. This is in accordance with the operating profit model instructed by the ACO Directive 5-1 at Reference C to maintain high liquidity and to establish capital reserves.

ACRONYMS

ACO	Allied Command Operations	Strategic NATO Military HQ located in Casteau Belgium
ACT	Allied Command Transformation	Strategic NATO Military HQ located in Norfolk VA, USA
ADG	Air Defence Ground	Network of radars providing an early warning system
AGS	Alliance Ground Surveillance	The AGS system performs wide-area terrestrial and maritime surveillance in near real-time
AMB	ACO Management Board	Principal executive body within ACO for providing command-wide direction on requirements, prioritisation, and resource allocation
ANA	Afghan National Army	A service branch of the military of Afghanistan, which is currently trained by the coalition forces to ultimately take the role in land-based military operations in Afghanistan
AOM	Alliance Operations & Missions	Acronym for operations mounted by NATO in response to a crisis
AWACS	Airborne Warning and Control System	An airborne radar system designed to detect aircraft; used at a high altitude, the radars allow the operators to distinguish between friendly and hostile aircraft from hundreds of miles away
AuC	Assets under Constructions	
BA1	Budget Authorisation 1	Initial Budget Authorisation amount approved by the Budget Committee for a given Fiscal Year
BA2	Budget Authorisation 2	Second Budget Authorisation amount approved by the Budget Committee for a given Fiscal Year after the first review
BA3	Budget Authorization 3	Final Budget Authorisation amount approved by the Budget Committee for a given Fiscal Year after the final review
BC	Budget Committee	NATO body responsible for approving and administering annual NATO budgets
CAC	Corporate Accounting and Control	The Cash, Accounting, Finance and Travel Branch within the NATO, ACO J8 Division
CAOC	Combined Air Operations Centre	The command and control of airpower throughout the theatre of operations.
CE	Crisis Establishment	NATO command structure for a contingency operation
CF	Common Funding	Budgetary contributions provided to the Alliance by the Nations based on established cost-shares
CIS	Communications Information Services	Used occasionally to refer to communications budgets
CNS/ATM	Communication, Navigation and Surveillance/Air Traffic Management	Systems and procedures based largely on digital technologies, satellite systems and various levels of automation to establish a seamless Global Air Traffic Management.
COS	Chief of Staff	A principal staff officer, who is the coordinator of the supporting staff or a primary aide to an important individual
CRP	Consolidated Resource Proposal	Provides a summary of additional NATO and national infrastructure required (as well as associated NATO and national capital costs) and NATO operation and maintenance and manpower costs necessary to achieve the required capability
CSSC	CIS Sustainment Support Centre	NCIA's asset management and repair facility located in Brunssum, Netherlands
DACCC	Deployable Air Command and Control Centre	A fully deployable air command & control centre to support deployed NATO air operations worldwide. Located at Poggio Renatico, Italy
EOY	End of Year	Occurring or done at the end of the fiscal year
ERP	Enterprise Resource Planning	Associated with business application software suites; ERP serves as architecture for integrating business applications, they act as one system even though each module can be implemented alone
EUFOR	European Union Force–Operation Althea	European Union military mission in Sarajevo, starting from 1 st December 2004
EUR	Euro	The official currency of the Eurozone; utilized by 19 of the 28 member states of the European Union (EU) consisting of Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania (from 2015), Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain. The currency is also used in Montenegro, Kosovo, Andorra, Monaco, San Marino and Vatican.
EURIBOR	Euro Interbank Offered Rate	A daily reference rate based on the averaged interest rates at which banks offer to lend unsecured funds to other banks in the euro wholesale money market
FA	Fixed Assets	A term used for assets and property which cannot easily be converted into cash
FinS	Financial Accounting System	NAFS is replaced by a newer version of software and a centralised architecture; this new system, pronounced “finesse” is shortened from the Bi-Strategic Command Automated Information Systems Financial Services (Bi-Sc AIS FinS)

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SHJ8/CAC/FC048/18

FMS	Foreign Military Sales	Facilitates sales of arms, defense equipment, defense services, and military training to foreign governments
FOC Plus	Full Operational Capability Plus	A dedicated communications backbone; this program provides 66 points of presence across the Afghanistan theatre
FRP	Financial Rules & Procedures	Financial rules laid down by the member nations, via NATO which provide more specific guidance than the over arching rules expressed in the NATO Financial Regulations
FS	Financial Statements	A formal record of the financial activities of a business, person, or other entity
FY	Fiscal Year	Within NATO, runs from 1 January to 31 December
HN	Host Nation	The organization appointed to be responsible for the execution of NSIP projects
HQ	Headquarter(s)	Denotes the location where most, if not all, of the important functions of an organization are coordinated
HRM	Human Resource Management	The management of an organization's workforce, or human resources. It is responsible for the attraction, selection, training, assessment, and rewarding of employees, while also overseeing organizational leadership and culture, and ensuring compliance with employment and labour laws
BSG	Base Support Group	
IASB	International Accounting Standards Board	An independent standard-setting body of the IFRS foundation; it is responsible for developing International Federation Reporting Standards (IFRS)
IBAN	International Board of Auditors for NATO	Provides the North Atlantic Council and the governments of NATO member countries with assurance that common funds have been properly used for the settlement of authorised expenditure.
IC	Infrastructure Committee	Responsible for monitoring, authorisation and overall implementation of all projects funded by the NATO Security Investment Programme
ICC	International Civilian Consultant	These positions are for civilian nationals of NATO Member countries and Troop Contributing Nations who can provide a NATO recognised Security Clearance certificate
IFAC	International Federation of Accountants	The global organization for the accountancy profession; the organization, through its independent standard-setting boards, establishes international standards on ethics, auditing and assurance, accounting education, and public sector accounting
IMS	International Military Staff	The executive body of the Military Committee, NATO's senior military authority
IPSAS	International Public Sector Accounting Standards	A set of accounting standards issued by the International Public Sector Accounting Standards Board of the IFAC for use by public sector entities around the world in the preparation of financial statements
IPSASB	IPSAS Board	IFAC established the IPSASB to develop the IPSAS; these standards are based on the IFRS issued by the IASB with suitable modifications relevant for public sector accounting
ISAF	International Stabilisation Force – Afghanistan	NATO AOM mission in Afghanistan. Completed 31 December 2014
IT	Information Technology	The acquisition, processing, storage and dissemination of data by a microelectronics-based combination of computing and telecommunications
JFC	Joint Forces Command	Joint Headquarters overseeing the activities of separately assigned subordinate headquarters responsible for Air, Land, and Maritime operations within an assigned region of NATO
KAIA	Kabul International Airport	The primary international airfield in Afghanistan; services commercial and military flights each day
KFOR	Kosovo Force	NATO AOM operation in Kosovo
KSF	Kosovo Security Force	Dissolution of the KPC took place in parallel with the creation of the KSF; the KSF has primary responsibility for security tasks that are not appropriate for the police such as emergency response, explosive ordnance disposal and civil protection; it may also participate in crisis response operations, including peace support operations; this professional, all-volunteer force is trained according to NATO standards and placed under civilian-led, democratic control
LCH	Local Civilian Hire	ISAF positions meant for Afghan nationals.
LEGAD	Legal Advisor	A label customarily attached to lawyers who advise commanders in the field in NATO operations and within the countries participating in NATO peacekeeping
LIFO	Last In, First Out	An accounting technique used in managing inventory and financial matters meaning that the newest inventory items are recorded as sold first. This techniques is not allowed in accordance with IPSAS
LOJI	Loss of Job Indemnity	Income replacement indemnity payments extended to individuals who have lost employment
LWR	Local Wage Rate	A member of the NATO work force who typically performs skilled or unskilled manual labour

M & W MWA	Morale and Welfare Morale and Welfare Activities	A network of support and leisure services and activities that enhances the lives of Military, Civilians, Families, and other eligible participants
MB	Military Budget	Follows the principles of the common funding with costs shared by the contributing Nations
MEUR	Million Euro	€ 1,000,000.00
MHI	Multinational Helicopter Initiative	Supports the financing of helicopter deployment-related activities
MOD	Ministry of Defence	The government department responsible for implementation of government defence policy and the headquarters of the Armed Forces
Mode 5		Aircraft transponder that works as an identification system for friendly or enemy forces. Mode 5 is a secure version of Mode S and is used by the military
MOU	Memorandum of Understanding	A document describing a bilateral or multilateral agreement between parties
NAC	North Atlantic Council	The NAC has effective political authority and powers of decision for NATO; consists of permanent representatives of all member nations and meets at least weekly
NAEW&C Force GK	NATO Airborne Early Warning and Control Force HQ	Single International Military HQ comprising the NAEW&C Force HQ, the E3A-Component and the Mission Systems Engineering Centre. Starting date is 1 Dec. 2015.
NAF	Non-Appropriated Funds	Resources internally generated by NATO military and civilian staffs through retails and service facilities operated by the Command
NAF	NATO Accounting Framework	NATO's adaption to IPSAS (approved by the NAC)
NATO	North Atlantic Treaty Organisation	An intergovernmental military alliance based on the North Atlantic Treaty signed on 4 April 1949; the organization constitutes a system of collective defence whereby its member states agree to mutual defence in response to an attack by any external party
NATO IS	NATO International Staff	An advisory and administrative body, working under the authority of the Secretary General and supporting the delegations of NATO members at different committee levels and helps implement their decisions
NBC	Nation Borne Costs	Cost eligible for common funding: covered by Military Budget and the responsibility of the Troop Contributing Nation; NBC, types include: Individual Real Life Support (RLS) related costs (e.g. Food) National Entities RLS related costs (e.g. power) National Entities usage of NATO capabilities (e.g. CIS)
NCCB	NATO Centralised CIS Budget	
NCIA	NATO Communication and Information Agency	NATO Communication and Information Agency. Created by consolidating former NCSA, NC3A, and NACMA.
NCS	NATO Command Structure	Divided into two commands, one for operations and one for transformation. - Allied Command Operations is located at SHAPE, Mons, Belgium. - Allied Command Transformation) is located in Norfolk, Virginia. It
NCSEP	NATO Command Structure Headquarters and Programme	Budget formerly known as "MBC 28 Nations"
NDSS	NATO Depot & Support System	A software package maintained by NAMSA; it covers most areas of logistics support, such as item identification, supply, maintenance and property accounting
NFR	NATO Financial Regulations	Regulations published by NATO HQ governing the use and reporting of NATO financial assets
NHQSa	NATO Headquarter Sarajevo	NATO AOM operation in Bosnia Herzegovina
NIC	NATO International Civilian	A permanent international post of NATO grade A, L, B, or C authorized to be filled by a civilian whose pay and allowances are established by the North Atlantic Council and provided from the international budget.
NMA	NATO Military Authority	Consisting of ACO, ACT and NCSA
NMR	National Military Representative	Senior military officers from NATO nations serving as members of the Military Committee
NOR	NATO Office of Resources	Brings together all international staff working on NATO military common-funded issues with the aim of reinforcing military common-funded resource management at the NATO HQ
NSHQ	NATO Special Operations Headquarters	Manages the NATO Special Operations capabilities. HQ is located at SHAPE, Casteau
NSIP	NATO Security Investment Programme	Funds authorized and allocated by the BC for specific NATO projects e.g., runways, bunkers, roads, buildings, etc.
NSPA	NATO Support Agency	Agency created by consolidating former NAMSA, NAMA, and CEPMA.
NSU	National Support Unit	Responsible for relaying logistics and personnel support to the respective national units
O&M	Operations and Maintenance	A category of appropriations which traditionally finance those things whose benefits are derived for a limited period of time, i.e., expenses, rather than investments. Examples of costs financed by O&M funds are headquarters operations, civilian salaries and awards, travel, fuel, minor construction

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		projects, expenses of operational military forces, training and education, recruiting, depot maintenance, base operations support,
OCC	Operational Capability Concept	Designed to establish new means and mechanisms to reinforce Partnership for Peace's operational capabilities through enhanced and closer military cooperation
OPLAN	Operational Plan	Military plan prepared by ACO to conduct a mission approved by the NAC
OS	Ocean Shield	NATO's contribution to international efforts to combat piracy off the Horn of Africa
PAO	Property Accountable Officer	Maintains PP&E and inventory records, for NATO-owned equipment and is responsible for assigning property, performing inventories, and for providing reports and information
PE	Peacetime Establishment	NATO command structure
PILS	Program Integrated Logistics System	Used by NAEW&CF to manage the data of procurement, supply and maintenance processes
PO	Private Office (memo)	File designation for correspondence coming directly from the NATO Secretary General's Office
PP&E	Property, Plant and Equipment	Referring to IPSAS 17, this principal a) recognizes the assets, b) determines their carrying amounts and c) depreciates charges and impairment losses to be recognized in relation to them
RAP	Readiness Action Plan	NATO strategy to ensure responds to security challenges
RPPB	Resource Policy and Planning Board	The senior advisory body to the NAC on the management of all NATO resources; responsible for the overall management of NATO's civil and military budgets, as well as NSIP and manpower
RSM	Resolute Support Mission	NATO AOM mission in Afghanistan. Started 1 January 2015
SACEUR	Supreme Allied Commander Europe	The commanding officer of Allied Command Operations
SACT	Supreme Allied Commander Transformation	The commanding officer of Allied Command Transformation
SHAPE	Supreme Headquarters Allied Powers Europe	The major NATO HQ for ACO located Casteau, Belgium
SILCEP	Security Investment, Logistics and Civil Emergency Planning	
SLA	Service Level Agreement	A service level agreement is a negotiated agreement between two parties where one is the customer and the other is the service provider; this can be a legally binding formal or informal "contract"
SMB	SHAPE Management Board	ACO Principal body within SHAPE for providing direction on SHAPE related requirements, prioritisation, and resource allocation issues
SMG	Senior Management Group	Those key advisors who have access to privileged information and have power to exercise control or participate in the financial operating policy decisions of ACO
SOFA	Status of Forces Agreement	Legally binding document entered into between nations governing all legal aspects of military forces treatment when assigned outside their national boundaries; NATO governs the legal administration of NATO assigned forces when operating within a specific country also enters into these agreements
SRB	Senior Resource Board	A subsidiary body of the NAC and the Defence Planning Committee which have given the Board a lead policy and planning role in all military resource areas
STANAG	Standard NATO Agreement	An agreement promulgated by the Director NATO Standardization Agency under the authority vested in him by the NATO Standardization Organisation Charter
TF	Trust Funds	Funding provided by nations to achieve objectives complimentary to the NATO mission which are not eligible for NATO common funding
TFR	Trattamento di Fine Rapporto	a vested benefit payable to the employee for a part of his/her salary deferred in time to the moment when termination of contract takes place
USAREUR	U. S. Army Europe	Trains and leads Army Forces in support of U.S. European Command and Headquarters, Department of the U. S. Army
VNC	Voluntary National Contribution	Supports NATO's Counter-IED (C-IED) Action Plan the fund facilitates multinational cooperation by combining financial and non-financial national contributions in support of specific C-IED projects
WAC	Weighted Average Cost	A method of calculating ending inventory cost
WG	Working Group	An assembly of experts brought together for intensive work on a specific topic

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