13 décembre 2018

**DOCUMENT**
C-M(2018)0062-AS1

# RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2017 DU BUREAU DES SITES DE CONTRÔLE DE LA PRÉCISION DES DÉTECTEURS ET DES ARMES DES FORCES NAVALES DE L'OTAN (FORACS OTAN)

## NOTE SUR LA SUITE DONNÉE

Le 12 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 du Bureau des FORACS OTAN, il a avalisé le rapport du RPPB annexé au C-M(2018)0062 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)0062 et doit être placée en tête de ce document.



NHQD115193

**NATO SANS CLASSIFICATION**

4 décembre 2018

**DOCUMENT**
C-M(2018)0062
**Procédure d'accord tacite :**
**12 déc 2018 17:30**

# RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2017 DU BUREAU DES SITES DE CONTRÔLE DE LA PRÉCISION DES DÉTECTEURS ET DES ARMES DES FORCES NAVALES DE L'OTAN (FORACS OTAN)

## 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 Bureau des sites de contrôle de la précision des détecteurs et des armes des forces navales de l'OTAN (FORACS OTAN). L'IBAN a émis une opinion sans 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 mercredi 12 décembre 2018 à 17h30**, je considérerai que le Conseil aura pris note du rapport de l'IBAN sur les états financiers 2017 du Bureau des FORACS OTAN, 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
2 pièces jointes

Original : anglais



NHQD114673

ANNEXE 1
C-M(2018)0062

# RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2017 DU BUREAU DES SITES DE CONTRÔLE DE LA PRÉCISION DES DÉTECTEURS ET DES ARMES DES FORCES NAVALES DE L'OTAN (FORACS OTAN)

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

Références :

| | |
|---|---|
| A. IBA-A(2018)0089 | Rapport de l'IBAN sur la vérification des états financiers 2017 du Bureau des FORACS OTAN |
| B. PO(2015)0052 | Mandat issu du sommet du pays de Galles concernant la transparence et l'obligation de rendre compte |

## CONTEXTE

1. Le présent document concerne le rapport du Collège international des commissaires aux comptes de l'OTAN (IBAN) sur la vérification des états financiers 2017 du Bureau des FORACS OTAN et de la conformité pour cet exercice. L'IBAN a émis des opinions sans réserve tant sur les états financiers que sur la conformité (référence A).

## EXAMEN DE LA QUESTION

2. L'IBAN a formulé une observation en 2017, concernant des insuffisances dans le contrôle interne du compte rendu financier. Il a par ailleurs fait le point sur les observations formulées lors de précédents audits, et il a constaté que quatre questions avaient été réglées, qu'une autre avait été partiellement réglée, qu'une autre encore avait été rendue caduque par l'observation formulée pour l'exercice 2017 et qu'il n'en restait aucune en suspens. Globalement, le contrôleur des finances du Bureau des FORACS OTAN, qui est le contrôleur des finances du Secrétariat international, a souscrit à l'observation et à la recommandation de l'IBAN.

3. Insuffisances dans le contrôle interne du compte rendu financier – Le RPPB note que des incohérences ont été relevées dans l'état de l'exécution du budget : le montant total des dépenses notifiées est correct mais leur répartition entre les différents chapitres est erronée. Il prend note également des problèmes recensés par l'IBAN concernant le tableau et les notes présentant les chiffres rectifiés de 2016 ainsi que du fait qu'il y a eu une surévaluation mineure et une omission dans les notes jointes aux états financiers.

## CONCLUSION

4. L'IBAN a émis une opinion sans réserve sur les états financiers 2017 du Bureau des FORACS OTAN ainsi que sur la conformité pour cet exercice. Le RPPB note que l'observation porte sur le même thème qu'une observation formulée pour l'exercice précédent, mais il reconnaît que le Bureau des FORACS OTAN fait des progrès. Aucune autre intervention du RPPB n'est requise à ce stade concernant le rapport sur la vérification des états financiers 2017 de cette entité OTAN.

**RECOMMANDATIONS**

5. Le RPPB recommande au Conseil :

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

5.2 d'approuver la conclusion, figurant au paragraphe 4 du présent rapport ;

5.3 d'approuver la communication au public du présent rapport, du rapport de l'IBAN et des états financiers 2017 du Bureau des FORACS OTAN, en vertu de la politique agréée dans le document de référence B.

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)0089
29 August 2018

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

Cc: Chairman, NATO FORACS Steering Committee
Project Manager and Technical Director, NATO FORACS Office
Financial Controller, International Staff (IS)
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 NATO FORACS Office (NFO) Financial Statements for the year ended 31 December 2017 – IBA-AR(2018)0020***

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).

The Board's report sets out an unqualified opinion on the Financial Statements of the NATO FORACS Office (NFO) and on compliance for financial year 2017.

Yours sincerely,

Hervé-Adrien Metzger
Chairman

Attachments: As stated above.

Boulevard Léopold III - B-1110 Bruxelles - Belgique
Tel.: +32(0)2 707 41 11

ANNEXE 1

**Note succincte**
**du Collège international des commissaires aux comptes de l'OTAN**
**sur la vérification des états financiers**
**du Bureau des FORACS OTAN**
**pour l'exercice clos le 31 décembre 2017**

Les sites de contrôle de la précision des détecteurs et des armes des forces navales de l'OTAN (FORACS OTAN) se chargent de l'étalonnage complet des détecteurs associés aux systèmes d'armes d'unités navales de l'OTAN comme les navires de surface, les sous-marins et les hélicoptères de lutte anti-sous-marine. Les mesures sont effectuées sur trois polygones FORACS OTAN, relevant respectivement de la Norvège, de la Grèce et des États-Unis.

La gestion d'ensemble du programme incombe au Comité directeur des FORACS OTAN, qui a pour organe exécutif le Bureau des FORACS OTAN, implanté au siège de l'OTAN. En 2017, la dotation budgétaire du Bureau des FORACS OTAN (reports compris) s'élevait à 2,41 millions d'euros (MEUR), et les dépenses au titre du budget ont représenté 1,59 MEUR.

Le Collège a émis une opinion sans 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 une observation, assortie d'une recommandation. Cette observation n'a pas d'incidence sur l'opinion émise.

1. Insuffisances dans le contrôle interne du compte rendu financier.

Le Collège a par ailleurs fait le point sur six observations formulées lors de précédents audits auxquelles il devait encore être donné suite, et il a constaté que quatre questions avaient été réglées, qu'une autre avait été partiellement réglée et qu'une autre encore avait été rendue caduque par l'observation formulée pour l'exercice 2017.

L'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) ont été transmises au Comité directeur des FORACS OTAN, dont les commentaires ont ensuite été intégrés dans la lettre (appendice à l'annexe 3).

ANNEXE 2
IBA-AR(2018)0020

29 août 2018

**COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN**

# OPINION SUR LES ÉTATS FINANCIERS

# DES SITES DE CONTRÔLE DE LA PRÉCISION DES DÉTECTEURS

# ET DES ARMES DES FORCES NAVALES DE L'OTAN

# (BUREAU DES FORACS OTAN)

# 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 Bureau des FORACS OTAN, qui se composent de l'état de la situation financière au 31 décembre 2017, de l'état de la performance financière, de l'état des variations de l'actif net et du tableau des flux de trésorerie pour l'exercice clos à cette date, ainsi que d'un résumé des méthodes comptables importantes et de diverses notes explicatives. Le Collège a également vérifié l'état de l'exécution du budget pour l'exercice clos le 31 décembre 2017.

*Responsabilité de la direction*

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

*Responsabilité du Collège*

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

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

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

*Opinion sur les états financiers*

L'opinion du Collège est qu'à tous égards significatifs, les états financiers donnent une image fidèle, conforme au cadre comptable OTAN, de la situation financière du Bureau des FORACS OTAN 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.

*Opinion sur la conformité*

Le Collège estime que les opérations financières et les informations présentées dans les états financiers du Bureau des FORACS OTAN 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

ANNEXE 3
IBA-AR(2018)0020

29 août 2018

**COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN**

# LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS CONCERNANT

# LE BUREAU DES FORACS OTAN

# POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2017

## Introduction

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers du Bureau des FORACS OTAN pour l'exercice clos le 31 décembre 2017, et il a émis une opinion sans réserve à leur sujet ainsi que sur la conformité.

## Observation et recommandation

À l'issue de son audit, le Collège a formulé une observation, assortie d'une recommandation. Cette observation n'a pas d'incidence sur l'opinion émise :

1. Insuffisances dans le contrôle interne du compte rendu financier.

Le Collège a par ailleurs fait le point sur six observations formulées lors de précédents audits auxquelles il devait encore être donné suite, et il a constaté que quatre questions avaient été réglées, qu'une autre avait été partiellement réglée et qu'une autre encore avait été rendue caduque par l'observation formulée pour l'exercice 2017.

ANNEXE 3
IBA-AR(2018)0020

## OBSERVATION ET RECOMMANDATION

### 1. INSUFFISANCES DANS LE CONTRÔLE INTERNE DU COMPTE RENDU FINANCIER

**Contexte**

1.1 Ainsi que le prévoit l'article 6 du Règlement financier de l'OTAN (NFR), il incombe au contrôleur des finances d'exécuter les activités de l'entité OTAN qui concernent l'établissement du budget, la comptabilité et le compte rendu. Ainsi, le contrôleur des finances est notamment responsable du système de contrôle financier interne et de l'établissement des états financiers conformément au cadre comptable OTAN.

1.2 Selon l'IPSAS 3, l'entité doit corriger de manière rétrospective toute erreur significative relative à une période antérieure, dans le premier jeu d'états financiers dont la publication est autorisée après sa découverte, par retraitement des montants de la ou des périodes antérieures au cours desquelles l'erreur est intervenue qui sont présentés pour comparaison. L'entité doit ainsi fournir les informations suivantes :

a) la nature de l'erreur relative à une période antérieure ;

b) pour chaque période antérieure présentée, dans la mesure du possible, le montant de la correction pour chaque poste affecté dans les états financiers.

**Observations**

1.3 Le Collège a relevé les inexactitudes ou les erreurs ci-dessous dans les états financiers.

a) D'après l'état de l'exécution du budget 2017, les dépenses exposées au titre des chapitres 1, 2 et 3 s'élèvent respectivement à 1 313 226 EUR, 245 629 EUR et 0 EUR. Le Collège a constaté que le montant total des dépenses notifiées était correct mais que leur répartition entre les différents chapitres était erronée. Les montants corrects pour les trois chapitres sont les suivants : 632 760 EUR, 871 852 EUR et 54 243 EUR.

b) Selon la note 4 jointe aux états financiers, les fonds gérés pour le compte du polygone FORACS OTAN en Norvège s'élevaient à 235 083 EUR fin 2016. Ce montant ne correspond pas au solde de trésorerie et équivalents inscrit dans l'état de la situation financière. Le Collège a constaté que la correction d'erreurs se rapportant à l'exercice précédent n'avait pas été prise en compte dans cette note, d'où une surévaluation de 6 945 EUR.

c) La note 26 jointe aux états financiers fournit des informations sur les opérations entre parties liées. Elle présente les coûts des différents services fournis par le Secrétariat international (SI) au Bureau des FORACS OTAN

en 2016 et en 2017. Néanmoins, le loyer pour 2017, qui est identique à celui de 2016 (soit 12 969 EUR), n'est pas mentionné.

1.4 Le Bureau des FORACS OTAN a rectifié les chiffres de 2016 fournis pour comparaison dans les états financiers de 2017. Un tableau présentant les modifications pour les différents postes rectifiés de l'état de la situation financière figure dans les notes. Il ne fait cependant pas apparaître séparément les incidences des modifications apportées aux méthodes comptables et les incidences de la correction des erreurs relatives à la période antérieure. En outre, la nature de ces erreurs n'est pas expliquée dans les notes. Par ailleurs, le Collège a constaté que les chiffres de 2016 indiqués dans le tableau comme non rectifiés ne correspondaient pas à ceux qui figurent dans la version originale des états financiers 2016 du Bureau des FORACS OTAN.

**Recommandation**

1.5. Le Collège recommande au Bureau des FORACS OTAN de mettre en place et de consigner par écrit des procédures de vérification des chiffres à faire figurer dans les états financiers de manière à prévenir ou à détecter les erreurs de ce type avant la publication des états financiers.

ANNEXE 3
IBA-AR(2018)0020

## SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

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

| OBSERVATION/RECOMMANDATION | MESURES PRISES | ÉTAT DE LA QUESTION |
|---|---|---|
| **(1) Rapport d'audit 2016**<br>**IBA-AR(2017)27, paragraphe 1.5**<br><br>**ENGAGEMENT DE CRÉDITS BUDGÉTAIRES DE 2016 POUR UN SERVICE À RECEVOIR EN 2017**<br><br>**Recommandation du Collège**<br>Le Collège recommande au Bureau des FORACS OTAN de ne comptabiliser les charges que lorsque les services ou les biens correspondants ont été reçus, de manière à ce que ses états financiers reflètent fidèlement sa situation et sa performance financières. | Aucun cas similaire n'a été constaté au cours de l'audit 2017. | Question **réglée.** |
| **(2) Rapport d'audit 2016**<br>**IBA-AR(2017)27, paragraphe 2.3**<br><br>**INSUFFISANCES SIGNIFICATIVES DANS LE CONTRÔLE INTERNE DU COMPTE RENDU FINANCIER**<br><br>**Recommandation du Collège**<br>Le Collège recommande au Bureau des FORACS OTAN :<br><br>a) de mettre en place des procédures internes solides qui définissent les responsabilités, les exigences et les contrôles associés à l'établissement des états financiers, le but étant de faire en sorte que ceux-ci soient exempts de toute inexactitude significative et de toute autre erreur ou omission ;<br><br>b) de ne faire apparaître dans l'état de la situation financière que les actifs et passifs qui sont assortis des éléments probants nécessaires et de conserver les pièces justificatives à des fins d'audit. | | Question **rendue caduque par l'observation formulée à la section 1.** |
| **(3) Rapport d'audit 2016**<br>**IBA-AR(2017)27, paragraphe 3.3**<br><br>**REPORT DE CRÉDITS POUR LES SERVICES REÇUS AVANT LA FIN DE L'EXERCICE** | | |

| OBSERVATION/RECOMMANDATION | MESURES PRISES | ÉTAT DE LA QUESTION |
|---|---|---|
| **Recommandation du Collège**<br>Le Collège recommande au Bureau des FORACS OTAN de procéder à l'examen des engagements non clôturés en fin d'exercice afin de déterminer si le bien ou le service correspondant a été reçu en cours d'exercice et, si tel est le cas, de réduire l'engagement en conséquence et de comptabiliser la charge correspondante. | Aucun cas similaire n'a été constaté au cours de l'audit 2017. | Question **réglée.** |
| **(4) Rapport d'audit 2015**<br>**IBA-AR(2017)22, paragraphe 1.3**<br><br>**RECOURS À UN FONDS DE RÉSERVE DE GESTION CONTREVENANT AU NFR**<br><br>**Recommandation du Collège**<br>Le Collège recommande au Bureau des FORACS OTAN de se conformer à l'article 29.3 du NFR et de limiter les avoirs en caisse au minimum requis pour couvrir les paiements prévus jusqu'à la réception de la tranche suivante. Si, néanmoins, le Comité directeur des FORACS OTAN est convaincu de la nécessité d'une telle réserve de gestion, il doit solliciter l'approbation par le Conseil d'une dérogation aux articles 24.2 et 29.3 du NFR. | Le 25 juin 2018, le Conseil a approuvé la demande de dérogation au NFR introduite par le Bureau directeur concernant la constitution d'une réserve opérationnelle (C-M(2018)0032). | Question **réglée.** |
| **(5) Rapport d'audit 2015**<br>**IBA-AR(2017)22, paragraphe 7.8**<br><br>**EFFORTS SUR LA VOIE DE LA CONFORMITÉ AVEC LA VERSION RÉVISÉE DU RÈGLEMENT FINANCIER DE L'OTAN, ET EN PARTICULIER AVEC LES ARTICLES RELATIFS AU CONTRÔLE INTERNE, À LA GESTION DES RISQUES ET À L'AUDIT INTERNE**<br><br>**Recommandations du Collège**<br>a) Le Bureau des FORACS OTAN devrait veiller à ce que sa politique de gestion des risques et ses registres des risques tiennent compte des risques liés au compte rendu financier et à la conformité.<br><br>b) En application des FRP XII, alinéa 3) (e), le Bureau des FORACS OTAN devrait se doter d'un cadre de contrôle interne spécifique pour l'évaluation de son système de contrôle interne, prévue par l'article 12 du NFR. Étant donné que d'autres entités OTAN ont déjà adopté le cadre de contrôle interne du COSO, susceptible d'être utilisé par des entités de toutes tailles, le | a) La participation du contrôleur des finances à la gestion des risques reste limitée.<br><br>b) La déclaration sur le contrôle interne relative à 2017 ne fait pas mention d'un cadre de contrôle interne spécifique qui serait utilisé pour l'évaluation du système de contrôle interne. | Question **partiellement réglée.** |

| OBSERVATION/RECOMMANDATION | MESURES PRISES | ÉTAT DE LA QUESTION |
|---|---|---|
| Bureau des FORACS OTAN devrait envisager d'adopter lui aussi ce cadre.<br><br>c) En coordination avec le SI, lorsqu'il y a lieu, le Bureau des FORACS OTAN devrait entamer un travail d'évaluation et de consignation par écrit du fonctionnement du système de contrôle interne et des procédures de gestion des risques, afin de se conformer aux articles 11 et 12 du NFR, aux FRP XI et XII et au cadre de contrôle interne qu'il aura choisi.<br><br>d) Le Bureau des FORACS OTAN devrait veiller, en recourant à l'externalisation si elle est jugée plus intéressante sur le plan financier, à ce que les activités d'audit interne comportent une analyse de la gestion des risques et du contrôle interne dans l'ensemble du Bureau des FORACS OTAN.<br><br>e) Le Bureau des FORACS OTAN devrait veiller à ce que les crédits budgétaires supplémentaires ne servent qu'à engager les dépenses correspondant à des biens et des services à recevoir pendant l'exercice. Il devrait recourir à des autorisations de programme pour les biens et les services à recevoir au cours d'exercices futurs. | c) La consignation par écrit n'est pas encore achevée.<br><br>d) Le Service Audit interne du SI n'a pas encore procédé à l'analyse du contrôle interne et de la gestion des risques. Le Collège note que le directeur de projet a transmis au Service Audit interne du SI les informations pertinentes relatives à la gestion des risques et au contrôle interne. Il note également que le plan d'audit interne du SI a été établi sur la base d'une analyse des risques.<br><br>e) Le Bureau des FORACS OTAN a apporté des modifications au processus d'approbation des crédits supplémentaires, lesquels ne servent désormais que pour les biens et les services à recevoir pendant l'exercice. | |
| **(6) Rapport d'audit 2014**<br>**IBA-AR(2015)18, paragraphe 2.3**<br><br>**SÉPARATION DES TÂCHES – RAPPROCHEMENTS BANCAIRES**<br><br>**Recommandation du Collège**<br>Le Collège recommande qu'un rapport de rapprochement bancaire soit établi régulièrement, et pas uniquement en fin d'exercice. De plus, le Bureau des FORACS OTAN devrait veiller à ce que la séparation des tâches soit appropriée : les rapprochements bancaires devraient être signés à la fois par le préparateur et par le chef de la trésorerie (ou son adjoint) en sa qualité d'examinateur. | Des rapprochements bancaires mensuels ont été établis et examinés en 2017. Le rapprochement de fin d'exercice a été examiné et signé par le contrôleur des finances. | Question **réglée.** |

APPENDICE 1
ANNEXE 3
IBA-AR(2018)0020

## COMMENTAIRES OFFICIELS DU COMITÉ DIRECTEUR DES FORACS OTAN CONCERNANT LA LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS

**OBSERVATION 1 :**
**INSUFFISANCES DANS LE CONTRÔLE INTERNE DU COMPTE RENDU FINANCIER**

***Commentaires officiels du Comité directeur des FORACS OTAN***

Le Comité directeur souscrit à la recommandation.

**SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES**
**(5) Rapport d'audit 2015**
**IBA-AR(2017)22, paragraphe 7.8**

**EFFORTS SUR LA VOIE DE LA CONFORMITÉ AVEC LA VERSION RÉVISÉE DU RÈGLEMENT FINANCIER DE L'OTAN, ET EN PARTICULIER AVEC LES ARTICLES RELATIFS AU CONTRÔLE INTERNE, À LA GESTION DES RISQUES ET À L'AUDIT INTERNE**

***Commentaires officiels du Comité directeur des FORACS OTAN***

***Recommandation a)***

*L'OFC travaille à l'élaboration d'un tableau exhaustif des risques pour ses activités. Ce tableau s'appliquera donc également au Bureau des FORACS OTAN.*

***Recommandation b)***

*Le Comité directeur souscrit à la recommandation.*

***Recommandation c)***

*Le Comité directeur souscrit à la recommandation.*

***Recommandation d)***

*Le Collège ayant noté que le directeur de projet avait transmis au Service Audit interne du SI les informations pertinentes relatives à la gestion des risques et au contrôle interne et que le plan d'audit interne du SI avait été établi sur la base d'une analyse des risques, le Comité directeur estime que cette recommandation a reçu la suite voulue.*

**Recommandation e)**

*Le Collège ayant noté que le Bureau des FORACS OTAN avait apporté des modifications au processus d'approbation des crédits supplémentaires, lesquels ne servent désormais qu'à engager les dépenses correspondant à des biens et des services à recevoir pendant l'exercice, le Comité directeur estime que cette recommandation a reçu la suite voulue et que, partant, le Collège devrait indiquer que la question est « partiellement réglée » et non « restant à régler ».*

FC(2018)0034

# NATO FORACS OFFICE

## FINANCIAL STATEMENTS
## Financial Year 2017

Annexes:

1 Statement of financial position

2 Statement of financial performance

3 Statement of cash flow

4 Statement of changes in net assets/equity

5 Statement of budget execution

6 Explanatory notes to the financial statements

M. PAGE
Project Manager FORACS

S. CHAGNOT
Financial Controller NATO-IS

ANNEX 1 to
FC(2018)0034

# NATO FORACS OFFICE
## Statement of Financial Position
As at 31 December 2017

(in EUR)

| | Notes | Current Year 2017 | Prior Year 2016 | Variance CY - PY |
|---|---|---|---|---|
| **Assets** | | | | |
| ***Current assets*** | | | | |
| Cash and cash equivalents | (3&4) | 3,506,414.20 | 4,002,322.12 | -495,907.92 |
| Short term investments | (3&4) | 801,011.80 | 815,817.26 | -14,805.46 |
| Receivables | (5) | 200,612.15 | 477,420.35 | -276,808.20 |
| Prepayments | (6) | 2,502,087.13 | 2,539,906.98 | -37,819.85 |
| Other current assets | (6) | 16,034.06 | 0.00 | 16,034.06 |
| Inventories | (7) | | | 0.00 |
| | | **7,026,159.34** | **7,835,466.71** | **-809,307.37** |
| ***Non-current assets*** | | | | |
| Receivables | | | | 0.00 |
| Property, plant & equipment | | | | 0.00 |
| Intangible assets | (8) | 1,398,421.62 | 796,959.14 | 601,462.48 |
| | | **1,398,421.62** | **796,959.14** | **601,462.48** |
| **Total assets** | | **8,424,580.96** | **8,632,425.85** | **-207,844.89** |
| **Liabilities** | | | | |
| ***Current liabilities*** | | | | |
| Payables | (9) | -868,982.55 | -992,386.42 | 123,403.87 |
| Deferred revenue | (10) | -82,374.74 | -38,093.78 | -44,280.96 |
| Advances | (11) | -4,832,164.20 | -4,787,447.37 | -44,716.83 |
| Provisions | (12) | | | 0.00 |
| Other current liabilities | (13) | -650,363.10 | -1,494,187.86 | 843,824.76 |
| | | **-6,433,884.59** | **-7,312,115.43** | **878,230.84** |
| ***Non-current liabilities*** | | | | |
| Provisions | | 0.00 | 0.00 | 0.00 |
| Deferred revenue | (14) | -1,398,421.62 | -796,959.14 | -601,462.48 |
| Other non-current liabilities | | | | 0.00 |
| | | **-1,398,421.62** | **-796,959.14** | **-601,462.48** |
| **Total liabilities** | | **-7,832,306.21** | **-8,109,074.57** | **276,768.36** |
| Surplus/Deficit | | 0.00 | | 0.00 |
| Retained earnings | (15) | -592,274.75 | -523,351.29 | -68,923.46 |
| Reserves | | | | |
| **Total net assets** | | **-592,274.75** | **-523,351.29** | **-68,923.46** |

ANNEX 2 to
FC(2018)0034

## NATO FORACS OFFICE
# Statement of Financial Performance

As at 31 December 2017

(in EUR)

| | Notes | Current Year 2017 | Prior Year 2016 | Variance |
|---|---|---|---|---|
| **Revenue** | | | | |
| Revenue | | (977,467.40) | -1,001,075.10 | 23,607.70 |
| Financial revenue | | (9,966.31) | -68,714.54 | 58,748.23 |
| Other revenue | | (11,451.14) | | -11,451.14 |
| **Total revenue** | (16) | **(998,884.85)** | **-1,069,789.64** | **70,904.79** |
| **Expenses** | | | | |
| Personnel | | 632,781.77 | 567,850.86 | 64,930.91 |
| Contractual supplies and services | | 351,708.83 | 416,747.66 | -65,038.83 |
| Depreciation and amortization | | | | 0.00 |
| Impairment | | | | 0.00 |
| Provisions | | 11,381.93 | | 11,381.93 |
| Other expenses | | | 0.00 | 0.00 |
| Finance costs | | 3,012.32 | 85,191.12 | -82,178.80 |
| **Total expenses** | (17) | **998,884.85** | **1,069,789.64** | **-70,904.79** |
| **Surplus/(Deficit) for the period** | | **0.00** | **0.00** | **(0.00)** |

ANNEX 3 to
FC(2018)0034

# NATO FORACS OFFICE
## Statement of Cash Flow
As at 31 December 2017

(in EUR)

| | Notes | Current Year 2017 | Prior Year 2016 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Surplus/(Deficit) | | 0.00 | 0.00 |
| **Non-cash movements** | | | |
| Depreciation/ Amortisation | | 0.00 | 0.00 |
| Impairment | | 0.00 | 0.00 |
| Use of Cash Reserves | | 68,923.46 | 42,182.89 |
| Increase /(decrease) in payables | | -123,403.87 | -6,189,125.05 |
| Increase/ (decrease) in other current liabilities | | -754,826.97 | 5,511,946.32 |
| Increase/ (decrease) in provisions | | 0.00 | 0.00 |
| Increase/ (decrease) in other non current liabilities | | 601,462.48 | 771,114.97 |
| (Gains)/losses on sale of property, plant and equipment | | 0.00 | 0.00 |
| Decrease/ (Increase) in other current assets | | 0.00 | 0.00 |
| Decrease/ (Increase) in receivables | | 298,593.99 | -1,871,157.77 |
| **Net cash flow from operating activities** | | **90,749.09** | **-1,735,038.64** |
| **Cash flow from investing activities** | | | |
| Purchase of property plant and equipment / Intangible assets | | -601,462.48 | -771,114.97 |
| Proceeds from sale of property plant and equipment | | 0.00 | 0.00 |
| **Net cash flow from investing activities** | | **-601,462.48** | **-771,114.97** |
| **Cash flow from financing activities** | | | |
| Decrease/ (Increase) Deposit | | **14,805.46** | -815,817.26 |
| **Net cash flow from financing activities** | | **14,805.46** | **-815,817.26** |
| **Net increase/(decrease) in cash and cash equivalents** | | (495,907.93) | (3,321,970.87) |
| **Cash and cash equivalent at the beginning of the period** | | 4,002,322.12 | 7,324,293.54 |
| **Cash and cash equivalent at the end of the period** | | 3,506,414.20 | 4,002,322.12 |

ANNEX 4 to
FC(2018)0034

# NATO FORACS OFFICE
## Statement of Changes in Net Assets/Equity

As at 31 December 2017

(in EUR)

| | |
|---|---|
| **Balance at the beginning of the period 2014** | **-1,376,147.88** |
| Changes in accounting policy | |
| **Restated balance** | |
| Net (gains)/losses recognised directly in net assets/equity | 894,978.94 |
| Exchange difference on translating foreign operations | |
| Gain on property revaluation | |
| Surplus/(deficit) for the period | |
| **Change in net assets/equity for the year ended 2015** | **894,978.94** |
| | |
| **Balance at the beginning of the period 2015** | **-481,168.94** |
| Changes in accounting policy | |
| **Restated balance** | |
| Net (gains)/losses recognised directly in net assets/equity | |
| Exchange difference on translating foreign operations | |
| Use of cash Reserves | -42,182.05 |
| Gain on property revaluation | |
| Surplus/(deficit) for the period | |
| **Change in net assets/equity for the year ended 2016** | **-42,182.05** |
| | |
| **Balance at the end of the period 2016** | **-523,350.99** |
| | |
| **Balance at the beginning of the period 2016** | **-540,678.49** |
| Changes in accounting policy | |
| **Restated balance** | |
| Net (gains)/losses recognised directly in net assets/equity | |
| Exchange difference on translating foreign operations | |
| Use of cash Reserves | -68,923.76 |
| Gain on property revaluation | |
| Surplus/(deficit) for the period | |
| **Change in net assets/equity for the year ended 2017** | **-592,274.75** |

ANNEX 5 to
FC(2018)0034

# NATO FORACS OFFICE
## Statement of Budget Execution
As at 31 December 2017

| (Amounts in euro) | Initial budget | Budget increase | BA2 | Transfers | BA3 | Transfers | Final budget | Expenses | Carry forward | Lapsed |
|---|---|---|---|---|---|---|---|---|---|---|
| **Budget 2017** | | | | | | | | | | |
| Chapter 1 | 687,000.00 | | 687,000.00 | - | 687,000.00 | (15,000.00) | 672,000.00 | 1,313,226.03 | 50,590.22 | (691,816.25) |
| Chapter 2 | 463,226.00 | 1,139,917.00 | 1,603,143.00 | - | 1,603,143.00 | 13,900.00 | 1,617,043.00 | 245,628.86 | 31,784.94 | 1,339,629.20 |
| Chapter 3 | 30,000.00 | 55,000.00 | 85,000.00 | - | 85,000.00 | 1,100.00 | 86,100.00 | - | | 86,100.00 |
| Chapter 4 | - | - | - | | - | - | - | | | - |
| **Total** | **1,180,226.00** | **1,194,917.00** | **2,375,143.00** | **-** | **2,375,143.00** | **-** | **2,375,143.00** | **1,558,854.89** | **82,375.16** | **733,912.95** |
| **Budget 2016** | | | | | | | | | | |
| Chapter 1 | 11,760.45 | | 11,760.45 | - | 11,760.45 | - | 11,760.45 | 3,963.79 | | 7,796.66 |
| Chapter 2 | 16,439.87 | | 16,439.87 | - | 16,439.87 | - | 16,439.87 | 13,345.04 | | 3,094.83 |
| Chapter 3 | - | | - | - | - | - | - | | | - |
| **Total** | **28,200.32** | **-** | **28,200.32** | | **28,200.32** | **-** | **28,200.32** | **17,308.83** | **-** | **10,891.49** |
| **Budget 2015** | | | | | | | | | | |
| Chapter 1 | 9,894.46 | | 9,894.46 | - | 9,894.46 | - | 9,894.46 | 9,789.59 | | 104.87 |
| Chapter 2 | 0.23 | | 0.23 | - | 0.23 | - | 0.23 | | | 0.23 |
| Chapter 3 | | | - | - | - | - | - | | | - |
| **Total** | **9,894.69** | **-** | **9,894.69** | | **9,894.69** | **-** | **9,894.69** | **9,789.59** | **-** | **105.10** |
| **Total All Budgets** | **1,218,321.01** | **1,194,917.00** | **2,413,238.01** | **-** | **2,413,238.01** | **-** | **2,413,238.01** | **1,585,953.31** | **82,375.16** | **744,909.54** |

ANNEX 5 to
FC(2018)0034

## NATO FORACS OFFICE
### Statement of Budget Execution
As at 31 December 2016

| (Amounts in euro) | Initial budget | Transfers | BA2 | Transfers | BA3 | Transfers | Final budget | Expenses | Carry forward | Lapsed |
|---|---|---|---|---|---|---|---|---|---|---|
| **Budget 2016** | | | | | | | | | | |
| Chapter 1 | 549,432 | 1,993,577 | 2,543,009 | - | 2,543,009 | - | 2,543,009 | 1,529,414 | | 1,013,595 |
| Chapter 2 | 401,290 | - | 401,290 | - | 401,290 | - | 401,290 | 180,633 | 28,200 | 192,457 |
| Chapter 3 | - | - | - | - | - | - | - | - | | - |
| Chapter 4 | - | - | - | | - | - | - | | | - |
| **Total** | **950,722** | **1,993,577** | **2,944,299** | **-** | **2,944,299** | **-** | **2,944,299** | **1,710,047** | **28,200** | **1,206,052** |
| **Total FY 2016** | **950,722** | **1,993,577** | **2,944,299** | **-** | **2,944,299** | **-** | **2,944,299** | **1,710,047** | **28,200** | **1,206,052** |
| **Budget 2015** | | | | | | | | | | |
| Chapter 1 | 123,067 | | 123,067 | - | 123,067 | - | 123,067 | 60,281 | 9,894 | 52,892 |
| Chapter 2 | 5,785 | | 5,785 | - | 5,785 | - | 5,785 | 5,718 | | 67 |
| Chapter 3 | - | | - | - | - | - | - | | | - |
| **Total** | **128,853** | **-** | **128,853** | | **128,853** | **-** | **128,853** | **65,999** | **9,894** | **52,959** |
| **Total FY 2015** | **128,853** | **-** | **128,853** | **-** | **128,853** | **-** | **128,853** | **65,999** | **9,894** | **52,959** |
| **Budget 2014** | | | | | | | | | | |
| Chapter 1 | 4,602 | | 4,602 | - | 4,602 | - | 4,602 | 5,512 | | (911) |
| Chapter 2 | | | - | - | - | - | - | | | - |
| Chapter 3 | | | - | - | - | - | - | | | - |
| **Total** | **4,602** | **-** | **4,602** | | **4,602** | **-** | **4,602** | **5,512** | **-** | **(911)** |
| **Total FY 2014** | **4,602** | **-** | **4,602** | **-** | **4,602** | **-** | **4,602** | **5,512** | **-** | **(911)** |
| **Total all budgets** | **1,084,176** | **1,993,577** | **3,077,753** | **-** | **3,077,753** | **-** | **3,077,753** | **1,781,558** | **38,095** | **1,258,100** |

# EXPLANATORY NOTES TO NATO FORACS OFFICE 2017 FINANCIAL STATEMENTS

## NOTE 1: GENERAL INFORMATION

FORACS' mission is to measure the bearing, range, position and heading accuracy of sensors and navigation systems and to provide communications systems and interoperability testing in surface ships, submarines and maritime aircraft to satisfy national requirements and to meet NATO material readiness standards.

The NATO FORACS Memorandum of Understanding was signed in 1974 by seven NATO nations: Denmark, Germany, Greece, Italy, Norway, the United Kingdom and the United States. In September 1994, Canada became the eighth signatory.

Three NATO FORACS (Naval Forces Sensor and Weapons Accuracy Check Sites) test Ranges were authorized under the management of a NATO FORACS Steering Committee (NFSC).

NATO FORACS Office (NFO) was established at NATO Headquarters in January 1977. This office provides technical direction for the project, quality control over test procedures, and maintains a data bank of test results for national summary reports.

NATO FORACS Norway (NFN) began routine testing in 1978.

NATO FORACS Greece (NFG) was opened for routine operation in 1985.

In 1994 the US FORACS range at AUTEC (Atlantic Underwater Test and Evaluation Center) became an affiliated NATO FORACS test range called NATO FORACS AUTEC (NFA).

Nations maintain oversight of the project through the NATO FORACS Steering Committee. The Steering Committee executes its responsibility through an executive Project Manager at the NFO in Brussels.

Normal operations and maintenance of NATO FORACS activities are funded by the member nations on a cost-sharing basis. Non-member nations utilize the resources and capabilities based on a calculated 'day rate' for services. Fixed facilities and capital costs are commonly funded through the NATO Security Investment Programme (NSIP). NATO International Staff Financial Control provides accounting and budgeting for the NATO FORACS Office and handles annual calls to nations to fund operations for the Project.

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

NATO FORACS conducts tests for eight Alliance nations in response to NATO's tasking to provide mission capable platforms. This testing also supports Nation's acquisition and upgrade programmes testing ship, submarine and maritime aircraft. Having systems in ships, submarines and maritime aircraft aligned and calibrated to the same common reference and to clearly defined accuracy standards aligns with the Connected Forces Initiative and improves interoperability of maritime systems within and between nations. In 2013, FORACS adopted a strategic tag line: *Operational Confidence Through Accuracy*

The NATO FORACS Project continues to demonstrate a quality management culture based on ISO 9001:2008 and in 2014 achieved recertification for a further three years.

## NOTE 2: ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

### Declaration of Conformity

The NFO financial statements have been prepared in accordance with NATO Financial Regulations (NFR), the Financial Rules and Procedures (FRP) and the NATO Accounting Framework, which is an adapted version of the International Public Sector Accounting Standards (IPSAS).

### Basis of Preparation

These financial statements relate to the NATO FORACS Office (NFO). They also include transactions with the Ranges only in as much as they relate to the calls for contribution process of their respective budgets: funds are called from Participating Nations; receivables are recorded; funds are transferred to the Ranges upon request of the Range Managers. Cash and cash equivalents are held on separate bank accounts controlled by the IS Office of Financial Control. None of the ensuing financial transactions of the Ranges (commitments, expenses, payments, etc.) are disclosed in these financial statements since they are executed under the exclusive authority and responsibility of the Ranges in accordance with their respective national regulations. The NATO FORACS Office plays no role in this respect.

All budget related decisions are taken by the FORACS Steering Committee, not by the FORACS Office. The latter has no authority over the Ranges, which operate under national regulations for all aspects of their management (budget execution, procurement, human resources, health and safety, financial reporting, external audit, etc.). The NATO FORACS Office holds an executive management function but does not exercise any power over the Ranges and it does not have rights over their surpluses or assets, neither can it be considered liable for their obligations. As a consequence, the NATO FORACS Office exercises no control over the Ranges for financial reporting purposes and therefore its financial statements are not consolidated with those of the Ranges.

These financial statements have been prepared on a going-concern basis. The assumption is that NFO is a going concern and will continue in operation and meet its objectives and obligations for the foreseeable future.

The financial year is from 1 January to 31 December.

The amounts shown in these financial statements are presented in EUR

FORACS applied IPSAS 9 Revenue from exchange transactions and IPSAS 23 Revenue from non-exchange transactions.

The following IPSAS have no material effect on the 2017 NFO financial statements:

IPSAS 5: Borrowing Costs
IPSAS 7: Investments in Associates.
IPSAS 8: Interests in Joint Ventures
IPSAS 10: Financial Reporting in Hyperinflationary Economies

IPSAS 11: Construction Contracts
IPSAS 16: Investment Property
IPSAS 21: Impairment of non-cash generating assets
IPSAS 26: Impairment of Cash-Generating Assets
IPSAS 27: Agriculture
IPSAS 32: Service Concession Arrangements: Grantor

**Changes in accounting policy**

Up to 2016, accounting for financial relations resulting from the call for contribution process with the Ranges was limited to the disclosure of cash and cash equivalent holdings (presented as funds held for third parties), amounts receivable related to budget contributions called, and the situation of advances net of amounts transferred to the Ranges. As from 2017, the following changes have taken place: short term investments of related funds are disclosed specifically, prepayments to the Ranges of advances concerning the following year of their budget are recorded as such; and advances correspond to the amount of advances on the following year actually called and are no longer reduced by the amount of prepayments to the Ranges.

The information related to the Ranges is limited to the call for contributions process and therefore concerns cash, short term investments, receivables, payables, advances, and the Ranges' other current liabilities to the IS OFC on behalf of the NATO FORACS Office. This change is in consideration of the fact that IS OFC and NATO FORACS Office in their respective responsibilities, and under supervision of the Steering Committee, control the call for contributions process for the Ranges. IS OFC and NATO FORACS Office do not control the financial and budgetary operations of the Ranges; these are conducted in accordance with the respective national regulations (budget, procurement, human resources etc.) and are therefore not reported in the present financial statements.

**Restatement of Financial Statements of Previous Years**

The impact on the 2016 Statement of Financial Position of the change in accounting policy presented above, the correction of errors affecting Other Current Liabilities and Net Assets, and the Reclassification described below is analysed in the following table.

| | | (in EUR) |
|---|---|---|
| | **Restated** | **Initial** |
| | **2016** | **2016** |
| **Assets** | | |
| ***Current assets*** | | |
| Cash and cash equivalents | 4,002,322.12 | 4,818,139.38 |
| Short term investments | 815,817.26 | 0.00 |
| Receivables | 477,420.35 | 486,641.96 |
| Prepayments | 2,539,906.98 | 1,700.00 |
| Other current assets | 0.00 | 0.00 |
| Inventories | | |
| | **7,835,466.71** | **5,306,481.34** |
| | | |
| ***Non-current assets*** | | |
| Receivables | | |
| Property, plant & equipment | | |
| Intangible assets | 796,959.14 | 796,959.14 |
| | **796,959.14** | **796,959.14** |
| | | |
| **Total assets** | **8,632,425.85** | **6,103,440.48** |
| | | |
| **Liabilities** | | |
| ***Current liabilities*** | | |
| Payables | -992,386.42 | -240,213.69 |
| Deferred revenue | -38,093.78 | 0.00 |
| Advances | -4,787,447.37 | -2,258,462.00 |
| Provisions | | |
| Other current liabilities | -1,494,187.86 | -2,267,126.86 |
| | **-7,312,115.43** | **-4,765,802.55** |
| | | |
| ***Non-current liabilities*** | | |
| Provisions | 0.00 | 0.00 |
| Deferred revenue | -796,959.14 | -796,959.14 |
| Other non-current liabilities | | |
| | **-796,959.14** | **-796,959.14** |
| | | |
| **Total liabilities** | **-8,109,074.57** | **-5,562,761.69** |
| | | |
| Surplus/Deficit | 0.00 | 0.00 |
| Retained earnings | -523,351.29 | -540,678.79 |
| Reserves | | |
| | | |
| **Total net assets** | **-523,351.29** | **-540,678.79** |

## Reclassification of Financial Statements of Previous Years

Advances to staff in the context of the Civilian Personnel Regulations (such as advances on salaries or on education allowance) were previously classified as Receivables and are now classified as Prepayments in consideration of the fact that these are advances on future staff benefits (the table above analyses this change).

In the presentation of the Budget Execution Statement, in order to avoid any confusion concerning the carry-forward amounts, the column previously named "Commitment" has been removed and the related amounts appear now under the column "Carry-Forward".

**Use of Estimates**

In accordance with generally accepted accounting principles, the financial statements include amounts based on estimates and assumptions by management, according to the most reliable information available, judgement and assumptions. Estimates include accrued revenue and expenses. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

**Foreign Currency Transactions**

The NFO's budget is authorized and managed in EUR so the contribution calls are made in EUR. Foreign currency transactions as required are accounted for at the NATO exchange rates prevailing on the date of the transactions. Monetary assets and liabilities at year-end which were denominated in foreign currencies were converted into EUR using the NATO rates of exchange that were applicable at year-end.

Realised and unrealised gains and losses resulting from the settlement of such transactions and from the revaluation at the reporting dates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance.

NFO does not have any unrealised gains or losses resulting from the translation of statements.

**Financial Risks**

NFO uses only non-derivative financial instruments as part of its normal operations. These financial instruments include cash, bank accounts and deposit accounts.

All the financial instruments are recognised in the statement of financial position at their fair value.

The organisation is exposed to a variety of financial risks, including foreign exchange risk, credit risk, currency risk, liquidity risk and interest rate risk.

a. Foreign currency exchange risk

The exposure to foreign currency risk is limited as the vast majority of NFO's expenditures are made in EUR, the currency of its budget. The current bank accounts are held in EUR.

b. Credit risk

NFO incurs credit risks from cash and cash equivalent held with banks and from receivables.

The maximum exposure as at year-end is equal to the total amount of bank balances, short term deposits and receivables. There is very limited credit risk associated with the realization of these elements.

Concerning cash and cash equivalent NFO credit risk is managed by holding current bank accounts and short term highly liquid deposits that are readily convertible to a known amount of cash held with ING Bank (Belgium) which has the following short term credit ratings:

Credit Ratings as at 22/02/2018

| ING Bank | Fitch | Moody's | S&P |
|---|---|---|---|
| Short term | F1 | NA | A2 |

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

c. Liquidity risk

The liquidity risk, also referred to as funding risk, is based on the assessment as to whether the Organisation will encounter difficulties in meeting its obligations associated with financial liabilities. A liquidity risk could arise from a short term liquidity requirement. There is a very limited exposure to liquidity risk because of the funding mechanism which guarantees contributions in relation to the approved budgets. In addition, the NATO FORACS Office maintains an Operational Reserve. Some limited risk could be due to the inaccuracy of budget forecasts. However, past history shows that this process results in surpluses and the budgetary rules provide for revised budgets.

The NATO FORACS Office incurs a liquidity risk since it collects the budget contributions from the Ranges and sends to the Ranges the funds they require, sometimes in advance of the budget year. This transfer of a liquidity risk from the Ranges to the NATO FORACS Office could result in a liquidity issue if contributions from Participating Nations were late.

d. Interest rate risk

Except for certain cash and cash equivalent balances, NFO's financial assets and liabilities do not have associated interest rates. NFO is restricted from entering into borrowings and investments, and, therefore, there is an insignificant interest rate risk. Interest earned is not a budgetary resource but contributes to the surplus owed to Nations. In case of negative interest rates, these are added to the amounts called from Participating Nations.

**Current Assets**

a. Cash and cash equivalents

Cash and cash equivalents are defined as short-term assets. They include cash in hand, deposits held with banks, and other short term highly liquid investments.

b. Funds managed for third parties

Funds managed on behalf of third parties are held in cash and are presented as a liability. They are accounted for when cash is effectively received. They are represented as a separate item in the cash flow statement of the entity in order to avoid any confusion.

c. Receivables

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

Outstanding budget contributions concerning the Ranges are also recorded as Receivables.

Contributions receivable are recognised when a call for contribution has been issued to the funding nations. No allowance for loss is recorded with respect to Member countries' assessed contributions receivable.

d. Prepayments

A prepayment is a payment in advance of the period to which it pertains and is mainly in respect of an advance payment made to a third party. This item may include advances made to staff in accordance with Civilian Personnel Regulations (such as advances on salary or on education allowance).

e. Other Current Assets

Other Current Assets relate to miscellaneous amounts due to the FORACS such as accrued interest, counterpart of untaken leave etc. This item may include other assets that do not result from the standard order to cash process, such as miscellaneous transactions to be regularized between entities managed by the IS Office of Financial Control.

f. Inventories

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

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

| **Criteria that may indicate control of an asset** |
|---|
| The act of purchasing the asset carried out (or resulted from instructions given) by the NATO Reporting Entity. |
| The legal title is in the name of the NATO Reporting Entity. |
| The asset is physically located on the premises or locations used by the NATO Reporting Entity. |
| The asset is physically used by staff employed by the NATO Reporting Entity or staff working under the NATO Reporting Entity's instructions. |
| The fact that the NATO Reporting Entity can decide on an alternative use of the asset. |
| The fact that the NATO Reporting Entity can decide to sell or to dispose the asset. |
| The fact that the NATO Reporting Entity, if it has to remove or destroy the asset, can take the decision to replace it. |
| The fact that a representative of the NATO Reporting Entity regularly inspects the asset to determine its current condition. |
| The fact that the asset is used in achieving the objectives of the NATO Reporting Entity. |
| The fact that the asset will be retained by the NATO Reporting Entity at the end of the activity. |

Capitalisation thresholds relevant to the financial statement are as follow:

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

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

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

NFO will capitalise inventory which it controls in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of inventory, only the end-user entity will report the inventory in its financial statements, based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

NFO will include transportation costs involved in bringing the inventories to their present location and condition in the initial valuation of inventory. These costs will be measured on the actual cost of transportation per item of inventory or by using an apportionment of the global transportation costs of bringing the inventories to their present location and condition across all inventory items in the period. Transportation costs involved in the subsequent movement of inventory which brings them into operational use will not be included in the value of inventory. The method of measuring these costs will be disclosed.

NFO may consider inventory acquired prior to 1 January 2013 as fully expensed.
For inventory held prior to 1 January 2013, and not previously recognized as an asset, NFO will provide a brief description of inventory held within their inventory recording systems in the notes to the financial statements. Such disclosure will include as a minimum the types of inventories held, locations where inventories are held and the approximate number of items held per asset category. Where this adaptation conflicts with another requirement of IPSAS this adaptation shall apply. For the remainder, IPSAS 12 shall apply.

NFO assesses inventories under IPSAS 12. The outcome of this assessment is that the value of the inventories is immaterial both in value and in terms of the nature of the items held. Consequently, inventory is fully expensed on receipt. The materiality will be assessed each year.

In consideration of the above thresholds, the NFO currently has no inventory.

**Non-Current Assets - Fixed Assets** (Property, Plant & Equipment)

a. Property, Plant & Equipment

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

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

Capitalisation thresholds relevant to the financial statement are as follow:

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

NATO FORACS considers PPE acquired prior to 1 January 2013 as fully expensed. However, existing accounting policies will continue to be applied for any PPE assets already capitalized prior to 1 January 2013. For PPE upgraded after 1 January 2013, only the portion related to the modification will be capitalized.

In consideration of the above thresholds, the NFO currently has no PPE.

b. Intangible assets

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

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

NATO Intangible Assets Capitalisation Thresholds - the NATO FORACS will capitalise each intangible asset item above the following agreed NATO thresholds:

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

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

FORACS will capitalise integrated systems and include research, development, implementation and can include both software and hardware elements. But FORACS will not capitalise the following types of intangible assets in their financial statements:

- rights of use(air, land and water);
- landing rights;
- airport gates and slots;
- historical documents; and,
- publications

FORACS will capitalise other types of intangible assets acquired after 1 January 2013 including:

- Copyright
- Intellectual Property Rights
- Software development

FORACS may consider Intangible Assets acquired prior to 1 January 2013 as fully expensed.

FORACS will report controlled Intangible assets in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of intangible assets, only the end-use entity will capitalise the intangible asset in its financial statements based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

For intangible assets held prior to the 1 January 2013, and not previously recognized as an asset, FORACS will provide a brief description of intangible assets held in its intangible asset recording systems in the notes to the financial statements. Such disclosure will include as a minimum the types of intangible held, locations where intangible assets are held and the approximate number of items held per asset category.

If an intangible asset is upgraded after 1 January 2013, only the portion related to the modification will be capitalised.

Where this adaptation conflicts with another requirement of IPSAS this adaptation will apply. For the remainder, IPSAS 31 shall apply. This adaptation is effective for financial reporting periods beginning on 1 January 2013.

In 2015, the NFO has initiated a replacement of a software required for its operations.

**Current Liabilities**

a. Payables

Payables are amounts due to third parties, including Participating Nations, based on goods received or services provided that remain unpaid. These include estimates of accrued obligations to third parties for goods and services received but not yet invoiced. Amounts due to Participating Nations in the context of their budget contributions are booked under Other Current Liabilities.

b. Advances and Deferred Revenue

Advances are contributions received related to future year's budgets. Up until 2015, Advances only concerned advances linked to the NFO budget call for contributions. Advances linked to the Ranges'

budgets were classified as Payables. As from 2016, Advances include all advances linked to the budget process of the NFO and of the Ranges. This better reflects the nature of the transactions since they result from the call for budgetary contributions process, handled by IS OFC, irrespective of the entity, and harmonises the approach between the NFO and the Ranges.

Deferred Revenue represents Participating Nations' contributions which have been called for current budgets but that have not yet been recognised as revenue in the absence of any related budgetary expenditure.

c. Other Current Liabilities

Amounts corresponding to the current year budgetary surplus (lapsed credits + net interests + miscellaneous income) are considered a liability towards the Participating Nations. The settlement does not follow the normal accounts payable process, since the standard approach is to return them to Participating Nations via a deduction of the following year's call for budget contributions. This liability is therefore classified under Other Current Liabilities.

This item may include other liabilities that do not result from the standard procure to pay process, such as miscellaneous transactions to be regularized between entities managed by the IS Office of Financial Control.

**Non-Current Liabilities**

The long term unearned revenue is unearned revenue in relation to net carrying amounts of Property, Plant and Equipment and Intangible Assets. Revenue is recognised over the estimated life cycle of the Property, Plant and Equipment and The Intangible Assets.

**Net Assets**

Net Assets correspond to FORACS' Project Accumulated Surplus. Project Accumulated Surplus relates to funds resulting from past years contributions by FORACS member Nations in excess of budget execution that the Steering Committee decided not to redistribute to the member nations but keep for the needs of FORACS as an operational reserve. It is held at the direction of the Steering Committee.

**Revenue Recognition**

Revenue comprises contributions from NATO FORACS Office Member Nations and amounts due by beneficiaries of services provided by the FORACS Ranges.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably. The balance of unspent contributions and other revenues that relate to future periods are deferred accordingly.

Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, the entity recognises a liability until the condition is fulfilled.

Contributions to be called from Member nations, based on the budget they approved, are initially recorded as unearned revenue liabilities. They are recognised as revenue in the statement of financial performance when such contributions are used for their intended purpose as envisioned in the approved Budget.

Transformational adjustments are made in calculating earned revenue and expenses in the Statement of Financial Performance.

**Segment Reporting**

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. There is no segment in NFO. The Ranges are FORACS components but are not NATO entities and do not form part of NFO, so cannot be considered as segments of NFO. Separate information concerning the Ranges is provided when appropriate, but this should not be considered as being done with the intent of complying with IPSAS 18 on Segment Reporting, which is not applicable in the case of these financial statements.

## Statement of Financial Position

### NOTE 3: CASH AND CASH EQUIVALENTS – SHORT TERM INVESTMENTS

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

| in EUR | 2017 | 2016 |
|---|---|---|
| NFO | 2,508,038.52 | 3,108,383.36 |
| Petty Cash | 0.00 | 350.18 |
| TOTAL | **2,508,038.52** | **3,108,733.54** |

### NOTE 4: FUNDS MANAGED FOR THIRD PARTIES

The NATO-IS Office of Financial Control holds funds, in cash, contributed to the NFG, NFA and, since 2013, NFN budgets. These bank accounts are controlled by IS Office of Financial Control, in the context of the management of FORACS financial operations, thus the closing balances are reported in the NFO's financial statements. Upon request of the Range Managers, funds are transferred to the Greek, US and Norwegian officials respectively, under the supervision of the Range Managers to execute their budget following their national rules.

The breakdown is as follows.

| in EUR | 2017 | 2016 |
|---|---|---|
| NFA | 29,237.30 | 20,370.56 |
| NFA short term deposit | 801,011.80 | 815,817.26 |
| NFG | 780,576.73 | 645,080.73 |
| NFN | 188,561.65 | 235,082.79 |
| TOTAL | **1,799,387.48** | **1,716,350.84** |

### NOTE 5: ACCOUNTS RECEIVABLE

| Receivables (in EUR) | 2017 | 2016 |
|---|---|---|
| Budgetary contributions | 200,612.15 | 477,420.35 |
| Staff | - | - |
| Other NATO bodies | - | - |
| Total | 200,612.15 | 477,420.35 |

Contributions receivable are funds requested from the nations to finance the current and following year budgets of all the FORACS components. There is normally only one call for contribution, issued during the summer period. As directed by the Steering Committee, the call includes approximately 20% of the current year's budget credits and an advance of approximately 80% for next financial year.

The tables below analyse the budgetary contributions receivable by FORACS components and the amounts originally called as advances on the following year's budget.

| Budget Contributions Receivable (in EUR) | 2017 | 2016 |
|---|---|---|
| NFO | - | 80,945.17 |
| NFA | - | 9.60 |
| NFG | - | 135,046.00 |
| NFN | 200,612.15 | 261,419.58 |
| TOTAL | 200,612.15 | 477,420.35 |

## NOTE 6: PREPAYMENTS AND OTHER CURRENT ASSETS

| (in EUR) | 2017 | 2016 |
|---|---|---|
| Prepayments to the Ranges | 2,497,346.09 | 2,528,985.37 |
| Prepayments to Suppliers | - | 1,700.00 |
| Prepayments to Staff | 4,741.04 | 9,221.61 |
| Other Current Assets | 16,034.06 | - |
| Total | 2,518,121.19 | 2,539,906.98 |

Advances are made to the Ranges on their respective following year's budget in accordance with the process of centralisation of all budgetary calls under the NATO FORACS Office umbrella.

| Prepayments to the Ranges (in EUR) | 2017 | 2016 |
|---|---|---|
| NFA | 520,447.14 | 544,752.76 |
| NFG | 336,540.00 | 336,270.00 |
| NFN | 1,640,358.95 | 1,647,962.61 |
| TOTAL | 2,497,346.09 | 2,528,985.37 |

Prepayments to staff (typically advances on salaries, advances on education allowances, travel expenses) are done in accordance with the NATO Civilian Personnel Regulations.

Other Current Assets for 2017 include the counterpart of untaken leave as a valuation of the potential budgetary contribution that would be required if this untaken leave were to be paid. However as indicated in the note on Employee Disclosure untaken leave is normally never paid. This item also includes accrued financial revenue.

## NOTE 7: INVENTORIES

Nothing to report, inventories are not considered material.

## NOTE 8: NON CURRENT ASSETS

FORACS intends to replace by end 2018 the data recording and analysis software used for its operations. To this effect, end 2015, a contract was signed with the NATO Communications and Information Agency in a total amount of EUR 1,558,500 which constitutes the main commitment related to this project.

| (amounts in EUR) | Carrying Amount end 2015 | Additions | Disposals | Depreciation | Other Changes | Carrying Amount end 2016 |
|---|---|---|---|---|---|---|
| Software | 25,844 | 771,115 | | | | 796,959 |
| **TOTAL FORACS** | **25,844** | **771,115** | **0** | **0** | **0** | **796,959** |

| (amounts in EUR) | Carrying Amount end 2016 | Additions | Disposals | Depreciation | Other Changes | Carrying Amount end 2017 |
|---|---|---|---|---|---|---|
| Software | 796,959 | 601,462 | | | | 1,398,422 |
| **TOTAL FORACS** | **796,959** | **601,462** | **0** | **0** | **0** | **1,398,422** |

## NOTE 9: ACCOUNTS PAYABLES

| Payables (in EUR) | 2017 | 2016 |
|---|---|---|
| Suppliers | 3,159.82 | - |
| Personnel | 439.49 | 3,932.20 |
| Other FORACS entities | 606,911.63 | 701,254.59 |
| Member Nations | 68,324.94 | 174,028.48 |
| Accruals | 190,146.67 | 113,171.15 |
| Total | 868,982.55 | 992,386.42 |

Payables and accrued expenses may be to commercial suppliers, staff, other NATO bodies, FORACS member Nations or other FORACS entities.

Payable to suppliers relates to goods and services for which an invoice has been received, checked, and queued for payment but for which payment was still pending at year-end.

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

### Payables to other FORACS entities

Payables to NFA, NFG and NFN are amounts previously called by the NATO-IS Office of Financial Control and due to the related Ranges in order to fund their respective budgets and for which a decision to transfer the funds has been taken and payment is pending.

### Payable to Participating Nations

A payable of EUR 68,324.94 (EUR 174,028.42 end 2016) is in relation to reimbursable salaries and represents the amount due to the United States (US) for a civilian staff member who was previously employed by FORACS but paid directly by the US government. This amount remains to be regularised.

## NOTE 10: DEFERRED REVENUE

### Deferred Revenue

This item is limited to NFO since it is the only FORACS entity over which the IS Office of Financial Control exercises budget control.

Deferred Revenue corresponds to NFO contributions called for the current year budget or before (received or receivable) that NFO intends to use for its initial purpose, but for which corresponding goods or services could not be received in the course of the current budget year but will be incurred after the end of the reporting period. If these amounts carried forward are not spent by the end of the second year following the year for which they were approved, these funds will lapse unless a specific decision is taken by member nations for a further carry-forward.

There were no appropriations subject to a special carry-forward, neither to a further carry-forward.

## NOTE 11: ADVANCES

The standard call for contribution process includes an advance on the following year's budgets for all FORACS components. The FORACS components may in turn request that part or all of the advances be transferred to them. The amounts called as advances at year end were the following.

| Advances called (in EUR) | 2017 | 2016 |
|---|---|---|
| NFO | 906,508.00 | 904,180.80 |
| NFA | 1,387,858.35 | 1,338,583.76 |
| NFG | 897,439.00 | 896,720.00 |
| NFN | 1,640,358.85 | 1,647,962.61 |
| TOTAL | 4,832,164.20 | 4,787,447.17 |

## NOTE 12: SHORT TERM PROVISIONS

There are no short term provisions.

## NOTE 13: OTHER CURRENT LIABILITIES

Amounts corresponding to the current year budgetary surplus of NFO (lapsed credits + net interests + miscellaneous income) are considered a liability towards the Participating Nations. The settlement does not follow the normal accounts payable process, since the standard approach is to return them to Participating Nations via a deduction of the following year's call for budget contributions. Up to now, the standard practice of the FORACS Steering Committee has been to use these amounts to fund the NFO supplementary budget or to add them to the Project Accumulated Surplus (see note on Net Assets).

| Current Year Budget Surplus NFO | | |
|---|---|---|
| (in EUR) | 2017 | 2016 |
| Lapsed Appropriations | 744,909.54 | 1,258,100.93 |
| Net Financial Income | - 81,187.96 | - 89,435.44 |
| Miscellaneous Income | 1,598.82 | 205,392.26 |
| Total Surplus Current Year NFO | 665,320.40 | 1,374,057.75 |

Included at year end 2017 is the valuation of Untaken Leave (which has not impact on the current budgets of NFO) in the amount of EUR 11,381.93.

## NOTE 14: NON CURRENT LIABILITIES AND LONG TERM DEFERRED REVENUE

The long term deferred revenue is unearned revenue in relation to net carrying amounts of Property, Plant and Equipment and intangible assets. Revenue is recognised over the estimated life cycle of the Property, plant and equipment and the intangible assets.

## NOTE 15: NET ASSETS

Net Assets correspond to FORACS' Project Accumulated Surplus.

Project Accumulated Surplus relates to funds resulting from past contributions by FORACS member Nations in excess of budget execution that the Steering Committee decided not to redistribute to the member nations but keep for the needs of FORACS. It is an Operational Reserve held at the direction of the Steering Committee essentially in the case of emergency funding needs for the Project to ensure continuity of service and also for reallocation among NATO FORACS entities when the Steering Committee approves their supplementary budgets. It originates from previous years' budgetary and financial operations of the various NATO FORACS entities.

# Statement of Financial Performance

## NOTE 16: REVENUE

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably. The non-exchange revenue is matched with the expenses stemming from budget execution.

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

Exchange Revenue may result from services provided by FORACS to entities other than the Participating Nations (EUR 0 in 2017; EUR 202,862.65 in 2016). Revenue is assessed on a calculated day rate for services.

## NOTE 17: EXPENSES

### Wages, Salaries and Employee Benefits

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

### Supplies and Consumables Used

This item also includes expenses attributed to Capital Expenses from a budget perspective, if they do not meet the criteria of PPE or Intangible Assets.

### Provisions

Corresponds to untaken leave.

## NOTE 18: BUDGET INFORMATION

### NATO FORACS Office Budget

Presently, the NATO FORACS Budgets are not publicly available.

The actual amounts referred to by IPSAS 24 ("amounts that result from execution of the budget") are expenses incurred during the execution of the budget and appearing under the heading "Actuals" in the Budget Execution Statement.

### Presentation of budget information in the financial statements

In the present financial statements budget information is limited to NFO since it is the only entity over which the IS OFC exercises budget control.
The NFO budget classification is based on the economic nature of the expenses broken down into three chapters as follows:

Chapter I : Personnel Expenses
Chapter II: Operating Expenses
Chapter III: Capital Costs

The NFO Budget is prepared for the same period (1 January to 31 December).

These financial statements also include transactions with NFA, NFG and NFN in relation to their funding as components of FORACS (calls for their budgets' contributions, prepayment of advances on their budgets, transfers related to budget adjustments). Their respective budget execution and control are conducted in accordance with their own national regulations. Neither the NFO nor the IS Financial Controller have any responsibility or authority in this respect. As a consequence their budget executions are not reflected in the budget execution statement of the NFO presented in these financial statements.

Changes to the budgetary regulations were introduced by the North Atlantic Council in 2015 in approving a new set of NATO Financial Regulations. The new NATO Financial Regulations were made applicable to the 2015 budget year as from 1 May 2015. They have in particular instilled an accruals based approach to budget preparation and budget execution, whereas before the approach was largely commitment and cash based.

Despite a stronger emphasis on the principle of annual budgets, the approved and executed budget cannot be considered as fully accruals-based, since the new regulations allow for a number of exceptions, such as carrying forward commitments for goods and services that were expected to be delivered in the course of the year but for various reasons were not, or authority given to the member Nations to allow for special carry forward of appropriations unused at year-end.

The NFO budget is prepared and executed as follows:

1) The commitment of appropriations is the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year. As a consequence appropriations are allocated, and commitments are approved, for goods, services and works to be delivered at a later stage. Commitments are settled when the service is rendered or goods delivered as is the case for expenses under accrual accounting.

2) Unliquidated commitments at year end normally lapse. However, if they are supported by a legal obligation and correspond to goods or services that could not be received during the course of the year for specific reasons, they may be carried forward and added to the budget of the following financial year. Uncommitted appropriations may be subject of a special carry forward to the following year if a specific agreement is given by the Steering Committee. Outstanding commitments can be carried forward for two years. As a consequence, the services or goods received may relate to a commitment of appropriations from previous years' budgets. The carry-forward should be justified by a reason for which the services or goods could not be received in the course of the year. In addition, in accordance with Financial Regulations, member Nations may agree to a further carry-forward of commitments that were already carried forward twice.

3) Commitments, because they are an advance acceptance, and because payments cannot be made above approved appropriations levels, typically include an estimation factor and are (if only slightly) higher than the actual amount eventually paid. This results in commitments being higher than the actual expenses and in appropriations eventually lapsing.

4) Commitments are only made in respect of expenses relating to the initial purpose of the commitment. Commitments for capital expenditures are normally made in the year during which the purchase order is issued. In accrual accounting, the related costs would not appear in the Statement of Financial Performance but in the Balance Sheet and only upon reception of the works, goods or services. Conversely, there is no budgetary commitment of appropriations for non-cash flow transactions such as capital depreciation or provisions which would normally appear in the Statement of Financial Performance under accrual accounting.

5) On an exceptional basis, the Steering Committee may approve the carry-forward of credits without any prior legal commitment, for instance for projects at their initiation stage or planned expenditures. In accrual accounting there would be no expense recorded.

6) The balance of unused budgetary appropriations (not committed) lapses and is returned to Contributing Nations at year-end. Lapses may include cases where a project was eventually not completed or started, and therefore lead to no expense.

**Budget approval**

The way in which NFO deals with budget approvals is as follows. Every year, a basic budget is requested in order to provide contributors with a stable level of contribution and a significant amount is planned for under the supplementary budget.

The 2017 NFO Budget authorization was initially approved at 1,180,226 (BA1 in the Table at Annex 5). A supplementary budget was approved in the amount of EUR 1,194,917, bringing the total 2017 NFO budget to EUR 2,375,143 (BA2 in the Table at Annex 5). In 2017, the supplementary budget usage was projected to cover mainly the development of specific software.

The 2016 NFO Budget authorization was initially approved at 950,722.00 (BA1 in the Table at Annex 5). A supplementary budget was approved in the amount of EUR 1,993,573.55, bringing the total 2016 NFO budget to EUR 2,944,298.55 (BA2 in the Table at Annex 5). In 2016, the supplementary budget usage was projected to cover mainly the development of specific software.

There were no frozen appropriations.

## Budget execution

The NFO budget execution for the current and previous year is shown at Annex 5 and Annex 6 respectively, which compares the budget's authorized appropriations and the actual amounts committed and expended.

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

| **BUDGET EXECUTION** | | |
|---|---|---|
| Total Budget (including carried-forward from previous year) | (a) | 2,413,238 |
| Credits Carried Forward in Following Year | (b) | 82,375 |
| Lapsed Appropriations | (c) | 744,910 |
| **Budget Execution Expenses** | **(d) = (a-b-c)** | **1,585,953** |
| | | |
| **RECONCILIATION** | | |
| Financial Performance Expenses (Excluding financial costs) | (d) | 998,885 |
| Increase in Non-Current Assets | (e) | 601,462 |
| Provisions | (f) | (11,382) |
| Other Elements | (g) | (3,012) |
| Sub-Total | (h)=(d+e+f+g) | 1,585,953 |
| **Difference to Budget Expenses** | **(c-h)** | **(0)** |

## Reconciliation between NFO Budget and Calls for Contributions

The funding of the NFO budget is made of an advance call and a call for contributions, carried over credits, the previous year's surplus, and on occasion, as directed by the Steering Committee, a contribution from the Project's Accumulated Surplus and/or a transfer from another FORACS entity.

One call for contributions is issued every year which includes an advance concerning the budget of the following year and the remainder concerning the current year's budget (i.e. current year budget minus advance called during the previous year and any other adjustments among the FORACS entities).

The table below reconciles the approved budget and the sources of funding.

| amounts in EUR | 2017 | 2016 |
|---|---|---|
| Initial Budget | 1,180,226.00 | 950,722.00 |
| Supplementary Budget | 1,194,917.00 | 1,993,576.55 |
| Total Annual Budget | 2,375,143.00 | 2,944,298.55 |
| | | |
| Advance called previous year | 904,181.00 | 760,578.00 |
| Call in current year | 276,045.00 | 190,144.00 |
| Total Cash Calls | 1,180,226.00 | 950,722.00 |
| Use of Previous Year's Surplus | 1,194,917.00 | 2,054,102.76 |
| Use of Project Accumulated Surplus | - | - |
| Transfer from (to) other FORACS entitie | - | - 60,526.21 |
| Other Funding Sources | 1,194,917.00 | 1,993,576.55 |
| Total Funding | 2,375,143.00 | 2,944,298.55 |

**NOTE 19: WRITE-OFFS**

Nothing to report.

**NOTE 20: LEASES**

NFO does not have any financial leases.

**NOTE 21: RESTRICTIONS ON FIXED ASSETS**

There are no restrictions on fixed assets.

**NOTE 22: CONTINGENT LIABILITIES**

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

**NOTE 23: CONTINGENT ASSETS**

Nothing to report.

**NOTE 24: EMPLOYEE DISCLOSURE**

Accounting for employee benefits is accounting for any liability in relation to all forms of consideration given by an entity in exchange of service rendered by employees.

Paid leave is an employee benefit and as such part of overall personnel expenses. In accordance with personnel regulations, the remaining balance at year end may be carried forward but must be taken before 30 April of the following year. It can be exceptionally expanded to 31 October in accordance with Civilian Personnel Regulations art. 42.3.5 and 42.3.6. After this date it lapses and is not paid to staff. For these financial statements, untaken leave is specifically reported if its monetary value is more than 10% of the total annual leave entitlement. The cost of untaken leave days is usually absorbed during the year through the monthly salaries; leave to be taken carried forward forward into the next year constitutes a liability towards the future and would notionally require funding from Participating Nations.

It should be noted that the NATO-IS is managing centrally three pension programs, namely the Defined Benefit Pension Scheme (DBS), the Provident Fund and the Defined Contribution Pension Scheme (DCPS) as well as the Retiree Medical Claims Fund (RMCF), covering staff employed by all NATO bodies. NATO wide financial statements are issued by NATO-IS Office of Financial Control for the three Pension Schemes and the RMCF, therefore, no related assets or liabilities are recognised in these financial statements.

At December 31, 2017, NFO had an approved Personnel Establishment of 4 positions funded by the FORACS budget (4 at year-end 2016).

At December 31, 2017 one staff member (two end 2016) participated in the Defined Contribution Pension Scheme (DCPS) administered by NATO. The DCPS provides that the NFO budget makes a 12 percent monthly matching contribution to the staff members' contributions for current service. One other employees (two end 2016) participated in NATO's Defined Benefit Pension Scheme (DBPS): a deduction of 9.5% of their salaries is made and contributed to the annual financing of this Plan. In addition, the NFO budget makes a monthly matching contribution of 19% to the DBPS.

Consequently, the NFO has neither DBPS nor DCPS liabilities for its staff members. These contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the entity.

The table below indicates the contributions made to the various pension programs.

| (amounts in EUR) | | 2017 | 2016 |
|---|---|---|---|
| Provident Fund | Staff | - | - |
| | Employer | - | - |
| | Total | - | - |
| Co-ordinated Pension Scheme | Staff | 17,022.72 | 16,842.54 |
| | Employer | 34,045.44 | 33,685.08 |
| | Total | 51,068.16 | 50,527.62 |
| Defined Contribution Pension Scheme | Staff | 13,652.50 | 21,709.77 |
| | Employer | 14,569.37 | 24,566.07 |
| | Total | 28,221.87 | 46,275.84 |
| TOTAL | Staff | 30,675.22 | 38,552.31 |
| | Employer | 48,614.81 | 58,251.15 |
| | Total | 79,290.03 | 96,803.46 |

## NOTE 25: KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

The NATO FORACS Steering Committee (one representative per member nation) is the governing body of the NFO and of the NFG, NFN and NFA. Therefore for the purpose of IPSAS 20 the latter are considered related parties. Steering Committee members are nominated by their respective National Authorities. They are paid on the basis of applicable National pay scales. The Steering Committee members do not receive from NATO any additional remuneration for Steering Committee responsibilities or access to benefits.

The key management personnel of the NFO consists of the Project Manager. The Project Manager is responsible for the overall operational management of FORACS. The Project Manager reviews the three range's budgets, proposed by the range managers, and proposes all four budgets to the Steering Committee for approval. The three sites are managed operationally by range managers, each nominated by the participating nation where the site is located.

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

## NOTE 26: RELATED PARTIES

In reviewing the four budgets on an annual basis, the Steering Committee determines the budgetary credits for the initial and the supplementary budgets. It is in this context that funds are called and held in cash or cash equivalents by the NATO-IS Office of Financial Control to finance three other NATO FORACS budgets, namely NATO FORACS Greece, NATO FORACS AUTEC and NATO FORACS Norway. For more effective cash management purposes, the Steering Committee approved the call procedure whereby funds pertaining to NFG, NFA and NFN are transferred into accounts at NATO Headquarters. These bank accounts are controlled by NFO, thus the closing balances are reported in the NFO's financial statements. Upon request of the Range Managers, funds are transferred to the Greek, US and Norwegian officials respectively, under the supervision of the Range Managers to execute their budget following their national rules.

The surplus of the various NATO FORACS entities is held at NATO HQ on NFO bank account and used by the Steering Committee for reallocation when their supplementary budgets are approved.

These funds are not controlled by the NFO Project Manager. This information is provided to the Steering Committee to enable it to implement its supplementary budget authorisations.

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

In 2017, NATO International Staff charged NFO an amount of EUR 44,508.37 for administrative support costs (EUR 43,421.16 in 2016) and EUR 9,634.64 for common operating costs (EUR 9,723.20 in 2016). In addition, the International Staff charges annual rent for office space occupied in Building Z (EUR 12,969.07 in 2016).

* * * * *

List of acronyms:

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