

NATO SANS CLASSIFICATION

22 septembre 2020

DOCUMENT
C-M(2020)0034-AS1

RAPPORTS
DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN)
SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2018
DU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS) DE L'OTAN,
DU SECRÉTARIAT INTERNATIONAL (SI),
DU RÉGIME DE PENSIONS COORDONNÉ DE L'OTAN,
DU BUREAU DES FORACS OTAN (NFO),
DU PROJET DE NOUVEAU SIÈGE DE L'OTAN,
DE LA CAISSE DE PRÉVOYANCE DE L'OTAN,
DU CENTRE DU PERSONNEL DE L'OTAN,
ET DU FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE (FCMR)

NOTE SUR LA SUITE DONNÉE

Le 21 septembre 2020, au terme d'une procédure d'accord tacite, le Conseil a pris note du rapport du Bureau de la planification et de la politique générale des ressources annexé au C-M(2020)0034, il a approuvé les conclusions et les recommandations contenues dans ce rapport, et il a marqué son accord pour que ce document ainsi que les rapports de l'IBAN et les états financiers correspondants, joints au C-M(2020)0034, soient rendus publics.

(signé) Jens Stoltenberg
Secrétaire général

NB : La présente note fait partie du C-M(2020)0034 et doit être placée en tête de ce document.

NATO SANS CLASSIFICATION

7 septembre 2020

DOCUMENT

C-M(2020)0034

Procédure d'accord tacite :

21 sept 2020 17:30

RAPPORTS

**DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN)
SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2018
DU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS) DE L'OTAN,
DU SECRÉTARIAT INTERNATIONAL (SI),
DU RÉGIME DE PENSIONS COORDONNÉ DE L'OTAN,
DU BUREAU DES FORACS OTAN (NFO),
DU PROJET DE NOUVEAU SIÈGE DE L'OTAN,
DE LA CAISSE DE PRÉVOYANCE DE L'OTAN,
DU CENTRE DU PERSONNEL DE L'OTAN,
ET DU FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE (FCMR)**

Note du secrétaire général

1. On trouvera ci-joint les rapports du Collège international des auditeurs externes de l'OTAN (IBAN) sur la vérification des états financiers 2018 du DCPS, du SI, du régime de pensions coordonné, du NFO, du projet de nouveau siège, de la Caisse de prévoyance, du Centre du personnel et du FCMR. Pour ces huit entités, l'IBAN a émis des opinions sans réserve à la fois sur les états financiers et 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) (annexe 1).
3. Je ne pense pas que cette question doive être examinée plus avant. Par conséquent, **sauf avis contraire me parvenant d'ici au lundi 21 septembre 2020 à 17h30**, je considérerai que le Conseil aura pris note du rapport du RPPB, approuvé les conclusions et les recommandations qu'il contient et marqué son accord pour que le rapport du RPPB, les rapports de l'IBAN et les états financiers correspondants soient rendus publics.

(signé) Jens Stoltenberg

Annexe 1 : Rapport du RPPB
Pièce jointe 1 : Rapports de l'IBAN + états financiers

1 annexe
1 pièce jointe

Original : anglais

NATO SANS CLASSIFICATION



RAPPORTS
DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN
SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2018
DU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS) DE L'OTAN,
DU SECRÉTARIAT INTERNATIONAL (SI),
DU RÉGIME DE PENSIONS COORDONNÉ DE L'OTAN,
DU BUREAU DES FORACS OTAN (NFO),
DU PROJET DE NOUVEAU SIÈGE DE L'OTAN,
DE LA CAISSE DE PRÉVOYANCE DE L'OTAN,
DU CENTRE DU PERSONNEL DE L'OTAN,
ET DU FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE (FCMR)

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

Références :

- | | | |
|----|-----------------|---|
| A. | IBA-A(2019)0144 | Rapport de l'IBAN sur la vérification des états financiers 2018 du régime de pensions à cotisations définies de l'OTAN |
| B. | IBA-A(2019)0101 | Rapport de l'IBAN sur la vérification des états financiers 2018 du Secrétariat international |
| C. | IBA-A(2019)0142 | Rapport de l'IBAN sur la vérification des états financiers 2018 du régime de pensions coordonné de l'OTAN |
| D. | IBA-A(2019)0098 | Rapport de l'IBAN sur la vérification des états financiers 2018 du Bureau des FORACS OTAN |
| E. | IBA-A(2019)0102 | Rapport de l'IBAN sur la vérification des états financiers relatifs au projet de nouveau siège de l'OTAN pour l'exercice 2018 |
| F. | IBA-A(2019)0104 | Rapport de l'IBAN sur la vérification des états financiers 2018 de la Caisse de prévoyance de l'OTAN |
| G. | IBA-A(2019)0107 | Rapport de l'IBAN sur la vérification des états financiers 2018 du Centre du personnel de l'OTAN |
| H. | IBA-A(2019)0143 | Rapport de l'IBAN sur la vérification des états financiers 2018 de fonds de couverture médicale des agents à la retraite |
| I. | C-M(2015)0025 | Règlement financier de l'OTAN |
| J. | PO(2015)0052 | Mandat issu du sommet du pays de Galles concernant la transparence et l'obligation de rendre compte |

INTRODUCTION

1. Le présent rapport du Bureau de la planification et de la politique générale des ressources (RPPB) porte sur les rapports que le Collège international des auditeurs externes de l'OTAN (IBAN) a consacrés à la vérification des états financiers 2018 du régime de pensions à cotisations définies de l'OTAN (DCPS), du Secrétariat international (SI), du régime de pensions coordonné de l'OTAN, du Bureau des FORACS OTAN (NFO), du projet de nouveau siège de l'OTAN, de la Caisse de prévoyance de l'OTAN, du Centre du personnel de l'OTAN ainsi que du fonds de couverture médicale des agents à la retraite

(FCMR). Pour ces huit entités, l'IBAN a émis des opinions sans réserve à la fois sur les états financiers et sur la conformité (voir documents de référence A à H).

OBJET

2. Le présent rapport résume les rapports de l'IBAN, afin que le RPPB puisse réfléchir aux questions ou préoccupations d'ordre stratégique qui se posent dans le cadre de la vérification des états financiers des entités OTAN et recommander des lignes de conduite au Conseil s'il y a lieu, une démarche propre à accroître la transparence, à améliorer le compte rendu et à renforcer la cohérence.

3. En application de l'article 35 du Règlement financier de l'OTAN (NFR) et des règles et procédures financières (FRP) XXXV, qui définissent les responsabilités des contrôleurs des finances, c'est au contrôleur des finances du SI qu'il a incombé de superviser la préparation des états financiers 2018 de toutes les entités qui font l'objet du présent rapport¹ ainsi que de signer ces états financiers.

EXAMEN DE LA QUESTION

4. Ayant vérifié les états financiers des huit entités faisant l'objet du présent rapport, l'IBAN a formulé 11 observations, qui concernent les états financiers du SI, du régime de pensions coordonné, du NFO, du projet de nouveau siège et du FCMR. À la date de l'établissement des différents rapports de l'IBAN, huit questions ayant fait l'objet d'observations lors des audits précédents étaient en cours de traitement ou à traiter et 22 avaient été traitées. Aucune observation n'a eu d'incidence sur les opinions émises pour 2018.

5. Continuité d'exploitation – Aucune observation nouvelle n'a été formulée à l'issue de la vérification des états financiers de la Caisse de prévoyance et du Centre du personnel. Le dernier agent qui cotisait à la Caisse de prévoyance a quitté l'Organisation en avril 2018 ; par conséquent, la Caisse est désormais fermée et il a été mis un terme définitif à son exploitation ; elle n'établira plus d'états financiers. Depuis le 1^{er} janvier 2019, l'information financière relative au Centre du personnel est intégrée aux états financiers du SI.

6. Gestion des risques, contrôle interne et audit interne – Le SI et le NFO doivent tous deux s'améliorer dans les domaines de la gestion des risques, du contrôle interne et de l'audit interne. L'IBAN recommande au SI de se donner pour priorité de se mettre en conformité avec toutes les dispositions du NFR et des FRP, en particulier pour ce qui est de la gestion des risques et du contrôle interne. L'an dernier, le COSO² a été adopté comme cadre de contrôle interne et, en décembre, le SI a établi un inventaire des risques stratégiques qu'il doit gérer. Le Bureau d'audit interne et de gestion des risques, récemment mis en place, va poursuivre le travail de mise en application du COSO. Comme l'IBAN, le RPPB estime que cette recommandation est particulièrement importante, et il se félicite du progrès que représente l'établissement par le SI d'un inventaire des risques couvrant

¹ Il a incombé de faire de même pour les états financiers du MSIAC, que le RPPB a traités dans le rapport qui porte la cote AC/335-N(2020)0024 (INV).

² Committee of Sponsoring Organisations of the Treadway Commission.

l'ensemble de l'entité. Il encourage le Bureau d'audit interne et de gestion des risques à procéder à l'évaluation du système de contrôle interne et de gestion des risques. Dans le cas du NFO, le RPPB convient que l'effort à fournir pour traiter la question doit être proportionnel à la taille de l'entité et à l'échelle de ses activités.

7. Passif correspondant aux avantages postérieurs à l'emploi – Une question soulevée par l'IBAN concerne l'OTAN dans son ensemble : la nécessité de comptabiliser le passif correspondant aux avantages postérieurs à l'emploi, afin de respecter le cadre comptable OTAN (plus précisément l'IPSAS 39 (*Avantages du personnel*)). Des observations à ce sujet ont été formulées à la suite de la vérification des états financiers du régime de pensions coordonné et du FCMR mais il s'agit bien d'une question plus générale, qui concerne toute l'Organisation. En effet, le passif de 11,1 milliards d'euros accumulé au titre des avantages postérieurs à l'emploi par les deux entités précitées ainsi que les informations s'y rapportant ne figurent dans les états financiers d'aucun organisme ou régime de pensions OTAN. Faute de modification du cadre comptable OTAN, l'IBAN recommande à la contrôleuse des finances du SI, qui est chargée du régime de pensions coordonné et du FCMR, de définir clairement des critères pour la comptabilisation de ce passif de manière conforme à l'IPSAS 39. Le RPPB prend bonne note de cette recommandation et est d'accord que la question de la constatation de ce passif soit clarifiée dans le cadre comptable OTAN lorsque celui-ci sera réexaminé, ce qui est programmé pour 2021.

8. Insuffisance de l'actif net du FCMR – En 2012, l'IBAN a constaté que les ressources prévues actuellement ne suffiraient pas pour permettre à l'OTAN de faire face à ses obligations. En 2019, les charges du FCMR ont pour la première fois dépassé les cotisations annuelles au fonds. Si cette tendance persiste, celui-ci sera épuisé en 2040³. Le RPPB engage instamment le Comité de surveillance du FCMR à mettre au point et à approuver des mesures correctrices ainsi qu'une approche stratégique propres à assurer la viabilité à long terme du fonds.

9. Compte rendu financier – Le RPPB note que le régime de pensions coordonné et le NFO doivent tous deux remédier à l'insuffisance du contrôle interne de leur compte rendu financier et que, en revanche, des progrès ont été accomplis à cet égard en ce qui concerne le DCPS. Il note du reste que les organes directeurs du régime de pensions coordonné et du NFO ont souscrit aux recommandations de l'IBAN.

10. Par ailleurs, le RPPB note que l'IBAN recommande au SI d'améliorer les informations relatives au tableau des flux de trésorerie : certains mouvements ont été incorrectement décrits, si bien que la question correspondante reste à traiter. Il note enfin que le SI est d'accord de se faire confirmer par les autres entités OTAN présentant des états financiers le solde des éléments d'actif et de passif leur correspondant en prévision de l'établissement des états financiers et d'étayer ce processus de confirmation par des documents.

³ BC-D(2017)0287.

CONCLUSIONS

11. Le RPPB note avec satisfaction que, pour la première fois, des états financiers du SI, ceux de 2018, ont fait l'objet d'une opinion sans réserve. En outre, il se réjouit des progrès constants qui sont accomplis pour que le nombre d'observations soit réduit mais il encourage le SI à traiter les questions encore en suspens (respect de l'échéance fixée pour la présentation des états financiers à l'audit et mise à la disposition de l'IBAN en temps voulu des documents étayant les données présentées). Par ailleurs, il prend note avec satisfaction des efforts qui sont fournis pour que l'observation relative à l'insuffisance du contrôle du compte rendu financier, formulée en ce qui concerne le régime de pensions coordonné et le NFO, reçoive la suite voulue.

12. Le RPPB note que le SI n'établira plus d'états financiers pour la Caisse de prévoyance et le Centre du personnel et que l'information financière relative à ce dernier sera désormais intégrée aux états financiers du SI.

13. Le RPPB note que le SI et le NFO doivent s'améliorer dans les domaines de la gestion des risques, du contrôle interne et de l'audit interne. Il attend avec intérêt les résultats de l'évaluation du système de contrôle interne et de gestion des risques par le Bureau d'audit interne et de gestion des risques, récemment mis en place, et il convient que, dans le cas du NFO, l'effort à fournir pour traiter la question doit être proportionnel à la taille de l'entité et à l'échelle de ses activités.

14. Le RPPB prend bonne note de la question plus générale – car concernant toute l'Organisation – qui a trait au passif de 11,1 milliards d'euros accumulé au titre des avantages postérieurs à l'emploi par le régime de pensions coordonné et le FCMR, passif qui ne figure dans les états financiers d'aucun organisme ou régime de pensions OTAN. Il est d'accord que la question de la constatation de ce passif soit clarifiée dans le cadre comptable OTAN lorsque celui-ci sera réexaminé, en 2021.

15. Le RPPB engage instamment le Comité de surveillance du FCMR à mettre au point et à approuver des mesures correctrices ainsi qu'une approche stratégique propres à assurer la viabilité à long terme du fonds. Enfin, il note que le SI s'efforce de traiter les questions restées en suspens à la suite des audits précédents.

RECOMMANDATIONS

16. Le RPPB recommande au Conseil :

16.1. de prendre note du présent rapport ainsi que des rapports de l'IBAN cités en référence A, B, C, D, E, F, G et H ;

16.2. d'approuver les conclusions formulées dans les paragraphes 11 à 15 du présent rapport ;

16.3. d'approuver la communication au public du présent rapport, celle des états financiers 2018 du DCPS, du SI, du régime de pensions coordonné, du NFO, du nouveau siège, de la Caisse de prévoyance, du Centre du personnel et du FCMR, ainsi que celle des rapports de l'IBAN correspondants (références A à H), en vertu de la politique agréée dans la référence J.



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD

INTERNATIONAL BOARD OF AUDITORS FOR NATO
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

NATO SANS CLASSIFICATION



IBA-A(2019)0144
29 novembre 2019

À : Secrétaire général
(À l'attention du directeur du Cabinet)

Cc : Secrétaire général adjoint pour la gestion exécutive
Contrôleur des finances du Secrétariat international
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Secrétariat et finances du Bureau OTAN des ressources
Bureau d'ordre du Cabinet

Objet : ***Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) concernant la vérification des états financiers du régime de pensions à cotisations définies (DCPS) pour l'exercice clos le 31 décembre 2018 – IBA-AR(2019)0027***

Messieurs,

Vous trouverez ci-joint l'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) de l'IBAN, ainsi qu'une note succincte à l'intention du Conseil (annexe 1).

L'IBAN a émis une opinion sans réserve sur les états financiers 2018 du DCPS et une opinion sans réserve sur la conformité pour cet exercice.

Veuillez agréer, Messieurs, l'assurance de ma haute considération.

Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.



**Note succincte
du Collège international des commissaires aux comptes de l'OTAN
à l'intention du Conseil
sur la vérification des états financiers
du régime de pensions à cotisations définies (DCPS) de l'OTAN
pour l'exercice clos le 31 décembre 2018**

Le Collège international des commissaires aux comptes de l'OTAN (IBAN) a procédé à la vérification des états financiers du régime de pensions à cotisations définies (DCPS) de l'OTAN, régime de pensions par capitalisation auquel contribuent les agents recrutés depuis le 1^{er} juillet 2005 ainsi que l'OTAN, en tant qu'employeur. Au 31 décembre 2018, l'actif net disponible pour le service des prestations s'établissait à 408,4 millions d'euros et le régime comptait 3 974 affiliés.

L'IBAN a émis une opinion sans réserve sur les états financiers du DCPS ainsi que sur la conformité pour l'exercice clos le 31 décembre 2018.

L'IBAN n'a pas eu d'observation à formuler à l'issue de l'audit.

Par ailleurs, l'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits, et il a constaté que deux questions avaient été traitées et que deux autres étaient en cours de traitement.

L'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) ont été transmises au Secrétariat international, qui a répondu qu'il n'avait pas de commentaire particulier à formuler.

29 novembre 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**OPINION SUR LES ÉTATS FINANCIERS
DU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS) DE L'OTAN**

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018

**OPINION DU COMMISSAIRE AUX COMPTES
À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD**

Vérification des états financiers

Opinion sur les états financiers

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers du régime de pensions à cotisations définies (DCPS) de l'OTAN portant sur la période de 12 mois ayant pris fin le 31 décembre 2018. Diffusés et soumis à l'IBAN le 31 mars 2019, ces états financiers se composent de l'état de l'actif net disponible pour le service des prestations au 31 décembre 2018, de l'état des variations de l'actif net disponible pour le service des prestations, ainsi que de notes explicatives, y compris un résumé des méthodes comptables importantes.

L'opinion de l'IBAN est que les états financiers donnent une image fidèle et exacte de l'actif net disponible pour le service des prestations ainsi que des variations de l'actif net disponible pour le service des prestations du DCPS au 31 décembre 2018, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN et de la norme comptable internationale (IAS) 26 (*Comptabilité et rapports financiers des régimes de retraite*).

Justification de l'opinion émise sur les états financiers

Le Règlement financier de l'OTAN (NFR) prévoit que l'audit externe des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par le Collège international des auditeurs externes de l'OTAN (IBAN).

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 1000-1810), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

L'IBAN est indépendant, ainsi que le prévoit le Code de déontologie de l'INTOSAI, et il s'est acquitté de ses responsabilités dans le respect des dispositions de ce code. Les responsabilités des membres de l'IBAN sont décrites de manière plus détaillée dans la section « Responsabilités de l'IBAN concernant la vérification des états financiers » et dans sa charte.

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

Responsabilité de la direction concernant les états financiers

La responsabilité de la direction concernant les états financiers est définie dans le NFR. Les états financiers du DCPS sont établis en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN tel qu'approuvé par le Conseil et de l'IAS 26 (*Comptabilité et rapports financiers des régimes de retraite*). Il incombe au contrôleur des finances de soumettre les états financiers à l'IBAN au plus tard le 31 mars qui suit la fin de l'exercice visé dans les états financiers.

Les états financiers sont signés par le chef de l'organisme OTAN concerné et par le contrôleur des finances. En apposant leur signature sur ces documents, ceux-ci confirment que des mesures de gouvernance financière, des mécanismes de gestion des ressources, des contrôles internes et des systèmes d'information financière ont été mis en place et maintenus afin de garantir une utilisation efficace et efficiente des ressources.

Cette confirmation couvre l'élaboration, la mise en place et le maintien d'un ensemble de contrôles internes de nature à permettre l'établissement et la présentation d'états financiers qui soient auditables et exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur. Elle couvre aussi le compte rendu relatif à la capacité de l'entité à poursuivre son activité, la présentation, le cas échéant, des questions relatives à la continuité de l'activité, et l'application du principe comptable de continuité d'activité, à moins qu'il soit prévu de liquider l'entité ou de mettre un terme à son activité ou qu'il ne soit pas réaliste de procéder de la sorte.

Responsabilités de l'IBAN concernant la vérification des états financiers

L'audit a pour objectif de permettre à l'IBAN d'obtenir une assurance raisonnable sur le point de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur, et de formuler une opinion à leur sujet. L'assurance raisonnable correspond à un degré de certitude élevé, mais elle ne garantit pas qu'un audit effectué conformément aux ISSAI permettra dans tous les cas de détecter les inexactitudes significatives. Les inexactitudes, qui peuvent résulter d'une fraude ou d'une erreur, sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce que, considérées isolément ou collectivement, elles influent sur les décisions économiques que les utilisateurs des états financiers prennent en se fondant sur ceux-ci.

Dans le cadre d'audits effectués conformément aux ISSAI, les auditeurs font appel à leur jugement professionnel et à leur esprit critique tout au long de la planification et de la

réalisation du travail. Cela nécessite de tenir compte des particularités que présentent les entités du secteur public. L'IBAN s'attache aussi :

- à recenser et à évaluer les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur, à concevoir et à mettre en œuvre des procédures d'audit sensibles à ces risques ainsi qu'à obtenir par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion ; le risque de non-détection d'une inexactitude significative relevant d'une fraude est plus élevé que le risque de non-détection d'une inexactitude significative relevant d'une erreur car la fraude peut résulter d'une collusion, d'une falsification, d'omissions intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;
- à acquérir une connaissance du contrôle interne qui soit pertinente pour l'audit, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité ;
- à déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables et les informations connexes fournies par la direction sont raisonnables ;
- à se prononcer sur le caractère approprié ou non de l'utilisation du principe comptable de la continuité d'activité et à déterminer, à partir des éléments probants obtenus par l'audit, s'il existe une incertitude significative du fait d'événements ou de circonstances susceptibles de remettre fondamentalement en cause la capacité de l'entité à poursuivre son activité ; si l'IBAN juge qu'une telle incertitude existe, il est tenu d'appeler l'attention, dans son opinion, sur les informations correspondantes figurant dans les états financiers ou, si ces informations sont incomplètes, de formuler une opinion modifiée ; les conclusions de l'IBAN sont fondées sur les éléments probants en sa possession à la date d'établissement de son rapport d'audit ;
- à évaluer la présentation générale, la structure et le contenu des états financiers, y compris les informations fournies, et à déterminer si les états financiers rendent compte fidèlement des opérations et des événements qui en font l'objet.

L'IBAN est tenu de communiquer avec les organes chargés de la gouvernance, et notamment de les informer du périmètre et du calendrier de la mission d'audit qu'il prévoit d'effectuer, des principales conclusions de l'audit et des lacunes significatives qu'il aura éventuellement constatées dans le contrôle interne au cours de l'audit.

L'opinion que l'IBAN formule à l'intention du Conseil de l'Atlantique Nord doit aider ce dernier à s'acquitter de son rôle. C'est la raison pour laquelle l'IBAN est responsable de ses travaux et de son opinion devant le seul Conseil.

Vérification de la conformité

Opinion sur la conformité

Sur la base des procédures qu'il a appliquées, l'IBAN estime que rien, dans son audit des états financiers, ne lui donne de raison de penser que les fonds n'ont pas été régulièrement employés à l'acquittement de dépenses autorisées ou qu'ils ne sont pas conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Justification de l'opinion émise sur la conformité

L'IBAN a effectué la vérification portant sur la conformité sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

Responsabilité de la direction concernant la conformité

Tous les membres du personnel – civils et militaires – de l'OTAN sont tenus de respecter le Règlement financier de l'OTAN ainsi que les règles et procédures financières qui s'y rattachent et les directives d'application particulières, dont le Règlement du personnel civil de l'OTAN fait partie.

Le secrétaire général est responsable et tenu comptable d'une saine gestion financière. Les organismes OTAN doivent administrer leurs finances en s'appuyant sur les principes suivants : adéquation, bonne gouvernance, obligation de rendre compte, transparence, gestion des risques et contrôle interne, audit interne, audit externe, prévention et détection des fraudes.

Responsabilité de la direction concernant la conformité

Selon sa charte, en plus d'être responsable de fournir une assurance raisonnable quant à la question de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, l'IBAN doit chaque année rendre au Conseil un avis indépendant lui assurant que les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées (adéquation) et qu'ils sont conformes aux règles en vigueur (régularité). Par « adéquation », on entend le respect des principes généraux régissant une gestion financière saine ainsi que la conduite des membres de l'administration. Par « régularité », on entend le respect de critères officiels tels que les règlements, règles et procédures applicables.

Il incombe ainsi à l'OTAN d'appliquer des procédures lui permettant d'obtenir en toute indépendance une assurance sur le point de savoir si les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur. De telles procédures prévoient notamment la prise en compte des risques de non-conformité significative.

Bruxelles, le
29 novembre 2019



Daniela Morgante
Présidente

29 novembre 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS

CONCERNANT LE RÉGIME DE PENSIONS

À COTISATIONS DÉFINIES (DCPS) DE L'OTAN

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018

Introduction

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers du régime de pensions à cotisations définies (DCPS) de l'OTAN pour l'exercice clos le 31 décembre 2018, et il a émis une opinion sans réserve à leur sujet ainsi qu'une opinion sans réserve sur la conformité.

Observations et recommandations

L'IBAN n'a pas eu d'observation à formuler à l'issue de l'audit.

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits, et il a constaté que deux questions avaient été traitées et que deux autres étaient en cours de traitement.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits. On trouvera dans le tableau ci-après un récapitulatif de ces observations et des mesures prises par l'entité ainsi qu'un état de la question.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
(1) DCPS – Exercice 2016 IBA-AR(2017)30, paragraphe 1 INSUFFISANCE DES CONTRÔLES RELATIFS AU COMPTE RENDU FINANCIER Recommandations de l'IBAN - Les personnes responsables de l'établissement des états financiers doivent conserver les documents sur lesquels ils se sont appuyés dans leur travail afin de pouvoir justifier tout solde présenté dans les états financiers et toute information mentionnée dans les notes qui leur sont jointes. De plus, le SI doit impérativement être en mesure de fournir des informations détaillées au sujet de chaque compte d'actif ou de passif de l'ERP, pour que les soldes puissent faire l'objet d'un suivi adéquat. - Le Collège recommande de constater les opérations correspondant à des produits et les opérations correspondant à des charges, par nature différentes, dans des comptes distincts, tels que : gains/pertes sur les achats en devises ; frais bancaires ; autres types de produits/charges. - Le Collège recommande d'améliorer la transparence et la disponibilité des données comptables. Il recommande, lorsque c'est techniquement possible, de lier les opérations enregistrées dans l'ERP à la contrepartie concernée afin de pouvoir retracer l'évolution des différents soldes à payer aux contreparties et/ou à recevoir de leur part. Il engage le SI à appliquer des procédures ERP normalisées plutôt que de procéder à des ajustements manuels. Lorsque des données globales sont	L'IBAN a constaté les progrès et améliorations suivants : - des informations détaillées provenant de l'ERP ont été fournies pour justifier les soldes présentés dans les états financiers 2018 du DCPS ainsi que les informations mentionnées dans les notes qui leur sont jointes ; - les opérations correspondant à des produits et celles correspondant à des charges, par nature différentes, ont été constatées dans des comptes distincts ; - des vérifications et des contrôles ont été effectués tout au long du processus de compte rendu financier relatif à l'exercice 2018 ; - les soldes interentités ont fait l'objet d'un rapprochement formel ; - des dimensions supplémentaires ont été attribuées aux comptes de l'ERP pour le secteur Gestion financière et le secteur Pensions de retraite et pensions d'invalidité ; un ensemble de livres (SOB) distinct, le 310, a été créé dans l'ERP pour le	Question traitée.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
introduites dans l'ERP, des justificatifs détaillés (récapitulatifs, listes, calculs, etc.) doivent être disponibles dans l'ERP et faire l'objet d'une vérification et d'une validation dans le système. - Le Collège recommande de renforcer le processus d'examen multiniveau des états financiers, afin d'améliorer la qualité globale des états financiers et leur conformité avec les cadres de compte rendu applicables. - Le Collège recommande d'obtenir, une fois par an au moins, la confirmation officielle des soldes interentités auprès de toutes les entités dont les états financiers sont préparés par le Bureau du contrôle financier du SI. - Le Collège recommande d'attribuer des dimensions supplémentaires aux comptes de l'ERP pour le secteur Gestion financière et le secteur Pensions de retraite et pensions d'invalidité.	versement des prestations relevant du DCPS.	
(2) DCPS – Exercice 2015 IBA-AR(2016)28, paragraphe 3 JUSTIFICATION INSUFFISANTE DE LA CONSTATATION D'UN MONTANT À RECEVOIR ET D'UNE PROVISION DANS LES ÉTATS FINANCIERS Recommandations de l'IBAN Le Collège recommande au secrétaire général, qui assume la responsabilité de l'administration et de la gestion du DCPS, d'examiner cette situation dès que possible afin de déterminer si l'OTAN est d'accord avec l'indemnité proposée, à quelles entités OTAN présentant des états financiers revient cette indemnité et à qui les fonds correspondants, s'ils sont reçus, devraient <i>in fine</i> être restitués (par exemple : pays, affiliés au DCPS).	Le 22 juin 2017, l'assureur a informé le contrôleur des finances du SI qu'il acceptait de payer six millions d'euros à l'OTAN à titre de dédommagement, comme cela avait été proposé. En décembre 2018, le secrétaire général a recommandé de répartir un tiers de cette somme, soit 1,726 million d'euros, entre les affiliés qui, entre le 1^{er} janvier 2012 et le 31 décembre 2015, avaient activement cotisé au régime d'assurance couvrant les principaux risques. En mai 2019, l'assureur a versé la somme promise. Dans les états financiers, celle-ci est présentée comme	Question en cours de traitement.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
	étant « à payer ». Comme elle n'avait pas encore été reçue à la fin de l'exercice 2018, elle est également présentée comme étant « à recevoir ». Aucune décision n'a encore été prise quant à l'affectation du solde, à savoir 4,273 millions d'euros, lequel fait l'objet d'une provision dans les états financiers de 2018.	
(3) DCPS – Exercice 2015 IBA-AR(2016)28, paragraphe 7 MANQUE DE CLARTÉ DE LA MÉTHODE DE CHANGE Recommandations de l'IBAN Le Collège recommande de mettre au point et d'appliquer une méthode complète pour la comptabilisation et le compte rendu des opérations libellées en monnaie étrangère.	La méthode officielle de comptabilisation et de compte rendu des opérations et des soldes libellés en monnaie étrangère n'est pas encore appliquée. Toutefois, lors de la vérification des états financiers de 2018, l'IBAN n'a pas constaté d'inexactitude significative dans la réévaluation des soldes libellés en monnaie étrangère qui a été effectuée en fin d'exercice.	Question en cours de traitement.
(4) DCPS – Exercice 2009 IBA-AR(2011)09, paragraphe 5.1 FAIBLESSES DANS LA PRÉPARATION POUR LE VERSEMENT DES PRESTATIONS DE PENSION Recommandations de l'IBAN Le Collège recommande que le Secrétariat international veille à être bien préparé à l'augmentation attendue du nombre de versements de prestations dans le cadre du DCPS. À cet effet, il lui recommande d'utiliser le système informatique pour le versement des prestations au titre du DCPS, de sélectionner un/des prestataire(s) de pensions, d'obtenir en temps voulu, de la part de la compagnie d'assurance et du/des prestataire(s) de pensions, les montants nécessaires au versement des prestations et	À la fin 2017, l'IBAN a constaté que les mesures suivantes avaient été prises : • le DCPS a remboursé le montant emprunté au régime de pensions coordonné et le problème de liquidité a été résolu par un transfert de fonds interne au DCPS ; • un ensemble de livres (SOB) distinct, le 310, a été créé dans l'ERP pour le versement des prestations relevant du DCPS ;	Question traitée.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
de ne plus emprunter de fonds au régime de pensions coordonné.	comme les versements de prestations sont peu nombreux, il est possible d'en assurer un contrôle suffisant ; par ailleurs, il est prévu que le futur ERP soit doté des fonctionnalités nécessaires. Lors de la vérification des états financiers de 2018, aucun problème n'a été constaté en ce qui concerne la préparation du versement des prestations. La procédure de sélection d'un prestataire de rentes est terminée mais n'a pas donné les résultats escomptés, si bien qu'aucun prestataire n'a été sélectionné.	

Une question est considérée comme étant « à traiter » lorsqu'aucun progrès notable n'a encore été réalisé en vue de son règlement. Une question est considérée comme étant « en cours de traitement » lorsque l'organisme OTAN visé a commencé à mettre en œuvre la recommandation correspondante ou lorsque certains éléments de la recommandation (mais pas tous) ont été suivis d'effets. Une question est considérée comme étant « traitée » lorsque la recommandation correspondante a été mise en œuvre ou qu'elle a été rendue ou est devenue caduque.

**NATO DEFINED CONTRIBUTION PENSION SCHEME
FINANCIAL STATEMENTS**

For the year ended 31 December 2018

Annexes

- | | |
|---|---|
| 1 | Statement of Net Assets Available for Benefits |
| 2 | Statement of Changes in Net Assets Available for Benefits |
| 3 | Notes to the Financial Statements |



Jens STOLTENBERG
Secretary General



Stephane CHAGNOT
Financial Controller

NATO DEFINED CONTRIBUTION PENSION SCHEME
Statement of Net Assets Available for Benefits

(All amounts in EUR)	Notes	Current Year			Prior Year		
		Investment Management	Benefits	Total	Investment Management	Benefits	Total
		31-Dec-18			31-Dec-17		
Assets							
Cash	3	5,514,746.32	222,528.31	5,737,274.63	5,105,638.11	6,883.87	5,112,521.98
Investments at market value	4	403,243,016.32		403,243,016.32	373,126,531.89		373,126,531.89
Accounts receivable	5	6,000,000.00	110,424.28	6,110,424.28	6,000,000.13	249,126.97	6,249,127.10
Other receivables			-	-		1.26	1.26
Total Assets		414,757,762.64	332,952.59	415,090,715.23	384,232,170.13	256,012.10	384,488,182.23
Liabilities							
Provisions claims and disputes	16	(4,273,893.91)		(4,273,893.91)	(6,000,000.00)		(6,000,000.00)
Payable	6	(2,017,815.31)	(320,793.73)	(2,338,609.04)	(412,600.62)	(206,193.73)	(618,794.35)
Other payables	6		(10,101.16)	(10,101.16)		(44,443.52)	(44,443.52)
Surplus investment/desinvestment	7	(80,016.59)		(80,016.59)	(80,016.59)		(80,016.59)
Current year surplus financial results	7	1,219.87	(2,057.70)	(837.83)	(8,680.56)	(5,374.85)	(14,055.41)
				-			-
Total Liabilities		(6,370,505.94)	(332,952.59)	(6,703,458.53)	(6,501,297.77)	(256,012.10)	(6,757,309.87)
Net assets available for benefits		408,387,256.70	-	408,387,256.70	377,730,872.36	-	377,730,872.36

NATO DEFINED CONTRIBUTION PENSION SCHEME

Statement of Changes in Net Assets Available for Benefits

(All amounts in EUR)

	Notes	Current Year			Prior Year		
		31-Dec-18			31-Dec-17		
		Investments	Benefits	Total	Investments	Benefits	Total
Increase in net assets							
Net unrealized gain in market value of investments	4				10,319,589.82		10,319,589.82
Contributions	8	57,342,204.50		57,342,204.50	52,202,642.04		52,202,642.04
Inward transfer of pension rights	9	656,828.06		656,828.06	611,554.36		611,554.36
Transfers from Insurer	10		763,593.03	763,593.03		598,421.41	598,421.41
Transfers from Annuity Provider	10		104,916.46	104,916.46		90,832.67	90,832.67
Contribution for Tax Adjustments Due	11		95,008.26	95,008.26		65,212.92	65,212.92
Miscellaneous receipts	15	1,726,106.09	1,962.85	1,728,068.94		10,820.00	10,820.00
Total increase in net assets available for benefits		59,725,138.65	965,480.60	60,690,619.25	63,133,786.22	765,287.00	63,899,073.22
Decrease in net assets							
Net unrealized loss in market value of investments	4	6,066,404.72		6,066,404.72			0.00
Accounts closed (Staff)	12	21,048,500.07		21,048,500.07	20,736,205.48		20,736,205.48
Outward transfer of pension rights	12	227,743.43		227,743.43	163,519.58		163,519.58
Transfers to insurance and annuity providers	13			0.00	508,500.00		508,500.00
Pension Benefits	14		105,372.80	105,372.80		90,859.38	90,859.38
Invalidity, Survivor and Dependant Benefits	14		688,146.35	688,146.35		536,463.93	536,463.93
Tax Adjustment Paid to Beneficiaries	11		95,008.26	95,008.26		65,212.92	65,212.92
Employer Contributions to DCPS	14		75,344.62	75,344.62		59,498.52	59,498.52
Miscellaneous Expenses	15	1,726,106.09	1,608.57	1,727,714.66		13,252.25	13,252.25
Total decrease in net assets available for benefits		29,068,754.31	965,480.60	30,034,234.91	21,408,225.06	765,287.00	22,173,512.06
Net increase for the year		30,656,384.34	-	30,656,384.34	41,725,561.16	0.00	41,725,561.16
Net assets available for benefits, beginning of year		377,730,872.36	-	377,730,872.36	336,005,311.20	-	336,005,311.20
Net assets available for benefits, end of year		408,387,256.70	-	408,387,256.70	377,730,872.36	0.00	377,730,872.36

**EXPLANATORY NOTES
NATO DEFINED CONTRIBUTION PENSION SCHEME****NOTE 1: GENERAL INFORMATION****Description of the Fund**

The NATO Defined Contribution Pension Scheme (DCPS) was implemented with effect from 1 July 2005 based on Council's approval of C-M(2000)53 and C-M(2005)0057. The DCPS aims to provide retirement benefits for NATO staff who are employed for the minimum six-year vesting period and to make cash payments to staff who leave before satisfying the vesting requirement. All new entrants recruited on or after 1 July 2005 are compulsorily affiliated to the NATO DCPS.

The DCPS is a cash purchase pension scheme. Both staff and NATO contribute to the Scheme. There is no long term liability for NATO related to the DCPS.

An account is opened for each member of the Scheme. Contributions are invested according to the member's instructions within the eleven funds currently available, described below. Members can check the status of their accounts and give instructions via a secure web portal.

Upon departure, the member's account is disinvested. Until 20 December 2012, the effective date of changes to related NATO Civilian Personnel Regulations (CPR), if the member had vested in the Scheme and was at least 50 years old, the member could take up to 25% of the proceeds as a cash lump sum and the balance had to be applied to the purchase of a retirement pension from a commercial provider. In 2009, the vesting period was five years; in 2010 the vesting period was increased to six years. Members who leave the NATO employer prior to vesting withdraw the entire proceeds as a cash lump sum.

On 20 December 2012 the NATO Council approved a number of changes to the rules which provide more choice and flexibility for affiliates regarding their retirement benefits. The upper and lower limits on ages at which affiliates could take benefits were abolished. The lump sum is no longer restricted to those aged 50 or over and is no longer limited to 25%. Affiliates leaving the DCPS may take any percentage of their holdings in cash. Affiliates' accounts no longer have to be closed when they reach 65. Affiliates may remain indefinitely as passive investors, with no further investments or switches until full disinvestment, beyond the age of 65.

As at 31 December 2018, there were 3,974 NATO DCPS affiliates (members). Note 21 provides a summary of the evolution of the membership since inception.

Financing

Staff make a compulsory contribution of 8% of basic salary to the Scheme. Staff may make additional voluntary contributions to the Scheme up to 5% of basic salary. NATO pays employer contributions of 12% of basic salary of each active scheme member. Contributions to the DCPS are part of pay and are made monthly.

Scheme members may, under certain circumstances, transfer into their DCPS account any amounts corresponding to pension rights accrued under the pension scheme to which they were previously affiliated.

Governance

The DCPS is administered in accordance with NATO Civilian Personnel Regulations (CPRs), Annex VI, governing the DCPS approved by the Council under C-M(2005)0057.

The Secretary General is responsible for the administration and management of the Scheme, assisted by a consultative committee, the DCPS Management Board, whose Chairman is appointed by the Secretary General.

The committee also includes: seven representatives of the Administrative Services for the International Staff, the International Military Staff, the NATO Standardization Agency and the NATO Defence College, the Assistant Secretary General (ASG) Executive Management and the Financial Controller of the International Staff or their representatives; two representatives of the Administrative Services for the NATO Production and Logistics Organisations and other bodies not listed above; a representative from SHAPE J1 Manpower and Personnel, and the Financial Controller, Allied Command Operations, or their representatives; one representative from the Administrative Services of a NATO military body in Allied Command Transformation; six representatives nominated by the Confederation of NATO Civilian Staff Committees from among the members of the Scheme. At least one representative shall be a member of the NATO International Staff; one representative of retired NATO staff nominated by the Confederation of NATO Retired Civilian Staff Associations.

The Assistant Secretary General for Executive Management was appointed Chairperson of the DCPS Management Board in late 2010.

The members of the DCPS Management Board, who are also NATO staff members, receive no additional remuneration or benefits in return for their participation.

Investments

The Management Board oversees the investment options of the Scheme.

Members of the NATO DCPS invest in their choice of several funds, consisting of equity, bond and cash funds. Investments are made in units in the respective funds; the unit price fluctuates according to its market value. Four additional investment funds, passively-managed (indexed) funds offered by Vanguard were selected by the NATO Contract Awards Committee in consultation with the DCPS Management Board in November 2013 and became available to DCPS affiliates in February 2014.

The funds are available in EUR and/or in USD as follows:

Equity Funds:	ISIN
Mellon Global Equity Portfolio EUR C	IE00B82M6789
Mellon Global Equity Portfolio USD C	IE00B7X4LZ98
Vanguard Global Stock Index Fund	IE00B03HD191
Vanguard Global Stock Index Fund	IE00B03HD209
Bond Funds:	ISIN
Mellon Global Bond Portfolio EUR C	IE0003932385
Mellon Global Bond Portfolio USD C	IE0003932492
Mellon Euroland Bond Portfolio EUR C	IE0032722484
Vanguard Global Bond Index Fund USD	IE00B18GCB14
Vanguard Euro Government Bond	IE0007472990
Cash Funds:	ISIN
Mellon Universal Liquidity Funds –	IE0032713202
BNP Paribas InstiCash Fund – EUR	LU0094219127

NATO shall not be held responsible for any losses on investments incurred by movement in the investment markets (Annex VI, Article 10.3 of the NATO Civilian Personnel Regulations).

Benefits

Benefits are paid for retirement, survivor and invalidity pensions. They are paid at the end of each month. The following table gives the number of beneficiaries per category of benefits.

at year end	Retirement	Survivor	Invalidity	Total
2013	4	3	3	10
2014	8	4	6	18
2015	8	5	7	20
2016	9	12	9	30
2017	10	12	10	32
2018	10	12	12	34

Retirement annuities received from commercial pension providers pending augmentation by the adjustment related to income tax and further transfer to the retired beneficiary are held in a separate bank account separate from that of the Investment element of the DCPS. The benefits received from the insurer pending augmentation by the adjustment related to income tax and further transfer to the survivor or disabled beneficiary.

Contributions, in the case of invalidity, are made to the DCPS and invested, until the beneficiary reaches retirement age. In the case of invalidity, contributions for medical insurance are also paid as required.

Transfers are made to the pension provider in order to purchase the annuity for members who leave the DCPS and take a DCPS retirement pension. This was also the case, until 1 July 2017, where funds were transferred to the insurance company for staff who died in service.

Pension Adjustment

The Scheme is not subject to income tax under the terms of Articles IX and X of the Agreement on the Status of the North Atlantic Treaty Organization signed in Ottawa on 20 September 1951 (the Ottawa Treaty).

In accordance with Annex VI, Article 15 of the CPRs, beneficiaries are subject to tax by national authorities on their annuity receipts and receive an adjustment equivalent to 50% of the amount by which the recipient's pension would theoretically need to be increased, were the balance remaining after deduction of the amount of national income tax or taxes on the total to correspond to the amount of the pension calculated in accordance with the CPRs. This adjustment is paid out of the DCPS Retirement Pensions and Invalidity accounts (Annexes 3 and 4) and is funded by specific calls for contributions handled in the NATO Coordinated Pension Scheme accounts. Related information is disclosed in the Financial Statements of the NATO Coordinated Pension Scheme.

Amounts paid are disclosed in the Statement of Change in Net Assets.

Management of the DCPS

Previnet SPA (Italy) was selected as the Third Party Administrator of the DCPS at the introduction of the Scheme in July 2005, and has been administering the scheme on behalf of NATO since that date. Previnet is responsible for the individual accounts administration, benefit administration, reporting, customer services and maintenance of the DCPS web site with on-line facilities for the scheme members.

Previnet tracks contributions and individual holdings of scheme members. It also provides aggregate accounting data and investment instructions destined for NATO-IS and the Investment Managers.

NATO-IS Office of Financial Control (OFC) receives the monthly contributions from the various NATO body payroll centres in a custodial bank account and its bank converts the funds, based on the instructions prepared by the Scheme Administrator, into EUR or USD, as required, for the investment accounts. The OFC is responsible for transfer of the funds from the relevant bank account to the appropriate accounts with the Investment Managers, BNY Mellon, Vanguard and BNP Paribas, based on the Scheme Administrator's reconciliation of the global amount and validation of the amounts to be invested for each staff member.

NATO-IS Executive Management Human Resources Pensions Unit reconciles the number of units per member received from the Scheme Administrator against the leaving scheme members' accounts on the website. OFC then transfers the redemption/lump sum amounts according to the bank instructions provided by the leaving scheme members.

DCPS amounts redeemed for the purchase of pension annuities and amounts due from an outside insurer for invalidity pensions of former DCPS members are administered by the OFC. The member's holdings are transferred to the relevant pension provider when a leaving DCPS member has instructed NATO to purchase an annuity. OFC also transfers monthly invalidity pensions and the adjustments related to income tax to former DCPS members who qualify.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Declaration of conformity

The financial statements of the NATO DCPS have been prepared in accordance with the NATO Financial Regulations and International Accounting Standard 26, "Accounting and Reporting by Retirement Benefit Plans". The NATO Accounting Framework, which is an adapted version of the International Public Sector Accounting Standards (IPSAS), does not have a specific standard for accounting and reporting by retirement benefit plans.

The accounting system currently used by the NATO DCPS is accrual based.

Basis of presentation

The financial statements have been prepared on a going-concern basis: the DCPS will continue in operation for the foreseeable future.

The amounts shown in these financial statements are presented in EUR.

Changes in accounting policy - Reclassification of financial statements of previous years

None in 2018.

Restatement of financial statements of previous years

None in 2018.

Use of estimates

In the application of accounting policies, described below, management is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Foreign currency transactions

Contributions are made in the currency of the respective payroll centre. Investments are made in USD and in EUR as chosen by the scheme member. NATO Parity Rates do not apply to purchases or sales in the DCPS. All bank transactions are processed at the market rate. Contributions received in currencies other than EUR and USD are converted in the latter at investment dates and payments to the Investment Managers are made in EUR and USD. Balance sheet amounts at year-end are reported using the NATO Parity Rates in effect on 31 December.

Cash and Cash Equivalents

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

Investments

Investments reported under these DCPS financial statements consist of equity funds, bond funds and cash funds. These investments are non-current assets with respect to the purpose of the DCPS.

Investments are recorded at market value on the reporting date.

Receivables

Receivables are stated at net realisable value. No allowance for loss is recorded for receivables relating to NATO bodies' statutory contributions.

Payables

Payables are amounts due to third parties based on services provided that remain unpaid. This includes, as required, an estimate of accrued obligation for services provided but not yet invoiced.

Net Assets

The net assets available at year-end correspond to investments at market value plus receivables and contributions awaiting investment less payables. Also included are interest earned on the custodial bank account, surpluses gained on transactions with the insurance company and miscellaneous gains and losses related to corrective transactions

Financial Risks

The DCPS uses only non-derivative financial instruments as part as its normal operations. These financial elements include cash, investment funds, bank accounts and accounts receivable.

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

The DCPS is exposed to a variety of financial risks, including credit risk, market (price) risk and liquidity risk. The maximum exposure as at year end is equal to the total amount of bank balances and receivables. NATO shall not be held responsible for any losses on investments incurred by movement in the investment markets (Annex VI, Article 10.3 of the NATO Civilian Personnel Regulations).

Credit risk

The DCPS incurs credit risks from cash and cash equivalent held with banks and receivables. There is very limited credit risk associated with the realization of these elements.

Concerning cash and cash equivalent the DCPS 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:

ING Bank Credit Ratings as at 01/03/2019

ING Bank	Fitch	Moody's	S&P
Short term	F1	P1	A-1

Concerning receivables, the credit risk is managed by maintaining control procedures over receivables. These consist essentially of contributions due by NATO bodies' payroll centres. This risk is considered limited since these bodies are primarily funded by member nations which are considered creditworthy.

Price risk

The DCPS individual member holdings are exposed to equity and bond securities market risk. NATO shall not be held responsible for any losses on investments incurred by movement in the investment markets (Annex VI, Article 10.3 of the NATO Civilian Personnel Regulations).

In cases of death in service, the insurance company who will provide the survivor's annuity has a claim on the proceeds of the redemption of the affected member's holdings in an amount equal to the lesser of the member's holdings on 31 October of the previous year or the insurer's previously established cost of that annuity. While there have been no shortfalls to date, there is a risk that the value of available holdings on the date of transfer to the insurance company could be less than that of the preceding 31 October. This resulted in the available amounts being higher. The surplus is kept on a suspense account and forms part of the net assets. This provision in the insurance contract was deleted with effect as from 1 July 2017 and therefore this risk which existed in the course of the year no longer exist from that date that date. The proceedings are paid to the person designated by the staff member.

Currency risk

The DCPS is exposed to a limited foreign currency exchange risk arising from fluctuations in currency rates. The contributions received in various currencies are converted into EUR or USD as required by the members' investment decisions. The converted amounts are invested in funds held in EUR or USD accordingly. With regards to benefits there is a limited currency risk since payments are sometimes made in another currency than the amounts received from the insurer or the annuity provider.

Liquidity risk

A liquidity risk could arise from a short term liquidity requirement in relation to amounts due to departing staff. There is a very limited exposure to liquidity risk because the amounts due to departing staff are equal to their holdings, and because amounts transferred to the investment manager are equal to the contributions received from the payroll centres of NATO bodies which receive resources from member states funding the related budgets, or income from their customers which generally are other NATO bodies funded through their approved budgets.

There is a limited liquidity risk in relation to the payment of annuities to eligible members. These transactions are handled on bank accounts separate from those used for investments and disinvestments. Amounts due by the insurers arrive later than when annuities are due to members. Pension Adjustment is paid in advance from contributions due by the Coordinated Pension Scheme. This situation is managed through cash advances from the NATO International Staff (EUR 200,000 end 2017, EUR 320,000 end 2018).

Interest rate risk

The DCPS is restricted from entering into borrowings.

A portion of DCPS is invested in bond funds. The market value of bonds fluctuates according to market perception of the issuer's creditworthiness and to projected interest rates. The value of DCPS individual member accounts is therefore subject to some interest rate risk.

NOTE 3: CASH AND CASH EQUIVALENTS

The various NATO entities pay their contributions into a custodial account. This account serves to effect the transfer of funds to be invested by the Investment Manager and to receive

redemptions for departing staff. The total mainly corresponds to contributions received in December and awaiting transfer to the Investment Managers.

Separate bank accounts are held for transactions relating to the payment of pension and invalidity benefits.

NOTE 4: FUNDS HELD BY THE INVESTMENT MANAGER

BNY Mellon is the Investment Manager first six funds listed below; BNP Paribas Investment Partners manages the BNP Paribas InstiCash Fund in Euro; Vanguard Asset Management manages the four index funds.

NATO DCPS holdings at market value		NPR at 31.12.2018= 1.1538		
Equity Funds:	ISIN	2018		2017
		EUR or EUR equivalent of USD	USD	EUR
Mellon Global Equity Portfolio EUR C	IE00B82M6789	187,417,725.62		191,933,102.34
Mellon Global Equity Portfolio USD C	IE00B7X4LZ98	16,992,660.25	19,606,131.40	16,760,349.84
Vanguard Global Stock Index Fund EUR	IE00B03HD191	28,735,381.03		21,363,661.21
Vanguard Global Stock Index Fund USD	IE00B03HD209	9,858,996.95	11,375,310.68	7,812,590.19
Bond Funds:				
Mellon Global Bond Portfolio EUR C	IE0003932385	24,166,759.34		21,875,553.40
Mellon Global Bond Portfolio USD C	IE0003932492	4,090,688.14	4,719,835.98	3,686,442.72
Mellon Euroland Bond Portfolio EUR C	IE0032722484	12,066,192.23		12,427,228.25
Vanguard Global Bond Index Fund USD	IE00B18GCB14	3,349,191.08	3,864,296.67	2,232,949.64
Vanguard Euro Government Bond Index Fund EUR	IE0007472990	8,347,949.08		5,821,423.35
Cash Funds:				
Mellon Universal Liquidity Funds – Liquidity Plus USD	IE0032713202	5,931,595.87	6,843,875.32	3,807,905.67
BNP Paribas InstiCash Fund – EUR	LU0094219127	102,285,876.73		85,405,325.27
TOTAL		403,243,016.33		373,126,531.89

Unrealized Gain/Loss in Market Value of Investments

Unrealized gains and losses in the market value of investments vary according to the volume of contributions invested, redemptions, currency fluctuations, and changes in the unit prices of the investment funds.

Unit Price per Fund

New investments and redemptions may take place between the funds twice per month and the unit price for each fund fluctuates continuously. Income is therefore not reported by fund in absolute terms. The appropriate performance measure per fund is the unit price. The unit prices for each of the funds at year-end and the resulting annualized income per unit were as follows:

Unit Price per Fund as of 31 December				
Equity Funds:	ISIN	2018	2017	Annualized income per unit
Mellon Global Equity Portfolio EUR C	IE00B82M6789	1.078300	1.099100	-0.02
Mellon Global Equity Portfolio USD C	IE00B7X4LZ98	1.098200	1.171800	-0.07
Vanguard Global Stock Index Fund EUR	IE00B03HD191	21.790100	22.758800	-0.97
Vanguard Global Stock Index Fund USD	IE00B03HD209	25.025300	27.456100	-2.43
Bond Funds:				
Mellon Global Bond Portfolio EUR C	IE0003932385	1.846900	1.788600	0.06
Mellon Global Bond Portfolio USD C	IE0003932492	2.356000	2.388600	-0.03
Mellon Euroland Bond Portfolio EUR C	IE0032722484	1.122300	1.143500	-0.02
Vanguard Global Bond Index Fund USD	IE00B18GCB14	147.470400	145.308200	2.16
Vanguard Euro Government Bond Index Fund EUR	IE0007472990	223.692200	221.992700	1.70
Cash Funds:				
Mellon Universal Liquidity Funds – Liquidity Plus USD	IE0032713202	1.231496	1.208670	0.02
BNP Paribas InstiCash Fund – EUR	LU0094219127	139.290300	139.933000	-0.64

NOTE 5: RECEIVABLES

Receivables amounts in EUR	2018			2017		
	Investments	Benefits	Total	Investments	Benefits	Total
Contributions from NATO bodies		-	-	0.10	-	0.10
Reimbursement of Tax Adjustment Paid	-	95,008.26	95,008.26	-	212,426.37	212,426.37
Insurer	6,000,000.00	13,272.29	6,013,272.29	6,000,000.00	29,156.87	6,029,156.87
Beneficiaries		2,143.73	2,143.73		7,543.73	7,543.73
Others		-	-	0.03	1.26	1.29
Total	6,000,000.00	110,424.28	6,110,424.28	6,000,000.13	249,128.23	6,249,128.36

Contributions for further investment are paid on a monthly basis by NATO bodies to the DCPS account. The process normally results in no such contributions receivable, or of limited amount, at year-end. Some transactions may still be pending regularisation.

An amount of EUR 6,000,000 is receivable from the insurance company further to an analysis covering the last years of the history of death in service risks in relation to premiums paid by the Organisation (see Note on Related Parties for details concerning the insurance premiums). For presentation purposes it has been attributed to the "Investments" segment. Concerning the future use of these funds, see Notes 6 and 16.

Tax adjustment payments are made to beneficiaries from the DCPS Benefits (Retirement, Invalidity and Survivor) accounts as an advance to be settled by the NATO Coordinated Pension Scheme budget which handles all tax adjustment operations NATO-wide and calls the related contributions by the nations concerned (i.e. in which the beneficiaries paid their income taxes). This resulted in amounts receivable from the NATO Coordinated Pension Scheme.

Amounts receivable from the insurer and the pension provider relate to individual cases to be settled.

Amounts receivable from beneficiaries relate to overpayment of specific allowances attached to their monthly benefits.

NOTE 6: PAYABLES

Payables and Other Payables						
amounts in EUR	2018			2017		
	Investments	Benefits	Total	Investments	Benefits	Total
NATO International Staff		320,000.00	320,000.00		200,000.00	200,000.00
Departing Staff	291,709.22		291,709.22	412,600.62		412,600.62
Insurer		1,250.09	1,250.09		6,193.73	6,193.73
Others	1,726,106.09	9,644.80	1,735,750.89		44,443.52	44,443.52
Total	2,017,815.31	330,894.89	2,348,710.20	412,600.62	250,637.25	663,237.87

Payables to the IS correspond to cash advances made by NATO International Staff to allow for the timely payment of pension and invalidity benefits and tax adjustments. The outstanding amount of these advances at 2018 year end was EUR 320,000 (EUR 200,000 end 2017).

Payables to Departing Staff are transactions pending final payment.

In cases where overpayments were made to beneficiaries, these need to be reimbursed to the insurer.

Further to an analysis covering the last years of the history of death in service risks in relation to premiums paid by the Organisation during 2012-2015, a compensation of EUR 6 million at the NATO-wide level was agreed by the insurance company. End 2018, the NATO Secretary General decided that a fraction of this amount (EUR 1,726,106.09 presented in the table above as "Others") should be paid to NATO staff who were members of the DCPS during the period 2012-2015 in proportion to the contributions they made to the DCPS. Staff employed by NATO bodies and affiliated to the DCPS during the period 2012-2015 are therefore entitled to a payment to be made from the NATO DCPS accounts. Payment is planned to take place during 2019. A decision still has to be taken concerning the remaining amount of the compensation (See Note on Provisions).

Other payables and other current liabilities are essentially transactions to be regularised.

NOTE 7: SURPLUS

The custodial account also receives the proceeds of redeemed holdings of deceased DCPS affiliates. Until 1 July 2017, the insurance contract gave the insurer a claim on the proceeds of the redemption of the deceased member's holdings in an amount equal to the lesser of the member's holdings on 31 October of the previous year or the insurer's previously established cost of that annuity. To date, holdings on the date of transfer to the insurance company have been higher than the amount recorded as of the preceding 31 October, and the corresponding amount of EUR 80,016.59 (same as end 2017) kept on a suspense account. As from 1 July 2017, the related contract clause with the insurance company no longer applies.

There is also a surplus element resulting from cumulated interest earned on the custodial bank account, bank charges, from miscellaneous gains and losses on exchange rates and corrective investments effected by the third party administrator at the end of 2018 it amounted to EUR 138,912.69 (EUR 106,953.12 end 2017).

This surplus element has on occasion been used as a reserve to cover shortfalls of the sort described in Note 2 (Price Risk) or other miscellaneous expenses.

There is also an unrealised loss on exchange rates of EUR 138,074.86 (EUR 92,897.71 end 2017). Therefore the final surplus amount is EUR 837.83 (EUR 14,055.41 end 2017).

NOTE 8: CONTRIBUTIONS

A minimum of 8% is deducted from staff emoluments monthly and transferred to DCPS together with the NATO employers' contributions of 12% of emoluments. Staff may make additional voluntary contributions.

The increase in contributions is due to the combined effect of increasing membership and salary adjustments.

There is also an employer contribution to the DCPS, paid by the insurance company, for the cases of invalidity benefits.

NOTE 9: INWARD/OUTWARD TRANSFERS OF PENSION RIGHTS

The NATO Civilian Personnel Regulations (Annex VI, Article 6) provide that staff may, under certain circumstances, arrange for payment to the Organisation of any amounts corresponding to the retirement pension rights accrued under the pension scheme to which the staff member was previously affiliated in so far as that scheme allows such a transfer. These payments are called inward transfers.

Outward transfers are also allowed, in which cases the proceeds of ex-DCPS member's closed account are paid to the eligible pension scheme (CPR Annex VI, Article 11).

NOTE 10: TRANSFERS FROM INSURER AND ANNUITY PROVIDER

Transfers are received from the insurer in relation to amounts due to staff entitled to invalidity survivors' benefits (spouses and dependent children of serving staff who are DCPS members who die in service). As from 1 July 2017, the holdings of deceased DCPS members are no longer used to finance related insurance premiums.

NOTE 11: PENSION ADJUSTMENT

The Scheme is not subject to income tax under the terms of Articles IX and X of the Agreement on the Status of the North Atlantic Treaty Organization signed in Ottawa on 20 September 1951 (the Ottawa Treaty).

In accordance with Annex VI, Article 15 of the CPRs, beneficiaries are subject to tax by national authorities on their annuity receipts and receive an adjustment equivalent to 50% of the amount by which the recipient's pension would theoretically need to be increased, were the balance remaining after deduction of the amount of national income tax or taxes on the total to correspond to the amount of the pension calculated in accordance with the CPRs. This adjustment is paid out of the DCPS Benefits (Retirement Pensions, Invalidity and Survivor Benefits) account and is funded by one of two specific budgets approved by the North Atlantic Council, one from the Civil Budget and the other from the Military Budget. Related information is disclosed in the Financial Statements of the NATO Coordinated Pension Scheme.

NOTE 12: STAFF ACCOUNTS CLOSED

These correspond to accounts of former staff members leaving DCPS that are closed and the proceeds paid in whole or in part either to the former staff member or to an outside pension scheme.

NOTE 13: TRANSFERS TO INSURER OR ANNUITY PROVIDER

These correspond to staff holdings transferred to the pension provider in order to purchase the annuity for members who leave the DCPS and take a DCPS retirement pension, or transferred to the insurer in case of death in service (this provision no longer applies as from 1 July 2017).

NOTE 14: PENSION, INVALIDITY and SURVIVOR BENEFITS

Benefits are paid for retirement, survivor and invalidity pensions. They are paid at the end of each month. The following table gives the number of beneficiaries per category of benefits.

at year end	Retirement	Survivor	Invalidity	Total
2013	4	3	3	10
2014	8	4	6	18
2015	8	5	7	20
2016	9	12	9	30
2017	10	12	10	32
2018	10	12	12	34

In case of invalidity an employer contribution is made to the DCPS holdings of the individual concerned.

NOTE 15: MISCELLANEOUS RECEIPTS AND EXPENSES

Miscellaneous receipts and payments correspond essentially to regularisations. For 2018, the payment to former DCPS affiliates during 2012-2015 in relation to the compensation described under Note 16 was booked under these items.

NOTE 16: PROVISION

Further to an analysis covering the last years of the history of death in service risks in relation to premiums paid by the Organisation during 2012-2015, a compensation of EUR 6 million at the NATO-wide level was agreed by the insurance company (See Note on Receivables). This was the original amount of the provision. End 2018, the NATO Secretary General decided that a fraction of this amount (circa EUR 1,7 million – see Note on Payables) should be paid to NATO staff who were members of the DCPS during the period 2012-2015 in proportion to the contributions they made to the DCPS. Staff employed by NATO bodies and affiliated to the DCPS during the period 2012-2015 are therefore entitled to a payment to be made from the NATO DCPS accounts. A decision still has to be taken concerning the amount remaining from the compensation (EUR 4,273,893.91), which is therefore stays recognised as a provision.

NOTE 17: CONTINGENT LIABILITIES

There are no material contingent liabilities arising from legal actions and claims that are likely to result in significant liability to the DCPS.

Adjustments related to income tax may be due to certain annuity recipients. The amounts are yet to be determined but the total of possible obligations relating to this item is not expected to be material.

NOTE 18: CONTINGENT ASSETS

None to report.

NOTE 19: RELATED PARTY TRANSACTIONS

Members of the DCPS Management Board receive no additional remuneration or benefits in return for their participation. The Chairman of the Management Board is the ASG for Executive Management. The NATO-IS Financial Controller is a member of the Management Board.

NATO-International Staff, in particular Executive Management and the Office of Financial Control, are responsible for the day-to-day management of the DCPS. No management fees corresponding to the related costs are charged to the DCPS. In the global framework of the Administrative Support process, the NATO bodies are charged by the IS on a pro rata basis for these costs, including the fees paid to the Third Party Administrator. The related income of approximately EUR 360,000 per year reduces the contributions due from Nations to fund the NATO Civil Budget.

In 2016, additional cash advances were made by NATO International Staff to allow for the timely payment of pension and invalidity benefits, bringing the total amount advanced at 2018 year end to EUR 320,000 (EUR 200,000 end 2017).

Conversely, tax adjustment payments are made to beneficiaries from the DCPS Retirement and Invalidity accounts as an advance to be settled by the Defined Benefit Pension Scheme budget which handles all tax adjustment operations NATO-wide. This resulted in amounts receivable from the latter.

As provided for by the CPRs (Annex VI, articles 13 and 14), survivors' benefits for the surviving spouses and dependent children of serving staff who die in service and invalidity benefits to serving staff are funded (partially for survivor benefits, totally for invalidity benefits) through the payment of insurance premiums which are paid directly by the NATO bodies to the insurance company and are not accounted for in the present financial statements. Insurance premiums paid for death in service benefits were EUR 3,664,782.27 (EUR 3,474,786.34 in 2017); insurance premiums paid for invalidity benefits were EUR 4,031,263.48 (EUR 3,822,430.78 in 2017).

The Scheme does not hold any securities of the employer sponsor or, directly, of its related parties.

NOTE 20: KEY MANAGEMENT PERSONNEL

For the purposes of these financial statements, Key Management Personnel are considered to be the NATO-IS Assistant Secretary General for Executive Management and the Financial Controller. Their remuneration is totally covered by the NATO International Staff.

Members of the DCPS Management Board do not receive any additional remuneration or benefits in return for their responsibilities. The Management Board is chaired by the Assistant Secretary General for Executive Management. The IS Financial Controller is a member of the Board.

NOTE 21: STATISTICAL INFORMATION

Evolution of DCPS membership (number of affiliates)			
year-end	2004	Affiliates	0
	2005	Joined	274
	2005	Exited	0
year-end	2005	Affiliates	274
	2006	Joined	527
	2006	Exited	-6
year-end	2006	Affiliates	795
	2007	Joined	501
	2007	Exited	-23
year-end	2007	Affiliates	1,273
	2008	Joined	511
	2008	Exited	-43
year-end	2008	Affiliates	1,741
	2009	Joined	443
	2009	Exited	-71
year-end	2009	Affiliates	2,113
	2010	Joined	477
	2010	Exited	-208
year-end	2010	Affiliates	2,382
	2011	Joined	454
	2011	Exited	-260
year-end	2011	Affiliates	2,576
	2012	Joined	274
	2012	Exited	-188
year-end	2012	Affiliates	2,662
	2013	Joined	310
	2013	Exited	-190
year-end	2013	Affiliates	2,782
	2014	Joined	433
	2014	Exited	-214
year-end	2014	Affiliates	3,001
	2015	Joined	345
	2015	Exited	-174
year-end	2015	Affiliates	3,172
	2016	Joined	454
	2016	Exited	-207
year-end	2016	Affiliates	3,419
	2017	Joined	469
	2017	Exited	-220
year-end	2017	Affiliates	3,668
	2018	Joined	547
	2018	Exited	-241
year-end	2018	Affiliates	3,974



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD

INTERNATIONAL BOARD OF AUDITORS FOR NATO
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN



NATO SANS CLASSIFICATION

IBA-AR(2019)0101-REV1
13 septembre 2019

À : Secrétaire général
(À l'attention du Directeur du Cabinet)

Cc : Contrôleur des finances du Secrétariat international
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Secrétariat et finances du Bureau OTAN des ressources
Bureau d'ordre du Cabinet

Objet : ***Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) concernant la vérification des états financiers du Secrétariat international (SI) pour l'exercice clos le 31 décembre 2018 – IBA-AR(2019)0020-REV1***

Monsieur le Secrétaire général,

Vous trouverez ci-joint l'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) de l'IBAN, ainsi qu'une note succincte à l'intention du Conseil (annexe 1).

L'IBAN a émis une opinion sans réserve sur les états financiers du Secrétariat international ainsi que sur la conformité pour l'exercice 2018.

Veuillez agréer, Monsieur le Secrétaire général, l'assurance de ma haute considération.

Hans Leijtens
Président

Pièces jointes : voir ci-dessus.



**Note succincte
du Collège international des auditeurs externes de l'OTAN (IBAN)
sur la vérification des états financiers du Secrétariat international (SI)
pour l'exercice clos le 31 décembre 2018**

Le Secrétariat international (SI) assiste le Conseil de l'Atlantique Nord et ses comités dans leurs travaux. Dans ses états financiers de 2018, le montant total des dépenses était de 208 millions d'euros (MEUR).

L'IBAN a émis une opinion sans réserve sur les états financiers 2018 du SI ainsi que sur la conformité. Il a par ailleurs soulevé une question dans la section « Autre observation sur la conformité ».

À l'issue de l'audit, l'IBAN a formulé trois observations, assorties de recommandations. Ses constatations sont exposées dans la lettre d'observations et de recommandations (annexe 3).

On trouvera ci-dessous un relevé des principales constatations.

1. Nécessité d'apporter des améliorations dans les domaines de la gestion des risques, du contrôle interne et de l'audit interne
2. Nécessité d'apporter des améliorations à la déclaration sur le contrôle interne
3. Lacunes dans le processus de confirmation des soldes de fin d'exercice entre entités OTAN

Par ailleurs, l'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits, et il a constaté que dix questions avaient été traitées et que trois restaient à traiter.

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

NATO SANS CLASSIFICATION

**ANNEXE 2
IBA-AR(2019)0020-REV1**

13 septembre 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

OPINION SUR LES ÉTATS FINANCIERS

DU SECRÉTARIAT INTERNATIONAL

(SI)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018

NATO SANS CLASSIFICATION

**OPINION DU COMMISSAIRE AUX COMPTES
À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD**

Vérification des états financiers

Opinion sur les états financiers

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers du Secrétariat international (SI) portant sur la période de 12 mois ayant pris fin le 31 décembre 2018. Ces états financiers se composent de l'état de la situation financière au 31 décembre 2018, de l'état de la performance financière, de l'état des variations de l'actif net/situation nette et du tableau des flux de trésorerie pour la période de 12 mois ayant pris fin le 31 décembre 2018, ainsi que d'un résumé des méthodes comptables importantes et d'autres notes explicatives. Ils contiennent en outre un rapport sur l'exécution du budget portant sur la période de 12 mois ayant pris fin le 31 décembre 2018.

L'opinion de l'IBAN est que les états financiers donnent une image fidèle et exacte de la situation financière du SI au 31 décembre 2018 ainsi que de sa performance financière, de ses flux de trésorerie et de l'exécution du budget pour la période de 12 mois ayant pris fin le 31 décembre 2018, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN.

Justification de l'opinion émise sur les états financiers

Le Règlement financier de l'OTAN (NFR) prévoit que l'audit externe des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par l'IBAN.

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 1000-1810), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

L'IBAN est indépendant, ainsi que le prévoit le Code de déontologie de l'INTOSAI, et il s'est acquitté de ses responsabilités dans le respect des dispositions de ce code. Les responsabilités des membres de l'IBAN sont décrites de manière plus détaillée dans la section « Responsabilités de l'IBAN concernant la vérification des états financiers » et dans sa charte.

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

Responsabilité de la direction concernant les états financiers

La responsabilité de la direction concernant les états financiers est définie dans le NFR. Les états financiers du SI sont établis en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN tel qu'approuvé par le Conseil. Il incombe au contrôleur des finances de soumettre les états financiers à l'IBAN au plus tard le 31 mars qui suit la fin de l'exercice visé dans les états financiers.

Les états financiers sont signés par le chef de l'organisme OTAN concerné et par le contrôleur des finances. En apposant leur signature sur ces documents, ceux-ci confirment que des mesures de gouvernance financière, des mécanismes de gestion des ressources, des contrôles internes et des systèmes d'information financière ont été mis en place et maintenus afin de garantir une utilisation efficace et efficiente des ressources.

Cette confirmation couvre l'élaboration, la mise en place et le maintien d'un ensemble de contrôles internes de nature à permettre l'établissement et la présentation d'états financiers qui soient auditables et exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur. Elle couvre aussi le compte rendu relatif à la capacité de l'entité à poursuivre son activité, la présentation, le cas échéant, des questions relatives à la continuité de l'activité, et l'application du principe comptable de continuité d'activité, à moins qu'il soit prévu de liquider l'entité ou de mettre un terme à son activité ou qu'il ne soit pas réaliste de procéder de la sorte.

Responsabilités de l'IBAN concernant la vérification des états financiers

L'audit a pour objectif de permettre à l'IBAN d'obtenir une assurance raisonnable sur le point de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur, et de formuler une opinion à leur sujet. L'assurance raisonnable correspond à un degré de certitude élevé, mais elle ne garantit pas qu'un audit effectué conformément aux ISSAI permettra dans tous les cas de détecter les inexactitudes significatives. Les inexactitudes, qui peuvent résulter d'une fraude ou d'une erreur, sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce que, considérées isolément ou collectivement, elles influent sur les décisions économiques que les utilisateurs des états financiers prennent en se fondant sur ceux-ci.

Dans le cadre d'audits effectués conformément aux ISSAI, les auditeurs font appel à leur jugement professionnel et à leur esprit critique tout au long de la planification et de la réalisation du travail. Cela nécessite de tenir compte des particularités que présentent les entités du secteur public. L'IBAN s'attache aussi :

- à recenser et à évaluer les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur, à concevoir et à mettre en œuvre des procédures d'audit sensibles à ces risques ainsi qu'à obtenir par son audit les éléments probants nécessaires et suffisants pour lui permettre

de formuler une opinion ; le risque de non-détection d'une inexactitude significative relevant d'une fraude est plus élevé que le risque de non-détection d'une inexactitude significative relevant d'une erreur car la fraude peut résulter d'une collusion, d'une falsification, d'omissions intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;

- à acquérir une connaissance du contrôle interne qui soit pertinente pour l'audit, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité ;
- à déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables et les informations connexes fournies par la direction sont raisonnables ;
- à se prononcer sur le caractère approprié ou non de l'utilisation du principe comptable de la continuité d'activité et à déterminer, à partir des éléments probants obtenus par l'audit, s'il existe une incertitude significative du fait d'événements ou de circonstances susceptibles de remettre fondamentalement en cause la capacité de l'entité à poursuivre son activité ; si l'IBAN juge qu'une telle incertitude existe, il est tenu d'appeler l'attention, dans son opinion, sur les informations correspondantes figurant dans les états financiers ou, si ces informations sont incomplètes, de formuler une opinion modifiée ; les conclusions de l'IBAN sont fondées sur les éléments probants en sa possession à la date d'établissement de son rapport d'audit ; il n'est toutefois pas exclu que l'entité soit amenée à cesser son activité en raison d'événements ou de circonstances futurs ;
- à évaluer la présentation générale, la structure et le contenu des états financiers, y compris les informations fournies, et à déterminer si les états financiers rendent compte fidèlement des opérations et des événements qui en font l'objet.

L'IBAN est tenu de communiquer avec les organes chargés de la gouvernance, et notamment de les informer du périmètre et du calendrier de la mission d'audit qu'il prévoit d'effectuer, des principales conclusions de l'audit et des lacunes significatives qu'il aura éventuellement constatées dans le contrôle interne au cours de l'audit.

L'opinion que l'IBAN formule à l'intention du Conseil de l'Atlantique Nord doit aider ce dernier à s'acquitter de son rôle. C'est la raison pour laquelle l'IBAN est responsable de ses travaux et de son opinion devant le seul Conseil.

Vérification de la conformité

Opinion sur la conformité

Sur la base des procédures qu'il a appliquées, l'IBAN estime que rien, dans son audit des états financiers, ne lui donne de raison de penser que les fonds n'ont pas été régulièrement employés à l'acquittement de dépenses autorisées ou qu'ils ne sont pas conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Autre observation sur la conformité

L'IBAN appelle l'attention sur le fait que le SI ne respecte pas pleinement la version révisée du Règlement financier de l'OTAN, approuvée par le Conseil de l'Atlantique Nord en 2015, ni les règles et procédures financières (FRP), approuvées par le Comité des budgets. Des cas de non-respect ont été constatés au cours de l'audit des états financiers de l'exercice 2018 et de ceux de l'exercice 2017 (IBA-AR(2018)0028) s'agissant de la gestion des risques, du contrôle interne et de l'audit interne. Les exigences du NFR et des FRP relatives à la gestion des risques et au contrôle interne s'appliquent à tous les aspects de l'activité du SI, y compris les questions financières et budgétaires relatives aux états financiers – sans toutefois qu'une distinction claire soit faite entre ces domaines – ainsi que la question de savoir si les fonds ont été employés régulièrement. À cet égard, la déclaration sur le contrôle interne soumise par le SI n'est pas pleinement explicite. L'IBAN n'a pas été amené à modifier son opinion du fait de cette situation.

Justification de l'opinion émise sur la conformité

L'IBAN a effectué la vérification portant sur la conformité sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

Responsabilité de la direction concernant la conformité

Tous les membres du personnel – civils et militaires – de l'OTAN sont tenus de respecter le Règlement financier de l'OTAN ainsi que les règles et procédures financières qui s'y rattachent et les directives d'application particulières, dont le Règlement du personnel civil de l'OTAN fait partie.

Le secrétaire général est responsable et tenu comptable d'une saine gestion financière. Les organismes OTAN doivent administrer leurs finances en s'appuyant sur les principes

suivants : adéquation, bonne gouvernance, obligation de rendre compte, transparence, gestion des risques et contrôle interne, audit interne, audit externe, prévention et détection des fraudes.

Responsabilité de l'IBAN concernant la conformité

Selon sa charte, en plus d'être responsable de fournir une assurance raisonnable quant à la question de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, l'IBAN doit chaque année rendre au Conseil un avis indépendant lui assurant que les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées (adéquation) et qu'ils sont conformes aux règles en vigueur (régularité). Par « adéquation », on entend le respect des principes généraux régissant une gestion financière saine ainsi que la conduite des membres de l'administration. Par « régularité », on entend le respect de critères officiels tels que les règlements, règles et procédures applicables.

Il incombe ainsi à l'IBAN d'appliquer des procédures lui permettant d'obtenir en toute indépendance une assurance sur le point de savoir si les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur. De telles procédures prévoient notamment la prise en compte des risques de non-conformité significative.

Bruxelles, le 13 septembre 2019



Hans Leijtens
Président

13 septembre 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS

CONCERNANT LE SECRÉTARIAT INTERNATIONAL

(SI)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018

Introduction

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers du Secrétariat international (SI) pour l'exercice clos le 31 décembre 2018. Il a émis une opinion sans réserve à leur sujet ainsi qu'une opinion sans réserve sur la conformité. Il a par ailleurs soulevé une question dans la section « Autre observation sur la conformité ».

Observations et recommandations

À l'issue de l'audit, l'IBAN a formulé trois observations assorties de recommandations, qui n'ont pas d'incidence sur les opinions émises :

1. Nécessité d'apporter des améliorations dans les domaines de la gestion des risques, du contrôle interne et de l'audit interne
2. Nécessité d'apporter des améliorations à la déclaration sur le contrôle interne
3. Lacunes dans le processus de confirmation des soldes de fin d'exercice entre entités OTAN

L'IBAN a par ailleurs fait le point sur la suite donnée aux treize questions ayant fait l'objet d'observations lors de précédents audits, et il a constaté que dix de ces questions avaient été traitées et que trois restaient à traiter.

L'IBAN a en outre adressé au directeur du Cabinet une lettre (IBA-AML(2019)0014) contenant huit observations à l'intention de la direction.

OBSERVATIONS ET RECOMMANDATIONS

1. NÉCESSITÉ D'APPORTER DES AMÉLIORATIONS DANS LES DOMAINES DE LA GESTION DES RISQUES, DU CONTRÔLE INTERNE ET DE L'AUDIT INTERNE

Contexte

1.1 Aux termes de l'article 11 du Règlement financier de l'OTAN (NFR), les chefs d'organisme OTAN veillent à ce que la réalisation des objectifs fixés par les pays puisse s'appuyer sur des procédures de gestion des risques conformes aux exigences d'efficacité, d'efficience et d'économie. En outre, ils déterminent, évaluent et atténuent les risques qui pèsent sur la réalisation de ces objectifs.

1.2 Selon les règles et procédures financières (FRP) XI, le chef d'organisme OTAN veille à ce qu'une approche globale de gestion des risques soit adoptée et à ce que toutes les divisions puissent identifier les principaux risques, en déterminer la nature et l'étendue, et mettre en place les mécanismes de contrôle propres à les atténuer. Le contrôleur des finances fixe les normes en matière de gestion des risques financiers. Il prévoit notamment un cadre approprié de contrôle interne, qui est revu par le responsable contrôle interne.

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

1.4 Aux termes du paragraphe 13.1 du NFR, tous les organismes OTAN effectuent un travail d'audit interne afin d'évaluer l'exposition aux risques et l'efficacité des contrôles internes pour ce qui est de la gestion des risques inhérents à la gouvernance, à l'exploitation et aux systèmes d'information de l'entité.

Observations

1.5 L'IBAN a constaté que le SI n'avait pas appliqué pleinement la nouvelle version du NFR et des FRP. Beaucoup a été fait pour déterminer les risques et établir des procédures d'évaluation et d'atténuation de ces risques (article 11), mais, dans certains domaines, il reste encore du travail à accomplir. Ce processus a commencé en 2016. Des registres des risques séparés ont, certes, été établis pour différents domaines, mais ils n'ont pas encore été regroupés. Les risques au niveau du SI ne peuvent donc être pleinement évalués en raison des possibles interdépendances transversales.

1.6 L'IBAN constate que des améliorations ont été apportées s'agissant du respect de l'article 12 du NFR (contrôle interne). La plupart des insuffisances qui existaient dans les contrôles destinés à garantir l'exactitude et la fiabilité des données comptables ont été corrigées. En outre, on dispose maintenant de pistes d'audit et de documents étayant les données présentées dans les états financiers, mais il y a encore des améliorations à apporter.

1.7 L'IBAN note que le SI est sur le point d'adopter le COSO en tant que cadre de contrôle interne destiné à déterminer si son système de contrôle interne est conforme aux FRP XII. L'adoption d'un cadre spécifique est un pas important, indispensable pour montrer clairement à tous qu'un système complet de contrôle interne et de gestion des risques est en place. Ce cadre n'a toutefois pas encore été mis en place.

1.8 Par ailleurs, comme le SI n'a pas appliqué pleinement la nouvelle version du NFR et des FRP en ce qui concerne la gestion des risques et le contrôle interne, son service Audit interne n'est pas en mesure d'évaluer, dans l'ensemble de l'organisme, l'exposition aux risques et l'efficacité des contrôles internes pour ce qui est de la gestion des risques inhérents à la gouvernance, à l'exploitation et aux systèmes d'information, ainsi que le prévoit l'article 13 du NFR. Selon l'IBAN, ces cas de non-respect du NFR et des FRP ont une incidence sur les attentes des utilisateurs s'agissant de l'exercice par le SI de l'obligation de rendre compte.

Recommandation

1.9 L'IBAN recommande au SI de se donner pour priorité de se mettre en conformité avec toutes les dispositions de la nouvelle version du NFR et des FRP, en particulier pour ce qui est de la gestion des risques et du contrôle interne. Ainsi, le SI devrait s'attacher notamment :

- à mettre la touche finale à la politique de gestion des risques applicable à toute l'entité et à élaborer un registre global des risques couvrant toutes les interdépendances transversales ;
- à évaluer et à consigner par écrit le fonctionnement de son système de contrôle interne et de gestion des risques afin de se conformer au NFR et aux FRP ;
- à faire organiser par son service Audit interne des activités d'audit aux fins d'une évaluation du caractère approprié, de la qualité et de l'efficacité du contrôle interne et de la gestion des risques dans l'ensemble de l'entité.

2. NÉCESSITÉ D'APPORTER DES AMÉLIORATIONS À LA DÉCLARATION SUR LE CONTRÔLE INTERNE

Contexte

2.1 Aux termes de l'article 3.1 du NFR, les chefs d'organisme OTAN sont chargés d'assurer à tout moment une saine gestion financière et de mettre en place les mécanismes de gouvernance nécessaires à cet effet, tout en respectant leur obligation de rendre compte. Dans ce contexte, ils veillent notamment à mettre en place des mesures de gouvernance financière, des pratiques de gestion des ressources, des contrôles internes et des systèmes d'information financière, puis à les tenir à jour, afin de garantir une utilisation efficace et efficiente des ressources.

2.2 L'article 3.2 du NFR stipule que l'attachement à l'article 3.1 est confirmé chaque année par la signature des états financiers et des déclarations sur le contrôle interne. Les uns et les autres doivent être signés par le chef d'organisme OTAN et le contrôleur des finances.

2.3 La déclaration sur le contrôle interne est le document dans lequel la direction expose son approche et ses responsabilités dans les domaines de la gestion des risques, du contrôle interne et de la gouvernance. Elle sert aussi à mettre en avant les insuffisances qui existent dans le système de contrôle interne de l'entité considérée. Les organismes OTAN doivent fournir l'assurance qu'ils gèrent et contrôlent de manière appropriée les ressources dont ils ont la charge. La déclaration sur le contrôle interne est un document important pour la communication des assurances requises aux parties prenantes. L'IBAN examine la déclaration sur le contrôle interne pour s'assurer qu'elle cadre avec la connaissance qu'il a de l'entité considérée.

2.4 Les FRP XII prévoient que la déclaration sur le contrôle interne doit comporter les éléments suivants :

- a) une confirmation qu'un système efficace de contrôle interne est tenu et utilisé par l'entité OTAN ;
- b) une confirmation que le système de contrôle interne fournit une assurance raisonnable quant à l'efficacité et à l'efficience de l'exploitation, à la fiabilité de l'information financière ainsi qu'à la conformité aux règles et règlements applicables ;
- c) une confirmation quant à la préservation des actifs ;
- d) une appréciation du caractère adéquat du système de contrôle interne en place ;
- e) une référence au cadre de contrôle interne employé par l'entité OTAN pour l'évaluation ;

- f) une synthèse de l'évaluation de l'efficacité du système de contrôle interne, précisant les informations sur lesquelles cette évaluation est fondée ;
- g) une liste des points à améliorer dans le système de contrôle interne et une estimation des conséquences que pourraient avoir les faiblesses constatées.

Observations

2.5 La déclaration sur le contrôle interne établie par le SI de l'OTAN (appendice 1 à la présente lettre d'observations et de recommandations) comporte les rubriques suivantes :

- périmètre de responsabilité ;
- objectif du système de contrôle interne ;
- cadre de contrôle interne ;
- évaluation de l'efficacité ;
- point à améliorer.

2.6 Dans la rubrique « Objectif du système de contrôle interne », il est indiqué qu'un système de contrôle interne était partiellement en place pour l'exercice financier clos le 31 décembre 2018, et jusqu'à la date de la publication des états financiers. Dans la rubrique « Point à améliorer », il est précisé que le fonctionnement du système de contrôle interne reste largement tributaire de l'environnement de contrôle, et notamment des connaissances acquises et des valeurs partagées par le personnel, et que, dans ce contexte, toute lacune est susceptible de poser problème. Ces deux affirmations ne fournissent pas la confirmation demandée dans les FRP XII et ne précisent pas expressément les cas où la confirmation n'est pas possible.

2.7 La déclaration sur le contrôle interne établie par le SI de l'OTAN contient la confirmation que les états financiers donnent une image fidèle et exacte de la valeur des opérations financières effectuées par le SI de l'OTAN pour l'exercice 2018. Elle contient aussi la confirmation que les fonds et les actifs détenus au nom des pays, et notamment les liquidités, sont préservés. Enfin, il est affirmé dans cette déclaration que, sur la base des informations émanant des sources qui y sont évoquées, le contrôle interne du compte rendu financier est approprié. L'IBAN considère toutefois que le contenu de la déclaration sur le contrôle interne n'est pas conforme aux FRP XII car il ne couvre pas pleinement les éléments suivants :

- a) confirmation qu'un système efficace de contrôle interne est tenu et utilisé par l'entité OTAN ;
- b) confirmation que le système de contrôle interne fournit une assurance raisonnable quant à l'efficacité et à l'efficience de l'exploitation, à la fiabilité de l'information financière ainsi qu'à la conformité aux règles et règlements applicables ;

c) confirmation quant à la préservation des actifs ;

d) appréciation du caractère adéquat du système de contrôle interne en place.

2.8 La déclaration sur le contrôle interne est un document de première importance pour l'exercice de l'obligation de rendre compte. Toutes les entités OTAN doivent impérativement fournir une telle déclaration afin de satisfaire aux exigences du NFR et des FRP.

Recommandation

2.9 L'IBAN recommande que le SI de l'OTAN améliore la déclaration sur le contrôle interne en faisant en sorte que ce document couvre de manière exhaustive toutes les exigences fixées dans les FRP XII et présente expressément les éléments pour lesquels une confirmation n'est pas possible.

3. LACUNES DANS LE PROCESSUS DE CONFIRMATION DES SOLDES DE FIN D'EXERCICE ENTRE ENTITÉS OTAN

Contexte

3.1 Il y a beaucoup d'interactions entre les organismes OTAN. Ainsi, l'Agence OTAN d'information et de communication (NCIA) et l'Agence OTAN de soutien et d'acquisition (NSPA) fournissent divers services au SI, qui fournit des services à l'État-major militaire international (EMI), aux délégations des pays et à divers organismes OTAN.

3.2 Ces interactions se traduisent par l'existence, en fin d'exercice, d'éléments d'actif et de passif, qui sont comptabilisés dans les états financiers de chacun des organismes OTAN concernés.

Observation

3.3 Le SI cherche à faire confirmer par les autres grands organismes OTAN le solde des éléments d'actif et de passif leur correspondant en fin d'exercice et organise pour cela des réunions avec eux. L'IBAN a toutefois constaté que le SI ne consignait pas de manière exhaustive et formelle la confirmation des soldes de fin d'exercice concernant les divers organismes OTAN (NCIA, NSPA, EMI et autres organismes). Ainsi, il n'existe aucune certitude quant au fait que les divers organismes OTAN vont confirmer le montant des soldes.

Recommandation

3.4 L'IBAN recommande au SI d'établir des procédures officielles efficaces qui permettront de consigner la confirmation par les autres organismes OTAN du solde des

éléments d'actif et de passif leur correspondant en prévision de l'établissement des états financiers. S'il y a des différences, le SI devrait organiser une réunion avec les organismes OTAN concernés afin de procéder à un rapprochement des montants et de faire la lumière sur les éléments en souffrance.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits. On trouvera dans le tableau ci-après un récapitulatif de ces observations et des mesures prises par l'entité ainsi qu'un état de la question.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
(1) Exercice 2017 IBA-AR(2018)0028, paragraphe 1.4 ABSENCE DE RETRAITEMENT DES MONTANTS DE 2016 FOURNIS POUR COMPARAISON Recommandation du Collège Le Collège ne formule aucune recommandation suite à cette observation, qui l'a toutefois amené à émettre une opinion avec réserve sur la conformité.	Aucun retraitement n'a été effectué en 2018.	Question traitée.
(2) Exercice 2017 IBA-AR(2018)0028, paragraphe 2.3 PUBLICATION TARDIVE DES ÉTATS FINANCIERS Recommandation du Collège La diffusion tardive des états financiers 2017 du SI a donné lieu à la formulation d'une opinion avec réserve sur la conformité.	L'IBAN n'a reçu les états financiers 2018 du SI signés que le 17 avril 2019.	Question à traiter.
(3) Exercice 2017 IBA-AR(2018)0028, paragraphe 3.4 SOLDE DE TRÉSORERIE RÉSIDUEL NON RAPPROCHÉ Recommandation du Collège Le Collège recommande au SI de chercher à connaître la cause de la différence dans les chiffres présentés pour la rubrique « Trésorerie et équivalents » et de prendre les mesures correctives nécessaires avant d'établir les états financiers de 2018. Toutefois, si le SI détermine, documents à l'appui, qu'il n'est pas possible d'identifier les opérations qui ont donné lieu à cette différence, le Collège recommande que le SI radie les liquidités résiduelles non rapprochées en se conformant aux dispositions du NFR.	Le solde de trésorerie résiduel a été radié.	Question traitée.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
(4) Exercice 2017 IBA-AR(2018)0028, paragraphe 4.6 PASSATION DE MARCHÉS PAR DU PERSONNEL NON AUTORISÉ Recommandation du Collège Le Collège recommande au SI de faire en sorte qu'aucun achat non autorisé ne soit effectué à l'avenir, par exemple en diffusant un rappel indiquant à tout le personnel que seuls les agents habilités peuvent exercer des fonctions d'acquisition.	Aucun cas de ce type n'a été relevé en 2018.	Question traitée.
(5) Exercice 2017 IBA-AR(2018)0028, paragraphe 5.9 NÉCESSITÉ D'APPORTER DES AMÉLIORATIONS DANS LES DOMAINES DE LA GESTION DES RISQUES, DU CONTRÔLE INTERNE ET DE L'AUDIT INTERNE Recommandation du Collège Le Collège recommande au SI de se donner pour priorité de se mettre en conformité avec toutes les dispositions de la nouvelle version du NFR et des FRP. Ainsi, le SI devrait s'attacher notamment : a) à établir une politique de gestion des risques applicable à toute l'entité et à élaborer des registres des risques dans l'ensemble de ses divisions ; b) à évaluer et à consigner par écrit le fonctionnement de son système de contrôle interne et de gestion des risques afin de se conformer au NFR, aux FRP et au cadre de contrôle interne qu'il aura choisi ; c) à se doter d'un cadre de contrôle interne spécifique pour l'évaluation de son système de contrôle interne ; d) à faire organiser par son service Audit interne des activités d'audit aux fins d'une évaluation complète du contrôle interne et de la gestion des risques dans l'ensemble de l'entité ; tout ce qui serait fait dans ce cadre devrait être dûment documenté, de manière à ce que l'on puisse déterminer si le SI se conforme bien à la nouvelle version du NFR et des FRP.	Question rendue caduque par l'observation 1 formulée pour l'exercice 2018.	Question traitée.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
(6) Exercice 2016 IBA-AR(2017)40, paragraphe 2.2 ERREURS DANS LE TABLEAU DES FLUX DE TRÉSORERIE Recommandation du Collège Le Collège recommande au SI de faire en sorte que les tableaux des flux de trésorerie soient arithmétiquement corrects, qu'ils soient conformes à l'IPSAS 2 et qu'ils puissent être rapprochés des mouvements présentés dans l'état de la situation financière et dans l'état de la performance financière.	Le tableau des flux de trésorerie était arithmétiquement correct, et il a fait l'objet d'un rapprochement complet avec les états de la situation financière et de la performance financière. Toutefois, certaines des informations relatives aux mouvements fournies dans l'état de la situation financière n'étaient pas décrites correctement.	Question à traiter.
(7) Exercice 2016 IBA-AR(2017)40, paragraphe 3.7 DIVERGENCE ENTRE LES MONTANTS DES ENGAGEMENTS REPORTÉS Recommandation du Collège Le Collège recommande au SI d'expliquer la différence constatée entre les engagements reportés sur 2016 et ceux reportés de 2015. En outre, il lui recommande de veiller à ce que le montant des engagements reportés qu'il présentera dans ses états financiers de 2017 soit correct.	La différence constatée entre les engagements reportés sur 2016 et ceux reportés de 2015 n'a pas été expliquée, mais cela n'a pas d'incidence sur les états financiers de 2018. Aucune différence significative n'a été constatée entre les montants reportés et les montants présentés dans les états financiers de 2018 et dans les chiffres de 2017 fournis pour comparaison.	Question traitée.
(8) Exercice 2015 IBA-AR(2017)04, paragraphe 4.3 LE REPORT D'ENGAGEMENTS FONDÉS SUR DES DEMANDES D'ACHAT ACCROÎT LE RISQUE DE NON-CONFORMITÉ ET D'INEXACTITUDES Recommandation du Collège L'OFC devrait envisager, avec les responsables des programmes, l'implémentation de processus de travail qui, à l'avenir, garantiront que des ordres d'achat doivent être établis pour la création	L'OFC a travaillé en concertation avec les responsables des programmes pour limiter l'utilisation des demandes	Question traitée.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
d'obligations de paiement et qu'ils doivent servir de base juridique pour les reports, l'utilisation de demandes d'achat devant être strictement limitée aux cas où il y a un besoin opérationnel. Lorsque des demandes d'achat font l'objet d'un report, il faudrait mettre en place des contrôles, ainsi que des mesures de suivi, et les documenter clairement.	d'achat aux cas où il y a un besoin opérationnel étayé par des documents. En outre, aucun cas important de demande d'achat non étayée ayant servi à créer une obligation de paiement n'a été relevé.	
(9) Exercice 2015 IBA-AR(2017)04, paragraphe 4.4 RAPPROCHEMENT DES FACTURES, DES ORDRES D'ACHAT ET DES BORDEREAUX DE LIVRAISON DE BIENS ET DE SERVICES Recommandation du Collège Dans le droit fil de sa recommandation concernant l'approbation des demandes d'achat, le Collège recommande d'implémenter des processus de travail qui, à l'avenir, garantiront que des ordres d'achat doivent être établis pour la création d'obligations de paiement et qui limiteront l'utilisation de demandes d'achat aux cas où elles sont absolument nécessaires. De plus, l'OFC devrait utiliser la méthode de rapprochement axée sur trois éléments chaque fois que c'est possible et faisable. Il faudrait aussi déterminer et documenter les cas où l'appariement est autorisé, et effectuer ensuite des contrôles.	L'OFC utilise en principe la méthode de rapprochement axée sur trois éléments. L'OFC signale les cas d'appariement, qui sont ensuite communiqués au service concerné et font l'objet d'un suivi approprié.	Question traitée.
(10) Exercice 2015 IBA-AR(2017)04, paragraphe 5.2 ABSENCE D'EXAMEN PÉRIODIQUE DES DROITS D'ACCÈS UTILISATEUR Recommandation du Collège Le SI devrait établir, en fournissant des documents à l'appui, des procédures qui définissent des canaux officiels de communication, afin que le centre de compétences soit tenu au courant du transfert d'agents entre services. Il faudrait en outre examiner à intervalle régulier la situation pour savoir quels sont les utilisateurs et quelles sont les responsabilités, de sorte que les rôles et les responsabilités appropriés soient attribués aux agents auxquels ils incombent. De plus, il faudrait fixer une date d'expiration de l'autorisation d'accès en fonction de la durée du contrat des utilisateurs.	Tous les mois, les Ressources humaines établissent un rapport sur les transferts d'agents et le communiquent à tous les services concernés. Lorsqu'un agent cesse ses fonctions ou est transféré dans une autre division, le SI est donc informé des changements, et les droits d'accès des utilisateurs sont actualisés dans l'ERP. Les droits d'accès sont octroyés indépendamment de la durée du contrat des utilisateurs. Toutefois, lorsqu'un agent cesse	Question traitée.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
	ses fonctions ou est transféré dans une autre division, les droits d'accès sont systématiquement actualisés.	
(11) Exercice 2015 IBA-AR(2017)04, paragraphe 5.3 NÉCESSITÉ DE CONTRÔLER L'UTILISATION DE LA FONCTION « CHANGER D'UTILISATEUR » Recommandation du Collège Le SI devrait mettre en place des contrôles destinés à garantir que le recours à la fonction « Changer d'utilisateur » soit strictement contrôlé et suivi, et que cette fonction ne soit utilisée que dans les cas appropriés. Ces contrôles pourraient prendre la forme d'un rapport périodique spécifiant clairement qui a utilisé la fonction, quand et à quelle fin. Les restrictions concernant l'utilisation de la fonction « Changer d'utilisateur » et les contrôles s'y rapportant devraient être clairement étayés par des documents.	Le SI contrôle l'utilisation de la fonction « Changer d'utilisateur » dans le cadre de l'examen des contrôles internes relatifs aux utilisateurs qu'il effectue dans l'ERP. Un rapport montrant qui a utilisé la fonction « Changer d'utilisateur » peut être généré dans l'ERP. Il peut faire l'objet d'un rapprochement avec les restrictions prévues dans les profils attribués dans le système.	Question traitée.
(12) Exercice 2013 IBA-AR(2014)19, paragraphe 6 ABSENCE DE CONFIRMATION DU SOLDE DES ÉLÉMENTS D'ACTIF ET DE PASSIF IMPUTABLES À D'AUTRES ENTITÉS OTAN EN FIN D'EXERCICE Recommandation du Collège Le Collège recommande au SI de se faire confirmer par les autres entités OTAN concernées le solde des éléments d'actif et de passif leur correspondant en prévision de l'établissement des états financiers de 2014.	Le SI ne s'est pas fait confirmer par toutes les autres entités OTAN concernées le solde des éléments d'actif et de passif de fin d'exercice en vue de l'établissement de ses états financiers de 2018. Les soldes relatifs à la NCIA ont toutefois été confirmés, l'Agence étant pour le SI un important fournisseur de services.	Question traitée.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
	Question rendue caduque par l'observation 6 formulée pour l'exercice 2018.	
(13) Exercice 2010 IBA-AR(2012)08, paragraphe 5.2 COMPTABILISATION DES FONDS RELATIFS À L'EX-ORGANISATION DE PRODUCTION ET DE LOGISTIQUE OTAN HAWK Recommandation du Collège Le Collège recommande au SI de déterminer la meilleure méthode à suivre pour la comptabilisation et la présentation des actifs et des passifs du Bureau de gestion OTAN HAWK ainsi que des mouvements de fonds enregistrés au cours de l'exercice.	Les montants à verser aux pays ont été déterminés et sont présentés dans le système comptable du SI. Toutefois, il faut encore établir des états financiers définitifs officiels afin que les montants dus aux pays puissent être versés.	Question à traiter.

Une question est considérée comme étant « à traiter » lorsqu'aucun progrès notable n'a encore été réalisé en vue de son règlement. Une question est considérée comme étant « en cours de traitement » lorsque l'organisme OTAN visé a commencé à mettre en œuvre la recommandation correspondante ou lorsque certains éléments de la recommandation (mais pas tous) ont été suivis d'effets. Une question est considérée comme étant « traitée » lorsque la recommandation correspondante a été mise en œuvre ou qu'elle a été rendue ou est devenue caduque.

NATO SANS CLASSIFICATION

APPENDICE 1
ANNEXE 3
IBA-AR(2019)0020-REV1

	NATO	INTERNATIONAL STAFF OFFICE OF FINANCIAL CONTROL
	OTAN	SECRÉTARIAT INTERNATIONAL BUREAU DU CONTRÔLE FINANCIER

NATO UNCLASSIFIED

9 April 2019
FC(2019)0054

From: NATO Secretary General
Financial Controller, NATO International Staff

Subject: **Statement on Internal Control**
NATO International Staff 2018

Scope of responsibility

Attached are the un-audited NATO International Staff (NATO-IS) financial statements for 2018 which have been prepared under our responsibility.

In accordance with the new NATO Financial Regulations, the present Statement on Internal Control accompanies the NATO International Staff (NATO-IS) financial statements for 2018.

As NATO Secretary General, I am responsible for administration of a system of internal control that contributes to the objective of effective and efficient operations in support of the NATO-IS mission.

As Financial Controller, I have responsibility for administration of the financial control system that supports the achievement of the NATO-IS' mission. I am personally responsible for the correct use of all international appropriated funds made available to the Organization.

It is our responsibility to ensure that an effective system of internal control is maintained and operated by NATO International Staff (IS). The system is applied to several NATO budgets and entities for which the IS manages the budget and financial operations and in particular for the NATO-IS.

The NATO-IS internal control system is designed to manage rather than eliminate the risk of failure to achieve the Organisation's mission; it can therefore only provide reasonable and not absolute assurance of effectiveness.

Purpose of the system of internal control

The system of internal control is designed to support the NATO-IS mission by providing reasonable assurance of the achievement of objectives in terms of: the effectiveness and efficiency operations, the reliability of financial information, and compliance with applicable rules and regulations. This includes safeguarding the Organisation's funds and assets.

The system of internal control is an ongoing process designed to identify the principal risks to the achievement of the NATO-IS mission, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process was partially in place for the financial year ended 31 December 2018 (see below), and up to the date of the issuance of the Financial Statements.

NATO SANS CLASSIFICATION

FC(2019)0054

Internal control framework

The key elements of the internal control system include:

- NATO Financial Regulations and the Financial Rules and Procedures for the International Staff,
- Civilian Personnel Regulations,
- the NATO Code of Conduct,
- the Objective Based Budgeting system for the Civil Budget,
- the Civil Budget Medium Term Financial Plan,
- the International Staff Procurement Manual,
- the NATO International Staff IT financial and budgeting systems,
- segregation of duties between the functions of budget holder, approving officer, accountant and treasurer; and between requestors and procurement officers,
- management supervision and a system of delegation,
- an internal audit function,
- annual accounts and budget reporting.

Review of effectiveness

Our review of the effectiveness of the system of internal control over financial reporting is informed by the work of the Office's internal auditors, by the executive managers within the Organization who have responsibility for the development and maintenance of the internal control framework, and by the decisions and recommendations of the Budget Committee, as well as the Resource Policy and Planning Board. Our review is also informed by the activity of the Contracts Awards Committee and feedback from the managers in the Office of Financial Control in charge of control functions.

It also relies on observations made by the external auditors in their reports, not only relative to the NATO International Staff but also to other entities for which the IS Office of Financial Control exercises similar functions.

Observations made by IBAN up until the last audited financial statements have been taken into account. IBAN observations on other financial statements issued by the IS OFC are taken into account because the related internal control system is very similar.

The review also relies on the set of risk assessments conducted for miscellaneous projects and activities. Although this cannot be considered as an enterprise risk management framework, it introduces an increasing degree of management control over important projects conducted by the NATO International Staff.

Based on the information from these sources, internal control over financial reporting is adequate. There is however an issue which needs to be addressed.

Area for improvement

The issues raised in the previous Statements of Internal Control relating to the implementing issues of the Enterprise Resource Planning (ERP) system have largely been resolved. Issues encountered have been identified and most have been settled during 2017 and 2018. It is considered that the ERP has now reached a stable and reliable point and that staff can use the system in an effective way. The ERP has allowed for a substantial improvement in terms of segregation of duties. Further developments are in progress in particular in the area of Programme and Extra-Budgetary Funds management and of Human Resources.

NATO SANS CLASSIFICATION

APPENDICE 1
ANNEXE 3
IBA-AR(2019)0020-REV1

FC(2019)0054

These financial statements are based on transactions recorded in the ERP. Significant improvements were achieved regarding accruals, cut-off, reconciliations, monthly closures, detailed reports and timelines for the issuance of the financial statements. The 2018 financial statements were issued in a timelier manner and cut-off issues are considered to be minimized, although this is an area where some progress still remains to be made at the level of funds managers. Data comparison between 2018 and 2017 should not be materially affected.

The internal control system still relies greatly on the control environment, in particular on knowledge acquired and values shared by the staff. In this context, any existing single point of failure could become an issue.

Our assessment is therefore that the internal control system over financial reporting in place during 2018 has continued to improve.

Any remaining issues had no material impact on the budgetary contributions called from Nations to fund the NATO Civil Budget. Funds and assets held on behalf of Nations, in particular cash holdings, are preserved.

In our opinion these financial statements provide a true and fair value of the financial activities of NATO-IS for 2018.



Jens STOLTENBERG
Secretary General



Stéphane CHAGNOT
Financial Controller

NATO SANS CLASSIFICATION

**COMMENTAIRES OFFICIELS DU SECRÉTARIAT INTERNATIONAL (SI)
CONCERNANT LA LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
ET POSITION DU COLLÈGE INTERNATIONAL
DES AUDITEURS EXTERNES DE L'OTAN (IBAN)**

**OBSERVATION N° 1 :
NÉCESSITÉ D'APPORTER DES AMÉLIORATIONS DANS LES DOMAINES DE LA
GESTION DES RISQUES, DU CONTRÔLE INTERNE ET DE L'AUDIT INTERNE**

Commentaires officiels du Secrétariat international

Le SI souscrit à la recommandation. La nécessité d'une gestion des risques à l'échelle du SI a été pleinement reconnue et traitée dans le cadre de la revue des fonctions (voir le PO(2018)0491 par exemple). Le SI de l'OTAN s'emploie à établir un inventaire des risques couvrant l'ensemble de l'entité en vue de son examen par les hauts responsables. En outre, un bureau d'audit interne et de gestion des risques a été mis en place en janvier 2019 et un poste d'administrateur chargé du contrôle interne a été créé au sein de l'OFC du SI.

**OBSERVATION N° 2 :
NÉCESSITÉ D'APPORTER DES AMÉLIORATIONS À LA DÉCLARATION SUR LE
CONTRÔLE INTERNE**

Commentaires officiels du Secrétariat international

La déclaration sur le contrôle interne que le SI de l'OTAN a établie et jointe à ses états financiers est axée sur le processus de compte rendu financier et sur la préservation des actifs. À cet égard, le SI partage les préoccupations exprimées par l'IBAN au paragraphe 3.16 de l'IBA-M(2019)0001-REV1. Le SI souscrit à la recommandation.

**OBSERVATION N° 3 :
LACUNES DANS LE PROCESSUS DE CONFIRMATION DES SOLDES DE FIN
D'EXERCICE ENTRE ENTITÉS OTAN**

Commentaires officiels du Secrétariat international

Le SI cherche bien à se faire confirmer par ses principaux interlocuteurs OTAN (NSPA, ACO et NCIA) les soldes de fin d'exercice pour ce qui est des dépenses effectives. Des réunions sont organisées et les éventuelles différences sont examinées. Le SI reconnaît que le processus n'est pas totalement étayé par des documents et qu'il pourrait être étendu aux engagements, mais un processus est quand même en place. On peut présumer que cette recommandation pourrait s'appliquer aux autres organismes OTAN pour lesquels il n'y a pas de rapprochement avec les comptes du SI.

**NATO INTERNATIONAL STAFF
FINANCIAL STATEMENTS**

For the year ended
31 December 2018

Annexes

- | | |
|---|---|
| 1 | Statement of financial position |
| 2 | Statement of financial performance |
| 3 | Cash flow statement |
| 4 | Changes in Net Assets |
| 5 | Budgetary execution statements |
| 6 | Explanatory notes to the financial statements |



Jens STOLTENBERG
Secretary General



Stephane CHAGNOT
Financial Controller

NATO INTERNATIONAL STAFF Statement of financial position

As at 31 December 2018

(All amounts in EUR)

	Notes	2018	2017
Assets			
<i>Current assets</i>			
Cash and cash equivalents	3	48,479,952.66	68,127,881.72
Short term investments	4	60,780,056.22	46,501,325.02
Receivables	5	50,424,592.50	32,257,679.05
Prepayments	6	4,335,733.07	4,032,132.44
Other current assets	7	3,176,785.87	2,506,594.59
Inventories	8	360,288.07	426,745.39
		167,557,408.39	153,852,358.21
<i>Non-current assets</i>			
Receivables	9	0.00	0.00
Property, plant & equipment	10	938,775,632.90	1,581,046.01
Intangible assets	11	6,277,754.78	14,763,958.37
Other non-current assets	12	9,787,308.00	0.00
		954,840,695.68	16,345,004.38
Total assets		1,122,398,104.07	170,197,362.59
Liabilities			
<i>Current liabilities</i>			
Payables	13	31,549,390.01	24,740,862.72
Deferred revenue	14	66,476,633.99	51,381,017.24
Advances	15	55,855,550.79	53,188,515.08
		0.00	
Short term provisions	16	68,692.00	0.00
Other current liabilities	17	22,533,263.67	23,984,283.52
		176,483,530.46	153,294,678.56
<i>Non-current liabilities</i>			
Payables	18	0.00	
Long term provisions	18	0.00	
Deferred revenue	19	945,053,387.68	16,345,004.38
Other non-current liabilities	20	0.00	0.00
		945,053,387.68	16,345,004.38
Total liabilities		1,121,536,918.14	169,639,682.94
Net assets	21		
Capital assets		0.00	
Reserves		0.00	
Current year Surplus / (Deficits)		303,506.28	298,672.87
Accumulated surpluses / (deficits) prior year		557,679.65	259,006.78
Total net assets/ equity		861,185.93	557,679.65

NATO INTERNATIONAL STAFF **Statement of financial performance**

As at 31 December 2018

(All amounts in EUR)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
Revenue			
Non exchange revenue	22	249,181,944.26	193,692,091.59
Exchange revenue	23	15,899,501.86	13,096,952.87
Other revenue	24	1,368,520.99	988,747.31
Financial revenue	25	398,177.18	399,290.73
Total revenue		<u>266,848,144.29</u>	<u>208,177,082.50</u>
Expenses			
Personnel	26	123,205,006.76	118,696,606.86
Contractual supplies and services	26	103,369,685.87	84,422,428.68
Depreciation and amortization	26	37,523,699.60	2,541,483.55
Impairment	26	5,251.84	24,070.42
Provisions	26	68,693.68	
Other expenses	26	1,978,249.59	1,814,363.87
Finance costs	25	394,050.67	379,456.25
Total expenses		<u>266,544,638.01</u>	<u>207,878,409.63</u>
Surplus/(Deficit) for the period	27	<u>303,506.28</u>	<u>298,672.87</u>

NATO INTERNATIONAL STAFF Statement of Cash Flow

As at 31 December 2018

(All amounts in EUR)

	Notes	2018	2017
Cash flow from operating activities	28		
Surplus/(Deficit)		303,506.28	298,672.87
Non-cash movements		303,506.28	298,672.87
Depreciation/ Amortisation		37,523,699.60	2,541,483.55
Impairment			
Increase /(decrease) in payables		24,571,179.75	(7,733,314.46)
Increase/ (decrease) in other current liabilities		927,257,363.45	(10,426,950.00)
Increase/ (decrease) in provisions		68,692.00	(418,077.20)
(Gains)/losses on sale of property, plant and equipment			
Decrease/ (Increase) in other current assets		926,238,213.22	11,350,465.15
Decrease/ (Increase) in receivables		(18,404,056.76)	9,721,188.18
Decrease/ (Increase) in other non current assets		(938,495,691.30)	905,746.83
Net cash flow from operating activities		958,759,399.96	5,940,542.05
Cash flow from investing activities			
Purchase of property plant and equipment / Intangible assets		(964,432,104.14)	(1,550,639.40)
Proceeds from sale of property plant and equipment			
Net cash flow from investing activities		(964,432,104.14)	(1,550,639.40)
Cash flow from financing activities		-	-
Net cash flow from financing activities			
Net increase/(decrease) in cash and cash equivalents		(5,369,197.90)	4,688,575.52
Cash and cash equivalent at the beginning of the period		114,629,206.74	109,940,631.22
Cash and cash equivalent at the end of the period		109,260,008.88	114,629,206.74

NATO INTERNATIONAL STAFF
Statement of Changes in Net Assets/Equity
As at 31 December 2018

(in EUR)

Balance at the beginning of the period 2017	259,006.78
Changes in accounting policy	
Restated balance	
Net (gains)/losses recognised directly in net assets/equity	
Exchange difference on translating foreign operations	
Gain on property revaluation	
Surplus/(deficit) for the period	298,672.87
Change in net assets/equity for the year ended 2017	298,672.87
Balance at the end of the period 2017	557,679.65
Balance at the beginning of the period 2018	557,679.65
Changes in accounting policy	
Restated balance	
Net (gains)/losses recognised directly in net assets/equity	
Exchange difference on translating foreign operations	
Gain on property revaluation	
Surplus/(deficit) for the period	303,506.28
Change in net assets/equity for the year ended 2018	303,506.28
Balance at the end of the period 2018	861,185.93

INTERNATIONAL STAFF
Statement of Budget Execution as at 31 December 2018

(amounts in euro)	Initial Budget	Increase / Decrease	Revised Budget	Transfers	Frozen Budget	Final budget	Commitments	Expenses	Total spent	Carry forward	Special carry forward	Lapsed
CIVIL BUDGET												
Chapter 1	127,879,384.42	1,198,476.27	129,077,860.69	147,581.00	-	129,225,441.69	339,015.30	127,534,426.86	127,873,442.16	339,015.30	249,985.00	1,102,014.53
Chapter 2	68,480,609.00	(131,375.85)	68,349,233.15	(620,113.00)	-	67,729,120.15	1,830,852.84	55,247,923.44	57,078,776.28	1,830,852.84	4,127,699.76	6,522,644.11
Chapter 3	2,106,787.00	1,720,169.00	3,826,956.00	435,032.00	-	4,261,988.00	95,097.60	1,357,581.24	1,452,678.84	95,097.60	2,556,408.00	252,901.16
Chapter 4	23,822,210.00	(325,269.32)	23,496,940.68	37,500.00	-	23,534,440.68	3,056,625.10	18,823,383.85	21,880,008.95	3,056,625.10	543,200.00	1,111,231.73
Total FY 2018	222,288,990.42	2,462,000.10	224,750,990.52	-	-	224,750,990.52	5,321,590.84	202,963,315.39	208,284,906.23	5,321,590.84	7,477,292.76	8,988,791.53
CIVIL BUDGET												
Chapter 1	851,819.37	-	851,819.37	-	-	851,819.37	22,175.99	63,248.46	85,424.45	22,175.99	-	766,394.92
Chapter 2	1,742,098.92	-	1,742,098.92	-	-	1,742,098.92	46,954.25	245,194.79	292,149.04	46,954.25	-	1,449,949.88
Chapter 3	654,148.01	-	654,148.01	-	-	654,148.01	154,351.55	491,880.76	646,232.31	154,351.55	-	7,915.70
Chapter 4	5,728,382.89	-	5,728,382.89	-	-	5,728,382.89	1,250,196.71	3,762,516.71	5,012,713.42	1,250,196.71	-	715,669.47
Total FY 2017	8,976,449.19	-	8,976,449.19	-	-	8,976,449.19	1,473,678.50	4,562,840.72	6,036,519.22	1,473,678.50	-	2,939,929.97
CIVIL BUDGET												
Chapter 1	127,376.16	-	127,376.16	-	-	127,376.16	-	59.02	59.02	-	-	127,317.14
Chapter 2	144,509.42	-	144,509.42	-	-	144,509.42	-	21,901.89	21,901.89	-	-	122,607.53
Chapter 3	15,046.19	-	15,046.19	-	-	15,046.19	-	-	-	-	-	15,046.19
Chapter 4	1,203,562.66	-	1,203,562.66	-	-	1,203,562.66	-	696,211.23	696,211.23	-	-	507,351.43
Total FY 2016	1,490,494.43	-	1,490,494.43	-	-	1,490,494.43	-	718,172.14	718,172.14	-	-	772,322.29
SPECIAL CARRY FORWARDS												
Chapter 1	3,014,312.15	-	3,014,312.15	-	-	3,014,312.15	83,207.10	1,687,864.84	1,771,071.94	83,207.10	778,354.00	464,886.21
Chapter 2	3,690,815.16	-	3,690,815.16	-	-	3,690,815.16	187,043.85	2,645,766.29	2,832,810.14	187,043.85	565,638.09	292,366.93
Chapter 3	6,778,535.88	-	6,778,535.88	-	-	6,778,535.88	21,752.30	2,005,903.34	2,027,655.64	21,752.30	4,409,638.00	341,242.24
Chapter 4	732,813.43	-	732,813.43	-	-	732,813.43	8,399.99	641,913.06	650,313.05	8,399.99	75,586.00	6,914.38
Total SPECIAL CARRY FORWARDS	14,216,476.62	-	14,216,476.62	-	-	14,216,476.62	300,403.24	6,981,447.53	7,281,850.77	300,403.24	5,829,216.09	1,105,409.76
	246,972,410.66	2,462,000.10	249,434,410.76	-	-	249,434,410.76	7,095,672.58	215,225,775.78	222,321,448.36	7,095,672.58	13,306,508.85	13,806,453.55

NATO INTERNATIONAL STAFF
Statement of Budget Execution as at 31 December 2017

(amounts in euro)	Initial Budget	Increase / Decrease	Revised Budget	Transfers	Frozen Budget	Final budget	Commitments	Expenses	Total spent	Carry forward	Special carry forward	Lapsed
CIVIL BUDGET												
Chapter 1	126,686,242.54	(451,532.42)	126,234,710.12	(162,388.55)	-	126,072,321.57	851,819.37	123,103,284.64	123,955,104.01	851,819.37	736,338.00	1,380,879.56
Chapter 2	49,173,678.00	7,131,838.92	56,305,516.92	301,069.00	100,000.00	56,706,585.92	1,742,098.92	43,880,455.60	45,622,554.52	1,742,098.92	2,523,039.00	8,560,992.40
Chapter 3	4,325,596.00	673,690.13	4,999,286.13	(133,444.00)	-	4,865,842.13	654,148.01	680,180.58	1,314,328.59	654,148.01	3,429,110.00	122,403.54
Chapter 4	23,488,812.00	(585,394.46)	22,903,417.54	(5,236.45)	-	22,898,181.09	5,728,382.89	15,737,506.48	21,465,889.37	5,728,382.89	716,586.00	715,705.72
Total FY 2017	203,674,328.54	6,768,602.17	210,442,930.71	0.00	100,000.00	210,542,930.71	8,976,449.19	183,381,427.30	192,357,876.49	8,976,449.19	7,405,073.00	10,779,981.22
CIVIL BUDGET												
Chapter 1	586,661.08	-	586,661.08	-	-	586,661.08	127,376.16	210,693.62	338,069.78	127,376.16	-	248,591.30
Chapter 2	4,710,115.14	-	4,710,115.14	-	-	4,710,115.14	144,509.42	2,551,624.58	2,696,134.00	144,509.42	-	2,013,981.14
Chapter 3	1,023,195.92	-	1,023,195.92	-	-	1,023,195.92	15,046.19	863,729.99	878,776.18	15,046.19	-	144,419.74
Chapter 4	1,591,447.20	-	1,591,447.20	-	-	1,591,447.20	1,203,562.66	(455,928.92)	747,633.74	1,203,562.66	-	843,813.46
Total FY 2016	7,911,419.34	-	7,911,419.34	-	-	7,911,419.34	1,490,494.43	3,170,119.27	4,660,613.70	1,490,494.43	-	3,250,805.64
CIVIL BUDGET												
Chapter 1	249,760.61	-	249,760.61	-	-	249,760.61	24,892.66	49,917.03	74,809.69	24,892.66	-	174,950.92
Chapter 2	654,614.50	-	654,614.50	-	-	654,614.50	22,020.59	99,041.30	121,061.89	22,020.59	-	533,552.61
Chapter 3	185,371.34	-	185,371.34	-	-	185,371.34	133,180.77	(21,819.65)	111,361.12	133,180.77	-	74,010.22
Chapter 4	129,447.28	-	129,447.28	-	-	129,447.28	4,749.25	(237,670.00)	(232,920.75)	4,749.25	-	362,368.03
Total FY 2015	1,219,193.73	-	1,219,193.73	-	-	1,219,193.73	184,843.27	(110,531.32)	74,311.95	184,843.27	-	1,144,881.78
SPECIAL CARRY FORWARDS												
Chapter 1	4,510,049.78	-	4,510,049.78	-	-	4,510,049.78	3,720.49	2,011,433.30	2,015,153.79	3,720.49	2,249,360.55	245,535.44
Chapter 2	2,059,652.56	-	2,059,652.56	-	-	2,059,652.56	605,343.57	585,276.51	1,190,620.08	605,343.57	540,412.00	328,620.48
Chapter 3	5,091,667.57	-	5,091,667.57	-	-	5,091,667.57	1,656,453.11	819,725.99	2,476,179.10	1,656,453.11	1,559,792.00	1,055,696.47
Chapter 4	16,453.58	-	16,453.58	-	-	16,453.58	11,478.18	(14,237.09)	(2,758.91)	11,478.18	-	19,212.49
Total SPECIAL CARRY FORWARDS	11,677,823.49	-	11,677,823.49	-	-	11,677,823.49	2,276,995.35	3,402,198.71	5,679,194.06	2,276,995.35	4,349,564.55	1,649,064.88
	224,482,765.10	6,768,602.17	231,251,367.27	0.00	100,000.00	231,351,367.27	12,928,782.24	189,843,213.96	202,771,996.20	12,928,782.24	11,754,637.55	16,824,733.52

NATO PMIS
Statement of Budget Execution
 As at 31 December 2018

(amounts in euro)	Initial budget	Transfers	BA2	Transfers	BA3	Transfers	Final budget	Actuals	Carry forward	Lapsed
PMIS										
Chapter 1	192,700	-	192,700	-	192,700	-	192,700	185,956	-	6,744
Chapter 2	302,179	-	302,179	-	302,179	-	302,179	275,477	-	26,702
Chapter 3	-	-	-	-	-	-	-	-	-	-
Total FY 2018	494,879	-	494,879	-	494,879	-	494,879	461,433	-	33,446
PMIS										
Chapter 1	-	-	-	-	-	-	-	-	-	-
Chapter 2	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-
Total FY 2017	-	-	-	-	-	-	-	-	-	-
PMIS										
Chapter 1	-	-	-	-	-	-	-	-	-	-
Chapter 2	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-
Total FY 2016	-	-	-	-	-	-	-	-	-	-
Total all budgets	494,879	-	494,879	-	494,879	-	494,879	461,433	-	33,446

NATO PMIS
Statement of Budget Execution
 As at 31 December 2017

(amounts in euro)	Initial budget	Transfers	BA2	Transfers	BA3	Transfers	Final budget	Actuals	Carry forward	Lapsed
PMIS										
Chapter 1	180,355	-	180,355	-	180,355	-	180,355	161,366	-	18,989
Chapter 2	258,693	-	258,693	-	258,693	-	258,693	233,443	-	25,250
Chapter 3	-	-	-	-	-	-	-	-	-	-
Total FY 2017	439,048	-	439,048	-	439,048	-	439,048	394,810	-	44,239
PMIS										
Chapter 1	-	-	-	-	-	-	-	-	-	-
Chapter 2	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-
Total FY 2016	-	-	-	-	-	-	-	-	-	-
PMIS										
Chapter 1	-	-	-	-	-	-	-	-	-	-
Chapter 2	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-
Total FY 2015	-	-	-	-	-	-	-	-	-	-
Total all budgets	439,048	-	439,048	-	439,048	-	439,048	394,810	-	44,239

NATO OSS
Statement of Budget Execution
As at 31 December 2018

(amounts in euro)

	Initial budget	Increase	BA2	Transfers	BA3	Transfers	Frozen Budget	Final budget	Actuals	Carry forward	Lapsed
OSS											
Chapter 1	402,000	-	402,000	-	402,000	-	-	402,000	351,859	-	50,141
Chapter 2	-	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-	-
Total FY 2018	402,000	-	402,000	-	402,000	-	-	402,000	351,859	-	50,141
OSS											
Chapter 1	492,202	-	492,202	-	492,202	-	-	492,202	-	-	492,202
Chapter 2	-	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-	-
Total FY 2017	492,202	-	492,202	-	492,202	-	-	492,202	-	-	492,202
OSS											
Chapter 1	-	-	-	-	-	-	-	-	-	-	-
Chapter 2	-	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-	-
Total FY 2016	-	-	-	-	-	-	-	-	-	-	-
Total all budgets	894,202	-	894,202	-	894,202	-	-	894,202	351,859	-	542,343

NATO OSS
Statement of Budget Execution
 As at 31 December 2017

(amounts in euro)

	Initial budget	Increase	BA2	Transfers	BA3	Transfers	Frozen Budget	Final budget	Actuals	Carry forward	Lapsed
OSS											
Chapter 1	900,000	-	900,000	-	900,000	-	-	900,000	900,000	-	-
Chapter 2	-	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-	-
Total FY 2017	900,000	-	900,000	-	900,000	-	-	900,000	900,000	-	-
OSS											
Chapter 1	501,167	-	501,167	-	501,167	-	492,202	993,369	450,898	50,269	492,202
Chapter 2	-	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-	-
Total FY 2016	501,167	-	501,167	-	501,167	-	492,202	993,369	450,898	50,269	492,202
OSS											
Chapter 1	-	-	-	-	-	-	-	-	-	-	-
Chapter 2	-	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-	-
Total FY 2015	-	-	-	-	-	-	-	-	-	-	-
Total all budgets	1,401,167	-	1,401,167	-	1,401,167	-	492,202	1,893,369	1,350,898	50,269	492,202

**EXPLANATORY NOTES TO NATO INTERNATIONAL STAFF
2018 FINANCIAL STATEMENTS****NOTE 1: GENERAL INFORMATION**

NATO's essential purpose is to safeguard the freedom and security of its members through political and military means. Politically, NATO promotes democratic values and encourages consultation and cooperation on defence and security issues to build trust and, in the long run, prevent conflict. Militarily, NATO is committed to the peaceful resolution of disputes. If diplomatic efforts fail, it has the military capacity needed to undertake crisis-management operations. These are carried out under Article 5 of the Washington Treaty - NATO's founding treaty - or under a United Nations mandate, alone or in cooperation with other countries and international organizations.

The International Staff was created in 1951 to support the North Atlantic Council (NAC) (Council resolution D-D(51)30). The "Agreement on the Status of the North Atlantic Treaty Organization" defined its status, which National Representative and International Staff negotiated and signed in September of 1951.

The IS is an advisory and administrative body whose primary role is to support the national delegations of the 29 member states at NATO Headquarters. It produces policy papers, background notes and reports on issues relevant to NATO's political and military agenda and, in doing so, supports the process of consensus building and decision-making in the Alliance. The IS then helps to implement the decisions taken in NATO's committees and liaises closely with the nations and NATO's International Military Staff (IMS).

Headed by the Secretary General, the IS includes eight divisions, each headed by an Assistant Secretary General and a number of Independent Offices headed by Directors. Some 1,000 civilians work within the IS at NATO Headquarters in Brussels, Belgium. They owe their allegiance to the Alliance throughout the period of their appointment. They are either recruited directly by the Organization or seconded by their governments and each appointment is approved by the Secretary General.

The financial statements cover the budgetary and financial operations relating to the NATO International Staff (IS) budgeted and non-budgeted functions and programs.

NOTE 2: ACCOUNTING POLICIES

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

Declaration of conformity

The NATO-IS financial statements have been prepared in accordance with the NATO Accounting Framework which adapts a small number of IPSAS standards to better suit the specific requirements of the Alliance (as originally approved by nations under C-M(2013)0039 on 26 July 2013 and revised under C-M(2016)0023 on 29 April 2016) and with the NATO Financial Regulations (NFR) and respective Financial Rules and Procedures (FRP).

Basis of preparation

The financial statements have been prepared on a going-concern basis: NATO-IS will continue in operation for the foreseeable future.

The amounts shown in these financial statements are presented in EUR

The financial year begins on 1 January and ends on 31 December of the same year.

The following IPSAS have no material effect on the 2018 financial statements of the NATO-IS:
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

Concerning IPSAS 6: Consolidated and Separate Financial Statements, the transactions concerning the NATO Staff Centre as it was managed on the premises of the previous NATO HQ up until August 2018 are not consolidated with those of the International Staff, as the IPSAS 6 "Consolidated and Separate Financial Statements" would require, but are reported separately in accordance with a specific NAC decision taken under C-M(20103)0054. The new management model adopted by Nations concerning Morale and Welfare Activities, in place from September 2018 further to the move to the new premises, requires consolidation within the NATO International Staff accounts.

Segment Reporting

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. For NATO IS the segment information is based on principal activities and different sources of financing for different categories of activities of the organisation. To this end, the following segments have been adopted: Civil Budget, Reimbursable Expenses, Personnel Management Information System, Office of Shared Services, Extra-Budgetary Funds, Partners' Accommodation, Refurbishment of Building Z and, since September 2018, the Morale and Welfare Recreational Activities (MWR) (see above).

Changes in Accounting Policy

None to report.

Reclassification of Financial Statements of Previous Years

None to report. It should be noted, however, that a number of regularisations of transactions pertaining to previous years were done during 2018 to correct issues related to the first period of use of the new EPR system early in 2015, however this should not affect the comparability of information between financial years.

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 NATO-IS budget is authorized and managed in EUR so contributions are called in EUR. The same situation prevails for the other entities which are budget driven such as the Personnel Management Information System and the Office of Shared Services. Foreign currency transactions as required are accounted for at the NATO exchange rates prevailing on the date of the transaction. Monetary assets and liabilities at year-end which were denominated in foreign currencies were converted into EUR using the NATO exchange rates applicable at 31 December of the fiscal year.

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.

Financial risks

NATO-IS uses only non-derivative financial instruments as part of its normal operations. These financial elements 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 majority of the NATO-IS's expenditures are made in EUR. The current bank accounts are held in EUR, CAD, CHF, DKK, GBP, NOK and USD. There are accounts with local banks for the Information and Liaison Offices in New York, Moscow, Kyiv, Tbilisi, Chisinau and Tashkent. The currency risk associated with these holdings is considered limited in consideration of the level of the aggregated amount held in these accounts.

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.

b. Credit risk

Concerning cash and cash equivalent, the NATO-IS 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 principally with ING Bank (Belgium) which has the following short term credit ratings:

Credit Ratings as at 01/03/2019

Short Term	Fitch	Moody's	S&P
ING Bank - Short term	F1	P1	A-1
Monte Paschi	B	Not rated	Not rated
Wells Fargo	F1	P1	A-2

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. Some limited risk could be due to the accuracy of budget forecasts. However, past history shows that this process results in surpluses, and the budgetary rules provide for revised budgets.

d. Interest rate risk

Except for certain cash and cash equivalent balances, the NATO-IS financial assets and liabilities do not have associated interest rates. NATO-IS 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.

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, other short term highly liquid investments.

This includes funds managed on behalf of third parties which are held in cash and are presented as a liability. They are accounted for when cash is effectively received.

b. Receivables

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

Contributions receivable are recognised when a call for contribution, based on the approved budget, has been issued to the funding Nations. These receivables represent the uncollected contributions from Member Nations. No allowance for loss is recorded with respect to Member countries' assessed contributions receivable.

c. Prepayments

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

d. Other Current Assets

Other Current Assets correspond to miscellaneous amounts due to NATO IS such as accrued income, rent related deposits, and other assets that do not result from the standard order to cash process, such as the counterpart of untaken leave, miscellaneous transactions to be regularized, including between entities managed by the IS Office of Financial Control, and advances made to non-consolidated NATO entities, generally in order to ease their treasury situation.

e. Inventories

As mentioned above, NATO's adaptations of IPSAS are spelled out in C-M(2016)0023 of April 2016, which included IPSAS 12 Inventories. Furthermore, C-M(2017)0043 of September 2017 approved the NATO Accounting Policy for Inventory.

When it comes to assessing the control of NATO Inventory, these documents define a set of 10 criteria to be used in assessing the level of control of an Inventory 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, under the initial NATO Accounting Framework C-M(2013)0039 of July 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

NATO IS 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.

NATO IS 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.

NATO IS 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, NATO IS 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.

NATO IS 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.

Inventories relate to those across the IS HQ. Inventories in external offices abroad are not considered to be material.

Fixed assets (Property, Plant & Equipment and Intangible Assets)

a. Property, Plant & Equipment

As mentioned above NATO's adaptation of IPSAS are spelled out in C M(2016)0023 of April 2016 among which were specific items addressing IPSAS 17 PPE. Furthermore, C-M(2017)0022(INV) approved the NATO accounting policy for Property, Plant and Equipment.

When it comes to assessing the control of NATO over PPE these documents define a set of 10 criteria to be used in assessing the level of control of a tangible 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, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013

Capitalization 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

In light of the move to the New NATO HQ in 2018, it has been decided, in general, that core PPE relating to the previous HQ and Building Z will be fully expensed as will any fixed equipment and furniture that is not to be transferred to the current HQ. Only movable items purchased with a view to being used again in the current HQ/Building Z environment will be capitalized.

Early 2019, the Budget Committee approved the write-off of all IS and IMS Furniture, Fixtures and Equipment left in the previous HQ further to the move to the new site (BC-D(20019)0034 (INV)).

Where and as appropriate, the value of specific pieces of PPE (for example buildings), will be broken down into component parts to allow depreciation of different parts of the asset at different rates. The IS has considered PP&E acquired prior to 1 January 2013 as fully expensed. For PPE held prior to 1 January 2013 and not previously recognized as an asset, the IS will provide a brief description in the Notes below.

NATO-IS deems that the NAC, by approving this guideline, recognized that the resources necessary to deal with the issues capitalising the legacy assets would exceed the benefits. In light of this and, combined with the fact that substantial assets would not survive the move to the current NATO HQ in 2018, NATO-IS decided to apply the IPSAS principle of balance between Benefit and Cost (IPSAS 1, Appendix A).

b. Intangible Assets

As mentioned above, NATO's adaptations of IPSAS are spelled out in C-M(2017)0023 of April 2013, which included IPSAS 31 Intangible Assets. Furthermore, C-M(2017)0044 approved the NATO accounting policy for intangible assets.

When it comes to assessing the control of NATO over Intangible Assets, these documents define a set of 10 criteria to be used in assessing the level of control of an Intangible 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, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013.

NATO Intangible Assets Capitalization Thresholds – NATO-IS will capitalise each intangible asset item that is 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

NATO-IS will capitalize all controlled intangible assets above the NATO Intangible Asset Capitalization Threshold. For anything below the threshold, the IS will have the flexibility to expense specific items. NATO-IS will capitalize integrated systems and include research, development and implementation, and can include both software and hardware elements. But NATO-IS will not capitalise the following types of intangible assets in its financial statements:

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

NATO-IS will capitalize other types of intangible assets acquired after 1 January 2013 including:

- Copyright
- Intellectual Property Rights
- Software development

NATO-IS may consider intangible assets acquired prior to 1 January 2013 as fully expensed. The IS looked as far back as 2006 in establishing values of work in progress, especially software under development.

NATO-IS 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, NATO-IS 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 assets held, locations where they 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 capitalized.

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.

Current liabilities

a. Payables

Payables are amounts due to Nations in relation with budget rules or to third parties for goods received and services provided that remain unpaid. This includes an estimate of accrued obligations to third parties for goods and services received but not yet invoiced.

b. Advances and Unearned revenue

Funds are always called in advance of need because NATO-IS has no capital that would allow it to pre-finance any of its activities.

Unearned 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 matching expenses.

Advances are recognised when calls in relation to future year budgets are issued. Advances made by contributing nations outside of the call for contributions process are recorded when cash is received.

c. Other Current Liabilities

Amounts corresponding to the current year budgetary surplus (lapsed credits + net interest + miscellaneous income) are considered a liability towards the contributing nations. The settlement does not follow the normal accounts payable process, since the standard approach is to return them to contributing 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.

This item also includes the valuation of staff untaken leave.

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 cumulative surpluses/deficits of non-budgetary activities such as Partner Accommodation where income follows a process that is relatively independent from the actual level of expenses, and does not automatically balance expenses as in the standard NATO budget process. For such activities, the yearly execution results in a surplus or a deficit.

Leases

In addition to lease agreements that NATO-IS has signed for its own use, lease contracts were signed by NATO-IS for some delegations' accommodation; the related costs are charged back to the occupants in relation to the surface they occupy in the leased buildings.

Revenue and expense recognition**a. Revenue from non-exchange transactions**

Revenue from non-exchange transactions comprises contributions from Participating Nations when they are based on officially approved cost shares or on a voluntary basis that are not approximately equal to the proportion of value received. This applies to all budget driven segments or entities (Civil Budget, Office of Shared Services) and to Extra Budgetary Funds.

Civil Budget contributions to be called from Member Nations, based on the budget approved by the North Atlantic Council, are initially recorded as unearned revenue liabilities. Because contributions are subject to conditions that, if unfulfilled, require the return of the transferred resources, the entity recognises a liability until the condition is fulfilled.

Assessed contributions for the NATO-IS Civil Budget are accounted for as unearned revenue when called; revenue is recognised and the liability is discharged when the conditions are fulfilled. Revenue is recognised in 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 which relate to future periods are deferred accordingly.

Voluntary contributions such as pledges in relation to Extra Budgetary Funds are accounted for as unearned revenue when confirmed by the donor; revenue is recognised and the liability is discharged when the conditions are fulfilled.

In-kind contributions of services are currently not recognised in the Statement of Financial Performance. The number of Voluntary National Contributions (VNCs) staff is disclosed in the "employee disclosure" section below.

b. Revenue from exchange transactions

Resources of revenue from exchange transactions are measured at fair value of the consideration received or receivable and are recognised when goods and services are delivered. This is revenue in relation to the reimbursement of administrative support and common operating costs, Refundable Expenses, PMIS and Partners' Accommodation costs.

c. Long term unearned revenue

The budget resources provided by Nations for the funding of capital expenditure are recognised as a liability in the Statement of Financial position as long term unearned revenue. Earned revenue will be progressively recognised from long term unearned revenue, in an amount equal to annual depreciation of the related non-current assets, as future economic benefits and service potential will flow to the NATO international Staff when the asset is operational.

NOTE 3: CASH AND CASH EQUIVALENTS

The current bank accounts at NATO HQ are held in EUR, CAD, CHF, DKK, GBP, NOK and USD. Deposits are held in bank current accounts that are immediately available.

NATO-IS has information and liaison offices in Moscow, Kyiv, Tbilisi and Chisinau. Current accounts of these offices are held with local banks.

Cash is also held for Extra Budgetary Funds for which NATO-IS is the executing agent and therefore acts as the principal, or for which NATO-IS acts as Treasurer. These projects are not financed by the common funding principle. These Extra Budgetary Funds managed on behalf of third parties are held in cash or as a receivable if they correspond to an unpaid non-budgetary contribution in relation to nationally funded elements. In the case of an anticipated contribution, they are accounted for when cash is effectively received. The corresponding amounts are presented as a current liability.

NATO Reimbursable Expenses, Partners' Accommodation and Building Z Refurbishment use the same bank account as NATO IS. The breakdown provided below corresponds to their implicit position which may be positive or negative (in case they find themselves in a cash shortage position such as Partners' Accommodation because of the prepayments to be made in relation to leases of related buildings).

Cash and cash equivalent (amounts in EUR)	2018	2017
NATO IS HQ Civil Budget	33,163,660.98	48,435,310.56
NATO IS External Offices	586,742.36	460,187.19
NATO IS Petty Cash	7,964.51	3,998.83
NATO IS HQ Reimbursable Expenses	(1,504,337.10)	(145,814.73)
PMIS	(157,838.58)	145,460.07
Office of Shared Services	942,678.71	1,145,436.09
Extra Budgetary Funds	13,439,184.32	16,647,919.60
Partners' Accommodation	(470,356.88)	(670,749.04)
Refurbishment of Building Z	2,137,025.48	2,106,133.15
Morale and Welfare Recreational Activities (Staff Centre)	335,228.86	n.a.
Total	48,479,952.66	68,127,881.72

There was a discrepancy, end 2017, between the general ledger and cash on the bank statements. The Budget Committee approved the write-off of the remaining amount of EUR 53,316.95 corresponding to this imbalance (BC-DS(2019)011(INV)).

NOTE 4: SHORT TERM INVESTMENTS

Short term investments are made in highly liquid and high quality paper in consideration of the situation of interest rates. For practical reasons all funds are placed from the IS bank accounts including amounts originating from another segment. The table below indicates the origin of the funds subject to short term investments.

Short Term Investments (amounts in EUR)	2018	2017
NATO IS HQ Civil Budget	50,000,025.02	35,001,325.02
NATO IS HQ Reimbursable Expenses)	-	-
NATO IS External Offices	-	-
PMIS	-	-
Office of Shared Services	-	1,500,000.00
Extra Budgetary Funds	10,780,031.20	10,000,000.00
Partners' Accomodation	-	-
Refurbishment of Building Z	-	-
Total	60,780,056.22	46,501,325.02

NOTE 5: CURRENT ASSETS: ACCOUNTS RECEIVABLE

Accounts receivable are mainly outstanding contributions for the NATO Civil Budget related to the call issued at the end of the year and amounts due by other bodies and member Nations for services rendered by the International Staff (Common Operating Costs and Administrative Support).

Contributions receivable from NATO member Nations are essentially funds requested from the Nations to finance the Civil Budget and the advances called in relation to the following year Civil Budget that remain unpaid at year end. In accordance with the standard procedure, one advance for the following year's budget is called at the end of the current year and two calls for contributions are issued during year, usually in February and in November. Other receivables from NATO member Nations correspond mainly to amounts due in relation to common operating costs, administrative support and rental of office accommodation.

Receivables from Member or Partner Nations and others correspond to amounts due in relation to common operating costs, administrative support, rental of modular buildings, accommodation fees of Partner buildings, items procured on behalf of third parties, contributions to the Von Karman Institute etc. They also correspond to outstanding amounts in relation to the funding of specific national requirements concerning the refurbishment of Building Z.

Receivables from staff correspond to miscellaneous services (e.g. use of telephone for private purposes). This item also includes amounts due from the insurer to compensate for salary costs of staff on long term sick leave.

NOTE 6: PREPAYMENTS

Prepayments to suppliers relate mostly to rental fees for the year to come, which have to be paid in advance, and to advances to the Belgian Ministry of Defence in relation to minor works to be done in the current NATO HQ.

Prepayments to staff members correspond to advances to be regularised (mainly education allowances for the following year but also travel on duty, and loans, as provided by the CPRs).

2018			
Prepayments (in EUR)	IS	Partners' Accomodation	Total
Suppliers	1,708,311.69	1,290,043.89	2,998,355.58
Staff	1,337,379.09	-	1,337,379.09
Others	-	-	-
TOTAL	3,045,690.78	1,290,043.89	4,335,734.67

2017			
Prepayments (in EUR)	IS	Partners' Accomodation	Total
Suppliers	1,442,193.43	1,283,123.82	2,725,317.25
Staff	1,306,815.19	-	1,306,815.19
Others	-	-	-
TOTAL	2,749,008.62	1,283,123.82	4,032,132.44

NOTE 7: OTHER CURRENT ASSETS

These consist essentially of the counterpart of the valuation of untaken leave (EUR 1,966,535.32) and advances to non-consolidated NATO entities (EUR 1.137 million).

The counterpart of untaken leave is 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.

Advances to the Post Employment Benefit Schemes are cash advances to the Defined Contribution Pension Scheme to ease the payment of invalidity and retirement annuities (EUR 320,000 end 2018; EUR 200,000 end 2017). Advances were also done towards the previous NATO Staff Centre to ease its liquidity situation up until its financial closure (EUR 817,898.75 end 2018; EUR 261,898.75 end 2017).

NOTE 8: INVENTORIES

The table below provides a breakdown of inventories.

Description	Stock Value as of 31Dec17	2018 Issues	2018 Purchases	Stock Value as of 31Dec18
Office Supplies	€ 212,070.24	€ 96,291.12	€ 114,120.59	€ 229,899.71
Buildings & Infrastructure Supplies	€ 170,563.09	€ 244,730.11	€ 142,967.99	€ 68,800.97
TV Studio Supplies	€ -	€ -	€ -	€ -
Vaccines & Medicines	€ 4,578.06	€ 9,188.82	€ 10,115.55	€ 5,504.79
NOS Consumables	€ 39,534.00	€ 35,174.40	€ 51,723.00	€ 56,082.60
Total	€ 426,745.39	€ 385,384.45	€ 318,927.13	€ 360,288.07

NOTE 9: NON CURRENT ASSETS: RECEIVABLES

Nothing to report.

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

The following principles have been applied.

Property, Plant and Equipment

Infrastructure, plant and equipment are stated under the accounting principles mentioned in Note 2 above.

This consists principally of costs related to the Network Realignment and Robustness (NR2) and audiovisual equipment. Network Realignment and Robustness (NR2) is part of a strategic plan to revitalize the management and support of Information and Communications Technology (ICT) within the previous Headquarters. This element delivered a hardware and software upgrade to the physical infrastructure for which the bulk was delivered prior to the close of 2012.

Land and buildings

Land and buildings are shown at fair value, based on internal valuation and judgment on each reporting date.

Concerning the current NATO HQ:

During the first half of 2018, NATO moved to its new premises further to the handover from the Host Nations (Belgium and NCIA) to NATO of the all of the main elements of the projects that enabled operations in the new building. As a consequence, and as per the provisions of the NATO Accounting Framework (C-M(2016)0023), all assets that were recorded as work in progress in the "New NATO HQ" financial statements have been transferred to the NATO International Staff, or the NCIA (for the IT assets).

The value of the current HQ building includes items considered as Common Funded and items considered as Nationally Funded. The reasoning stems from a number of factors. The current HQ building constitutes a coherent and global building whose purpose is to bring together member nations in order to enable an efficient and effective consultation process. This situation whereby dedicated National Representations are present on site is very specific to NATO and does not always exist in other comparable international organizations. The member nations are not considered, from a legal perspective, as having direct property rights on the parts of the building corresponding to their own delegation premises, but rather having an exclusive right of use. In this respect the different funding mechanisms cannot be deemed a factor justifying a specific accounting treatment. The situation also carries certain restrictions, such as the inability to execute works affecting or altering the basic structure of the building, or to use the premises for purposes different than housing their national delegation to NATO, or to independently sell their premises. Additionally, it is difficult to accurately distinguish the value between these common and nationally funded elements. Their inclusion provides useful and clear information which contributes to financial transparency. Common funded and nationally funded construction works were managed as a single project. The economic benefit or the service potential is measured by the contribution to consensus building and therefore it cannot be separated from NATO's purpose. Therefore, this would not justify a separate accounting treatment.

It should be noted that this approach does not apply to the national fit-out segment, for which four nations decided to act separately.

There are no longer any PPE or IT assets appearing on the statement of financial position of the current NATO HQ.

Although parts of the building and its systems had been handed over from the PMT to NATO International Staff during 2017, the handover process was not complete by end 2017; elements still remained in the hands of the PMT and of the NCIA. NATO International Staff did not yet benefit from the service potential of the building at year end 2017.

Concerning the previous NATO HQ:

Belgium granted to NATO by way of concession a plot of land on which NATO was authorized to erect all necessary buildings and facilities needed to perform its functions. A symbolic price is paid annually for the rent. NATO is the full owner of all structures built thereon. Belgium remains the sole and full owner of the land, which is public domain ("domaine publique"). The concession ends 180 days after NATO has left the buildings and facilities. At the end of the concession, there will be no property rights transferred to NATO. As a consequence, given the indefinite economic life of land and the specific nature of concessions, the use of the land is classified as an operational lease. The rent charged by the host nation is recognised as an expense in the Statement of Financial Performance.

NATO UNCLASSIFIED

6-13

ANNEX 6 to
FC(2019)0053

The original buildings of the previous HQ site are estimated as having a zero value in consideration of their age, of the terms of the concession agreement, of the limited value for money of an evaluation study and of the move to new premises in 2018.

Items purchased prior to 1 January 2013:

Material and non-recorded items purchased prior to 1 January 2013 are the fourth wing of Building Z, assessed at the historical cost of EUR 2.566 million, and the Secretary General's residence with an assessed market value of EUR 10,300,000 as at November 2013.

The table below concerns the IS for its Civil Budget segment.

(amounts in EUR)	Carrying Amount end 2017	Corrections related to PPE IT module	Additions	Disposals	Depreciation	Reclass	Impairment	Carrying Amount end 2018
COMMON FUNDED								
Land & Building			666,899,391.64	0	(9,726,497.30)		0	657,172,894.34
Installed equipment	49,779.75		294,627,717.55	0	(17,232,973)	694,282	0	278,138,805.98
Machinery	206,501.49	331,700.00		0	(66,014)		0	472,187.57
Transportation Equipment	154,035.19	1,798.00	189,106.35	(5,871)	(90,087)		0	248,981.76
Communications	54,050.75			0	(45,430)		0	8,620.93
IT Equipment	373,700.00	(331,700.40)	220,027.57	0	(70,844)		0	191,183.61
Intangible assets	5,920,553.94	417,590.40	21,097.01		(10,711,243)	8,470,684		4,118,682.51
Intangible assets under development	8,843,309.24		2,480,634.81			(9,164,966)		2,158,978.16
TOTAL	15,601,930.36	419,388.00	964,437,974.93	(5,870.79)	(37,943,087.64)	-	-	942,510,334.86

Corrections had to be done further to an analysis of the depreciation durations applied to certain items capitalized prior to 2018 resulting in an increase of EUR 419,388, which was balanced by an equivalent adjustment to Long Term Unearned Revenue.

(amounts in EUR)	Carrying Amount end 2016	Corrections related to PPE module	Additions 2017	Disposals 2017	Depreciation 2017	Reclass 2017	Impairment 2017	Carrying Amount end 2017
COMMON FUNDED								
Automated Information Systems	45,229.33				(45,229.04)			0.30
Installed equipment	55,636.12				(5,856)			49,779.75
Machinery	65,860.00		156,420.50		(15,779)			206,501.49
Transportation Equipment	125,539.28		79,813.73		(51,318)			154,035.19
Communications	331,891.73				(277,841)			54,050.75
IT Equipment	628,684.68				(9,405)	(245,580)		373,700.00
Intangible assets	5,628,657.53		941,780.17		(2,136,055)	1,486,172		5,920,553.94
Intangible assets under development	9,711,276.22		372,625.00			(1,240,592)		8,843,309.24
TOTAL	16,592,774.89	-	1,550,639.40	-	(2,541,483.64)	-	-	15,601,930.66

There is also PPE under construction related to the refurbishment of Building Z in the amount of EUR 2,542,957.6 (EUR 742,978.80 end 2017).

NOTE 11: INTANGIBLE ASSETS

Intangible assets are stated at historical cost minus accumulated depreciation and any recognized impairment loss. The assets deemed valid are software/hardware systems that are work in progress and will be continue to be used in the current HQ. They are as follows:

- Digital Assets Management System (DAMS) – this is a Public Diplomacy tool that makes NATO's digital assets accessible in multiple formats to the media. It will improve the retrieval and availability of multimedia files to all NATO Staff and will serve as Public Diplomacy's single shared storage platform for all public digital assets.
- Enterprise Resource Planning (ERP) – this Oracle based software enables NATO-IS to more effectively manage and report on the human and financial resources under its responsibility by integrating business processes from Finance, Budget, Procurement, Facility Management, and Human Resources (HR).

NATO UNCLASSIFIED

6-13

- Integrated Library System (ILS) – the project is designed to provide an online library automation solution to support the daily operations of the IS Library (which is part of PDD) ranging from cataloguing and circulation procedures to delivering resources and services via its website.
- Web Content Management (WCM) – the project updates and improves the web based content management system for the public website of NATO Headquarters.
- Enterprise Information Management (EIM) is a core multi-year program of procedures and integrated software applications to manage information throughout NATO HQ and ensure that information is handled effectively and securely.
- Project Portfolio Management System (PPM) is part of a NATO Resource Reform process under the aegis of the NATO Office of Resources (NOR). The system provides the necessary functionality for collecting, analysing, validating, recording, consolidating and reporting information on current and planned common funded military resources in terms of Investment, Operation and Maintenance and Manpower costs.

Depreciation

Straight-line depreciation method is used for all categories, with the life cycles in keeping with those stated in the accounting policy.

Impairment of fixed assets

The carrying amounts of fixed assets are reviewed for impairment if events or changes of circumstances indicate that they may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss. Any provision for impairment losses is charged against the Statement of Financial Performance in the year concerned.

NOTE 12: OTHER NON-CURRENT ASSETS

An amount of EUR 9.787 million corresponds to the pre-financing of the cost of refurbishment and re-investment works in Building Z. It is equal to the funding that would have been called from NATO member nations, if the standard budgetary funding principles had been followed. This amount is based on current estimates and it will be adjusted when final costs are known. Occupancy fees to be charged to future occupants including the NATO International Staff will offset this amount.

NOTE 13: PAYABLES

Payables and accrued expenses may be to commercial suppliers, staff, Member Nations, other NATO bodies and Partner Nations.

Payable to suppliers

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.

Payable to personnel

Payable to personnel relates to amounts due to staff in relation to travel expenses and hospitalities.

Payable to Nations

There is a payable in relation to the reimbursable salaries due to certain countries (United States, Norway and the Netherlands) for civilian staff members who are paid directly by their governments. This amount payable can be used by the nations in question applying it against their annual project contribution.

Payable to other NATO bodies

This includes amounts received from NATO bodies in support of projects funded by the Civil Budget.

Accruals

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

The table below corresponds to the IS only.

Payables (in EUR)	2018	2017
Suppliers	4,047,547.10	3,860,011.47
Personnel Related	1,165,049.75	54,123.71
Member Nations	3,544,243.39	6,705,501.16
Accruals	19,232,424.96	8,411,147.49
Others		36,417.99
Total	27,989,265.20	19,067,201.82

NOTE 14: DEFERRED/UNEARNED REVENUE

Civil Budget:

Unearned revenue corresponds to contributions called for the current or previous years that NATO IS plans to use as originally intended, but for which corresponding expenses will be incurred after the reporting date of 31 December 2018.

Unearned revenue includes principally those amounts of contributions which will be spent in subsequent years on the NATO Civil Budget as credits carried-forward resulting from the budget execution in accordance with the NATO Financial Regulations. If the funds 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.

Extra Budgetary Funds:

Unearned Revenue corresponds essentially to contributions received in relation to Trust Funds for which the related project activities are not yet completed. These amounts should be spent in future years as the projects evolve.

NOTE 15: ADVANCES

The standard call for budget contributions process includes an advance on the following year's budget. Advances called amounting to EUR 52,000,000 relate to funding the 2018 Civil Budget (compared to EUR 51,000,000 previous year).

In addition, some Nations made ad hoc voluntary advance budget contributions in the net amount of EUR 3,432,530. (EUR 1.779 million end 2017).

NOTE 16: SHORT TERM PROVISIONS

There is a provision of EUR 68,692.00 in relation to a claim by the HQ catering services concessionaire concerning the situation under which it had to operate during the first months of activity in the new site.

NOTE 17: OTHER CURRENT LIABILITIES:

(in EUR)	2018	2017
Current Year Surplus	13,725,854.29	18,377,825.81
Closed Operations (Trust Funds, Projects or Entities)	2,052,698.88	2,305,335.14
Untaken Leave	1,966,535.32	1,786,579.40
Stikker Fund	95,774.61	95,774.61
Interentity Liability	10,000,000.00	11,955,046.87
Other	272,412.12	321,313.24
Overcall	3,916,859.84	-
Total Other Current Liabilities	32,030,135.06	34,841,875.07

Other Current Liabilities Linked to the Budget Process

Amounts corresponding to the current year budgetary surplus (lapsed credits + net interest + miscellaneous income) are considered a liability towards the contributing nations. The settlement does not follow the normal accounts payable process, since the standard approach is to return them to contributing nations via a deduction of the following year's call for budget contributions. Nations may also decide that part or all of the budgetary surplus is made available for use in future years (see Note on Budget Information).

Lapsed credits are budget funds for which no legal liability exists. They cannot be spent in subsequent years. Lapsed credits are deducted from the contributions due from Nations to fund the Civil Budget in the second call of the following year. For the PMIS, lapsed credits are deducted from the amounts due by the NATO participating entities for the following year. This principle does not apply to the Office of Shared Services, as exceptionally agreed by the Budget Committee. The other activities do not follow the standard budget process.

For the Civil Budget, receipts linked to interest, foreign exchange difference gains and bank charges are deducted from the contributions due by Nations to fund the Civil Budget in the following year; the deduction is made in the second call.

Miscellaneous receipts correspond to amounts collected by NATO-IS for services rendered to staff (e.g. private phone calls) or services rendered to and works performed for entities, including Delegations, present on the HQ site (e.g. telephone, refurbishment works, cabling). They also include amounts related to Science for Peace and Security grants returned to NATO-IS. These receipts come as a deduction in the calculation of the contributions due from nations to fund the Civil Budget in the following year; the deduction is made in the second call.

There can occasionally be an under-call or over-call of contributions. This was the case in 2018 since the information related to operations and maintenance amounts to be called from occupants of the HQ building was not complete or available at the moment of the issuance of the last call for budget contributions. Amounts concerned are regularised with the following calls for contributions.

Civil Budget Surplus (in EUR)	2018	2017
Lapsed Appropriations	13,806,453.55	16,824,733.52
Miscellaneous Income	(84,467.69)	1,556,869.33
Net Financial Income	3,868.43	(3,777.04)
Total: Current Year Surplus	13,725,854.29	18,377,825.81
Under-Call (Over-Call)	(3,916,859.84)	-
Total	17,642,714.13	18,377,825.81

Other Current Liabilities linked to closed or ad-hoc projects

Other Current Liabilities consist of monies initially contributed by Nations relating to balances of closed Trusts Funds for which NATO-IS is awaiting instructions on the redistribution of funds, to the settlement of the closure of former NATO entities (HAWK Agency) and AGS Support Staff Cell and to ad-hoc contributions by some Nations to specific projects.

Untaken Leave

Included at year end 2018 is the valuation of Untaken Leave (which has no impact on the current budgets) in the amount of EUR 1,966,535.32 (EUR 1,786,579.40 end 2017).

Stikker Fund

The Stikker Fund originates from a donation made by former Secretary General D.U. Stikker in the 1960s. In accordance with the conditions laid down by the donor, the Fund is used for special financial aid to NATO staff in exceptional and distressing circumstances (EUR 95,774.61 unchanged between 2017 and 2018).

NOTE 18: NON-CURRENT LIABILITIES: LONG TERM PROVISIONS

Nothing to report.

NOTE 19: NON-CURRENT LIABILITIES: DEFERRED REVENUE

Long term unearned revenue is unearned revenue in relation to net carrying amounts of PP&E and intangible assets. Revenue is recognised over the estimated life cycle of the PP&E and the intangible assets when PP&E and intangible assets are recognized.

NOTE 20: OTHER NON-CURRENT LIABILITIES

Nothing to report.

NOTE 21: NET ASSETS

Corresponds to miscellaneous accumulated surpluses/deficits generated outside of the budget execution context, essentially Partners Accommodation.

When the funding policy for Partners Accommodation (referred to as "Annex IV") was established in 1997 (BC-DS(97)18 Revised), Annex IV had budgetary credits authorised to provide for Partner accommodation on site. These were expanded to create offices in the Manfred Wörner Building. The Civil Budget Committee then decided to have the Partners reimburse the total rent and operational costs in proportion to the space they occupied. Further, Nations agreed that financing of Annex IV should be treated separately from the Civil Budget. They also agreed that Annex IV would, in future, be funded by Partners' rental payments, therefore Annex IV is not subject to the lapse rules foreseen in NATO's Financial Regulations. Over time, this process resulted in surpluses.

NOTE 22: REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the result can be measured reliably.

The total revenue from non-exchange transactions is essentially related to budget (or equivalent) driven segments, and in particular NATO-IS, the Office of Shared Services and Extra Budgetary Funds. Budget contributions, when called, are booked as unearned revenue and subsequently recognised as revenue when earned. The revenue recognition is matched with the recognition of expenses against the budgets. For Extra Budgetary Funds: revenue is matched to the costs of activities undertaken.

NOTE 23: REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the result can be measured reliably.

The total revenue from exchange transactions is broken down as follows. For the IS: revenue in relation to the reimbursement to the Civil Budget of administrative support and common operating costs, revenue received from concessions, miscellaneous income. For the PMIS: contributions from other NATO bodies to cover the expenses of the PMIS system according to their proportion of established posts. For Partners' Accommodation: rent charged principally to Partner Countries for office space at NATO HQ (Buildings V/VA/Wörner).

NOTE 24: OTHER REVENUE

In the case of the Building Z Refurbishment, Other Revenue is the balancing element in order to capitalize all expenses related to this project.

NOTE 25: FINANCIAL REVENUE AND COSTS

Financial revenue (principally from the Civil Budget) is measured at fair value received or receivable for interest and foreign exchange gains. This source of revenue is impacted by the current context where negative interest rates apply to EUR short term cash investments.

NOTE 26: EXPENSES**Wages, salaries and employee benefits**

The personnel related costs include all staff expenses, as well as other non-salary related expenses in support of common funded activities. The amounts include expenses for salaries and emoluments for approved NATO-IS positions and temporary personnel, for other salary related and non-related allowances including overtime, medical exams, recruitment, installation and removal and for contracted consultants and training in accordance with Civilian Personnel Regulations.

Operating costs: rents, supplies and consumables used

The operating costs relate primarily to costs necessary to the day to day operation of the HQ, as well as travel expenses. This item includes expenses classified as Capital expenditure from a budget perspective (to include items such as IT, security, television and radio studios etc.) but that did not qualify as capital from an IPSAS perspective.

Programmes and grants

The majority of grants are considered expended upon notification to the beneficiary of the decision to attribute the grant/award. Programmes and grants is a broad term that covers activities with Partners and NATO nations ranging from funding seminars and conferences through NGOs, to bringing groups of experts to NATO HQ for briefings and attributing grants in the framework of the Science for Peace Security Programme (the latter being the main component). It also includes the cost of running NATO Information and External Offices in Russia, Ukraine, Georgia, Moldova and New York.

Programmes and grants expenses include advances paid to beneficiaries of grants.

Depreciation and amortization

Depreciation and amortization expenses are not budgeted for.

Financial costs

Financial costs include expenses for banking costs and foreign exchange losses.

Other expenses

Other expenses include revenue received from concessions and transferred to the Staff Centre and summer camps. They also include the amount of net interest revenue and miscellaneous income that will be returned to the Nations and are booked as Other Current Liability in the Statement of Financial Position.

NOTE 27: RESULT OF THE PERIOD (SURPLUS/DEFICIT)

The surplus/deficit is realised from the activities in support of Partner accommodation.

NOTE 28: CASH FLOW STATEMENT

In accordance with the new NATO Accounting Framework, the cash flow statement is presented based on the indirect method.

NOTE 29: BUDGET INFORMATION**Presentation of budget information in the financial statements**

For the purposes of these financial statements, the term "budget" is understood as corresponding to a formal approval of expense limits by the North Atlantic Council or the Budget Committee. It does not correspond to situations where the term "budget" may be used for more managerial purposes and/or is used to forecast expenditure rather than limit its allocations.

From a budget perspective, the International Staff Financial Statements include the budget transactions of the following budget entities: the NATO Civil Budget (i.e. that of the NATO Headquarters in Brussels, essentially but not exclusively the International Staff), the NATO Wide PMIS (with the NATO Talent Acquisition Platform) and the Office of Shared Services.

Presently, none of these budgets is publicly available.

The actual amounts referred to by IPSAS 24 ("amounts that result from execution of the budget") are considered to be the actuals and the commitment of appropriations when the corresponding services or goods could not be received in the course of the year.

Budget Execution Rules and Principles

The following comments relate to the Civil Budget since it is the most important entity. The analysis and processes apply to a very large extent to the other two budget entities.

The initial approved budget corresponds to total appropriations authorised by the North Atlantic Council, normally at the end of the previous financial year. During the year the budget is adjusted as required. The final authorisation is the approved appropriations' situation as reported at the end of the financial year including budgetary increases/decreases approved by the Budget Committee and transfers approved by the Budget Committee or by the Financial Controller, depending on thresholds.

The budgets are prepared for the same period (1 January to 31 December) and encompass the same entities (NATO International Staff, the NATO Wide PMIS, Office of Shared Services, NATO Talent Acquisition Platform) as these financial statements but the basis is different.

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 or a further carry-forward of commitments not expended after having been carried-forward twice.

The Civil 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 are carried forward and added to the budget of the following financial year in relation to an existing legal commitment or if a special agreement is given by the Budget Committee. Under the new regulations they correspond to services not received or goods not delivered, at year-end, for specific circumstances. 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 credit 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 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 NATO member Nations may approve the special carry-forward of appropriations 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 Member Nations at year-end. Lapses may include cases where a project was eventually not completed or started, and therefore led to no expense.

The NATO Civil Budget

The Civil Budget is based on an Objective Based Budgeting (OBB) system which links financial and human resources to Global Objectives. Contributions to these Global Objectives by IS Divisions and Independent Offices are broken down into Operational Objectives. The OBB system is based on eight Global Objectives which are defined at a political and strategic level of the Organization.

The eight objectives are set out below:

- Crisis Management & Operations
- Collective Defence
- Cooperative Security
- Public Relations
- Consultation Process
- Operational Environment of the Headquarters Site

- Governance and Regulation
- Headquarters Security

The budget classification is also based on the economic nature of the expenses broken down into four Resource Pools as follows:

Resource Pool 1:	Personnel
Resource Pool 2:	Operations and Maintenance
Resource Pool 3:	Capital
Resource Pool 4:	Programmes

All budget transactions, commitments and expenses are tracked according to a classification by Objective and by Resource Pool.

Initial Civil Budget – Revised Civil Budget

In December 2017, the Council approved the 2018 initial Civil Budget of EUR 207,926,257 (C-M(2017)0064). This amount includes contributions to the Defined Contribution Pension Scheme (DCPS). In November 2018, the Budget Committee approved the revised 2018 Civil Budget in the same amount of EUR 207,926,257 (BC-D(2018)0221-REV2).

The appropriations of EUR 2.462 million, initially frozen, were all unfrozen during the financial year.

With C-M(2017)0064, the Council also approved to special carry- forward all lapsable appropriations from 2015, 2016 and 2017. The total special carry-forward of lapsable appropriations was EUR 16,824,734 (as identified in the 2017 IS Financial Statements).

Council approved a total of EUR 14,020,670 of special and further carry- forward of appropriations into financial year 2019 (C-M(2018)0066). In addition, the Budget Committee approved the additional special carry-forward of all lapsable appropriations from 2018 and prior years.

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

An analysis of budget execution for the NATO Civil Budget is provided at Annex 5.

Reconciliation between Budget Execution and Statement of Financial Performance

For 2018

		Amounts
Budget Execution Statement Total Costs		215,225,775.78
Depreciation & Amortisation Charges + PP&E Recognition	+	34,667,758.50
Impairments PP&E, Intangible Assets and Stock	+	
Impairments Receivables	+	
Stock Variation	+	66,457.32
NBV Fixed Assets Losses	+	
Financial Costs	+	323,872.83
Non-Budgetary Provisions	+	1,966,535.32
Other Non-Budgetary Costs	+	
Statement of Financial Performance Costs		252,250,399.75

For 2017

		Amounts
Budget Execution Statement Total Costs		189,843,213.96
Depreciation & Amotisation Charges	+	990,844.15
Impairments PP&E, Intangible Assets and Stocks	+	17,051.84
Impairments Receivables	+	
Stock Variation	+	294,272.57
Net Book Value Fixed Assets Losses	+	
PP&E Recognition	-	
Financial Costs	+	217,284.88
Non-Budgetary Provisions	+	1,786,579.40
Other Non-Budgetary Costs	+	
Statement of Financial Performance Costs		193,149,246.80

Human Resources Shared Services

The NATO IS Executive Management Human Resources was appointed as the provider of NATO-wide Human Resources Shared Services. In this context, a wide variety of services will be provided over time. During 2018 in addition to extant services related to the Integrated Payroll Personnel Management Information System (PMIS), operations related to the NATO Talent Acquisition Platform (NTAP) were put in place. In terms of financial reporting, both categories of services are now recorded in this HR Shared Services segment which until 2016 was limited to the provision of payroll services (PMIS).

The budgetary figures for these two special purpose budgets are the following:

- NATO-wide Payroll Management and Information System 2018 budget of EUR 221,730 through references BC-D(2018)0055 and BC-DS(2018)0019.
- NATO Talent Acquisition Platform 2018 budget of EUR 273,149 through references BC-D(2018)0186 and BC-DS(2018)0051.

Funding is provided through contributions by the NATO bodies in proportion to their staffing levels for PMIS and in proportion of hires per annum for NTAP. Invoices are reduced by the amount of previous year's surplus.

A budget execution statement is provided at Annex 5.

Shared Services Initiative Budget

An amount of MEUR 5.8 was made available for the pre-financing of the initial Agency Reform transition costs as part of the MTRP 2012-2016 (C-M(2011)0067). The Budget Committee agreed a framework mechanism for the management and control of the funds related to the initial transition costs and subsequently to the budget allocation of the pre-financed credits to allow full oversight (BC-D(2012)0202-REV1 and BC-D(2011)0209-ADD1). Council agreed this as part of the 2012 Military Budget Recommendations (C-M(2011)0099).

The 2016 Shared Services Initiative initial budget covered the operations of the Shared Services Office until it was disbanded in the course of the year and an annual tranche related to the implementation of Phase I of General Procurement Shared Services. The 2016 budget was agreed in the amount of EUR 1,214,000, of which 70% of the EUR 900,000 allocation related to General Procurement Shared Services was frozen (EUR 630,000). In addition, 50% of the EUR 314,000 personnel expenses appropriations were also frozen (EUR 157,000) awaiting clarification on the status of the OSS beyond the first six months of the year further to the assessment and approach to Finance and Accounting Shared Services. Subsequently the BC decided a partial unfreeze (EUR 218,000) of the allocation related to General Procurement Shared Services. This left an amount of frozen appropriations of EUR 569,000 (EUR 412,000 and EUR 157,000). Further to the submission of the 2nd budget execution report

the BC agreed to unfreeze EUR 73,213 in the Personnel Chapter and EUR 3,584 in the O&M Chapter. As a consequence, frozen appropriations eventually amounted to EUR 492,202. The portion of frozen funds related to the Office of Shared Services amounted to EUR 80,202. The portion related to the General Procurement Shared Services initiative by NSPA amounted to EUR 412,000 and the Budget Committee noted that this amount is available for use by the Committee for the intended purpose of the MEUR 5.8 (C-M(2011)0067) foreseen for the initial Agency Reform transition costs (BC-DS(2016)0017, III). The Budget Committee agreed that available funds from the 2015 General Procurement Shared Services allocation (EUR 359,258) could be used for 2016 (BC-DS(2016)0017, III).

The 2017 Shared Services Initiative initial budget was approved in the amount of EUR 900,000 (C-M(2016)0077(INV)). This amount was not revised in the course of the year. Further to the closure of the Office of Shared Services during 2016, the budget allocation is limited to the NSPA requirements to operate the General Procurement Shared Services. Frozen funds from 2016 related to the Office of Shared Services (EUR 80,202) were lapsed at the end of 2017. Funds available concerning GPSS at year end were used in 2018.

Eventually there is an overall surplus of EUR 942,678.71 for the whole of the Shared Services Initiative, including the GPSS, the Office of Shared Services and Agency Reform transition costs.

A budget execution statement is provided at Annex 5.

NOTE 30: SEGMENTS

The tables below provide segment information for financial performance and financial position statements for 2017 and 2018. The following segments have been adopted: Civil Budget, Reimbursable Expenses, Personnel Management Information System, Office of Shared Services, Extra-Budgetary Funds, Partners' Accommodation, Refurbishment of Building Z and, since September 2018, the Morale and Welfare Recreational Activities (MWR).

Notes											2018
		IS	Refundable Expenses	PMIS	OSS	Extra Budgetary Funds	PARTNER ACCOMMODATION	BUILDING Z REFURBISHMENT	MWR	Neutralisation of Internal Transactions	
Assets											
Current assets											
Cash and cash equivalents	3	33,758,367.85	-1,504,337.10	-157,838.58	942,678.71	13,439,184.32	-470,356.88	2,137,025.48	335,228.86		48,479,952.66
Short term investments	4	50,000,025.02				10,780,031.20					60,780,056.22
Receivables	5	45,258,241.35	1,884,192.47	346,056.21	0.00	1,948,976.72	128,430.08	65,450.00	793,245.67		50,424,592.50
Prepayments	6	3,045,689.18				0.00	1,290,043.89				4,335,733.07
Other current assets	7	3,521,006.75	10,367.46	33,078.66	0.00	10,000,000.00				10,387,667.00	3,176,785.87
Inventories	8	360,288.07				0.00					360,288.07
		<u>135,943,819.22</u>	<u>390,222.83</u>	<u>221,296.29</u>	<u>942,678.71</u>	<u>36,168,182.24</u>	<u>86,931.16</u>	<u>2,202,475.48</u>	<u>1,128,474.53</u>	<u>10,387,667.00</u>	<u>187,557,468.39</u>
Non-current assets											
Receivables	9					0.00					0.00
Property, plant & equipment	10	936,232,675.30				0.00		2,542,957.60			938,775,632.90
Intangible assets	11	6,277,754.78				0.00					6,277,754.78
Other non-current assets	12	9,787,308.00				0.00		9,787,308.00		9,787,308.00	9,787,308.00
		<u>952,297,738.08</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>12,330,265.60</u>	<u>0.00</u>	<u>9,787,308.00</u>	<u>954,840,886.88</u>
Total assets		<u>1,088,241,358.30</u>	<u>390,222.83</u>	<u>221,296.29</u>	<u>942,678.71</u>	<u>36,168,182.24</u>	<u>86,931.16</u>	<u>14,532,741.08</u>	<u>1,128,474.53</u>	<u>20,174,975.00</u>	<u>1,122,398,104.07</u>
Liabilities											
Current liabilities											
Payables	13	27,989,265.20	86,244.68	42,435.65	942,678.71	353,872.30	79,188.45	1,519,575.16	923,796.86	387,667.00	31,549,390.01
Deferred revenue	14	20,394,995.80				35,702,466.79		10,379,171.40			66,476,633.99
Advances	15	55,460,530.16	303,978.15			0.00			91,042.48		55,855,550.79
						0.00					0.00
Short term provisions	16	68,692.00									68,692.00
Other current liabilities	17	32,030,135.06		178,660.64		111,853.15	7,742.71	91,036.92	113,635.19	10,000,000.00	22,533,263.67
		<u>135,943,819.22</u>	<u>390,222.83</u>	<u>221,296.29</u>	<u>942,678.71</u>	<u>36,168,182.24</u>	<u>86,931.16</u>	<u>11,989,763.48</u>	<u>1,128,474.53</u>	<u>10,387,667.00</u>	<u>176,483,530.46</u>
Non-current liabilities											
Payables	18					0.00					0.00
Long term provisions	19					0.00		2,542,957.60			2,542,957.60
Deferred revenue	20	942,510,430.08				0.00				9,787,308.00	945,053,387.68
Other non-current liabilities		9,787,308.00				0.00					9,787,308.00
		<u>952,297,738.08</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,542,957.60</u>	<u>0.00</u>	<u>9,787,308.00</u>	<u>945,053,387.68</u>
Total liabilities		<u>1,088,241,358.30</u>	<u>390,222.83</u>	<u>221,296.29</u>	<u>942,678.71</u>	<u>36,168,182.24</u>	<u>86,931.16</u>	<u>14,532,741.08</u>	<u>1,128,474.53</u>	<u>20,174,975.00</u>	<u>1,121,538,918.14</u>
Net assets											
Capital assets	21										0.00
Reserves											0.00
Current year Surplus / (Deficits)							303,506.28				303,506.28
Accumulated surpluses / (deficits) prior year							557,679.65				557,679.65
Total net assets/ equity		<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>861,185.93</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>861,185.93</u>

NATO UNCLASSIFIED

ANNEX 6 to
FC(2019)0053

6-24

Notes		IS	Refundable Expenses	PMIS	OSS	Extra Budgetary Funds	PARTNER ACCOMMODATION	BUILDING Z RECURBISHMENT	Neutralisation of Internal Transactions	2017
Assets										
Current assets										
Cash and cash equivalents	3	48,899,495.58	-145,814.73	145,480.07	1,145,435.09	18,847,919.80	-870,749.04	2,106,133.15		88,127,881.72
Short term investments	4	48,501,325.02				0.00				48,501,325.02
Receivables	5	30,396,174.56	883,955.12	50,100.89	0.00	803,908.40	148,195.08	397,345.00		32,257,679.05
Prepayments	6	2,749,008.82				0.00	1,283,123.82			4,032,132.44
Other current assets	7	2,387,328.01		233,523.15	1,500,290.43	10,004,419.79			11,818,964.79	2,508,584.59
Inventories	8	428,745.39				0.00				428,745.39
		131,360,876.18	518,140.39	429,084.11	2,645,726.52	27,258,247.79	758,589.86	2,503,478.15	11,818,964.79	153,852,358.21
Non-current assets										
Receivables	9					0.00				0.00
Property, plant & equipment	10	838,067.21				0.00		742,978.80		1,581,046.01
Intangible assets	11	14,763,958.37				0.00				14,763,958.37
Other non-current assets	12					0.00				0.00
		15,602,025.58	0.00	0.00	0.00	0.00	0.00	742,978.80	0.00	16,345,004.38
Total assets		146,962,901.76	518,140.39	429,084.11	2,645,726.52	27,258,247.79	758,589.86	3,246,456.95	11,818,964.79	170,187,362.59
Liabilities										
Current liabilities										
Payables	13	19,067,201.82	258,944.82	1,368.31	2,645,726.52	431,599.54	148,883.71	2,189,358.20		24,740,882.72
Deferred revenue	14	24,871,879.88				26,709,337.28				51,381,017.24
Advances	15	52,779,319.31	259,195.77	150,000.00		0.00				53,188,515.08
						0.00				0.00
Short term provisions	16									0.00
Other current liabilities	17	34,841,875.07		277,715.80		115,310.99	54,228.50	314,119.85	11,818,964.79	23,884,283.52
		131,360,876.18	518,140.39	429,084.11	2,645,726.52	27,258,247.79	200,890.21	2,503,478.15	11,818,964.79	153,284,676.58
Non-current liabilities										
Payables	18					0.00				0.00
Long term provisions	19					0.00				0.00
Deferred revenue	20	15,602,025.58				0.00		742,978.80		16,345,004.38
Other non-current liabilities	21					0.00				0.00
		15,602,025.58	0.00	0.00	0.00	0.00	0.00	742,978.80	0.00	16,345,004.38
Total liabilities		146,962,901.76	518,140.39	429,084.11	2,645,726.52	27,258,247.79	200,890.21	3,246,456.95	11,818,964.79	169,630,882.94
Net assets										
Capital assets	22									0.00
Reserves	23									0.00
Current year Surplus / (Deficit)	24						298,872.87			298,872.87
Accumulated surpluses / (deficits) prior year	25						259,008.78			259,008.78
Total net assets / equity		0.00	0.00	0.00	0.00	0.00	557,879.65	0.00	0.00	557,879.65

Eliminations correspond essentially to cash movements between segments related to the fact that short term investments, for practical reasons, are done from the IS bank accounts.

Refurbishment works in Building Z are planned in conjunction with the move to the current NATO Headquarters. Partner nations have been asked to pay in advance for the works corresponding to their specific requests (Optional Program) in addition to the basic refurbishment, in the amount of EUR 2,934,037. NATO member nations agreed that the rest of the works estimated MEUR 9.787 would be prefinanced by the IS treasury. All expenses are capitalized.

Notes		IS	Refundable Expenses	PMIS	OSS	Extra Budgetary Funds	Partner Accommodation	Building Z RECURBISHMENT	Staff Center	Neutralisation of Internal Transactions	2016	2017
Revenue												
Non exchange revenue	22	243,173,718.41			351,859.20	5,154,685.33			501,683.32		249,181,944.26	183,892,891.59
Exchange revenue	23	8,418,859.84	4,477,764.80	201,369.34		200,310.29	2,819,775.00		371,086.79	387,867.00	15,899,501.86	13,096,852.87
Other revenue	24	331,436.79		475,723.22			0.00	324,263.81	237,097.17		1,388,520.99	988,747.31
Financial revenue	25	328,388.71		4,730.97		65,059.19			0.31		398,177.18	399,200.73
Total revenue		252,250,399.75	4,477,764.80	681,822.53	351,859.20	5,420,054.81	2,819,775.00	324,263.81	1,109,870.50	387,867.00	266,848,144.29	206,177,082.50
Expenses												
Personnel	26	122,124,882.55	170,317.28	185,955.56		640,705.88		83,345.51			123,205,008.78	118,899,508.86
Contractual supplies and services	27	90,234,182.11	4,307,447.34	495,213.79	349,222.92	4,711,169.15	2,316,268.72	240,818.30	715,253.54		103,389,885.87	84,422,428.68
Depreciation and amortization	28	37,523,899.00									37,523,899.00	2,541,483.55
Impairment	29								5,251.84			24,070.42
Provisions	30	68,692.00				1.68					68,693.68	
Other expenses	31	1,975,260.66				2,988.93		387,867.00		387,867.00	1,978,249.59	1,814,363.87
Finance costs	32	323,872.83		654.18	2,836.28	65,189.17			1,998.21		384,050.87	379,458.25
Total expenses		252,250,399.75	4,477,764.80	681,822.53	351,859.20	5,420,054.81	2,316,268.72	324,263.81	1,109,870.50	387,867.00	266,848,144.29	207,878,409.83
Surplus/(Deficit) for the period	27	0.00	0.00	0.00	0.00	0.00	503,506.28	0.00	0.00	0.00	303,506.28	298,872.87

NATO UNCLASSIFIED

6-24

NATO UNCLASSIFIED

6-25

ANNEX 6 to
FC(2019)0053

	Notes	IS	Refundable Expenses	PMIS	OSS	Extra Budgetary Funds	Partner Accommodation	Building Z Refurbishment	2017
Revenue									
Non exchange revenue	22	182,217,839.28			1,360,902.30	10,113,550.03			193,692,091.59
Exchange revenue	23	9,687,449.19	334,049.85	394,809.83			2,880,844.00		13,096,952.87
Other revenue	24	900,821.80	25,125.79				858.40	62,141.32	988,747.31
Financial revenue	25	343,338.55				55,954.18			399,290.73
Total revenue		193,149,246.80	359,175.64	394,809.83	1,360,902.30	10,169,504.21	2,881,302.40	62,141.32	208,177,082.50
Expenses									
Personnel	26	118,133,213.05		161,386.40		391,556.39		10,471.02	118,696,808.88
Contractual supplies and services	26	70,438,372.51	356,489.47	233,443.43	1,350,868.18	9,808,945.26	2,382,829.53	51,870.30	84,422,428.88
Depreciation and amortization	26	2,541,483.55							2,541,483.55
Impairment	26	24,070.42							24,070.42
Provisions	26	1,788,579.40							1,788,579.40
Other expenses	26	8,242.99			10,004.12	9,537.38			27,784.47
Finance costs	25	217,284.88	2,709.17			159,465.20			379,459.25
Total expenses		193,149,246.80	359,175.64	394,809.83	1,360,902.30	10,169,504.21	2,382,829.53	62,141.32	207,878,409.63
Surplus/(Deficit) for the period	27	0.00	0.00	0.00	0.00	0.00	298,672.87	0.00	298,672.87

NOTE 31: LEASES

An analysis of lease contracts was conducted and it was considered that some of them had characteristics that could have led them to be considered as finance leases (in the IPSAS 13 sense) in particular as relates to the rent of porta cabins for temporary accommodation (e.g. Buildings V, VA) and the Manfred Wörner building. However, in consideration of the fact that NATO-IS moved to new premises in 2018, the rental period will be shorter than the remaining economic life of this equipment. As a consequence, all leases in NATO IS are classified as operating leases. Fees payable under these lease agreements are accounted as expenses in the Statement of Financial Performance on a straight-line basis over the relevant lease term.

Belgium has granted to NATO by way of concession a plot of land on which NATO is authorized to erect all necessary buildings and facilities needed to perform its functions (previous HQ). A symbolic price is paid annually for the rent. NATO is the full owner of all constructions made. Belgium remains the sole and full owner of the land, which is public domain ("domaine public"). The concession ends 180 days after NATO has left the buildings and facilities. At the end of the concession, there will be no property rights transferred to NATO. As a consequence, given the indefinite economic life of land and the specific nature of concessions, the use of the land is classified as an operational lease. The rent charged by the host nation is recognised as an expense in the statement of financial performance.

The operating leases at the reporting date can be classified into three categories: temporary offices, transport equipment and photocopiers. The reduction in leases for offices is linked to the move to the current NATO HQ where there is no such requirement.

Asset Leased	Amount paid in 2018	Amount paid in 2019	Amount to pay in 2020-2023	Amount to pay after 2023
Copiers	275,380.34	265,207.79	826,234.00	
Vehicles	230,217.12	220,542.94	208,980.90	
Buildings	11,392,803.66	1,943,794.42	5,670.00	0.00
Total	11,898,401.12	2,429,545.15	1,040,884.90	0.00

Belgium has granted to NATO by way of concession a plot of land on which NATO has been authorized to erect all necessary buildings and facilities related to the NATO New Headquarters Project. The annual fee is EUR 250. NATO is the full owner of all constructions made. Belgium remains the sole and full owner of the land, which is military public domain. The concession ends 180 days after NATO has left the buildings and facilities. In such case, if Belgium would decide to use the building and facilities, it shall pay a fair indemnity to NATO. If Belgium should decide to demolish them, it will not be obliged to pay an indemnity to NATO neither will NATO have to contribute to demolition costs. At the end of the concession, there would be no property rights transferred to NATO. As a consequence, given the indefinite economic life of land and the specific nature of concessions, the use of the land is classified as an operational lease.

NOTE 32: RESTRICTIONS ON FIXED ASSETS

There are no restrictions on fixed assets.

NOTE 33: CONTINGENT LIABILITIES

A number of contingent liabilities have been identified but the total possible obligation relating to these items is not expected to be material.

NOTE 34: WRITE OFF

The table below summarizes the write-off procedures for IS equipment in 2018.

IS 2018 WRITE-OFF REPORT								
Serial	Dossier	Date	Location	Type of Items	Acquisition Value	Net Book Value	Reason for Write-off	Disposal Method
1	001-2018	18/1/2018	IS HQ	Audio-Visual, Telecommunication and IT Equipment	133,140.00	-	Unserviceable, Obsolete	Waste/Recycle
2	002-2018	18/1/2018	IS HQ	Furniture, Lightning and small office equipment	55,966.00	-	Unserviceable, Obsolete	Waste/Recycle
3	003-2018	15/5/2018	IS HQ	Audio-Visual, Telecommunication and IT Equipment	67,130.00	-	Unserviceable, Obsolete	Waste/Recycle
4	004-2018	15/5/2018	IS HQ	Audio-Visual, Telecommunication and IT Equipment	42,446.00	-	Unserviceable, Obsolete	Waste/Recycle
5	005-2018	15/5/2018	IS HQ	Furniture, Lightning and small office equipment	147,868.00	-	Unserviceable, Obsolete	Waste/Recycle
6	006-2018	13/12/2018	IS HQ	Vehicle Renault Traffic	16,638.24	-	Unserviceable, Obsolete	Waste/Recycle
7	007-2018	13/12/2018	IS HQ	Vehicle Renault Ford Tourneo	16,773.66	3,354.73	Damaged in Accident, NATO was compensated by insurance company	Handed over to insurance company
8	009-2018	13/12/2018	IS HQ	Vehicle Renault Traffic	16,362.00	-	Unserviceable, Obsolete	Waste/Recycle
9	s/n	31/10/2018	SCR- RSM HQ (KABUL)	Vehicle SUV Toyota LandCruiser	105,488.00	-	Unserviceable, Obsolete	Waste/Recycle
10	s/n	22/11/2018	SCR- NTMI (BAGDAD)	Assorted small office furniture items and small office IT equipment	3,557.95	3,557.95	End of Mission. Cost of shipping bigger than present value of the items	Disposal locally
11	s/n	19/2/2019	IS HQ	All IS and IMS Furniture, Fixtures and Equipment left in the PHQ as a result of the move to the new site -> FC(2019)0024, 20Feb19 and BC-D(20019)0034 (INV)	Not determined	Not determined	Move to new HQ and excess costs for the move/re-utilization in the NHQ	Disposal through contractor
TOTALS					605,369.85	6,912.68		

There was a discrepancy, end 2017, between the general ledger and cash on the bank statements. The Budget Committee approved the write-off of the remaining amount of EUR 53,316.95 corresponding to this unbalance (BC-DS(2019)011 (INV)).

NOTE 35: CONTINGENT ASSETS

Nothing to report.

NOTE 36: 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.

The tables below compare the established posts with the number of staff and compares with the previous year. Establishment changes are approved by the NAC. However, the NATO Secretary General has delegated authority in this domain. During 2018, this delegated authority was used to create 12.4 posts and delete 7 posts. In addition, the Budget Committee recommended and the NAC agreed the creation of 0 (zero) posts and deletion of 14 posts. The table below analyses the IS establishment as of 31 December 2018.

Position by HQ	NATO Civilians	
	31-12-18	31-12-17
Total Approved PE	1112	1121
Total Filled Positions	1037	1057
Arrivals in the year	70	68
Departures in the year	110	76

Position by HQ	Total Approved PE	Total Filled Positions
Civilian (PE)	1112	1037
VNC	-	64
Short term (Temps)	-	55
Interns	-	35
Others	-	6

Also, NATO-IS receives "in kind" services provided by nationally funded personnel known as Voluntary National Contributions (VNCs). VNCs worked for the IS at HQ but also at the NATO external offices, or in support of specific projects on-site. During 2018, some 64 VNCs worked for the IS at HQ (40 in 2017).

The NATO-IS manages centrally three pension schemes, namely the Defined Benefit Pension Scheme (DBPS), the Provident Fund and the Defined Contribution Pension Scheme (DCPS), as well as the Retirees Medical Claims Fund (RMCF), covering staff employed by all NATO bodies. NATO wide financial statements are issued by the 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.

There is no longer any staff member remaining as an affiliate of the NATO Provident Fund which is a defined contribution pension scheme providing retirement benefits to civilian staff recruited by NATO before 1 July 1974 and who decided not to join the Defined Benefit Pension Scheme set up at this date. Benefits are paid upon retirement as one lump sum, being the total of the individual right acquired. Monthly contributions, paid directly into the Fund, were made by staff and NATO, being 7% and 14% respectively of basic salary.

618 staff members (573 end 2017) participate in the Defined Contribution Pension Scheme (DCPS) administered by NATO. The DCPS provides that the NATO-IS budget makes a 12% monthly matching contribution to the staff members contributions for current service.

423 employees (470 end 2017) participate in NATO's Defined Benefit Pension Scheme (DBPS): a deduction of 9% of their salaries is made and contributed to the annual financing of this Scheme. These contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the entity. The funding mechanism of the DBPS provides that Nations contribute, in the course of a given year, for the difference between amounts due to pensioners and staff contributions received.

(amounts in EUR)		2018	2017
Provident Fund	Staff	-	-
	Employer	-	-
	Total	-	-
DBPS	Staff	3,487,491.57	3,646,198.36
	Employer	-	-
	Total	3,487,491.57	3,646,198.36
DCPS	Staff	3,776,170.17	3,505,043.50
	Employer	5,343,693.78	4,932,170.09
	Total	9,119,863.95	8,437,213.59
TOTAL	Staff	7,263,661.74	7,151,241.86
	Employer	5,343,693.78	4,932,170.09
	Total	12,607,355.52	12,083,411.95

Also, 12 staff members (9 in 2017) are employed on reimbursable basis with an agreement between NATO-IS and the United States. Their salary is paid directly by the US using national salary scales and the US is reimbursed the costs corresponding to the grade of the post occupied by the staff member. Those individuals are paid and accrue pension rights under a United States pension scheme.

A similar agreement exists with the Netherlands but currently there are no staff under these conditions (1 in 2017). An agreement with Norway was signed in 2015 and applies to 3 staff members (3 in 2017).

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 extended 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 into the next year constitutes a liability towards the future and would notionally require funding from Participating Nations.

Further to an analysis covering the last years of the history of death in service risks in relation to premiums paid by the Organisation during 2012-2015, a compensation of EUR 6 million at the NATO-wide level was agreed by the insurance company. End 2018, the NATO Secretary General decided that a fraction of this amount (circa EUR 1,7 million) should be paid to NATO staff who were members of the DCPS during the period 2012-2015 in proportion to the contributions they made to the DCPS. Staff employed by NATO-IS during the period 2012-2015 and affiliated to the DCPS are therefore entitled to a payment to be made from the NATO DCPS accounts. A decision still has to be taken concerning the remaining amount of the compensation, which may result in a proportional payment to NATO-IS.

NOTE 37: KEY MANAGEMENT PERSONNEL

The North Atlantic Council is the governing body of NATO. It approves the Civil Budget further to screening and recommendation by the Budget Committee (BC) and the Resource Policy and Planning Board (RPPB). Members of the North Atlantic Council, the BC and the RPPB are nominated by their respective national authorities. They are paid on the basis of applicable national pay scales. They do not receive from NATO any additional remuneration for their responsibilities or access to benefits.

For the purposes of IPSAS 20 implementation, key management personnel of the International Staff are the Secretary General, the Deputy Secretary General, the Director of the Private Office, the eight Assistant Secretary Generals, the Senior Civilian Representative in Afghanistan and the three Directors of Independent Offices (Security, Resources and Financial Control). The aggregate remuneration and the number of individuals on a full time equivalent basis are:

Aggregate remuneration: EUR 3,745,443.34 (EUR 3,986,281.42 in 2017)
Number of persons: 15 (15 in 2017)

The decrease in the aggregate remuneration is essentially due to the rotation of posts during 2018 and to changes in the individual situation (e.g. family situation) of newly recruited members.

The Secretary General is provided with accommodation at no cost in premises belonging to the Organisation. The residence is serviced by three established posts. The cost of operations and maintenance of the residence and works were EUR 339,000.00 in 2018 (EUR 239,116 in 2017). The amounts vary according to the level of annual renovation works. The residence was assessed in November of 2013 as being worth EUR 10,300,000. The Deputy Secretary General is provided with an approved special allowance to contribute towards the lease of accommodation suitable for representation at the Ministerial and distinguished visitor level. The Secretary General is entitled upon departure to a special leaving allowance, equal to one year's basic salary if a full four year term was served.

On 1 June, 2013, the NAC approved changes to the Representation Allowance system. A key element was that in lieu of monthly allowances being paid out and then reimbursed by the recipients if unused,

recipients now submit receipts and are then reimbursed up to the allocated ceiling. The OFC is responsible for the day to day verification, with IBAN able to disallow expenses if deemed necessary.

A total of 13 senior staff positions are entitled to a Representation Allowance, the use of which is subject to a specific control by the OFC. This includes the Secretary General, the Deputy Secretary General, the Director of the Private Office, the eight Assistant Secretary Generals, one Deputy Assistant Secretary General, and the Spokesperson. The gross amount paid was EUR 74,387.32 (EUR 53,775 in 2017). Unused funds and disallowed expenses are returned to the Organisation.

Key management staff have access to a pool of vehicles and drivers for official business.

There is no other remuneration or benefit to key management personnel and their family members. Key management personnel is entitled to receive loans which are also available to other members of the NATO International Staff.

NOTE 38: RELATED PARTIES

There have been the following related party relations.

Member Nations and NATO bodies

NATO-IS performs certain administrative support and common operating services for which it is reimbursed by Member Nations and NATO entities. As part of the Civil Budget revenue, the IS collected for 2018: accommodation charges for NATO Member Nations and NATO entities residing in the NATO Headquarters in the amount of EUR 6,449,197.38 (EM(BPA)(2018)0019 +COR1); Charges for the NATO International Staff administrative services and Human Resources shared services of EUR 4,438,047.02 (EM(BPA)(2018)0013 +COR1).

For 2017, administrative support costs were charged in the amount of EUR 6,338,588.39 and common operating costs in the amount of EUR 3,348,860.80 in 2017

These amounts come as a deduction to the budget contributions due from Nations to fund the Civil Budget.

Belgium provides military personnel in support of activities related to security (Delegation Militaire de la Sécurité Technique) for which EUR 535,420.29 (EUR 531,301 in 2017) were charged by the Belgian Ministry of Defence and paid by the Civil Budget.

There are also personnel provided by nations under a reimbursable basis or as VNCs (Note 36)

Member and Partner Nations

The NATO-IS Office of Financial Control is the Treasurer for the operations related to a number of Extra Budgetary Funds. Trust Funds were authorized under NATO's Partnership for Peace Programme, the Mediterranean Dialogue Programme, the NATO-Russia Council, the NATO-Ukraine Commission and the NATO-Georgia Commission. The OFC also received financial resources on a bilateral ad-hoc basis from nations in support of specific activities conducted by NATO-IS or as a complement to the Civil Budget funding for certain activities. For Trust Funds a Lead Nation (NATO member) is normally designated. Partner nations can also participate in such additional funding. No management fees are charged by the IS to cover the related costs.

Appendixes 1 and 2 provide a breakdown of the Statements of Financial Position and of Financial Performance for Extra Budgetary Funds.

Employee Benefits

NATO-IS is responsible for the management at the NATO-wide level for the three pension systems (Provident Fund, Defined Benefit Pension Scheme, Defined Contribution Pension Scheme) and the Retirees Medical Claims Fund. Separate financial statements are issued by the NATO-IS Office of

Financial Control. No management fees corresponding to the related costs incurred by NATO-IS are charged to these entities.

Staff Centre

In October 2013, Nations approved a mandate for the Staff Centre under C-M(2013)0054 with a view to transitioning to a fully customer funded model in 2016. An Executive Board was established in 2013 to provide oversight of Staff Centre operations. The Chairman of the Board is nominated by the Secretary General and is currently the ASG EM. Other members of the Board include other Executive Management staff, the IMS Executive Officer and the Director of the Staff Centre. Two members of the Budget Committee attend ex-officio.

Appendix 1 Annex 1 of the C-M outlines, under the heading of Category A, all activities that can receive Civil Budget funding.

The NATO Staff Centre was officially closed in September 2018; it is no longer a going concern. In accordance with the Council decision on the Mandate of the NATO HQ Staff Centre, the Staff Centre had its own financial statements. Further to its financial closure on 31 December 2018 its net assets were transferred to the NATO International Staff. The settlement of the outstanding balances will be done in the course of 2019.

NATO-IS provided certain administrative support and covered some operating and maintenance services to the Staff Centre in an estimated amount of EUR 547,584.00 (EUR 1,059,327 in 2017) which were not charged. These were estimates based on physical criteria (space, number of staff served etc.) and may not correspond exactly to the value of the service received by the Staff Centre. The reason for the decrease in the support is linked to the limited period of operations of the Staff Center during 2018.

The funds required to settle the Staff Centre's negative net assets are available in the Civil Budget in the amount of 2,1 Million EUR (these appropriations were subject to a special carry-forward to 2019).

Statement of financial position

As at 31 December 2018

(All amounts in EUR)

Notes

	Von Karman Institute	Children Summer Camps	US Tramil	EW Trial Alr	EW Trial Nav	Audit of Multi- Nationally Funded Bodies	TF Tajikistan II	TF Moldova III	TF Azerbaijan (PFP Pro) JCP)
Assets									
Current assets									
Cash and cash equivalents	0.00	23,873.88	73,249.88	267,622.66	249,885.93	94,495.31	1.25	792,317.03	107,060.57
Short term investments	0.00	0.00	780,031.20	0.00	0.00	0.00	0.00	0.00	0.00
Receivables	1,822,992.99	334.32	0.00	94,000.00	23,058.00	0.00	0.00	0.00	0.00
Prepayments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	1,822,992.99	24,208.00	853,280.88	361,622.66	272,943.93	94,495.31	1.25	792,317.03	107,060.57
Non-current assets									
Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Property, plant & equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other non-current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total assets	1,822,992.99	24,208.00	853,280.88	361,622.66	272,943.93	94,495.31	1.25	792,317.03	107,060.57
Liabilities									
Current liabilities									
Payables	0.00	0.00	0.00	15,105.42	0.00	6,850.16	0.00	0.00	0.00
Deferred revenue	1,822,992.99	0.00	853,280.88	346,517.24	272,943.93	0.00	1.25	792,317.03	107,060.57
Advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other current liabilities	0.00	24,208.00	0.00	0.00	0.00	87,645.15	0.00	0.00	0.00
	1,822,992.99	24,208.00	853,280.88	361,622.66	272,943.93	94,495.31	1.25	792,317.03	107,060.57
Non-current liabilities									
Payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other non-current liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities	1,822,992.99	24,208.00	853,280.88	361,622.66	272,943.93	94,495.31	1.25	792,317.03	107,060.57
Net assets									
Capital assets									
Reserves									
Current year Surplus / (Deficits)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated surpluses / (deficits) prior year	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total net assets/ equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NATO UNCLASSIFIED

6-32

APPENDIX 1 to
ANNEX 6 to
FC(2019)0053

	TF Armenia	TF Ukraine II Phase 2	TF Georgia IV	TF CNAD VNCf	TF Jordan III	TF Jordan IV	TF Serbia IV	TF Canada Crisis Mgmt Mauritania	Global NAF (TF APM Destruction Belarus)
Assets									
<i>Current assets</i>									
Cash and cash equivalents	1,081,500.00	1,653,294.26	0.00	393,644.50	822,964.58	303,422.83	1,238,325.81	-5.61	-20,032,068.52
Short term investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,000,000.00
Receivables	0.00	0.00	0.00	8,352.37	0.00	0.00	0.00	0.00	0.00
Prepayments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,000,000.00
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<u>1,081,500.00</u>	<u>1,653,294.26</u>	<u>0.00</u>	<u>401,996.87</u>	<u>822,964.58</u>	<u>303,422.83</u>	<u>1,238,325.81</u>	<u>-5.61</u>	<u>-32,068.52</u>
<i>Non-current assets</i>									
Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Property, plant & equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other non-current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total assets	<u>1,081,500.00</u>	<u>1,653,294.26</u>	<u>0.00</u>	<u>401,996.87</u>	<u>822,964.58</u>	<u>303,422.83</u>	<u>1,238,325.81</u>	<u>-5.61</u>	<u>-32,068.52</u>
Liabilities									
<i>Current liabilities</i>									
Payables	0.00	0.00	0.00	39,437.26	0.00	0.00	0.00	0.00	0.00
Deferred revenue	1,081,500.00	1,653,294.26	0.00	362,559.61	822,964.58	303,422.83	1,238,325.81	-5.61	-32,068.52
Advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other current liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<u>1,081,500.00</u>	<u>1,653,294.26</u>	<u>0.00</u>	<u>401,996.87</u>	<u>822,964.58</u>	<u>303,422.83</u>	<u>1,238,325.81</u>	<u>-5.61</u>	<u>-32,068.52</u>
<i>Non-current liabilities</i>									
Payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other non-current liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total liabilities	<u>1,081,500.00</u>	<u>1,653,294.26</u>	<u>0.00</u>	<u>401,996.87</u>	<u>822,964.58</u>	<u>303,422.83</u>	<u>1,238,325.81</u>	<u>-5.61</u>	<u>-32,068.52</u>
Net assets									
<i>Capital assets</i>									
Reserves									
Current year Surplus / (Deficits)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated surpluses / (deficits) prior year	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total net assets/ equity	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

NATO UNCLASSIFIED

6-32

NATO UNCLASSIFIED

6-33

APPENDIX 1 to
ANNEX 6 to
FC(2019)0053

	TF Ukraine II SALW Mun. Destr.	TF NATO DEFENCE CAPACITY BUILDING	TF JWGDR Prof Dev Pgrm	TF Mauritania II	TF Building Integrity	TF Building Integrity - Phase 4	TF Explosive Detec	TF Georgia Professional Development	TF UKRAINE MCT
Assets									
<i>Current assets</i>									
Cash and cash equivalents	14,427.02	15,175,017.08	288,247.32	312,414.36	84,470.52	1,179,496.20	326,545.76	136,268.63	222,011.72
Short term investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Receivables	0.00	0.00	239.04	0.00	0.00	0.00	0.00	0.00	0.00
Prepayments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other current assets	0.00	0.00	0.00	0.00	37,080.00	0.00	0.00	0.00	0.00
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	14,427.02	15,175,017.08	288,486.36	312,414.36	121,550.52	1,179,496.20	326,545.76	136,268.63	222,011.72
<i>Non-current assets</i>									
Receivables	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Property, plant & equipment	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Intangible assets	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Other non-current assets	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Total assets	14,427.02	15,175,017.08	288,486.36	312,414.36	121,550.52	1,179,496.20	326,545.76	136,268.63	222,011.72
Liabilities									
<i>Current liabilities</i>									
Payables	0.00	215.82	19,900.00	0.00	3,912.58	0.00	0.00	0.00	16,800.00
Deferred revenue	14,427.02	15,174,801.26	268,586.36	312,414.36	117,637.94	1,179,496.20	326,545.76	136,268.63	168,131.72
Advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other current liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	37,080.00
	14,427.02	15,175,017.08	288,486.36	312,414.36	121,550.52	1,179,496.20	326,545.76	136,268.63	222,011.72
<i>Non-current liabilities</i>									
Payables	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Long term provisions	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Deferred revenue	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Other non-current liabilities	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Total liabilities	14,427.02	15,175,017.08	288,486.36	312,414.36	121,550.52	1,179,496.20	326,545.76	136,268.63	222,011.72
Net assets									
<i>Capital assets</i>									
<i>Reserves</i>									
Current year Surplus / (Deficits)	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Accumulated surpluses / (deficits) prior year	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Total net assets/ equity	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00

NATO UNCLASSIFIED

6-33

NATO UNCLASSIFIED

6-34

APPENDIX 1 to
ANNEX 6 to
FC(2019)0053

	TF UKRAINE L&S	TF UKRAINE CYBER DEFENCE	TF UKRAINE C4	TF UKRAINE MEDICAL REHABILITATION	TF UKRAINE EOD/CIED	TF IRAQ C-IED	TF NATO Defense & Security Campaign -Pilot phase	TF NATO- UKRAINE PLATFOR M ON COUNTERI NG HYBRIDE WARFARE	TF Commun ication Activities In W- Balkans
Assets									
<i>Current assets</i>									
Cash and cash equivalents	1,002,379.51	33,064.04	3,203,331.49	1,928,301.32	538,724.44	0.00	119,840.00	29,621.31	39,242.61
Short term investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepayments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	1,002,379.51	33,064.04	3,203,331.49	1,928,301.32	538,724.44	0.00	119,840.00	29,621.31	39,242.61
<i>Non-current assets</i>									
Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Property, plant & equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other non-current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total assets	1,002,379.51	33,064.04	3,203,331.49	1,928,301.32	538,724.44	0.00	119,840.00	29,621.31	39,242.61
<i>Liabilities</i>									
<i>Current liabilities</i>									
Payables	0.00	0.00	107,533.12	120,000.00	0.00	0.00	4,102.00	0.00	0.00
Deferred revenue	1,002,379.51	33,064.04	3,095,798.37	1,808,301.32	538,724.44	0.00	115,738.00	29,621.31	39,242.61
Advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other current liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	1,002,379.51	33,064.04	3,203,331.49	1,928,301.32	538,724.44	0.00	119,840.00	29,621.31	39,242.61
<i>Non-current liabilities</i>									
Payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other non-current liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total liabilities	1,002,379.51	33,064.04	3,203,331.49	1,928,301.32	538,724.44	0.00	119,840.00	29,621.31	39,242.61
Net assets									
<i>Capital assets</i>									
<i>Reserves</i>									
Current year Surplus / (Deficits)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated surpluses / (deficits) prior year	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total net assets/ equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NATO UNCLASSIFIED

6-34

NATO UNCLASSIFIED

6-35

APPENDIX 1 to
ANNEX 6 to
FC(2019)0053

	2018								2017	
	TF NRC CAI IV	TF Counter Narcotics	TF NRC Theater Missile Defence 3	TF Monteneg ro	TF UK Stratcom	TF Iraq TCB	TF MIC- SPS G5395 FR MICR IMAG CURT	Women, Peace and Security		
Assets										
Current assets										
Cash and cash equivalents	177,132.33	138,054.83	25,213.59	167,960.16	695,306.52	0.00	100,000.00	432,529.60	13,439,184.32	16,647,919.60
Short term investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,780,031.20	0.00
Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,948,976.72	603,908.40
Prepayments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,000,000.00	10,004,419.79
Inventories	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<u>177,132.33</u>	<u>138,054.83</u>	<u>25,213.59</u>	<u>167,960.16</u>	<u>695,306.52</u>	<u>0.00</u>	<u>100,000.00</u>	<u>432,529.60</u>	<u>36,168,192.24</u>	<u>27,256,247.79</u>
Non-current assets										
Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Property, plant & equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intangible assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other non-current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total assets	<u>177,132.33</u>	<u>138,054.83</u>	<u>25,213.59</u>	<u>167,960.16</u>	<u>695,306.52</u>	<u>0.00</u>	<u>100,000.00</u>	<u>432,529.60</u>	<u>36,168,192.24</u>	<u>27,256,247.79</u>
Liabilities										
Current liabilities										
Payables	0.00	0.00	0.00	0.00	18,949.25	0.00	0.00	1,066.69	353,872.30	431,599.54
Deferred revenue	177,132.33	138,054.83	25,213.59	167,960.16	676,357.27	0.00	100,000.00	431,462.91	35,702,466.79	26,709,337.26
Advances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other current liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	111,853.15	115,310.99
	<u>177,132.33</u>	<u>138,054.83</u>	<u>25,213.59</u>	<u>167,960.16</u>	<u>695,306.52</u>	<u>0.00</u>	<u>100,000.00</u>	<u>432,529.60</u>	<u>36,168,192.24</u>	<u>27,256,247.79</u>
Non-current liabilities										
Payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long term provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other non-current liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total liabilities	<u>177,132.33</u>	<u>138,054.83</u>	<u>25,213.59</u>	<u>167,960.16</u>	<u>695,306.52</u>	<u>0.00</u>	<u>100,000.00</u>	<u>432,529.60</u>	<u>36,168,192.24</u>	<u>27,256,247.79</u>
Net assets										
Capital assets										
Reserves										
Current year Surplus / (Deficits)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00 ^r	0.00	0.00
Accumulated surpluses / (deficits) prior year	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total net assets/ equity	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

NATO UNCLASSIFIED

6-35

NATO UNCLASSIFIED

6-36

APPENDIX 1 to
ANNEX 6 to
FC(2019)0053

Extra Budgetary Funds
Statement of financial performance
As at 31 December 2018

(All amounts in EUR)

Notes	IS0600	IS0700	IS0800	IS0900	IS1000	IS1200	IS2000	IS2010	IS2040	IS2050	IS2060	IS2080	IS2090	IS2100	IS2105
	Von Karman Institute	Children Summer Camps	US Tram II	EW Trial Air	EW Trial Nav	Audit of Multi- Nationally Funded Bodies	TF Tajikistan II	TF Moldova III	TF Azerbaijan (PFP Proj JCP)	TF Armenia	TF Ukraine II Phase 2	TF Georgia IV	TF CNAD VNCF	TF Jordan III	TF Jordan IV
Revenue															
Non exchange revenue	0.00	21,434.93	928,498.64	415,745.48	121,429.19	-3,250.77	0.00	0.00	240,000.00	0.00	0.00	34,715.48	150,855.49	0.00	0.00
Exchange revenue	0.00	156,349.76	0.00	0.00	0.00	43,960.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial revenue	0.00	0.00	58,095.79	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total revenue	0.00	177,784.69	986,594.43	415,745.48	121,429.19	40,709.76	0.00	0.00	240,000.00	0.00	0.00	34,715.48	150,855.49	0.00	0.00
Expenses															
Personnel	0.00	90,233.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Contractual supplies and services	0.00	87,550.01	972,352.18	417,674.18	120,000.00	40,709.76	0.00	0.00	240,000.00	0.00	0.00	34,715.48	150,855.49	0.00	0.00
Depreciation and amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	0.00	1.68	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Finance costs	0.00	0.00	14,242.25	-1,928.70	1,429.19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total expenses	0.00	177,784.69	986,594.43	415,745.48	121,429.19	40,709.76	0.00	0.00	240,000.00	0.00	0.00	34,715.48	150,855.49	0.00	0.00
Surplus/(Deficit) for the period	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NATO UNCLASSIFIED

6-37

APPENDIX 1 to
ANNEX 6 to
FC(2019)0053

(All amounts in EUR)

	IS2110	IS2120	IS2130	IS2140	IS2160	IS2170	IS2191	IS2200	IS2201	IS2210	IS2220	IS2230	IS2240	IS2250	IS2260
	TF Serbia IV	TF Canada Crisis Mgmt Mauritania	Global NAF (TF APM Destruction Belarus)	TF Ukraine II SALW Mun. Destr.	TF NATO DEFENCE CAPACITY BUILDING	TF JWGDR Prof Dev Pgrm	TF Mauritania II	TF Building Integrity	TF Building Integrity - Phase 4	TF Explosive Detec	TF Georgia Professional Development	TF UKRAINE MCT	TF UKRAINE L&S	TF UKRAINE CYBER DEFENCE	TF UKRAINE C4
Revenue															
Non exchange revenue	0.00	0.00	33,338.36	0.00	981,854.07	357,490.85	0.00	440,261.62	0.00	0.00	156,553.92	193,617.33	190,000.00	0.00	331,911.64
Exchange revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial revenue	0.00	0.00	1,684.93	0.00	0.00	537.23	0.00	45.73	0.00	0.00	1,344.71	51.14	0.00	0.00	0.00
Total revenue	0.00	0.00	35,023.29	0.00	981,854.07	358,028.08	0.00	440,307.35	0.00	0.00	157,898.63	193,668.47	190,000.00	0.00	331,911.64
Expenses															
Personnel	0.00	0.00	0.00	0.00	52,517.85	157,044.28	0.00	177,743.85	0.00	0.00	76,898.46	0.00	0.00	0.00	0.00
Contractual supplies and services	0.00	0.00	0.00	0.00	929,336.22	199,276.84	0.00	259,583.43	0.00	0.00	80,325.10	193,189.56	190,000.00	0.00	331,911.64
Depreciation and amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other expenses	0.00	0.00	0.00	0.00	0.00	1,702.21	0.00	210.40	0.00	0.00	663.40	412.92	0.00	0.00	0.00
Finance costs	0.00	0.00	35,023.29	0.00	0.00	4.75	0.00	2,769.67	0.00	0.00	11.67	65.99	0.00	0.00	0.00
Total expenses	0.00	0.00	35,023.29	0.00	981,854.07	358,028.08	0.00	440,307.35	0.00	0.00	157,898.63	193,668.47	190,000.00	0.00	331,911.64
Surplus/(Deficit) for the period	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NATO UNCLASSIFIED

6-37

NATO UNCLASSIFIED

6-38

APPENDIX 1 to
ANNEX 6 to
FC(2019)0053

(All amounts in EUR)

	IS2270	IS2290	IS2300	IS2310	IS2350	IS2360	IS5000	IS5051	IS5060	IS5061	IS5070	IS5080	IS5090	IS6000
	TF UKRAINE MEDICAL REHABILITATION	TF UKRAINE EOD/CIED	TF IRAQ C-IED	TF NATO Defense & Security Campaign - Pilot phase	TF NATO- UKRAINE PLATFOR M ON COUNTERI NG HYBRIDE WARFARE	TF Communication Activities in W- Balkans	TF NRC CAI IV	TF Counter Narcotics	TF NRC Theater Missile Defence 3	TF Monteneg ro	TF UK Stratcom	TF Iraq TCB	TF MIC- SPS G5395 FR MICR IMAG CURT	Women, Peace and Security
Revenue														
Non exchange revenue	120,000.00	0.00	0.00	10,082.00	0.00	20,000.00	47,478.25	182,256.28	0.00	0.00	72,398.30	0.00	0.00	108,014.27
Exchange revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,949.23	0.00	0.00	350.43	0.00	0.00	0.00
Total revenue	120,000.00	0.00	0.00	10,082.00	0.00	20,000.00	47,478.25	185,205.51	0.00	0.00	72,748.73	0.00	0.00	108,014.27
Expenses														
Personnel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	40,900.26	0.00	0.00	45,368.18
Contractual supplies and services	120,000.00	0.00	0.00	10,082.00	0.00	20,000.00	45,772.43	173,340.27	0.00	0.00	31,848.47	0.00	0.00	62,646.09
Depreciation and amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Finance costs	0.00	0.00	0.00	0.00	0.00	0.00	1,705.82	11,865.24	0.00	0.00	0.00	0.00	0.00	0.00
Total expenses	120,000.00	0.00	0.00	10,082.00	0.00	20,000.00	47,478.25	185,205.51	0.00	0.00	72,748.73	0.00	0.00	108,014.27
Surplus/(Deficit) for the period	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

NATO UNCLASSIFIED

6-38



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD

INTERNATIONAL BOARD OF AUDITORS FOR NATO
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN



NATO SANS CLASSIFICATION

IBA-A(2019)0142
29 novembre 2019

À : Secrétaire général
À l'attention du directeur du Cabinet

Cc : Secrétaire général adjoint pour la gestion exécutive
Contrôleur des finances du Secrétariat international
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Secrétariat et finances du Bureau OTAN des ressources
Bureau d'ordre du Cabinet

Objet : ***Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) concernant la vérification des états financiers du régime de pensions coordonné de l'OTAN pour l'exercice clos le 31 décembre 2018 – IBA-AR(2019)0028***

Messieurs,

Vous trouverez ci-joint l'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) de l'IBAN, ainsi qu'une note succincte à l'intention du Conseil (annexe 1).

Le Collège a émis une opinion sans réserve sur les états financiers du régime de pensions coordonné de l'OTAN ainsi que sur la conformité pour l'exercice 2018.

Veuillez agréer, Messieurs, l'assurance de ma haute considération.

Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.



**Note succincte
du Collège international des auditeurs externes de l'OTAN (IBAN)
à l'intention du Conseil
sur la vérification des états financiers
du régime de pensions coordonné de l'OTAN
pour l'exercice clos le 31 décembre 2018**

Le régime de pensions coordonné de l'OTAN, régime non financé à prestations définies, s'applique à tous les agents civils recrutés entre le 1^{er} juillet 1974 et le 30 juin 2005. Les agents recrutés avant juillet 1974 sont membres de la Caisse de prévoyance, et ceux qui ont été recrutés depuis le 1^{er} juillet 2005 sont affiliés au régime de pensions à cotisations définies.

Les pays membres de l'Alliance garantissent collectivement le versement des prestations. En 2018, l'actif net du régime de pensions coordonné de l'OTAN a baissé de 164,5 millions d'euros (MEUR) (contre 158,5 MEUR en 2017). Au 31 décembre 2018, la valeur actuarielle du passif accumulé par le régime au titre des pensions s'élevait à 8,1 milliards d'euros (contre 6,9 milliards d'euros au 31 décembre 2017).

L'IBAN a émis une opinion sans réserve sur les états financiers du régime de pensions coordonné de l'OTAN pour l'exercice clos le 31 décembre 2018 ainsi qu'une opinion sans réserve sur la conformité pour cet exercice.

À l'issue de l'audit, l'IBAN a formulé deux observations, qui n'ont pas eu d'incidence sur l'opinion émise :

1. Nécessité pour l'OTAN de comptabiliser le passif correspondant aux avantages postérieurs à l'emploi, afin de se conformer à son cadre comptable (IPSAS 39 (*Avantages du personnel*)).
2. Nécessité de mettre en place des contrôles internes plus efficaces portant sur le compte rendu financier

Par ailleurs, l'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits, et il a constaté que quatre questions avaient été traitées et qu'une autre était en cours de traitement.

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

29 novembre 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**OPINION SUR LA VÉRIFICATION DES ÉTATS FINANCIERS
DU RÉGIME DE PENSIONS COORDONNÉ DE L'OTAN
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018**

**OPINION DU COMMISSAIRE AUX COMPTES
À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD**

Vérification des états financiers

Opinion sur les états financiers

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers du régime de pensions coordonné de l'OTAN portant sur la période de 12 mois ayant pris fin le 31 décembre 2018. Diffusés et soumis à l'IBAN le 31 mars 2019, ces états financiers se composent de l'état de l'actif net disponible pour le service des prestations au 31 décembre 2018, de l'état des variations de l'actif net disponible pour le service des prestations, ainsi que de notes explicatives, y compris un résumé des méthodes comptables importantes.

L'opinion de l'IBAN est que les états financiers donnent une image fidèle et exacte de l'actif net disponible pour le service des prestations ainsi que des variations de l'actif net disponible pour le service des prestations du régime de pensions coordonné de l'OTAN au 31 décembre 2018, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN et de la norme comptable internationale (IAS) 26 (*Comptabilité et rapports financiers des régimes de retraite*).

Justification de l'opinion émise sur les états financiers

Le Règlement financier de l'OTAN (NFR) prévoit que l'audit externe des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par le Collège international des auditeurs externes de l'OTAN (IBAN).

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 1000-1810), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

L'IBAN est indépendant, ainsi que le prévoit le Code de déontologie de l'INTOSAI, et il s'est acquitté de ses responsabilités dans le respect des dispositions de ce code. Les responsabilités des membres de l'IBAN sont décrites de manière plus détaillée dans la section « Responsabilités de l'IBAN concernant la vérification des états financiers » et dans sa charte.

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

Responsabilité de la direction concernant les états financiers

La responsabilité de la direction concernant les états financiers est définie dans le NFR. Les états financiers du régime de pensions coordonné de l'OTAN sont établis en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN tel qu'approuvé par le Conseil et de l'IAS 26 (*Comptabilité et rapports financiers des régimes de retraite*). Il incombe au contrôleur des finances de soumettre les états financiers à l'IBAN au plus tard le 31 mars qui suit la fin de l'exercice visé dans les états financiers.

Les états financiers sont signés par le chef de l'organisme OTAN concerné et par le contrôleur des finances. En apposant leur signature sur ces documents, ceux-ci confirment que des mesures de gouvernance financière, des mécanismes de gestion des ressources, des contrôles internes et des systèmes d'information financière ont été mis en place et maintenus afin de garantir une utilisation efficace et efficiente des ressources.

Cette confirmation couvre l'élaboration, la mise en place et le maintien d'un ensemble de contrôles internes de nature à permettre l'établissement et la présentation d'états financiers qui soient auditables et exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur. Elle couvre aussi le compte rendu relatif à la capacité de l'entité à poursuivre son activité, la présentation, le cas échéant, des questions relatives à la continuité de l'activité, et l'application du principe comptable de continuité d'activité, à moins qu'il soit prévu de liquider l'entité ou de mettre un terme à son activité ou qu'il ne soit pas réaliste de procéder de la sorte.

Responsabilités de l'IBAN concernant la vérification des états financiers

L'audit a pour objectif de permettre à l'IBAN d'obtenir une assurance raisonnable sur le point de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur, et de formuler une opinion à leur sujet. L'assurance raisonnable correspond à un degré de certitude élevé, mais elle ne garantit pas qu'un audit effectué conformément aux ISSAI permettra dans tous les cas de détecter les inexactitudes significatives. Les inexactitudes, qui peuvent résulter d'une fraude ou d'une erreur, sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce que, considérées isolément ou collectivement, elles influent sur les décisions économiques que les utilisateurs des états financiers prennent en se fondant sur ceux-ci.

Dans le cadre d'audits effectués conformément aux ISSAI, les auditeurs font appel à leur jugement professionnel et à leur esprit critique tout au long de la planification et de la réalisation du travail. Cela nécessite de tenir compte des particularités que présentent les entités du secteur public. L'IBAN s'attache aussi :

- à recenser et à évaluer les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur, à concevoir et à mettre en œuvre des procédures d'audit sensibles à ces risques ainsi qu'à obtenir par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion ; le risque de non-détection d'une inexactitude significative relevant d'une fraude est plus élevé que le risque de non-détection d'une inexactitude significative relevant d'une erreur car la fraude peut résulter d'une collusion, d'une falsification, d'omissions intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;
- à acquérir une connaissance du contrôle interne qui soit pertinente pour l'audit, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité ;
- à déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables et les informations connexes fournies par la direction sont raisonnables ;
- à se prononcer sur le caractère approprié ou non de l'utilisation du principe comptable de la continuité d'activité et à déterminer, à partir des éléments probants obtenus par l'audit, s'il existe une incertitude significative du fait d'événements ou de circonstances susceptibles de remettre fondamentalement en cause la capacité de l'entité à poursuivre son activité ; si l'IBAN juge qu'une telle incertitude existe, il est tenu d'appeler l'attention, dans son opinion, sur les informations correspondantes figurant dans les états financiers ou, si ces informations sont incomplètes, de formuler une opinion modifiée ; les conclusions de l'IBAN sont fondées sur les éléments probants en sa possession à la date d'établissement de son rapport d'audit ;
- à évaluer la présentation générale, la structure et le contenu des états financiers, y compris les informations fournies, et à déterminer si les états financiers rendent compte fidèlement des opérations et des événements qui en font l'objet.

L'IBAN est tenu de communiquer avec les organes chargés de la gouvernance, et notamment de les informer du périmètre et du calendrier de la mission d'audit qu'il prévoit

d'effectuer, des principales conclusions de l'audit et des lacunes significatives qu'il aura éventuellement constatées dans le contrôle interne au cours de l'audit.

L'opinion que l'IBAN formule à l'intention du Conseil de l'Atlantique Nord doit aider ce dernier à s'acquitter de son rôle. C'est la raison pour laquelle l'IBAN est responsable de ses travaux et de son opinion devant le seul Conseil.

Vérification de la conformité

Opinion sur la conformité

Sur la base des procédures qu'il a appliquées, l'IBAN estime que rien, dans son audit des états financiers, ne lui donne de raison de penser que les fonds n'ont pas été régulièrement employés à l'acquittement de dépenses autorisées ou qu'ils ne sont pas conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Justification de l'opinion émise sur la conformité

L'IBAN a effectué la vérification portant sur la conformité sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

Responsabilité de la direction concernant la conformité

Tous les membres du personnel – civils et militaires – de l'OTAN sont tenus de respecter le Règlement financier de l'OTAN ainsi que les règles et procédures financières qui s'y rattachent et les directives d'application particulières, dont le Règlement du personnel civil de l'OTAN fait partie.

Le secrétaire général est responsable et tenu comptable d'une saine gestion financière. Les organismes OTAN doivent administrer leurs finances en s'appuyant sur les principes suivants : adéquation, bonne gouvernance, obligation de rendre compte, transparence, gestion des risques et contrôle interne, audit interne, audit externe, prévention et détection des fraudes.

Responsabilité de la direction concernant la conformité

Selon sa charte, en plus d'être responsable de fournir une assurance raisonnable quant à la question de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, l'IBAN doit chaque année rendre au Conseil un avis indépendant lui assurant que les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées (adéquation) et qu'ils sont conformes aux règles en vigueur (régularité). Par « adéquation », on entend le respect des principes généraux régissant une gestion financière saine ainsi que la conduite des membres de l'administration. Par « régularité », on entend le respect de critères officiels tels que les règlements, règles et procédures applicables.

Il incombe ainsi à l'OTAN d'appliquer des procédures lui permettant d'obtenir en toute indépendance une assurance sur le point de savoir si les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur. De telles procédures prévoient notamment la prise en compte des risques de non-conformité significative.

Bruxelles, le 29 novembre 2019



Daniela Morgante
Présidente

29 novembre 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS

CONCERNANT LE RÉGIME DE PENSIONS COORDONNÉ DE L'OTAN

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018

Introduction

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers du régime de pensions coordonné de l'OTAN pour l'exercice clos le 31 décembre 2018, et il a émis une opinion sans réserve à leur sujet ainsi qu'une opinion sans réserve sur la conformité.

Observations et recommandations

À l'issue de l'audit, l'IBAN a formulé deux observations, qui n'ont pas eu d'incidence sur l'opinion émise :

1. Nécessité pour l'OTAN de comptabiliser le passif correspondant aux avantages postérieurs à l'emploi, afin de se conformer à son cadre comptable (IPSAS 39 (*Avantages du personnel*)).
2. Nécessité de mettre en place des contrôles internes plus efficaces portant sur le compte rendu financier

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits, et il a constaté que quatre questions avaient été traitées et qu'une autre était en cours de traitement.

OBSERVATIONS, CONCLUSIONS ET RECOMMANDATIONS

1. NÉCESSITÉ POUR L'OTAN DE COMPTABILISER LE PASSIF CORRESPONDANT AUX AVANTAGES POSTÉRIEURS À L'EMPLOI, AFIN DE SE CONFORMER À SON CADRE COMPTABLE (IPSAS 39 (*AVANTAGES DU PERSONNEL*))

Contexte

1.1 Le régime de pensions coordonné de l'OTAN, régime à prestations définies, s'applique aux agents civils recrutés entre le 1^{er} juillet 1974 et le 30 juin 2005. Souvent appelé « régime de pensions à prestations définies » (DBPS), il fait l'objet d'une coordination avec cinq autres organisations internationales qui appliquent un même ensemble de règles. Les prestations relevant du régime proviennent de budgets annuels approuvés par le Conseil de l'Atlantique Nord. Les sources de financement de ces budgets sont les contributions obligatoires des agents en fonction, les cotisations d'employeur versées par certains organismes OTAN et, venant en complément, les contributions budgétaires des pays de l'OTAN.

1.2 L'Unité Pensions de l'OTAN (Division Gestion exécutive du Secrétariat international (SI)) assure le soutien administratif et le secrétariat du régime de pensions coordonné. C'est elle qui calcule, pour tous les agents de l'OTAN qui y sont affiliés, à combien s'élèvent les prestations auxquelles ils ont droit. Les services financiers, y compris l'établissement des états financiers, sont quant à eux fournis par le Bureau du contrôle financier (OFC) de l'OTAN (qui fait partie du SI).

1.3 Comme le cadre comptable OTAN ne comporte pas de norme portant spécifiquement sur la comptabilité et les rapports financiers des régimes de pensions et des fonds de couverture médicale, l'OFC a appliqué la norme comptable internationale (IAS) 26 (*Comptabilité et rapports financiers des régimes de retraite*) pour la comptabilité et la présentation des états financiers du régime de pensions coordonné de l'OTAN. Ces états financiers ont donc été établis conformément au cadre comptable OTAN et à l'IAS 26. Comme le régime n'a pas d'employé, la norme comptable internationale du secteur public (IPSAS) 39 (*Avantages du personnel*) ne s'applique pas à ses états financiers.

1.4 Aux termes de l'IPSAS 39, toute entité est tenue de « comptabiliser un passif lorsqu'un membre du personnel a rendu des services en échange d'avantages du personnel qui lui seront versés à l'avenir ». Les avantages du personnel sont définis comme des « prestations futures » octroyées par l'employeur aux « membres du personnel en activité » ou aux « anciens membres du personnel » en échange de services rendus antérieurement. Les avantages postérieurs à l'emploi sont notamment

les pensions, les prestations versées sous forme de capital au moment du départ à la retraite, les assurances vie postérieures à l'emploi et les régimes d'assistance médicale postérieure à l'emploi.

1.5 Dans les notes jointes aux états financiers, les informations relatives au passif correspondant aux avantages postérieurs à l'emploi sont basées sur l'évaluation actuarielle établie annuellement par le Service international des rémunérations et des pensions (SIRP). Plateforme commune aux six organisations coordonnées, dont l'OTAN, ce service leur fournit une aide dans le cadre de leurs régimes de pensions et de leurs politiques de rémunération. L'évaluation actuarielle se fonde sur des données exhaustives sur les affiliés au régime, qui sont communiquées par l'OTAN à la fin de chaque année.

Observations

1.6 En application du cadre comptable OTAN, les organismes OTAN dont certains agents contribuent au régime de pensions coordonné doivent se conformer à l'IPSAS 39 (*Avantages du personnel*) et, pour cela, comptabiliser dans leurs états financiers un passif correspondant aux avantages postérieurs à l'emploi. Par conséquent, ces organismes sont en principe tenus de comptabiliser la quote-part qui leur revient dans le passif de 8,1 milliards d'euros accumulé par le régime coordonné au titre des pensions. Pour qu'ils soient dispensés de cette obligation, il faudrait normalement modifier le cadre comptable OTAN.

1.7 La note 3 jointe aux états financiers du régime de pensions coordonné de l'OTAN mentionne le montant total du passif correspondant aux avantages postérieurs à l'emploi, à savoir 8,1 milliards d'euros, et elle contient d'autres informations intéressantes tirées du rapport actuariel annuel fourni par le SIRP. Dans les états financiers du régime, l'OFC n'a pas enregistré de passif correspondant aux prestations dues en tant qu'avantages postérieurs à l'emploi ; ce traitement comptable est correct puisque le régime n'a pas d'employé.

1.8 L'IBAN a constaté que le passif accumulé par le régime coordonné au titre des pensions et les informations s'y rapportant ne figuraient dans les états financiers d'aucun organisme ou régime de pensions OTAN. Cela n'a toutefois pas d'incidence sur les états financiers du régime de pensions de pensions coordonné.

Recommandation

1.9 L'IBAN recommande que l'OFC, en tant que contrôleur des finances du régime de pensions coordonné de l'OTAN, définisse les critères de comptabilisation du passif correspondant aux avantages postérieurs à l'emploi et fasse en sorte que ce passif soit

constaté conformément au cadre comptable OTAN (IPSAS 39 (*Avantages du personnel*)).

2. NÉCESSITÉ DE METTRE EN PLACE DES CONTRÔLES INTERNES PLUS EFFICACES PORTANT SUR LE COMPTE RENDU FINANCIER

Contexte

2.1 Les états financiers doivent être exempts de toute inexactitude, de toute erreur de chiffres, de toute incohérence et de toute autre erreur ou omission découlant de contrôles inefficaces au moment de leur établissement. Le Règlement financier de l'OTAN impose à chaque entité de mettre en place un système approprié de contrôle interne, et notamment une procédure d'examen et de rapprochement, lui permettant de s'assurer de la cohérence et de l'exactitude des informations présentées dans ses états financiers.

Observations

2.2 Les notes jointes aux états financiers du régime de pensions coordonné recelaient les erreurs suivantes, qui auraient pu être évitées si des contrôles et des procédures de vérification plus efficaces avaient été appliqués aux états financiers avant que ceux-ci ne soient présentés à l'audit :

- les informations relatives aux frais bancaires (279 000 EUR) qui sont fournies dans la note 17 (« Autres éléments de l'actif net qui sont en baisse ») relèvent en fait de la catégorie « Intérêts et frais bancaires », et elles auraient donc dû figurer dans la note 14 ;
- la note 4 (« Trésorerie et équivalents ») indique que « l'augmentation de la trésorerie peut s'expliquer par le fait que les pays ont versé leurs contributions plus tôt » ; en fait, la trésorerie et équivalents a sensiblement diminué entre 2017 et 2018, passant de 48,34 millions d'euros à 27,22 millions d'euros ; il y a donc incohérence entre l'explication donnée dans la note 4 et les soldes présentés dans l'état de l'actif net disponible pour le services des prestations ;
- l'excédent de contributions restituable aux pays, d'un montant de 145 000 euros, est comptabilisé en tant qu'« autre élément de passif », alors qu'il aurait dû être constaté en tant que « montant à recevoir », car le coût total réel est supérieur à la contribution totale demandée aux pays.

2.3 De plus, bien que le nombre d'affiliés mentionné dans les notes jointes aux états financiers de 2018 soit correct (3 943), il ne correspond pas à celui qui est cité dans le rapport d'évaluation actuarielle 2018 du SIRP (3 931). L'Unité Pensions a confirmé que le chiffre de 3 943 retraités était correct, et l'erreur a été signalée au SIRP. Toutes les informations fournies dans les états financiers doivent, le cas échéant, être mises en correspondance avec celles figurant dans le rapport d'évaluation actuarielle, afin que les erreurs et les discordances soient évitées.

Recommandation

2.4 L'IBAN recommande que, pour éviter et détecter les erreurs, l'OFC mette en place des contrôles internes plus efficaces portant sur le processus d'établissement des états financiers ; entre autres choses, il consignera les procédures qu'il convient d'appliquer pour vérifier les informations et les montants figurant dans les états financiers, avant que ceux-ci ne soient présentés à l'audit.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits. On trouvera dans le tableau ci-après un récapitulatif de ces observations et des mesures prises par l'entité ainsi qu'un état de la question.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
(1) Exercice 2017 IBA-AR(2018)29, paragraphe 1 PUBLICATION TARDIVE DES ÉTATS FINANCIERS Recommandations de l'IBAN Les états financiers 2017 du régime de pensions coordonné de l'OTAN ont été soumis au Collège le 28 juin 2018, soit après l'échéance fixée dans le NFR. Cette publication tardive des états financiers donne lieu à la formulation d'une opinion avec réserve sur la conformité pour l'exercice 2017.	L'IBAN a noté que des mesures avaient été prises pour que les états financiers pour l'exercice clos le 31 décembre 2018 soient publiés à temps.	Question traitée .
(2) Exercice 2016 IBA-AR(2017)31, paragraphe 2 INSUFFISANCE DES CONTRÔLES RELATIFS AU COMPTE RENDU FINANCIER Recommandation de l'IBAN Il faut que la personne responsable de l'établissement des états financiers conserve le détail des documents de travail utilisés afin de pouvoir justifier tout solde présenté dans les états financiers et toute information mentionnée dans les notes qui leur sont jointes. De plus, le SI doit impérativement être en mesure de fournir des informations détaillées au sujet de chaque compte d'actif ou de passif de l'ERP, pour que les soldes puissent faire l'objet d'un suivi adéquat. Le Collège recommande de constater les opérations correspondant à des produits et les opérations correspondant à des	Les pièces disponibles étaient suffisantes pour justifier les informations présentées dans les états financiers de 2018. Des opérations correspondant à des produits de nature différente ont encore été constatées dans un nombre restreint de comptes. Toutefois, l'IBAN s'est vu fournir des justificatifs suffisants concernant ces opérations. L'IBAN a constaté que la transparence et la disponibilité des données comptables s'étaient améliorées et que les	Question traitée .

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
charges, par nature différentes, dans des comptes distincts, tels que : - profits/pertes non réalisé(e)s ; - profits/pertes sur achats en devises ; - contributions ; - reprises/transferts ; - autres types de produits/charges. Le Collège recommande d'améliorer la transparence et la disponibilité des données comptables. Il recommande, lorsque c'est techniquement possible, de lier les opérations enregistrées dans l'ERP à la contrepartie concernée afin de pouvoir retracer l'évolution des différents soldes à payer aux contreparties et/ou à recevoir de leur part. Il engage le SI à appliquer des procédures ERP normalisées plutôt que de procéder à des ajustements manuels. Lorsque des données globales sont introduites dans l'ERP, des justificatifs détaillés (récapitulatifs, listes, calculs, etc.) doivent être disponibles dans l'ERP et faire l'objet d'une vérification et d'une validation dans le système. Le Collège recommande de renforcer le processus d'examen des états financiers à plusieurs niveaux, afin d'améliorer la qualité globale des états financiers et leur conformité avec les cadres de compte rendu applicables. Le Collège recommande d'obtenir, une fois par an au moins, la confirmation officielle des soldes interentités auprès de toutes les entités dont les états financiers sont préparés par le Bureau du contrôle financier du SI.	procédures ERP étaient davantage appliquées. L'IBAN a constaté que la qualité des états financiers s'était globalement améliorée. Il y a relevé quelques discordances non significatives. Aucun problème n'a été constaté en lien avec la surévaluation du solde à recevoir du SI en fin d'exercice. Un processus officiel de confirmation des soldes interentités a été mis en place pour l'exercice 2018 entre toutes les entités dont l'OFC prépare les états financiers.	

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
(3) Exercice 2016 IBA-AR(2017)31, paragraphe 5 ABSENCE DE MENTION DES RÉSULTATS DE L'ÉVALUATION ACTUARIELLE BASÉE SUR LES CHIFFRES DE 2016 Recommandation de l'IBAN Le Collège recommande de faire en sorte que les résultats de l'évaluation actuarielle par le SIRP de l'obligation relative aux prestations relevant du régime de pensions coordonné soient disponibles suffisamment tôt pour pouvoir être intégrés dans les états financiers à établir pour l'exercice considéré.	L'IBAN a noté que des mesures avaient été prises pour que l'évaluation actuarielle portant sur l'exercice clos le 31 décembre 2018 soit disponible en prévision de l'établissement des états financiers.	Question traitée.
(4) Exercice 2015 IBA-AR(2017)23, paragraphe 5 RETARDS IMPORTANTS DANS LA COMMUNICATION DES INFORMATIONS NÉCESSAIRES POUR L'AUDIT Recommandation de l'IBAN Le Collège recommande que le Bureau du contrôle financier du SI lui transmette en temps voulu les informations requises. Pour pouvoir respecter ses propres échéances, le Collège se montrera moins souple lors de ses prochains audits.	Lors de la vérification des états financiers 2018 du régime de pensions coordonné, l'IBAN a constaté que le délai de présentation des informations requises s'était raccourci et que les informations fournies étaient adéquates.	Question traitée.
(5) Exercice 2015 IBA-AR(2017)23, paragraphe 8 MANQUE DE CLARTÉ DE LA MÉTHODE DE CHANGE Recommandation de l'IBAN Le Collège recommande de mettre au point et d'appliquer une méthode complète pour la comptabilisation et le compte rendu des opérations libellées en monnaie étrangère.	La méthode officielle de comptabilisation et de compte rendu des opérations et des soldes libellés en monnaie étrangère n'est pas appliquée.	Question en cours de traitement.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
Le Collège recommande qu'en fin d'exercice, les actifs et passifs monétaires soient réévalués en euros sur la base des taux de change applicables en fin d'exercice.	Toutefois, lors de sa vérification des états financiers de 2018, l'IBAN n'a pas constaté de problème significatif dans la réévaluation en fin d'exercice des soldes libellés en monnaie étrangère.	

Une question est considérée comme étant « à traiter » lorsqu'aucun progrès notable n'a encore été réalisé en vue de son règlement. Une question est considérée comme étant « en cours de traitement » lorsque l'organisme OTAN visé a commencé à mettre en œuvre la recommandation correspondante ou lorsque certains éléments de la recommandation (mais pas tous) ont été suivis d'effets. Une question est considérée comme étant « traitée » lorsque la recommandation correspondante a été mise en œuvre ou qu'elle a été rendue ou est devenue caduque.

**COMMENTAIRES OFFICIELS DU SECRÉTARIAT INTERNATIONAL (SI)
SUR LA LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
ET POSITION DU COLLÈGE INTERNATIONAL
DES AUDITEURS EXTERNES DE L'OTAN (IBAN)**

OBSERVATION N° 1 :

**NÉCESSITÉ POUR L'OTAN DE COMPTABILISER LE PASSIF CORRESPONDANT
AUX AVANTAGES POSTÉRIEURS À L'EMPLOI, AFIN DE SE CONFORMER À
L'IPSAS 39 (AVANTAGES DU PERSONNEL)**

Commentaires officiels du Secrétariat international

A. La question soulevée par l'IBAN ne concerne pas le traitement comptable appliqué dans le cas du régime de pensions coordonné mais bien le traitement comptable appliqué par tous les organismes OTAN qui présentent des états financiers

Le régime de pensions coordonné de l'OTAN est un régime d'avantages postérieurs à l'emploi. Aucune norme IPSAS ne porte sur la comptabilité et les rapports financiers de tels régimes. De même, le cadre comptable OTAN ne comporte aucune disposition spécifiquement applicable à de tels régimes. Par conséquent, le Bureau du contrôle financier du SI a appliqué la norme comptable internationale 26 (Comptabilité et rapports financiers des régimes de retraite) pour établir les états financiers du régime de pensions coordonné. Nous notons que les observations et la recommandation de l'IBAN n'ont pas d'incidence sur l'opinion relative aux états financiers ni sur celle relative à la conformité.

B. Avant 2006, alors que l'application des IPSAS se préparait, il avait été décidé, à l'analyse de ce que supposait ce qui était alors l'IPSAS 25 (devenue l'IPSAS 39), qu'aucun organisme OTAN ne présenterait de part des passifs découlant du FCMR ou du régime de pensions coordonné dans ses états financiers. Cette décision était motivée par plusieurs raisons pratiques :

- il aurait été difficile et coûteux de définir un ensemble objectif de critères qui auraient présidé à la répartition de ces passifs entre les différents organismes OTAN (car les agents peuvent passer d'un organisme à l'autre, parce que certains organismes OTAN ont cessé d'exister sans que le passif s'y rapportant ait été transféré à un autre organisme, etc.) ;*

- *toute répartition aurait exigé de fixer arbitrairement un certain nombre de paramètres qui auraient pu être remis en question ou jugés inadaptés ;*
- *découper l'information en plusieurs petits morceaux (par organisme OTAN) aurait brouillé le message global ;*
- *faire présenter une part du passif par chacun des organismes OTAN aurait donné l'impression que ceux-ci étaient individuellement redevables des montants constatés, ce qui n'est pas le cas.*

Au-delà de cela, l'OFC est d'avis que la responsabilité financière de chaque organisme OTAN en tant qu'organisme individuel se limite à payer les cotisations de pension se rapportant à son propre personnel, comme le prévoit le Règlement du personnel civil. Aucun des organismes OTAN évoqués par l'IBAN qui établissent des états financiers propres n'a l'obligation de prendre en charge des avantages postérieurs à l'emploi tels que des prestations de pension, que ce soit pour les anciens membres de son personnel ou pour une partie des anciens membres du personnel de l'Organisation dans son ensemble. Dès lors, l'OFC considère que les organismes OTAN ne peuvent être tenus pour individuellement redevables. À notre connaissance, aucun règlement OTAN (NFR, RPC ou autre) ne comporte de disposition en ce sens. Nous estimons donc que l'idée (formulée au paragraphe 1.6 de la lettre d'observations et de recommandations) selon laquelle chaque organisme OTAN assume une part du passif global accumulé au titre des pensions, et qu'il doit donc présenter le chiffre correspondant dans ses états financiers, n'est pas justifiée de manière satisfaisante.

Compte tenu de ce qui précède, nous sommes d'avis que, pour éviter toute confusion, il serait préférable et souhaitable de clarifier cette question dans le cadre comptable OTAN.

Position de l'IBAN

L'IBAN est bien conscient du fait que le passif de 8,1 milliards d'euros accumulé au titre du régime de pensions coordonné de l'OTAN est, en pratique, pris en charge de manière centralisée par l'Organisation dans son ensemble. La raison en est que, par décision des pays, les cotisations de pension sont appelées et versées de manière centralisée au nom de tous les organismes OTAN. Cependant, l'application du raisonnement exposé par l'OFC a conduit à la situation actuelle, où cet important passif n'est comptabilisé dans les états financiers d'aucun organisme OTAN, ce qui n'est en aucun cas conforme à l'IPSAS 39 ni par conséquent au cadre comptable OTAN. L'IBAN a donc modifié ses observations et sa recommandation pour faire ressortir cet état de fait.

**OBSERVATION N° 2 :
NÉCESSITÉ DE METTRE EN PLACE DES CONTRÔLES INTERNES PLUS
EFFICACES PORTANT SUR LE COMPTE RENDU FINANCIER**

Commentaires officiels du Secrétariat international

Le SI souscrit à la recommandation.

**NATO COORDINATED PENSION SCHEME
FINANCIAL STATEMENTS**

For the year ended
31 December 2018

Annexes

- | | |
|---|---|
| 1 | Statement of Net Assets Available for Benefits |
| 2 | Statement of Changes in Net Assets Available for Benefits |
| 3 | Notes to the Financial Statements |



Jens STOLTENBERG
Secretary General



Stéphane CHAGNOT
Financial Controller

NATO COORDINATED PENSION SCHEME
Statement of Net Assets Available for Benefits

(All amounts in EUR)	Notes	Current Year	Previous Year
		31-Dec-18	31-Dec-17
Assets			
Cash and cash equivalent	4	27,216,210.62	48,336,753.88
Financial investment	5	40,000,000.00	40,000,000.00
Staff member contributions receivable	6	368,164.67	549,197.06
Employer contribution receivable	7	1,352,786.02	1,311,689.94
Nation contributions receivable	8	144,756,106.41	113,969,650.36
Pension adjustments contribution receivable	9	25,436,772.09	19,807,575.69
Credit for past service to be refunded by staff	10	65,962.93	76,915.45
Other	11	456,687.83	270,127.75
Total assets		239,652,690.57	224,321,910.13
Liabilities			
Contributions called for y+1	8	163,964,400.00	154,542,700.00
Voluntary advances	8	659,149.87	0.00
Pension adjustments called for y+1	9	27,543,000.00	27,109,100.00
Other	12	550,732.92	419,791.48
Total Liabilities		192,717,282.79	182,071,591.48
Net assets available for benefits	13	46,935,407.78	42,250,318.65

THE NATO COORDINATED PENSION SCHEME
Statement of Changes in Net Assets Available for Benefits

(All amounts in EUR)	Notes	Current Year	Previous Year
		31-Dec-18	31-Dec-17
Increase in net assets		1,058,659.18	157,810.10
Interest income	14	24,600.67	-225,121.92
Transfers from other pension funds	15	947,287.18	199,660.66
Other	16	86,771.33	183,271.36
Contributions		168,123,326.27	158,349,731.20
Staff members	6	15,308,114.68	16,231,956.37
Employers	7	292,980.18	550,055.43
Nations	8	152,802,326.98	141,567,719.40
Regularizations previous years		-280,095.57	0.00
Tax adjustments	9	27,176,320.84	25,924,447.09
Total increase in net assets available for benefits		196,358,306.29	184,431,988.39
Decrease in net assets		164,496,896.32	158,480,172.78
Pension benefits	18	164,147,209.15	157,977,212.21
Leaving allowances	18	0.00	148,401.18
Other costs	17	69,894.83	70,293.06
Bank costs	14	279,792.34	284,266.33
Tax adjustments	9	27,176,320.84	25,924,447.09
Total decrease in net assets available for benefits		191,673,217.16	184,404,619.87
Net change for the year		4,685,089.13	27,368.52
Net assets available for benefits, beginning of year		42,250,318.65	42,222,950.13
Net assets available for benefits, end of year		46,935,407.78	42,250,318.65

**EXPLANATORY NOTES TO THE
2018 FINANCIAL STATEMENTS OF THE
NATO COORDINATED PENSION SCHEME****NOTE 1: GENERAL INFORMATION****Description**

The NATO Coordinated Pension Scheme is a defined benefit retirement plan that applies to NATO staff recruited between 1 July 1974 and 30 June 2005. NATO staff recruited before 1 July 1974 are participants in the NATO Provident Fund, a defined contribution retirement plan. NATO staff recruited after 30 June 2005 are participants in the NATO Defined Contribution Pension Scheme (DCPS), also a defined contribution retirement plan.

NATO IS operates the Coordinated Pension Scheme for all NATO staff. This Scheme is often referred to as the NATO Defined Benefit Pension Scheme, and is hereafter referred to as the NATO DBPS.

The NATO DBPS is coordinated with five other international organisations: the Council of Europe, the European Centre for Medium Range Weather Forecast, the European Space Agency, the Organisation for Economic Cooperation and Development and the Western European Union (extinct as of 2011). These Coordinated Organisations apply a common set of rules concerning the present defined benefit retirement plan. These rules are initiated and recommended by the Coordinating Committee on Remuneration and are approved by the North Atlantic Council. They are embedded in the NATO Civilian Personnel Regulations (CPRs), Annex IV.

The scheme includes provisions for retirement, invalidity, survivor, orphan and dependent pensions. Benefits paid are usually calculated as a proportion of the staff member's final salary, based on the number of reckonable years of service. NATO civilian staff recruited between 1 July 1974 and 30 June 2005 become eligible for a retirement pension after 10 years of service; those who depart before 10 years of service receive a leaving allowance. The details of the conditions and entitlements of each component of the NATO DBPS are laid down in Annex IV of the CPRs.

Financing Policy

The benefits of the NATO DBPS are paid from annual budgets approved by the North Atlantic Council. Funding sources consist of compulsory contributions from active staff, employer contributions of certain NATO bodies, and, as a balancing resource, budgetary contributions by NATO member Nations. Contrary to most, if not all, of the other Co-ordinated Organisations, NATO has not set aside funds to be invested to fund future costs and, therefore, NATO's funding of the Coordinated Pension Scheme is on a pay-as-you-go basis.

Staff Contributions

The rate of the staff contribution is set so as to represent the cost, in the long term, of one-third of the benefits provided at the coordinated level. Therefore this rate is not specific to NATO; it is the same for all the Coordinated Organisations.

The staff contribution rate is adjusted in accordance with the result of an actuarial study which is carried out every 5 years. This rate has been increasing over time. It was 7.0% from the inception of the scheme until it was brought to 8.0% in 1995. The rate was further increased to 8.3% in 2000 and to 8.9% in 2005.

As of 1 January 2010, contributions to the NATO DBPS from serving staff increased from 8.9% to 9% of their basic salary, further to a change in the method used to calculate such rates in order to take account of the closure of the pension scheme in certain Coordinated Organisations. The rate was increased to 9.5% as from 1 January 2015.

Employer contributions

In specific cases, and in particular for a few NATO activities, limited either in time or in numbers of personnel, or with a specific financial basis, Nations decided that the pension liability is best discharged through a contribution equal to twice the staff contribution rate from the annual budget of the concerned activity or NATO entity (BC-WP(83)3(Revised) paragraph 5(1) and C-M(83)34). This contribution is considered as an employer's contribution. This contribution, together with the staff's, is deemed to provide the necessary funds for the subsequent pensions liability of the entities concerned. Employer contributions are due from the following NATO bodies: the NATO Headquarters Staff Centre (closed in 2018), the New NATO Headquarters Project Office (NHQPO), the Munitions Safety Information Analysis Centre (MSIAC), the NATO Naval Forces Sensor and Weapon Accuracy Check Sites (FORACS), the NATO Battlefield Information Collection and Exploitation Systems (BICES) Agency and the NATO Alliance Ground Surveillance Management Agency (NAGSMA).

Nations' contributions

The member states jointly guarantee the payment of benefits. Should a country, being a member or ex-member of the Organisation, fail to comply with its obligations, the other countries shall meet the cost thereof in proportion to their contributions to the budget of the Organisation as fixed annually from and after the said country's default (article 40.4 of Civilian Personnel Regulations, Annex IV).

Contributions from member states are called once a year based on the authorized annual budgets. They are calculated as the difference between the anticipated benefits due for the year under review and the main sources of funding, primarily staff contributions and employer's contributions. The NATO DBPS is funded through two separate budgets approved by the North Atlantic Council, one for the International Staff and the other for the Military Budgets which includes NATO agencies.

The related calls for contributions are issued in advance, usually towards the end of the preceding year. Costs are shared among NATO member countries based on the cost-shares applicable to the NATO body for which the staff member worked before he/she became a beneficiary of the scheme. In practice, the annual call is based on a weighted average of each NATO body's cost-share weighted by the related pension costs as per the latest available financial statements.

Management of the DBPS

Administrative services and secretarial support are provided by the Pensions Unit of NATO-IS Human Resources. In the framework of the coordinated system, this unit is referred to as Computation Unit II. The Pensions Unit assesses the entitlement to benefits payable under

the DBPS for the whole NATO community. Financial services are provided by the NATO-IS Office of Financial Control (OFC). The OECD's International Service for Remunerations and Pensions (ISRP) provides overall support concerning the global NATO DBPS (actuarial studies, adjustment calculations, etc.).

An Administrative Committee on Pensions of the Coordinated Organizations (CAPOC) was set up to ensure that provisions of the Pension Scheme Rules are uniformly applied at the coordinated level.

None of the above-mentioned management services provided by NATO and the ISRP are charged to the NATO DBPS (see note on Related Parties).

Pension Adjustment

The recipient of a pension is entitled to an adjustment applying to the member country of the organisation in which the pension and adjustment relating thereto are chargeable to income taxes under the tax regulations in force in that country. This adjustment (sometimes referred to as "tax adjustment") concerns members of the NATO DBPS and of the DCPS. The adjustment equals 50% of the amount by which the recipient's pension would theoretically need to be increased, were the balance remaining after deduction of the amount of national income tax or taxes on the total to correspond to the amount of the pension calculated in accordance with the rules of the NATO DBPS or of the DCPS.

The adjustment is borne by the country in which the recipient is subject to taxes on income for the period considered and, therefore, separate accounts are drawn up for each individual country.

For practical reasons, the operations relating to the adjustment of pensions are included in the present financial statements rather than in a separate set of financial statements.

A specific call for contributions is issued to the countries concerned.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Declaration of conformity

The financial statements of the NATO DBPS have been prepared in accordance with the NATO Financial Regulations and International Accounting Standard 26, "Accounting and Reporting by Retirement Benefit Plans". The NATO Accounting Framework, which is an adapted version of the International Public Sector Accounting Standards (IPSAS), does not have a specific standard for accounting and reporting by retirement benefit plans

The accounting system currently used by the NATO DBPS is accrual based.

The financial statements summarise the transactions, net assets available for benefits and the changes in net assets available for benefits. In accordance with IAS 26 the actuarial present value of promised retirement benefits of the NATO DBPS is presented in Note 3.

Basis of presentation

The financial statements have been prepared on a going-concern basis: the NATO DBPS will continue in operation for the foreseeable future.

The amounts shown in these financial statements are presented in EUR.

Changes in accounting policy

None in 2018.

Reclassification of financial statements of previous year

None in 2018.

Use of estimates

In the application of accounting policies judgments, estimates and assumptions are made about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Estimates include, but are not limited to: the long term obligation of the NATO DBPS and receivables.

Foreign currency transactions

NATO entities pay their staff's contributions in various currencies (EUR mostly, GBP, USD, NOK, PLN and DKK) normally in the bank accounts denominated in the same currency. Contributions from the Nations to the pension budget and for the pension adjustment are exclusively called in EUR at the year-end for the following year and received in the EUR bank account.

Benefits are paid in various currencies. Benefits are calculated by reference to salary scales applicable to the country of the staff member's last posting. However the staff member may opt for the scale applicable to another country if the former staff member settles subsequently: in a member country of one of the Coordinated Organisations of which he is a national, or in a member country of one of the Coordinated Organisations of which his spouse is a national, or in a country where he/she has served at least five years in one of the organisations of the Coordinated Organisations. As a consequence payments are made in a variety of currencies such as: EUR, AUD, CAD, CHF, DKK, GBP, NOK, NZD, SEK, THB, TRY and USD.

Foreign currency transactions are accounted for at the NATO exchange rates prevailing on the date of transactions. The monetary assets and liabilities at year-end are reported in EUR using the NATO rates of exchange that were applicable at year-end.

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 recognized as expenses and revenues.

Cash and Cash equivalents

Cash and cash equivalents are defined as short-term assets. They include cash in banks, term deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash.

Financial Investments

Financial investments with a fixed redemption value, acquired with the intention to be held to maturity, matching DBPS obligations or parts thereof, are recognised at ultimate redemption value.

Receivables

Receivables are stated at their book value. No allowance for loss is recorded for receivables relating to NATO bodies' statutory contributions or to national contributions.

Payables

Payables are amounts due to third parties based on rights acquired by staff or pensioners, or services provided that remain unpaid. This includes, as required, an estimate of the related accrued obligation for rights not liquidated, or services provided but not yet invoiced.

Financial instruments

The NATO DBPS uses non-derivative financial instruments as part as its normal operations. These financial elements include bank accounts, deposit accounts, accounts receivable and provisions. The NATO DBPS has also invested in a 3-year capital-guaranteed note yielding 3-month Euribor but with a minimum of 0.03%. The note is intended to be held to maturity in order to match obligations of the DBPS.

Cash and equivalents are recognised in the statement of financial position at their fair value. The 3-year note with capital guarantee is recognised at redemption value at maturity.

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

Credit risk

The NATO DBPS incurs credit risks from cash, cash equivalents and a note held with banks, and receivables.

Credit risk on cash and cash equivalents is managed by holding current accounts and short term highly liquid deposits that are readily convertible to a known amount of cash held with a registered banking institution with the following ratings (short term).

ING Bank Credit Ratings as off 01/03/2019 are:

ING Bank	Fitch	Moody's	S&P
Short term	F1	P1	A-1

A "floored floater" 3-year, capital-guaranteed note held with a registered banking institution has the following ratings.

Credit Ratings as at 08/03/2019

	Fitch	Moody's	S&P
Ratings	A-	A2	A-

Credit risk is also managed by maintaining control procedures over receivables. These consist essentially of contributions due from NATO member countries. This risk is considered limited since these countries are generally considered creditworthy. Similarly, the risk linked to employer or staff contributions due from NATO bodies is considered limited since, with the exception of the Staff Centre, these bodies are directly funded by member Nations or indirectly in the case of customer funding.

Currency risk

The NATO DBPS is exposed to foreign currency exchange risk arising from fluctuations in currency rates. The scheme receives contributions in EUR from member Nations. It receives mostly EUR but also GBP, USD, NOK, PLN and DKK from NATO bodies. As explained above, benefits due to participants in the scheme are in various currencies. Payments are made mainly in EUR. The table below provides a breakdown of the DBPS pension related payments by currency. Foreign currencies are purchased as needed on a monthly basis keeping foreign currency holdings at a minimum. There is therefore very little currency risk because cash and cash equivalent balances on bank accounts in foreign currencies are always a small percentage of the cash and equivalents.

Currency	Percentage/EUR
EUR	83.99%
GBP	8.45%
USD	2.95%
NOK	1.37%
DKK	1.34%
CAD	1.12%
TRY	0.44%
CHF	0.14%
AUD	0.06%
THB	0.05%
MXN	0.04%
NZD	0.03%
SEK	0.03%
PLN	0.01%
Total	100%

The calls for contributions from Nations related to Pension Adjustment are in EUR. Pension Adjustments paid to pensioners are primarily in EUR. There is therefore very little currency risk.

Liquidity risk

A liquidity risk could arise from an unforeseen short term liquidity requirement. There is a very limited exposure to liquidity risk because contributions ensure funding commensurate with budgeted benefit disbursements and are called in advance, and because member states jointly guarantee the funding of this pension scheme. Some limited risk could be due to the validity of forecasts used for the NATO DBPS budget formulation. However, past history shows that this process results in surpluses.

The outflows of cash follow fairly regular paths and so do the staff and employer contributions but the latter are of a smaller amount. While the timing of member Nations' contributions is not entirely predictable, staff and employer contributions as well as benefit outflows are very stable. The budgetary surplus shields NATO DBPS from liquidity risk.

Cash, cash equivalents, and the capital-guaranteed note are managed to avoid liquidity risk.

The calls for contributions related to the Pension Adjustment tend to be lower than the actual requirement due to difficulties in making accurate forecasts. This situation generates a liquidity risk that is managed through the excess cash on the DBPS side.

Interest rate risk

The scheme is restricted from entering into borrowings and therefore, there is no related interest rate risk.

Market risk

The bank-guaranteed note yields 3-month Euribor with a minimum of 0.03%. There is no currency risk attached to it since it is in EUR. The capital is guaranteed. Fluctuations in the euro interest rates will affect the market value of the note if sold before maturity, which is not the intention. The principal corresponds to funds the DBPS has no intention to use in the immediate future, it matches DPBS obligations and relates to inward transfers of pension rights by staff members from their previous pension schemes.

NOTE 3: ACTUARIAL VALUATION

In 2018 the International Service for Remunerations and Pensions (ISRP) decided to update its actuarial model known as the Projection of Pensions and Staff Costs model. This updated model was subject to an external review and validation of its calculations and output. The conclusion was that the new model appears to be a reasonable way to assess the value of the liabilities within the Co-ordinated Organisation schemes. A reconciliation exercise was conducted between the output of the updated model and the calculations produced by the previous model, with differences which were either not material or explainable and therefore were considered acceptable.

An actuarial study was conducted early 2019 by the OECD ISRP using the updated model to assess the value of the long term NATO post-employment medical care obligation.

The new DCPS was created on 1 July 2005 and thereafter the NATO DBPS was closed to new entrants.

The evaluation of the situation end 2018 results in an overall present value of MEUR 8,076.

The methodology is based on the Projected Unit Credit Approach, this method is recognised by the IFRS/IPSAS standards.

Endogenous assumptions taken into account are:

- Probability that a staff member leaves the Organisation, retires, or becomes invalid, etc.

- Annual salary increase and impact due to career progression: 0.24% above inflation (previous: 0.27%)

Exogenous assumptions taken into account are:

- Discount rate in nominal value for post-employment medical care: 0.85% (previous 1.14%)
- Price inflation in the long run: 2% (previous 2%)
- Rates of mortality for both active staff and pensioners (mortality table International Civil Servant Life Table 2018 – ICSLT2018, source ISRP/EUROSTAT, which is based on data covering several international organizations in Europe, including NATO and the European Union.).(previous table was ICSLT2013).

The previous actuarial study estimated that the value of the obligation for post-employment medical care at the end of 2017 was MEUR 6,891. The liability at the end of 2018 can be obtained as follows:

(amounts in MEUR)

Evaluation of the obligation at year end 2017	(a)	6,891
Benefits paid	(b)	164
Interest cost	(c)	78
Current service cost	(d)	161
Obligation at year end 2017 projected into 2018	(e)=(a-b+c+d)	6,966
Actuarial loss (gain) on obligation	(f-e)	1,110
Evaluation of obligation at year end 2018	(f)	8,076

The actuarial loss is MEUR 1,110 (i.e. the positive difference between the obligation estimated at the end of the current year by the new study and the obligation resulting from the previous study at the end of previous year projected into the current year). An analysis of the actuarial loss is provided in the following table.

Impact of change in ...	Type of of loss (gain)	Amount in MEUR	% of year end liability
Population	Experience	209	2.6%
Demographic assumptions	Assumption	-170	-2.1%
Mortality table	Assumption	650	8.0%
Discount rate	Assumption	421	5.2%
Total actuarial loss (gain)		1,110	13.7%

By definition actuarial valuations are largely dependent on the endogenous and exogenous parameters. Therefore changes to the latter can result in material changes to the final evaluation of the obligation.

The significant increase in life expectancies reflected in the new mortality table ICSLT2018 had a significant impact. This new mortality table was approved in 2018. It is an update of the previous ICSLT2013 table produced using historic population data from a number of European based international organisations. It is therefore deemed to constitute a more realistic assumption.

In this case, the discount rate was decreased, by 29 basis points, from 1.14% to 0.85%.

The discount rate refers to market yields on high quality corporate bonds. For the purpose of this actuarial study, in the absence of a market for Eurozone corporate bonds with maturities longer than 18 years, the Euro area government bond yield curve was used instead as a reference to discount the liabilities of the NATO Co-ordinated Pension Scheme. This resulted in the discount rate of 0.85%, compared to the previous 1.14% (and before 0.89%, 1.51%, 1.33% and 2.77%).

Use of the ever-changing market value reference discount rate is likely to result in substantial changes of the actuarial valuations. Considering that the present interest rates used for the actuarial study are historically low, the use of a higher discount rate in the future would result in a decrease in the valuation of the liability.

The table below provides a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period.

	Amounts in MEUR	Change
Base liability	8,076	-
Discount rate -1%	10,038	24%
Discount rate +1%	6,629	-18%
Inflation -1%	6,700	-17%
Inflation +1%	9,894	23%
Mortality rate shifted by +1 year	7,740	-4%
Mortality rate shifted by -1 year	8,419	4%

Any potential liabilities regarding medical expenses for present and future pensioners are reported in the financial statements of the RMCF.

There could be an additional long term obligation in relation to the adjustment of pensions for countries in which pensions are subject to national tax legislation. This obligation is not an obligation of the NATO DBPS and, therefore, it is not reported here.

NOTE 4: CASH AND CASH EQUIVALENTS

Separate bank accounts are held in various currencies (AUD, CAD, CHF, DKK, EUR, GBP, NOK and USD) in order to ensure payments. Payments are made in other currencies (e.g. NZD, SEK, TRY); they are usually made from the EUR bank account.

Cash is held on account of third parties in the amount of EUR 58,980.38 (same as end 2017). These funds belong to Nations, members of former NAMSA (now NSPA), who decided that amounts credited to them further to the transfer of staff from the Provident Fund to the DBPS (validation costs) would be kept at their disposal. Five Nations are concerned. These funds can be used to fund part of their budgetary contributions to the DBPS.

The increase in the level of cash holdings can be explained by contributions paid faster by Nations.

NOTE 5: FINANCIAL INVESTMENTS

In 2016, in a market context where low-risk deposits in euro offered negative interest an amount of EUR 40,000,000 was invested in a Belfius Bank guaranteed capital note maturing in June 2019 yielding the 3-month Euribor rate but with a floor of 0.03%. The 3-year maturity is

consistent with a conservative assessment of when these funds might be required for disbursement. The EUR 40 million is related to inward transfers from national pension schemes so are not subject to disbursement in the near term.

This note is recognized at its redemption value because it is held to maturity and corresponds to DBPS future requirements. It is an "over the counter" (OTC) investment, not publicly traded. However, if it were marketable and if it were held for sale, its reported value would be based on current interest rate market conditions. At 31 December 2018, that notional market value would have represented an unrealised gain of EUR 36 thousand. The most recent estimated value on 12 March 2019 represented a notional unrealised gain of EUR 13 thousand.

This is the only non-cash-equivalent investment held by DBPS.

NOTE 6: STAFF MEMBER CONTRIBUTIONS

Staff member contributions are paid monthly by the NATO payroll centres. Since 1 January 2015, contributions to the NATO DBPS from serving staff have been 9.5% of basic salary (previous contribution rate was 9.0% since 1 January 2010). The reduction in the number of contributing staff, as newly recruited staff are members of the DCPS, results in reductions in the value of staff member contributions. This trend is partially offset by the increase of the contribution rate.

Outstanding amounts are contributions due on staff salaries for December from several NATO entities, which were all received in early 2019.

NOTE 7: EMPLOYER CONTRIBUTIONS

Employer contributions are due from the following NATO bodies: MSIAC, FORACS, NAGSMA, the NATO BICES Agency, the New NATO Headquarters Project Office and the NATO Headquarters Staff Centre. Employer contributions are paid monthly.

Outstanding amounts are essentially employer contributions due by the NATO Headquarters Staff Centre, which is in charge of morale and welfare activities. No employer contributions have been made by the Staff Centre since 2001 (staff member contributions were paid). A recovery plan was established in 2011 and the Staff Centre reimburses EUR 25,000 per month (EUR 300,000 per annum) which is about 50% more than its annual dues. According to the initial plan the full amount should be repaid by 2021. However due to its financial situation the Staff Centre did not fully comply with the plan and no contributions were received during recent years. As of 31 December 2018 the outstanding receivable amounts to EUR 1,352,786.32. The Staff Centre was closed during 2018. Nations have agreed that its outstanding liability towards the DBPS will be funded through a contribution by the Civil Budget and have carried forward appropriations to that effect. The settlement is expected to take place in 2019.

NOTE 8: NATIONS' CONTRIBUTION

Contributions due from NATO member Nations to fund the NATO DBPS of a given budget year are called once annually towards the end of the preceding year. In accordance with Article XXIX 8) of the NATO Financial Rules and Procedures, amounts called are to be paid in principle within a period of one month after receipt of the request. Amounts recognised are those amounts called.

The DBPS call for contributions is a single call issued towards the end of the year. It includes an advance on next year's pension budget including any frozen credits, takes into account the previous year's surplus or deficit, and regularises any adjustments done in the course of the budget year such as budget revisions.

The advances called at year end are:

	2019		2018	
	CIV	MIL	CIV	MIL
Budget called in Y-1	38,134,400.00	125,830,000.00	37,842,700.00	116,700,000.00
	163,964,400.00		154,542,700.00	

Uncollected budgetary contributions from Nations relate mainly to the call for the 2019 pension budget. The call for contributions was issued in late 2018 which largely explains the level of these receivables. Below there is a breakdown of such outstanding collections as off 31 December 18.

Nations outstanding receivables as at 31/12/2018	
ALBANIA	158,724.67
BELGIUM	3,851,215.24
BULGARIA	1,059,337.74
CANADA	10,329,229.04
CROATIA	355,444.25
CZECH	365,333.51
DENMARK	1,474,215.17
ESTONIA	310,800.42
FINLAND	-1,216.07
FRANCE	16,264,992.51
GERMANY	19,218,953.45
GREECE	553,920.43
HUNGARY	1,055,646.83
ICELAND	96,081.50
ITALY	3,033,135.73
LITHUANIA	27.00
LUXEMBOURG	533,265.73
MONTENEGRO	77,967.60
NETHERLANDS	5,979,112.18
NORWAY	5,924,827.95
PORTUGAL	1,217,468.71
ROMANIA	2,748,655.81
SLOVENIA	537,418.49
SPAIN	8,240,931.02
SWEDEN	-6,688.25
TURKEY	3,162,624.51
UK	7,379,359.95
USA	50,835,321.29
Total:	144,756,106.41

On occasion, NATO member Nations may voluntarily pay supplementary advance contributions, at year end there was only one outstanding voluntary advance of EUR 659,149.87 (EUR 0 end 2017).

NOTE 9: PENSION ADJUSTMENT

For practical reasons, the operations relating to the adjustment of pensions are included in the present financial statements. Members of the DCPS are also entitled to such an adjustment.

DCPS related payments are a very small fraction of the total (EUR 95,008.26) and were advanced by the DCPS.

The adjustment is paid monthly by way of advance at the same time as the pension.

The following table provides the breakdown of actual payments by country for DBPS pensions Tax Adjustments.

DBPS - Pension tax adjustments paid to pensioners		
Country	2018	2017
ALBANIA	0.00	0.00
BELGIUM	13,025,918.00	12,430,463.00
BULGARIA	0.00	0.00
CANADA	250,367.41	246,888.02
CROATIA	0.00	0.00
CZECH REPUBLIC	0.00	0.00
DENMARK	493,519.44	1,233,275.20
ESTONIA	0.00	0.00
FRANCE	1,595,347.00	1,594,300.00
GERMANY	2,245,624.00	2,154,439.00
GREECE	172,998.00	165,092.00
HUNGARY	0.00	0.00
ICELAND	0.00	0.00
ITALY	2,173,432.00	1,867,275.54
LATVIA	0.00	0.00
LITHUANIA	0.00	0.00
LUXEMBOURG	1,378,309.00	1,210,731.00
NETHERLANDS	2,948,180.00	2,846,766.80
NORWAY	343,631.77	61,833.05
POLAND	17,605.03	16,472.71
PORTUGAL	162,755.00	135,415.00
ROMANIA	0.00	0.00
SLOVAKIA	0.00	0.00
SLOVENIA	0.00	0.00
SPAIN	288,658.00	260,662.00
TURKEY	0.00	0.00
UNITED KINGDOM OF GREAT BRITAIN	1,697,877.61	1,211,339.55
UNITED STATES OF AMERICA	287,342.71	324,984.51
<i>DCPS transfers</i>	95,008.26	164,509.69
<i>Adjustments</i>	-252.39	0.00
Total:	27,176,320.84	25,924,447.07

Pension Adjustment amounts paid to pensioners as reported in Euros in the table above are impacted by a variety of factors, among which: exchange rates, number of pensioners having their tax residence in a given country (which may be different from their country of origin or the country in which the NATO entity for which staff worked is located), household/family situation, level of the pension itself, national taxation policies, etc. As a consequence, amounts due by individual Nations may vary from one year to the other and are not related to their cost shares of the NATO entity for which staff worked.

Contributions due by Nations concerned to fund the Pension Adjustment of a given budget year are called towards the end of the preceding year. In accordance with Article XXIX 8) of the NATO Financial Rules and Procedures, amounts called are to be paid in principle within one month after receipt of the request. Amounts recognised are those amounts called. Advances on the next year's payments of the pension adjustment are called towards the end of the current year. At year end the balance of advances were:

	2019		2018	
	CIV	MIL	CIV	MIL
Budget called in Y-1	10,190,800.00	17,352,200.00	9,522,300.00	17,586,800.00
	27,543,000.00		27,109,100.00	

Receivables from Nations to fund the Pension Adjustment relate mainly to the call for the advances on 2019 expenses. The call was issued in late 2018 which largely explains the level of these receivables. The table below gives you the status of the open receivables at year end.

NOTE 10: CREDIT FOR PAST SERVICE TO BE REFUNDED BY STAFF

This relates to amounts due from staff who had left the Organisation and were paid a leaving allowance but who were later re-employed by the Organisation or to staff who retroactively became members of the Coordinated Scheme further to NATO Administrative Tribunal decisions.

NOTE 11: OTHER ASSETS

These are essentially accrued interest, occasional advances to the DCPS and miscellaneous amounts to be regularised.

NOTE 12: OTHER LIABILITIES

These correspond to amounts relating to bank fees, life insurance capital due and other miscellaneous amounts due to be regularised (including reimbursement to the DCPS of amounts it paid in relation to Pension Adjustment), and some accruals.

This item also includes funds held on behalf of certain Nations corresponding to their share of former NAMSA (now NSPA) staff members' validation costs EUR 58,980.38 (same amount at end 2017). When the DBPS was established, staff who decided to transfer from the Provident Fund had to return the value of their accounts to the DBPS. The related holdings were returned to the Nations but certain Nations decided to keep the funds in the DBPS accounts.

NOTE 13: NET ASSETS AVAILABLE FOR BENEFITS

The net assets available for benefits at year-end correspond essentially to the surplus linked to the budgetary process, the inward transfer of pension rights (Note 15) and credit for past service by staff. As explained in the introductory note on the funding of the DBPS, contrary to most, if not all, of the other Coordinated Organisations, NATO has not set aside funds to be invested to fund future costs and, therefore, NATO's funding of the Coordinated Pension Scheme is on a pay-as-you-go basis.

Breakdown of Net Assets available for benefits		
	2018	2017
Credits for Past Services	65,962.93	76,915.45
Pensions rights transferred to DBPS	41,380,317.37	40,433,030.19
Budgetary Surplus at End of Year	5,489,127.48	1,740,373.01
	46,935,407.78	42,250,318.65

The surplus at year-end is the difference between the final approved pension budgets and actual amounts required to ensure the payment of benefits due for the period covered by these financial statements. It therefore normally contains excess funding from Nations. The surplus is due to the budgetary context under which the NATO DBPS operates and normally results from prudent estimation of the net funding requirements and unforeseen net revenue (such as the net result from interest revenue, foreign exchange profit and loss, bank charges and other miscellaneous income and expenditure).

This surplus is not invested into a fund from which future benefits would be paid: it is returned to contributing Nations. The surplus is taken into account, as a deduction, in the assessment of the net contributions to be called from member Nations for the budgets of the second year after the reporting period (e.g. the surplus end of 2018 will be returned to Nations with the call for the 2020 budget to be issued end 2019).

NOTE 14: INTEREST EARNED AND BANK CHARGES

This corresponds to expenses and revenues related to financial operations, interest earned on cash holdings and bank charges paid on transactions.

NOTE 15: INWARD TRANSFER OF PENSION RIGHTS FROM PENSION SYSTEMS

The NATO Civilian Personnel Regulations (Annex IV, Article 12) provide that staff may, under certain circumstances, arrange for payment to the Organisation of any amounts corresponding to the retirement pension rights accrued under the pension scheme to which the staff member was previously affiliated in so far as that scheme allows such a transfer. Agreements can be signed with other pension systems to establish the conditions under which such transfers apply to staff in given conditions.

For the individuals concerned, the related amount is converted into a number of years of reckonable service with which the staff member concerned has been credited under his/her own pension scheme.

End 2018, the total amount of inward transfers received throughout the year was EUR 947,287.18, which resulted in a balance of EUR 41,380,317.37 at the end of the year.

In 2009, the Belgian Authorities allowed such inward transfers to NATO and accordingly gave the then-active staff a limited period of time, from 1 December 2009 to 31 May 2010, to make their requests. For 2010 and 2011, the Belgian "Office National des pensions" was the sole case concerned, with contributions amounting to respectively EUR 22.507 million and EUR 10.914 million. As of 31 December 2013, NATO-IS OFC had received EUR 36.025 million from the Belgian "Office National des Pensions" (EUR 35.714 million as of end 2012, EUR 33.422 million as of 31 December 2011).

In 2012, the inward transfers received amounted to EUR 3.294 million, with the main contributions coming from the following national pension systems: Belgium (EUR 2.291

million), Greece (EUR 0.471 million), the Netherlands (EUR 0.369 million) and Luxemburg (0.072 million).

In 2013, the inward transfers received amounted to EUR 2.694 million, with the main contributions coming from the following national pension systems: Belgium (EUR 0.311 million), Greece (EUR 0.232 million), the Netherlands (EUR 2.026 million) and Luxemburg (0.124 million).

In 2014, the inward transfers received amounted to EUR 0.329 million, with the main contributions coming from the following pension systems: Greece (EUR 0.191 million), the Netherlands (EUR 0.034 million) and International Organisations (0.103 million).

In 2015, the inward transfers received amounted to EUR 0.274 million, with the main contribution being the repayment of a Leaving Allowance (EUR 0.222 million) and the rest coming from a pension system of the Netherlands (EUR 0.052 million).

In 2017, the inward transfers received amounted to EUR 199,660.66.

In consideration of the fact that these inward transfers of rights are evaluated at the actuarial value of future benefits due to the concerned staff, the corresponding amounts have been considered as a net asset available for future benefits. They have also been included in the actuarial value of the future obligation of the NATO DBPS.

The Budget Committee approved, per BC-DS(2011)0055, that the related budgetary receipts be applied not as a lump sum to the current year but rather spread over time and should offset expenses when they occur.

NOTE 16: OTHER INCREASES IN NET ASSETS

This corresponds mainly to interest income and to realised exchange gains and other miscellaneous operations.

NOTE 17: OTHER DECREASES IN NET ASSETS

This corresponds mainly to the cost of the actuarial study, realised exchange losses and other miscellaneous operations. The breakdown of the amount recorded as "bank costs" (EUR 279,792.34) is as follows:

Type	Amount
Accruals	-6,695.41
Bank fees	198,010.93
Exchange rate differences (pensions payments)	87,737.07
Pensioners bank charges pay back	739.75
Total	279,792.34

NOTE 18: PENSIONS AND LEAVING ALLOWANCES

The tables under notes 18 and 21 provide a breakdown of payments and collections according to the kind of pensions paid in 2018.

NATO UNCLASSIFIED

ANNEX 3 to
FC(2019)0044

3-16

CIVIL BUDGET	
PAYMENTS / PAIEMENTS	
Retirement Pension / Pension d'Ancienneté	28,260,008.68
Survivor Pension / Pension de Survie	5,561,472.07
Orphans Pension / Pension d'Orphelins	186,998.48
Invalidity Pension / Pension d'Invalidité	4,785,809.54
Family Allowance / Allocations Familiales	1,770,362.25
Leaving Allowance / Allocations de Départ	0.00
Validation Costs Paid / Coûts de Validation payés	0.00
Miscellaneous / Divers	56,535.34
Total Payments / Paiements	40,621,186.36
RECEIPTS / RECETTES	
Staff Contributions / Contributions des Agents	3,545,314.62
Employer Contributions / Contributions de l'Employeur	115,645.80
Validation Costs Received / Coûts de Validation reçus	0.00
Interests, Profit & Loss / Intérêts, Pertes & Profits	0.00
Miscellaneous / Divers	-297,054.24
Contributions due by Staff Center	0.00
Total Receipts / Recettes	3,363,906.18
Funding Requirement / Besoin de financement	37,257,280.18
MILITARY BUDGETS	
PAYMENTS / PAIEMENTS	
Retirement Pension / Pension d'Ancienneté	86,001,515.33
Survivor Pension / Pension de Survie	16,982,618.10
Orphans Pension / Pension d'Orphelins	558,915.28
Invalidity Pension / Pension d'Invalidité	13,970,262.17
Family Allowance / Allocations Familiales	6,069,247.25
Leaving Allowance / Allocations de Départ	0.00
Validation Costs Paid / Coûts de Validation payés	0.00
Miscellaneous / Divers	172,238.17
Total Payments / Paiements	123,754,796.30
RECEIPTS / RECETTES	
Staff Contributions / Contributions des Agents	11,762,800.06
Employer Contributions / Contributions de l'Employeur	177,334.38
Validation Costs Received / Coûts de Validation reçus	0.00
Interests, Profit & Loss / Intérêts, Pertes & Profits	1,410.85
Miscellaneous / Divers	16,958.67
Total Receipts / Recettes	11,958,503.96
Funding Requirement / Besoin de financement	111,796,292.34

Under Miscellaneous receipts for the Civil Budget, there is a correction of EUR 294,054.24 (reduction of receipts) that derives from corrections done in 2018 for a double invoicing issued to NATO IS in 2017. Under Miscellaneous receipts for the Military Budget there were also corrections done by the total amount of EUR 16,958.67 (increase on receipts), resulting from credit memos and new invoices issued.

NOTE 19: CONTINGENT ASSETS

Nothing to report.

NATO UNCLASSIFIED

3-16

NOTE 20: CONTINGENT LIABILITIES

There are no material contingent liabilities arising from legal actions and claims that are likely to result in significant liability to the NATO DBPS.

NOTE 21: SEGMENT INFORMATION

Although there are only two main sources of funding (Civil Budget and Military Budgets), each of the NATO bodies has its own individual funding cost share which is taken into account when calculating the final contributions for each individual country. Segment information is developed in the following tables to show income and expenditure by NATO body (i.e. the NATO body which was the last employer of the retired staff member on the expense side, and the NATO body which is currently employing the contributing staff member on the revenue side).

The data provided below concerns 2018.

NATO UNCLASSIFIED

3-18

ANNEX 3 to
FC(2019)0044

SEGMENT TABLE NATO BODIES 2018	ACO-ACT	ACO-ACT (16N)	ACO-ACT (17N)	BGOH (2N)	BGOH (8N)	BGOH (9N)	CEPMA (6N)	CEPMA (7N)	CEPMA (8N)	Ex NACISA (14N)	IMS
PAYMENTS / PAIEMENTS											
Retirement Pension / Pension d'Ancienneté	22,546,158.92	13,289,314.37	191,619.72	341,538.00	35,229.36	1,000,468.94	16,799.52	160,411.80	1,805,112.16	1,028,261.80	3,622,605.99
Survivor Pension / Pension de Survie	6,311,524.37	1,970,415.96	0.00	34,367.67	13,694.40	742,860.43	0.00	0.00	687,280.26	416,712.68	713,514.89
Orphans Pension / Pension d'Orphelins	112,015.80	40,544.33	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,715.40
Invalidity Pension / Pension d'Invalidité	1,930,334.01	5,310,665.46	0.00	84,799.84	6,142.70	234,886.44	74,271.60	45,833.34	63,670.29	35,461.80	542,827.35
Family Allowance / Allocations Familiales	1,381,282.10	1,285,501.98	8,741.76	32,017.00	2,676.36	65,407.14	4,374.86	11,803.14	91,649.52	64,319.78	203,032.32
Leaving Allowance / Allocations de Départ	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Validation Costs Paid / Coûts de Validation payés	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous / Divers	44,990.77	30,517.28	279.25	686.71	80.48	2,848.22	133.02	303.90	3,690.14	2,152.94	7,097.74
Total Payments / Paiements	32,326,305.97	21,926,959.38	200,640.73	493,409.22	57,823.30	2,046,471.17	95,579.00	218,352.18	2,651,402.37	1,546,909.00	5,099,793.69
RECEIPTS / RECETTES											
Staff Contributions / Contributions des Agents	2,174,802.71	1,746,998.74	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	605,368.93
Employer Contributions / Contributions de l'Employeur	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	152,472.06
Validation Costs Received / Coûts de Validation reçus	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interests, Profit & Loss / Intérêts, Pertes & Profits	256.98	206.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	89.55
Miscellaneous / Divers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Contributions due by Staff Center	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Receipts / Recettes	2,175,059.69	1,747,205.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	757,930.54
Funding Requirement / Besoin de financement	30,151,246.29	20,179,754.21	200,640.73	493,409.22	57,823.30	2,046,471.17	95,579.00	218,352.18	2,651,402.37	1,546,909.00	4,341,863.15

NATO UNCLASSIFIED

3-18

NATO UNCLASSIFIED

3-19

ANNEX 3 to
FC(2019)0044

SEGMENT TABLE NATO BODIES 2018	IS	NAHEMA (5N)	NAMEADSMA (2N)	NAMMA (3N)	NAMSA (25N)	NAPMA (16N)	NCIA	NEFMA (4N)	NETMA (4N)	NSPA	Total
PAYMENTS / PAIEMENTS											
Retirement Pension / Pension d'Ancienneté	28,260,008.68	24,108.84	0.00	28,495.68	21,117,140.96	1,925,688.04	18,119,300.13	86,540.52	622,533.66	40,186.92	114,261,524.01
Survivor Pension / Pension de Survie	5,561,472.07	0.00	0.00	57,090.79	3,804,655.99	398,111.85	1,536,084.95	78,401.52	217,902.34	0.00	22,544,090.17
Orphans Pension / Pension d'Orphelins	186,998.48	29,736.48	0.00	0.00	234,837.89	7,520.16	107,402.90	0.00	16,142.32	0.00	745,913.76
Invalidity Pension / Pension d'Invalidité	4,785,809.54	0.00	0.00	83,398.44	3,369,175.59	473,550.24	1,459,423.70	90,266.40	165,554.97	0.00	18,756,071.71
Family Allowance / Allocations Familiales	1,770,362.25	2,471.52	0.00	2,489.52	1,362,331.20	166,814.80	1,328,894.89	8,548.92	45,853.14	1,037.30	7,839,609.50
Leaving Allowance / Allocations de Départ	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Validation Costs Paid / Coûts de Validation payés	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous / Divers	56,535.34	78.49	0.00	238.99	41,655.38	4,141.67	31,429.69	367.60	1,488.46	57.45	228,773.51
Total Payments / Paiements	40,621,186.36	56,395.33	0.00	171,713.42	29,929,797.01	2,975,826.76	22,582,536.26	264,124.96	1,069,474.89	41,281.67	164,375,982.66
RECEIPTS / RECETTES											
Staff Contributions / Contributions des Agents	3,545,314.62	0.00	12,291.69	0.00	0.00	116,341.92	4,052,567.27	0.00	0.00	3,054,428.80	15,308,114.68
Employer Contributions / Contributions de l'Employeur	115,645.80	0.00	0.00	0.00	0.00	0.00	24,862.32	0.00	0.00	0.00	292,980.18
Validation Costs Received / Coûts de Validation reçus	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interests, Profit & Loss / Intérêts, Pertes & Profits	0.00	0.00	1.45	0.00	0.00	13.75	481.79	0.00	0.00	360.91	1,410.85
Miscellaneous / Divers	-297,054.24	0.00	0.00	0.00	0.00	0.00	16,958.67	0.00	0.00	0.00	-280,095.57
Contributions due by Staff Center	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Receipts / Recettes	3,363,906.18	0.00	12,293.14	0.00	0.00	116,355.67	4,094,870.05	0.00	0.00	3,054,789.71	15,322,410.14
Funding Requirement / Besoin de financement	37,257,280.18	56,395.33	-12,293.14	171,713.42	29,929,797.01	2,859,471.09	18,487,666.21	264,124.96	1,069,474.89	-3,013,508.04	149,053,572.52

NATO UNCLASSIFIED

3-19

NATO UNCLASSIFIED

3-20

ANNEX 3 to
FC(2019)0044

The data provided below concerns 2017.

	IS (28N)	ACO-ACT (16N)	ACO-ACT (17N)	ACO-ACT (28N)	ACO-ACT (Ex-27N)	BGOH (2N)	BGOH (8N)	BGOH (9N)	CEPMA (6N)	CEPMA (7N)	CEPMA (8N)	Ex NACISA (14N)	IMS (28N)	IMS (Ex-27N)
PAYMENTS														
Retirement Pensions	27,097,736.42	12,434,250.23	128,188.90	8,377,891.50	14,935,158.86	331,517.04	34,195.80	1,116,684.02	16,306.68	144,329.76	1,837,966.12	1,001,186.06	4,176,943.12	498,219.84
Survivor Pensions	5,500,424.71	1,737,927.83	9,504.15	1,575,948.68	4,542,741.87	33,209.07	15,090.19	682,122.70	0.00	0.00	697,543.36	406,097.99	645,030.53	242,863.79
Orphans Pensions	186,745.65	72,481.87	0.00	15,408.02	104,158.37	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31,515.79
Invalidity Pensions	4,508,153.70	5,393,154.44	-14,671.49	571,753.65	1,393,809.87	82,501.22	6,006.12	233,001.34	72,214.14	55,942.98	87,035.28	34,668.89	498,905.32	74,784.78
Family Allowances	1,693,021.42	1,283,098.44	4,189.39	512,058.15	907,342.90	45,166.35	3,494.37	80,713.33	4,077.63	11,542.31	92,694.98	67,218.33	295,563.98	27,684.55
Leaving Allowances	148,401.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Validation Costs Paid														
Miscellaneous	117,261.67	62,686.94	381.17	33,119.14	65,570.35	1,475.40	176.15	6,329.91	277.46	634.68	8,135.88	4,522.05	16,828.98	2,622.04
Total Payments	39,251,744.75	20,983,599.75	127,592.12	11,086,179.14	21,948,782.22	493,869.08	58,962.63	2,118,851.30	92,875.91	212,449.73	2,723,375.62	1,513,693.32	5,633,271.93	877,690.79
RECEIPTS														
Staff Contributions	4,058,952.02	0.00	1,803,080.10	1,966,999.45	274,673.88	0.00	0.00	0.00	0.00	0.00	116,965.15	0.00	626,632.58	0.00
Employer Contributions	379,826.82	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	155,119.75	0.00
Validation Costs Received														
Interests														
Miscellaneous	126.58	0.00	51.42	56.09	7.83	0.00	0.00	0.00	0.00	0.00	3.34	0.00	22.29	0.00
Total Receipts	4,438,905.42	0.00	1,803,131.52	1,967,055.54	274,681.71	0.00	0.00	0.00	0.00	0.00	116,968.49	0.00	781,774.62	0.00
Funding Requirement	34,812,839.33	20,983,599.75	-1,675,539.39	9,119,123.59	21,674,100.51	493,869.08	58,962.63	2,118,851.30	92,875.91	212,449.73	2,606,407.14	1,513,693.32	4,851,497.31	877,690.79

NATO UNCLASSIFIED

3-20

NATO UNCLASSIFIED

3-21

ANNEX 3 to
FC(2019)0044

	NAHEMA (5N)	NAMMA (3N)	NAMSA (25N)	NAPMA (16N)	NC3A (28N)	NCIA	NEFMA (4N)	NETMA (4N)	NSPA	NAMA (12N)	NAMEADSMA (2N)	TOTAL
PAYMENTS												
Retirement Pensions	23,775.96	27,778.99	19,437,286.16	1,784,753.67	9,721,880.23	5,278,322.75	83,938.44	620,134.80	35,918.03	0.00	0.00	109,144,363.38
Survivor Pensions	0.00	81,621.84	3,723,125.34	350,452.17	816,977.07	425,755.94	76,044.12	185,957.16	0.00	0.00	0.00	21,748,438.51
Orphans Pensions	29,326.08	0.00	241,301.90	7,320.00	39,688.57	66,538.32	0.00	16,195.20	0.00	0.00	0.00	810,679.77
Invalidity Pensions	0.00	80,890.44	3,330,600.41	446,759.48	1,099,898.92	318,541.42	87,552.24	187,633.38	0.00	0.00	0.00	18,549,136.53
Family Allowances	2,437.44	2,433.77	1,316,717.56	173,079.69	665,889.26	473,508.81	8,291.64	54,369.72	0.00	0.00	0.00	7,724,594.02
Leaving Allowances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	148,401.18
Validation Costs Paid												
Miscellaneous	166.42	577.48	84,045.47	8,277.09	36,988.28	19,664.23	766.55	3,189.01	107.62	0.00	0.00	473,803.96
Total Payments	55,705.90	193,302.52	28,133,076.84	2,770,642.10	12,381,322.33	6,582,331.47	256,592.99	1,067,479.27	36,025.65	0.00	0.00	158,599,417.35
RECEIPTS												
Staff Contributions	0.00	0.00	3,337,566.83	137,468.02	2,809,073.91	1,351,044.04	0.00	0.00	-268,515.66	5,661.70	12,354.35	16,231,956.37
Employer Contributions	0.00	0.00	481.25	0.00	0.00	14,627.61	0.00	0.00	0.00	0.00	0.00	550,055.43
Validation Costs Received												
Interests												
Miscellaneous	0.00	0.00	95.19	3.92	80.10	38.94	0.00	0.00	-7.66	0.16	0.35	478.56
Total Receipts	0.00	0.00	3,338,143.27	137,471.94	2,809,154.01	1,365,710.59	0.00	0.00	-268,523.32	5,661.86	12,354.70	16,782,490.36
Funding Requirement	55,705.90	193,302.52	24,794,933.58	2,633,170.16	9,572,168.32	5,216,620.87	256,592.99	1,067,479.27	304,548.97	-5,661.86	-12,354.70	141,816,926.99

NATO UNCLASSIFIED

3-21

NOTE 22: BUDGET EXECUTION

Presently the NATO DBPS budgets are not made available to the public. The following table compares approved budgets and actuals.

Budget Execution 2018

(amounts in EUR)	Initial Budget	Revised Budget	Actuals	Difference
	(a)	(b)	(c)	(b-c)
CIVIL BUDGET				
PAYMENTS / PAIEMENTS				
Retirement Pension / Pension d'Ancienneté	29,591,900.00	29,591,900.00	28,260,008.68	1,331,891.32
Survivor Pension / Pension de Survie	5,667,100.00	5,667,100.00	5,561,472.07	105,627.93
Orphans Pension / Pension d'Orphelins	173,000.00	173,000.00	186,998.48	-13,998.48
Invalidity Pension / Pension d'Invalidité	4,299,300.00	4,299,300.00	4,785,809.54	-486,509.54
Family Allowance / Allocations Familiales	1,701,100.00	1,701,100.00	1,770,362.25	-69,262.25
Leaving Allowance / Allocations de Départ	0.00	0.00	0.00	0.00
Validation Costs Paid / Coûts de Validation payés	0.00	0.00	0.00	0.00
Miscellaneous / Divers	0.00	0.00	56,535.34	-56,535.34
Total Payments / Paiements	41,432,400.00	41,432,400.00	40,621,186.36	811,213.64
RECEIPTS / RECETTES				
Staff Contributions / Contributions des Agents	3,437,700.00	3,437,700.00	3,545,314.62	-107,614.62
Employer Contributions / Contributions de l'Employeur	152,000.00	152,000.00	115,645.80	36,354.20
Validation Costs Received / Coûts de Validation reçus	0.00	0.00	0.00	0.00
Interests, Profit & Loss / Intérêts, Pertes & Profits	0.00	0.00	0.00	0.00
Miscellaneous / Divers	0.00	0.00	-297,054.24	297,054.24
Contributions due by Staff Center	0.00	0.00	0.00	0.00
Total Receipts / Recettes	3,589,700.00	3,589,700.00	3,363,906.18	225,793.82
Funding Requirement / Besoin de financement	37,842,700.00	37,842,700.00	37,257,280.18	585,419.82
MILITARY BUDGETS				
PAYMENTS / PAIEMENTS				
Retirement Pension / Pension d'Ancienneté	89,500,000.00	89,500,000.00	86,001,515.33	3,498,484.67
Survivor Pension / Pension de Survie	17,200,000.00	17,200,000.00	16,982,618.10	217,381.90
Orphans Pension / Pension d'Orphelins	700,000.00	700,000.00	558,915.28	141,084.72
Invalidity Pension / Pension d'Invalidité	14,600,000.00	14,600,000.00	13,970,262.17	629,737.83
Family Allowance / Allocations Familiales	6,400,000.00	6,400,000.00	6,069,247.25	330,752.75
Leaving Allowance / Allocations de Départ	0.00	0.00	0.00	0.00
Validation Costs Paid / Coûts de Validation payés	0.00	0.00	0.00	0.00
Miscellaneous / Divers	0.00	0.00	172,238.17	-172,238.17
Total Payments / Paiements	128,400,000.00	128,400,000.00	123,754,796.30	4,645,203.70
RECEIPTS / RECETTES				
Staff Contributions / Contributions des Agents	11,600,000.00	11,600,000.00	11,762,800.06	-162,800.06
Employer Contributions / Contributions de l'Employeur	100,000.00	100,000.00	177,334.38	-77,334.38
Validation Costs Received / Coûts de Validation reçus	0.00	0.00	0.00	0.00
Interests, Profit & Loss / Intérêts, Pertes & Profits	0.00	0.00	1,410.85	-1,410.85
Miscellaneous / Divers	0.00	0.00	16,958.67	-16,958.67
Total Receipts / Recettes	11,700,000.00	11,700,000.00	11,958,503.96	-258,503.96
Funding Requirement / Besoin de financement	116,700,000.00	116,700,000.00	111,796,292.34	4,903,707.66
TOTAL CIVIL + MILITARY BUDGETS				
TOTAL Funding Requirement	154,542,700.00	154,542,700.00	149,053,572.52	5,489,127.48

The “actual amounts” referred to by IPSAS 24 (“amounts that result from execution of the budget”) are considered to be the commitment of credits. In the case of the NATO DBPS there are no differences between the budget and accounting bases. The notion of commitments used for the NATO DBPS budget execution corresponds to expenses incurred during the course of the year. In this respect the NATO DBPS budget should be considered as prepared and executed on an accrual basis. There are no timing or entity differences.

DBPS funding requirement credits for 2018 for the Civil Budget and the Military Budgets were initially approved at, respectively, EUR 37,842,700.00 and EUR 116,700,000.00. . No revisions took place during 2018.

The difference between approved budgets and actuals for both the Civil Budget and the Military Budgets mainly concern the following items: invalidity pensions and staff contributions. Invalidity pensions do not follow regular evolution paths and prove to be more difficult to anticipate. Newly recruited staff are automatically members of the DCPS. As a consequence, the number of staff contributing to the NATO DBPS is declining. The impact of this trend has proven difficult to forecast. Approved budgets are based on a principle of prudence and therefore there is a tendency to underestimate revenue.

NOTE 23: RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

During 2018 there have been the following related party transactions:

Administrative Expenses

Administrative expenses in relation to the NATO DBPS are not recognised in these financial statements.

The administrative expenses related to the management of the scheme by NATO IS are estimated at about EUR 420K. This includes miscellaneous operating costs and the personnel costs of the full time equivalent of 4 staff from the Office of Financial Control and the Human Resources Pension Unit.

NATO's contribution towards the annual administrative costs of the International Service for Remunerations and Pensions (ISRP which took over, among others, the activities of the former Joint Pensions Administrative Section) paid to the OECD was EUR 128,919 in 2011. No similar breakdown for subsequent years has been provided but the amount is estimated to be of the same order of magnitude in 2018.

These administrative expenses are charged to the NATO Civil Budget, which includes the IS. In the framework of the Administrative Support Costs process applied by NATO IS to all of the other NATO bodies to which such kind of services are provided, NATO-IS charges these expenses to the other individual NATO bodies in proportion to the number of NATO established posts. The related income is returned to NATO member Nations as a deduction to the Civil Budget contributions called from them.

For the purposes of these financial statements, Key Management Personnel are considered to be the NATO-IS Assistant Secretary General for Executive Management and the Financial Controller. Their remuneration is totally covered by the NATO International Staff.

NOTE 24: STATISTICAL INFORMATION

The following table provides information concerning the number of beneficiaries in the NATO Coordinated Pension Scheme.

Year	Retirement Pensions	Survivor and Reversion Pensions	Orphan's and Dependant's Pensions	Invalidity Pensions	Total
1995	830	330	88	155	1,403
1996	878	340	91	168	1,477
1997	926	374	97	188	1,585
1998	967	395	98	202	1,662
1999	1,020	409	104	224	1,757
2000	1,096	424	96	229	1,845
2001	1,134	432	102	248	1,916
2002	1,187	448	98	275	2,008
2003	1,243	461	103	293	2,100
2004	1,344	479	96	313	2,232
2005	1,417	500	99	336	2,352
2006	1,469	515	96	379	2,459
2007	1,548	515	90	406	2,559
2008	1,629	523	77	419	2,648
2009	1,715	537	79	452	2,783
2010	1,838	543	71	472	2,924
2011	1,950	561	68	480	3,059
2012	2,023	592	72	480	3,167
2013	2,149	609	64	491	3,313
2014	2,272	624	59	470	3,425
2015	2,380	652	58	459	3,549
2016	2,589	665	65	439	3,758
2017	2,665	684	58	436	3,843
2018	2,759	699	53	432	3,943

* * * * *

List of acronyms:

BICES:	Battlefield Information Collection and Exploitation Systems Agency
CPR:	Civilian Personnel Regulations
DCPS:	Defined Contribution Pension Scheme
DBPS:	Defined Benefit Pension Scheme
FORACS:	NATO Naval Forces Sensor and Weapons Accuracy Check Sites
IFRS:	International Financial Reporting Standards
IPSAS:	International Public Sector Accounting Standards
IS:	International Staff
ISRP:	International Service for Remunerations and Pensions
JPAS:	Joint Pensions Administrative Section
MSIAC:	Munitions Safety Information Analysis Centre
NAGSMA:	NATO Alliance Ground Surveillance Management Agency
NAC:	North Atlantic Council
NCIA:	NATO Communication and Information Agency
NSPA:	NATO Support Agency.
OECD:	Organisation for Economic Co-operation and Development
OFC:	Office of Financial Control
RMCF:	Retirees Medical Claims Fund
SC:	NATO Headquarters' Staff Centre



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COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN



NATO SANS CLASSIFICATION

IBA-A(2019)0098
28 août 2019

À : Secrétaire général
À l'attention du directeur du Cabinet

Cc : Président du Comité directeur des FORACS OTAN
Directeur de projet et directeur technique du Bureau des FORACS OTAN
Contrôleur des finances du Secrétariat international
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Secrétariat et finances du Bureau OTAN des ressources
Bureau d'ordre du Cabinet

Objet : ***Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) concernant la vérification des états financiers du Bureau des FORACS OTAN pour l'exercice clos le 31 décembre 2018 – IBA-AR(2019)0022***

Messieurs,

Vous trouverez ci-joint l'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) de l'IBAN, ainsi qu'une note succincte à l'intention du Conseil (annexe 1).

L'IBAN a émis une opinion sans réserve sur les états financiers du Bureau des FORACS OTAN ainsi que sur la conformité pour l'exercice 2018.

Veuillez agréer, Messieurs, l'assurance de ma haute considération.

Hans Leijtens
Président

Pièces jointes : voir ci-dessus.



**Note succincte
du Collège international des auditeurs externes de l'OTAN
à l'intention du Conseil sur la vérification des états financiers
du Bureau des FORACS OTAN
pour l'exercice clos le 31 décembre 2018**

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 2018, la dotation budgétaire du Bureau des FORACS OTAN (reports compris) s'élevait à 2,05 millions d'euros (MEUR), et les dépenses au titre du budget ont représenté 1,34 MEUR.

L'IBAN a émis une opinion sans réserve sur les états financiers ainsi que sur la conformité pour l'exercice clos le 31 décembre 2018.

À l'issue de l'audit, l'IBAN a formulé trois observations, assorties de recommandations. Ces observations n'ont pas eu d'incidence sur les opinions émises.

1. Insuffisances dans le contrôle interne du compte rendu financier.
2. Comptabilisation des produits correspondant aux services fournis par les polygones à des pays non membres.
3. Comptabilisation et présentation des montants à recevoir des polygones du fait d'excédents budgétaires.

L'IBAN a par ailleurs fait le point sur deux observations formulées lors de précédents audits auxquelles il devait encore être donné suite, et il a constaté qu'une question était en cours de traitement et que l'autre était de facto traitée car rendue caduque par l'observation 1 formulée pour l'exercice 2018.

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).

28 août 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES 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 2018**

**OPINION DU COMMISSAIRE AUX COMPTES
À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD**

Vérification des états financiers

Opinion sur les états financiers

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers du Bureau des FORACS OTAN portant sur la période de 12 mois ayant pris fin le 31 décembre 2018. Diffusés sous la cote FC(2019)0038 et soumis à l'IBAN le 31 mars 2019, ces états financiers se composent de l'état de la situation financière au 31 décembre 2018, de l'état de la performance financière, de l'état des variations de l'actif net/situation nette et du tableau des flux de trésorerie pour la période de 12 mois ayant pris fin le 31 décembre 2018, ainsi que d'un résumé des méthodes comptables importantes et d'autres notes explicatives. Ils contiennent en outre un rapport sur l'exécution du budget portant sur la période de 12 mois ayant pris fin le 31 décembre 2018.

L'opinion de l'IBAN est que les états financiers donnent une image fidèle et exacte de la situation financière du Bureau des FORACS OTAN au 31 décembre 2018 ainsi que de sa performance financière, de ses flux de trésorerie et de l'exécution du budget pour la période de 12 mois ayant pris fin le 31 décembre 2018, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN.

Justification de l'opinion émise sur les états financiers

Le Règlement financier de l'OTAN (NFR) prévoit que l'audit externe des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par le Collège international des auditeurs externes de l'OTAN (IBAN).

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 1000-1810), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

L'IBAN est indépendant, ainsi que le prévoit le Code de déontologie de l'INTOSAI, et il s'est acquitté de ses responsabilités dans le respect des dispositions de ce code. Les responsabilités des membres de l'IBAN sont décrites de manière plus détaillée dans la section « Responsabilités de l'IBAN concernant la vérification des états financiers » et dans sa charte. L'IBAN estime qu'il a obtenu par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion.

Responsabilité de la direction concernant les états financiers

La responsabilité de la direction concernant les états financiers est définie dans le NFR. Les états financiers du Bureau des FORACS OTAN sont établis en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN tel qu'approuvé par le Conseil. Il incombe au contrôleur des finances de soumettre les états financiers à l'IBAN au plus tard le 31 mars qui suit la fin de l'exercice visé dans les états financiers.

Les états financiers sont signés par le chef de l'organisme OTAN concerné et par le contrôleur des finances. En apposant leur signature sur ces documents, ceux-ci confirment que des mesures de gouvernance financière, des mécanismes de gestion des ressources, des contrôles internes et des systèmes d'information financière ont été mis en place et maintenus afin de garantir une utilisation efficace et efficiente des ressources.

Cette confirmation couvre l'élaboration, la mise en place et le maintien d'un ensemble de contrôles internes de nature à permettre l'établissement et la présentation d'états financiers qui soient auditables et exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur. Elle couvre aussi le compte rendu relatif à la capacité de l'entité à poursuivre son activité, la présentation, le cas échéant, des questions relatives à la continuité de l'activité, et l'application du principe comptable de continuité d'activité, à moins qu'il soit prévu de liquider l'entité ou de mettre un terme à son activité ou qu'il ne soit pas réaliste de procéder de la sorte.

Responsabilités de l'IBAN concernant la vérification des états financiers

L'audit a pour objectif de permettre à l'IBAN d'obtenir une assurance raisonnable sur le point de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur, et de formuler une opinion à leur sujet. L'assurance raisonnable correspond à un degré de certitude élevé, mais elle ne garantit pas qu'un audit effectué conformément aux ISSAI permettra dans tous les cas de détecter les inexactitudes significatives. Les inexactitudes, qui peuvent résulter d'une fraude ou d'une erreur, sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce que, considérées isolément ou collectivement, elles influent sur les décisions économiques que les utilisateurs des états financiers prennent en se fondant sur ceux-ci.

Dans le cadre d'audits effectués conformément aux ISSAI, les auditeurs font appel à leur jugement professionnel et à leur esprit critique tout au long de la planification et de la réalisation du travail. Cela nécessite de tenir compte des particularités que présentent les entités du secteur public. L'IBAN s'attache aussi :

- à recenser et à évaluer les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur, à concevoir et à mettre en œuvre des procédures d'audit sensibles à ces risques ainsi qu'à obtenir par son audit les éléments probants nécessaires et suffisants pour lui permettre

de formuler une opinion ; le risque de non-détection d'une inexactitude significative relevant d'une fraude est plus élevé que le risque de non-détection d'une inexactitude significative relevant d'une erreur car la fraude peut résulter d'une collusion, d'une falsification, d'omissions intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;

- à acquérir une connaissance du contrôle interne qui soit pertinente pour l'audit, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité ;
- à déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables et les informations connexes fournies par la direction sont raisonnables ;
- à se prononcer sur le caractère approprié ou non de l'utilisation du principe comptable de la continuité d'activité et à déterminer, à partir des éléments probants obtenus par l'audit, s'il existe une incertitude significative du fait d'événements ou de circonstances susceptibles de remettre fondamentalement en cause la capacité de l'entité à poursuivre son activité ; si l'IBAN juge qu'une telle incertitude existe, il est tenu d'appeler l'attention, dans son opinion, sur les informations correspondantes figurant dans les états financiers ou, si ces informations sont incomplètes, de formuler une opinion modifiée ; les conclusions de l'IBAN sont fondées sur les éléments probants en sa possession à la date d'établissement de son rapport d'audit ; il n'est toutefois pas exclu que l'entité soit amenée à cesser son activité en raison d'événements ou de circonstances futurs ;
- à évaluer la présentation générale, la structure et le contenu des états financiers, y compris les informations fournies, et à déterminer si les états financiers rendent compte fidèlement des opérations et des événements qui en font l'objet.

L'IBAN est tenu de communiquer avec les organes chargés de la gouvernance, et notamment de les informer du périmètre et du calendrier de la mission d'audit qu'il prévoit d'effectuer, des principales conclusions de l'audit et des lacunes significatives qu'il aura éventuellement constatées dans le contrôle interne au cours de l'audit.

L'opinion que l'IBAN formule à l'intention du Conseil de l'Atlantique Nord doit aider ce dernier à s'acquitter de son rôle. C'est la raison pour laquelle l'IBAN est responsable de ses travaux et de son opinion devant le seul Conseil.

Vérification de la conformité

Opinion sur la conformité

Sur la base des procédures qu'il a appliquées, l'IBAN estime que rien, dans son audit des états financiers, ne lui donne de raison de penser que les fonds n'ont pas été régulièrement employés à l'acquittement de dépenses autorisées ou qu'ils ne sont pas conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Justification de l'opinion émise sur la conformité

L'IBAN a effectué la vérification portant sur la conformité sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

Responsabilité de la direction concernant la conformité

Tous les membres du personnel – civils et militaires – de l'OTAN sont tenus de respecter le Règlement financier de l'OTAN ainsi que les règles et procédures financières qui s'y rattachent et les directives d'application particulières, dont le Règlement du personnel civil de l'OTAN fait partie.

Le directeur de projet est responsable et tenu comptable d'une saine gestion financière. Les organismes OTAN doivent administrer leurs finances en s'appuyant sur les principes suivants : adéquation, bonne gouvernance, obligation de rendre compte, transparence, gestion des risques et contrôle interne, audit interne, audit externe, prévention et détection des fraudes.

Responsabilités de l'IBAN concernant la conformité

Selon sa charte, en plus d'être responsable de fournir une assurance raisonnable quant à la question de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, l'IBAN doit chaque année rendre au Conseil un avis indépendant lui assurant que les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées (adéquation) et qu'ils sont conformes aux règles en vigueur (régularité). Par « adéquation », on entend le respect des principes généraux régissant une gestion financière saine ainsi que la conduite des membres de l'administration. Par « régularité », on entend le respect de critères officiels tels que les règlements, règles et procédures applicables.

Il incombe ainsi à l'IBAN d'appliquer des procédures lui permettant d'obtenir en toute indépendance une assurance sur le point de savoir si les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur. De telles procédures prévoient notamment la prise en compte des risques de non-conformité significative.

Bruxelles, le 28 août 2019

A handwritten signature in blue ink, consisting of stylized, cursive letters that appear to read 'H. Leijtens'.

Hans Leijtens
Président

28 août 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
CONCERNANT LE BUREAU DES FORACS OTAN
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018**

Introduction

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers du Bureau des FORACS OTAN pour l'exercice clos le 31 décembre 2018, et il a émis une opinion sans réserve à leur sujet ainsi qu'une opinion sans réserve sur la conformité.

Observations et recommandations

À l'issue de l'audit, l'IBAN a formulé trois observations, assorties de recommandations. Ces observations n'ont pas eu d'incidence sur les opinions émises.

1. Insuffisances dans le contrôle interne du compte rendu financier.
2. Comptabilisation des produits correspondant aux services fournis par les polygones à des pays non membres.
3. Comptabilisation et présentation des montants à recevoir des polygones du fait d'excédents budgétaires.

L'IBAN a par ailleurs fait le point sur deux observations formulées lors de précédents audits auxquelles il devait encore être donné suite, et il a constaté qu'une question était en cours de traitement et que l'autre était de facto traitée car rendue caduque par l'observation 1 formulée pour l'exercice 2018.

OBSERVATIONS ET RECOMMANDATIONS**1. INSUFFISANCES DANS LE CONTRÔLE INTERNE DU COMPTE RENDU FINANCIER****Contexte**

1.1 Comme 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 La trésorerie et les équivalents de trésorerie sont définis comme des actifs à court terme. Ils englobent l'encaisse, les dépôts bancaires et les autres placements très liquides. Selon l'IPSAS 2 (*Tableau des flux de trésorerie*), les équivalents de trésorerie sont détenus dans le but de faire face aux engagements de trésorerie à court terme plutôt que pour des placements ou d'autres finalités.

1.3 Pour qu'un placement puisse être considéré comme un équivalent de trésorerie, il doit être facilement convertible en un montant de liquidités connu et n'être associé qu'à un risque négligeable de changement de valeur. En conséquence, un placement ne sera normalement qualifié d'équivalent de trésorerie que s'il a une échéance rapprochée, par exemple inférieure ou égale à trois mois à partir de la date d'acquisition. Les placements en actions ne sont pas classés dans les équivalents de trésorerie sauf s'ils peuvent par essence y être assimilés.

Constatations

1.4 L'IBAN a relevé des inexactitudes ou des erreurs dans les états financiers.

1.5 Premièrement, le Bureau des FORACS OTAN détient des liquidités qui alimentent les budgets du FORACS OTAN Grèce (NFG), du FORACS OTAN AUTECH (NFA) et du FORACS OTAN Norvège (NFN). Ces comptes bancaires sont sous la responsabilité du Bureau du contrôle financier du SI. Néanmoins, les soldes de clôture sont présentés dans les états financiers du Bureau des FORACS OTAN car ces comptes servent exclusivement à la gestion quotidienne des opérations financières des FORACS OTAN. Ces liquidités englobent notamment des dépôts à court terme assortis d'une échéance d'un mois d'une valeur de 866 701 EUR (contre 801 011 EUR en 2017). L'IBAN a constaté que ces montants, qui doivent être considérés comme des équivalents de trésorerie en vertu de l'IPSAS 2, n'avaient pas été pris en compte dans les soldes d'ouverture et de clôture inscrits dans le tableau des flux de trésorerie.

1.6 Il en résulte une présentation incorrecte du tableau des flux de trésorerie, qui fait apparaître une variation de -65 689 EUR assimilée à une sortie de trésorerie provenant des opérations de financement.

1.7 Deuxièmement, les produits d'opérations avec contrepartie directe et sans contrepartie directe ont été intervertis dans l'état de la performance financière. Les produits liés à l'exécution du budget (970 033 EUR) ont ainsi été présentés, à tort, comme des produits d'opérations avec contrepartie directe.

Recommandations

1.8 L'IBAN recommande au Bureau des FORACS OTAN :

- a) de corriger le tableau des flux de trésorerie de manière à ce que les placements à court terme assortis d'une échéance inférieure à trois mois soient présentés comme des équivalents de trésorerie.
- b) 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.

2. COMPTABILISATION DES PRODUITS CORRESPONDANT AUX SERVICES FOURNIS PAR LES POLYGONES À DES PAYS NON MEMBRES

Contexte

2.1 Selon l'IPSAS 9 (*Produits des opérations avec contrepartie directe*), « lorsque le résultat d'une opération impliquant la prestation de services peut être estimé de manière fiable, le produit associé à l'opération doit être comptabilisé par référence au degré d'avancement de l'opération à la date de reporting. »

2.2 Selon l'IPSAS 23 (*Produits des opérations sans contrepartie directe*), « dans une opération sans contrepartie directe, une entité reçoit d'une autre entité une valeur sans donner de contrepartie d'une valeur approximativement égale, ou remet une valeur à une autre entité sans recevoir directement de contrepartie d'une valeur approximativement égale. »

2.3 D'après la méthode comptable des FORACS OTAN présentée dans les états financiers, les produits des opérations sans contrepartie directe doivent correspondre aux dépenses notifiées dans l'état de l'exécution du budget.

Constatations

2.4 Le Bureau des FORACS OTAN fait état de produits d'opérations avec contrepartie directe d'un montant de 85 239 EUR. Or des services ont été fournis à la Marine belge par le polygone NFN. Un polygone d'essais est un ensemble d'installations regroupées au sein d'un site fixe qui a pour mission de conduire des essais et des

contrôles de systèmes embarqués à bord de navires. Les dépenses correspondantes n'ont dès lors pas été exposées par le Bureau des FORACS OTAN.

2.5 Comme ces fonds ne seront pas restitués au polygone NFN, ils doivent être considérés comme une contribution implicite du polygone NFN au Bureau des FORACS OTAN. Ils doivent dès lors être comptabilisés comme des produits d'opérations sans contrepartie directe dans les états financiers du Bureau des FORACS OTAN.

Recommandation

2.6 L'IBAN recommande que les produits perçus par le Bureau des FORACS OTAN au titre de services fournis par les polygones à des pays non membres soient consignés et comptabilisés comme des produits d'opérations sans contrepartie directe.

3. COMPTABILISATION ET PRÉSENTATION DES MONTANTS À RECEVOIR DES POLYGONES DU FAIT D'EXCÉDENTS BUDGÉTAIRES

3.1 Selon l'IPSAS 1 (*Présentation des états financiers*), « pour chaque ligne d'éléments d'actif et de passif comprenant des montants qu'elle s'attend à recouvrer ou à régler au plus tard dans les douze mois à compter de la date de clôture [...], l'entité doit indiquer le montant qu'elle s'attend à recouvrer ou à régler au-delà de douze mois ».

3.2 D'après l'IPSAS 19 (*Provisions, passifs éventuels et actifs éventuels*), « dans le cas extrêmement rare où aucune estimation fiable ne peut être faite, il existe un passif qui ne peut pas être comptabilisé. Ce passif est indiqué en tant que passif éventuel. De même, un actif éventuel est indiqué lorsqu'une entrée d'avantages économiques ou d'un potentiel de service est probable ».

3.2 Aux termes des FRP XXIX, paragraphe 10, concernant les excédents restituables, la part des contributions versées qui dépasse la dépense nette mentionnée dans les états financiers annuels est comptée dans l'excédent restituable aux contribuables, lequel est calculé selon la formule de partage des coûts appliquée au moment où ces contributions ont été fixées.

3.3 Selon l'article 6.4 des directives des FORACS OTAN relatives aux appels de fonds et à la répartition des dotations, les crédits alloués au NFA et au NFN qui sont tombés en annulation à la fin de l'exercice précédent sont reversés sur les comptes bancaires gérés par le contrôleur des finances du siège avant la fin février de l'exercice suivant. En application de la réglementation grecque, le contrôleur des finances déduit du montant de la dotation du NFG pour l'exercice en cours, payable en avril par anticipation, les crédits alloués au NFG qui sont tombés en annulation.

Constatations

3.4 En 2018, les excédents budgétaires (budget principal et budgets supplémentaires) pour le NFA et le NFN se sont élevés à 3 072 320 NOK (310 429 EUR) et à 128 051 USD (110 981 EUR) respectivement. Ces excédents sont notifiés dans le plan d'entreprise 2019-2020 des FORACS OTAN, diffusé en avril 2019.

3.5 Le NFN a restitué ces montants au Bureau des FORACS OTAN en mars 2019. Le NFA n'a cependant pas fait de même, et les crédits tombés en annulation fin 2018 ont finalement été déduits du deuxième décaissement de fonds pour 2019.

3.6 Comme le dispose l'article 6.4 des directives des FORACS OTAN, la restitution des excédents budgétaires est une obligation des polygones envers le Bureau des FORACS OTAN à laquelle ils ne peuvent se soustraire. Or les états financiers du Bureau des FORACS OTAN ne mentionnent pas les montants à recevoir des polygones ni leur contrepartie au passif que sont les excédents restituables au pays membre. De même, les états financiers ne contiennent aucune information sur les actifs et les passifs éventuels.

Recommandations

3.7 L'IBAN recommande aux FORACS OTAN :

- a) de comptabiliser dans les états financiers les excédents budgétaires des polygones pour l'exercice, lesquels seront restitués au Bureau des FORACS OTAN au cours de l'exercice suivant, en tant qu'actif à court terme, et d'y faire figurer leur contrepartie au passif que sont les excédents restituables au pays ;
- b) de présenter dans les états financiers les excédents budgétaires des polygones en tant qu'actifs et passifs éventuels si les montants ne sont pas connus ou s'ils ne sont pas suffisamment fiables à la date de clôture.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits. On trouvera dans le tableau ci-après un récapitulatif de ces observations et des mesures prises par l'entité ainsi qu'un état de la question.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
(1) Exercice 2017 IBA-AR(2018)20, paragraphe 1.5 INSUFFISANCES DANS LE CONTRÔLE INTERNE DU COMPTE RENDU FINANCIER Recommandation de l'IBAN L'IBAN 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.	Cette question est « traitée » car rendue caduque par l'observation 1 formulée pour l'exercice 2018.	Question traitée.
(2) Exercice 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 Recommandations de l'IBAN 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. 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 Bureau des FORACS OTAN devrait envisager d'adopter lui aussi ce cadre. 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	a) La participation du contrôleur des finances à la gestion des risques reste limitée. Question en cours de traitement. b) La déclaration sur le contrôle interne relative à 2018 ne fait pas mention d'un cadre de contrôle interne spécifique qui serait utilisé pour l'évaluation du système de contrôle interne. Question en cours de traitement. c) La consignation par écrit n'est pas encore achevée. Question en cours de traitement.	Question en cours de traitement.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
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. 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. 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.	d) Le Service Audit interne du SI n'a pas encore procédé à l'analyse du contrôle interne et de la gestion des risques. L'IBAN 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. Il appartient au Bureau des FORACS OTAN de veiller à ce que des activités d'audit interne soient effectivement menées. Le Bureau des FORACS OTAN attend que le Service Audit interne du SI procède à une analyse. Question à traiter. 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. Question traitée.	

Une question est considérée comme étant « à traiter » lorsqu'aucun progrès notable n'a encore été réalisé en vue de son règlement. Une question est considérée comme étant « en cours de traitement » lorsque l'organisme OTAN visé a commencé à mettre en œuvre la recommandation correspondante ou lorsque certains éléments de la recommandation (mais pas tous) ont été suivis d'effets. Une question est considérée comme étant « traitée » lorsque la recommandation correspondante a été mise en œuvre ou qu'elle a été rendue ou est devenue caduque.

**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

Recommandation a)

Le Comité directeur souscrit à la recommandation.

Recommandation b)

Le Comité directeur souscrit à la recommandation. Les procédures de vérification déjà en place seront renforcées.

**OBSERVATION 2 :
COMPTABILISATION DES PRODUITS CORRESPONDANT AUX SERVICES
FOURNIS PAR LES POLYGONES À DES PAYS NON MEMBRES**

Commentaires officiels du Comité directeur des FORACS OTAN

Le Comité directeur prend acte de l'analyse de l'IBAN et souscrit à la recommandation. Il convient toutefois de noter que la comptabilisation des services fournis par les polygones en tant que produits d'opérations avec contrepartie directe est une pratique comptable documentée depuis 2017 (cf. note 16 pour l'exercice 2017) et que, l'IBAN n'ayant formulé aucune observation à ce sujet, nous avons été amenés à penser que cette pratique était acceptable.

**OBSERVATION 3 :
COMPTABILISATION ET PRÉSENTATION DES MONTANTS À RECEVOIR DES
POLYGONES DU FAIT D'EXCÉDENTS BUDGÉTAIRES**

Commentaires officiels du Comité directeur des FORACS OTAN

Recommandation a)

Le Comité directeur souscrit à la recommandation.

Recommandation b)

Le Comité directeur souscrit à la recommandation.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

(5) Exercice 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. Il a entre-temps approuvé l'adoption du cadre COSO (NFO(2019)003-200, du 31 janvier 2019, et NFO(2019)010-200, du 18 février 2019).

Recommandation c)

Le Comité directeur souscrit à la recommandation. Le document sera bientôt prêt à être signé.

Recommandation d)

L'IBAN note que « le Bureau des FORACS OTAN attend que le Service Audit interne du SI procède à une analyse ». Il est à noter que le Service Audit interne du SI peut réaliser des audits horizontaux, qui couvriront indirectement le Bureau des FORACS OTAN. Les procédures de gestion des risques et le système de contrôle interne en vigueur au Bureau des FORACS OTAN ont été portés à l'attention du Service Audit interne du SI, qui n'a pas demandé au Bureau des FORACS OTAN de prendre des mesures particulières. Nous ne pensons donc pas que cette question doive être considérée comme restant à traiter jusqu'à ce qu'une analyse spécifique ait été réalisée par le Service Audit interne du SI, qui, par définition, doit mener ses activités en fonction des risques relatifs au sein de l'ensemble de son portefeuille.

Position de l'IBAN

Le Bureau des FORACS OTAN doit veiller à ce que les activités d'audit interne comportent une analyse de la gestion des risques et du contrôle interne, en recourant à l'externalisation si elle est jugée plus intéressante sur le plan financier. L'IBAN maintient par conséquent sa décision de considérer cette question comme restant à traiter.

NATO FORACS OFFICE

FINANCIAL STATEMENTS
Financial Year 2018

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

NATO FORACS OFFICE
Statement of Financial Position

As at 31 December 2018

				(in EUR)
	Notes	Current Year	Prior Year	Variance
		2018	2017	CY - PY
Assets				
Current assets				
Cash and cash equivalents	(3&4)	3,467,883.54	3,506,414.20	-38,530.66
Short term investments	(3&4)	866,701.33	801,011.80	65,689.53
Receivables	(5)	85,592.30	200,612.15	-115,019.85
Prepayments	(6)	2,614,906.77	2,502,087.13	112,819.64
Other current assets	(6)	19,008.40	16,034.06	2,974.34
Inventories	(7)			0.00
		7,054,092.34	7,026,159.34	27,933.00
Non-current assets				
Receivables				0.00
Property, plant & equipment				0.00
Intangible assets	(8)	1,685,581.64	1,398,421.62	287,160.02
		1,685,581.64	1,398,421.62	287,160.02
Total assets		8,739,673.98	8,424,580.96	315,093.02
Liabilities				
Current liabilities				
Payables	(9)	-753,881.85	-868,982.55	115,100.70
Deferred revenue	(10)	-52,063.83	-82,374.74	30,310.91
Advances	(11)	-5,079,662.88	-4,832,164.20	-247,498.68
Provisions	(12)			0.00
Other current liabilities	(13)	-795,584.92	-650,363.09	-145,221.83
		-6,681,193.48	-6,433,884.58	-247,308.90
Non-current liabilities				
Provisions		0.00	0.00	0.00
Deferred revenue	(14)	-1,685,581.64	-1,398,421.62	-287,160.02
Other non-current liabilities				0.00
		-1,685,581.64	-1,398,421.62	-287,160.02
Total liabilities		-8,366,775.12	-7,832,306.20	-534,468.92
Surplus/Deficit		0.00		0.00
Retained earnings	(15)	-372,898.86	-592,274.75	219,375.89
Reserves				
Total net assets		-372,898.86	-592,274.75	219,375.89

NATO FORACS OFFICE **Statement of Financial Performance**

As at 31 December 2018

				(in EUR)
	Notes	Current Year 2018	Prior Year 2017	Variance
Revenue				
Exchange Revenue		(970,033.34)	(977,467.40)	7,434.06
Non-Exchange revenue		(85,239.00)	-	-85,239.00
Financial revenue		(42,158.60)	(9,966.31)	-32,192.29
Other revenue		(19,418.42)	(11,451.14)	-7,967.28
Total revenue	(16)	-1,116,849.36	-998,884.85	-117,964.51
Expenses				
Personnel		655,525.96	632,781.77	22,744.19
Contractual supplies and services		400,983.99	351,708.83	49,275.16
Depreciation and amortization		0.00	0.00	0.00
Impairment		0.00	0.00	0.00
Provisions		0.00		0.00
Other expenses		11,243.58	11,381.93	-138.35
Finance costs		49,095.83	3,012.32	46,083.51
Total expenses	(17)	1,116,849.36	998,884.85	117,964.51
Surplus/(Deficit) for the period		0.00	0.00	(0.00)

NATO FORACS OFFICE **Statement of Cash Flow**

As at 31 December 2018

Notes	(in EUR)	
	Current Year 2018	Prior Year 2017
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	-219,375.89	68,923.46
Increase/(decrease) in payables	-115,100.70	-123,403.87
Increase/ (decrease) in other current liabilities	362,409.60	-754,826.97
Increase/ (decrease) in provisions	0.00	0.00
Increase/ (decrease) in other non current liabilities	287,160.02	601,462.48
(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	-774.13	298,593.99
Net cash flow from operating activities	314,318.90	90,749.09
Cash flow from investing activities		
Purchase of property plant and equipment / Intangible assets	-287,160.02	-601,462.48
Proceeds from sale of property plant and equipment	0.00	0.00
Net cash flow from investing activities	-287,160.02	-601,462.48
Cash flow from financing activities		
Decrease/ (Increase) Deposit	-65,689.53	14,805.46
Net cash flow from financing activities	-65,689.53	14,805.46
Net increase/(decrease) in cash and cash equivalents	-38,530.65	-495,907.93
Cash and cash equivalent at the beginning of the period	3,506,414.20	4,002,322.12
Cash and cash equivalent at the end of the period	3,467,883.54	3,506,414.20

NATO FORACS OFFICE
Statement of Changes in Net Assets/Equity

As at 31 December 2018

(in EUR)

Balance at the beginning of the period 2015	<u>(481,168.94)</u>
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	<u>(42,182.05)</u>
Balance at the end of the period 2016	<u>(523,350.99)</u>
Balance at the beginning of the period 2016	<u>(540,678.49)</u>
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	<u>(592,274.75)</u>
Balance at the beginning of the period 2017	<u>(592,274.75)</u>
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	219,375.89
Gain on property revaluation	
Surplus/(deficit) for the period	
Change in net assets/equity for the year ended 2018	<u>(372,898.86)</u>

NATO FORACS OFFICE
Statement of Budget Execution
As at 31 December 2018

(Amounts in euro)	Initial budget	Budget increase	BA2	Budget Revision	BA3	Transfers	Final budget	Commitments	Expenses	Total spent	Carry forward	Lapsed
Budget 2018												
Chapter 1	687,000		687,000	-	687,000		687,000		655,526	655,526		31,474
Chapter 2	375,135	455,000	830,135	30,000	860,135		860,135		604,307	604,307	1,419	254,410
Chapter 3	71,000	505,000	576,000	(150,000)	426,000		426,000		22,826	22,826	33,782	369,393
Chapter 4		-	-		-	-	-			-		-
Total	1,133,135	960,000	2,093,135	(120,000)	1,973,135	-	1,973,135	-	1,282,659	1,282,659	35,200	655,276
Budget 2017												
Chapter 1	-		-	-	-	-	-		-	-		-
Chapter 2	50,590		50,590	-	50,590	-	50,590	-	33,727	33,727	16,863	0
Chapter 3	31,785		31,785	-	31,785	-	31,785	-	27,285	27,285		4,500
Total	82,375	-	82,375		82,375	-	82,375	-	61,012	61,012	16,863	4,500
Budget 2016												
Chapter 1			-	-	-	-	-			-		-
Chapter 2	-		-	-	-	-	-		-	-		-
Chapter 3			-	-	-	-	-			-		-
Total	-	-	-	-	-	-	-	-	-	-	-	-
Total All Budgets	1,215,510	960,000	2,175,510	(120,000)	2,055,510	-	2,055,510	-	1,343,670	1,343,670	52,064	659,776

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

**EXPLANATORY NOTES TO NATO FORACS OFFICE
2018 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 9001:2015 and in 2017 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 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. 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 financial 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 2018 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

None.

Restatement of Financial Statements of Previous Years

None.

Reclassification of Financial Statements of Previous Years

A minor reclassification was done, concerning untaken leave. It is no longer disclosed as a provision in the statement of financial performance in consideration of the fact that in the NATO context untaken leave is never paid except in very specific and exceptional circumstances in which case it is immediately expended. Untaken leave is included in the item Other Expenses.

The table below summarises the change.

	(in EUR)		
	Reclassified	Initial	Reclass.- Initial
	2017	2017	Variance
Revenue			
Revenue	(977,467.40)	(977,467.40)	-
Financial revenue	(9,966.31)	(9,966.31)	-
Other revenue	(11,451.14)	(11,451.14)	-
Total revenue	(998,884.85)	(998,884.85)	-
Expenses			
Personnel	632,781.77	632,781.77	-
Contractual supplies and services	351,708.83	351,708.83	-
Depreciation and amortization			-
Impairment			-
Provisions	-	11,381.93	-11,381.93
Other expenses	11,381.93	-	11,381.93
Finance costs	3,012.32	3,012.32	-
Total expenses	998,884.85	998,884.85	-
Surplus/(Deficit) for the period	0.00	0.00	-

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 call is 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 01/03/2019

ING Bank	Fitch	Moody's	S&P
Short term	F1	P1	A-1

The NFO outstanding accounts receivable are managed by maintaining control procedures over receivables. All 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 for 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 in consideration of the fact that these are advances on future staff benefits).

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 are spelled out in C-M(2016)0023 of April 2016, which included IPSAS 12 Inventories. Furthermore, C-M(2017)0043 of September 2017, approved the NATO Accounting Policy for Inventory.

When it comes to assessing the control of NATO Inventory, these documents define a set of 10 criteria to be used in assessing the level of control of an Inventory 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, under the initial NATO Accounting Framework C-M(2013)0039 of July 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

As mentioned above NATO's adaptation of IPSAS are spelled out in C-M(2016)0023 of April 2016 among which were specific items addressing IPSAS 17 PPE. Furthermore, C-M(2017)0022(INV) approved the NATO accounting policy for Property, Plant and Equipment.

When it comes to assessing the control of NATO over PPE these documents define a set of 10 criteria to be used in assessing the level of control of a tangible 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, under the initial NATO Accounting Framework C-M(2013)0039 of July 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 are spelled out in C-M(2017)0023 of April 2013, which included IPSAS 31 Intangible Assets. Furthermore, C-M(2017)0044 approved the NATO accounting policy for intangible assets.

When it comes to assessing the control of NATO over Intangible Assets, these documents define a set of 10 criteria to be used in assessing the level of control of an Intangible 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, under the initial NATO Accounting Framework C-M(2013)0039 of July 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 NFO budgets but that have not yet been recognised as revenue in the absence of any related budgetary expenses.

c. **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. 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	2018	2017
NFO	2,429,846.72	2,508,038.52
Petty Cash	0.00	0.00
TOTAL	2,429,846.72	2,508,038.52

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	2018	2017
NFA	37,471.38	29,237.30
NFA short term deposit	866,701.33	801,011.80
NFG	611,836.40	780,576.73
NFN	388,729.04	188,561.65
TOTAL	1,904,738.15	1,799,387.48

NOTE 5: ACCOUNTS RECEIVABLE

Receivables (in EUR)	2018	2017
Budgetary contributions	-	200,612.15
Staff		-
Other NATO bodies	353.30	
Users of FORACS services	85,239.00	-
Total	85,592.30	200,612.15

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)	2018	2017
NFO	-	-
NFA		-
NFG		-
NFN		200,612.15
TOTAL	-	200,612.15

NOTE 6: PREPAYMENTS AND OTHER CURRENT ASSETS

(in EUR)	2018	2017
Prepayments to the Ranges	2,610,555.62	2,497,346.09
Prepayments to Suppliers	-	-
Prepayments to Staff	4,351.15	4,741.04
Other Current Assets	19,008.40	16,034.06
Total	2,633,915.17	2,518,121.19

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)	2018	2017
NFA	560,520.54	520,447.14
NFG	348,396.00	336,540.00
NFN	1,701,639.08	1,640,358.95
TOTAL	2,610,555.62	2,497,346.09

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 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 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 constituted the main commitment related to this project. The software is still undergoing a series of tests before it can be used for operational purposes, therefore no depreciation has been recorded in 2018.

(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

(amounts in EUR)	Carrying Amount end 2017	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2018
Software	1,398,422	287,160				1,685,582
TOTAL FORACS	1,398,422	287,160	0	0	0	1,685,582

NOTE 9: ACCOUNTS PAYABLES

Payables (in EUR)	2018	2017
Suppliers	65,742.52	3,159.82
Personnel	-	439.49
Other FORACS entities	388,109.73	606,911.63
Member Nations	153,960.68	68,324.94
Accruals	146,068.92	190,146.67
Total	753,881.85	868,982.55

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 153,960.68 (EUR 68,324.94 end 2017) 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. The amount available at the beginning of 2018 was used to offset the budgetary contribution of the US called in 2018. The net outstanding 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)	2018	2017
NFO	954,248.00	906,508.00
NFA	1,494,721.80	1,387,858.35
NFG	929,054.00	897,439.00
NFN	1,701,639.08	1,640,358.85
TOTAL	5,079,662.88	4,832,164.20

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)	2018	2017
Lapsed Appropriations	659,776.33	744,909.54
Net Financial Income	36,202.71	- 81,187.96
Miscellaneous Income	104,657.42	1,598.82
Total Surplus Current Year NFO	800,636.46	665,320.40

The miscellaneous income is mainly due to services provided to a non-Participating nation. The financial income is due to the correction of a 2016 transaction between bank accounts which had not yet been regularized and resulted in an exchange gain of EUR 31,815.18.

This item also includes smaller amounts related to current year financial interest and bank charges on the accounts used to settle the relationships with the Ranges.

Included at year end is the valuation of Untaken Leave (which has no impact on the current budget of NFO) in the amount of EUR 11,243.58 (EUR 11,381.93 end 2017).

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. This decision was approved by the NAC (C-M(2018)0032-AS1 dated 26 Jun 2018 Approval of Operational Reserve Fund). 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 85,239.00; 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.

Other Expenses

This item includes a valuation of 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 to be returned to Contributing Nations or added to the Operational Reserve at year-end (the latter being the usual practice). 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, an initial budget for Operations and Maintenance 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 2018 NFO Budget authorization was initially approved at 1,133,135 (Initial Budget in the Table at Annex 5). A supplementary budget was approved by the Steering Committee in the amount of EUR 960,000. Eventually the Steering Committee decided a reduction of EUR 120,000. Eventually the total 2018 NFO budget amounted to EUR 1,973,135 (BA3 in the Table at Annex 5).

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.

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)	2,055,510
Credits Carried Forward in Following Year	(b)	52,064
Lapsed Appropriations	(c)	659,776
Budget Execution Expenses	(d) = (a-b-c)	1,343,670

RECONCILIATION		
Financial Performance Expenses (Excluding financial costs)	(d)	1,067,754
Increase in Non-Current Assets	(e)	287,160
Provisions	(f)	-
Other Expenses	(g)	(11,244)
Sub-Total	(h) = (d+e+f+g)	1,343,670
Difference to Budget Expenses	(c-h)	-

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/to the Project's Accumulated Surplus and/or a transfer from/to another FORACS entity's current year budget.

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	2018	2017
Initial Budget	1,133,135	1,180,226
Supplementary Budget	840,000	1,194,917
Total Annual Budget	1,973,135	2,375,143
Advance called previous year	906,508	904,181
Call in current year	226,627	276,045
Total Cash Calls	1,133,135	1,180,226
Use of Previous Year's Surplus	665,320	1,461,963
Use of (Contribution to) Project Accumulated Surplus	294,680	- 267,046
Transfer from (to) other FORACS entities	- 120,000	-
Other Funding Sources	840,000	1,194,917
Total Funding	1,973,135	2,375,143

NOTE 19: WRITE-OFFS

The Steering Committee approved NFO write offs of furniture etc. on vacating Z-Building in accordance with the request at NFO(2018)009-360 dated 19 Feb 2018).

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 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, 2018, NFO had an approved Personnel Establishment of 4 positions funded by the FORACS budget (4 at year-end 2017).

Positions	NATO Civilians	
	31-12-18	31-12-17
Total Approved Establishment	4	4
Total Filled Positions	4	4
Arrivals in the year	0	1
Departures in the year	0	1

Positions	Total Approved Establishment	Total Filled Positions
Civilian	4	4
Voluntary National Contribution	-	-
Temporary Staff	-	-
Interns	-	-
Others	-	-

At December 31, 2018 one staff member (one end 2017) 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. Two other employees (two end 2017) participated in NATO's Co-ordinated Pension Scheme (a defined benefit pension scheme): 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)		2018	2017
Provident Fund	Staff	-	-
	Employer	-	-
	Total	-	-
Co-ordinated Pension Scheme	Staff	16,751.22	17,022.72
	Employer	33,502.44	34,045.44
	Total	50,253.66	51,068.16
Defined Contribution Pension Scheme	Staff	15,357.90	13,652.50
	Employer	14,176.44	14,569.37
	Total	29,534.34	28,221.87
TOTAL	Staff	32,109.12	30,675.22
	Employer	47,678.88	48,614.81
	Total	79,788.00	79,290.03

Further to an analysis covering the last years of the history of death in service risks in relation to premiums paid by the Organisation during 2012-2015, a compensation of EUR 6 million at the NATO-wide level was agreed by the insurance company. End 2018, the NATO Secretary General decided that a fraction of this amount (circa EUR 1,7 million) should be paid to NATO staff who were members of the DCPS during the period 2012-2015 in proportion to the contributions they made to the DCPS. Staff employed by NFO during the period 2012-2015 and affiliated to the DCPS are therefore entitled to a payment to be made from the NATO DCPS accounts. A decision still has to be taken concerning the remaining amount of the compensation, which may result in a proportional payment to NFO.

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 for the O&M budget are called (supplementary budget funds are already held by NFO on behalf of the Project) 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.

NATO Office of Financial Control holds the surplus funds of the various NATO FORACS entities on the NFO bank account. These funds are not controlled by the NFO Project Manager, but are approved for expenditure by the Steering Committee to enable it to implement its supplementary budget authorisations. Remaining funds constitute the Operational Reserve.

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

In 2018, NATO International Staff charged NFO an amount of EUR 36,550.45 for administrative support costs (EUR 44,508.37 in 2017) and EUR 16,699.00 for common operating costs (EUR

9,634.64 in 2017). In addition, the International Staff charged an annual rent for office space occupied in 2018 up until the move to the New NATO HQ (EUR 3,242.27).

* * * * *

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



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD

INTERNATIONAL BOARD OF AUDITORS FOR NATO
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN



NATO SANS CLASSIFICATION

IBA-A(2019)0102
28 août 2019

À : Secrétaire général
À l'attention du directeur du Cabinet

Cc : Contrôleur des finances du Secrétariat international
Directeur du Bureau pour le projet de nouveau siège et la transition (Division Investissement de défense)
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Secrétariat et finances du Bureau OTAN des ressources
Bureau d'ordre du Cabinet

Objet : ***Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) concernant la vérification des états financiers relatifs au projet de nouveau siège de l'OTAN pour l'exercice clos le 31 décembre 2018 – IBA-AR(2019)0021***

Messieurs,

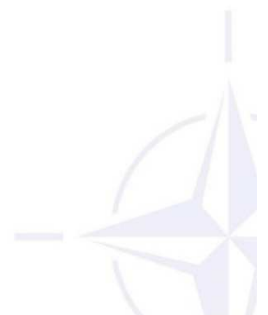
Vous trouverez ci-joint l'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) de l'IBAN, ainsi qu'une note succincte à l'intention du Conseil (annexe 1).

L'IBAN a émis une opinion sans réserve sur les états financiers relatifs au projet de nouveau siège de l'OTAN ainsi que sur la conformité pour l'exercice 2018.

Veuillez agréer, Messieurs, l'assurance de ma haute considération.

Hans Leijtens
Président

Pièces jointes : voir ci-dessus.



**Note succincte
du Collège international des auditeurs externes de l'OTAN
à l'intention du Conseil
sur la vérification des états financiers relatifs au projet de nouveau siège de
l'OTAN
pour l'exercice clos le 31 décembre 2018**

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers relatifs au projet de nouveau siège de l'OTAN pour l'exercice clos le 31 décembre 2018.

Au sommet de Washington, en avril 1999, les chefs d'État et de gouvernement des pays de l'OTAN ont officiellement décidé de faire construire un nouveau siège à Bruxelles, afin de répondre aux besoins de l'Alliance pour le XXI^e siècle. Le Conseil de l'Atlantique Nord, sur recommandation du Comité des budgets, approuve le budget relatif au projet de nouveau siège. Ce budget est alimenté par les contributions des pays de l'OTAN sur la base d'un accord spécifique de partage des coûts.

Le budget global du projet est de 1,179 milliard d'euros.

L'enveloppe disponible pour 2018 représentait au total 96 millions d'euros (MEUR), soit 26 MEUR de crédits de 2018 et 70 MEUR de crédits reportés d'exercices précédents.

La valeur enregistrée au 31 décembre 2018 pour le nouveau siège de l'OTAN en cours de construction est de 1,078 milliard d'euros.

L'IBAN a émis une opinion sans réserve sur les états financiers ainsi que sur la conformité pour l'exercice clos le 31 décembre 2018.

À l'issue de l'audit, l'IBAN a formulé deux observations, assorties de recommandations. Celles-ci n'ont pas eu d'incidence sur l'opinion émise concernant les états financiers et la conformité :

1. Divergences entre les chiffres figurant dans les rapports sur l'exécution du budget global du programme de construction du nouveau siège et ceux des états financiers
2. Erreurs dans la note 8, portant sur les actifs à long terme

Les constatations de l'IBAN sont présentées dans la lettre d'observations et de recommandations (annexe 3).

L'IBAN a par ailleurs fait le point sur la suite donnée à l'observation formulée lors de l'audit précédent, et il a constaté que la question avait été traitée.

L'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) ont été transmises au Secrétariat international (voir appendice à l'annexe 3).

28 août 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**OPINION SUR LES ÉTATS FINANCIERS
RELATIFS AU PROJET DE NOUVEAU SIÈGE DE L'OTAN
(NNHQ)**

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018

**OPINION DU COMMISSAIRE AUX COMPTES
À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD**

Vérification des états financiers

Opinion sur les états financiers

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers relatifs au projet de nouveau siège de l'OTAN portant sur la période de 12 mois ayant pris fin le 31 décembre 2018. Diffusés sous la cote FC(2019)0059 et soumis à l'IBAN le 4 avril 2019, ces états financiers se composent de l'état de la situation financière au 31 décembre 2018, de l'état de la performance financière, de l'état des variations de l'actif net et du tableau des flux de trésorerie pour la période de 12 mois ayant pris fin le 31 décembre 2018, ainsi que d'un résumé des méthodes comptables importantes et d'autres notes explicatives. Ils contiennent en outre un rapport sur l'exécution du budget portant sur la période de 12 mois ayant pris fin le 31 décembre 2018.

L'opinion de l'IBAN est que les états financiers donnent une image fidèle et exacte de la situation financière du projet de nouveau siège de l'OTAN au 31 décembre 2018 ainsi que de sa performance financière, de ses flux de trésorerie et de l'exécution du budget pour la période de 12 mois ayant pris fin le 31 décembre 2018, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN.

Justification de l'opinion émise sur les états financiers

Le Règlement financier de l'OTAN (NFR) prévoit que l'audit externe des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par l'IBAN. L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 1000-1810), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

L'IBAN est indépendant, ainsi que le prévoit le Code de déontologie de l'INTOSAI, et il s'est acquitté de ses responsabilités dans le respect des dispositions de ce code. Les responsabilités des membres de l'IBAN sont décrites de manière plus détaillée dans la section « Responsabilités de l'IBAN concernant la vérification des états financiers » et dans sa charte.

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

Responsabilité de la direction concernant les états financiers

La responsabilité de la direction concernant les états financiers est définie dans le NFR. Les états financiers du projet de nouveau siège de l'OTAN sont établis en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN tel qu'approuvé par le Conseil. Il incombe au contrôleur des finances de soumettre les états financiers à l'IBAN au plus tard le 31 mars qui suit la fin de l'exercice visé dans les états financiers.

Les états financiers sont signés par le chef de l'organisme OTAN concerné et par le contrôleur des finances. En apposant leur signature sur ces documents, ceux-ci confirment que des mesures de gouvernance financière, des mécanismes de gestion des ressources, des contrôles internes et des systèmes d'information financière ont été mis en place et maintenus afin de garantir une utilisation efficace et efficiente des ressources.

Cette confirmation couvre l'élaboration, la mise en place et le maintien d'un ensemble de contrôles internes de nature à permettre l'établissement et la présentation d'états financiers qui soient auditables et exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur. Elle couvre aussi le compte rendu relatif à la capacité de l'entité à poursuivre son activité, la présentation, le cas échéant, des questions relatives à la continuité de l'activité, et l'application du principe comptable de continuité d'activité, à moins qu'il soit prévu de liquider l'entité ou de mettre un terme à son activité ou qu'il ne soit pas réaliste de procéder de la sorte.

Responsabilités de l'IBAN concernant la vérification des états financiers

L'audit a pour objectif de permettre à l'IBAN d'obtenir une assurance raisonnable sur le point de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur, et de formuler une opinion à leur sujet. L'assurance raisonnable correspond à un degré de certitude élevé, mais elle ne garantit pas qu'un audit effectué conformément aux ISSAI permettra dans tous les cas de détecter les inexactitudes significatives. Les inexactitudes, qui peuvent résulter d'une fraude ou d'une erreur, sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce que, considérées isolément ou collectivement, elles influent sur les décisions économiques que les utilisateurs des états financiers prennent en se fondant sur ceux-ci.

Dans le cadre d'audits effectués conformément aux ISSAI, les auditeurs font appel à leur jugement professionnel et à leur esprit critique tout au long de la planification et de la réalisation du travail. Cela nécessite de tenir compte des particularités que présentent les entités du secteur public. L'IBAN s'attache aussi :

- à recenser et à évaluer les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur, à concevoir et à mettre en œuvre des procédures d'audit sensibles à ces risques ainsi qu'à obtenir par son audit les éléments probants nécessaires et suffisants pour lui permettre

de formuler une opinion ; le risque de non-détection d'une inexactitude significative relevant d'une fraude est plus élevé que le risque de non-détection d'une inexactitude significative relevant d'une erreur car la fraude peut résulter d'une collusion, d'une falsification, d'omissions intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;

- à acquérir une connaissance du contrôle interne qui soit pertinente pour l'audit, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité ;
- à déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables et les informations connexes fournies par la direction sont raisonnables ;
- à se prononcer sur le caractère approprié ou non de l'utilisation du principe comptable de la continuité d'activité et à déterminer, à partir des éléments probants obtenus par l'audit, s'il existe une incertitude significative du fait d'événements ou de circonstances susceptibles de remettre fondamentalement en cause la capacité de l'entité à poursuivre son activité ; si l'IBAN juge qu'une telle incertitude existe, il est tenu d'appeler l'attention, dans son opinion, sur les informations correspondantes figurant dans les états financiers ou, si ces informations sont incomplètes, de formuler une opinion modifiée ; les conclusions de l'IBAN sont fondées sur les éléments probants en sa possession à la date d'établissement de son rapport d'audit ; il n'est toutefois pas exclu que l'entité soit amenée à cesser son activité en raison d'événements ou de circonstances futurs ;
- à évaluer la présentation générale, la structure et le contenu des états financiers, y compris les informations fournies, et à déterminer si les états financiers rendent compte fidèlement des opérations et des événements qui en font l'objet.

L'IBAN est tenu de communiquer avec les organes chargés de la gouvernance, et notamment de les informer du périmètre et du calendrier de la mission d'audit qu'il prévoit d'effectuer, des principales conclusions de l'audit et des lacunes significatives qu'il aura éventuellement constatées dans le contrôle interne au cours de l'audit.

L'opinion que l'IBAN formule à l'intention du Conseil de l'Atlantique Nord doit aider ce dernier à s'acquitter de son rôle. C'est la raison pour laquelle l'IBAN est responsable de ses travaux et de son opinion devant le seul Conseil.

Vérification de la conformité

Opinion sur la conformité

Sur la base des procédures qu'il a appliquées, l'IBAN estime que rien, dans son audit des états financiers, ne lui donne de raison de penser que les fonds n'ont pas été régulièrement employés à l'acquittement de dépenses autorisées ou qu'ils ne sont pas conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Justification de l'opinion émise sur la conformité

L'IBAN a effectué la vérification portant sur la conformité sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

Responsabilité de la direction concernant la conformité

Tous les membres du personnel – civils et militaires – de l'OTAN sont tenus de respecter le Règlement financier de l'OTAN ainsi que les règles et procédures financières qui s'y rattachent et les directives d'application particulières, dont le Règlement du personnel civil de l'OTAN fait partie.

Le secrétaire général est responsable et tenu comptable d'une saine gestion financière. Les organismes OTAN doivent administrer leurs finances en s'appuyant sur les principes suivants : adéquation, bonne gouvernance, obligation de rendre compte, transparence, gestion des risques et contrôle interne, audit interne, audit externe, prévention et détection des fraudes.

Responsabilité de l'IBAN concernant la conformité

Selon sa charte, en plus d'être responsable de fournir une assurance raisonnable quant à la question de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, l'IBAN doit chaque année rendre au Conseil un avis indépendant lui assurant que les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées (adéquation) et qu'ils sont conformes aux règles en vigueur (régularité). Par « adéquation », on entend le respect des principes généraux régissant une gestion financière saine ainsi que la conduite des membres de l'administration. Par « régularité », on entend le respect de critères officiels tels que les règlements, règles et procédures applicables.

Il incombe ainsi à l'IBAN d'appliquer des procédures lui permettant d'obtenir en toute indépendance une assurance sur le point de savoir si les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur. De telles procédures prévoient notamment la prise en compte des risques de non-conformité significative.

Bruxelles, le 28 août 2019

A handwritten signature in blue ink, consisting of stylized, overlapping loops and strokes, likely representing the name Hans Leijtens.

Hans Leijtens
Président

28 août 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
CONCERNANT LE PROJET DE NOUVEAU SIÈGE DE L'OTAN
(NNHQ)**

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018

Introduction

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers du projet de nouveau siège de l'OTAN pour l'exercice clos le 31 décembre 2018, et il a émis une opinion sans réserve à leur sujet ainsi qu'au sujet de la conformité.

Observations et recommandations

À l'issue de son audit, l'IBAN a formulé deux observations, assorties de recommandations, qui n'ont pas eu d'incidence sur l'opinion émise :

1. Divergences entre les chiffres figurant dans les rapports sur l'exécution du budget global du programme de construction du nouveau siège et ceux des états financiers
2. Erreurs dans la note 8, portant sur les actifs à long terme

L'IBAN a fait le point sur la suite donnée à l'observation formulée lors de l'audit précédent, et il a constaté que la question avait été traitée.

L'IBAN a par ailleurs adressé au contrôleur des finances du Secrétariat international (SI) une lettre (IBA-AML(2019)0015) contenant des observations à l'intention de la direction.

OBSERVATIONS ET RECOMMANDATIONS

1. DIVERGENCES ENTRE LES CHIFFRES FIGURANT DANS LES RAPPORTS SUR L'EXÉCUTION DU BUDGET GLOBAL DU PROGRAMME DE CONSTRUCTION DU NOUVEAU SIÈGE ET CEUX DES ÉTATS FINANCIERS

Contexte

1.1 Les chiffres figurant dans les rapports sur l'exécution du budget global du programme de construction (LTPB) du nouveau siège qui sont établis en fin d'exercice doivent concorder avec ceux des rapports sur l'exécution du budget qui sont joints aux états financiers relatifs au projet de nouveau siège de l'OTAN en application de l'article 34.4 du Règlement financier de l'OTAN (NFR).

1.2 Le but d'un tel rapprochement est de s'assurer que le budget approuvé a été exécuté comme prévu par l'organe directeur et que les crédits qui ont été engagés ou qui ont été dépensés l'ont été conformément aux autorisations.

Constatations

1.3 Les chiffres figurant dans les rapports sur l'exécution du LTPB pour l'exercice 2018 ne concordent pas avec ceux des états financiers relatifs au projet de nouveau siège de l'OTAN pour ce même exercice, en raison d'une erreur comptable.

1.4 Les rapports sur l'exécution du LTPB font état de crédits reportés disponibles d'un montant supérieur de 1,97 MEUR à celui des postes correspondants dans les états financiers.

1.5 Cette différence s'explique par l'encodage tardif des régularisations dans le système de planification des ressources d'entreprise (ERP) du Secrétariat international (SI) au moment de la clôture de l'exercice 2017. Normalement, les crédits budgétaires tombent en annulation dans l'ERP, mais ce principe ne s'applique pas au LTPB, pour lequel une dérogation permanente aux règles d'annulation des crédits définies à l'article 24 du NFR a été accordée afin que le report de crédits soit autorisé. La concrétisation de cette exception requiert une intervention manuelle dans l'ERP de la part du Bureau du contrôle financier du SI.

1.6 Or cette intervention manuelle n'a été effectuée qu'au moment de la clôture du processus de compte rendu financier.

1.7 L'équipe du HQPO s'appuie sur les rapports générés par le module Budget de l'ERP pour suivre l'exécution de son budget. C'est donc sur la base de ces rapports qu'elle engage les crédits et qu'elle les dépense. Mais, comme l'enregistrement manuel des crédits du LTPB non annulés et reportés de l'exercice 2017 sur l'exercice 2018 a eu lieu tardivement, les dépenses effectuées au titre de plusieurs projets et activités sont apparues comme supérieures aux montants disponibles dans certaines lignes

budgétaires spécifiques. Pour régler le problème, il a été demandé au Comité des représentants permanents adjoints (DPRC) d'approuver des transferts de crédits, sans dépassement du plafond fixé pour le LTPB.

1.8 L'IBAN a constaté que, alors que l'opération est automatique pour tous les autres budgets de l'ERP, aucune procédure spécifique n'a été mise en place s'agissant des « activités de fin d'exercice » pour que le montant des régularisations à ne pas reporter dans le LTPB soit mis à jour manuellement. Par ailleurs, l'IBAN a constaté qu'il y avait un exercice pour lequel aucun rapprochement n'avait réellement été effectué entre les chiffres de l'ERP utilisés par l'équipe du HQPO et le montant effectif des dépenses enregistrées dans l'ERP.

Recommandations

1.9 Pour que l'exactitude des chiffres figurant dans les rapports sur l'exécution du budget soit assurée, l'IBAN recommande :

- a) que les « activités de fin d'exercice » soient modifiées dans l'ERP de manière à ce que les régularisations soient dûment répercutées dans le budget annuel ;
- b) que l'équipe du HQPO et le Bureau du contrôle financier du SI effectuent des rapprochements chaque trimestre.

2. ERREURS DANS LA NOTE 8, PORTANT SUR LES ACTIFS À LONG TERME

Contexte

2.1 Des notes sont jointes aux états financiers pour donner des informations complémentaires au lecteur et lui permettre de mieux comprendre les chiffres présentés dans l'état de la situation financière. Ces notes font partie intégrante des états financiers.

Constatations

2.2 L'IBAN a relevé deux erreurs dans la note 8, qui porte sur les actifs à long terme. Étant donné que la valeur du NNHQ a été intégralement transférée au SI et à l'Agence OTAN d'information et de communication (NCIA) à la fin de l'exercice 2018, cela n'a pas d'incidence sur l'état de la situation financière ni sur l'état de l'exécution du budget relatif au projet de nouveau siège de l'OTAN.

2.3 Premièrement, la méthode comptable relative au mobilier a changé. Jusqu'en 2017, le seuil d'inscription à l'actif (30 000 EUR) s'appliquait à la valeur globale des différents articles de mobilier. L'ensemble du mobilier acheté était donc traité comme un élément d'actif à long terme. En 2018, la politique a été modifiée, et le seuil d'inscription à l'actif a été appliqué à chaque article de mobilier. Par conséquent, le seuil d'inscription à l'actif n'était plus atteint, et le mobilier a été entièrement passé en charges.

Il n'est donc plus traité comme un actif à long terme. Toutefois, les chiffres figurant dans la note 8, portant sur les actifs à long terme, ne reflètent pas ce changement de méthode, d'où une surévaluation de 10 595 742 EUR.

2.4 Deuxièmement, des travaux relatifs au projet d'infrastructure réseau active (ANWI) d'une valeur de 9 520 394 EUR ont été finalisés en 2017 par la NCIA en tant que pays hôte, passant alors dans la rubrique des actifs à long terme. Toutefois, le montant correspondant n'a pas été mentionné au titre des soldes d'ouverture dans la note 8 jointe aux états financiers relatifs au projet de nouveau siège. Les actifs à long terme correspondant aux travaux relatifs au projet ANWI sont donc sous-évalués d'autant.

2.5 Ces deux erreurs se sont traduites au total par une surévaluation de 1 075 348 EUR des actifs à long terme qui sont présentés dans la note 8 jointe aux états financiers relatifs au projet de nouveau siège. Elles ont été corrigées avant le transfert au SI et à la NCIA.

Recommandations

2.6 L'IBAN recommande au Bureau du contrôle financier du SI de s'assurer, avant le transfert au SI et à la NCIA, de l'exactitude de tous les chiffres relatifs aux actifs à long terme qui sont présentés dans la note 8 jointe aux états financiers relatifs au projet de nouveau siège.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits. On trouvera dans le tableau ci-après un récapitulatif de ces observations et des mesures prises par l'entité ainsi qu'un état de la question.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
(1) Exercice financier de 2017 IBA-AR(2018)0026, paragraphe 1 MANQUE DE FIABILITÉ DE L'ESTIMATION DES CHARGES À PAYER FOURNIE PAR LE PAYS HÔTE Le Collège recommande au SI d'obtenir des documents et des justificatifs à l'appui de l'estimation des charges à payer fournie par la PMT.	Il a été possible d'obtenir de la PMT une estimation plus correcte des charges à payer moyennant un contrôle plus fréquent de l'achèvement des travaux effectués par les contractants et les sous-traitants. Les chiffres 2018 correspondant aux dernières avances versées à la PMT (Belgique pays hôte) et aux charges restant à payer à la fin juin 2019 ont fait l'objet d'un examen et sont considérés comme raisonnables.	Question traitée.

Une question est considérée comme étant « à traiter » lorsqu'aucun progrès notable n'a encore été réalisé en vue de son règlement. Une question est considérée comme étant « en cours de traitement » lorsque l'organisme OTAN visé a commencé à mettre en œuvre la recommandation correspondante ou lorsque certains éléments de la recommandation (mais pas tous) ont été suivis d'effets. Une question est considérée comme étant « traitée » lorsque la recommandation correspondante a été mise en œuvre ou qu'elle a été rendue ou est devenue caduque.

**COMMENTAIRES OFFICIELS DU SECRÉTARIAT INTERNATIONAL (SI)
CONCERNANT LA LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
ET POSITION DU COLLÈGE INTERNATIONAL
DES AUDITEURS EXTERNES DE L'OTAN**

**OBSERVATION 1 :
DIVERGENCES ENTRE LES CHIFFRES FIGURANT DANS LES RAPPORTS SUR
L'EXÉCUTION DU BUDGET GLOBAL DU PROGRAMME DE CONSTRUCTION DU
NOUVEAU SIÈGE ET CEUX DES ÉTATS FINANCIERS**

Commentaires officiels du Secrétariat international

La situation a été présentée et expliquée aux pays membres en juin 2019 (voir DPRC-N(2019)0037(INV)). Les chiffres présentés dans les états financiers sont exacts. Le SI souscrit à la recommandation.

**OBSERVATION 2 :
ERREURS DANS LA NOTE 8, PORTANT SUR LES ACTIFS À LONG TERME**

Commentaires officiels du Secrétariat international

Le SI souscrit à la recommandation. La situation n'a pas eu d'incidence sur les montants transférés au SI et à la NCIA.

**NATO NEW HQ
FINANCIAL STATEMENTS**

For the year ended
31 December 2018

Annexes

- | | |
|---|---|
| 1 | Statement of financial position |
| 2 | Statement of financial performance |
| 3 | Cash flow statement |
| 4 | Statement of changes in net assets |
| 5 | Budgetary execution statements |
| 6 | Explanatory notes to the financial statements |


Jens STOLTENBERG
Secretary General


Stephane CHAGNOT
Financial Controller

NATO NEW HQ Statement of financial position

As at 31 December 2018

(All amounts in EUR)

	Notes	2018	2017
Assets			
<i>Current assets</i>			
Cash and cash equivalents	3	24,792,449.59	46,271,773.49
Short term investments	4	40,801,828.11	45,600,731.22
Receivables	5	2,401,197.74	18,048,108.33
Prepayments	6	14,415,775.05	35,452,140.82
Other current assets	7	90,358.07	870,972.38
Inventories	2	0.00	0.00
		<u>82,301,606.56</u>	<u>144,241,726.24</u>
<i>Non-current assets</i>			
Receivables		0.00	0.00
Property, plant & equipment	8	0.00	1,060,427,743.29
Intangible assets		0.00	0.00
Other non-current assets		0.00	0.00
		<u>0.00</u>	<u>1,060,427,743.29</u>
Total assets		<u>82,301,606.56</u>	<u>1,204,669,469.53</u>
Liabilities			
<i>Current liabilities</i>			
Payables	9	12,294,904.13	3,561,765.18
Deferred revenue	10	66,373,700.87	82,491,855.79
Advances	11	3,048,041.40	28,818,516.39
Short term provisions	13	0.00	
Other current liabilities	12	584,960.16	29,369,588.87
		<u>82,301,606.56</u>	<u>144,241,726.23</u>
<i>Non-current liabilities</i>			
Payables		0.00	
Long term provisions	13	0.00	0.00
Deferred revenue	14	0.00	1,060,427,743.29
Other non-current liabilities		0.00	0.00
		<u>0.00</u>	<u>1,060,427,743.29</u>
Total liabilities		<u>82,301,606.56</u>	<u>1,204,669,469.52</u>
Net assets			
Capital assets		0.00	
Reserves		0.00	
Current year Surplus / (Deficits)		0.00	
Accumulated surpluses / (deficits) prior year		0.00	
		<u>0.00</u>	<u>0.00</u>
Total net assets/ equity	17	<u>0.00</u>	<u>0.00</u>

NATO NEW HQ

Statement of financial performance

As at 31 December 2018

(All amounts in EUR)

	Notes	2018	2017	Variance
Revenue	15			
Non exchange revenue		27,835,769.99	8,896,116.28	18,939,653.71
Exchange revenue				
		0.00	0.00	0.00
Other revenue		0.00	0.00	0.00
Financial revenue		0.00	0.00	0.00
Total revenue		27,835,769.99	8,896,116.28	18,939,653.71
Expenses	16			
Personnel		3,547,791.42	1,721,386.46	1,826,404.96
Contractual supplies and services		24,196,328.29	7,057,255.47	17,139,072.82
Depreciation and amortization		0.00	8,923.91	-8,923.91
Impairment				
Provisions				
Other expenses		73,382.26	32,835.72	40,546.54
Finance costs		18,268.02	75,714.72	-57,446.70
Total expenses		27,835,769.99	8,896,116.28	18,939,653.71
Surplus/(Deficit) for the period	17	0.00	0.00	0.00

INTERNATIONAL STAFF
Statement of cash flowAs at 31 December 2018
(All amounts in EUR)

	Notes	2018	2017
Cash flow from operating activities	18		
Surplus/(Deficit)		-	-
Non-cash movements			
Depreciation/ Amortisation		-	-
Impairment		-	-
Increase /(decrease) in payables		8,733,138.95	1,373,893.48
Increase/ (decrease) in other current liabilities		(70,673,258.62)	(24,051,968.33)
Increase/ (decrease) in provisions		-	-
(Gains)/losses on sale of property, plant and equipment		-	-
Decrease/ (increase) in receivables		13,644,910.59	(15,271,220.14)
Decrease/ (increase) in other current assets		21,816,982.08	37,053,799.25
Increase/ (decrease) in other non-current liabilities		(1,060,427,743.29)	128,206,986.03
Net cash flow from operating activities		(1,086,905,970.29)	127,311,490.29
Cash flow from investing activities	18		
Purchase of property plant and equipment / Intangible assets		1,060,427,743.29	(128,206,986.03)
Proceeds from sale of property plant and equipment		-	-
Net cash flow from investing activities		1,060,427,743.29	(128,206,986.03)
Cash flow from financing activities	18		
Net cash flow from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents	18	(26,478,227.00)	(895,495.74)
Cash and cash equivalent at the beginning of the period		91,872,504.71	92,768,000.45
Cash and cash equivalent at the end of the period		65,394,277.70	91,872,504.71

NEW NATO HEADQUARTERS

STATEMENT OF CHANGES IN NET ASSETS AS AT 31/12/2018

	(in EUR)
	Accumulated surpluses/(deficits)
Balance at 31 December 2016	0.00
Deficit on revaluation of property	0.00
Surplus on revaluation of investments (1)	0.00
Currency translation differences	0.00
Net gains and losses not recognized in the statement of financial performance	0.00
Net for the period	0.00
Balance at 31 December 2017	0.00
Balance at 31 December 2017	0.00
Deficit on revaluation of property	0.00
Surplus on revaluation of investments (1)	0.00
Currency translation differences	0.00
Net gains and losses not recognized in the statement of financial performance	0.00
Net for the period	0.00
Balance at 31 December 2018	0.00

(1) fixed assets in progress

NEW NATO HEADQUARTERS
BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2018
n= 2018

		BUDGET AUTHORISATIONS					BUDGETARY SURPLUS	
CHAPTER	Article	BUDGET (ref.) C-M(2017)0070	AUTHORIZED TRANSFERS	ADJUSTED CREDITS	COMMITMENTS	EXPENDITURES	CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
I.	PERSONNEL COSTS							
01.01	Basic salaries and related expenses	1,865,200.00	0.00	1,865,200.00	1,865,200.00	427,399.94	1,437,800.06	0.00
01.02	Temporary staff and consultants	0.00	0.00	0.00	0.00	0.00	0.00	0.00
01.03	Statutory travel	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	1,865,200.00	0.00	1,865,200.00	1,865,200.00	427,399.94	1,437,800.06	0.00
	Carried forward:							
	Financial year n-1	3,241,861.65	0.00	3,241,861.65	3,241,861.65	1,868,619.12	1,372,242.53	0.00
	Financial year n-2	1,782,688.32	0.00	1,782,688.32	1,782,688.32	1,280,794.86	501,893.46	0.00
	Financial year n-3	105,787.87	0.00	105,787.87	105,787.87	90,287.87	15,500.00	0.00
	Financial year n-4	50,864.32	0.00	50,864.32	50,864.32	50,864.32	0.00	0.00
	Financial year n-5	11,273.50	0.00	11,273.50	11,273.50	11,273.50	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		7,057,675.66	0.00	7,057,675.66	7,057,675.66	3,730,239.61	3,327,436.05	0.00
II.	OPERATING COSTS							
02.01	Official missions	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.02	Administrative support	125,000.00	0.00	125,000.00	125,000.00	125,000.00	0.00	0.00
02.03	Hospitality	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.04	Telecommunications	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.05	Operating costs	8,189,000.00	0.00	8,189,000.00	8,189,000.00	5,092,794.36	3,096,205.64	0.00
02.06	Construction Site Guard	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.07	Materials Procurement	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.10	Miscellaneous and unforeseen	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	8,314,000.00	0.00	8,314,000.00	8,314,000.00	5,217,794.36	3,096,205.64	0.00
	Carried forward:							
	Financial year n-1	6,952,253.03	0.00	6,952,253.03	6,952,253.03	3,213,161.84	3,739,091.19	0.00
	Financial year n-2	1,124,051.40	0.00	1,124,051.40	1,124,051.40	2,785,048.87	-1,660,997.47	0.00
	Financial year n-3	1,646,647.86	0.00	1,646,647.86	1,646,647.86	1,307,694.54	338,953.32	0.00
	Financial year n-4	11,178.23	0.00	11,178.23	11,178.23	2,251.79	8,926.44	0.00
	Financial year n-5	4,341.42	0.00	4,341.42	4,341.42	0.00	4,341.42	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		18,052,471.94	0.00	18,052,471.94	18,052,471.94	12,525,951.40	5,526,520.54	0.00
III.	INTELLECTUAL SERVICES							
03.01	Consultants & studies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
03.02	Project management team	269,842.00	0.00	269,842.00	269,842.00	0.00	269,842.00	0.00
03.04	Concept design team	108,319.00	0.00	108,319.00	108,319.00	0.00	108,319.00	0.00
03.05	Overall CDT fees on addit. Constr. W.	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	378,161.00	0.00	378,161.00	378,161.00	0.00	378,161.00	0.00
	Carried forward:							
	Financial year n-1	6,631,221.00	0.00	6,631,221.00	6,631,221.00	5,515,355.87	1,115,865.13	0.00
	Financial year n-2	497,767.72	0.00	497,767.72	497,767.72	497,767.72	0.00	0.00
	Financial year n-3	229,557.07	0.00	229,557.07	229,557.07	129,557.06	100,000.01	0.00
	Financial year n-4	139,999.97	0.00	139,999.97	139,999.97	89,999.99	49,999.98	0.00
	Financial year n-5	387.04	0.00	387.04	387.04	387.04	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		7,877,093.80	0.00	7,877,093.80	7,877,093.80	7,233,067.67	644,026.13	0.00
IV.	CONSTRUCTION WORKS							
04.01	Works Requirements	15,331,054.00	0.00	15,331,054.00	15,331,054.00	0.00	15,331,054.00	0.00
	Financial year n	15,331,054.00	0.00	15,331,054.00	15,331,054.00	0.00	15,331,054.00	0.00
	Carried forward:							
	Financial year n-1	18,301,080.90	0.00	18,301,080.90	18,301,080.90	8,463,764.46	9,837,316.44	0.00
	Financial year n-2	1,742,263.56	0.00	1,742,263.56	1,742,263.56	547,553.27	1,194,710.29	0.00
	Financial year n-3	9,679,408.00	0.00	9,679,408.00	9,679,408.00	2,322,181.78	7,357,226.22	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		45,053,806.46	0.00	45,053,806.46	45,053,806.46	11,333,499.51	33,720,306.95	0.00
V.	SPECIAL EQUIPMENT							
05.01	Special equipment	402,430.00	0.00	402,430.00	402,430.00	41,866.51	360,563.49	0.00
	Financial year n	402,430.00	0.00	402,430.00	402,430.00	41,866.51	360,563.49	0.00
	Carried forward:							
	Financial year n-1	11,227,924.90	0.00	11,227,924.90	11,227,924.90	7,075,918.45	4,152,006.45	0.00
	Financial year n-2	5,578,343.50	0.00	5,578,343.50	5,578,343.50	4,277,540.91	1,300,802.59	0.00
	Financial year n-3	776,719.21	0.00	776,719.21	776,719.21	570,358.16	206,361.05	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		17,985,417.61	0.00	17,985,417.61	17,985,417.61	11,965,684.03	6,019,733.58	0.00
	GRAND TOTAL							
	Financial year n	26,290,845.00	0.00	26,290,845.00	26,290,845.00	5,687,060.81	20,603,784.19	0.00
	Carried forward:							
	Financial year n-1	46,354,341.48	0.00	46,354,341.48	46,354,341.48	27,137,819.74	19,216,521.74	0.00
	Financial year n-2	10,725,114.50	0.00	10,725,114.50	10,725,114.50	9,388,705.63	1,336,408.87	0.00
	Financial year n-3	12,438,120.01	0.00	12,438,120.01	12,438,120.01	4,420,079.40	8,018,040.61	0.00
	Financial year n-4	202,042.52	0.00	202,042.52	202,042.52	143,116.10	58,926.42	0.00
	Financial year n-5	16,001.96	0.00	16,001.96	16,001.96	11,660.54	4,341.42	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		96,026,465.47	0.00	96,026,465.47	96,026,465.47	46,788,442.22	49,238,023.25	0.00

NEW NATO HEADQUARTERS
BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2017
n= 2017

		BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
CHAPTER	Article	BUDGET (ref.) C-M(2017)0070	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			CREDITS CARRIED FORWARD TO n+1	LAPSED CREDITS
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
I.	PERSONNEL COSTS							
01.01	Basic salaries and related expenses	4,190,419.00	0.00	4,190,419.00	4,190,419.00	694,964.97	3,495,454.03	0.00
01.02	Temporary staff and consultants	0.00	0.00	0.00	0.00	253,592.38	-253,592.38	0.00
01.03	Statutory travel	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	4,190,419.00	0.00	4,190,419.00	4,190,419.00	948,557.35	3,241,861.65	0.00
	Carried forward:							
	Financial year n-1	3,010,200.75	0.00	3,010,200.75	3,010,200.75	1,627,940.35	1,382,260.40	0.00
	Financial year n-2	748,492.92	0.00	748,492.92	748,492.92	1,208,553.01	-460,060.09	0.00
	Financial year n-3	50,864.38	0.00	50,864.38	50,864.38	50,000.05	864.33	0.00
	Financial year n-4	16,217.63	0.00	16,217.63	16,217.63	50,081.90	-33,864.27	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		8,016,194.68	0.00	8,016,194.68	8,016,194.68	3,885,132.66	4,131,062.02	0.00
II.	OPERATING COSTS							
02.01	Official missions	352.68	0.00	352.68	352.68	56.76	295.92	0.00
02.02	Administrative support	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.03	Hospitality	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.04	Telecommunications	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.05	Operating costs	8,082,247.32	0.00	8,082,247.32	8,082,247.32	1,130,290.21	6,951,957.11	0.00
02.06	Construction Site Guard	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.07	Materials Procurement	0.00	0.00	0.00	0.00	0.00	0.00	0.00
02.10	Miscellaneous and unforeseen	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	8,082,600.00	0.00	8,082,600.00	8,082,600.00	1,130,346.97	6,952,253.03	0.00
	Carried forward:							
	Financial year n-1	5,447,311.38	0.00	5,447,311.38	5,447,311.38	5,473,768.46	-26,457.08	0.00
	Financial year n-2	39,484.78	0.00	39,484.78	39,484.78	1,226,708.86	-1,187,224.08	0.00
	Financial year n-3	31,396.55	0.00	31,396.55	31,396.55	13,432.40	17,964.15	0.00
	Financial year n-4	49,573.79	0.00	49,573.79	49,573.79	50,084.60	-520.81	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		13,650,366.50	0.00	13,650,366.50	13,650,366.50	7,894,351.29	5,756,015.21	0.00
III.	INTELLECTUAL SERVICES							
03.01	Consultants & studies	707,085.00	0.00	707,085.00	707,085.00	545,085.00	162,000.00	0.00
03.02	Project management team	8,980,561.00	0.00	8,980,561.00	8,980,561.00	2,511,340.00	6,469,221.00	0.00
03.04	Concept design team	0.00	0.00	0.00	0.00	0.00	0.00	0.00
03.05	Overall CDT fees on addit Consty W	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n	9,687,646.00	0.00	9,687,646.00	9,687,646.00	3,056,425.00	6,631,221.00	0.00
	Carried forward:							
	Financial year n-1	691,384.74	0.00	691,384.74	691,384.74	293,617.02	397,767.72	0.00
	Financial year n-2	315,404.50	0.00	315,404.50	315,404.50	715,575.89	-400,171.39	0.00
	Financial year n-3	899,280.00	0.00	899,280.00	899,280.00	44,375.18	854,904.82	0.00
	Financial year n-4	256,560.05	0.00	256,560.05	256,560.05	14,201.00	242,359.05	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		11,850,273.29	0.00	11,850,273.29	11,850,273.29	4,124,194.08	7,726,081.20	0.00
IV.	CONSTRUCTION WORKS							
04.01	Works Requirements	38,421,983.00	0.00	38,421,983.00	38,421,983.00	20,120,902.10	18,301,080.90	0.00
	Financial year n	38,421,983.00	0.00	38,421,983.00	38,421,983.00	20,120,902.10	18,301,080.90	0.00
	Carried forward:							
	Financial year n-1	7,597,787.10	0.00	7,597,787.10	7,597,787.10	5,813,524.14	1,984,262.96	0.00
	Financial year n-2	20,165,308.00	0.00	20,165,308.00	20,165,308.00	5,471,771.54	14,693,536.46	0.00
	Financial year n-3	7,387.89	0.00	7,387.89	7,387.89	679,078.67	-671,690.78	0.00
	Financial year n-4	306,393.39	0.00	306,393.39	306,393.39	498,365.39	-191,972.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		66,498,859.38	0.00	66,498,859.38	66,498,859.38	32,383,641.84	34,115,217.54	0.00
V.	SPECIAL EQUIPMENT							
05.01	Special equipment	25,789,291.00	0.00	25,789,291.00	25,789,291.00	14,561,366.10	11,227,924.90	0.00
	Financial year n	25,789,291.00	0.00	25,789,291.00	25,789,291.00	14,561,366.10	11,227,924.90	0.00
	Carried forward:							
	Financial year n-1	20,614,370.49	0.00	20,614,370.49	20,614,370.49	13,627,089.99	6,987,280.50	0.00
	Financial year n-2	770,577.86	0.00	770,577.86	770,577.86	978,538.65	-207,960.89	0.10
	Financial year n-3	1,345,959.00	0.00	1,345,959.00	1,345,959.00	1,345,959.00	0.00	0.00
	Financial year n-4	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		48,520,198.35	0.00	48,520,198.35	48,520,198.35	30,512,963.74	18,007,234.61	0.10
	GRAND TOTAL	86,171,939.00	0.00	86,171,939.00	86,171,939.00	39,817,597.52	46,354,341.48	0.00
	Carried forward:							
	Financial year n-1	37,361,054.46	0.00	37,361,054.46	37,361,054.46	26,635,939.96	10,725,114.50	0.00
	Financial year n-2	22,039,268.06	0.00	22,039,268.06	22,039,268.06	9,601,147.95	12,438,120.01	0.10
	Financial year n-3	2,334,887.82	0.00	2,334,887.82	2,334,887.82	2,132,845.30	202,042.52	0.00
	Financial year n-4	628,744.86	0.00	628,744.86	628,744.86	612,742.89	16,001.97	0.00
	Financial year n-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-6	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-7	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-8	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GRAND TOTAL	148,535,894.20	0.00	148,535,894.20	148,535,894.20	78,800,273.62	69,735,620.58	0.10

**EXPLANATORY NOTES TO NEW NATO HEADQUARTERS PROJECT
2018 FINANCIAL STATEMENTS****NOTE 1: GENERAL INFORMATION**

In 1999, Heads of State of the NATO member countries decided at the Washington Summit to build a New NATO Headquarters (NNHQ) to meet Alliance requirements for the 21st century. For this New NATO HQ Project a separate budget was established in 2000.

The budget for the common funded part is approved on an annual basis by the North Atlantic Council, further to screening and recommendation by the Budget Committee and the Resource Policy and Planning Board (RPPB). The project is managed following NSIP procedures.

The main construction project, the electronic security services and the audio-visual infrastructure contracts are managed by the Belgian Ministry of Defence Host Nation Project Management Team (PMT) under the provisions of the NATO-Belgium MOU, signed on 8 December 2004.

NCIA acts as Host Nation for the Active Network Infrastructure contract. NATO-International Staff (IS) is the Host Nation for the Furniture contract and for the Business Data and Applications Migration Project (BDAM).

NATO is represented by the IS Defence Investment Division Headquarters Project Office (HQPO), which is in charge of programme management, coordination, approval procedures and the definition of requirements. HQPO also represents the interests of Nations in all dealings with the Host Nation.

A Transition Office within the IS Executive Management Division was created in 2011 to manage the practical and organisational aspects of the transition from the current headquarters to the new one.

NATO member nations maintain oversight of the project through the Deputies Committee (DPRC), a Board comprised of the Deputy Permanent Representatives. HQPO is responsible for financial management and for coordination with the DPRC, the Budget Committee, the RPPB, and the North Atlantic Council.

The overall programme budget ceiling is EUR 1,179 million.

During the first half of 2018, NATO moved to its new premises further to the handover from the Host Nations (Belgium and NCIA) to NATO of the all of the main elements of the projects that enabled operations in the new building. As a consequence, and as per the provisions of the NATO Accounting Framework (C-M(2016)0023), all assets that were recorded as work in progress have been transferred to the NATO International Staff, or the NCIA (for the IT assets).

NOTE 2: ACCOUNTING POLICIES

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

Declaration of conformity

The New NATO Headquarters financial statements have been prepared in accordance with the NATO Accounting Framework (which adapts a small number of IPSAS standards to better suit the specific requirements of the Alliance) and with the NATO Financial Regulations (NFR), the Financial Rules and Procedures (FRP).

Basis of preparation

These statements have been prepared on a going-concern basis and the amounts shown in these financial statements are presented in EUR. The New NATO Headquarters Project will continue in operation for the foreseeable future.

The following IPSAS have no material effect on the 2018 financial statements of the New NATO Headquarters Project Office:

IPSAS 5: Borrowing Costs.

IPSAS 6: Consolidated and Separate Financial

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 18: Segment reporting

IPSAS 21: Impairment of non-cash generating assets

IPSAS 26: Impairment of Cash-Generating Assets

IPSAS 27: Agriculture

IPSAS 32: Service Concession Arrangement: Grantor

The Cash Flow Statement has been prepared using the indirect method.

Segment Reporting

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. No segments are identified in this project and are therefore not reported in these financial statements.

Changes in Accounting Policy

Furniture which up to 2017 had been capitalised has been fully expended in 2018, prior to transfer of the non-current assets to NATO International Staff, in consideration of the fact that each individual item is below the capitalisation threshold.

Reclassification of financial statements of previous years

None to report.

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 work in progress, provisions, 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 New NATO Headquarters Project's budget is authorized and managed in EUR so contribution calls are made in EUR. Foreign currency transactions as required are accounted for at the NATO parity rates prevailing on the date of the transaction. Monetary assets and liabilities at year-end which were

denominated in foreign currencies were converted into EUR using the NATO parity rates applicable at 31 December.

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 Non-Current Liabilities.

Financial risks

The New NATO Headquarters Project Office uses only non-derivative financial instruments as part of its normal operations. These financial elements include cash, bank accounts, deposit accounts, accounts receivable and Funds Managed for Third Parties.

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

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

Foreign currency exchange risk

The exposure to foreign currency risk is limited as the majority of the New NATO Headquarters Project's expenditures are made in EUR, the currency of its budget. All bank accounts are held in EUR.

Credit risk

The New NATO Headquarters Project incurs credit risks from cash and cash equivalent held with banks and from receivables.

The maximum exposure as at 31 December 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 the New NATO Headquarters Project 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 01/03/2019

ING Bank	Fitch	Moody's	S&P
Short term	F1	P1	A-1

The New NATO Headquarters Project's 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.

Liquidity risk

The liquidity risk, also referred to as funding risk, is based on the assessment as to whether the New NATO Headquarters Project 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 New NATO Headquarters Project budget. Some limited risk could be due to the accuracy of budget forecasts or to late payment of Nations' contributions.

Interest rate risk

Except for certain cash and cash equivalent balances, the New NATO Headquarters' financial assets and liabilities do not have associated interest rates. The New NATO Headquarters 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.

Current Assets

Cash and cash equivalents

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

Cash held on behalf of third parties corresponding to amounts called and received in relation to the nationally funded elements and the fit-out of delegations, and amounts corresponding to anticipated contributions, are reported separately.

Receivables

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

Contributions receivable are recognised when a call for contribution, based on the approved budget, has been issued to the funding Nations. These receivables represent the uncollected contributions from Member Nations. The same policy applies for contributions related to the nationally funded elements and to the fit-out of delegations. No allowance for loss is recorded with respect to Member countries' assessed contributions receivable.

Prepayments

A prepayment is a payment in advance of the period to which it pertains and is mainly in respect of advance payments made to third parties. In the case of the New NATO Headquarters Project, advance payments are essentially related to the pre-financing of PMT and NCIA expenses. The terms of the MOU prevent Host Nation Belgium (PMT) from pre-financing any aspect of the project.

Other Current Assets

Other Current Assets relate to miscellaneous amounts due to the Project 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.

Inventories

NATO has adapted a number of IPSAS Standards to better suit the requirements of the Alliance, resulting the NATO Accounting Framework (NAF) NATO's adaptations of IPSAS are spelled out in C-M(2016)0023 of April 2016, which included IPSAS 12 Inventories. Furthermore, C-M(2017)0043 of September 2017, approved the NATO Accounting Policy for Inventory.

When it comes to assessing the control of NATO Inventory, these documents define a set of 10 criteria to be used in assessing the level of control of an Inventory 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, under the initial NATO Accounting Framework C-M(2013)0039 of July 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.

Capitalization 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.

The NNHQ Project 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.

The NNHQ Project 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.

Where this adaptation conflicts with another requirement of IPSAS this adaptation shall apply. For the remainder, IPSAS 12 shall apply.

The introduction of this adaptation to IPSAS 12 has no impact on the way these financial statements are presented. The value of NNHQ inventories is immaterial both in value and in terms of the nature of the items held. Consequently, inventory is fully expensed when goods are received.

Non-Current Assets:**Property, Plant & Equipment and Intangible Assets:**

As mentioned above NATO's adaptation of IPSAS are spelled out in C-M(2016)0023 of April 2016 among which were specific items addressing IPSAS 17 PPE. Furthermore, C-M(2017)0022(INV) approved the NATO accounting policy for Property, Plant and Equipment.

When it comes to assessing the control of NATO over PPE these documents define a set of 10 criteria to be used in assessing the level of control of a tangible 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, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013

2012 was the first year during which construction works related to the nationally funded elements were performed. These works are recognized as non-current assets (Assets under construction, PPE: Property, Plant and Equipment) held on behalf of third parties, at least during the construction period. The reasoning stems from a number of factors. The NHQ building constitutes a coherent and global building whose purpose is to bring together member nations in order to enable an efficient and effective consultation process. This situation whereby dedicated National Representations are present on site is very specific to NATO and does not really exist in other comparable international organizations. The member nations are not considered, from a legal perspective, as having direct property rights on the parts of the building corresponding to their own delegation premises, but rather having an exclusive right of use. In this respect the different funding cost shares cannot be deemed a factor justifying a specific accounting treatment. The situation also carries certain restrictions, such as the inability to execute works affecting or altering the basic structure of the building, or to use the premises for purposes different than housing their national delegation to NATO, or to independently sell their premises. Additionally, it is difficult to accurately distinguish the value between these common and nationally funded elements. However, their inclusion provides useful and clear information which contributes to financial transparency.

Common funded and nationally funded construction works are managed as a single project. At this point, and from an accounting standpoint, the fact remains that the economic benefit or the service potential is measured by the contribution to consensus building and therefore it cannot be separated from NATO's purpose. Therefore, this would not justify a separate accounting treatment.

It should be noted that this approach does not apply to the national fit-out segment, for which four nations have decided to act separately. The impact on previous years' financial statements is not material as no related works had been performed and therefore no fixed assets were recognised.

Capitalization 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

The principles of valuing and depreciating fixed assets are the following:

Buildings are shown at fair value based on internal valuations at the reporting date. Valuation is done based on judgment using the best available information from relevant sources. With regard to land on which the buildings are erected, see note on Leases.

All other non-current assets, Property, Plant and Equipment (PPE) and intangible assets are recorded at their historical cost less accumulated depreciation and any recognized impairment loss.

The introduction of this adaptation to IPSAS 17 has no impact on the way these financial statements are presented. Although the adaptation to IPSAS allows one to consider PPE acquired prior to 1 January 2013 as fully expensed, it was decided not to do so: amounts considered as PPE work in progress prior to 1 January 2013 remain capitalized in the interest of disclosing relevant and complete information regarding the value of the future NNHQ.

In the case of the New NATO Headquarters Project to date, PPE has been accounted for as "work in progress". In the course of 2017 and 2018 all of the main elements of the PPE that would enable NATO to move to and operate on the new premises have been handed over from the Host Nations (PMT and NCIA) to HQPO and in turn immediately to NATO International Staff. Consequently these non-current assets were transferred and will now appear in the books of the latter except for the IT part which in accordance with the NATO Accounting Framework is to be considered an NCIA asset. There are no longer any PPE or IT assets appearing on the statement of financial position of the NNHQ.

Intangible Assets:

As mentioned above, NATO's adaptations of IPSAS are spelled out in C-M(2016)0023 of April 2016, which included IPSAS 31 Intangible Assets. Furthermore, C-M(2017)0044 approved the NATO accounting policy for intangible assets.

When it comes to assessing the control of NATO over Intangible Assets, these documents define a set of 10 criteria to be used in assessing the level of control of an Intangible 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, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013.

NATO Intangible Assets Capitalization Thresholds - the NNHQ Project will capitalize each intangible asset item that is 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

The NNHQ Project will capitalize all controlled intangible assets above the NATO Intangible Asset Capitalization Threshold. For anything below the threshold, the NNHQ will have the flexibility to expense specific items.

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

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

The NNHQ Project will capitalize other types of intangible assets acquired after 1 January 2013 including:

- Copyright
- Intellectual Property Rights
- Software development

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

The NNHQ Project 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 capitalize 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.

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.

The introduction of this adaptation to IPSAS 31 has no impact on the way these financial statements are presented.

For the practical consequences resulting from the handovers from Host Nations Belgium and NCIA, please see above under PPE.

Impairment of fixed assets:

The carrying amounts of fixed assets are reviewed for impairment if events or changes of circumstances indicate that they may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss. Any provision for impairment losses is charged against the Statement of Financial Position (during the construction process) in the year concerned.

Current liabilities

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.

Advances and Deferred Revenue

Deferred Revenue represents participating Nations' contributions related to approved annual budgets that have not yet been recognised as revenue in the absence of matching expenses, but which have been called for current common funded budgets and for nationally funded construction works. Funds are called in advance of requirements because the New NATO Headquarters Project has no capital that would allow it to pre-finance any of its activities.

Advances are contributions called related to future years' budgets. There have been no such advances called for 2019. Voluntary advances made outside of the call for contributions process are accounted as funds managed for third parties.

Other Current Liabilities

Other Current Liabilities include in particular the surplus as per the NATO Financial Regulations (lapsed credits + net interests + miscellaneous income). In authorizing the New NATO Headquarters Project budget, Nations agreed that it would be a special budget extending over several years. Nations agreed that financial closure would take place only when the Project has been fully realised. Consequently, it

was agreed that credits and the refundable surplus can be maintained with the entity until the Project's completion (C-M(2000)36). Amounts which would have been normally returned to contributing Nations in the framework of the standard NATO Financial Regulations' provisions – such as net interest earned, miscellaneous receipts, lapsed credits, accumulated surplus – remain on the entity's accounts.

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.

This item also includes the valuation of staff untaken leave.

Funds Managed for Third Parties (National Funds)

Funds managed on behalf of third parties (national funds) are held in cash or as receivables if they correspond to an unpaid non-budgetary contribution in relation to nationally funded elements. In case of an anticipated/voluntary contribution, they are accounted for when cash is effectively received. The corresponding amounts are presented as a current liability under funds managed for third parties (national funds).

As a consequence of the recognition of the nationally funded elements as non-current assets, contributions called from the Nations with regard to the nationally funded elements are treated in a way comparable to that of budgetary contributions. Amounts called and amounts not converted to unearned revenue, which fund the related works, are included as liabilities

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.

Revenue and expense recognition

All the costs incurred under the New NATO Headquarters Project since its inception, except those related to the Transition Office and furniture, qualify to be capitalized as PPE Work in Progress. This includes personnel and operating costs. The matching budget resources provided by Nations to fund these Works in Progress are recognised as a liability in the Statement of Financial Position as Long Term Unearned Revenue. No revenue is recognised in the Statement of Financial Performance, except for the part attributable to the Transition Office and furniture.

The task of the Transition Office is to plan and execute the transition from the previous NATO HQ to the new NATO HQ. Its purpose is to transform the way NATO HQ operates to make best use of the facilities and technologies in the new NATO HQ; to relocate staff, NATO agencies and national delegations; and to return the current NATO HQ campus to Belgium. Transition Office related costs consist mainly in salaries of its staff and the costs of consultancy services to determine the best ways to conduct operations in the new building. Therefore they do not fulfil the criteria set by IPSAS 17 to qualify as directly attributable costs of the asset under construction. As a consequence Transition Office costs are expended rather than capitalized.

Revenue from exchange and non-exchange transactions

There is no revenue from exchange transactions, as the contributions by Nations are based on a fixed cost-share of reimbursable costs for the construction of the New NATO Headquarters Project. They are considered as a liability for long term unearned revenue funding assets in progress.

Long Term Unearned Revenue

After the transfer of the building to the NATO International Staff, earned revenue will be progressively recognised from long term unearned revenue, in an amount equal to annual depreciation of the related PPE, Intangible Assets etc. of the building, as future economic benefits and service potential will flow to the NATO International Staff when the building is operational.

Non-budgetary contributions called from Nations corresponding to the nationally funded construction works are treated as Long Term Unearned Revenue in an amount equal to the estimation of works completed.

NOTE 3: CASH AND CASH EQUIVALENTS

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

Derogations to NATO Financial Regulations were approved by the Council (C-M(2000)36 and BC-D(2000)20). In particular paragraphs 4.4 of the latter document introduce flexible arrangements for national contributions to allow Nations to make anticipated contributions. No ceiling is applicable to the amount of cash holdings.

To meet the Project's payment for the fit-out and nationally funded elements under the NSIP rules and procedures, the IS Office of Financial Control has issued separate contribution calls for the fit-out and for nationally funded parts of the Project. The planning foresees that the Nations pay contributions in advance of the quarterly payment request. A matching liability is posted against the amount of cash held on behalf of the Nations concerned and of the amount of uncollected related contributions called for the nationally funded construction works.

These funds also includes amounts relating to anticipated contributions made by some nations.

There are also funds from Eurocontrol as the remainder of its contribution to works for a secure pedestrian access between its headquarters and the NNHQ site.

(amounts in EUR)	2018	2017
Common Funded	14,913,687.79	24,967,233.84
Nationally Funded	2,506,172.56	11,672,450.95
Fit-Out	7,372,589.24	9,632,088.70
TOTAL	24,792,449.59	46,271,773.49

NOTE 4: SHORT TERM INVESTMENTS

Short Term Invested Funds

(amounts in EUR)	2018	2017
Common Funded	40,001,828.11	45,000,731.22
Nationally Funded	600,000.00	600,000.00
Fit-Out	0.00	0.00
TOTAL	40,601,828.11	45,600,731.22

NOTE 5: ACCOUNTS RECEIVABLE

Contributions receivable from member Nations are funds requested from the Nations to finance the Common Funded Budget, the Nationally Funded component and the Fit-Out. Usually a single call is issued at the beginning of the year for each component.

No call for contributions was issued at the end of 2018. Expenses in relation to the project until its completion to be incurred mainly in 2019 will be covered by credits carried forward. This explains the decrease in receivables end 2018. Whereas there has been an increase in receivables end 2017 due to the issuance at the end of 2017 of an additional call for contributions linked to the increase in the planning ceiling.

There may be other receivables from Nations concerning amounts due for cases other than contributions to the NNHQ budget or nationally funded elements.

Other Receivables may relate to miscellaneous amounts due to the Project (e.g. reimbursement of operating costs, insurance claims, advances to staff for education allowances etc.).

End 2018, all receivables were from Participating Nations.

NOTE 6: PREPAYMENTS

Receivables from the PMT relate to advance payments made to the PMT which are not regularised at year end as they do not correspond to works completed. The terms of the MOU prevent the Host Nation from pre-financing any aspect of the Project. On a cash basis, at year end 2018, PMT held EUR 6,417,972.37 received from NHQPO as advance payments (EUR 33,913,997.37 at year end 2017). On an accruals basis, including provisions, taking into account amounts due by PMT, the net advance to be regularised amounted to EUR 6,260,931.71 (EUR 31,278,209.37 at year end 2017).

Similarly, at year end 2018, NHQPO has advanced funds to the NCIA in an amount of EUR 7,497,135.92 (EUR 4,173,931.45 at year end 2017) on an accruals basis.

Prepayments to suppliers (i.e. other than the two Host Nations mentioned above) amounted to EUR 0 (EUR 0 at year end 2017).

Prepayments to staff in relation to education allowance advances amounted to EUR 38,505.16 end 2018 (EUR 64,826.21 end 2017).

NOTE 7: OTHER CURRENT ASSETS

Other Current Assets correspond, end 2017, essentially to reciprocal bank transactions between the New NATO HQ Project and NATO International Staff accounts and transactions to be regularised. Other Current Assets also include the counterpart of untaken leave (EUR 73,382.26; EUR 32,835.72 end 2017) 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 not paid.

NOTE 8: NON-CURRENT ASSETS

Although parts of the building and its systems had been handed over from the PMT to NATO International Staff during 2017, the handover process was not complete by end 2017; elements still remained in the hands of the PMT and of the NCIA. NATO International Staff did not yet benefit from the service potential of the building at year end 2017.

As explained above, by early 2018 all of the main elements of the PPE that would enable NATO to move to and operate on the new premises have been handed over from the Host Nations (PMT and NCIA) to NATO International Staff. Consequently these assets have been transferred and will now appear in the books of the latter except for the IT part which in accordance with the NATO Accounting Framework is to be considered an NCIA asset. There are no longer any PPE or IT assets appearing on the statement of financial position of the NNHQ. In the tables below, the reduction in the value of non-current assets under "Other Changes" reflects this transfer of assets between two NATO entities, under the same legal personality, which was done as direct balance sheet transactions, impacting similarly the Long Term Unearned Revenue.

Up until this transfer, costs charged as PPE Work in Progress cover the common funded PPE and the nationally funded construction works held on behalf of the member Nations which during the execution of the project are considered not separable from the overall amount of fixed assets.

The following tables reconcile works related PPE amounts at the beginning and at the end of 2018 (and of 2017).

(amounts in EUR)	Carrying Amount end 2017	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2018
COMMON FUNDED						
Personnel (chapter 1)	22,412,209	891,433			(23,303,642)	0
Operating Costs (chapter 2)	50,840,175	3,311,193			(54,151,368)	0
Professional fees (chapter 3)	137,330,474	637,871			(137,968,345)	0
Works (chapter 4)	636,830,828	7,180,289			(644,011,117)	0
Special Equipment (chapter 5)	11,575,136	2,136,981			(13,712,117)	0
SUB-TOTAL COMMON FUNDED	858,988,822	14,157,767	0	0	(873,146,589)	0
NATIONALLY FUNDED						
Works	99,025,316	0			(99,025,316)	0
SUB-TOTAL NATIONALLY FUNDED	99,025,316	0	0	0	(99,025,316)	0
TOTAL	958,014,138	14,157,767	0	0	(972,171,905)	0

(amounts in EUR)	Carrying Amount end 2016	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2017
COMMON FUNDED						
Personnel (chapter 1)	20,756,606	1,655,603				22,412,209
Operating Costs (chapter 2)	49,055,622	1,784,553				50,840,175
Professional fees (chapter 3)	126,827,696	10,502,778				137,330,474
Works (chapter 4)	567,968,416	68,864,412				636,830,828
Special Equipment (chapter 5)	7,384,627	4,190,509				11,575,136
SUB-TOTAL COMMON FUNDED	771,990,967	86,997,855	0	0	0	858,988,822
NATIONALLY FUNDED		0				
Works	95,840,593	3,184,723				99,025,316
SUB-TOTAL NATIONALLY FUNDED	95,840,593	3,184,723	0	0	0	99,025,316
TOTAL	867,831,560	90,182,578	0	0	0	958,014,138

For 2018, included is an amount of EUR 2,592,179 corresponding to accrued costs estimated by the PMT for invoices it had not yet received but relating to completed works end 2018.

The following table reconciles the ANWI Assets amounts at the beginning and at the end of 2018 (and of 2017).

(amounts in EUR)	Carrying Amount end 2017	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2018
COMMON FUNDED						
Personnel (chapter 1)	0	0				0
Operating Costs (chapter 2)	0	0				0
Professional fees (chapter 3)	15,076,004	5,993,979			(21,069,983)	0
Works (chapter 4)	0	0				0
Special Equipment (chapter 5)	87,337,602	(927,555)			(86,410,047)	0
TOTAL COMMON FUNDED	102,413,606	5,066,424	0	0	(107,480,030)	0

(amounts in EUR)	Carrying Amount end 2016	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2017
COMMON FUNDED						
Personnel (chapter 1)	0	0				0
Operating Costs (chapter 2)	0	0				0
Professional fees (chapter 3)	12,222,447	2,853,557				15,076,004
Works (chapter 4)	0	0				0
Special Equipment (chapter 5)	52,166,751	35,170,851				87,337,602
TOTAL COMMON FUNDED	64,389,198	38,024,408	0	0	0	102,413,606

A series of contracts have been entered into in relation to non-current assets, mainly by the PMT and the NCIA as Host Nations, and for smaller amounts by NHQPO. The main contractual commitments, excluding short term non-works related contracts (such as for security and guard services), which are now almost totally settled, are the following.

The main construction contract including Passive Network Infrastructure was let in June 2010, at the price set in January 2010 of approximately MEUR 360 (MEUR 438 including National Funding). This base price does not include adjustments for price revisions. Further to a claim introduced end 2013 and settled in 2014, an agreement was reached to pay additional MEUR 85 and to extend the construction period by 4.5 months. In 2017, further to the revised financial assessment for the completion of the NNHQ the amount was increased by MEUR 20. This takes the total of authorised contingencies approved to PMT for the main construction contract including passive network to MEUR 194.

The Concept Design Team contract was transferred to the PMT and has an LTPB planned cost of MEUR 85.845 which represents a reduction of MEUR 1.9 from the previous LPTB.

The PMT awarded in 2013 the contract for the Electronic Security System in an amount of MEUR 14.9 (2013 value). The 4.5 month extension agreed with the general construction contractor implied an estimated EUR 1.54 million additional cost and further to the revised cost to complete the work, an additional MEUR 1.99 was authorised in 2017. Regarding the contract for the Audio Visual Infrastructure in an initial amount of MEUR 26.4 (2013 value), estimated additional costs of MEUR 1.28 were agreed to compensate the 4.5 months delay and additional MEUR 1.8 in 2017 further to the revised cost to complete assessment .

Contracts were awarded by NHQPO for Furniture Supply (MEUR 8.9) and for Business Data and Applications Migration (MEUR 5.4 in the revised LTPB).

There are Project Support and Engineering Fees for NCIA in relation to the Active Network Infrastructure, in an estimated amount of MEUR 18 and MEUR 0.9 respectively.

The MOU between NATO and the Host Nation provides that management fees (National Administrative Expenses, NAE) equal to 3% of the works will be paid (LTPB total amount: MEUR 22.434).

NOTE 9: PAYABLES

Payables and accrued expenses may be to commercial suppliers, staff, Member Nations and other NATO bodies.

Payable to suppliers

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.

Payable to personnel

Payable to personnel relates to amounts due to staff in relation to remuneration of interns or temporary staff, travel expenses and hospitalities.

Payable to Nations

A payable of EUR 1,513,305.90 (EUR 1,513,305.90 end 2017) is in relation to the reimbursable salaries due to the United States for a civilian staff member who is paid directly by the United States government. This amount can be used by the United States by applying it against its annual Project contribution.

Accruals

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

NOTE 10: DEFERRED REVENUE

Deferred Revenue from Budgetary Appropriations

Deferred Revenue from budgetary appropriations corresponds to contributions called in relation to approved budgets up to 2018 but for which corresponding expenses will be incurred after the reporting

date of 31 December 2018. The Unearned Revenue includes principally those amounts of contributions which will be spent in subsequent years on the New NATO Headquarters Project budget as credits carried-forward resulting from the budget execution in accordance with the NATO Financial Regulations (and the specific waiver thereto applicable to this project) and advances made to the PMT and the NCIA.

Other Deferred Revenue

There are also National Funds corresponding to funds managed on behalf of Nations outside of the standard call for Common Funded budgetary contributions process which are the counterpart of specific contributions called from Nations to meet the Project's payment for the Fit-Out or for Nationally Funded elements.

NOTE 11: ADVANCES

Advances Related to the Budgetary Process

Up to 2013 there were no such advances received as there had not been calls for advance budgetary contributions. However, when setting up the funding framework related to the settlement of the claim introduced end 2013, it was agreed that Nations could opt for providing funding beyond what was needed for the part corresponding to the 2014 budget. This has resulted in EUR 20,768,632 being called. This amount was allocated to the calls issued in 2017, 2016 and in 2015 and to additional contributions.

At the time of the call for contributions related to the 2017 Revised Budget, some Nations requested to pay advances (total amount EUR 18,814,083.00).

No advances were called in relation to the 2018 or 2019 budgets.

Other Advances

Nations may, in addition, make ad hoc voluntary additional contributions in relation to the Common Funded budget (EUR 0.00 end 2018; EUR 316,924.50 end 2017), to their Nationally Funded component (EUR 3,045,754.49 end 2018; EUR 9,245,956.12 end 2017) or to their Fit-Out.

NOTE 12: OTHER CURRENT LIABILITIES:

Other Current Liabilities linked to the budget process

Lapsed credits are budget funds for which no legal liability exists. They cannot be spent in subsequent years. Lapsed credits are normally deducted from the contributions due from Nations in the call of the following year.

Receipts linked to interest, foreign exchange difference gain and bank charges are normally deducted from the contributions due by Nations in the following year.

The standard budgetary process provides that amounts corresponding to the current year budgetary surplus (lapsed credits + net interests + miscellaneous income) are considered a liability towards the contributing nations. The settlement does not follow the normal accounts payable process, since the standard approach is to return them to contributing nations via a deduction of the following year's call for budget contributions. In the case of the NNHQ Project member nations have decided that this rule would not apply until completion of the project and that all available appropriations at the end of each year would be carried forward. Consequently, calls for contributions are equal to the gross amount of the approved budget with no deductions for any surplus.

Project Accumulated Surplus

Project Accumulated Surplus resulting from previous years' budget execution, which amounted to EUR 13,339,622.00 end 2013, remained until then in the entity's accounts in accordance with the

specific budget funding rules approved by Nations, according to which surpluses are not returned to contributing Nations before the completion of the project.

This amount can be broken down into the following components:

(cumulative amounts since the beginning of the project until 2013)

lapsed credits (including frozen)	12,213,702.50
net overcall (minus = undercall)	-4,588,528.69
interest earned	5,700,330.32
miscellaneous income	14,117.87
Total	13,339,622.00

When assessing, end 2014, the funding impact of the settlement of the claim with the contractor and related additional costs, Nations decided to use the surplus as of end 2013 and to allocate it as a resource in order to reduce contributions to be called in this respect. As a consequence, end 2014, the surplus available from previous years was nil.

Since then, in the absence of lapsed credits, the surplus related to the Project's Common Funded is limited to net financial revenue and miscellaneous revenue (EUR 468,851).

Other Current Liabilities linked to Accrued Costs

End 2017, there was an amount of EUR 29,112,000 corresponding to accrued costs incurred by the PMT to completion of the works and for which no budget transactions had been registered yet, nor payments claimed by the PMT to the NHQPO. This transaction was reversed in 2018.

Untaken Leave

This item includes the counterpart of the valuation (EUR 73,382.26 end 2018; EUR 32,835.72 end 2017) of untaken leave (which has no impact on the current budget of the Project).

NOTE 13: NON-CURRENT LIABILITIES: PROVISIONS

None.

NOTE 14: LONG TERM UNEARNED REVENUE

This revenue corresponds to the contributions, budgetary and non-budgetary, that funded fixed assets work in progress.

For common funded PPE and Intangible Assets, the amount originates from budget contributions.

Funding provided for the nationally funded elements matching completed related works is also considered long term unearned revenue during the construction period.

As explained above, in the course of 2017 and 2018 all of the main elements of the PPE that would enable NATO to move to and operate on the new premises have been handed from the Host Nations (PMT and NCIA) to NATO International Staff. Consequently these assets were transferred and will now appear in the books of the latter except for the IT part which in accordance with the NATO Accounting Framework is to be considered an NCIA asset. There are no longer any PPE or IT assets appearing on the statement of financial position of the NNHQ. The reduction in the value of the Long Term Unearned Revenue reflects the transfer of the long term funding related to these assets. This operation between two NATO entities, under the same legal personality, was done via direct balance sheet transactions.

Since the NNHQ accounts no longer hold any non-current assets, there is no Long Term Unearned Revenue.

NOTE 15: REVENUE

Budgetary revenue is matched to recognised expenses relating to the activities of the Transition Office.

Any interest gained is attributed to the funding of the construction itself and is therefore not recognised in the statement of financial performance.

NOTE 16: EXPENSES

The only expenses recognised are those related to the Transition Office. They consist mainly of the salaries of staff, administrative expenses and miscellaneous consultancy studies conducted in order to optimize the use of the future building. Consultancy services are included under the item "salaries" to be consistent with the budget breakdown, which explains the changes from year to year (Transition Office staffing remaining almost unchanged).

Banking costs are not recognised as expenses but are deducted from interests earned.

All items of purchased furniture have been expensed (EUR 10,595,743). This approach is based on the fact that the acquisition cost of each individual furniture item is less than the capitalization threshold prescribed by the NATO Accounting Framework. Also the moveable and interchangeable nature of these furniture items does not justify the amount of resources that would be required to put in place a complete recognition and depreciation system. Therefore, expenses related to the purchase of office furniture are also included in the statement of financial performance.

NOTE 17: NET RESULT OF THE PERIOD

Given that revenue stemming from budgetary resources is recognised in an equal amount to expenses, the result of the year is nil.

NOTE 18: CASH FLOW STATEMENT

The cash flow statement is presented following the indirect method.

NOTE 19: BUDGET INFORMATION AND RECONCILIATION WITH CASH FLOWS

Presently, NATO budgets are not publicly available.

Presentation of budget information in the financial statements

Besides NATO Financial Regulations and Financial Rules and Procedures as well as elements of the NSIP procedure, the New Headquarters Project is governed by the following:

- a. Project Authorization to Ministry of Defense BE: C-M(2007)0076-AS1,
- b. MOU between Ministry of Defense BE and NATO: SG(2004)1220-REV4,
- c. CDT Contract signed between Belgium and CDT in December 2004 (PMT responsibility),
- d. Council derogation to NATO Financial Regulations (C-M(2000)36) and Budget Committee derogation to NFR (BC-DS(2007)0005). The derogation concerns, in particular: committed, or to be committed credits, which may be carried forward until the closure of the Project; the only limitations to cash holdings being the actual funding requirements.

There are three types of funding:

- NATO Common Funding (CF) for Common Infrastructure requirements: based on an approved Cost Sharing Formula specific to the New NATO HQ Project (SG(99)1707, C-M(2004)0061 and BC-D(2009)0008-ADD1).
- National Funding (NF) for Construction of Private Space of Delegations: calculated on the basis of actual 'shell and core' costs based on the number of gross square meters of occupied space,

- National Funding for Fit-Out of Delegations: based on actual costs to fit-out the occupied space of each Delegation.

The initial budget in NATO corresponds to the credits that are initially authorised by the North Atlantic Council annually at the end of the previous financial year. During the year the budget is adjusted as required. The final authorisation is the credit situation as reported at the end of the financial year including approved budgetary increases/decreases and transfers approved by the IS Financial Controller (between Chapters of the New NATO HQ budget up to 5% of the credits initially granted for the receiving chapter) or by the Budget Committee.

There are two types of credits: Cash Credits (CC) are approved credits against which payments can be made during the budget year; Contract Authority Credits (CA) are approved credits to enter into a legal obligation for multi-year contracts. No payment may be made against CA prior to its conversion into CC.

The New NATO Headquarters Project 2018 initial budget authorization for the Common Funded part amounted to EUR 26,290,845. In addition, an amount of EUR 69,735,620 related to credits carried over from the previous financial years. There were no requirements for National Funding in 2018 nor for the Fit-Out programme.

No specific budget will be approved for future years: operations will be funded through the carry-forward of unused funds.

The New NATO Headquarters Project 2017 initial budget authorization for the Common Funded part amounted to EUR 55,335,292. In addition, an amount of EUR 62,363,955 related to credits carried over from the previous financial years. The National Funding component for 2017 was approved in the amount of EUR 516,950. The Fit-Out programme was foreseen at EUR 766,290 to which changes could be done depending on nations' involvement in the furniture programme.

In December 2017, as a consequence of delays in the delivery of the NNHQ buildings and systems, the overall budget ceiling was increased from EUR 1.124 million to EUR 1.179. Accordingly the Common Funded budget was revised to the total amount of EUR 86,171,939, an increase of EUR 30,836,647. The National Funding component remained unchanged. The Fit-Out programme was increased by EUR 553,025.

It should be noted that the credits approved for 2018, as for previous budget years, do not correspond to the full extent of the annual costs, including for Salaries and Operations and Maintenance. Credits carried forward from previous years were used, with the agreement of Nations, to fund 2018 commitments and expenses.

Budget execution statements for 2018 and 2017 are provided at Annex 5.

The Revised LTPB 2017-2018 (DPRC-N(2017)0076 and COR1) is shown in Addendum 1 at the end of these notes. It corresponds to the most recent update of the LTPB.

Reconciliation of the Budget Execution Statement and the Financial Performance Statement

The budget is prepared for the same period (1 January to 31 December) and encompasses the same entity as these financial statements but the basis and the presentation format are different.

The New NATO HQ Project budget is prepared and executed on a commitment basis. The commitment of credits is the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year. Unliquidated commitments are carried forward and added to the budget of the following financial year to the extent of existing legal liabilities or if a special agreement is given by the Budget Committee. The balance of unused budgetary credits (not committed) lapses but is not returned to nations at year-end, in accordance with the derogation agreed by the NAC.

The budget classification is based on the economic nature of the expenses broken down into five chapters as follows:

Chapter I:	Personnel Expenses
Chapter II:	Operating Expenses
Chapter III:	Intellectual Services
Chapter IV:	Demolition/Construction Works
Chapter V:	Special Equipment

However, in these financial statements all costs, with the exception of those relating to the Transition Office, are considered as investing activities.

The New NATO HQ budget, like all the other NATO budgets, contains budget chapters and items corresponding to capital expenditure. The latter result in increases of non-current assets (essentially PPE) and in changes to the level of advances made to the Host Nations given the specific operating model of the NNHQ Project concerning the construction of the building and its IT systems.

All budget expenses related to the Host Nations are, in practice, advances. In this respect, the budget execution remains largely cash based and, concerning the relation with the Host Nations, does not correspond to an accruals approach, contrary to the spirit of the changes introduced by the new NATO Financial Regulations applicable to the other NATO entities as from 2015. The previous approach continued to be applied to the NNHQ Budget. Prepayments to suppliers, in the context of the standard accounts payable process, are not taken into account for the purpose of this reconciliation.

Concerning the budget execution statement, it must be noted that the approved budget concerns exclusively the Common Funded component of the building. The Nationally Funded component is not strictly speaking a budget (see below) but, the execution of its expenses in a quasi-budget context does result in increases of the related non-current assets and changes in related cash advances to the Host Nations.

Also, carried forward credits, in the case of the NNHQ Project, correspond to unused funds (see Council derogation above); only budget expenses have a financial impact. As a consequence the reconciliation of the budget execution statement should be made between the budget expenses on one side, and, on the other side, the statement of financial performance, changes in the level of non-current assets and of advances to Host Nations, taking into account the distinction between the Common Funded and the Nationally Funded components. Such is the purpose of the table below.

The table below reconciles the budget execution with statement of financial performance for 2018. It shows that an absolute reconciliation could not be made by an immaterial amount. Under Other Elements is the reversal of the similar item of 2017 (see Note 12) and the adjustment for over accruals end 2017.

Reconciliation of Budget to Financial Performance				
BUDGET EXECUTION		Common Funded	National Funded	Total
Total budget (Including Carry-forward from Previous year)	(a)	96,026,465.47	0.00	96,026,465.47
Credits Carried Forward in Following Year	(b)	49,238,023.25	0.00	49,238,023.25
Budget Execution Expenses	(c) = (a-b)	46,788,442.22	0.00	46,788,442.22
RECONCILIATION		Common Funded	National Funded	Total
Financial Performance Expenses (excluding Depreciation, Financial and Other costs)	(d)	24,906,898.14	0.00	24,906,898.14
Increase in Non-Current Assets	(e)	8,628,448.22	0.00	8,628,448.22
Change in Advances to Host Nations	(f)	-21,036,365.77	0.00	-21,036,365.77
Other Elements	(g)	34,289,276.46		34,289,276.46
Sub-Total	(h) = (d+e+f+g)	46,788,257.05	0.00	46,788,257.05
Difference to Budget Expenses	(c-h)	185.17	0.00	185.17

The table below reconciles the budget execution with statement of financial performance for 2017. It shows that an absolute reconciliation could not be made by an immaterial amount.

Reconciliation of Budget to Financial Performance

BUDGET EXECUTION		Common Funded	National Funded	Total
Total budget (including Carry-forward from Previous year)	(a)	148,535,894.20	516,950.00	149,052,844.20
Credits Carried Forward in Following Year	(b)	69,735,620.48	0.00	69,735,620.48
Budget Execution Expenses	(c) = (a-b)	78,800,273.72	516,950.00	79,317,223.72

RECONCILIATION		Common Funded	National Funded	Total
Financial Performance Expenses (excluding Depreciation, Financial and Other costs)	(d)	8,778,641.93		8,778,641.93
Increase in Non-Current Assets	(e)	125,022,263.03	3,184,723.00	128,206,986.03
Change in Advances to Host Nations	(f)	-25,888,856.49	-2,667,773.00	-28,556,629.49
Other Elements	(g)	-29,112,000.00		-29,112,000.00
Sub-Total	(h) = (d+e+f+g)	78,800,048.47	516,950.00	79,316,998.47
Difference to Budget Expenses	(c-h)	225.25	0.00	225.25

Nationally Funded Component

Although not considered as a common funded budget, specific amounts are approved for the nationally funded component (excluding Fit-Out). Related expenses are apportioned using physical criteria (such as surface, number of parking spaces) rather than the cost-shares applicable to the Common Funded Component. The table below compares the cumulative approved amounts, related advances to the PMT and accrued expenses.

	(amounts in EUR)							
	Up to 2012	2013	2014	2015	2016	2017	2018	Cumulative
Approved Amounts	37,790,467	12,756,605	25,327,510	21,211,531	1,422,252	516,950	0	99,025,315
Cash advances	12,000,000	27,099,999	26,500,000	16,000,000	16,908,366	516,950	0	99,025,315
Expenses	11,423,370	22,126,329	22,168,519	21,948,229	18,174,145	3,184,723	0	99,025,315

Fit-Out

Operations related to the Fit-Out of national delegations are not executed in the context of a budget framework; they result in outflows of cash to the PMT for settlement of related invoices.

NOTE 20: WRITE-OFFS

Nothing to report.

NOTE 21: LEASES

Belgium has granted to NATO by way of concession a plot of land on which NATO is authorized to erect all necessary buildings and facilities related to the NATO New Headquarters Project. The annual fee is EUR 250. NATO is the full owner of all constructions made. Belgium remains the sole and full owner of the land, which is military public domain. The concession ends 180 days after NATO has left the buildings and facilities. In such case, if Belgium would decide to use the building and facilities, it shall pay a fair indemnity to NATO. If Belgium should decide to demolish them, it will not be obliged to pay an indemnity to NATO neither will NATO have to contribute to demolition costs. At the end of the concession, there would be no property rights transferred to NATO. As a consequence, given the indefinite economic life of land and the specific nature of concessions, the use of the land is classified as an operational lease.

The New NATO Headquarters Project does not have any financial leases.

NOTE 22: RESTRICTIONS ON FIXED ASSETS

There are no restrictions on fixed assets.

NOTE 23: CONTINGENCY CREDITS AND CONTINGENT LIABILITIES**Contingency credits overview (budgetary approach)**

The LTPB includes several types of contingencies for different kinds of purposes and following different procedures:

- Authorized to the Host Nation (HN), available for the HN during the execution of the works. These contingencies are allocated initially at 5% when the related contracts are awarded.
- Additional contingencies to be used with prior approval of the DPRC
- Additional contingencies on the ICT Programme, to be allocated to the Host Nation, based on justification and with prior approval of the DPRC

In the past the contingency budget line at the disposal of the DPRC has been typically supplemented by budgetary savings as they became known. For instance, this has been the case further to contract awards, and mainly as a result of lower than expected impacts of contractual price adjustment formula (i.e. compared to a long term forecast of 3%). Conversely it has in the past been used to mitigate adverse impacts of the contractual price adjustment factors.

The table below shows all the budget lines including contingencies as they were re-assessed further to the approval of the most recent LTPB covering the period 2017-2018:

(amounts in KEUR)					
Budget Item	Domain	Controlled by	LTPB 2016-2017	LTPB 2017-2018	LTPB 2017- 2018 31DEC18
04 01 02 00	Construction works	HN BE	155,469	168,286	190,024.54
04 01 02 00	5% PNWI	HN BE	1,871	2,425	3,658
04 01 02 01	5% ESS works	HN BE	1,917	1,917	5,159
04 01 03 00	5% Audiovisual works	HN BE	2,601	2,601	4,616
05 01 01 00	5% ICT – ANWI	NCIA	3,988	3,988	3,988
05.01.03.00	Furniture	IS	1,200	1,200	1,200
04 01 02 02	Additional Contingencies	DPRC	30,959	19,363	21,516
04 01 02 03	Potential changes of scope	DPRC	895	895	-
04 01 02 04	Transition Programme	DPRC	1,400	2,495	542
04 01 02 04	Transition Programme one-time requirements	DPRC	2,528	2,528	2,384
05 01 01 00	5% ICT- ANWI	DPRC	3,988	3,988	3,988
05 01 01 00	ICT Programme	DPRC	11,275	11,275	9,617
05 01 03 00	Furniture	DPRC	675	675	400
TOTAL			218,766	221,636	247,092

The contingency line (04-01-02-00) for construction, ESS and Audio-Visual works and PNWI is fully authorized to Host Nation Belgium (PMT). Under the Memorandum of Understanding between Belgium and NATO, when 90% of these funds are committed, PMT will introduce a request to increase its contingencies. The DPRC and the Budget Committee are regularly updated on the status of the use of such funds.

End September 2018 (most recent assessment), out of the total KEUR 247,092 contingency funds, an amount of KEUR 210,566 was committed, KEUR 3,976 was identified but not yet committed and KEUR 32,550 was available. It is expected that out of the latter up to MEUR 16 may not be needed by Host Nation Belgium.

A series of risks have been identified in November 2018, resulting in an estimated maximal financial exposure of KEUR 4,934 (compared to KEUR 19,229 end 2017).

Contingent Liabilities

The stakeholders of the Project are regularly informed at DPRC level about potential claims under discussion between PMT and its suppliers, possible related legal disputes and their financial consequences on the course of the Project.

It is also mentioned that there was a litigation between the general contractor and one of its sub-contractors on-going in the Belgian Courts concerning a discrepancy in the structural works (execution of piles) where the general contractor had involved Host Nation Belgium in the Court process as a third

party. The issue was resolved by amicable settlement for an amount within contingencies already authorised to the Host Nation.

NOTE 24: CONTINGENT ASSETS

There are no material contingent assets.

NOTE 25: 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.

At 31 December 2018, New NATO Headquarters Project Office had an approved Personnel Establishment of 13 positions (17 for 2017) funded by its budget. Eleven positions related to the Transition Office. For administrative and project management purposes two posts dedicated to the Building Z Project are attached to the HQPO but have a specific funding mechanism with no impact on the New NATO Headquarters project.

Positions	Total Approved Posts	Total Filled Positions
Civilian	13	13
Voluntary National Contributions	-	-
Temporary Staff	-	10
Interns	-	-
Others	-	-

The NATO-IS centrally manages three pension programs, namely the Defined Benefit Pension Scheme (DBPS), 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 the 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.

Ten staff members participate in the DCPS administered by NATO (nine end 2017). The DCPS provides that the New NATO Headquarters Project budget makes a 12% monthly matching contribution to the staff members' contributions for current service. Three employees participate in the DBPS: a deduction of 9.5% of their salaries is made and contributed to the annual financing of this Plan (four end 2016). In addition, the New NHQPO budget makes a matching contribution to the DBPS equal to 19% of their basic salaries, which in accordance with (BC-WP(83)3(Revised) and C-M(83)34) is deemed to provide the necessary funds for the subsequent pensions liability of the NHQPO. These contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the entity (find reference). Consequently, the NHQPO has neither DBPS nor DCPS liability for its staff members.

The contributions for pensions paid are as follows.

amounts in EUR	2018			2017		
	Staff	Employer	Total	Staff	Employer	Total
Provident Fund	-	-	-	-	-	-
Co-ordinated Pension Scheme	22,335.00	44,670.00	67,005.00	20,132.01	40,264.02	60,396.03
Defined Contribution Pension Scheme	57,128.26	74,887.16	132,015.42	95,459.57	132,454.97	227,914.54
TOTAL	79,463.26	119,557.16	199,020.42	115,591.58	172,718.99	288,310.57

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 into the next year constitutes a

liability towards the future and would notionally require funding from Participating Nations. Estimates end 2018 amount to EUR 73,382.26 (EUR 32,835.72 end 2017).

Further to an analysis covering the last years of the history of death in service risks in relation to premiums paid by the Organisation during 2012-2015, a compensation of EUR 6 million at the NATO-wide level was agreed by the insurance company. End 2018, the NATO Secretary General decided that a fraction of this amount (circa EUR 1.7 million) should be paid to NATO staff who were members of the DCPS during the period 2012-2015 in proportion to the contributions they made to the DCPS. Staff employed by the New NATO HQ Project during the period 2012-2015 and affiliated to the DCPS are therefore entitled to a payment to be made from the NATO DCPS accounts. A decision still has to be taken concerning the remaining amount of the compensation, which may result in a proportional payment to the New NATO HQ Project.

NOTE 26: KEY MANAGEMENT PERSONNEL

The Deputies Committee (DPRC) is responsible for the oversight of the New NATO HQ Project management. The DPRC took over this responsibility from the DPRHQB which was disbanded in 2010. Members of the DPRC are nominated by their respective National Authorities. They are paid on the basis of applicable national pay scales. They do not receive from NATO any additional remuneration for their responsibilities or access to benefits.

For the purposes of IPSAS 20 implementation, Key Management Personnel of New NATO HQ Project consists of the Director of the NHQPO. This position is remunerated in accordance with its NATO A6 grade.

There are no other remuneration or benefits to key management personnel and their family members. Key Management Personnel are entitled to receive loans which are also available to other members of the NATO International Staff.

NOTE 27: RELATED PARTIES

NATO Bodies

For administrative purposes the NHQPO Transition Team is attached to the NATO International Staff Defense Investment Division. The Assistant Secretary General of the Defense Investment Division chairs the DPRC when it addresses issues related to the Project.

In 2018, NATO International Staff charged the NHQPO an amount of EUR 207,301 for administrative support costs (EUR EUR 207,301 in 2017). The specific operating costs related to the PMT (around EUR 4,000) are absorbed by the Civil Budget in exchange of the occupancy of the CDH building by the International Staff

The NCI Agency is the Host Nation in charge of equipping the New NATO HQ with modern and cost effective Information and Communication Technologies solutions, to include voice, video and data management, processing and storage through the Active Network Infrastructure (ANWI) project, for an authorized amount of MEUR 90,505 including contingencies. Additional MEUR 10.939 have been authorised by DPRC to Host Nation NCIA up to 31 December 2018 from the 5% ICT-ANWI contingencies and 5% Programme contingencies.

An amount of MEUR 19.424 is approved in the LTPB for NCIA Project Service Costs for ANWI representing an increase of MEUR 7.308 from the previous LTPB. NCIA provided also some specific consultancy services (EUR 0.866 million approved in the LTPB).

The IS acts also as a Host Nation concerning the procurement of Furniture (MEUR 10.1 including contingencies in the LTPB) and the Business Data and Applications Migration Project (MEUR 5.379 in the LTPB). The IS receives no related remuneration fees.

Member Nations

NATO Security Investment Programme (NSIP) procedures are the management process for the New NATO HQ. Belgium is the Host Nation for the construction, the passive network infrastructure, the building management system, the electronic security system and audio visual infrastructure. In

exchange for this service, Belgium receives fees (National Administrative Expense (NAE) equal to 3% of works) the total amount of which is estimated EUR 21.7 million over the duration of the project.

The DPRC agreed that Construction Surveillance Technician Team required to support the construction project should be manned by personnel from Nations on a reimbursable basis.

Each delegation's fit-out is the financial responsibility of the Nation concerned. Twenty four Nations agreed to have their delegations' fit-out undertaken by the PMT. Specific advance contributions are requested from the Nations concerned to cover the related costs (C-M(2006)0096). The other four Nations have decided to have their fit-out done nationally without the intervention by the PMT.

* * * * *

List of Acronyms:

DPRC: Deputy Permanent Representatives Committee

HN: Host Nation.

IS: International Staff

LTPB: Long Term Program Budget

MOU: Memorandum of Understanding

NCIA: NATO Communication and Information Agency

NSIP: NATO Security Investment Programme

OFC: International Staff Office of Financial Control

PMT: Project Management Team

PPE: Property, Plant and Equipment

2017-2018 LONG TERM PROGRAMME BUDGET (REVISION SEPTEMBER 2017) SUMMARY OF COMMON AND NATIONAL FUNDING REQUIREMENTS (CF + NF) (EXCLUDING FIT-OUT) PER CISI AND PER YEAR - IN KEUR-										
Chapter Item Sub-Item (CISI)	Description of requirements	Actuals 2000- 2015	Actuals 2016	Revised 2017	Request 2018	CF	NF	(CF + NF) TOTAL CASH FLOW	CURRENT LTPB	CHANGES
CHAPTER I PERSONNEL COSTS										
01-01 to 01-03	Personnel costs (except Transition Management)	18,511	2,775	1,899	275	23,460	0	23,460	23,460	0
01-01 to 01-03	Transition Support Office - NATO Staff Posts	3,772	720	791	1,258	6,542	0	6,542	5,134	1,408
01-01-06-00	Transition Management - Staff Restructuring	0	1,000	1,500	294	2,794	0	2,794	2,500	294
01-01-04-01	Transition Management - Staff Training	1,203	1,689	0	38	2,929	0	2,929	2,891	38
01-02-02-00	Transition Support Office - Consultants	2,115	492	0	0	2,607	0	2,607	2,607	0
	Sub-total I	25,601	6,676	4,190	1,865	38,332	0	38,332	36,592	1,740
CHAPTER II OPERATING EXPENSES										
02-01 to 02-10	Operat. Exp. excl. Security / Renovat. Works / Trans.Mgmt	6,255	400	350	0	7,005	0	7,005	6,655	350
02-01-00-01	Transition Management - Travel costs	65	5	0	0	70	0	70	70	0
02-02-00-00	Transition Management - Admin Support to IS	184	42	0	125	351	0	351	226	125
02-05-01-01	Transition Management - Operat. & Mainten. overlap costs	0	4,374	4,000	7,778	16,152	0	16,152	8,374	7,778
02-05-02-00	Renovation of buildings A2/A12 on new construction site	749	0	0	0	749	0	749	749	0
02-05-03-00	Transition Management - Disposal of current HQ site	340	829	2,750	181	4,100	0	4,100	3,919	181
02-05-04-00	Transition Management - New HQ LAUNCH	340	2,076	983	230	3,628	0	3,628	2,153	1,475
02-05-10-00	Security Equipment for Site Guards	109	0	0	0	109	0	109	109	0
02-06-00-00	Site Security Guards labour	35,891	7,545	0	0	43,436	0	43,436	45,236	-1,800
	Sub-total II	43,932	15,270	8,083	8,314	75,600	0	75,600	67,491	8,109

NATO UNCLASSIFIED

6-25

APPENDIX to
ANNEX 6 to
FC(2019)0059

CHAPTER III INTELLECTUAL SERVICES										
03-01-01-00	Construction Security Planning	99	0	0	0	99	0	99	99	0
03-01-02-00	Geotechnical Survey of Site	326	0	0	0	326	0	326	326	0
03-01-03-00	Environmental Impact Study	206	0	0	0	206	0	206	206	0
03-01-04-00	Legal consultant - PMT	490	60	90	0	640	0	640	640	0
03-01-04-01	Legal consultant - NATO	150	0	0	0	150	0	150	150	0
03-01-05-00	Stability & Quality Control	1,600	0	0	0	1,600	0	1,600	1,605	-5
03-01-06-00	Fire & Physical Safety Control	689	0	0	0	689	0	689	689	0
03-01-07-00	Furniture Programme Management	378	0	0	0	378	0	378	450	-72
03-01-08-00	Cost and Change Management	4,677	298	0	0	4,975	0	4,975	5,005	-30
03-01-08-01	Data Management System	1,127	85	88	0	1,301	0	1,301	1,301	0
03-01-08-02	Encryptors/Collaboration Tools NCIA	706	15	0	0	721	0	721	866	-145
03-01-09-00	Technical Consultancy IBAN	74	0	0	0	74	0	74	74	0
03-01-10-00	Web Site Design	22	0	0	0	22	0	22	22	0
03-01-11-00	Topographic & Blast Study	88	0	0	0	88	0	88	88	0
03-01-12-00	Miscellaneous Consulting - NATO	1,294	0	0	0	1,294	0	1,294	1,298	-4
03-01-12-01	Specialized consulting - PMT	94	0	0	0	94	0	94	94	0
03-01-13-00	ICT Consultancy	1,196	0	0	0	1,196	0	1,196	1,218	-23
03-01-13-01	ICT - Programme Management -	3,490	400	162	0	4,052	0	4,052	4,052	0
03-01-14-00	Surveillance of Works	8,779	2,407	367	0	11,553	0	11,553	11,233	320
03-01-15-00	SITE/Plant Laboratory Testing	105	0	0	0	105	0	105	105	0
03-01-16-00	Logistics Study	60	0	0	0	60	0	60	60	0
03-01-18-00	Space Management Consulting	238	0	0	0	238	0	238	238	0
03-02-00-00	Belgian PMT National Admin Expenses (NAE)	17,639	2,000	2,525	270	22,434	0	22,434	21,676	758
03-02-01-00	ICT - ANWI NCIA Fees	10,635	1,000	6,455	0	18,090	0	18,090	12,116	5,974
	ICT- ANWI Engineering Services	810	56	0	0	866	0	866	866	0
03-03-00-00	IADC	1,008	0	0	0	1,008	0	1,008	1,008	0
03-03-02-00	JURY HONORAIRES	85	0	0	0	85	0	85	85	0
03-03-03-00	UIA HONORAIRES	126	0	0	0	126	0	126	126	0
03-03-04-00	INDEMNISATION POUR NON RETENUES	1,370	0	0	0	1,370	0	1,370	1,370	0
03-04-00-00	Concept Desitn Fees + Amendments	80,730	5,007	0	108	85,845	0	85,845	87,745	-1,900
03-05-00-00	Overall fees on additional Contingencies	36	0	0	0	36	0	36	686	-650
Sub-total III		138,326	11,328	9,688	378	159,720	0	159,720	155,497	4,223

NATO UNCLASSIFIED

6-25

NATO UNCLASSIFIED

6-26

APPENDIX to
ANNEX 6 to
FC(2019)0059

CHAPTER IV CONSTRUCTION WORKS AND ASSOCIATED COSTS										
04-01-01-00	Demolition works - Lot 1	9,589	0	0	0	9,589	0	9,589	9,589	0
04-01-02-00	Construction Works (CF+NF) excl. PNWI	400,398	14,623	4,579	1,257	344,710	76,147	420,858	420,858	0
	Contingencies on Construction Works authorised to PMT	152,268	4,861	27,896	5,000	178,279	11,746	190,025	171,056	18,969
	Annual revision	40,369	0	0	0	31,941	8,428	40,369	40,369	0
04-01-02-00	Passive Network Infrastructure (PNWI) (CF+NF)	13,212	4,217	0	0	15,137	2,292	17,429	17,429	0
	Contingencies on PNWI works	752	1,253	1,654	0	3,544	115	3,658	2,425	1,233
	Annual revision	1,537	127	0	0	1,367	297	1,664	1,664	0
04-01-02-02	Additional Contingencies of construction works and PNWI (on DPRC release)	9,855	0	3,185	8,651	21,691	0	21,691	10,434	11,257
04-01-02-03	Potential Changes of Scope (on DPRC release)	0	0	0	0	0	0	0	370	-370
04-01-02-04	Transition Programme Contingencies on DPRC release	0	0	542	0	542	0	542	1,447	-905
04-01-02-05	Transition Programme Contingencies on DPRC release for one-time requirements	0	2,384	0	0	2,384	0	2,384	2,384	0
04-01-02-01	Electronic Security Systems (ESS) [CF]	7,952	6,913	0	0	14,865	0	14,865	14,865	0
	Contingencies (ESS)	3,287	1,558	314	0	5,159	0	5,159	3,167	1,992
	Annual revision (ESS)	452	215	0	0	667	0	667	667	0
04-01-03-00	Audiovisual (AV) Equipment	11,516	14,009	521	385	26,431	0	26,431	26,431	0
	Contingencies (AV)	1,973	2,434	209	0	4,616	0	4,616	2,852	1,764
	Annual revision (AV)	590	710	39	38	1,377	0	1,377	1,377	0
04-01-04-00	Construction of Mock-ups	300	0	0	0	300	0	300	300	0
04-01-05-00	Construction Security Programme-Equipment	844	103	0	0	946	0	946	1,032	-86
04-01-06-00	Construction Surveillance Team (CST) on reimbursable basis	11,125	6,200	0	0	17,325	0	17,325	17,325	0
04-01-07-00	Connection of utilities (sewage,elec,gas,water)	980	0	0	0	980	0	980	1,050	-70
Sub-total IV		666,999	59,607	38,939	15,331	681,851	99,025	780,876	747,092	33,784
CHAPTER V SPECIAL EQUIPMENT										
05-01-01-00	ICT - Active Network Infrastructure	37,168	27,000	21,939	0	86,107	0	86,107	79,766	6,341
	ICT- Independent Verification & Validation	1,815	195	0	0	2,010	0	2,010	2,010	0
	ICT- 5% Contingencies HN	3,208	780	0	0	3,988	0	3,988	3,988	0
	ICT- 5% Contingencies NATO	3,208	280	500	0	3,988	0	3,988	3,988	0
	ICT- Programme contingencies	7,472	145	2,000	0	9,617	0	9,617	10,775	-1,158
05-01-02-00	ICT - Application Migration	2,352	2,553	350	124	5,379	0	5,379	4,405	974
05-01-03-00	Furniture either internal or external (loose)	0	8,900	0	0	8,900	0	8,900	8,900	0
	Contingencies on Furniture Programme	0	1,200	0	0	1,200	0	1,200	1,200	0
	Contingencies on Furniture under DPRC	0	400	0	0	400	0	400	400	0
05-01-03-00	Sports or recreational equipment	0	0	0	0	0	0	0	0	0
05-01-04-00	Relocation costs and movement of furniture	502	1,087	1,000	278	2,867	0	2,867	2,087	780
05-01-05-00	Non-Fixed Equipment	0	0	0	0	0	0	0	0	0
Sub-total V		55,726	42,539	25,789	402	124,457	0	124,457	117,519	6,938
GRAND TOTAL		930,584	135,420	86,689	26,291	1,079,959	99,025	1,178,984	1,124,190	54,794

NATO UNCLASSIFIED

6-26



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD

INTERNATIONAL BOARD OF AUDITORS FOR NATO
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN



NATO SANS CLASSIFICATION

IBA-A(2019)0104
28 août 2019

À : Secrétaire général
(à l'attention du directeur du Cabinet)

Cc : Secrétaire général adjoint pour la gestion exécutive
Contrôleur des finances du Secrétariat international
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Secrétariat et finances du Bureau OTAN des ressources
Bureau d'ordre du Cabinet

Objet : ***Opinion du Collège international des auditeurs externes de l'OTAN (IBAN) sur les états financiers de la Caisse de prévoyance de l'OTAN pour l'exercice clos le 31 décembre 2018 – IBA-AR(2019)0023***

Messieurs,

Vous trouverez ci-joint l'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) de l'IBAN, ainsi qu'une note succincte à l'intention du Conseil (annexe 1).

L'IBAN a émis une opinion sans réserve sur les états financiers de la Caisse de prévoyance de l'OTAN ainsi que sur la conformité pour l'exercice 2018.

Veuillez agréer, Messieurs, l'assurance de ma haute considération.

Hans Leijtens
Président

Pièces jointes : voir ci-dessus.



**Note succincte
du Collège international des auditeurs externes de l'OTAN à l'intention du Conseil
sur la vérification des états financiers de la Caisse de prévoyance de l'OTAN
pour l'exercice clos le 31 décembre 2018**

L'IBAN a procédé à la vérification des états financiers de la Caisse de prévoyance de l'OTAN, qui assure le versement de prestations de retraite aux membres du personnel civil qui sont entrés à l'OTAN avant le 1^{er} juillet 1974 et qui n'ont pas opté pour le régime de pensions coordonné. Au 31 décembre 2018, la valeur de l'actif net disponible pour le service des prestations était nulle. À cette même date, il n'y avait plus d'affilié cotisant à la Caisse, le dernier ayant quitté l'OTAN en avril 2018. La Caisse de prévoyance est donc fermée, et elle ne sera plus exploitée à l'avenir.

L'IBAN a émis une opinion sans réserve sur les états financiers de la Caisse de prévoyance de l'OTAN pour l'exercice clos le 31 décembre 2018 et une opinion sans réserve sur la conformité pour cet exercice.

L'IBAN n'a pas eu d'observation à formuler à l'issue de l'audit.

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits, et il a constaté que toutes celles qui étaient restées en suspens avaient été réglées.

L'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) ont été transmises au Secrétariat international, qui a fait savoir qu'il n'avait pas de commentaire factuel ou officiel à formuler.

28 août 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**OPINION SUR LES ÉTATS FINANCIERS
DE LA CAISSE DE PRÉVOYANCE DE L'OTAN
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018**

**OPINION DU COMMISSAIRE AUX COMPTES
À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD**

Vérification des états financiers

Opinion sur les états financiers

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers de la Caisse de prévoyance de l'OTAN portant sur la période de 12 mois ayant pris fin le 31 décembre 2018. Diffusés et soumis à l'IBAN le 31 mars 2019, ces états financiers se composent de l'état de l'actif net disponible pour le service des prestations au 31 décembre 2018, de l'état des variations de l'actif net disponible pour le service des prestations, ainsi que de notes explicatives, y compris un résumé des méthodes comptables importantes.

L'opinion de l'IBAN est que les états financiers donnent une image fidèle et exacte de l'actif net disponible pour le service des prestations ainsi que des variations de l'actif net disponible pour le service des prestations de la Caisse de prévoyance au 31 décembre 2018, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN et de la norme comptable internationale (IAS) 26 (*Comptabilité et rapports financiers des régimes de retraite*).

Observation particulière

L'IBAN appelle l'attention sur la note 2 jointe aux états financiers, qui signale que, « [c]omme le dernier affilié à la Caisse de prévoyance a quitté l'OTAN en 2018, la Caisse de prévoyance n'est plus en activité et ne sera plus exploitée à l'avenir, [et que] ses états financiers ont été établis compte tenu de sa fermeture ». Le Collège n'a pas été amené à modifier son opinion du fait de cette situation.

Justification de l'opinion émise sur les états financiers

Le Règlement financier de l'OTAN (NFR) prévoit que l'audit externe des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par l'IBAN.

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 1000-1810), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

L'IBAN est indépendant, ainsi que le prévoit le Code de déontologie de l'INTOSAI, et il s'est acquitté de ses responsabilités dans le respect des dispositions de ce code. Les responsabilités des membres de l'IBAN sont décrites de manière plus détaillée dans la section « Responsabilités de l'IBAN concernant la vérification des états financiers » et dans sa charte.

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

Responsabilité de la direction concernant les états financiers

La responsabilité de la direction concernant les états financiers est définie dans le NFR. Les états financiers de la Caisse de prévoyance de l'OTAN sont établis en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN tel qu'approuvé par le Conseil et de l'IAS 26 (*Comptabilité et rapports financiers des régimes de retraite*). Il incombe au contrôleur des finances de soumettre les états financiers à l'IBAN au plus tard le 31 mars qui suit la fin de l'exercice visé dans les états financiers.

Les états financiers sont signés par le chef de l'organisme OTAN concerné et par le contrôleur des finances. En apposant leur signature sur ces documents, ceux-ci confirment que des mesures de gouvernance financière, des mécanismes de gestion des ressources, des contrôles internes et des systèmes d'information financière ont été mis en place et maintenus afin de garantir une utilisation efficace et efficiente des ressources.

Cette confirmation couvre l'élaboration, la mise en place et le maintien d'un ensemble de contrôles internes de nature à permettre l'établissement et la présentation d'états financiers qui soient auditables et exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur. Elle couvre aussi le compte rendu relatif à la capacité de l'entité à poursuivre son activité, la présentation, le cas échéant, des questions relatives à la continuité de l'activité, et l'application du principe comptable de continuité d'activité, à moins qu'il soit prévu de liquider l'entité ou de mettre un terme à son activité ou qu'il ne soit pas réaliste de procéder de la sorte.

Responsabilités de l'IBAN concernant la vérification des états financiers

L'audit a pour objectif de permettre à l'IBAN d'obtenir une assurance raisonnable sur le point de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur, et de formuler une opinion à leur sujet. L'assurance raisonnable correspond à un degré de certitude élevé, mais elle ne garantit pas qu'un audit effectué conformément aux ISSAI permettra dans tous les cas de détecter les inexactitudes significatives. Les inexactitudes, qui peuvent résulter d'une fraude ou d'une erreur, sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce que, considérées isolément ou

collectivement, elles influent sur les décisions économiques que les utilisateurs des états financiers prennent en se fondant sur ceux-ci.

Dans le cadre d'audits effectués conformément aux ISSAI, les auditeurs font appel à leur jugement professionnel et à leur esprit critique tout au long de la planification et de la réalisation du travail. Cela nécessite de tenir compte des particularités que présentent les entités du secteur public. L'IBAN s'attache aussi :

- à recenser et à évaluer les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur, à concevoir et à mettre en œuvre des procédures d'audit sensibles à ces risques ainsi qu'à obtenir par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion ; le risque de non-détection d'une inexactitude significative relevant d'une fraude est plus élevé que le risque de non-détection d'une inexactitude significative relevant d'une erreur car la fraude peut résulter d'une collusion, d'une falsification, d'omissions intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;
- à acquérir une connaissance du contrôle interne qui soit pertinente pour l'audit, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité ;
- à déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables et les informations connexes fournies par la direction sont raisonnables ;
- à se prononcer sur le caractère approprié ou non de l'utilisation du principe comptable de la continuité d'activité et à déterminer, à partir des éléments probants obtenus par l'audit, s'il existe une incertitude significative du fait d'événements ou de circonstances susceptibles de remettre fondamentalement en cause la capacité de l'entité à poursuivre son activité ; si l'IBAN juge qu'une telle incertitude existe, il est tenu d'appeler l'attention, dans son opinion, sur les informations correspondantes figurant dans les états financiers ou, si ces informations sont incomplètes, de formuler une opinion modifiée ; les conclusions de l'IBAN sont fondées sur les éléments probants en sa possession à la date d'établissement de son rapport d'audit ;
- à évaluer la présentation générale, la structure et le contenu des états financiers, y compris les informations fournies, et à déterminer si les états financiers rendent compte fidèlement des opérations et des événements qui en font l'objet.

L'IBAN est tenu de communiquer avec les organes chargés de la gouvernance, et notamment de les informer du périmètre et du calendrier de la mission d'audit qu'il prévoit d'effectuer, des principales conclusions de l'audit et des lacunes significatives qu'il aura éventuellement constatées dans le contrôle interne au cours de l'audit.

L'opinion que l'IBAN formule à l'intention du Conseil de l'Atlantique Nord doit aider ce dernier à s'acquitter de son rôle. C'est la raison pour laquelle l'IBAN est responsable de ses travaux et de son opinion devant le seul Conseil.

Vérification de la conformité

Opinion sur la conformité

Sur la base des procédures qu'il a appliquées, l'IBAN estime que rien, dans son audit des états financiers, ne lui donne de raison de penser que les fonds n'ont pas été régulièrement employés à l'acquittement de dépenses autorisées ou qu'ils ne sont pas conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Justification de l'opinion émise

L'IBAN a effectué la vérification portant sur la conformité sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

Responsabilité de la direction concernant la conformité

Tous les membres du personnel – civils et militaires – de l'OTAN sont tenus de respecter le Règlement financier de l'OTAN ainsi que les règles et procédures financières qui s'y rattachent et les directives d'application particulières, dont le Règlement du personnel civil de l'OTAN fait partie.

Le secrétaire général est responsable et tenu comptable d'une saine gestion financière. Les organismes OTAN doivent administrer leurs finances en s'appuyant sur les principes suivants : adéquation, bonne gouvernance, obligation de rendre compte, transparence, gestion des risques et contrôle interne, audit interne, audit externe, prévention et détection des fraudes.

Responsabilité de l'IBAN concernant la conformité

Selon sa charte, en plus d'être responsable de fournir une assurance raisonnable quant à la question de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, l'IBAN doit chaque année rendre au Conseil un avis indépendant lui assurant que les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées (adéquation) et qu'ils sont conformes aux règles en vigueur (régularité). Par « adéquation », on entend le respect des principes généraux régissant une gestion financière saine ainsi que la conduite des membres de l'administration. Par « régularité », on entend le respect de critères officiels tels que les règlements, règles et procédures applicables.

Il incombe ainsi à l'IBAN d'appliquer des procédures lui permettant d'obtenir en toute indépendance une assurance sur le point de savoir si les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur. De telles procédures prévoient notamment la prise en compte des risques de non-conformité significative.

Bruxelles, le 28 août 2019



Hans Leijtens
Président

28 août 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
CONCERNANT LA CAISSE DE PRÉVOYANCE DE L'OTAN
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018**

Introduction

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers de la Caisse de prévoyance de l'OTAN pour l'exercice clos le 31 décembre 2018. Il a émis une opinion sans réserve à leur sujet, ainsi qu'une opinion sans réserve sur la conformité.

Observations et recommandations

L'IBAN n'a pas eu d'observation à formuler à l'issue de l'audit, et aucune question ne restait à régler parmi celles qui avaient fait l'objet d'observations lors de précédents audits.

NATO PROVIDENT FUND

**Financial Statements
2018**

Table of Contents

Annex 1	Net Assets Available for Benefits
Annex 2	Statement of Changes in Net Assets Available for Benefits
Annex 3	Notes to the Financial Statements


Jens STOLTENBERG
Secretary General

Stephane CHAGNOT
Financial Controller



The NATO Provident Fund
Statement of Net Assets Available for Benefits
(AFTER CLOSURE)

(All amounts in EUR)	Notes	Current Year	Prior Year
		31-Dec-2018	31-Dec-2017
Assets			
Cash and Cash Equivalents	(3)	0.00	7,543.51
Investments	(4)	0.00	405,720.27
Accounts Receivable			
Outstanding Contributions	(5)	0.00	0.00
Other Receivables	(6)	0.00	0.00
Bank interest accrued	(7)	0.00	0.00
Total assets		0.00	413,263.78
Liabilities			
Payable to former staff	(8)	0.00	0.00
Payable to other NATO bodies	(9)	0.00	0.00
Bank charges to be paid	(7)	0.00	555.17
Miscellaneous Gains/Losses	(10)	0.00	0.00
Total Liabilities		0.00	555.17
Net assets available for benefits		0.00	412,708.61

The NATO Provident Fund
Statement of Changes in Net Assets Available for Benefits
(AFTER CLOSURE)

(All amounts in EUR)	Notes	Current Year	Prior Year
		31-Dec-18	31-Dec-17
Increase in net assets			
Change in value of the Fund	(11)	4,752.97	26,692.48
Contributions	(12)	2,696.04	16,578.36
Housing loan reimbursements	(13)	0.00	0.00
Miscellaneous	(14)	0.00	0.00
Total increase in net assets available for benefits		7,449.01	43,270.84
Decrease in net assets			
Accounts closed (Staff)	(15)	413,267.36	1,579,821.82
OAP, Housing Loans and Advances on Full Settlement	(16)	0.00	306,916.51
Bank costs	(7)	0.00	561.22
Surplus transferred to IS (closure)	(17)	6,890.26	0.00
Total decrease in net assets available for benefits		420,157.62	1,887,299.55
Net change for the year		-412,708.61	-1,844,028.71
Net assets available for benefits, beginning of year		412,708.61	2,256,737.32
Net assets available for benefits, end of year		0.00	412,708.61

**EXPLANATORY NOTES TO THE 2018 FINANCIAL STATEMENTS
OF THE NATO PROVIDENT FUND****NOTE 1: GENERAL INFORMATION****Description of the Provident Fund**

The NATO Provident Fund (the Fund) is a defined contribution pension scheme which provides retirement benefits to civilian staff recruited by NATO before 1 July 1974 and who decided not to join the defined benefit pension scheme set up at this date. Benefits are paid upon retirement as one lump sum, being the total of the individual right acquired.

The rules and principles governing the Provident Fund are provided under Annex VII of the NATO Civilian Personnel Regulations.

The Provident Fund is a cash purchase pension scheme. Both staff and NATO contribute to the Scheme. There is no long term liability for NATO related to the Provident Fund.

An account is opened for each member of the Fund. Contributions are invested according to a strategy approved by the Provident Fund Board of Supervisors and applicable to all members. Contributions are invested in a single fund, currently transferred to an insurance company which guarantees a minimum rate of return. Members can check the status of their accounts via a secure web portal.

Upon departure, the member's account is disinvested.

Over the last years the number of affiliates has been decreasing steadily. At end 2017, only one staff member was affiliated to the Fund. In 2018 the last affiliate retired and was paid her dues. The Provident Fund was subsequently closed down. Remaining funds (EUR 7K) were transferred to the NATO International Staff with the agreement of the North Atlantic Council.

Financing

Monthly contributions are made by staff and NATO, being 7% and 14% respectively of basic salary.

Governance

The Fund is administered in accordance with the NATO Civilian Personnel Regulations (CPRs), Annex VII (A, B and C). The NATO Secretary General is responsible for its administration and is assisted by a consultative committee (Board of Supervisors) to carry out this task.

The CPRs (Annex VII.A. Article 3) state that the Board is chaired by the Assistant Secretary General, Executive Management as Chairman of the Board is responsible for the administration and management of the Fund.

The Board consists of the Chair, six representatives of the administrative services of various NATO bodies, and six representatives of staff affiliated to the Provident Fund. Board members do not receive any additional remuneration for their responsibilities or access to benefits from NATO.

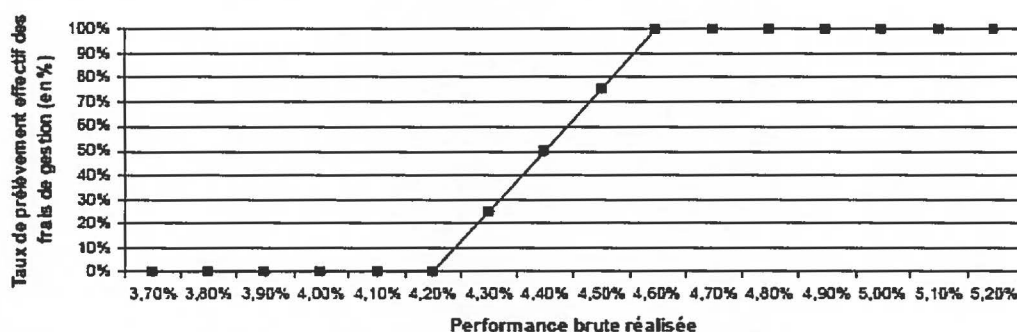
In 2013, in consideration of the reduced number of members, the Board decided it would only meet in cases of significant or unforeseen events affecting the Fund. As a consequence, it has not met since.

Investment Strategy

In 2007, per PO(2007)0059), Council approved rules adapting the governance of the Fund as well as a new financial management approach in order to address the issue of the decreasing number of affiliates.

Throughout the years, the Fund has consistently been managed with the aim of obtaining a steady return against a low degree of risk. In 2008, the Board approved a solidarity-based investment strategy to address the investment needs of the Fund and following an open call for bids, an insurance company, SOGECAP, was selected on 4 June 2009. SOGECAP's insurance contract guarantees the capital and a minimum net annual return of 3%.

SOGECAP is contractually committed to reduce its fees if the gross return is below 4.6%. The diminution is gradual (see graph below) if the gross return is lower. No management fees are charged if the gross return is less than 4.2%.



NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Declaration of conformity

The financial statements of the NATO Provident Fund have been prepared in accordance with the NATO Financial Regulations and International Accounting Standard 26, "Accounting and Reporting by Retirement Benefit Plans". The NATO Accounting Framework, which is an adapted version of the International Public Sector Accounting Standards (IPSAS), does not have a specific standard for accounting and reporting by retirement benefit plans.

The accounting system currently used by the Fund is accrual based.

Basis of presentation

The Provident Fund is no longer a going concern due to the departure of its last member in 2018. Its financial statements have been prepared taking into account the closure of the Provident Fund which will not continue operating for the future.

In accordance with the Regulations of the Provident Fund all amounts are expressed in Euro.

Changes in accounting policy

There are no changes to report.

Reclassification of financial statements of previous years

Nothing to report.

Foreign currency transactions

All contributions are made and accounted for in euro.

The amounts standing to the credit of affiliates should be paid in the currency of the country where the body employing them is located. All affiliates are currently employed in bodies based in the Euro zone. However, depending on their nationality, staff might request the redemption of their holdings in a currency other than Euro. Transfers are made at the NATO parity rates prevailing on the date the account is closed.

Cash and Equivalents

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

Invested Funds

At the end of each reporting period, a valuation of the Fund is made by the insurance company at market value.

Contributions

Employer and employee contributions are jointly received on the Provident Fund account from the various NATO payroll centres on a monthly basis. They are received and accounted for in euro. An accrued amount is booked for amounts due but not received by year end.

Receivables

Receivables are stated at net realisable value. No allowance for loss is recorded for receivables relating to NATO bodies' statutory contributions.

Payables

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

Financial Risks

The following disclosures related to risk only apply to the period of activity of the Provident Fund. There were no outstanding financial risks further to the closure of the Provident Fund.

Financial instruments

The Provident Fund uses only non-derivative financial instruments as part as its normal operations. These financial elements include cash bank accounts, deposit accounts, accounts receivable and funds invested with SOGECAP.

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

The Provident Fund, until it was closed down, was exposed to a variety of financial risks, including credit risk, market (price) risk and liquidity risk. The maximum exposure as at 31 December 2018 is nil since remaining cash was transferred to the NATO International Staff.

Credit risk

The Provident Fund incurs credit risks from cash and cash equivalents held with banks and from receivables. There is very limited credit risk associated with the realization of these elements.

Concerning cash and cash equivalents, the Provident Fund 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:

ING Bank Credit Ratings as at 22/02/2018

	Fitch	Moody's	S&P
Short term	F1	P-1	A-2

SOGECAP was rated A for long-term and A-1 for short-term counterparty credit risk and insurer financial strength by S&P on 22 February 2018.

SOGECAP is wholly owned by SOCIETE GENERALE which is rated as follows:

Société Générale	Credit Ratings as at 22/02/2018		
	Fitch	Moody's	S&P
Short term	F1	P1	A-1
Long term	A+	A2	A

Concerning receivables, the credit risk is managed by maintaining control procedures over receivables. These consist essentially of contributions due by NATO agency payroll centres. This risk is considered limited since these agencies are funded by member nations which

are considered creditworthy. Prior to its closure the Provident Fund had collected all outstanding receivables.

Currency risk

The Provident Fund is exposed to foreign currency exchange risk arising from fluctuations in currency rates. This risk is limited since the scheme receives contributions only in Euro, the investments underlying the insurance contract are in Euro and members' holdings are accounted for in Euro. However, staff may request payment of their holdings in a currency other than Euro and currency fluctuations may occur between the date the staff formally retires and the date the payment is made.

Liquidity risk

A liquidity risk could arise from a short term liquidity requirement. There is a very limited exposure to liquidity risk because contributions needed to pay the insurance premiums are paid by NATO bodies which receive contributions from member states funding the related budgets, or income from their customers which generally are other NATO bodies funded through their approved budgets. On occasion, NATO-IS makes cash advances to ease-up payment procedures. With regard to capital, the insurance contract guarantees the payment of the affiliates' accounts due upon closure of their account in the Provident Fund.

Interest rate risk

The Provident Fund is restricted from entering into borrowings.

The contract with the insurance company guarantees a minimum rate of return of 3% per annum. The contract renews automatically at the end of each year from 31 December 2016 forward unless terminated in writing by one of the parties.

NOTE 3: CASH AND CASH EQUIVALENTS

Besides the funds managed by SOGECAP, the Provident Fund holds one bank account to collect contributions to be transferred to SOGECAP for investment and to transfer funds to the affiliates after redemption by SOGECAP. This amount corresponds to the funds held on the bank account at the year end.

Cash held at the end of the year is typically made of the net result of treasury operations with the International Staff and of staff member contributions for the month of December waiting to be transferred.

Prior to its liquidation the Provident Fund held an amount of EUR 6,890.26 in cash. The North Atlantic Council agreed that such amount be transferred to the NATO International Staff and be treated as miscellaneous income in consideration of the small amount.

NOTE 4: INVESTMENTS

The decrease in the invested amounts is due to the reduction in the number of Provident Fund members.

The information below is provided pro memoria and relates to year end 2017. The last member left the Fund during 2018 and was paid all her dues. As a consequence there are no risks linked to investments at the date of closure of the Provident Fund.

NATO UNCLASSIFIED

ANNEX 3 to
FC(2019)0041

3-6

In 2017 the gross and net returns to NATO were both 3.00% (3.00% in 2016). In accordance with the contract, SOGECAP received no management fee.

The funds underlying the insurance contract are invested in the "Top Croissance 6" mutual fund, which had a total market value of assets under management of EUR 12.8 billion. At 31 December 2017, the asset distribution was as follows:

Asset Allocation

	% end 2017
Fixed Income (fixed rate)	81.5
Fixed Income (variable rate)	1.9
Convertible Bonds	0
Equities and Equity Mutual Funds	10.0
Mutual funds (bonds)	0.0
Real Estate	4.4
Liquidity	2.2
Total	100.0

Bond portfolio rating breakdown:

RATING	% end 2017
AAA	8.7
AA	51.7
A	23.7
BBB	13.8
BB	1.9
B	0.1
	100.0

Sovereign bond allocation by country:

Sovereign bonds country allocation	% end 2017
Australia	0.0
Austria	0.6
Belgium	4.4
Canada	1.9
Finland	0.2
France	69.9
Germany	0.0
Ireland	1.0
Italy	0.0
Luxembourg	6.2
Netherlands	0.1

NATO UNCLASSIFIED

Norway	0.0
Spain	8.8
Sweden	0.0
Other	6.9
United Kingdom	0.0
USA	0.0
	100.0

NOTE 5: OUTSTANDING CONTRIBUTIONS RECEIVABLE

Contributions are paid on a monthly basis. Receivables relate to outstanding contributions due at the end of the year but paid in the following year. As at 31 December 2018, there were no receivables related to contributions.

NOTE 6: OTHER RECEIVABLES

None.

NOTE 7: INTERESTS AND BANK CHARGES

This corresponds to interest earned on the transition bank account and received during the following year and to related bank charges due.

NOTE 8: PAYABLE TO FORMER STAFF - CLOSED ACCOUNTS TO BE SETTLED.

This corresponds to the value of the affiliates' accounts closed in December and loans to current affiliates to be paid to them at the beginning of the following year. The reduction of the amount from year to year is linked to the number of staff in such situation and their respective holdings. All amounts due to affiliates were settled prior to the closure of the Provident Fund.

NOTE 9: PAYABLE TO OTHER NATO BODIES

Corresponds to amounts due to NATO bodies who, in accordance with Provident Fund regulations, have advanced 1/3 of staff members' accounts before final settlement.

Amounts may be due to the NATO International Staff for advances it may make to enable the Provident Fund to settle the accounts of affiliates. There were no such advances end 2018. The advances end 2016 were reimbursed in early 2017.

NOTE 10: MISCELLANEOUS GAINS/LOSSES

This corresponds to the cumulative amount of miscellaneous net income, essentially interest net of bank charges and fees on premiums. The Board of Supervisors agreed that the balance of bank interest above Euro 5,000.00 be distributed to affiliates' accounts rather than be used for payment of bank fees. (CSCP-R(2011)0001 dated 4 March 2011).

NOTE 11: GAIN/LOSS IN VALUE OF THE FUND

The change in the value of the Fund is calculated as follows:

NATO UNCLASSIFIED

ANNEX 3 to
FC(2019)0041

3-8

	2018	2017
Balance beginning of year	412,708.61	2,256,737.32
Contributions	2,696.04	16,578.36
Loan reimbursements	0.00	0.00
Accumulated interest invested	0.00	0.00
Accounts closed	-413,267.36	-1,579,821.82
OAP, loans and advances	0.00	-306,916.51
Administrative expenses	0.00	0.00
Bank charges	0.00	-561.22
(a)	2,137.29	386,016.13
Net assets available end of year	6,890.26	412,708.61
Regularizations	0.00	0.00
(b) Net assets available end of year <i>(before liquidation)</i>	6,890.26	412,708.61
(b) - (a) Change in value of the fund	4,752.97	26,692.48

NOTE 12: CONTRIBUTIONS

Monthly contributions are made by staff and NATO, being 7% and 14% (netted as required from any OAP contribution, see Note below) respectively of basic salary. They are to be transferred as premiums to the insurance company and are credited to the individual accounts of the affiliates. The decrease in contributions is due to the declining membership of the Provident Fund. All contributions were received prior to the closure of the Provident Fund.

Contributions (in EUR)	2018	2017
Employer	1,797.36	11,052.24
Employee	898.68	5,526.12
TOTAL	2,696.04	16,578.36

NOTE 13: HOUSING LOAN REIMBURSEMENTS BY STAFF

According to the CPRs, Articles 54.1 and 54.2, each member of the Fund is entitled to withdraw an amount from his (her) account: for payment to an old-age pension scheme (OAP) or the pension scheme applying in his (her) national administration; or to ease a housing problem.

Housing Loan reimbursements are usually handled via deductions from salaries and amounts are re-credited to the member's account. Staff may make exceptional reimbursement.

There were no such transactions or outstanding amounts prior to the closure of the Provident Fund.

NATO UNCLASSIFIED

3-8

NOTE 14: MISCELLANEOUS

There were no miscellaneous transactions.

NOTE 15: ACCOUNTS CLOSED

Corresponds to the final settlement for staff who left the Organisation in the course of the year.

NOTE 16: OLD AGE PENSIONS, HOUSING LOANS AND ADVANCES ON FULL SETTLEMENT PAID TO STAFF

Staff can request to have one-third of the amount of their individual account paid in advance (not earlier than three months prior to their date of departure). The advance is made by each NATO entity and is reimbursed when the affiliates' portfolio is disinvested.

According to the CPRs, Articles 54.1 and 54.2, each member of the Fund is entitled to withdraw an amount from his (her) account: for payment to an Old Age Pension scheme (OAP) or the pension scheme applicable in his (her) national administration, or to ease a housing problem.

The breakdown between OAP contributions, housing loans and advances on Full Settlements paid to affiliates at their request is as follows:

In EUR	2018	2017
Old Age Pensions	0.00	0.00
Housing Loans	0.00	0.00
Advances on Full Settlement	0.00	306,916.51
TOTAL	0.00	306,916.51

NOTE 17: SURPLUS TRANSFERRED TO THE NATO INTERNATIONAL STAFF

Prior to its liquidation the Provident Fund held an amount of EUR 6,890.26 in cash. The North Atlantic Council agreed that such amount could be transferred to the NATO International Staff and be treated as miscellaneous income in consideration of the small amount.

NOTE 18: CONTINGENT ASSETS

None to report.

NOTE 19: CONTINGENT LIABILITIES

There are no material contingent liabilities arising from legal actions and claims that are likely to result in significant liability to the Provident Fund.

NOTE 20: RELATED PARTY TRANSACTIONS

The following party transactions took place during the year ended 31 December 2018.

NATO International Staff, in particular Executive Management – Human Resources and the Office of Financial Control, are responsible for the day-to-day management of the Provident Fund.

Administrative support provided by NATO International Staff for the administration of the Fund is charged to other NATO bodies according to a cost share which takes into account the number of their affiliates. This includes the cost of International Staff - Office of Financial Control personnel (15% Full Time Equivalent of a B5 grade staff). Costs related to the outsourced administration of affiliates' holdings (including Internet services so that affiliates can see the value of their Fund on a monthly basis) are funded through the NATO Civil Budget.

In specific circumstances cash advances were made by the International Staff to ease-up payment procedures. Reimbursement to the NATO International Staff account was done as soon as technically possible.

The Fund does not hold any securities of the employer sponsor or, directly, of its related parties.

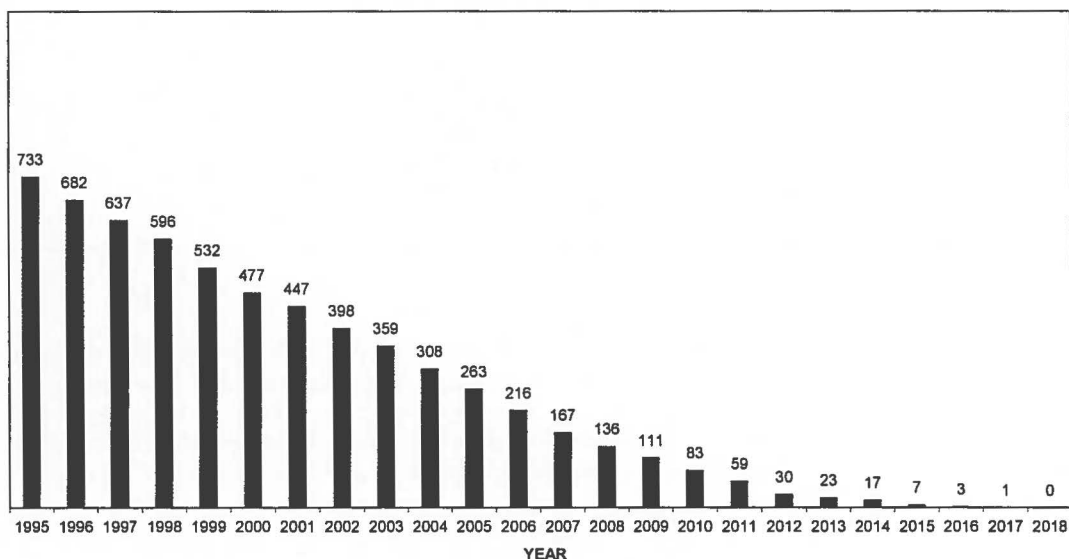
NOTE 21: KEY MANAGEMENT PERSONNEL

For the purpose of these financial statements, key management personnel are considered to be the Assistant Secretary General for Executive Management and the Financial Controller of the International Staff. Their remuneration is entirely covered by the NATO International Staff.

Members of the Provident Fund Board of Supervisors do not receive any additional remuneration or benefits in return for their responsibilities. The Board of Supervisors is chaired by the Assistant Secretary General for Executive Management. The International Staff Financial Controller is a member of the Board.

NOTE 22: STATISTICAL INFORMATION

NUMBER OF AFFILIATES TO THE PROVIDENT FUND
NOMBRE D' AFFILIES AU FONDS DE PREVOYANCE 1995 - 2018



* * * * *

List of acronyms:

CPR: Civilian Personnel Regulations
FTE: Full Time Equivalent
IPSAS: International Public Sector Accounting Standards
OAP: Old Age Pension
PF: Provident Fund



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD

INTERNATIONAL BOARD OF AUDITORS FOR NATO
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN



NATO SANS CLASSIFICATION

IBA-A(2019)0107
28 août 2019

À : Secrétaire général
À l'attention du directeur du Cabinet

Cc : Secrétaire général adjoint pour la gestion exécutive
Contrôleur des finances du Secrétariat international
Responsable par intérim des activités sociorécréatives du Centre du personnel de l'OTAN
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Secrétariat et finances du Bureau OTAN des ressources
Bureau d'ordre du Cabinet

Objet : ***Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) sur la vérification des états financiers du Centre du personnel de l'OTAN pour l'exercice clos le 31 décembre 2018 – IBA-AR(2019)0015***

Messieurs,

Vous trouverez ci-joint l'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) de l'IBAN, ainsi qu'une note succincte à l'intention du Conseil (annexe 1).

L'IBAN a émis une opinion sans réserve sur les états financiers du Centre du personnel de l'OTAN ainsi que sur la conformité pour l'exercice 2018.

Veuillez agréer, Messieurs, l'assurance de ma haute considération.

Hans Leijten
Président

Pièces jointes : voir ci-dessus.



**Note succincte
du Collège international des auditeurs externes de l'OTAN (IBAN)
à l'intention du Conseil
sur la vérification des états financiers
du Centre du personnel de l'OTAN
pour l'exercice clos le 31 décembre 2018**

Le Centre du personnel a été créé par le Conseil en 1970. Il se compose d'un centre sportif, d'un restaurant, de commerces et d'un centre médical. Il permet l'organisation d'activités sportives et culturelles pour les membres du Secrétariat international et de l'État-major militaire international ainsi que pour leurs familles, pour les membres des délégations et des représentations militaires des pays de l'OTAN et des pays partenaires, et pour les retraités de l'OTAN. Le financement du fonctionnement et des activités du Centre est assuré par les cotisations, les abonnements aux activités sportives et sociorécréatives et les activités commerciales, ainsi que grâce à la contribution indirecte du budget civil. En 2018, les recettes du Centre se sont établies à quelque 1 million d'euros.

En 2015, les pays de l'OTAN ont décidé de procéder à une refonte complète de la structure du Centre du personnel, selon les indications du plan d'action relatif aux activités commerciales du siège de l'OTAN (C-M(2015)0069). L'ancien Centre a ainsi fermé ses portes en septembre 2018, pour rouvrir sous une nouvelle forme, sur le site du nouveau siège de l'OTAN.

L'IBAN a émis une opinion sans réserve sur les états financiers ainsi que sur la conformité pour l'exercice clos le 31 décembre 2018.

L'IBAN a inséré dans son opinion un paragraphe intitulé « Observation particulière ».

L'IBAN a par ailleurs fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits et il a noté que toutes avaient été traitées.

L'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) ont été transmises au Secrétariat international, qui a indiqué qu'il n'avait pas de commentaire à formuler.

NATO SANS CLASSIFICATION

**ANNEXE 2
IBA-AR(2019)0015**

28 août 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**OPINION SUR LES ÉTATS FINANCIERS
DU CENTRE DU PERSONNEL DE L'OTAN
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018**

NATO SANS CLASSIFICATION

**OPINION DU COMMISSAIRE AUX COMPTES
À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD**

Vérification des états financiers

Opinion sans réserve sur les états financiers

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers du Centre du personnel de l'OTAN portant sur la période de 12 mois ayant pris fin le 31 décembre 2018. Soumis à l'IBAN le 31 mars 2019, ces états financiers se composent de l'état de la situation financière au 31 décembre 2018, de l'état de la performance financière, de l'état des variations de l'actif net/situation nette et du tableau des flux de trésorerie pour la période de 12 mois ayant pris fin le 31 décembre 2018, ainsi que d'un résumé des méthodes comptables importantes et d'autres notes explicatives.

L'opinion de l'IBAN est que les états financiers donnent une image fidèle et exacte de la situation financière du Centre du personnel au 31 décembre 2018 ainsi que de sa performance financière et de ses flux de trésorerie pour la période de 12 mois ayant pris fin le 31 décembre 2018, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN.

Observation particulière

L'IBAN appelle l'attention sur la note 2 jointe aux états financiers (Liquidation du Centre du personnel), dans laquelle il est indiqué qu'en septembre 2015, les pays de l'OTAN ont décidé de procéder à une refonte complète de la structure du Centre du personnel, selon les indications du plan d'action relatif aux activités commerciales du siège de l'OTAN. L'ancien Centre a ainsi fermé ses portes en septembre 2018. La date de la clôture définitive des comptes a été fixée au 31 décembre 2018. Tous les actifs et passifs ont été transférés sur les comptes du Secrétariat international de l'OTAN au 1^{er} janvier 2019. Les principaux éléments de coût liés à la fermeture de l'ancien Centre et au règlement de ses obligations seront couverts par le budget civil, moyennant l'utilisation de crédits annulables de l'exercice précédent. Actuellement, le montant de ces obligations est estimé à environ 2,1 millions EUR (BC-D(2018)0067-FINAL). L'IBAN n'a pas été amené à modifier son opinion du fait de cette situation.

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

Le Règlement financier de l'OTAN (NFR) prévoit que l'audit externe des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par l'IBAN.

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 1000-1810), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

L'IBAN est indépendant, ainsi que le prévoit le Code de déontologie de l'INTOSAI, et il s'est acquitté de ses responsabilités dans le respect des dispositions de ce code. Les responsabilités des membres de l'IBAN sont décrites de manière plus détaillée dans la section « Responsabilités de l'IBAN concernant la vérification des états financiers » et dans sa charte. L'IBAN estime qu'il a obtenu par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion.

Responsabilité de la direction concernant les états financiers

La responsabilité de la direction concernant les états financiers est définie dans le NFR. Les états financiers du Centre du personnel sont établis en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN tel qu'approuvé par le Conseil. Il incombe au contrôleur des finances de soumettre les états financiers à l'IBAN au plus tard le 31 mars qui suit la fin de l'exercice visé dans les états financiers.

Les états financiers sont signés par le chef de l'organisme OTAN concerné et par le contrôleur des finances. En apposant leur signature sur ces documents, ceux-ci confirment que des mesures de gouvernance financière, des mécanismes de gestion des ressources, des contrôles internes et des systèmes d'information financière ont été mis en place et maintenus afin de garantir une utilisation efficace et efficiente des ressources.

Cette confirmation couvre l'élaboration, la mise en place et le maintien d'un ensemble de contrôles internes de nature à permettre l'établissement et la présentation d'états financiers qui soient auditables et exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur. Elle couvre aussi le compte rendu relatif à la capacité de l'entité à poursuivre son activité, la présentation, le cas échéant, des questions relatives à la continuité de l'activité, et l'application du principe comptable de continuité d'activité, à moins qu'il soit prévu de liquider l'entité ou de mettre un terme à son activité ou qu'il ne soit pas réaliste de procéder de la sorte.

Responsabilités de l'IBAN concernant la vérification des états financiers

L'audit a pour objectif de permettre à l'IBAN d'obtenir une assurance raisonnable sur le point de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur, et de

formuler une opinion à leur sujet. L'assurance raisonnable correspond à un degré de certitude élevé, mais elle ne garantit pas qu'un audit effectué conformément aux ISSAI permettra dans tous les cas de détecter les inexactitudes significatives. Les inexactitudes, qui peuvent résulter d'une fraude ou d'une erreur, sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce que, considérées isolément ou collectivement, elles influent sur les décisions économiques que les utilisateurs des états financiers prennent en se fondant sur ceux-ci.

Dans le cadre d'audits effectués conformément aux ISSAI, les auditeurs font appel à leur jugement professionnel et à leur esprit critique tout au long de la planification et de la réalisation du travail. Cela nécessite de tenir compte des particularités que présentent les entités du secteur public. L'IBAN s'attache aussi :

- à recenser et à évaluer les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur, à concevoir et à mettre en œuvre des procédures d'audit sensibles à ces risques ainsi qu'à obtenir par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion ; le risque de non-détection d'une inexactitude significative relevant d'une fraude est plus élevé que le risque de non-détection d'une inexactitude significative relevant d'une erreur car la fraude peut résulter d'une collusion, d'une falsification, d'omissions intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;
- à acquérir une connaissance du contrôle interne qui soit pertinente pour l'audit, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité ;
- à déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables et les informations connexes fournies par la direction sont raisonnables ;
- à se prononcer sur le caractère approprié ou non de l'utilisation du principe comptable de la continuité d'activité et à déterminer, à partir des éléments probants obtenus par l'audit, s'il existe une incertitude significative du fait d'événements ou de circonstances susceptibles de remettre fondamentalement en cause la capacité de l'entité à poursuivre son activité ; si l'IBAN juge qu'une telle incertitude existe, il est tenu d'appeler l'attention, dans son opinion, sur les informations correspondantes figurant dans les états financiers ou, si ces informations sont incomplètes, de formuler une opinion modifiée ; les conclusions de l'IBAN sont fondées sur les éléments probants en sa possession à la date d'établissement de son rapport d'audit ; on voudra bien se reporter au

paragraphe intitulé « Observation particulière », dans lequel il est indiqué que le 31 décembre 2018 est la date de la clôture définitive des comptes ;

- à évaluer la présentation générale, la structure et le contenu des états financiers, y compris les informations fournies, et à déterminer si les états financiers rendent compte fidèlement des opérations et des événements qui en font l'objet.

L'IBAN est tenu de communiquer avec les organes chargés de la gouvernance, et notamment de les informer du périmètre et du calendrier de la mission d'audit qu'il prévoit d'effectuer, des principales conclusions de l'audit et des lacunes significatives qu'il aura éventuellement constatées dans le contrôle interne au cours de l'audit.

L'opinion que l'IBAN formule à l'intention du Conseil de l'Atlantique Nord doit aider ce dernier à s'acquitter de son rôle. C'est la raison pour laquelle l'IBAN est responsable de ses travaux et de son opinion devant le seul Conseil.

Vérification de la conformité

Opinion sans réserve sur la conformité

Sur la base des procédures qu'il a appliquées, l'IBAN estime que rien, dans son audit des états financiers, ne lui donne de raison de penser que les fonds n'ont pas été régulièrement employés à l'acquittement de dépenses autorisées ou qu'ils ne sont pas conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Justification de l'opinion sans réserve émise sur la conformité

L'IBAN a effectué la vérification portant sur la conformité sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

Responsabilité de la direction concernant la conformité

Tous les membres du personnel – civils et militaires – de l'OTAN sont tenus de respecter le Règlement financier de l'OTAN ainsi que les règles et procédures financières qui s'y

rattachent et les directives d'application particulières, dont le Règlement du personnel civil de l'OTAN fait partie.

Le secrétaire général est responsable et tenu comptable d'une saine gestion financière. Les organismes OTAN doivent administrer leurs finances en s'appuyant sur les principes suivants : adéquation, bonne gouvernance, obligation de rendre compte, transparence, gestion des risques et contrôle interne, audit interne, audit externe, prévention et détection des fraudes.

Responsabilités de l'IBAN concernant la conformité

Selon sa charte, en plus d'être responsable de fournir une assurance raisonnable quant à la question de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, l'IBAN doit chaque année rendre au Conseil un avis indépendant lui assurant que les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées (adéquation) et qu'ils sont conformes aux règles en vigueur (régularité). Par « adéquation », on entend le respect des principes généraux régissant une gestion financière saine ainsi que la conduite des membres de l'administration. Par « régularité », on entend le respect de critères officiels tels que les règlements, règles et procédures applicables.

Il incombe ainsi à l'IBAN d'appliquer des procédures lui permettant d'obtenir en toute indépendance une assurance sur le point de savoir si les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur. De telles procédures prévoient notamment la prise en compte des risques de non-conformité significative.

Bruxelles, le 28 août 2019



Hans Leijtens
Président

28 août 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS

CONCERNANT LE CENTRE DU PERSONNEL DE L'OTAN

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018

Introduction

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers du Centre du personnel de l'OTAN pour l'exercice clos le 31 décembre 2018, et il a émis une opinion sans réserve à leur sujet ainsi qu'au sujet de la conformité.

Observations et recommandations

L'IBAN n'a pas eu d'observation à formuler à l'issue de l'audit. Il a par ailleurs fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits et il a noté que toutes avaient été traitées.

L'IBAN a par ailleurs adressé au président du Bureau exécutif du Centre du personnel une lettre (IBA-AML(2019)0010) dans laquelle il formule des recommandations sur la base des enseignements tirés de l'audit et fait le point sur la suite donnée aux observations antérieures.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits. On trouvera dans le tableau ci-après un récapitulatif de ces observations et des mesures prises par l'entité ainsi qu'un état de la question.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
(1) CENTRE DU PERSONNEL – EXERCICE 2017 IBA-AR(2018)0016, paragraphe 2 INEXACTITUDES ET ERREURS SIGNIFICATIVES DANS LES ÉTATS FINANCIERS Recommandation de l'IBAN Le Collège recommande au SI de mettre en place une procédure efficace pour la vérification des données chiffrées et autres figurant dans ses états financiers avant leur publication, dans un souci de conformité avec le cadre comptable OTAN.	Des progrès ont été faits pour l'établissement des états financiers de 2018, et l'IBAN n'a constaté aucune erreur ou inexactitude significative dans les informations qui y figurent.	Question traitée .
(2) CENTRE DU PERSONNEL – EXERCICE 2015 IBA-AR(2016)16, paragraphe 3 NÉCESSITÉ D'UNE CLÔTURE EN BONNE ET DUE FORME DES ACTIVITÉS ACTUELLES DU CENTRE DU PERSONNEL Recommandation de l'IBAN Le Collège recommande au SI de faire en sorte que des ressources suffisantes soient affectées à la fermeture du Centre actuel. Le SI doit veiller à ce que des mesures adéquates soient prises pour que la clôture des comptes du Centre actuel, la restitution des équipements aux fournisseurs et l'application des procédures à suivre pour la radiation ou la mise au rebut des autres équipements se déroulent comme il se doit. Le SI doit également veiller à ce que tous les contrats soient résiliés à temps et dans le respect des dispositions y afférentes.	L'ancien Centre est fermé depuis septembre 2018. Au moment de la vérification des états financiers 2018 du Centre, l'IBAN n'a constaté aucun problème significatif dans la clôture des comptes, dans la résiliation des contrats de travail et contrats de concession ou dans la radiation ou la mise au rebut des équipements.	Question traitée .

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
(3) CENTRE DU PERSONNEL – EXERCICE 2011 IBA-AR(2013)05, paragraphe 5.2.6 DIVERGENCES ENTRE LES ÉTATS FINANCIERS ET LES DONNÉES DÉTAILLÉES – SOUS-ÉVALUATION DES IMMOBILISATIONS CORPORELLES ET DES PRODUITS Recommandation de l'IBAN Le Collège recommande au Centre du personnel d'effectuer les ajustements nécessaires pour que la valeur des immobilisations corporelles soit correcte. Il recommande également au Centre de procéder régulièrement (au moins une fois par an) à un rapprochement entre les grands livres auxiliaires et les grands livres généraux pour repérer les éventuelles erreurs relatives aux immobilisations corporelles.	L'IBAN a noté que les divergences avaient été éliminées par le contrôleur des finances du SI dans le cadre de la clôture des comptes du Centre, en 2018.	Question traitée.

Une question est considérée comme étant « à traiter » lorsqu'aucun progrès notable n'a encore été réalisé en vue de son règlement. Une question est considérée comme étant « en cours de traitement » lorsque l'organisme OTAN visé a commencé à mettre en œuvre la recommandation correspondante ou lorsque certains éléments de la recommandation (mais pas tous) ont été suivis d'effets. Une question est considérée comme étant « traitée » lorsque la recommandation correspondante a été mise en œuvre ou qu'elle a été rendue ou est devenue caduque.

**NATO STAFF CENTRE
FINANCIAL STATEMENTS AS AT 31/12/2018
FINANCIAL YEAR 2018**

Annexes:

- 1 Statement of financial position
- 2 Statement of financial performance
- 3 Cash Flow Statement
- 4 Statement of changes in net assets
- 5 Explanatory notes to the financial statements



Jens STOLTENBERG
Secretary General



Stephane CHAGNOT
Financial Controller

Nato Staff Center
Statement of Financial Position
For the year ended 31 December 2018

	Notes	EUR Current year 31-Dec-18	EUR Current year 31-Dec-17	EUR Variance CY-PY
ASSETS				
CURRENT ASSETS				
Cash and Cash equivalents	4			
Cash and Cash equivalents		0.00	1,120.00	-1,120.00
Current bank accounts		223,526.52	70,620.33	152,906.19
Total Cash and Cash Equivalents		223,526.52	71,740.33	151,786.19
Receivables	5			
Accounts receivable		286,753.06	335,351.90	-48,598.84
Other Receivables		0.00	0.00	0.00
Total Receivables		286,753.06	335,351.90	-48,598.84
Miscellaneous Assets				
Bank interest accrued		0.00	0.00	0.00
Total Miscellaneous Assets		0.00	0.00	0.00
Inventories	6			
Inventory sports		0.00	1,140.95	-1,140.95
Inventory restaurant		0.00	0.00	0.00
Inventory commercial area		0.00	0.00	0.00
Total Inventories		0.00	1,140.95	-1,140.95
TOTAL CURRENT ASSETS		510,279.58	408,233.18	102,046.40
NON CURRENT ASSETS				
Receivables	7	0.00	0.00	0.00
Infrastructure, Plant and Equipment		0.00	0.00	0.00
Land and buildings		0.00	0.00	0.00
Other		0.00	0.00	0.00
TOTAL NON CURRENT ASSETS		0.00	0.00	0.00
TOTAL ASSETS		510,279.58	408,233.18	102,046.40
LIABILITIES				
CURRENT LIABILITIES				
Payables	8			
Payable to Third Parties		552,505.83	1,029,417.27	-476,911.44
Current portion of debts payable after one year		0.00	0.00	0.00
Other Liabilities		0.00	96,000.00	-96,000.00
Total Payables		552,505.83	1,125,417.27	-572,911.44
Equity				
Commercial input - at front money		0.00	0.00	
Total Equity		0.00	0.00	
TOTAL CURRENT LIABILITIES		552,505.83	1,125,417.27	-572,911.44
NON CURRENT LIABILITIES				
Long-term Pension debt and charges	9	1,152,786.32	729,578.58	423,207.74
Long-term loan		817,898.75	261,898.75	556,000.00
TOTAL NON CURRENT LIABILITIES		1,970,685.07	991,477.33	979,207.74
TOTAL LIABILITIES		2,523,190.90	2,116,894.60	406,296.30
NET ASSETS				
Surplus/deficit of the period	10			
Previous results		-1,708,661.42	-1,477,864.05	-230,797.37
Current result		-304,249.90	-230,797.37	-73,452.53
Capital subsidies		0.00	0.00	0.00
Total Net Assets		-2,012,911.32	-1,708,661.42	-304,249.90
TOTAL NET ASSETS		-2,012,911.32	-1,708,661.42	-304,249.90
TOTAL BALANCE		510,279.58	408,233.18	102,046.40

Nato Staff Center
Statement of Financial Performance
For the year ended 31 December 2018

	Notes	EUR Current year 31-Dec-18	EUR Current year 31-Dec-17	EUR Variance CY-PC
REVENUE	11			
Sales		885,246.96	1,507,874.61	-622,627.65
Consession		151,890.92	344,978.84	-193,087.92
Financial Renvenue		125.23	2,028.84	-1,903.61
Other revenue		30,090.37	157,888.11	-127,797.74
TOTAL REVENUE		1,067,353.48	2,012,770.40	-945,416.92
Expenses	12		0.00	
Wages, salaries and employee benefits		338,104.97	606,948.09	-268,843.12
Outsourced Services		693,869.26	852,170.52	-158,301.26
Operating costs		18,260.18	54,490.12	-36,229.94
Costs of Goods Sold		411,107.49	605,652.73	-194,545.24
Other costs		917.66	32,379.21	-31,461.55
Depreciation and amortization expense		5,343.82	91,927.10	-86,583.28
Reversal of provision		-96,000.00		
TOTAL EXPENSES		1,371,603.38	2,243,567.77	-775,964.39
TOTAL BALANCE	10	-304,249.90	-230,797.37	-169,452.53

Nato Staff Centre
Statement of Cash Flow
For the year ended 31 December 2018

	Notes	EUR Current year 31-Dec-18	EUR Current year 31-Dec-17	EUR Prior Year 31-Dec-13
Cash flows from perating activities (indirect method)				
Profit (loss)before taxation		-304,249.90	-230,797.37	3,350.64
Adjustments for:				
Depreciation		0.00	0.00	
Loss on sale of PPE				
Cash from operations before working capital changes		-304,249.90	-230,797.37	3,350.64
Increase in accounts receivable		48,598.84	-17,599.20	-127,807.97
Decrease in inventories		1,140.95	22,424.14	84.94
Increase in accounts payable		-572,911.44	43,449.14	154,251.41
Cash generated from operations		-827,421.55	-182,523.29	29,879.02
interest paid				
Dividends paid				
Income taxes paid				
Net cash from operating activities		-827,421.55	-182,523.29	29,879.02
Cash flows from investing activities				
Purchase of PPE		0.00	0.00	-1,679.10
Proceeds from sale of PPE				
Net cash used in investing activities		0.00	0.00	-1,679.10
Cash flows from financing activities				
Proceeds from issue of share capital		423,207.74	43,536.48	-222,981.46
Payments of long term borrowings		556,000.00	0.00	
Proceeds from finance lease liabilities		0.00	0.00	
Net cash from financing activities		979,207.74	43,536.48	-222,981.46
Net increase in cash and cash equivalents		151,786.19	-138,986.81	-194,781.54
Cash and cash equivalents at beginning of period		71,740.33	210,727.14	540,329.09
Cash and cash equivalents at end of period		223,526.52	71,740.33	345,547.55

Nato Staff Centre
Statement of Changes in Net Assets
For the period ended 31 December 2018

	Accumulated supluses
Balance at 31/12/2016	-1,477,864.05
Revaluation of investments	0.00
Net surplus for the period	-230,797.37
Balance at 31/12/2017	-1,708,661.42
Revaluation of investments	0.00
Net surplus for the period	-304,249.90
Balance at 31/12/2018	-2,012,911.32

**EXPLANATORY NOTES TO THE NATO STAFF CENTRE
2018 FINANCIAL STATEMENTS****NOTE 1: GENERAL INFORMATION**

These financial statements cover the financial operations relating to the NATO Staff Centre.

The NATO Staff Centre provided morale, welfare, and recreational activities and services at NATO Headquarters in Brussels for the personnel and families of the NATO International Staff, International Military Staff, NATO Agencies, member nations' Delegations and Military Representations, to personnel and families of Partner Nations, and to other approved users.

The NATO Staff Centre was located on the premises of the NATO Headquarters in Brussels.

The NATO Staff Centre shares the legal status of NATO.

The NATO Staff Centre was considered a part of the NATO International Staff. The budgetary resources of the NATO International Staff and for the operations of the NATO Headquarters in Brussels are provided through the Civil Budget which is approved by the North Atlantic Council.

The NATO Staff Centre was officially closed in September 2018; it is no longer a going concern. Further to its financial closure on 31 December 2018 its net assets were transferred to the NATO International Staff. The settlement of the outstanding balances will be done in the course of 2019.

Governance:

On 3 October 2013, the North Atlantic Council approved under reference C-M(2013)0054 a new "Staff Centre Governance and Mandate" with the objective of achieving a substantial decrease in the level of contribution from the Civil Budget from 2014 onwards and moving to a fully customer funded model after the move to the New NATO Headquarters.

Governance can be summarised as follows:

- The Staff Centre Executive Board is responsible for the oversight and guidance of the Staff Centre, its proper administration and management. It is chaired by the Assistant Secretary General for Executive Management (NATO International Staff). Members of the Executive Board are the Assistant Secretary General for Executive Management, the Director Staff Centre, the Deputy Assistant Secretary General for Headquarters Support and Transformation, the Deputy Assistant Secretary General for Human Resources, the International Military Staff Executive Coordinator, and the Head, Budget and Planning and Analysis, International Staff. Two members of the Budget Committee attend ex-officio and therefore do not take part in the decision making.
- The Staff Centre Customer Service Board, chaired by the Assistant Secretary General for Human Resources, exercises oversight and quality control over customer service and activities at the Staff Centre. Members of the Executive Board comprise representatives of management and customers of the Staff Centre.
- The Director Staff Centre is responsible for the day-to-day management of the Staff Centre and reports to the Assistant Secretary General for Executive Management. The Director is an ex-officio member of the Executive and Customer Services Boards.

The post Director Staff Centre was deleted in 2015. The Deputy Director has been acting.

Funding:

The Staff Centre Mandate defines the funding guidelines of the NATO Staff Centre and in particular the activities that can receive support from Civil Budget funding.

Activities which support the mission of the Organisation, staff members and families and foster community environment (Category A activities) may be eligible for common-funded budgetary contributions from NATO (Civil Budget funding). Activities which provide indirect support to the mission of the Organisation, provide convenience to staff members and families, or generate revenue (Category B activities), are to be funded by membership and user fees, income from commercial concessions, and not through common-funded budgetary contributions from NATO (Civil Budget funding).

Activity:

The NATO Staff Centre had a membership of about 2,600. The Restaurant department served meals and organised banquets. The Sports department organised sports activities and lessons for adults and children (tennis, swimming, squash, fitness, etc.). The Commercial Services Area had a variety of shops and services managed through concession agreements (optician, pharmacy, retail store, bank, medical centre, jewelry, showroom) and a perfume shop which was run directly by the Staff Centre.

Restructuring

On 2 October 2015, the North Atlantic Council approved a NATO HQ Commercial Operations Business Plan 2015-2019 (C-M(2015)0069) which foresees a substantial change in the management of a series of services and/or concessions presently handled by the Staff Centre. In particular, the number of established posts, which was 33 at the beginning of 2015, has decreased to 3 by end 2017 and eventually all posts were deleted when the Staff Centre was closed in September 2018. In order to transition to the future setup for commercial operations in the new NATO HQ, restructuring costs were incurred, in particular Loss of Job Indemnities. The latter were borne by the NATO Civil Budget using lapsed credits from 2014 that would otherwise have been returned to member Nations (C-M(2015)0088 and PO(2015)0602). In addition, the NATO Civil Budget for 2018 has set aside resources from lapsable appropriations to settle the net outstanding liabilities related to the closure of the Staff Centre. These resources were carried forward to 2019 in the amount of EUR 2.1 million.

NOTE 2: ACCOUNTING POLICIES

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

Basis of preparation

The financial statements are presented in EUR.

The financial year begins on 1 January and ends on 31 December of the same year.

Declaration of conformity

The NATO-Staff Centre financial statements have been prepared on the basis of the NATO Accounting Framework as approved by nations under C-M(2013)0039 on 2 August 2013 and revised under C-M(2016)0023 on 21 April 2016 (which adapts a small number of IPSAS standards to better suit the specific requirements of the Alliance), the Staff Centre Governance and Mandate, together with the NATO Financial Regulations (NFR) and the Financial Rules and Procedures (FRP).

IPSAS 6: Consolidated and Separate Financial:

The Staff Centre should be considered as controlled by the NATO International Staff in accordance with the control criteria set up by IPSAS 6 "Consolidated and Separate Financial Statements" paragraphs 38 to 42.

The adaptation to IPSAS 6 approved by the North Atlantic Council provides that "*NATO reporting entities shall not consolidate Morale and Welfare Activities and/or Staff Association activities into their respective financial statements even when they are considered to be under the control, from a financial reporting perspective, of the NATO reporting entity*" and that "*where this requirement conflicts with another requirement of IPSAS this adapted requirement shall apply*". It applies as from reporting year

2013. As a consequence, the financial statements of the NATO Staff Centre are presented separately and not consolidated with those of the NATO International Staff.

The same adaptation provides that the NATO Reporting Entities *"should present financial information in support of such activities by way of a disclosure note to their financial statements"*.

On the other hand, as indicated above the North Atlantic Council when approving the NATO Staff Centre Mandate and Governance decided that the NATO Staff Centre would issue its own and separate financial statements. The NATO Staff Centre's mandate provides that its financial statements should comply with IPSAS and should be "incorporated" into the financial statements of the NATO International Staff.

This situation was further clarified by Nations in 2016 with the revised version of the NATO Accounting Framework. As a consequence, beyond a disclosure note in the statements of the International Staff, NATO Staff Centre financial statements are presented separately, rather than incorporated into those of the NATO International Staff, and apply the NATO Accounting Framework.

IPSAS 20 "Presentation of Budget Information in Financial Statement":

The NATO Staff Centre's financial activity is not controlled through a budgetary process resulting in a formal approval by NATO nations, contrary to most of the other NATO entities. The Staff Centre's mandate does not provide for such a budgetary mechanism. Although some form of forecasting/projection of income and expenditure is conducted for management and internal supervision purposes, there is no budget approval mechanism that would for instance establish a legal limit to expenditure according to different categories within which the NATO Staff Centre should operate; funding is not provided through calls for contributions from NATO member nations; there are no such concepts as appropriations, commitment of credits, etc. As a consequence, it is considered that IPSAS 20 "Presentation of Budget Information in Financial Statement" is not applicable to these financial statements.

The following IPSAS have no material effect on the 2018 financial statements of the NATO Staff Centre:

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

The Cash Flow Statement has been prepared using the indirect method.

Liquidation of the Staff Centre:

As indicated above, NATO member Nations decided to adopt a different operating model for Morale and Welfare Activities once the move to its new premises was completed. As a consequence, the Staff Centre was closed in September 2018 and it is no longer a going concern. The final financial closure date was established as 31 December 2018. All assets and liabilities were transferred to the NATO International Staff accounts as of 1 January 2019. The liquidation of the Staff Centre's net assets will take place during 2019 by using the appropriations set aside for that purpose in the NATO Civil Budget (EUR 2.1 million).

Segment Reporting

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. For NATO Staff Centre the segment information is based on its principal

activities, which have different means of funding and eligibility criteria for support from the NATO Civil Budget. In this instance, the following segments have been adopted: Sports, Restaurant, Commercial Services Area and Management/Overheads.

Changes in Accounting Policy

Nothing to report.

Restatement and Reclassification of previous years' financial statements

Nothing to report.

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

Foreign currency transactions, as required, are accounted for at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities at year-end denominated in foreign currencies are converted into EUR using the NATO exchange rates 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.

Financial risks

The NATO-Staff Centre uses only non-derivative financial instruments as part of its normal operations. These financial elements 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

There is very limited exposure to foreign currency risk. All of the NATO-Staff Centre's income is labelled and collected in Euro. With the exception of a small number of suppliers, all invoices are labelled and paid in Euros. The NATO Staff Centre's bank accounts are in Euros.

b. Credit risk

Concerning cash and cash equivalent, the NATO-Staff Centre 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) and with Banca Monte Paschi Belgio. The latter does not have specific ratings, being owned by Monte dei Paschi di Siena S.p.A. whose ratings are indicated below:

Credit Ratings as at 01/03/2019

ING Bank	Fitch	Moody's	S&P
Short term	F1	P1	A-1
Monte Paschi	Fitch	Moody's	S&P
Short term	B	Not rated	Not rated

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.

The NATO Staff Centre is exposed to liquidity risk because its normal activities do not generate enough to cash for it to repay its pension liability to the NATO Coordinated Pension Scheme and because a source of commercial income (concessions) is subject of a litigation which deprives it from the related cash in-flow. In the short term, and in order to make compulsory payments, this may result in the necessity for the NATO International Staff to make cash advances and/or for the NATO Staff Centre to delay its payments of amounts due to the NATO International Staff.

d. Interest rate risk

Except for certain cash and cash equivalent balances, the NATO Staff Centre financial assets and liabilities do not have associated interest rates. The NATO Staff Centre is restricted from entering into borrowings and investments, and, therefore, there is an insignificant interest rate risk.

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, 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 uncollectable debts.

d. Prepayments

A prepayment is a payment in advance of the period to which it pertains and is mainly in respect of advance payments made to third parties.

e. Inventories

NATO's adaptations of IPSAS are spelled out in C-M(2016)0023 of April 2016, which included IPSAS 12 Inventories. Furthermore, C-M(2017)0043 (September 2017) approved the NATO Accounting Policy for Inventory.

NATO-Staff Centre capitalises inventory which it controls in its financial statements. Inventory is essentially comprised of goods to be sold.

NATO-Staff Centre will include transportation costs involved in bringing the inventories to their present location and condition in the initial valuation of inventory.

Inventory may include items held prior to 1 January 2013.

The valuation of inventory is based on a weighted average calculation.

When it comes to assessing the control of NATO Inventory, these documents define a set of 10 criteria to be used in assessing the level of control of an Inventory 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 under the initial NATO Accounting Framework C-M(2013)0039 of July 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.

Fixed assets (Property, Plant & Equipment and Intangible Assets)

a. Property, Plant & Equipment

NATO's adaptation of IPSAS are spelled out in C-M(2016)0023 of April 2016 among which were specific items addressing IPSAS 17 PPE. Furthermore, C-M(2017)0022(INV) approved the NATO accounting policy for Property, Plant and Equipment.

When it comes to assessing the control of NATO over PPE these documents define a set of 10 criteria to be used in assessing the level of control of a tangible asset (same criteria as for Inventories). 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, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013

The NATO Staff Centre accounts for PPE based on the expected useful life of the goods or works concerned. No threshold is applied. It includes fully depreciated items acquired before 1 January 2013.

In light of the forthcoming move to a New NATO HQ in 2018, it has been decided, in general, that core PPE relating to the current HQ premises, including the Staff Centre, will be fully expensed as will any fixed equipment and furniture that is not to be transferred to the New HQ. Only movable items purchased with a view to being used again in the New HQ environment will be capitalized.

PPE items not reported as a consequence of this IPSAS adaptation include and PPE items purchased prior to 1 January 2013 of which the Staff Centre makes use comprise: a restaurant facility including kitchen, dining room, storage area and a bar; a series of sports facilities (swimming pool, fitness room, squash courts, gymnasium, tennis courts, football pitch), office space.

When NATO fully completes the move to the new HQ in 2018, the foregoing items, along with the rest of the former HQ premises, will be returned to Host Nation Belgium at no cost.

The premises also include infrastructure dedicated to commercial activities (pharmacy, retail shop, jewelry, perfume shop, bank) and office space for NATO retiree associations.

b. Intangible Assets

As mentioned above, NATO's adaptations of IPSAS are spelled out in C-M(2016)0023 of April 2016, which included IPSAS 31 Intangible Assets. Furthermore, C-M(2017)0044 approved the NATO accounting policy for intangible assets.

When it comes to assessing the control of NATO over Intangible Assets, these documents define a set of 10 criteria to be used in assessing the level of control of an Intangible 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, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013.

NATO Intangible Assets Capitalization Thresholds – NATO-Staff Centre will capitalise each intangible asset item that is 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

NATO-Staff Centre will capitalize all controlled intangible assets above the NATO Intangible Asset Capitalization Threshold. For anything below the threshold, the Staff Centre will have the flexibility to expense specific items.

NATO-Staff Centre will capitalize other types of intangible assets acquired after 1 January 2013 including:

- Copyrights
- Intellectual Property Rights
- Software development

NATO Staff Centre may consider intangible assets acquired prior to 1 January 2013 as fully expensed.

NATO Staff Centre 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.

Current liabilities

a. Payables

Payables are amounts due to third parties for goods received and services provided that remain unpaid. This includes an estimate of accrued obligations to third parties for goods and services received but not yet invoiced.

b. Advances

Advances are recognised when they are called if they result from an agreement or when received if the decision is in the hands of the paying entity.

c. Provisions

Provisions are recognised when the Staff Centre has a present obligation (legal or constructive) as a result of past events when it is probable that it will have to bear the cost and when a reliable estimate of the amount of the obligation can be made. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the date of the present financial statements.

Loans

The NATO Staff Centre has not entered into any kind of loan from the banking sector. However, a cash advance received from the NATO International Staff has been recognised as a loan in consideration of the likely duration of such advance.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The leased item is recorded as an asset in the statement of financial position and depreciated according to the rules applicable to the same category of assets. All other leases are classified as operating leases and are recognised in the statement of financial performance.

Non-current liabilities

These are amounts due by the Staff Centre but not to be paid in the following year and are essentially in relation to cash advances made by the NATO International Staff and to employer contributions to the Coordinated Pension Scheme.

Revenue recognition

a. Revenue from non-exchange transactions

There is no revenue from non-exchange transactions; the Staff Centre is not funded by assessed contributions from NATO member nations.

In-kind contributions of services are currently not recognised in the Statement of Financial Performance.

b. Revenue from exchange transactions

All revenue of the NATO Staff Centre is considered revenue from exchange transactions because of its commercial nature. Revenue comprises mainly sales of goods at the perfume shop, the sports shop and the restaurant, fees paid by users of the sports facilities, reimbursement of expenses and occupancy fees from concessionaires. Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Staff Centre. It is measured at fair value of the consideration received or receivable and is recognised upon delivery of the service or on the date of the sale of goods.

Expense recognition

Expenses are recognised as goods are received and services delivered.

NOTE 3: IN-KIND CONTRIBUTIONS RECEIVED

The NATO Staff Centre benefited from a series of in-kind contributions from the NATO International Staff. These contributions are neither recognised in the statement of financial position nor in the statement of financial performance.

Infrastructure:

The NATO Staff Centre operated on infrastructure that was originally funded by the NATO Civil Budget in the early 1970s. These were made available at no cost to the Staff Centre. They comprised: a restaurant facility (including kitchen, dining room), storage area, a bar, a series of sports installations (swimming pool, fitness room, squash courts, gymnasium, tennis courts, football pitch, bowling), and office space.

Further to NATO's move to its new premises in 2018, these items will form part of the overall premises returned to Host Nation Belgium at no cost.

The land on which this infrastructure is built is the object of a specific agreement between NATO and Host Nation Belgium. No rent or equivalent is charged by NATO to the Staff Centre.

Operating costs and minor investments:

Miscellaneous Operating and Maintenance expenses directly attributable to the Staff Centre's activity are charged to the NATO Civil Budget (such as fuel, water, gardening, communications, etc.) in the overall amount estimated around EUR 900 thousand on an annual basis. Some smaller Staff Centre expenses are commingled with the NATO Civil Budget where the contract does not allow for an accurate allocation of cost.

None of these expenses were charged back to the Staff Centre up to 2013. The Budget Committee decided that as from 2014, an increasing portion should be reimbursed by the Staff Centre (EUR 45,500 in 2014 and planned EUR 129,900 for 2015). However, in light of the financial situation of the Staff Centre, Nations agreed that these amounts should no longer be claimed including their 2017 (EUR 129.9K) and 2018 portions (C-M(2017)0064).

Administrative Support:

In addition, NATO-IS provided administrative support to the Staff Centre at an estimated cost of about EUR 200 thousand per annum.

NOTE 4: CASH AND CASH EQUIVALENTS

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

NOTE 5: ACCOUNTS RECEIVABLE**Receivable from Nations**

None: the Staff Centre is not funded by contributions from Nations.

On an individual basis national delegations may be clients of the Staff Centre in which case they are considered in the same way as the other clients.

Receivable from Clients

These are essentially amounts due by concessionaires in relation to the Commercial Services Area. Outstanding receivables consist mainly of amounts (EUR 284,236.86) due to the Staff Centre but seized in a context that NATO considers as a violation of its immunity of jurisdiction and execution.

Prepayments

None.

NOTE 6: INVENTORIES

Inventories consisted mainly of minor sport items for sale (end 2017).

NOTE 7: NON-CURRENT ASSETS

Reconciliation of the carrying amount of non-current assets as at 31 December 2018 is presented below:

(amounts in EUR)	Carrying Amount end 2017	Additions	Disposals	Annual Depreciation	Impairment	Carrying Amount end 2018
Land and buildings	0.00	0.00	0.00	0.00	0.00	0.00
Installed Equipment	0.00	0.00	0.00	0.00	0.00	0.00
Office Equipment	0.00	0.00	0.00	0.00	0.00	0.00
Financial Leases	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	0.00	0.00	0.00	0.00	0.00	0.00

(amounts in EUR)	Carrying Amount end 2016	Additions	Disposals	Annual Depreciation	Impairment	Carrying Amount end 2017
Land and buildings	0.00	0.00	0.00	0.00	0.00	0.00
Installed Equipment	0.00	0.00	0.00	0.00	0.00	0.00
Office Equipment	0.00	0.00	0.00	0.00	0.00	0.00
Financial Leases	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	0.00	0.00	0.00	0.00	0.00	0.00

There has been no impairment or revaluation during 2018 and 2017.

Land and buildings

Land and buildings are shown at fair value, based on internal valuation and judgment on each reporting date.

NATO Staff Centre facilities are located on a piece of land granted by Belgium to NATO by way of concession on which NATO is authorized to erect all necessary buildings and facilities needed to perform its functions. A symbolic price is paid by NATO International Staff to Host Nation Belgium annually for the rent. NATO is the full owner of all structures built thereon. Belgium remains the sole and full owner of the land, which is public domain ("domaine public"). The concession ends 180 days after NATO has left the buildings and facilities. At the end of the concession, there will be no property rights transferred to NATO. No rent related to land is charged by NATO International Staff to the NATO Staff Centre.

The main element of "Buildings" (now totally depreciated) is the building wherein the Staff Centre operated its Commercial Services Area (pharmacy, retail store, perfume shop, bank, jewelry), essentially by way of concession of premises to specific commercial entities, and is totally depreciated.

Financial Leases

A single financial lease was related to specific software for the restaurant and the management of memberships for the sports area. It was recognised in 2014 at its net value. By end 2016, the value was zero.

Material and non-recorded items purchased prior to 1 January 2013

The original buildings of the current NATO Staff Centre facilities are estimated as having a zero value in consideration of their age, the terms of the concession agreement, and the limited value for money of an evaluation study, and the planned move to new premises in 2018. There is also an extension to the restaurant dining room which was funded several years ago through a contribution by a major

supplier. These elements will be returned to Belgium with the rest of NATO's previous headquarters premises in accordance with the terms of the concession mentioned above.

Depreciation

Straight-line depreciation method is used for all categories, with the life cycles being those stated in the accounting policy.

Impairment of fixed assets

The carrying amounts of fixed assets are reviewed for impairment if events or changes of circumstances indicate that they may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the impairment loss. Any provision for impairment losses is charged against the Statement of Financial Performance in the year concerned.

NOTE 8: ACCOUNTS PAYABLE

Payables (in EUR)	2018	2017
Suppliers	352,505.83	397,658.47
Employees	-	22,825.66
Pension	200,000.00	600,000.00
Miscellaneous	-	8,933.14
TOTAL	552,505.83	1,029,417.27

There are no amounts payable to NATO member Nations since there is no specific financial process (e.g. budgetary) that involves NATO member Nations directly and globally with the Staff Centre.

In addition to amounts due to the suppliers directly linked to the Staff Centre's activity, this item includes amounts due to the NATO International Staff for miscellaneous operating costs (EUR 279,126.02 end 2018; EUR 271,041.06 end 2017 and EUR 246,123 end 2016).

The short term portion of the pension liability amounts to EUR 200,000.

NOTE 9: NON-CURRENT LIABILITIES

Long Term Pension Debt

The Staff Centre did not pay its employer contributions (currently 19% of basic salaries) to the NATO Defined Benefit Pension Scheme between 2001 and late 2010. The employee contributions, however, have always been paid. As from May 2011, further to an agreement with the NATO-International Staff Financial Controller, the Staff Centre was required to pay monthly contributions of EUR 25,000 towards its employer liability. This amount was about 50% more than its normal annual employer contributions and the amount was determined so as to strike a balance between a timely reimbursement of the liability and sustainability for the Staff Centre's financial situation. The annual payment of EUR 300,000 represented about 7% of the Staff Centre's annual turnover at that time. The original plan was that over time, as fewer Staff Centre employees participate in the Defined Benefit Pension Scheme (it was closed to new entrants on 1 July 2005), the amount of normal contributions due would decrease. Maintaining payments at EUR 300,000 per year would, therefore, accelerate the settlement of arrears and it was originally planned that the liability could be totally repaid by 2021. This plan has not been respected since 2015 due to the overall situation of the Staff Centre.

In 2015, an amount of EUR 324,000 – corresponding to an accumulated surplus related to sales of tax free petrol cards to NATO IS staff - was applied by the NATO International Staff to offset NATO Staff Centre pension contributions. The payment was done by NATO International Staff directly into the NATO Defined Benefit Pension Scheme's account. No other contributions have been made by the Staff Centre since then, which further increased the liability, due to its overall situation.

Further to the payments made in the course of the year, the net liability of the Staff Centre on 31 December 2018 amounted to EUR 1,352,786.32 (EUR 1,329,578.58 on 31 December 2017, EUR 1,286,042.10 on 31 December 2016, EUR 1,225,267.42 on 31 December 2015, EUR 1,401,671.64 on 31 December 2014).

Loan from the International Staff

At the end of 2014, NATO International Staff made a cash advance (EUR 226,360) to the Staff Centre in order to temporarily compensate for funds due to the Staff Centre but seized in a context that NATO considers as a violation of its immunity of jurisdiction and execution. An additional advance was made in 2015 bringing the total advance to EUR 261,898.75. The seizure resulted in the Staff Centre's inability to collect related cash amounts. This situation has been reported to the Budget Committee. Given the likely long term nature of the underlying issue, this advance is considered as a loan. Considering that the litigation originates from a contract signed by another NATO body, the NATO International Staff will seek reimbursement of the advance from the latter. With the gradual decrease of activities in the Staff Centre and the impact of the losses incurred in recent years, additional cash advances had to be made during 2018 by the NATO International Staff (EUR 556,000), bringing to the total to EUR 817,898.75.

NOTE 10: NET ASSETS

The previous years' deficit is essentially due to the recognition of the non-payment by the Staff Centre of its employer contributions to the NATO Defined Benefit Pension Scheme between 2001 and 2010 (originally EUR 1.770 million due end 2010).

NOTE 11: REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the result can be measured reliably.

Sales

Revenue is essentially derived from sales in the restaurant (until 2016 only) and the commercial area, and membership and usage fees from the sports area. The decline of sales is linked to the reduction in the Staff Centre's activity, in part because of the limitation, at times, of external clients' physical access to NATO HQ premises for security reasons. It was decided that the Staff Centre would no longer directly manage the restaurant as from 2016 and the sales of perfume and other miscellaneous items from 2015. These activities are now managed as concessions, and therefore there are no sales related to these activities.

Concession Revenue

The other main source of revenue corresponds to concession fees and reimbursements of costs from concessionaires located on the Staff Centre premises. There is also revenue from some concessions at NATO Headquarters. NATO member nations agreed that such income would be collected by the NATO International Staff and thereafter transferred to the NATO Staff Centre 36,011 (EUR 83,442.98 in 2017).

Financial Revenue

Financial revenue is essentially made of interest earned on bank accounts.

Other Revenue

This item corresponds mainly to services provided by the Staff Centre to the NATO International Staff for petrol sales and car plates (EUR 16,666.64) and to advertising.

NOTE 12: EXPENSES**Wages, salaries and employee benefits:**

The personnel related costs include all staff expenses, as well as other non-salary related expenses in support of the Staff Centre's activities. The amounts include expenses for salaries and emoluments for approved NATO-Staff Centre positions, including overtime, and temporary personnel. The evolution of expenses is linked to the gradual deletion of posts.

During 2016, in the context of the NATO HQ Commercial Operations Business Plan 2015-2019, a number of posts were deleted. The financial impact for the Staff Centre depends on the date on which the posts were deleted and whether or not they were vacant. For staff whose post is deleted but who are on sick leave, the costs are borne by the NATO Civil Budget until the notification can be processed in accordance with Civilian Personnel Regulations. With the closure of the Staff Centre all posts were eventually deleted.

Outsourced Services:

Functions previously performed by staff employed under the temporary staff provisions of NATO's Civilian Personnel Regulations were outsourced as from 2014. The change, during 2017, from an outsourced management model to a concession for the restaurant resulted in a reduction of related service expenses, which explained the evolution between 2016 and 2017. However, in consideration of the effective activity of the restaurant NATO agreed that a capped compensation would be paid if the restaurant was run at a loss, which was the case.

Operating costs:

The operating costs relate primarily to costs necessary to the day to day operation of the Staff Centre, including sponsorship. The NATO Staff Centre management reduced expenses (in light of its reduced activity and of its financial situation).

Costs of goods sold:

These consist mainly in petrol coupons. Other minor items include vehicle registration plates and minor sports goods.

Depreciation

In accordance with the accounting policy depreciation of physical assets is limited to the PPE recognised as from 2013 and to the part corresponding to financial leases. For 2018 the amounts correspond to the value of write-offs (see related note).

Provision

The provision of EUR 96,000 was reversed in 2018. It corresponded to amounts due to the concessionaire of the restaurant, for the period May to December 2017, in accordance with the contract clauses that prescribe the payment of a capped compensation when the restaurant is run at a loss.

Financial costs

Financial costs include bank charges and credit card fees.

NOTE 13: SEGMENT INFORMATION

The breakdown of the pension liability is based on the pension scheme to which related staff belong, which in turn depends on the date the latter joined NATO. Therefore this breakdown does not reflect any other specific relationship between the management of the segments' activity and this liability. To a certain extent this liability could be considered as an unallocated central liability.

NATO UNCLASSIFIED

Annex 5 to
FC(2019)0056

5-14

The tables below provide segment information for financial position and financial performance for 2018.

	Sports	Restaurant	Commercial Area	Overhead	Eliminations	Total
Cash	256,291.08		-32,764.56			223,526.52
Receivables	86.00		286,667.06			286,753.06
Inventory	-	-	-			-
PPE and financial lease	-	-	-			-
TOTAL ASSETS	256,377.08	0.00	253,902.50	0.00	0.00	510,279.58
Payables	73,380.21		479,125.62		0.00	552,505.83
Pension liability	705,271.19	422,608.87	0.00	24,906.26	0.00	1,152,786.32
Provisions		0.00				0.00
Advances			261,898.75	556,000.00		817,898.75
TOTAL LIABILITIES	778,651.40	422,608.87	741,024.37	580,906.26	0.00	2,523,190.90
NET ASSETS	-522,274.32	-422,608.87	-487,121.87	-580,906.26	0.00	-2,012,911.32

	Sports	Restaurant	Commercial Area	Overhead	Eliminations	Total
Revenue						
Sales	420,751.57	-	464,495.39	-	-	885,246.96
Concessions	36,011.28	-	115,879.64	-	-	151,890.92
Financial revenue	-	-	-	125.23	-	125.23
Other revenue	540.76	-	29,549.61	-	-	30,090.37
TOTAL REVENUE	457,303.61	0.00	609,924.64	125.23	-	1,067,353.48

Expenses						
Wages, salaries and employee benefits	338,815.46	-	-	- 710.49	-	338,104.97
Outsourced services	460,234.21	233,635.05	-	-	-	693,869.26
Operating costs	8,169.02	-	10,091.16	-	-	18,260.18
Cost of goods sold	13,186.40	-	397,921.09	-	-	411,107.49
Other costs	837.90	44.84	34.92	-	-	917.66
Depreciation and amortization	1,306.13	3,017.17	1,020.52	-	-	5,343.82
Provision	-	- 96,000.00	-	-	-	- 96,000.00
TOTAL EXPENSES	822,549.12	140,697.06	409,067.69	- 710.49	-	1,371,603.38

SURPLUS (DEFICIT) FOR THE PERIOD	-365,245.51	- 140,697.06	200,856.95	835.72	-	- 304,249.90
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The tables below provide segment information for financial position and financial performance for 2017.

	Sports	Restaurant	Commercial Area	Overhead	Eliminations	Total
Cash	25,437.85	1,000.00	45,302.48			71,740.33
Receivables	7,336.67	103.90	318,962.13		8,949.20	335,351.90
Inventory	1,140.95	-	-			1,140.95
PPE and financial lease	-	-	-			-
TOTAL ASSETS	33,915.47	1,103.90	364,264.61	-	8,949.20	408,233.18
Payables	701,866.32	-	308,008.82	10,608.99	8,933.14	1,029,417.27
Pensions liability	446,350.09	267,465.53	-	15,762.96		729,578.58
Provisions		96,000.00				96,000.00
Advances	-		261,898.75			261,898.75
TOTAL LIABILITIES	1,148,216.41	363,465.53	569,907.57	26,371.95	8,933.14	2,116,894.60
NET ASSETS	- 1,114,300.94	- 362,361.63	- 205,642.96	- 26,371.95	16.06	- 1,708,661.42

NATO UNCLASSIFIED

NATO UNCLASSIFIED

5-15

Annex 5 to
FC(2019)0056

	Sports	Restaurant	Commercial Area	Overhead	Eliminations	Total
Revenue						
Sales	681,873.43	219,904.76	606,096.42	-	-	1,507,874.61
Concessions	83,442.88		261,535.96	-	-	344,978.84
Financial revenue	1,039.33	989.51	-		-	2,028.84
Other revenue	32,967.07	30,186.28	64,131.35	30,603.41	-	157,888.11
TOTAL REVENUE	799,322.71	251,080.55	931,763.73	30,603.41	-	2,012,770.40
Expenses						
Wages, salaries and employee benefits	318,234.20	68,441.26	99,211.83	121,060.80	-	606,948.09
Outsourced services	523,108.98	212,955.50	116,106.04	-	-	852,170.52
Operating costs	20,502.19	944.00	33,043.93	-	-	54,490.12
Cost of goods sold	3,602.13	83,687.29	518,363.31	-	-	605,652.73
Other costs	1,353.59	31,007.94	17.68	-	-	32,379.21
Provision, depreciation and amortization				91,927.10	-	91,927.10
TOTAL EXPENSES	866,801.09	397,035.99	766,742.79	212,987.90	-	2,243,567.77
SURPLUS (DEFICIT) FOR THE PERIOD	- 67,478.38	- 145,955.44	165,020.94	-182,384.49	-	- 230,797.37

Transactions in the Overhead segment correspond to the salaries of the Staff Centre management team.

NOTE 14: LEASES

Nothing to report.

NOTE 15: RESTRICTIONS ON FIXED ASSETS

There are no restrictions on fixed assets.

NOTE 16: CONTINGENT LIABILITIES

A number of contingent liabilities have been identified, but the total possible obligation relating to these items is not expected to be material.

Further to a litigation involving another NATO body and one of its suppliers, Belgian courts allowed seizure on behalf of this third party of amounts due by several vendors to the NATO Staff Centre (which partakes of NATO's legal personality). NATO considers this a violation of the special legal status it enjoys under the Agreement on the status of the North Atlantic Treaty Organization, national representatives and international staff, concluded in Ottawa on 20 September 1952 (the Ottawa Agreement), in particular the Organization's immunity of jurisdiction and of execution. Formal proceedings are still ongoing before several courts of the Host Nation.

This situation does not result from any wrongdoing or omission by the Staff Centre. If in the end any amounts are to be paid, they would be due from the NATO body concerned.

NOTE 17: CONTINGENT ASSETS

Nothing to report.

NOTE 18: WRITE-OFFS

In the context of the closure of the Staff Centre the following write-off took place.

Date	Location	Type of Items	Acquisition Value	Net Book Value	Reason for Write-off
28/11/2018	Staff Center	Receivables: Miscellaneous	4,202.87	-	Uncollectable collection vouchers
31/12/2018	Staff Center	Inventories balance as of 31 December 2018	1,140.95	1,140.95	Unidentified stock
TOTAL			5,343.82	1,140.95	

NATO UNCLASSIFIED

5-15

NOTE 19: 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.

Contractual situation

In order to regularise the situation of staff employed under different contractual vehicles (e.g. temporary personnel), and in particular the concern that the NATO Civilian Personnel Regulations may not be fully designed for the activities undertaken by the Staff Centre, a series of measures have been taken in 2014.

Staff previously employed under the Temporary Staff provisions of the NATO Civilian Personnel Regulations, student jobs, etc. were gradually transferred according to their specific situation to permanent international civilian staff positions, manpower contracts or eventually under a technical assistance agreement with a third party supplier. As a consequence, Personnel Expenses decreased in 2014, whereas Operating Costs (for the part corresponding to the related outsourcing of services), increased. End 2015 there were no longer any staff employed under Temporary Staff provisions.

Establishment

In 2015, 10 posts were deleted and 1 creation was approved, resulting in an establishment of 24 posts at the end of the year. In 2016, 5 deletions took place in accordance with the NATO HQ Commercial Operations Business Plan 2015-2019 approved by the North Atlantic Council, resulting in an establishment of 19 posts end 2016. During 2017, 16 posts were deleted, resulting in an establishment of 3 at the beginning of 2018, which is the number foreseen to operate all commercial activities on the New NATO Headquarters campus. During 2018, all remaining posts were deleted.

In accordance with the NATO HQ Commercial Operations Business Plan 2015-2019 (C-M(2015)0069), three occupied posts which were deleted in 2015 required the payment of an amount of EUR 300,279.24 in Loss of Job Indemnities, funded by the NATO Civil Budget using lapsed credits from 2014 that would otherwise have been returned to member Nations (C-M(2015)0088 and PO(2015)0602). In 2016 another three Loss of Job Indemnities were paid out of the NATO Civil Budget in an amount of EUR 221,307.69. This budget allocation has been carried forward again to 2017, then to 2018, and is considered sufficient to allow for the possible need to pay for Loss of Job Indemnities (estimated in the amount of EUR 527K) to staff who could not be transferred into vacant posts elsewhere in the International Staff establishment. In 2018, EUR 283,895.58 were paid in Loss of Job Indemnities.

The NATO regulations allow for the carry forward of untaken leave to the following year. Any untaken days carried forward must be taken by 30 April of the following year unless an exception is granted by the Human Resources Department in which case untaken leave days are forfeited after 30 October. The vast majority of days are taken before 30 April. Untaken leave is accounted as a Payable to staff at year end. Further to the closure of the Staff Centre and termination of the contracts of its staff, there is no unpaid leave at the end of 2018.

As from 1 May 2016, the salary related cost of staff on long term sick leave are borne by the Civil Budget, in accordance with a decision taken by nations (PO(2016)0272).

Pension Contributions

The NATO International Staff centrally manages three pension schemes, namely the Defined Benefit Pension Scheme (DBPS), the Provident Fund and the Defined Contribution Pension Scheme (DCPS), as well as the Retirees Medical Claims Fund (RMCF), covering staff employed by all NATO bodies. NATO wide financial statements are issued by the NATO International Staff Office of Financial Control for the three pension schemes and the RMCF; therefore, no related assets or liabilities are recognised in these financial statements.

There were no Staff Centre personnel affiliated to the NATO Provident Fund.

End August 2018, two members participate in the Defined Contribution Pension Scheme (DCPS) administered by NATO (5 end 2017). The DCPS provides that the NATO-Staff Centre budget makes a 12% monthly matching contribution to the staff members' contributions for current service.

End August 2018, two employees participate in NATO's Defined Benefit Pension Scheme (DBPS) (4 end 2017). A deduction of 9.5% of their salaries (9.0% in 2014) is made and contributed to the annual financing of this Plan. In addition, the NATO Staff Centre, in accordance with rules agreed for small size NATO entities, fully discharges its employer liability by making a monthly matching contribution of 19% to the DBPS (18% in 2014). These contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the entity. The situation concerning amounts due in this respect of past years are analysed under Note 9.

The contributions for pensions are as follows (for amounts related to the Staff Centre DBPS employer contributions liability for past years and the specific fund transfer from the NATO International Staff, see Note 9):

amounts in EUR	2018			2017		
	Staff	Employer	Total	Staff	Employer	Total
Provident Fund	-	-	-	-	-	-
Co-ordinated Pension Scheme	11,603.87	23,207.74	34,811.61	21,768.24	43,536.48	65,304.72
Defined Contribution Pension Scheme	10,408.29	15,612.58	26,020.87	18,709.26	28,063.91	46,773.17
TOTAL	22,012.16	38,820.32	60,832.48	40,477.50	71,600.39	112,077.89

Further to an analysis covering the last years of the history of death in service risks in relation to premiums paid by the Organisation during 2012-2015, a compensation of EUR 6 million at the NATO-wide level was agreed by the insurance company. End 2018, the NATO Secretary General decided that a fraction of this amount (circa EUR 1, 7 million) should be paid to NATO staff who were members of the DCPS during the period 2012-2015 in proportion to the contributions they made to the DCPS. Staff employed by the Staff Centre during the period 2012-2015 and affiliated to the DCPS are therefore entitled to a payment to be made from the NATO DCPS accounts. A decision still has to be taken concerning the remaining amount of the compensation, which may result in a proportional payment to NATO International Staff since it will take over the net assets of the Staff Centre.

NOTE 20: KEY MANAGEMENT PERSONNEL

The Staff Centre Executive Board is the governing body of NATO Staff Centre. Its voting members are paid either from the Civil Budget or by their respective national authorities in the case of the International Military Staff representative. They do not receive any additional remuneration for their responsibilities or access to benefits from the NATO Staff Centre nor any other NATO body.

For the purposes of IPSAS 20 implementation, the key management personnel of the NATO Staff Centre are the Assistant Secretary General for Executive Management and the acting Director Staff Centre. Only the acting Director Staff Centre is paid by the NATO Staff Centre and his remuneration is based on the A2 salary scale as approved for NATO salaries in Belgium.

There are no other remuneration or benefits to key management personnel and their family members. Key management personnel is entitled to receive loans which are also available to other members of NATO.

NOTE 21: RELATED PARTIES

The following concerns related parties.

NATO International Staff

The governance of the Staff Centre which involves some NATO senior management members is described under Note 1.

NATO-IS provides certain administrative support and covers some operating and maintenance services, as described under Note 3, for a total estimated around EUR 1,100 thousand on an annual basis which was not charged to NATO Staff Centre. These are estimates based on physical criteria (surface, number of staff served etc.) and may not correspond exactly to the value of the service received by the Staff Centre.

As from 1 May 2016, the salary related cost of staff on long term sick leave are borne by the Civil Budget, in accordance with a decision taken by nations (PO(2016)0272).

In 2014, for the first time, NATO International Staff charged an amount of EUR 45,500 to the Staff Centre as a partial contribution towards the costs borne by the former in support of the latter. The plan was to increase this amount gradually with the expectation that the Staff Centre become fully customer funded before NATO moves to its new premises. However, in light of the financial situation of the Staff Centre, the Budget Committee agreed that these amounts should not be claimed for 2014 to 2016. As a consequence, amounts already paid (for 2014) by the Staff Centre to the NATO International Staff were reimbursed in 2015. Nations further agreed to the cancellation of this reimbursement for 2017 (estimated amount of EUR 130 thousand) and for 2018, for the same reasons.

NATO-IS has made cash advances (EUR 817,898.75) to the Staff Centre in order to temporarily compensate for funds due to the Staff Centre but seized in a context that NATO considers as a violation of its immunity of jurisdiction and execution (see Note 9).

The Staff Centre charges the NATO International Staff EUR 25,000 per annum for the services it provides in managing in the name of NATO International Staff -Executive Management – Human Resources. These are official activities linked to the registration of vehicles of individuals working at NATO.

Concession contributions owed by occupants of commercial areas in the NATO HQ are collected by the IS and transferred to the Staff Centre in accordance with decisions taken by the Budget Committee, although they are not concessions managed by the Staff Centre (EUR 36,011 in 2018).

Conversely the Staff Centre management may on occasion provide services to the NATO International Staff, at no cost.

In accordance with the NATO HQ Commercial Operations Business Plan 2015-2019 (C-M(2015)0069), occupied posts which were deleted and required the payment of Loss of Job Indemnities were paid out of the NATO Civil Budget.

NATO Defined Benefit Pension Scheme

As explained above, the Staff Centre has a long term liability towards the NATO Defined Benefit Pension Scheme in the amount of EUR 1,352,786.32 (EUR 1,329,578.58 end 2017).



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD

INTERNATIONAL BOARD OF AUDITORS FOR NATO
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

NATO SANS CLASSIFICATION



IBA-A(2019)0143
29 novembre 2019

À : Secrétaire général
(À l'attention du directeur du Cabinet)

Cc : Contrôleur des finances du Secrétariat international
Secrétaire du Comité de surveillance du fonds de couverture médicale des agents à la retraite
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Secrétariat et finances du Bureau OTAN des ressources
Bureau d'ordre du Cabinet

Objet : ***Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) concernant la vérification des états financiers du fonds de couverture médicale des agents à la retraite (FCMR) pour l'exercice clos le 31 décembre 2018 – IBA-AR(2019)0026***

Messieurs,

Vous trouverez ci-joint l'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) de l'IBAN, ainsi qu'une note succincte à l'intention du Conseil (annexe 1).

L'IBAN a émis une opinion sans réserve sur les états financiers 2018 du FCMR et une opinion sans réserve sur la conformité pour cet exercice.

Veuillez agréer, Messieurs, l'assurance de ma haute considération.

Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.



**Note succincte
du Collège international des auditeurs externes de l'OTAN (IBAN)
à l'intention du Conseil
sur la vérification des états financiers
du fonds de couverture médicale des agents à la retraite (FCMR)
pour l'exercice clos le 31 décembre 2018**

Le fonds de couverture médicale des agents à la retraite (FCMR) a été créé au 1^{er} janvier 2001 par suite de l'approbation du PO(2000)123 par le Conseil. L'objectif était de constituer une réserve afin de garantir la disponibilité de fonds suffisants pour permettre à l'OTAN, dans les années ultérieures, de faire face aux obligations qui lui incombent s'agissant de la prise en charge des dépenses médicales des agents retraités répondant aux critères fixés et des personnes reconnues comme étant à leur charge.

Le FCMR est doté d'un Comité de surveillance, qui est chargé d'en superviser la gestion. Ce comité se réunit au moins deux fois par an.

En 2018, les cotisations des organismes et du personnel de l'OTAN se sont élevées à 25,0 millions d'euros (MEUR), contre 23,9 MEUR en 2017, et les primes d'assurance prélevées sur le fonds se sont établies à 23,5 MEUR, contre 21,2 MEUR en 2017. Fin 2018, le gestionnaire du fonds détenait 314,6 MEUR au nom de l'OTAN (contre 323,2 MEUR fin 2017), et la valeur actuarielle de l'obligation à long terme relative aux soins médicaux postérieurs à la période d'emploi se chiffrait à 3,0 milliards d'euros (contre 2,1 milliards d'euros fin 2017).

L'IBAN a émis une opinion sans réserve sur les états financiers du FCMR pour l'exercice clos le 31 décembre 2018 et une opinion sans réserve sur la conformité pour cet exercice.

À l'issue de l'audit, l'IBAN a formulé une observation, qui n'a pas eu d'incidence sur l'opinion émise :

1. Nécessité pour l'OTAN de comptabiliser le passif correspondant aux avantages postérieurs à l'emploi, afin de se conformer à son cadre comptable (IPSAS 39 (*Avantages du personnel*))

Par ailleurs, l'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits, et il a constaté qu'une question avait été traitée et qu'une autre était en cours de traitement.

L'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) ont été transmises au Secrétariat international, dont les commentaires ont ensuite été intégrés dans la lettre ainsi que la position de l'IBAN à leur sujet (appendice à l'annexe 3).

NATO SANS CLASSIFICATION

**ANNEXE 2
IBA-AR(2019)0026**

29 novembre 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

OPINION SUR LES ÉTATS FINANCIERS

**DU FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE
(FCMR)**

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018

NATO SANS CLASSIFICATION

**OPINION DU COMMISSAIRE AUX COMPTES
À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD**

Vérification des états financiers

Opinion sur les états financiers

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers du fonds de couverture médicale des agents à la retraite (FCMR) portant sur la période de 12 mois ayant pris fin le 31 décembre 2018. Diffusés et soumis à l'IBAN le 31 mars 2019, ces états financiers se composent de l'état de l'actif net disponible pour le service des prestations au 31 décembre 2018, de l'état des variations de l'actif net disponible pour le service des prestations, ainsi que de notes explicatives, y compris un résumé des méthodes comptables importantes.

L'opinion de l'IBAN est que les états financiers donnent une image fidèle et exacte de l'actif net disponible pour le service des prestations ainsi que des variations de l'actif net disponible pour le service des prestations du FCMR au 31 décembre 2018, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN et de la norme comptable internationale (IAS) 26 (*Comptabilité et rapports financiers des régimes de retraite*).

Observation particulière

Nous appelons l'attention sur la note 14 jointe aux états financiers, qui indique ce qui suit : « [p]armi les passifs éventuels significatifs qui correspondent aux recours et réclamations, aucun n'est susceptible de faire naître de passif important pour le FCMR. Une série de réclamations ont été introduites à la suite de la suppression de la disposition du Règlement du personnel civil qui prévoyait que les agents ayant cotisé pendant 25 ans bénéficient d'une couverture médicale gratuite. Les réclamations n'ont pas encore été traitées par le Tribunal administratif de l'OTAN. Il a été jugé que cette situation ne créait pas de risque significatif dont il convenait de tenir compte dans les états financiers de 2018 ». L'IBAN n'a pas été amené à modifier son opinion du fait de cette situation.

Justification de l'opinion émise sur les états financiers

Le Règlement financier de l'OTAN (NFR) prévoit que l'audit externe des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par le Collège international des auditeurs externes de l'OTAN (IBAN).

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 1000-1810), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

L'IBAN est indépendant, ainsi que le prévoit le Code de déontologie de l'INTOSAI, et il s'est acquitté de ses responsabilités dans le respect des dispositions de ce code. Les responsabilités des membres de l'IBAN sont décrites de manière plus détaillée dans la section « Responsabilités de l'IBAN concernant la vérification des états financiers » et dans sa charte.

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

Responsabilité de la direction concernant les états financiers

La responsabilité de la direction concernant les états financiers est définie dans le NFR. Les états financiers du FCMR sont établis en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN tel qu'approuvé par le Conseil et de l'IAS 26 (*Comptabilité et rapports financiers des régimes de retraite*). Il incombe au contrôleur des finances de soumettre les états financiers à l'IBAN au plus tard le 31 mars qui suit la fin de l'exercice visé dans les états financiers.

Les états financiers sont signés par le chef de l'organisme OTAN concerné et par le contrôleur des finances. En apposant leur signature sur ces documents, ceux-ci confirment que des mesures de gouvernance financière, des mécanismes de gestion des ressources, des contrôles internes et des systèmes d'information financière ont été mis en place et maintenus afin de garantir une utilisation efficace et efficiente des ressources.

Cette confirmation couvre l'élaboration, la mise en place et le maintien d'un ensemble de contrôles internes de nature à permettre l'établissement et la présentation d'états financiers qui soient auditables et exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur. Elle couvre aussi le compte rendu relatif à la capacité de l'entité à poursuivre son activité, la présentation, le cas échéant, des questions relatives à la continuité de l'activité, et l'application du principe comptable de continuité d'activité, à moins qu'il soit prévu de liquider l'entité ou de mettre un terme à son activité ou qu'il ne soit pas réaliste de procéder de la sorte.

Responsabilités de l'IBAN concernant la vérification des états financiers

L'audit a pour objectif de permettre à l'IBAN d'obtenir une assurance raisonnable sur le point de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur, et de formuler une opinion à leur sujet. L'assurance raisonnable correspond à un degré de certitude élevé, mais elle ne garantit pas qu'un audit effectué conformément aux ISSAI permettra dans tous les cas de détecter les inexactitudes significatives. Les inexactitudes, qui peuvent résulter d'une fraude ou d'une erreur, sont considérées comme significatives lorsque l'on peut raisonnablement s'attendre à ce que, considérées isolément ou collectivement, elles influent sur les décisions économiques que les utilisateurs des états financiers prennent en se fondant sur ceux-ci.

Dans le cadre d'audits effectués conformément aux ISSAI, les auditeurs font appel à leur jugement professionnel et à leur esprit critique tout au long de la planification et de la réalisation du travail. Cela nécessite de tenir compte des particularités que présentent les entités du secteur public. L'IBAN s'attache aussi :

- à recenser et à évaluer les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur, à concevoir et à mettre en œuvre des procédures d'audit sensibles à ces risques ainsi qu'à obtenir par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion ; le risque de non-détection d'une inexactitude significative relevant d'une fraude est plus élevé que le risque de non-détection d'une inexactitude significative relevant d'une erreur car la fraude peut résulter d'une collusion, d'une falsification, d'omissions intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;
- à acquérir une connaissance du contrôle interne qui soit pertinente pour l'audit, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité ;
- à déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables et les informations connexes fournies par la direction sont raisonnables ;
- à se prononcer sur le caractère approprié ou non de l'utilisation du principe comptable de la continuité d'activité et à déterminer, à partir des éléments probants obtenus par l'audit, s'il existe une incertitude significative du fait d'événements ou de circonstances susceptibles de remettre fondamentalement en cause la capacité de l'entité à poursuivre son activité ; si l'IBAN juge qu'une

telle incertitude existe, il est tenu d'appeler l'attention, dans son opinion, sur les informations correspondantes figurant dans les états financiers ou, si ces informations sont incomplètes, de formuler une opinion modifiée ; les conclusions de l'IBAN sont fondées sur les éléments probants en sa possession à la date d'établissement de son rapport d'audit ;

- à évaluer la présentation générale, la structure et le contenu des états financiers, y compris les informations fournies, et à déterminer si les états financiers rendent compte fidèlement des opérations et des événements qui en font l'objet.

L'IBAN est tenu de communiquer avec les organes chargés de la gouvernance, et notamment de les informer du périmètre et du calendrier de la mission d'audit qu'il prévoit d'effectuer, des principales conclusions de l'audit et des lacunes significatives qu'il aura éventuellement constatées dans le contrôle interne au cours de l'audit.

L'opinion que l'IBAN formule à l'intention du Conseil de l'Atlantique Nord doit aider ce dernier à s'acquitter de son rôle. C'est la raison pour laquelle l'IBAN est responsable de ses travaux et de son opinion devant le seul Conseil.

Vérification de la conformité

Opinion sur la conformité

Sur la base des procédures qu'il a appliquées, l'IBAN estime que rien, dans son audit des états financiers, ne lui donne de raison de penser que les fonds n'ont pas été régulièrement employés à l'acquittement de dépenses autorisées ou qu'ils ne sont pas conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Justification de l'opinion émise sur la conformité

L'IBAN a effectué la vérification portant sur la conformité sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

Responsabilité de la direction concernant la conformité

Tous les membres du personnel – civils et militaires – de l'OTAN sont tenus de respecter le Règlement financier de l'OTAN ainsi que les règles et procédures financières qui s'y rattachent et les directives d'application particulières, dont le Règlement du personnel civil de l'OTAN fait partie.

Le secrétaire général est responsable et tenu comptable d'une saine gestion financière. Les organismes OTAN doivent administrer leurs finances en s'appuyant sur les principes suivants : adéquation, bonne gouvernance, obligation de rendre compte, transparence, gestion des risques et contrôle interne, audit interne, audit externe, prévention et détection des fraudes.

Responsabilité de l'IBAN concernant la conformité

Selon sa charte, en plus d'être responsable de fournir une assurance raisonnable quant à la question de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, l'IBAN doit chaque année rendre au Conseil un avis indépendant lui assurant que les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées (adéquation) et qu'ils sont conformes aux règles en vigueur (régularité). Par « adéquation », on entend le respect des principes généraux régissant une gestion financière saine ainsi que la conduite des membres de l'administration. Par « régularité », on entend le respect de critères officiels tels que les règlements, règles et procédures applicables.

Il incombe ainsi à l'IBAN d'appliquer des procédures lui permettant d'obtenir en toute indépendance une assurance sur le point de savoir si les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur. De telles procédures prévoient notamment la prise en compte des risques de non-conformité significative.

Bruxelles, le 29 novembre 2019



Daniela Morgante
Présidente

29 novembre 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS

**CONCERNANT LE FONDS DE COUVERTURE MÉDICALE
DES AGENTS À LA RETRAITE (FCMR)**

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018

Introduction

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers du fonds de couverture médicale des agents à la retraite (FCMR) pour l'exercice clos le 31 décembre 2018, et il a émis une opinion sans réserve à leur sujet ainsi qu'une opinion sans réserve sur la conformité.

Observations et recommandations

À l'issue de l'audit, l'IBAN a formulé une observation, qui n'a pas eu d'incidence sur l'opinion émise :

1. Nécessité pour l'OTAN de comptabiliser le passif correspondant aux avantages postérieurs à l'emploi, afin de se conformer à son cadre comptable (IPSAS 39 (*Avantages du personnel*))

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits, et il a constaté qu'une question avait été traitée et qu'une autre était en cours de traitement.

OBSERVATIONS, CONCLUSIONS ET RECOMMANDATION**1. NÉCESSITÉ POUR L'OTAN DE COMPTABILISER LE PASSIF CORRESPONDANT AUX AVANTAGES POSTÉRIEURS À L'EMPLOI, AFIN DE SE CONFORMER À SON CADRE COMPTABLE (IPSAS 39 (AVANTAGES DU PERSONNEL))****Contexte**

1.1 Le fonds de couverture médicale des agents à la retraite (FCMR) a été créé au 1^{er} janvier 2001 par suite de l'approbation du PO(2000)123 par le Conseil. L'objectif était de constituer une réserve afin de garantir la disponibilité de fonds suffisants pour permettre à l'OTAN de prendre en charge les dépenses médicales des agents retraités répondant aux critères fixés et des personnes reconnues comme étant à leur charge. Les services financiers, y compris l'établissement des états financiers, sont fournis par le Bureau du contrôle financier (OFC) (qui fait partie du Secrétariat international).

1.2 Comme le cadre comptable OTAN ne comporte pas de norme portant spécifiquement sur la comptabilité et les rapports financiers des régimes de pensions et des fonds de couverture médicale, l'OFC a appliqué la norme comptable internationale (IAS) 26 (*Comptabilité et rapports financiers des régimes de retraite*) pour établir la comptabilité et les états financiers du FCMR. Ces états financiers ont donc été préparés conformément au cadre comptable OTAN et à l'IAS 26. Comme le FCMR n'a pas d'employé, la norme comptable internationale du secteur public (IPSAS) 39 (*Avantages du personnel*) ne s'applique pas à ses états financiers.

1.3 Aux termes de l'IPSAS 39, toute entité est tenue de « comptabiliser un passif lorsqu'un membre du personnel a rendu des services en échange d'avantages du personnel qui lui seront versés à l'avenir ». La même norme définit les avantages du personnel comme des « prestations futures » octroyées par l'employeur aux « membres du personnel en activité » ou aux « anciens membres du personnel » en échange de services rendus antérieurement. Les avantages postérieurs à l'emploi sont notamment les pensions, les prestations versées sous forme de capital au moment du départ à la retraite, les assurances vie postérieures à l'emploi et les régimes d'assistance médicale postérieure à l'emploi.

1.4 Dans les notes jointes aux états financiers, les informations relatives au passif correspondant aux avantages postérieurs à l'emploi sont basées sur l'évaluation actuarielle établie annuellement par le Service international des rémunérations et des pensions (SIRP). Plateforme commune aux six organisations coordonnées, dont l'OTAN fait partie, ce service leur fournit une aide dans le cadre de leurs régimes de pensions et de leurs politiques de rémunération. L'évaluation actuarielle se fonde sur des données

exhaustives sur les affiliés au FCMR, qui sont communiquées par l'OTAN à la fin de chaque année.

Observations

1.5 En application du cadre comptable OTAN, les organismes OTAN dont certains agents cotisent au FCMR doivent se conformer à l'IPSAS 39 (*Avantages du personnel*) et, à cet effet, comptabiliser dans leurs états financiers un passif correspondant aux avantages postérieurs à l'emploi. Par conséquent, ces organismes sont en principe tenus de comptabiliser la quote-part qui leur revient dans le passif d'environ 3 milliards d'euros accumulé par le FCMR au titre des avantages postérieurs à l'emploi. Pour qu'ils soient dispensés de cette obligation, il faudrait normalement modifier le cadre comptable OTAN.

1.6 La note 3 jointe aux états financiers du FCMR mentionne le montant total du passif accumulé par tous les organismes OTAN au titre des avantages postérieurs à l'emploi, et elle contient d'autres informations intéressantes tirées du rapport actuariel annuel fourni par le SIRP. Dans les états financiers du FCMR, l'OFC n'a pas enregistré de passif correspondant aux prestations dues en tant qu'avantages postérieurs à l'emploi ; ce traitement comptable est correct puisque le FCMR n'a pas d'employé.

1.7 L'IBAN a constaté que le passif accumulé par le FCMR au titre des avantages postérieurs à l'emploi et les informations s'y rapportant ne figuraient dans les états financiers d'aucun organisme ou régime de pensions OTAN.

Recommandation

1.8 L'IBAN recommande que l'OFC, en tant que contrôleur des finances du FCMR, définisse les critères de comptabilisation du passif correspondant aux avantages postérieurs à l'emploi et fasse en sorte que ce passif soit constaté conformément au cadre comptable OTAN (IPSAS 39 (*Avantages du personnel*)).

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits. On trouvera dans le tableau ci-après un récapitulatif de ces observations et des mesures prises par l'entité ainsi qu'un état de la question.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
(1) FCMR – Exercice 2016 IBA-AR(2017)25, paragraphe 1 ABSENCE DE MENTION DES RÉSULTATS DE L'ÉVALUATION ACTUARIELLE BASÉE SUR LES CHIFFRES DE 2016 Recommandation de l'IBAN Le Collège recommande de faire en sorte que les résultats de l'évaluation actuarielle par le SIRP de l'obligation relative aux soins médicaux postérieurs à la période d'emploi soient disponibles suffisamment tôt pour pouvoir être intégrés dans les états financiers à établir pour l'exercice considéré.	L'IBAN a noté que des mesures avaient été prises pour que l'évaluation actuarielle portant sur l'exercice clos le 31 décembre 2018 soit disponible en prévision de l'établissement des états financiers.	Question traitée .
(2) FCMR – Exercice 2012 IBA-AR(2013)25, paragraphe 5.1 INADÉQUATION DE L'ACTIF NET DU FCMR POUR LE SERVICE DES PRESTATIONS ESCOMPTÉES Recommandation de l'IBAN Le Collège appelle l'attention du Conseil sur le fait que les ressources prévues actuellement ne suffiront pas pour permettre à l'OTAN de faire face à ses obligations, alors que c'est là l'objet même du fonds, et il recommande que, comme proposé dans le SG(2009)0302, le SI fournisse une estimation du montant minimal qu'il faudra injecter dans le FCMR pour assurer sa viabilité. Cette estimation devra être basée sur les résultats de l'étude de la gestion des actifs et des passifs communiqués à la réunion tenue en décembre 2012 par le Comité de surveillance, ainsi que sur le rapport final relatif à cette étude, daté du 30 avril 2013.	Le contrôleur des finances du Secrétariat international a fait le point sur la situation financière du FCMR dans un rapport approuvé par le Comité de surveillance qui a été présenté au président du Comité des budgets en décembre 2017. Ce rapport présente les mesures qui ont été prises pour assurer la viabilité du FCMR à plus long terme : meilleure gestion des placements, instauration d'un mécanisme de participation aux bénéfices, augmentation du nombre de retraités qui cotisent au fonds, ajustement des cotisations, maîtrise des	Question en cours de traitement .

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
Le Collège recommande également que le SI fournisse toutes les informations nécessaires et qu'il présente toute mesure corrective mise en œuvre pour limiter le niveau des obligations. Le tout devrait être présenté aux pays dans les meilleurs délais afin de leur permettre de prendre, si c'est encore possible, les mesures correctives supplémentaires qui s'imposent.	dépenses médicales et apport de moyens supplémentaires. Par ailleurs, le SIRP a procédé à une estimation des dépenses pour déterminer si l'actif du fonds sera suffisant pour que les obligations puissent être honorées. Plusieurs scénarios de rendement ont été étudiés. Dans la conclusion de son rapport, il indique que le Comité de surveillance continuera de suivre l'évolution du FCMR et d'examiner s'il est nécessaire de prendre d'autres mesures pour en assurer la viabilité à plus long terme. À sa dernière réunion, qui s'est tenue le 16 novembre 2018, le Comité de surveillance a noté que le Comité des budgets s'était enquis des mesures touchant les retraités qui avaient été prises dans d'autres organisations coordonnées et qu'il avait cherché à déterminer comment résoudre le problème des obligations à long terme. De son côté, la Confédération des comités du personnel civil de l'OTAN (CNCSC) a formulé un certain nombre de propositions visant par exemple, pour les nouveaux agents, à faire passer à 15 ans, contre 10 actuellement, le nombre d'années de service qu'il faudrait compter pour avoir droit à des prestations au titre du FCMR. Le Comité de surveillance doit encore décider de mesures correctrices et mettre au point une approche stratégique pour assurer la viabilité à long terme du fonds.	

Une question est considérée comme étant « à traiter » lorsqu'aucun progrès notable n'a encore été réalisé en vue de son règlement. Une question est considérée comme étant « en cours de traitement » lorsque l'organisme OTAN visé a commencé à mettre en œuvre la recommandation correspondante ou lorsque certains éléments de la recommandation (mais pas tous) ont été suivis d'effets. Une question est considérée comme étant « traitée » lorsque la recommandation correspondante a été mise en œuvre ou qu'elle a été rendue ou est devenue caduque.

**COMMENTAIRES OFFICIELS DU SECRÉTARIAT INTERNATIONAL
SUR LA LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS ET POSITION
DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN)**

**OBSERVATION N° 1 :
NÉCESSITÉ POUR L'OTAN DE COMPTABILISER LE PASSIF CORRESPONDANT
AUX AVANTAGES POSTÉRIEURS À L'EMPLOI, AFIN DE SE CONFORMER À
L'IPSAS 39 (AVANTAGES DU PERSONNEL)**

Commentaires officiels du Secrétariat international

- A. *La question soulevée par l'IBAN ne concerne pas le traitement comptable appliqué dans le cas spécifique du fonds de couverture médicale des agents à la retraite (FCMR) mais bien le traitement comptable appliqué par l'ensemble des organismes OTAN qui présentent des états financiers.*

Le FCMR est un régime d'avantages postérieurs à l'emploi. Aucune norme IPSAS ne porte sur la comptabilité et les rapports financiers de tels régimes. De même, le cadre comptable OTAN ne comporte aucune disposition spécifiquement applicable à de tels régimes. Par conséquent, le Bureau du contrôle financier du SI a appliqué la norme comptable internationale 26 (Comptabilité et rapports financiers des régimes de retraite) pour établir les états financiers du FCMR. Nous notons que les observations et la recommandation de l'IBAN n'ont pas d'incidence sur l'opinion relative aux états financiers ni sur celle relative à la conformité.

- B. *Avant 2006, alors que l'application des IPSAS se préparait, il avait été décidé, à l'analyse de ce que supposait ce qui était alors l'IPSAS 25 (devenue l'IPSAS 39), qu'aucun organisme OTAN ne présenterait, dans ses états financiers, de part des passifs accumulés au titre du FCMR ou du régime de pensions coordonné. Cette décision était motivée par plusieurs raisons pratiques :*

- il aurait été difficile et coûteux de définir un ensemble objectif de critères qui auraient présidé à la répartition de ces passifs entre les différents organismes OTAN (parce que les agents peuvent passer d'un organisme à l'autre, parce que certains organismes OTAN ont cessé d'exister sans que le passif leur revenant ait été transféré à un autre organisme, etc.) ;*
- toute répartition aurait exigé de fixer arbitrairement un certain nombre de paramètres qui auraient pu être remis en question ou jugés inadaptés ;*
- découper l'information en plusieurs petits morceaux (par organisme OTAN)*

- aurait brouillé le message global ;*
- *faire présenter une part du passif par chacun des organismes OTAN aurait donné l'impression que ceux-ci étaient individuellement redevables des montants constatés, ce qui n'est pas le cas.*

Au-delà de cela, l'OFC est d'avis que la responsabilité financière individuelle de chaque organisme OTAN se limite à payer les cotisations au FCMR qui se rapportent à son propre personnel, comme le prévoit le Règlement du personnel civil. Aucun des organismes OTAN évoqués par l'IBAN qui établissent des états financiers propres n'a l'obligation de prendre en charge des avantages postérieurs à l'emploi tels que la couverture médicale d'agents à la retraite, que ce soit pour les anciens membres de son personnel ou pour une partie des anciens membres du personnel de l'Organisation dans son ensemble. Dès lors, l'OFC considère que les organismes OTAN ne peuvent être tenus pour individuellement redevables. À notre connaissance, aucun règlement OTAN (NFR, RPC ou autre) ne comporte de disposition en ce sens. Nous estimons donc que l'idée (formulée au paragraphe 1.6 de la lettre d'observations et de recommandations) selon laquelle chaque organisme OTAN assume une part du passif global accumulé au titre du FCMR, et qu'il doit donc présenter le chiffre correspondant dans ses états financiers, n'est pas justifiée de manière satisfaisante.

Compte tenu de ce qui précède, nous sommes d'avis que, pour éviter toute confusion, il serait préférable et souhaitable de clarifier cette question dans le cadre comptable OTAN.

Position de l'IBAN

L'IBAN est bien conscient du fait que le passif de 3 milliards d'euros accumulé au titre du FCMR est, en pratique, pris en charge de manière centralisée par l'Organisation dans son ensemble. La raison en est que, par décision des pays, les cotisations au FCMR sont appelées et versées de manière centralisée au nom de tous les organismes OTAN. Cependant, l'application du raisonnement exposé par l'OFC a conduit à la situation actuelle, où cet important passif n'est comptabilisé dans les états financiers d'aucun organisme OTAN, ce qui n'est en aucun cas conforme à l'IPSAS 39 ni par conséquent au cadre comptable OTAN. L'IBAN a donc modifié ses observations et sa recommandation pour faire ressortir cet état de fait.

**NATO RETIREES MEDICAL CLAIMS FUND
FINANCIAL STATEMENTS**

For the year ended
31 December 2018

Annexes

- | | |
|---|---|
| 1 | Statement of Net Assets Available for Benefits |
| 2 | Statement of Changes in Net Assets Available for Benefits |
| 3 | Notes to the Financial Statements |



Jens STOLTENBERG
Secretary General



Stéphane CHAGNOT
Financial Controller

NATO RETIREES MEDICAL CLAIMS FUND
Statement of Net Assets Available for Benefits

(All amounts in EUR)	Notes	Current Year	Prior Year
		31-Dec-18	31-Dec-17
Assets			
Cash and cash equivalent	(4)	1,397,570.31	3,007,418.90
Investments at market value	(5)	314,569,443.02	323,158,097.85
Accounts receivable	(6)	441,394.37	860,707.96
Total Assets		316,408,407.70	327,026,224.71
Liabilities			
Accounts payable	(7)	2,402,099.99	1,943,748.82
Total Liabilities		2,402,099.99	1,943,748.82
Net assets available for benefits		314,006,307.71	325,082,475.89

NATO RETIREES MEDICAL CLAIMS FUND

Statement of Changes in Net Assets Available for Benefits

(All amounts in EUR)	Notes	Current Year	Prior Year
		31-Dec-18	31-Dec-17
Increase in net assets			
Net unrealized gain in market value of investments	(5)	-11,607,218.82	14,223,598.81
Contributions for current year	(8)	24,976,569.03	23,905,937.44
Profit sharing per agreement with insurer	(9)	0.00	0.00
Fund rebates	(5)	518,563.99	501,740.90
Interest income	(10)	0.00	0.00
Miscellaneous	(12)	1,690.00	0.00
Total increase in net assets available for benefits		13,889,604.20	38,631,277.15
Decrease in net assets			
Insurance premiums	(11)	23,480,363.55	21,178,700.00
Insurance management fee	(11)	1,469,660.34	1,398,625.86
Fund purchase fees/financial costs	(10)	4,621.48	4,226.26
Miscellaneous	(12)	11,127.01	3,598.42
Total decrease in net assets available for benefits		24,965,772.38	22,585,150.54
Net increase for the year		-11,076,168.18	16,046,126.61
Net assets available for benefits, beginning of year		325,082,475.89	309,036,349.28
Net assets available for benefits, end of year		314,006,307.71	325,082,475.89

**EXPLANATORY NOTES TO THE
2018 FINANCIAL STATEMENTS OF THE
NATO RETIREES' MEDICAL CLAIMS FUND**

NOTE 1: GENERAL INFORMATION

The Retirees' Medical Claims Fund (RMCF) was set up with effect from 1 January 2001 pursuant to Council approval of PO(2000)123. The purpose was to establish a reserve to ensure that sufficient funds are available for the years to come to enable NATO to meet its obligations to pay the medical expenses of eligible retired staff members and their recognised dependants.

Description of the Fund

Staff leaving the Organization after 10 consecutive years of service and having reached the age of 55 are eligible to reimbursement of medical costs for themselves and their recognized dependants (Article 51.2 of the Civilian Personnel Regulations (CPR)).

Until 31 December 2000, any staff who had at least 10 years consecutive service and reached 65, was covered for life for their medical expenses through Organization's insurers. However, with the rise in the number of retirees and the increasing medical costs, the insurers were no longer able to cover the expenses. Accordingly, the Organization assumed this responsibility as from 1 January 2001.

For this purpose, the Retirees' Medical Claims Fund was set up with effect from 1 January 2001 pursuant to Council approval of PO(2000)123. The Council agreed to the establishment of a reserve to ensure that sufficient funds are available for the years to come to enable NATO to meet its obligations.

However, on the date of the creation of the RMCF there existed a potential liability towards staff who filled the age and service conditions mentioned above but had not yet retired. No asset was provided to fund this initial liability; therefore, from its inception the RMCF was underfunded.

The Fund only finances retirees from the age of 65. Former staff between the ages of 55 and 65 are insured under a different financing scheme.

The RMCF is maintained primarily by the annual premiums paid as continuing insurance. The surplus funds collected are invested with the Investment Manager.

Financing

The Fund receives the following contributions:

- 4.5% of the active agents' emoluments (1/3 borne by the staff, 2/3 by NATO).
- 5% of the last basic salary of the retirees who are required to contribute (1/3 borne by the staff, 2/3 by NATO). This rate was increased, from 3%, as from 1 January 2013.

In 2015, changes to the Civilian Personnel Regulations were introduced to put an end to situations that enabled staff recruited before 1 January 2001 and having contributed at least 25 years not to pay a premium after the age of 65.

Governance

The rules and principles governing the RMCF are provided at Annex XIII of the NATO CPRs. A consultative committee, called the Supervisory Committee, oversees the management of the RMCF with the object of ensuring that sufficient funds will always be available to cover medical costs until the last NATO pensioner or his/her dependants die. It acts as advisor to the NATO Secretary General.

The composition of the Supervisory Committee is as follows: a Chair appointed by the Secretary General (Director of Economics or Financial Controller, NATO-IS - the Chair shall be neutral); one representative of the International Staff (Director of Economics or Financial Controller, NATO-IS); two representatives for the NATO Production and Logistics Organisations; one representative for bodies governed by the Paris Protocol; two staff representatives appointed by the Confederation of NATO Civilian Staff Committees and two representatives appointed by the Confederation of NATO Retired Civilian Staff Associations.

The Fund, held in the name of NATO, is entrusted to an independent investment manager.

The Supervisory Committee determines the investment strategy and decides in which funds to invest. The Investment Manager executes purchases and sells according to instructions received from NATO-IS Treasury, which are in accordance with Supervisory Committee decisions.

The Investment Manager keeps the Supervisory Committee informed of all matters relating to the composition and performance of the funds through regular meetings with the Committee members.

Members of the RMCF Supervisory Committee do not receive any additional remuneration or benefits in return for their responsibilities.

Investment strategy

For 2018, as since 2009, the Supervisory Committee left unchanged the strategy of investing in index funds and maintaining holdings approximately as follows:

50% in European government (sovereign) bonds
25% in global equities
25% in European equities

Vanguard Investment Series plc, a prominent index-fund manager, buys and sells bonds and equities on behalf of the Fund within the objectives and restrictions set out in the contract signed with the Organisation. Investments are in Euro.

Management of the RMCF

NATO International Staff, in particular Executive Management – Human Resources and the Office of Financial Control, are responsible for the day-to-day management of the RMCF. Financial services are provided by the Office of Financial Control, NATO-IS. Administrative services and secretarial support are provided by Human Resources, Personnel Support.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

Declaration of conformity

The financial statements of the NATO RMCF have been prepared in accordance with the NATO Financial Regulations and International Accounting Standard 26, "Accounting and Reporting by Retirement Benefit Plans". The NATO Accounting Framework, which is an adapted version of the International Public Sector Accounting Standards (IPSAS), does not have a specific standard for accounting and reporting for post-employment benefits.

The accounting system currently used by the NATO RMCF is accrual based.

The financial statements summarize the transactions and net assets of the Fund. The statements do not take into account the liability to pay benefits that fall due after the year end of the reporting period. The actuarial position of the NATO RMCF, which takes these liabilities into account, is presented in Note 3.

Basis of presentation

The financial statements have been prepared on a going-concern basis: the RMCF will continue in operation for the foreseeable future.

The amounts shown in these financial statements are presented in EUR.

Changes in accounting policy

There are no changes to report.

Use of estimates

In the application of accounting policies, which are described below, management is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Estimates include, but are not limited to: the long term obligation of the continued medical coverage and contingent assets.

Foreign currency transactions

The insurance premiums are calculated and paid in EUR and the accounting is in EUR. Since mid-2009, contributions are made in EUR; consequently, foreign currency transactions are not material. Realized gains and losses resulting from such transactions appear in the cash flow statement.

Cash and Cash Equivalents

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

Investments

Investments reported under these RMCF financial statements consist of equities and government bonds in indexed investment funds. These investments are reported as non-current assets reflecting the long term financial strategy of the RMCF.

An index fund is a collective investment scheme that aims to replicate the movements of an index of a specific financial market, regardless of market conditions. It does not aim to outperform the market. Index funds are commonly composed of a representative sample rather than all the securities in a given market, in appropriate weights. They are subject to a form of passive management rather than active management.

At the end of each reporting period a valuation is made by the investment manager at fair value by reference to official prices quoted on the day of valuation. The Account Statement received from Vanguard's transfer agent uses the Generally Accepted Accounting Principles (GAAP) methodology to calculate the Daily Net Asset Value (Daily NAV), a tradable, realisable value on the last trading day of the month. These are the values generally reported in financial statements by fund investors.

Amounts are net of purchase costs and increased by rebates.

Receivables

Receivables are stated at net realisable value. No allowance for loss is recorded for receivables relating to NATO bodies' statutory contributions.

Payables

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

Net Assets

The net assets available at year-end correspond essentially to the surplus contributions that were not used to pay the insurance premiums and were invested with the Investment Manager or awaiting transfer.

Financial Risks

The RMCF uses only non-derivative financial instruments as part as its normal operations. These financial elements include cash, indexed investment funds, bank accounts, deposit accounts and accounts receivable.

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

The RMCF is exposed to a variety of financial risks, including credit risk, market (price) risk and liquidity risk. The maximum exposure as at 31 December 2018 is equal to the total amount of bank balances, short term deposits, investment funds, and receivables.

Credit risk

The RMCF incurs credit risks from cash and cash equivalent held with banks and receivables. There is very limited credit risk associated with the realization of these elements.

Concerning cash and cash equivalent the RMCF 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:

ING Bank Credit Ratings as at 01/03/2019

	Fitch	Moody's	S&P
Short term	F1	P1	A-1

Concerning receivables, the credit risk is managed by maintaining control procedures over receivables. These consist essentially of contributions due by NATO agency payroll centres and the NATO Coordinated Pension Scheme. This risk is considered limited since these entities are funded by member nations which are considered credit worthy.

Price risk

The RMCF is exposed to equity securities market risk.

The two index equity funds in which RMCF funds are invested are not rated. The European Government Bond Index Fund is comprised of bonds with ratings as indicated below:

Rating	AAA	AA	A	BBB	<BBB	Not rated	Cash
At 31.01.2019	23.7%	37.2%	15.9%	22.6%	0.0%	0.6%	0.0%

Credit ratings are derived from Moody's, S&P and Fitch. When ratings from all three are available, the median rating is used. When ratings are available from two of the agencies, the lower rating is used. When one rating is available, that rating is used.

Currency risk

Since mid-2009, RMCF is not exposed to foreign currency exchange risk arising from fluctuations in currency rates. The scheme receives contributions only in EUR. As explained above, funds are invested in EUR and insurance premiums are due in EUR.

Liquidity risk

A liquidity risk could arise from a short term liquidity requirement. There is a very limited exposure to liquidity risk because contributions from NATO payroll centres are received on a monthly basis, are higher than the insurance premiums and are paid by NATO bodies; the NATO bodies receive either contributions from their member states or income from their customers, generally are other NATO bodies funded through their approved budgets. It is only the excess funds (after payment of insurance premiums) that are invested with Vanguard Investment Series plc with the aim of increasing the assets available for benefits over time. This risk will be reassessed since the RMCF is nearing the point where minor disinvestments will have to be made to pay the insurance premiums.

Interest rate risk

The RMCF is restricted from entering into borrowings.

A portion of RMCF is invested in bonds. The market value of bonds fluctuates according to market perception of the issuer's creditworthiness and to projected interest rates. The value of assets available for benefits is therefore subject to some interest rate risk.

NOTE 3: ACTUARIAL VALUATION

In 2018 the ISRP decided to update its actuarial model known as the Projection of Pensions and Staff Costs model. This updated model was subject to an external review and validation

of its calculations and output. The conclusion was that the new model appears to be a reasonable way to assess the value of the liabilities within the Co-ordinated Organisation schemes. A reconciliation exercise was conducted between the output of the updated model and the calculations produced by the previous model, with differences which were either not material or explainable and therefore were considered acceptable.

An actuarial study was conducted early 2019 by the OECD International Service for Remunerations and Pensions (ISRP) using the updated model to assess the value of the long term NATO post employment medical care obligation.

The evaluation of the situation end 2018 results in an overall present value of MEUR 2,981 of which MEUR 2,889 for the obligation related to the continued medical coverage of retirees funded through the RMCF and MEUR 92 for the obligation related to the specific category of staff called "bridgers" (see below).

The methodology is based on the Projected Unit Credit Approach, the method recognised by the IFRS/IPSAS standards.

Endogenous assumptions taken into account are:

- Probability that a staff member leaves the Organisation, retires, or becomes invalid, etc.
- Annual salary increase and impact due to career progression (0.24% above inflation)

Exogenous assumptions taken into account are:

- Discount rate in nominal value for post-employment medical care: 0.91% (previous 1.23%)
- Price inflation in the long run: 2% (previous 2%)
- Rates of mortality for both active staff and pensioners (mortality table International Civil Servant Life Table 2018 – ICSLT2018, source ISRP/EUROSTAT, which is based on data covering several international organizations in Europe, including NATO and the European Union). (Previous table was ICSLT2013.)
- Medical inflation in the long run: 4% annually (based on an analysis of medical expenses historical data) (previous 4%).

The previous actuarial study estimated that the value of the obligation for post-employment medical care at the end of 2017 was MEUR 2,069. The liability at the end of 2018 can be obtained as follows:

(amounts in MEUR)

Evaluation of the obligation at year end 2017	(a)	2,069
Benefits paid	(b)	23
Interest cost	(c)	25
Current service cost	(d)	114
Obligation at year end 2017 projected into 2018	(e)=(a-b+c+d)	2,185
Actuarial loss (gain) on obligation	(f-e)	796
Evaluation of obligation at year end 2018	(f)	2,981

The actuarial loss is MEUR 796 (i.e. the positive difference between the obligation estimated at the end of the current year by the new study and the obligation resulting from the previous study at the end of previous year projected into the current year). An analysis of the actuarial loss is provided in the following table.

Impact of change in ...	Type of of loss (gain)	Amount MEUR	% of year end liability
Population	Experience	-26	-0.9%
Demographic assumptions	Assumption	209	7.0%
Mortality table	Assumption	346	11.6%
Discount rate	Assumption	267	8.9%
Total actuarial loss (gain)		796	26.7%

By definition actuarial valuations are largely dependent on the endogenous and exogenous parameters. Therefore any changes to the latter can result in material changes to the final evaluation of the obligation.

The significant increase in life expectancies reflected in the new mortality table ICSLT2018 had a significant impact. This new mortality table was approved in 2018. It is an update of the previous ICSLT2013 table produced using historic population data from a number of European based international organisations. It is therefore deemed to constitute a more realistic assumption.

In this case, the discount rate was decreased, by 32 basis points, from 1.23% to 0.91%.

The discount rate refers to market yields on high quality corporate bonds. For the purpose of this actuarial study, in the absence of a market for Eurozone corporate bonds with maturities longer than 18 years, the Euro area government bond yield curve was used instead as a reference to discount the liabilities of the RMCF. This resulted in the discount rate of 0.91%, compared to the previous 1.23% (and before 0.98%, 1.60%, 1.41% and 2.84%).

Use of the ever-changing market value reference discount rate is likely to result in substantial changes of the actuarial valuations. Considering that the present interest rates used for the actuarial study are historically low, the use of a higher discount rate in the future would result in a decrease in the valuation of the liability.

The table below provides a sensitivity analysis for each significant actuarial assumption as of the end of the reporting period.

	Amounts in MEUR	Change
Base liability	2,981	-
Discount rate -1%	4,061	36%
Discount rate +1%	2,241	-25%
Inflation -1%	2,243	-25%
Inflation +1%	4,029	35%
Mortality rate shifted by +1 year	2,795	-6%
Mortality rate shifted by -1 year	3,175	7%

The value of the obligation includes an amount of MEUR 92 corresponding to a specific category of staff referred to as "bridgers". Medical claims for eligible former staff between the ages of 55 and 65 ("bridgers") are not funded through the RMCF. They are insured under the terms of the "bridging-cover" whereby the related annual contributions and reimbursements are included in the medical claims insurance system of active staff. Contributions based on the "bridgers" last salary (5% since 2013 (3% previously), on a 1/3 "bridget" to 2/3 employer proportion) are made to the medical claim insurance company. No specific fund was set up to resource these requirements; they are handled on an annual basis. No payments to the RMCF are required from "bridgers" in the intervening years between their retirement from the organization and their reaching the age of 65, at which point they benefit from RMCF insurance coverage and contribute to its funding.

NOTE 4: CASH AND CASH EQUIVALENTS

The various NATO entities and pensioners pay their contributions into a suspense account. This account serves to pay insurance premiums and effect the transfers of funds to be invested by the Investment Manager. Short term investments are made as required.

NOTE 5: FUNDS HELD BY THE INVESTMENT MANAGER**Distribution of Assets as of 31 December**

	2018		2017	
	EUR	%	EUR	%
Euro Govt Bond Index Fund	154,839,123.45	49.22%	150,967,660.72	46.72%
Europe Stock Index Fund	77,713,225.57	24.70%	86,673,147.79	26.82%
Global Stock Index Fund	82,017,093.99	26.07%	85,517,289.34	26.46%
TOTAL	314,569,443.02	100.00%	323,158,097.85	100.00%

Details of the changes in investment fund balances available for benefits over the past two years are as follow:

in EUR	Euro Govt Bond Index Fund	Europe Stock Index Fund	Global Stock Index Fund	TOTAL
31 Dec 2016 balance	144,331,309.39	78,353,240.30	84,248,208.45	306,932,758.14
Purchases before purchase fees	1,500,000.00	5,000,000.00	0.00	6,500,000.00
Withdrawals	0.00	0.00	-5,000,000.00	-5,000,000.00
Distributions	0.00	0.00	0.00	0.00
Rebates received	177,114.40	182,966.43	141,660.07	501,740.90
Purchase Fees	0.00	0.00	0.00	0.00
2017 net transactions	1,677,114.40	5,182,966.43	-4,858,339.93	2,001,740.90
Sum of 31 Dec 2016 balance and 2017 net transactions	146,008,423.79	83,536,206.73	79,389,868.52	308,934,499.04
Gain/loss in market value excluding 2017 net transactions	4,959,236.93	3,136,941.06	6,127,420.82	14,223,598.81
31 Dec 2017 balance	150,967,660.72	86,673,147.79	85,517,289.34	323,158,097.85
Purchases before purchase fees	2,500,000.00	0.00	0.00	2,500,000.00
Withdrawals	0.00	0.00	0.00	0.00
Distributions	0.00	0.00	0.00	0.00
Rebates received	181,612.11	187,450.36	149,501.52	518,563.99
Purchase Fees	0.00	0.00	0.00	0.00
2018 net transactions	2,681,612.11	187,450.36	149,501.52	3,018,563.99
Sum of 31 Dec 2017 balance and 2018 net transactions	153,649,272.83	86,860,598.15	85,666,790.86	326,176,661.84
Gain/loss in market value excluding 2018 net transactions	1,189,850.62	-9,147,372.58	-3,649,696.87	-11,607,218.82
31 Dec 2018 balance	154,839,123.45	77,713,225.57	82,017,093.99	314,569,443.02

Fund's Overall Performance

In 2018, Vanguard Investment Series plc index funds tracked their respective benchmarks during the period. Their returns, net of expenses and including the effect of reinvested dividends, are compared below to that of the corresponding benchmarks for the past two years:

Vanguard index fund				Benchmark		
ISIN	Fund name	2018	2017		2018	2017
IE0007472990	Euro Government Bond Index Fund EUR Institutional Shares	0.89%	0.04%	Spliced Euro Govt Float Adj Bond Index	0.92%	0.20%
IE0007987708	European Stock Index Fund EUR Institutional Shares	-10.34%	10.62%	MSCI Europe	-10.57%	10.24%
IE00B03HD191	Global Stock Index Fund EUR Institutional Shares	-4.09%	7.54%	MSCI World	-4.11%	7.51%

The number of units and daily NAV per unit for the RMCF at year end, together with the resulting year-end market values, were as follows:

	2018			2017		
	Units	NAV in EUR	Market Value in EUR	Units	NAV in EUR	Market Value in EUR
Euro Gov't Bond Index Fund	692,197.24	223.6922	154,839,123.45	680,056.87	221.9927	150,967,660.72
Europe Stock Index Fund	4,316,130.56	18.0053	77,713,225.57	4,306,569.07	20.1258	86,673,147.79
Global Stock Index Fund	3,763,961.34	21.7901	82,017,093.99	3,757,548.26	22.7588	85,517,289.34
TOTAL			314,569,443.02			323,158,097.85

NOTE 6: ACCOUNTS RECEIVABLE

Receivables at year-end were as follows:

(amounts in EUR)	2018	2017
Contributions	441,394.37	787,600.38
Receivable from insurer	0.00	73,107.58
Total accounts receivable	441,394.37	860,707.96

Contributions are paid on a monthly basis. At the date of issuance of these financial statements, no contributions were a year or more past due.

Amounts receivable from the insurance company and the third party administrator relate to the final assessment of the premium and of the management fee, which are paid in monthly advances during the year.

There are profit sharing agreements in place for the periods 2012-2016 and 2017-2021; they are considered under the contingent asset note.

NOTE 7: ACCOUNTS PAYABLE

Amounts receivable at year end were as follows:

(amounts in EUR)	2018	2017
Insurance Premiums	2,301,663.55	1,943,748.82
Insurer Management Fee	71,034.48	0.00
Miscellaneous	29,401.96	0.00
Total accounts receivable	2,402,099.99	1,943,748.82

Miscellaneous amounts correspond to operations to be regularised with contributors.

NOTE 8: CONTRIBUTIONS RECEIVED

Contributions received in the course of the year were as follows:
(amounts in EUR)

Contributions from	2018	2017
Active Staff and NATO Employer	24,398,862.60	23,410,740.13
Retired Staff from DBPS (Defined Benefit Pension Scheme)	545,392.19	469,547.26
Retired Staff from DCPS (Defined Contribution Pension Scheme)	7,949.80	6,577.13
Other Retired Staff	24,364.44	19,072.92
Total	24,976,569.03	23,905,937.44

NOTE 9: PROFIT SHARING AGREEMENT WITH INSURER

A profit-sharing arrangement has been entered into, covering the period 2012-2016, whereby NATO would be refunded the totality of the difference Premiums X 97% – Reimbursements, if it is positive. The final settlement was done during the first quarter of 2018 and resulted in no profit to be shared. There was, therefore, no revenue for the RMCF for the period 2012-2016.

A similar arrangement is in place covering the period 2017-2021.

NOTE 10: INTEREST

Interest is earned on the bank account for the period during which cash holdings are pending investment. Amounts presented are netted of bank charges.

NOTE 11: INSURANCE PREMIUMS AND MANAGEMENT FEES

The insurance premium to cover the medical expenses of the retirees is paid monthly to the third party administrator on the basis agreed under the NATO Group Insurance Policy.

The value of the insurance premium paid to the insurance company is essentially based on the number and age of the beneficiaries. The premium includes a management fee of EUR 1,469,660.34 (EUR 1,398,625.86 for 2017).

NOTE 12: MISCELLANEOUS

Corresponds to miscellaneous transactions essentially net financial results (including negative interests paid on the current bank account) and foreign exchange results.

NOTE 13: CONTINGENT ASSETS

As indicated above, there is a profit-sharing agreement with the insurer. The arrangement covers the period 2012-2016, whereby NATO would be refunded the totality of the difference Premiums X 97% – Reimbursements, if it is positive. The final settlement was done during the first quarter of 2018 and resulted in no profit to be shared. There was, therefore, no revenue for the RMCF for the period 2012-2016.

A similar arrangement is in place covering the period 2017-2021.

NOTE 14: CONTINGENT LIABILITIES

There are no material contingent liabilities arising from legal actions and claims that are likely to result in significant liability to the RMCF. A series of claims were introduced in relation to the deletion of the Civil Personnel Regulation provision concerning staff obtaining free medical coverage after 25 years of contributions. These cases have not yet been addressed by the NATO Administrative Tribunal. The related risk is not considered as having a material impact on these financial statements.

NOTE 15: RELATED PARTY TRANSACTIONS

The following related party transactions took place during the year ended 31 December 2018.

NATO International Staff, in particular Executive Management – Human Resources and the Office of Financial Control, are responsible for the day-to-day management of the RMCF.

None of the costs related to the administrative services provided by NATO International Staff are charged to the RMCF.

NOTE 16: KEY MANAGEMENT PERSONNEL

For the purpose of these financial statements, key management personnel are considered to be the Assistant Secretary General for Executive Management and the Financial Controller of the International Staff. Their remuneration is entirely covered by the International Staff.

Members of the RMCF Supervisory Committee do not receive any additional remuneration or benefits in return for their responsibilities. The International Staff Financial Controller was appointed Chairperson of the Supervisory Committee end 2010.

The Fund does not hold any securities of the employer sponsor or, directly, of its related parties.

NOTE 17: STATISTICAL INFORMATION

Evolution of RMCF membership (number of affiliates)			
year-end	2000	Affiliates	0
	2001	Joined	166
	2001	Exited	0
year-end	2001	Affiliates	166
	2002	Joined	250
	2002	Exited	-1
year-end	2002	Affiliates	415
	2003	Joined	229
	2003	Exited	-4
year-end	2003	Affiliates	640
	2004	Joined	242
	2004	Exited	-14
year-end	2004	Affiliates	868
	2005	Joined	328
	2005	Exited	-15
year-end	2005	Affiliates	1,181
	2006	Joined	258
	2006	Exited	-27
year-end	2006	Affiliates	1,412
	2007	Joined	259
	2007	Exited	-25
year-end	2007	Affiliates	1,646
	2008	Joined	333
	2008	Exited	-37
year-end	2008	Affiliates	1,942
	2009	Joined	330
	2009	Exited	-32
year-end	2009	Affiliates	2,240
	2010	Joined	316
	2010	Exited	-37
year-end	2010	Affiliates	2,519
	2011	Joined	401
	2011	Exited	-39
year-end	2011	Affiliates	2,881
	2012	Joined	265
	2012	Exited	-27
year-end	2012	Affiliates	3,119
	2013	Joined	268
	2013	Exited	-63
year-end	2013	Affiliates	3,324
	2014	Joined	533
	2014	Exited	-62
year-end	2014	Affiliates	3,795
	2015	Joined	386
	2015	Exited	-163
year-end	2015	Affiliates	4,018
	2016	Joined	729
	2016	Exited	-112
year-end	2016	Affiliates	4,611
	2017	Joined	286
	2017	Exited	-211
year-end	2017	Affiliates	4,686
	2018	Joined	305
	2018	Exited	-146
year-end	2018	Affiliates	4,845