NATO SANS CLASSIFICATION
Communicable à la Finlande, à la Suède

16 décembre 2022

DOCUMENT
PO(2022)0504-AS1 (INV)

RAPPORT DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN) SUR L'AUDIT DES ÉTATS FINANCIERS 2021 CONSOLIDÉS DU COMMANDEMENT ALLIÉ OPÉRATIONS (ACO)

NOTE SUR LA SUITE DONNÉE

Le 15 décembre 2022, au terme d'une procédure d'accord tacite, le Conseil a pris note du rapport du RPPB joint au PO(2022)0504 (INV) et a approuvé les conclusions et les recommandations qui y sont formulées.

(signé) Jens Stoltenberg
Secrétaire général

NB : La présente note fait partie du PO(2022)0504 (INV) et doit être placée en tête de ce document.

9 décembre 2022

DOCUMENT
PO(2022)0504 (INV)
Procédure d'accord tacite :
15 déc 2022 17:30

À : Représentants permanents (Conseil)

De : Secrétaire général

RAPPORT DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN) SUR L'AUDIT DES ÉTATS FINANCIERS 2021 CONSOLIDÉS DU COMMANDEMENT ALLIÉ OPÉRATIONS (ACO)

1. Vous trouverez ci-joint le rapport du Bureau de la planification et de la politique générale des ressources (RPPB) sur le rapport que l'IBAN a consacré à l'audit des états financiers 2021 de l'ACO. L'IBAN a émis une opinion sans réserve sur ces états financiers ainsi que sur la conformité.

2. Je ne pense pas que cette question doive être examinée plus avant au Conseil. Par conséquent, **sauf avis contraire me parvenant d'ici au jeudi 15 décembre 2022 à 17h30**, je considérerai que le Conseil aura pris note du rapport du RPPB et approuvé les conclusions et les recommandations qu'il contient.

(signé) Jens Stoltenberg

1 annexe
2 pièces jointes

Original : anglais

RAPPORT DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN) SUR L'AUDIT DES ÉTATS FINANCIERS 2021 DU COMMANDEMENT ALLIÉ OPÉRATIONS (ACO)

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

Références :

A.	IBA-AR(2022)0011-REV1	Rapport de l'IBAN sur l'audit des états financiers 2021 consolidés de l'ACO
B.	PO(2022)0179-AS1	Note sur la suite donnée se rapportant au rapport de l'IBAN sur l'audit des états financiers 2020 consolidés de l'ACO
C.	AC/335-D(2022)0055 (INV)	Dispositions relatives au traitement des rapports sur les audits financiers de 2021
D.	C-M(2015)0025	Règlement financier de l'OTAN (NFR) et Règles et procédures financières (FRP)
E.	C-M(2016)0023	Cadre comptable OTAN (NAF)
F.	BC-D(2022)0207 (INV)	Plans d'action pour la suite à donner aux observations de l'IBAN remontant à plus de trois ans
G.	BC-D(2022)0217 (INV)	Avis du Comité des budgets sur les plans d'action pour la suite à donner aux observations de l'IBAN remontant à plus de trois ans
H.	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 RPPB concerne le rapport de l'IBAN sur l'audit des états financiers 2021 consolidés de l'ACO. L'IBAN a émis une opinion sans réserve sur les états financiers consolidés de l'ACO et sur la conformité pour l'exercice 2021 (document de référence A).

OBJET

2. Le présent rapport appelle l'attention sur les éléments les plus importants du rapport de l'IBAN afin que le RPPB puisse réfléchir aux questions d'ordre stratégique découlant de l'audit des états financiers des entités OTAN et, s'il y a lieu, recommander au Conseil une ligne de conduite qui soit propre à accroître la transparence, à améliorer le compte rendu et à renforcer la cohérence.

EXAMEN DE LA QUESTION

3. À l'issue de l'audit des états financiers 2021 de l'ACO, l'IBAN a formulé quatre nouvelles observations, assorties de recommandations. Ces observations portent sur la nécessité de renforcer les mécanismes de contrôle interne relatifs à l'établissement des

états financiers, sur les insuffisances dans le contrôle interne des activités sociorécréatives et le manque d'exhaustivité de la note jointe aux états financiers qui se rapporte à ces activités, sur la nécessité de faire en sorte que les soldes non utilisés relatifs aux charges à payer soient annulés au plus tôt et sur la nécessité de clarifier, sur la base du statut juridique de l'École internationale du SHAPE, les règles financières et le cadre de compte rendu applicables à cet établissement. Ces observations n'ont pas eu d'incidence sur l'opinion émise au sujet des états financiers et de la conformité.

4. En outre, l'IBAN a fait le point sur la suite donnée aux observations et recommandations formulées lors d'audits précédents, et il a constaté que sept questions étaient toujours en cours de traitement et que cinq questions avaient été traitées. Dans les états financiers de 2021, l'IBAN a considéré comme traitées les questions portant sur le remboursement par les utilisateurs non admissibles des coûts financés sur le programme OTAN d'investissement au service de la sécurité (NSIP), sur l'établissement de nouveaux accords de soutien logistique avec l'Agence OTAN de soutien et d'acquisition (NSPA) et sur la confirmation par les entités OTAN du solde des éléments d'actif et de passif en fin d'exercice. Il a aussi considéré comme traitées les questions portant sur la nécessité d'apporter des améliorations dans les domaines de la gestion des risques et de l'audit interne et sur la conformité avec le NFR (document de référence D). Les observations sont présentées en détail dans le document de référence A.

4.1 <u>Observation 1 :</u> le RPPB souscrit à la recommandation de l'IBAN selon laquelle l'ACO devrait renforcer les mécanismes de contrôle interne relatifs à l'établissement des états financiers afin qu'une assurance raisonnable puisse être obtenue quant à la conformité de ceux-ci avec le NAF (document de référence E) et le NFR (document de référence D). L'ACO souscrit à cette observation : il cherche en permanence à améliorer les contrôles internes déjà approfondis et à mieux respecter les règles, dans la mesure de ses moyens et de ses capacités.

4.2 <u>Observation 2 :</u> le RPPB souscrit à la recommandation de l'IBAN selon laquelle l'ACO devrait veiller à ce que la gestion des activités sociorécréatives et des activités connexes ainsi que le compte rendu s'y rapportant fassent l'objet d'un contrôle interne approprié englobant tous les aspects du règlement relatif à ces activités, du NFR et du NAF. Pour y parvenir, il pourrait faire en sorte que toutes les activités sociorécréatives et activités connexes soient approuvées officiellement par les commandants locaux, veiller à ce que toutes les activités sociorécréatives et activités connexes menées dans le cadre de l'ACO soient présentées dans les rapports financiers, y compris les activités financées sur des fonds extrabudgétaires telles que les activités des clubs, établir une politique de contrôle interne applicable aux activités sociorécréatives et aux activités connexes et effectuer chaque année un audit interne ou une vérification interne des activités sociorécréatives et des fonds extrabudgétaires. L'ACO souscrit, dans son principe, à cette observation. Il appelle l'attention sur les progrès qu'il a réalisés s'agissant des procédures de contrôle et il propose la mise en place, pour toutes les questions relatives aux activités sociorécréatives, d'une approche basée sur le risque qui tient compte de manière appropriée de l'incidence de ces activités sur le cœur de métier de l'ACO et de leur importance dans le contexte global du Commandement et qui vise à affecter les ressources et capacités limitées dont celui-ci dispose aux domaines où le risque est le plus élevé.

4.3 Observation 3 : le RPPB souscrit à la recommandation de l'IBAN selon laquelle la Force aéroportée de détection lointaine et de contrôle de l'OTAN devrait se conformer aux alinéas 20 à 22 des FRP XXV (document de référence D) en faisant en sorte que les soldes non utilisés relatifs aux charges à payer soient annulés au plus tôt sur la base des charges réelles en fin d'exercice. Pour ce faire, il faudrait demander aux délégations des pays auprès de l'OTAN ou au Comité des budgets de veiller à ce que les demandes de paiement soient présentées sans retard et communiquer au Comité des budgets les demandes de paiement restant à recevoir en indiquant, en regard, les autorisations engagées qui ont été reportées et sont susceptibles d'être définitivement annulées à la fin de l'année. L'ACO est d'accord pour examiner s'il est nécessaire de solliciter l'aide des délégations des pays auprès de l'OTAN ou du Comité des budgets pour faire en sorte que les demandes de paiement soient présentées sans retard.

4.4 Observation 4 : le RPPB souscrit à la recommandation de l'IBAN selon laquelle il faudrait que, sur la base de l'article 7.1 du NFR, le contrôleur des finances du SHAPE, en concertation avec l'École internationale du SHAPE, se fasse préciser par l'organe directeur approprié du SHAPE si l'administration financière de l'École doit être régie par le NFR. L'ACO est d'accord pour collaborer avec toutes les parties concernées (Bureau des affaires juridiques, École internationale du SHAPE, Bureau OTAN des ressources) pour clarifier le cadre réglementaire applicable à l'École ainsi que la voie à suivre.

4.5 Suites données aux observations antérieures – Questions en cours de traitement ou à traiter depuis plus de trois ans (voir exercice 2020) – Dans le document de référence B, le Conseil a invité l'ACO à fournir un plan d'action, assorti d'échéances, sur ce qui sera fait pour donner suite à une recommandation portant sur l'exercice 2013, à une recommandation portant sur l'exercice 2015 et à trois recommandations portant sur l'exercice 2016. Parmi ces cinq recommandations, trois ont reçu la suite voulue et, de ce fait, l'IBAN a considéré comme traitées les trois questions sur lesquelles elles portaient. Étant donné que l'ACO n'a pas reçu de plan d'action pour les deux recommandations relatives à 2016 qui restent à traiter, le RPPB a invité la direction du Commandement à fournir un tel plan pour le 15 octobre 2022 (document de référence C), et il a demandé au contrôleur des finances de l'ACO d'informer le Comité des budgets lorsque ces plans seraient prêts, afin que celui-ci formule un avis et des recommandations à l'intention du RPPB (document de référence G). L'ACO a présenté ses plans d'action (document de référence F) à la réunion du Comité des budgets du 9 novembre 2022. Le RPPB note qu'une coordination externe est nécessaire pour que la suite voulue soit donnée à l'une des questions restant à traiter. Il recommande au Conseil d'inviter les entités OTAN concernées à se montrer réactives et à coopérer, dans leur domaine de compétence, afin que l'ACO puisse donner la suite voulue aux questions évoquées. Il appuie les efforts que l'ACO déploie pour continuer d'appliquer des mesures correctives afin que les questions remontant à plus de trois ans soient réglées dans les délais fixés dans les plans d'action (document de référence G).

CONCLUSIONS

5. L'IBAN a émis une opinion sans réserve sur les états financiers consolidés de l'ACO ainsi que sur la conformité pour l'exercice 2021. À l'issue de son audit, il a formulé quatre nouvelles observations. À la date de l'établissement du rapport de l'IBAN sur les états financiers de 2021, sept questions ayant fait l'objet d'observations lors de précédents audits étaient toujours en cours de traitement et cinq autres étaient traitées.

6. S'agissant des observations faites lors de précédents audits, le RPPB prend note des progrès réalisés par l'ACO et se félicite de la détermination de la direction de l'ACO à commencer à mettre en place les mesures nécessaires pour donner suite rapidement aux questions auxquelles il faut encore remédier. Les observations antérieures (questions en cours de traitement ou traitées) sont présentées en détail dans le document de référence A.

7. Le RPPB souscrit à la recommandation de l'IBAN selon laquelle l'ACO devrait renforcer les mécanismes de contrôle interne relatifs à l'établissement des états financiers et devrait veiller à ce que la gestion des activités sociorécréatives et des activités connexes ainsi que le compte rendu s'y rapportant fassent l'objet d'un contrôle interne approprié. Il souscrit aussi à la recommandation de l'IBAN selon laquelle l'ACO devrait faire en sorte que les soldes non utilisés relatifs aux charges à payer soient annulés et devrait se faire préciser par les organes directeurs appropriés si l'administration financière de l'École internationale du SHAPE doit être régie par le NFR.

8. L'ACO a soumis un plan d'action visant à ce qu'une suite soit donnée aux observations de l'IBAN remontant à plus de trois ans, et le contrôleur des finances en a informé le Comité des budgets, qui a ensuite formulé un avis et des recommandations à l'intention du RPPB. Le RPPB recommande maintenant au Conseil d'inviter les entités OTAN concernées à se montrer réactives et à coopérer afin que l'ACO puisse donner la suite voulue aux questions restant à traiter. Il se félicite de la détermination de l'ACO à continuer de prendre les mesures nécessaires pour qu'une suite soit donnée aux recommandations de l'IBAN dans les délais fixés dans les plans d'action.

RECOMMANDATIONS

9. Le Bureau de la planification et de la politique générale des ressources recommande au Conseil :

9.1 de prendre note du présent rapport ainsi que du rapport de l'IBAN (document de référence A) ;

9.2 d'approuver les conclusions formulées aux paragraphes 5 à 8 du présent rapport ;

9.3 d'autoriser la communication au public des états financiers 2021 consolidés de l'ACO, du rapport de l'IBAN correspondant ainsi que du présent rapport, en vertu de la politique agréée dans le document de référence H.

International Board of Auditors for NATO
Collège international des auditeurs externes de l'OTAN
Brussels - Belgium

NATO SANS CLASSIFICATION

IBA-AR(2022)0099-REV1
9 septembre 2022

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

Cc : Représentants permanents auprès de l'OTAN
Commandant suprême des forces alliées en Europe
Chef d'état-major du Commandement allié Opérations
Contrôleur des finances par intérim du Commandement allié Opérations
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Gestion des ressources du Bureau OTAN des ressources
Bureau d'ordre du Cabinet

Objet : ***Rapport du Collège international des auditeurs externes de l'OTAN (IBAN) sur l'audit des états financiers consolidés du Commandement allié Opérations (ACO) pour l'exercice clos le 31 décembre 2021 – IBA-AR(2022)0011-REV1***

Monsieur le Secrétaire général,
Vous trouverez ci-joint la version révisée de la note succincte à l'intention du Conseil, accompagnée du rapport d'audit approuvé, pour communication au Conseil.

La seule modification apportée porte sur le paragraphe 5 (page 1) de la note succincte établie à l'intention du Conseil, qui est maintenant libellé comme suit : « L'IBAN a fait le point sur les suites données aux observations et recommandations formulées lors d'audits précédents, et il a constaté que cinq questions avaient été traitées et que sept questions étaient toujours en cours de traitement ». Aucune modification n'a été apportée au rapport approuvé, soumis au Conseil le 24 août 2022.

L'IBAN a émis une opinion sans réserve sur les états financiers 2021 consolidés du Commandement allié Opérations ainsi que sur la conformité pour cet exercice.

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

Daniela Morgante
Présidente

Pièce jointes : voir ci-dessus.

NATO SANS CLASSIFICATION

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Note succincte du Collège international des auditeurs externes de l'OTAN (IBAN) à l'intention du Conseil sur l'audit des états financiers consolidés du Commandement allié Opérations (ACO) pour l'exercice clos le 31 décembre 2021

Le Commandement allié Opérations (ACO) est responsable de la planification et de l'exécution de toutes les opérations de l'Alliance. L'ACO est un commandement à trois niveaux comprenant des quartiers généraux et des éléments de soutien aux niveaux stratégique, opératif et tactique. Il assure le commandement et le contrôle de quartiers généraux fixes et déployables, ainsi que de forces interarmées et multinationales pour toute la gamme des opérations, missions et tâches militaires de l'Alliance.

L'IBAN a audité les états financiers consolidés de l'ACO pour l'exercice clos le 31 décembre 2021. En 2021, les dépenses (déboursements effectifs et engagements y compris les crédits ayant fait l'objet d'un report spécial) effectuées par l'ACO sur les budgets relevant du Comité des budgets se sont établies au total à 1,4 milliard d'euros (contre 1,3 milliard d'euros en 2020). En outre, l'ACO a déboursé environ 3 millions d'euros (MEUR) (contre 1 MEUR en 2020) pour des dépenses liées à des projets du programme OTAN d'investissement au service de la sécurité (NSIP).

L'IBAN a émis une opinion sans réserve sur les états financiers 2021 consolidés (republiés le 25 mai 2022) ainsi que sur la conformité pour l'exercice clos le 31 décembre 2021.

L'IBAN a formulé quatre observations, assorties de recommandations. Ces observations n'ont pas eu d'incidence sur l'opinion émise au sujet des états financiers consolidés et de la conformité. Elles portent sur les points suivants :

1. Nécessité de renforcer les mécanismes de contrôle interne relatifs à l'établissement des états financiers

2. Insuffisances dans le contrôle interne des activités sociorécréatives et manque d'exhaustivité de la note jointe aux états financiers qui se rapporte à ces activités

3. Nécessité de faire en sorte que les soldes non utilisés relatifs aux charges à payer soient annulés au plus tôt

4. Nécessité de clarifier, sur la base du statut juridique de l'École internationale du SHAPE, les règles financières et le cadre de compte rendu applicables à cet établissement

L'IBAN a fait le point sur les suites données aux observations et recommandations formulées lors d'audits précédents, et il a constaté que cinq questions avaient été traitées et que sept questions étaient toujours en cours de traitement.

Le rapport d'audit a été transmis à l’ACO, dont les commentaires ont ensuite été intégrés dans le document ainsi que, le cas échéant, la position de l’IBAN à leur sujet.

Une lettre a été adressée à la direction de l’ACO. Elle contient des observations et des recommandations qui ne figurent pas dans le présent rapport d’audit, et elle fait le point sur les suites données aux observations et aux recommandations formulées dans de précédentes lettres à la direction. En effet, l’IBAN estime que ces questions doivent être traitées par la direction de l’ACO et qu’elles relèvent dès lors de la responsabilité de celle-ci.

IBA-AR(2022)0011-REV1

24 août 2022

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

RAPPORT SUR L'AUDIT DES ÉTATS FINANCIERS CONSOLIDÉS DU COMMANDEMENT ALLIÉ OPÉRATIONS

(ACO)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2021

OPINION DE L'AUDITEUR EXTERNE À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD

Audit des états financiers

Opinion sur les états financiers

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers consolidés du Commandement allié Opérations (ACO) portant sur la période de 12 mois ayant pris fin le 31 décembre 2021. Diffusés sous la cote SH/FINAC/CAC/FC112/22-011321, et republiés le 25 mai 2022, ces états financiers se composent de l'état de la situation financière au 31 décembre 2021, 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 2021, 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 même période de 12 mois.

L'opinion de l'IBAN est que les états financiers consolidés donnent une image fidèle et exacte de la situation financière de l'ACO au 31 décembre 2021 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 à cette date, 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 prévoit que l'audit externe des entités OTAN présentant des états financiers et 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 2200-2899), 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, comme 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 l'audit 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 Règlement financier de l'OTAN. Les états financiers de l'ACO 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 commandant suprême des forces alliées en Europe 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 n'y ait pas moyen de faire autrement.

Responsabilités de l'IBAN concernant l'audit 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.

Audit de 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 à penser que les fonds n'ont pas été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec le Règlement financier de l'OTAN et le Règlement du personnel civil de l'OTAN.

Justification de l'opinion émise sur la conformité

L'IBAN a effectué l'audit de conformité sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000-4899), 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 commandant suprême des forces alliées en Europe est responsable et tenu comptable d'une saine gestion financière. Les organismes OTAN et les entités OTAN présentant des états financiers 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 employés aux bonnes fins – pour le règlement de dépenses autorisées (adéquation) – et en conformité avec la réglementation 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 employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec la réglementation en vigueur. De telles procédures prévoient notamment la prise en compte des risques de non-conformité significative.

Bruxelles, le 24 août 2022

Daniela Morgante
Présidente

OBSERVATIONS ET RECOMMANDATIONS

L'IBAN a formulé quatre observations, assorties de recommandations. Ces observations n'ont pas eu d'incidence sur l'opinion émise au sujet des états financiers consolidés et de la conformité. Elles portent sur les points suivants :

1. Nécessité de renforcer les mécanismes de contrôle interne relatifs à l'établissement des états financiers

2. Insuffisances dans le contrôle interne des activités sociorécréatives et manque d'exhaustivité de la note jointe aux états financiers qui se rapporte à ces activités

3. Nécessité de faire en sorte que les soldes non utilisés relatifs aux charges à payer soient annulés au plus tôt

4. Nécessité de clarifier, sur la base du statut juridique de l'école internationale du SHAPE, les règles financières et le cadre de compte rendu applicables à cet établissement

L'IBAN a fait le point sur les suites données aux observations et recommandations formulées lors d'audits précédents, et il a constaté que cinq questions avaient été traitées et que sept questions étaient toujours en cours de traitement.

Le rapport d'audit a été transmis à l'ACO, dont les commentaires ont ensuite été intégrés dans le document ainsi que, le cas échéant, la position de l'IBAN à leur sujet.

Une lettre a été adressée à la direction de l'ACO. Elle contient des observations et des recommandations qui ne figurent pas dans le présent rapport d'audit, et elle fait le point sur les suites données aux observations et aux recommandations formulées dans de précédentes lettres à la direction. En effet, l'IBAN estime que ces questions doivent être traitées par la direction de l'ACO et qu'elles relèvent dès lors de la responsabilité de celle-ci.

1. NÉCESSITÉ DE RENFORCER LES MÉCANISMES DE CONTRÔLE INTERNE RELATIFS À L'ÉTABLISSEMENT DES ÉTATS FINANCIERS

Contexte

1.1 D'après le cadre comptable OTAN (NAF), « les états financiers doivent présenter une image fidèle de la situation financière, de la performance financière et des flux de trésorerie de l'entité. La présentation d'une image fidèle nécessite une représentation sincère des effets des transactions, autres événements et conditions, suivant les définitions et critères de comptabilisation des actifs, passifs, produits et charges exposés dans les IPSAS L'application des IPSAS, conjuguée si nécessaire à la présentation d'informations complémentaires dans les notes jointes aux états financiers, est présumée déboucher sur l'établissement d'états financiers qui donnent une image fidèle des éléments précités. » (IPSAS 1)

1.2 Selon l'article 34.1 du Règlement financier de l'OTAN (NFR), « les organismes OTAN adoptent des prescriptions comptables et des normes de compte rendu conformes au cadre comptable OTAN, tel qu'approuvé par le Conseil ».

1.3 L'une des fonctions principales de tout système de contrôle interne est de garantir l'existence de procédures appropriés pour l'établissement, l'examen et la présentation des états financiers. L'existence d'une procédure d'examen appropriée conditionne la possibilité d'obtenir une assurance raisonnable sur le point de savoir si ceux-ci sont conformes au cadre de compte rendu financier applicable.

Constatations

1.4 Au cours de l'audit de la première version des états financiers 2021 consolidés de l'ACO, soumise le 31 mars 2022, l'IBAN a relevé des inexactitudes significatives, décrites ci-après. Ces inexactitudes ont été corrigées dans les états financiers rectifiés, soumis à l'IBAN le 25 mai 2022.

1.5 Les corrections décrites ci-après ont été apportées à la première version des états financiers consolidés de l'ACO :

a) la méthode et le traitement comptables relatifs aux charges liées à la maintenance à l'échelon dépôt (DLM) pour les principales inspections ont été revus afin qu'ils soient conformes aux dispositions de l'IPSAS 17 ; ainsi, les coûts relatifs aux principales inspections DLM ont été comptabilisés à l'actif en tant qu'immobilisations corporelles dans l'état de la situation financière rectifié ; dans la première version de l'état de la performance financière, ces coûts avaient été comptabilisés en tant que charges, avec l'inscription d'un montant d'environ 136 MEUR pour l'exercice 2021 et d'environ 129 MEUR pour l'exercice 2020 ;

b) dans l'état de la situation financière rectifié, les actifs financés sur le NSIP qui ont été remis à l'ACO ont été comptabilisés en tant qu'immobilisations corporelles, avec l'inscription d'un montant d'environ 29 MEUR pour l'exercice 2021 et d'environ 20 MEUR pour l'exercice 2020 ;

c) la note D (Actifs éventuels, passifs éventuels et provisions) fait état de passifs éventuels liés au retrait des forces de la mission Resolute Support d'un montant de 7,2 MEUR, déterminé sur la base des meilleures estimations disponibles fournies par la NSPA ;

d) dans la partie « Prestations versées au personnel » de la note A (Méthodes comptables importantes), et dans la partie « Informations relatives au personnel » de la note C (État de la performance financière), le statut des divers groupes d'effectifs de l'ACO a été clarifié grâce à la distinction faite entre les groupes auxquels le RPC s'applique et les autres groupes, qui relèvent de la législation nationale ou locale ;

e) dans la partie « Consolidation » de la note A (Méthodes comptables importantes), le statut d'entité contrôlante dont jouit l'ACO a été clarifié aux fins de consolidation de ses états financiers, et la référence à l'IPSAS 6 a été supprimée car elle a été rendue caduque par l'IPSAS 35 ;

f) un compte bancaire non mentionné initialement et dont le solde s'établit à 0,3 MEUR a été présenté dans l'état de la situation financière rectifié ; ce montant a été inscrit dans les éléments de Trésorerie et équivalents en contrepartie d'un montant à payer relatif aux prestations assurance vie à verser aux membres du personnel du Commandement terrestre allié.

1.6 Les inexactitudes relevées plus haut ont certes été corrigées, mais elles montrent que, pour éviter les inexactitudes ou erreurs significatives dans les informations présentées, il faut pouvoir s'appuyer sur des procédures adéquates d'établissement, de vérification et de présentation des états financiers.

Recommandations

1.7 L'IBAN recommande à l'ACO de renforcer les mécanismes de contrôle interne relatifs à l'établissement des états financiers afin qu'une assurance raisonnable puisse être obtenue quant à la conformité de ceux-ci avec le cadre comptable OTAN et le Règlement financier de l'OTAN.

2. INSUFFISANCES DANS LE CONTRÔLE INTERNE DES ACTIVITÉS SOCIORÉCRÉATIVES ET MANQUE D'EXHAUSTIVITÉ DE LA NOTE JOINTE AUX ÉTATS FINANCIERS QUI SE RAPPORTE À CES ACTIVITÉS

Contexte

2.1 Comme le prévoit l'article 6 du 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 sur la base du cadre comptable OTAN.

2.2 Selon l'article 12.2 du NFR, « afin qu'il soit satisfait aux critères souhaités de contrôle interne, le contrôleur des finances veille à :

(a) *établir un système de contrôle financier et budgétaire interne couvrant tous les aspects de la gestion financière, et notamment les opérations sur autorisations ouvertes et les opérations sur les fonds extrabudgétaires dont il peut autoriser la constitution dans le cadre de ses attributions ».*

2.3 Selon l'alinéa 2 des FRP XII, « le système de contrôle interne doit permettre d'identifier les risques, d'en déterminer la nature et l'étendue, et de les gérer d'une manière conforme aux exigences d'efficacité, d'efficience et d'économie. Les informations correspondantes doivent être mentionnées par le contrôleur des finances dans la déclaration sur le contrôle interne, qui fait partie des états financiers. »

2.4 Aux termes du Règlement applicable aux activités sociorécréatives organisées à l'OTAN (C-M(2019)0026(INV), « une activité sociorécréative organisée dans un organisme OTAN est une activité qui améliore la qualité de vie des personnes concernées, favorise la cohésion entre elles et leur intégrité et/ou contribue à leur bonne santé physique et mentale, et qui est associée aux opérations ou activités *in situ* de l'organisme OTAN. Les activités sociorécréatives font partie des activités officielles d'un organisme OTAN. Elles consistent généralement à faciliter les interactions – activités, événements, fonctions, clubs ou associations à vocation sportive ou récréative, activités ponctuelles et activités de loisir – ou à fournir des services essentiels. »

2.5 Aux termes de l'article 3.4 du règlement applicable aux activités sociorécréatives, « Le chef d'organisme OTAN est chargé :

a. d'établir le règlement applicable aux activités sociorécréatives et activités connexes propre à son organisme, règlement qui doit être conforme au présent Règlement ;
b. d'accepter ou de refuser les demandes d'organisation d'activités sociorécréatives et d'activités connexes ;
c. de gérer et de contrôler les activités sociorécréatives, et notamment :

i. de superviser l'administration des crédits budgétaires et des fonds extrabudgétaires alloués aux activités sociorécréatives ;
ii. de désigner les membres du Conseil des activités sociorécréatives ;
iii. d'assurer la sauvegarde de tous les fonds et biens liés aux activités sociorécréatives ;
iv. de veiller à ce que les mécanismes de création de fonds extrabudgétaires restent viables ;
v. de s'assurer que l'audit interne procède périodiquement à une évaluation et que les mesures qui seraient recommandées pour remédier aux lacunes constatées sont évaluées et puissent être prises, si elles sont jugées nécessaires. »

2.6 Selon l'article 3.5 du règlement applicable aux activités sociorécréatives, « le contrôleur des finances est :

a. responsable devant le chef d'organisme OTAN et rend compte au comité financier concerné de la gestion des crédits budgétaires et des fonds extrabudgétaires pour les activités sociorécréatives ;

b. chargé de définir et de faire appliquer les procédures de comptabilité et de contrôle budgétaires et financiers ;
c. chargé de sensibiliser le chef d'organisme OTAN, la direction et les autres personnes concernées à la nécessité de s'abstenir de prendre des mesures susceptibles de requérir la mobilisation de crédits budgétaires ;
d. chargé de veiller à ce que le recours exceptionnel à des crédits budgétaires pour les activités sociorécréatives soit limité autant que possible ;
e. chargé de tenir une comptabilité séparée pour les crédits budgétaires et les autres fonds utilisés pour les activités sociorécréatives ;
f. chargé de rendre compte de la situation financière des activités sociorécréatives de l'organisme OTAN ainsi que des recettes tirées des activités connexes, conformément à l'article 4.6. b.»

2.7 Selon l'article 4.1 du règlement applicable aux activités sociorécréatives, *« les charges et les obligations découlant des activités sociorécréatives et des activités connexes peuvent avoir des répercussions financières et/ou juridiques pour l'organisme OTAN et/ou nuire à sa réputation. Il est dès lors essentiel de gérer et de contrôler rigoureusement les activités sociorécréatives et les activités connexes de manière à s'assurer que celles-ci exposent le moins possible l'organisme OTAN à des risques et à éviter que des crédits budgétaires soient engagés ou utilisés sans autorisation. »*

2.8 Les dispositions relatives à la reconnaissance des activités sociorécréatives et des activités connexes qui sont énoncées dans l'article 4.2 du règlement applicable à ces activités prévoient ce qui suit :

« a. Toutes les activités sociorécréatives et les activités connexes sont approuvées officiellement par le chef d'organisme OTAN avant de pouvoir être organisées. Dans les cas où elles ne sont pas encore organisées, l'approbation est subordonnée à l'entrée en vigueur des assurances requises avant le démarrage des activités ou, lorsqu'il y a lieu, à la constitution de réserves suffisantes propres à faire office d'assurance.
b. Le chef d'organisme OTAN veille à ce qu'il n'y ait pas d'activités non approuvées et à ce que les activités approuvées ne puissent pas avoir pour effet de faire peser outre mesure sur l'organisme OTAN des risques juridiques ou financiers ou de nuire à sa réputation.
c. Audit des activités sociorécréatives et des fonds extrabudgétaires
i. Audit ou vérification interne – Les activités sociorécréatives et les recettes tirées des activités connexes font à tout le moins l'objet chaque année d'une évaluation réalisée par l'audit interne ou d'une vérification interne. »

2.9 Les dispositions en matière de compte rendu énoncées dans l'article 4.7 du règlement applicable aux activités sociorécréatives prévoient ce qui suit :

« i. L'organisme OTAN soumet un rapport financier ad hoc au comité financier compétent pour le 31 mars qui suit la fin de l'exercice.

ii. L'organisme OTAN rend compte des activités sociorécréatives et activités connexes conformément au Règlement financier de l'OTAN et au cadre comptable OTAN. »

2.10 Selon l'article 5.2 du règlement applicable aux activités sociorécréatives, « les fonds extrabudgétaires, qui constituent l'un des mécanismes de financement, incluent des fonds générés dans le cadre des activités sociorécréatives et des activités connexes. Dans un contexte sociorécréatif, ils proviennent généralement de la vente d'articles liés aux activités sociorécréatives, de la perception de cotisations auprès des affiliés ou membres des clubs, d'activités de collecte de fonds, de la perception de loyers et de redevances auprès des concessionnaires, ainsi que de la vente d'articles de parrainage. »

2.11 Selon l'article 6.2 du cadre comptable OTAN, les entités OTAN présentant des états financiers restent tenues d'établir des rapports annuels sur la viabilité financière des activités sociorécréatives organisées en leur sein et elles devraient présenter, dans une note jointe aux états financiers, les informations financières relatives à ces activités qui concernent les éléments suivants :

- trésorerie et équivalents ;
- éléments de passif (y compris provisions et passifs éventuels) ;
- nombre d'équivalents temps plein employés à l'appui direct des activités sociorécréatives en fin d'exercice.

Constatations

2.12 L'IBAN a constaté que la Branche Comptabilité et contrôle (CAC) de l'ACO était largement tributaire des données fournies par les différents quartiers généraux du Commandement pour ce qui concerne la présentation d'informations dans la note M (Activités sociorécréatives) jointe aux états financiers. En 2021, l'ACO a établi une méthode comptable pour ces activités. Il n'existe toutefois pas de politique générale de contrôle interne, et la Branche CAC de l'ACO n'applique pas de procédures de contrôle interne uniformes pour s'assurer que les données financières relatives aux activités sociorécréatives et aux activités connexes qui lui sont fournies par les quartiers généraux du Commandement sont exhaustives et exactes et que les activités exposent le moins possible l'ACO à des risques sur les plans financier, juridique et de la réputation, alors qu'elle est censée le faire d'après les articles 3.5, 4.1 et 4.7 du règlement applicable aux activités sociorécréatives.

2.13 Par exemple, l'IBAN a constaté que les activités menées par sept clubs au sein de la Force aéroportée de détection lointaine et de contrôle de l'OTAN (NAEW&CF) à Geilenkirchen n'étaient pas présentées en tant qu'activités sociorécréatives et activités connexes dans la note M (Activités sociorécréatives) des états financiers consolidés de l'ACO. Sur la base de leurs statuts et d'autres documents pertinents, ces clubs organisent des activités sociorécréatives dans le cadre de la NAEW&CF en utilisant le nom de la Force, les privilèges fiscaux dont elle bénéficie et des comptes bancaires qui ont été autorisés et créés en 2019 par le contrôleur des finances de la Force dans le contrat-cadre passé par celle-ci avec la banque. De ce fait, les informations financières relatives à ces clubs, comme celles qui concernent la trésorerie et les équivalents, les éléments de passif (y compris les provisions et les passifs éventuels) et le nombre d'équivalents temps plein employés à l'appui de ces activités, auraient dû être présentées dans la note M jointe aux états financiers consolidés du Commandement, ainsi que le prévoient l'article 4.7 du règlement applicable à ces activités et l'article 6.2 du cadre comptable OTAN.

2.14 En outre, l'IBAN a constaté que le contrôleur des finances du Commandement allié de forces interarmées de Brunssum (JFCBS) avait autorisé en juin 2021 la création de douze comptes bancaires pour des clubs alors que les statuts de ces clubs n'avaient pas été officiellement approuvés par le commandant du JFCBS. Cela n'est pas conforme aux articles 4.1 et 4.2 du règlement applicable aux activités sociorécréatives. En 2022 et au cours de l'audit, le commandant du JFCBS a autorisé l'établissement de neuf de ces clubs tandis que deux clubs cessaient leurs activités et que la création d'un club n'avait toujours pas été approuvée.

2.15 Pour terminer, l'IBAN s'interroge sur le statut d'autres activités similaires à celles de clubs qui sont financées principalement sur des fonds extrabudgétaires et qui sont probablement organisées sous la bannière du SHAPE et/ou avec des comptes bancaires du SHAPE dans d'autres quartiers généraux de l'ACO, comme le Commandement allié de forces interarmées de Naples (JFCNP). Ce dernier héberge environ dix clubs, mais aucune information à leur sujet n'est donnée dans la note M jointe aux états financiers consolidés de l'ACO.

2.16 Les cas présentés ci-dessus illustrent le manque d'exhaustivité de la note M ainsi que l'absence d'un cadre de contrôle interne des activités sociorécréatives et des activités connexes. Si des mesures d'atténuation des risques ne sont pas prises, les insuffisances décrites pourraient à l'avenir avoir des conséquences financières et juridiques pour l'ACO et/ou porter atteinte à sa réputation.

Recommandations

2.17 L'IBAN recommande à l'ACO de veiller à ce que la gestion des activités sociorécréatives et des activités connexes ainsi que le compte rendu s'y rapportant fassent l'objet d'un contrôle interne approprié englobant tous les aspects du règlement relatif à ces activités, du NFR et du cadre comptable OTAN. Pour ce faire, l'ACO pourrait :

a) veiller à ce que toutes les activités sociorécréatives et les activités connexes soient officiellement approuvées par les commandants locaux et à ce que les activités non approuvées ne puissent pas avoir lieu, ainsi que le prévoit l'article 4.2 du règlement applicable aux activités sociorécréatives ;

b) veiller à ce que toutes les activités sociorécréatives et activités connexes menées dans le cadre de l'ACO soient présentées dans les rapports financiers, y compris les activités financées sur des fonds extrabudgétaires telles que les activités des clubs, ainsi que le prévoient les articles 3.5 et 4.7 du règlement applicable aux activités sociorécréatives et l'article 6.2 du cadre comptable OTAN ;

c) établir une politique de contrôle interne pour les activités sociorécréatives et les activités connexes, sur la base des articles 3.5 et 4.1 du règlement applicable à ces activités ;

d) effectuer chaque année un audit interne ou une vérification interne des activités sociorécréatives et des fonds extrabudgétaires ainsi que le prévoit l'article 4.7 du règlement applicable à ces activités.

3. NÉCESSITÉ DE FAIRE EN SORTE QUE LES SOLDES NON UTILISÉS RELATIFS AUX CHARGES À PAYER SOIENT ANNULÉS AU PLUS TÔT

Contexte

3.1 Selon l'IPSAS 1, *« les états financiers doivent présenter une image fidèle de la situation financière, de la performance financière et des flux de trésorerie d'une entité. La présentation d'une image fidèle nécessite une représentation sincère des effets des transactions, autres événements et conditions selon les définitions et les critères de comptabilisation des actifs, des passifs, des produits et des charges exposés dans les IPSAS. »* Les états financiers de l'ACO sont établis dans le respect du cadre comptable OTAN et selon les principes de la comptabilité d'exercice, en vertu desquels les opérations et les événements sont enregistrés et comptabilisés dans les états financiers de l'exercice auquel ils se rapportent. En fin d'exercice, l'ACO devrait valoriser et comptabiliser les biens et services fournis au cours de l'année mais non encore facturés.

3.2 Selon l'article 25.2 du NFR, qui porte sur les engagements, les autorisations de programme et les reports, *« l'autorisation qui a été engagée et au titre de laquelle des biens et des services ont été fournis, mais pas encore facturés lorsque l'exercice s'achève, est comptabilisée comme charge à payer, et l'engagement est réduit d'autant. Il n'y a pas report dans ce cas, l'autorisation ayant été utilisée aux fins auxquelles elle était destinée. »*

3.3 Selon l'alinéa 4 (Approbation des dépenses) des FRP XXV, *« le responsable finances et comptabilité est chargé, sous l'autorité du contrôleur des finances, d'autoriser les dépenses en exécution de chaque engagement après confirmation par le demandeur que les biens ou services ont été fournis par le fournisseur.»*

3.4 Les alinéas 20 à 22 (Comparaison entre charges estimées et charges en fin d'exercice) des FRP XXV prévoient ce qui suit :

« (20) Pour ce qui est de l'application de l'article 25.2 du NFR, le contrôleur des finances suit attentivement l'évolution des charges estimées par rapport aux charges effectives en fin d'exercice et prend les dispositions nécessaires pour que les soldes non utilisés soient annulés au plus tôt.
(21) Le contrôleur des finances veille à ce que les contrats pour lesquels des autorisations sont engagées comportent, chaque fois que possible, un calendrier de paiement ne s'étendant pas au-delà de la fin du deuxième exercice suivant celui au titre duquel les autorisations ont été engagées.
(22) Pour les contrats conclus avec des organismes publics des États membres, le contrôleur des finances peut demander aux délégations des pays auprès de l'OTAN ou au Comité des budgets de veiller à ce que les demandes de paiement soient présentées sans retard. À cet effet, et si nécessaire, il communique au Comité des budgets, pour le 30 septembre de chaque année, les demandes de paiement restant à recevoir en indiquant, en regard, les autorisations engagées qui ont été reportées et sont susceptibles d'être définitivement annulées à la fin de l'année. »

Constatations

3.5 L'IBAN a effectué un examen, par échéance, des charges à payer relatives à la NAEW&CF pour des factures non encore reçues, afin de s'assurer qu'il s'agit bien de crédits budgétaires qui ont été engagés et en contrepartie desquels des biens et des services ont été fournis sur la base des dispositions du NFR.

3.6 Au 31 décembre 2021, pour la NAEW&CF, le solde des charges à payer est de 41 millions d'euros (MEUR). Il se compose des soldes enregistrés manuellement et des soldes enregistrés automatiquement. Les charges à payer enregistrées manuellement sont saisies dans le système comptable par le Bureau du contrôleur des finances, tandis que les charges enregistrées automatiquement le sont sur la base d'un accusé de réception de biens ou de services qui est émis par les gestionnaires de fonds en vertu du principe de séparation des tâches.

3.7 L'IBAN a constaté que, concernant la NAEW&CF, le solde des charges à payer comprenait un montant d'environ 11 MEUR portant sur des marchés passés avec des organismes publics des pays membres. Ce montant se compose d'une somme de 4 MEUR correspondant à des charges à payer enregistrées manuellement il y a plus de neuf ans, d'une somme de 5 MEUR correspondant à des charges à payer enregistrées automatiquement il a plus de six ans et d'une somme de 2 MEUR correspondant à des charges à payer enregistrées automatiquement il y a plus de trois ans. Selon le Bureau du contrôleur des finances de la NAEW&CF, le solde de 4 MEUR mentionné plus haut a été comptabilisé en 2011 et en 2012 pour des opérations dans le domaine des carburants effectuées avec des pays membres principalement au cours de la mission de la Force internationale d'assistance à la sécurité (FIAS), qui a pris fin en 2014.

3.8 Bien que le solde d'environ 11 MEUR susmentionné remonte à de nombreuses années, le Bureau du contrôleur des finances de la Force n'a pris aucune mesure pour faire en sorte que, sur la base du montant des charges réelles en fin d'exercice, les soldes non utilisés soient annulés au plus tôt. Cela n'est pas pleinement conforme aux dispositions des alinéas 20 à 22 des FRP XXV.

Recommandations

3.9 L'IBAN recommande à la NAEW&CF de se conformer aux alinéas 20 à 22 des FRP XXV en faisant en sorte que les soldes non utilisés relatifs aux charges à payer soient annulés sur la base des charges réelles en fin d'exercice. Pour ce faire, la Force pourrait :

a) demander aux délégations des pays auprès de l'OTAN ou au Comité des budgets de veiller à ce que les demandes de paiement soient présentées sans retard ;

b) communiquer au Comité des budgets les demandes de paiement restant à recevoir en indiquant, en regard, les autorisations engagées qui ont été reportées et sont susceptibles d'être définitivement annulées à la fin de l'année.

4. NÉCESSITÉ DE CLARIFIER, SUR LA BASE DU STATUT JURIDIQUE DE L'ÉCOLE INTERNATIONALE DU SHAPE, LES RÈGLES FINANCIÈRES ET LE CADRE DE COMPTE RENDU APPLICABLES À CET ÉTABLISSEMENT

Contexte

4.1 L'École internationale du SHAPE (EIS) a été établie sur la base de l'accord passé entre le Grand quartier général des puissances alliées en Europe (SHAPE) et la Belgique le 12 mai 1967. L'article 20 de cet accord stipule qu'*« il sera procédé, dans le cadre de l'implantation du SHAPE en Belgique, à la création d'une école internationale selon des conditions et modalités à convenir ultérieurement. »*

4.2 Les dispositions relatives à l'installation et au fonctionnement de l'EIS ont été définies dans un accord ultérieur passé entre le SHAPE et la Belgique le 19 mars 1968, lequel devait « produire ses effets » à partir du 1er septembre 1969.

4.3 Selon l'article 1 de l'accord du 19 mars 1968, *« l'École internationale du SHAPE est partie intégrante du SHAPE et comprend le Conseil, la section du service général et les sections pédagogiques »*. Selon l'article 2 de cet accord, *« le Conseil est responsable devant le Commandant Suprême Allié en Europe (SACEUR) à qui il rend compte ».*

4.4 L'article 1 du NFR stipule que *« le présent Règlement énonce les principes qui régissent la gestion financière de tous les quartiers généraux et autres organismes, civils et militaires, établis en vertu du Traité de l'Atlantique Nord (ci-après dénommés " organismes OTAN ") ».*

4.5 Selon l'article 7.1 du NFR, *« le contrôleur des finances s'adresse, en premier ressort, au comité financier concerné et, si nécessaire, au Bureau de la planification et de la politique générale des ressources (RPPB) pour dissiper tout doute ou désaccord persistant quant à la conformité de mesures ou décisions proposées avec les dispositions du présent Règlement et des règles et procédures financières. »*

4.6 Le SHAPE est un organisme OTAN dont le statut d'organisation internationale est défini dans le protocole de Paris, la Convention entre les États parties au Traité de l'Atlantique Nord sur le statut de leurs forces (SOFA de l'OTAN) et la convention d'Ottawa. Ainsi que le prévoit l'article 10 du protocole de Paris, le SHAPE est doté d'une personnalité juridique propre.

4.7 L'EIS partage la personnalité juridique du SHAPE : elle n'a pas de personnalité juridique propre.

Constatations

4.8 L'EIS partage la personnalité juridique du SHAPE. Elle fait donc partie intégrante du SHAPE, organisme OTAN créé en vertu du Traité de l'Atlantique Nord.

4.9 Le fonctionnement de l'EIS repose toutefois sur des règles financières qui lui sont propres et qui ont été approuvées par son comité du budget sur la base du mémorandum d'entente (MOU) signé entre les pays membres participants. L'EIS ne suit pas le NFR ni les FRP de l'OTAN. L'IBAN n'a pas connaissance de l'octroi à l'EIS d'une dérogation à l'article 1 du NFR.

4.10 Le cadre de compte rendu financier utilisé par l'EIS est donc différent du cadre comptable OTAN appliqué par le SHAPE. En outre, les états financiers de l'EIS ne sont pas signés par le contrôleur des finances de l'ACO ni par le SACEUR (en tant que chef de l'entité), alors qu'ils devraient l'être si le NFR s'appliquait.

Recommandations

4.11 L'IBAN recommande que, sur la base de l'article 7.1 du NFR, le contrôleur des finances du SHAPE, en concertation avec l'École internationale du SHAPE, se fasse préciser par l'organe directeur approprié du SHAPE si l'administration financière de l'École doit être régie par le NFR.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

L'IBAN a fait le point sur les suites données aux observations formulées lors d'audits précédents. On trouvera dans le tableau ci-après un récapitulatif de ces observations et recommandations et des mesures prises par l'entité (pour autant qu'elles aient été examinées par l'IBAN), ainsi que l'état de la question.

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'entité 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. Lorsque la recommandation se subdivise en plusieurs éléments, l'état de la question est indiqué pour chacun d'eux dans la colonne « Mesures prises ».

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(1) Exercice 2020 **IBA-AR(2021)0030, paragraphe 1** **INCIDENCE FINANCIÈRE DU RETRAIT DES FORCES DE LA MISSION RESOLUTE SUPPORT : ESTIMATION NON ENCORE DISPONIBLE** **Recommandation de l'IBAN** L'IBAN recommande à l'ACO :		Question **en cours de traitement**.
a) d'achever au plus vite l'analyse de l'incidence financière estimée du retrait des forces de la mission Resolute Support et de communiquer les conclusions de cette analyse à toutes les parties prenantes ;	L'IBAN note que l'évaluation financière de l'incidence du retrait des forces de la mission Resolute Support se poursuivra et que l'ACO entend mettre en place avec la NSPA un groupe de travail qui sera chargé de fixer des échéances et d'en contrôler le respect, le but étant de faire en sorte que la mission soit clôturée au plus vite. Question **en cours de traitement**.	
b) de mettre en place, pour les autres missions OTAN en cours, des procédures pour faire en sorte qu'une analyse et un aperçu à jour de l'incidence financière d'une éventuelle restructuration ou clôture des activités puissent être obtenus facilement au moins une fois par an.	L'IBAN note que, ainsi qu'il est recommandé dans le PO(2022)0179, l'ACO établira des procédures simples, fixera des critères de base pour les missions en cours et le soutien aux parties prenantes et effectuera une analyse de l'incidence	

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
	financière d'une éventuelle restructuration ou clôture d'une opération, dans la mesure des moyens et capacités disponibles. L'IBAN examinera ces procédures dès qu'elles auront été diffusées. Question **en cours de traitement**.	
(2) Exercice 2020 **IBA-AR(2021)0030, paragraphe 2** **COMPTABILISATION ET PRÉSENTATION DES CONTRIBUTIONS EN NATURE À LA NAEW&CF ET À L'AGS** **Recommandation de l'IBAN** L'IBAN recommande à l'ACO : a) de comptabiliser, ou à tout le moins de présenter dans ses états financiers, les contributions en nature fournies par deux pays à la NAEW&CF et les charges correspondantes ; b) d'établir une méthode spécifique pour la comptabilisation des CiK et le compte rendu financier s'y rapportant.	L'IBAN note que l'ACO a présenté des informations sur les contributions en nature à la NAEW&CF et à l'AGS dans les notes jointes à ses états financiers 2021 consolidés. Question **traitée**. L'IBAN note que, comme suggéré dans le PO(2022)0179, cette recommandation sera traitée dans le cadre de la revue du cadre comptable OTAN, qui devrait suivre la revue du Règlement financier de l'OTAN. Question **en cours de traitement.**	Question **en cours de traitement**
(3) Exercice 2020 **IBA-AR(2021)0030, paragraphe 3** **REMBOURSEMENT PAR LES UTILISATEURS NON ADMISSIBLES DES COÛTS FINANCÉS SUR LE NSIP** **Recommandation de l'IBAN** L'IBAN recommande à l'ACO : a) de comptabiliser et de présenter des éléments de passif d'un montant de 13,7 MEUR pour tenir compte de la part des coûts préfinancés qui auraient dû être	L'IBAN note que le 17 mai 2022, le Comité des investissements a approuvé l'AC/4-D(2022)0007, qui fait le point sur les projets relatifs aux	Question **traitée**.

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
recouvrés en vue de leur remboursement au NSIP ; b) de fournir au RPPB et au Comité des investissements des informations à jour sur les coûts préfinancés qui n'ont pas encore été récupérés, et de demander qu'une décision formelle soit prise sur les mesures à prendre.	opérations et missions de l'Alliance (AOM) qui ont été préfinancés pour le compte de tiers en Afghanistan. Le Comité a décidé que, s'agissant des projets AOM préfinancés pour la mission Resolute Support, les coûts relatifs aux parties non admissibles au financement ne seraient pas remboursés au NSIP. Par conséquent, l'IBAN considère la question comme étant traitée. Question **traitée**.	
(4) Exercice financier 2020 **IBA-AR(2021)0030, paragraphe 4** **COMPTABILISATION ET PRÉSENTATION DES ACTIFS D'INFRASTRUCTURE FINANCÉS SUR LE NSIP** **Recommandation de l'IBAN** L'IBAN recommande à la NAEW&CF : a) de comptabiliser et de présenter en tant qu'immobilisations corporelles les actifs d'infrastructure financés sur le NSIP d'un montant de 22 MEUR qui ont été achevés et mis en service ; b) d'implémenter un processus permettant de saisir en temps utile tous les actifs d'infrastructure financés sur le NSIP qui ont été transférés ou modernisés.	L'IBAN note que la NAEW&CF et l'ACO ont effectué une analyse de l'ensemble des actifs d'infrastructure de la Force, qui a mené à l'inscription à l'actif de certains travaux de modernisation de l'aire de trafic de l'emplacement d'opérations avancé (FOL) d'Oerland et de la base d'opérations avancée (FOB) de Trapani. Question **traitée**. L'IBAN considère que la question reste à traiter en raison du sérieux manque d'exhaustivité des informations relatives aux actifs financés sur le NSIP qui ont été présentées dans la première version des états financiers 2021 consolidés de l'ACO soumise à l'audit (cfr observation 1). Question **à traiter**.	Question **en cours de traitement**.

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(5) Exercice 2018 **IBA-AR(2019)0016, paragraphe 1** **L'ACO DOIT ÊTRE UN « CLIENT INTELLIGENT » DES AGENCES OTAN FINANCÉES PAR LE CLIENT** **Recommandation de l'IBAN** L'IBAN recommande que l'ACO établisse un plan d'action visant à lui permettre d'être davantage en mesure de mettre en question la validité des informations et des solutions fournies par les deux grandes agences de l'OTAN. a) Concernant les services SIC, l'ACO devrait mettre en place des systèmes informatiques pour la réalisation des tâches décrites ci-après, et en assurer le suivi : - vérification des estimations fournies par la NCIA concernant le temps de travail du personnel et les coûts s'y rapportant ; - vérification de la cohérence entre les investissements et les coûts d'exploitation et de maintenance (O&M) liés aux paquets de capacités ; - mesure de la qualité et de la performance des services fournis par la NCIA. b) Pour les autres biens et services militaires, l'ACO devrait : - clarifier avec la NSPA, au niveau des processus de travail, les rôles et les responsabilités respectifs du Commandement et de l'équipe Intégration des contrats et les consigner dans l'accord de soutien logistique et dans le programme de travail s'y rapportant ; - se doter de moyens lui permettant de mettre en question les avis et les solutions de soutien logistique qui sont définis par l'équipe Intégration des contrats et que la NSPA fournit au Commandement, en améliorant pour cela l'utilisation d'indicateurs de performance.	L'IBAN note de manière générale que l'ACO n'est toujours pas en mesure d'évaluer ni de valider pleinement les informations et les solutions fournies par la NCIA pour les services SIC, et par la NSPA pour les biens et services militaires. Bien que certaines des mesures décrites ci-après aient été prises au niveau des quartiers généraux de l'ACO, il n'existe toujours pas, à l'échelle du Commandement, de plan d'action définissant des mesures d'atténuation claires, pourtant nécessaire pour que la question puisse être considérée comme étant réglée. En 2021, la commission consultative sur l'audit (AAP) a donné plus de poids aux quartiers généraux en tant que clients afin qu'ils jouent un rôle clé dans l'établissement des SLA et du budget relatif aux SIC. L'ACO a amélioré les indicateurs de performance (KPI) existants et en a ajouté d'autres. Question **en cours de traitement**.	Question **en cours de traitement**.

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(6) Exercice 2018 **IBA-AR(2019)0016, paragraphe 2** **L'ACO DOIT ATTÉNUER LES RISQUES LIÉS AU RECOURS À DES AGENCES OTAN FINANCÉES PAR LE CLIENT** **Recommandation de l'IBAN** L'IBAN recommande à l'ACO de gérer tous les grands risques opérationnels, financiers et juridiques liés au recours à des agences OTAN financées par le client et, pour ce faire, d'inscrire ces risques dans les registres des risques opérationnels et financiers et d'établir des mesures d'atténuation claires. L'IBAN recommande en particulier de traiter les risques suivants : - longueur des délais pour les opérations et les missions de l'OTAN et coûts s'y rapportant ; - qualité insuffisante des équipements et des services SIC fournis notamment par des contractants SIC externes en dehors de l'accord sur les niveaux de service passé avec la NCIA ; - dépassement des coûts liés aux contractants SIC externes en raison du manque de cohérence dans l'application des accords fondés sur des prix fermes et définitifs ; - peu de possibilités de prendre des mesures dans le cadre des accords passés avec les agences et manque de clarté concernant la répartition des obligations financières découlant de ces accords.	L'IBAN note que plusieurs de ces domaines de risque sont inscrits dans les registres des risques opérationnels et financiers tenus par certains quartiers généraux de l'ACO. Toutefois, ces risques opérationnels et financiers ne sont pas inscrits dans les registres globaux des risques opérationnels et financiers tenus par l'ACO. Question **en cours de traitement**.	Question **en cours de traitement**.
(7) Exercice 2017 **IBA-AR(2018)0009, paragraphe 8** **NÉCESSITÉ D'APPORTER DES AMÉLIORATIONS DANS LES DOMAINES DE LA GESTION DES RISQUES ET DU CONTRÔLE INTERNE** L'IBAN formule les recommandations suivantes : a) une fois qu'une suite aura été donnée à la recommandation formulée au point a), le service d'audit interne de l'ACO devrait évaluer pleinement le contrôle interne et la	L'IBAN note que le service d'audit interne de l'ACO effectue chaque année une évaluation du contrôle interne	Question **traitée**.

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
gestion des risques dans l'ensemble de l'organisme, et il devrait veiller à ce que ce travail soit clairement documenté, de manière à ce que l'on puisse aboutir à la conclusion que l'ACO respecte le cadre choisi ; b) l'ACO, en tant qu'entité consolidante, devrait se mettre en contact avec la NAEW&CF et avec la NAGSF pour faire en sorte que des procédures de gestion des risques stratégiques soient mises en œuvre au sein de ces deux forces, que les risques soient repérés et qu'il y soit remédié de manière appropriée.	et de la gestion des risques à l'échelle du Commandement. Question **traitée**. L'IBAN note que les procédures de gestion des risques stratégiques établies par la NAEW&CF et la NAGSF ont été mises en œuvre et que les risques sont inscrits dans des registres ad hoc. Question **traitée**.	
(8) Exercice 2016 **IBA-AR(2017)08, paragraphe 2** **RÉALISATION DE PROGRÈS SUR LA VOIE DE LA CONFORMITÉ AVEC LE RÈGLEMENT FINANCIER DE L'OTAN, ET EN PARTICULIER AVEC LES ARTICLES RELATIFS AU CONTRÔLE INTERNE,** **À LA GESTION DES RISQUES ET À L'AUDIT INTERNE** **Recommandation de l'IBAN** L'IBAN formule la recommandation suivante : a) le Conseil devrait faire en sorte que le NFR et les FRP soient cohérents en ce qui concerne la marge de manœuvre autorisée pour le report de crédits budgétaires de l'exercice en cours correspondant à des biens et services à fournir pendant l'exercice suivant ; s'agissant des FMS, il faudrait déterminer si, à des fins budgétaires, le NFR doit être adapté. Il conviendra de tenir compte de la présente recommandation dans le cadre du recensement des enseignements à tirer de la nouvelle version du NFR qui devrait être effectué en 2017.	La question sera examinée dans le cadre de la revue du NFR. L'IBAN note que cette revue a été reportée.	Question **traitée**.
(9) Exercice 2016 **IBA-AR(2017)08, paragraphe 3** **ABSENCE DE GARANTIE QUANT AU FONCTIONNEMENT CONTINU D'UN SYSTÈME ESSENTIEL AU SEIN DE LA FORCE AÉROPORTÉE DE DÉTECTION LOINTAINE ET DE CONTRÔLE DE L'OTAN (NAEW&CF)**		Question **en cours de traitement.**

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
Recommandation de l'IBAN L'IBAN recommande à la Force NAEW&C d'établir un plan destiné à garantir la bonne administration du PILS. Pour y parvenir, la Force pourrait par exemple veiller à former un plus grand nombre d'agents, désigner des suppléants, établir des procédures par écrit ainsi qu'un manuel sur le processus à suivre, ou réfléchir aux possibilités de recours à des contractants extérieurs pour l'exécution de certaines fonctions. La Force NAEW&C devrait en outre faire en sorte qu'une capacité adéquate de maintenance et d'administration du PILS soit en place.	L'IBAN note que des mesures d'administration du PILS sont en place au travers du soutien fourni par la NCIA. Toutefois, l'administration du PILS reste gérée par une seule personne et il n'y a pas de procédures écrites ni de manuel définissant les processus. Cela ne permet pas d'atténuer le risque de perte de savoirs. La NAEW&CF mène actuellement une procédure de recrutement de deux nouveaux agents qui seront affectés à l'administration du PILS.	
(10) Exercice 2016 **IBA-AR(2017)08, paragraphe 5** **ABSENCE DE MÉMORANDUM D'ACCORD AVEC LA NCIA** **Recommandation de l'IBAN** L'IBAN recommande à l'ACO de poursuivre le travail d'établissement d'un mémorandum d'accord avec la NCIA. Il faudrait aussi établir au plus vite un SLA pour la KFOR.	L'IBAN note qu'il n'y a toujours pas de mémorandum d'accord avec la NCIA. À titre de mesure d'atténuation, l'ACO a mis en œuvre un plan supplétif (SUPPLAN) pour les SIC, qui est joint au plan d'opération (OPLAN) en place avec la NCIA. S'agissant de la KFOR, le tableau des services SIC, qui doit servir de base pour l'accord sur les niveaux de service (SLA), est achevé. Des discussions sont en cours entre la KFOR, le JFCNP et la NCIA en vue de l'établissement du SLA ou, à tout le moins, d'un accord technique.	Question **en cours de traitement.**
(11) Exercice 2015 **IBA-AR(2016)09, paragraphe 6** **NÉCESSITÉ D'ÉTABLIR DE NOUVEAUX ACCORDS DE SOUTIEN LOGISTIQUE AVEC LA NSPA** **Recommandation de l'IBAN**		Question

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
Pour une meilleure gestion des moyens déployables et du soutien de la Force NAEW&C, l'IBAN recommande à l'ACO de prendre des mesures afin d'établir des accords globaux avec la NSPA. Pour assurer une transparence et un compte rendu optimum, ces accords devraient spécifier clairement les services à fournir, les rôles, les responsabilités, les conditions, les indicateurs de performance, les indicateurs de qualité et les exigences en matière de compte rendu.	L'IBAN note que la NAEW&CF et la NSPA ont établi ensemble le plan de gestion 2021 de la NSPA, qui donne des informations claires au sujet notamment des services à fournir, des rôles et des responsabilités de chacun ainsi que des clauses et conditions. Par conséquent, l'IBAN considère la question comme étant traitée.	**traitée.**
(12) Exercice 2013 **IBA-AR(2014)20, paragraphe 5** **NÉCESSITÉ D'UNE CONFIRMATION PAR LES ENTITÉS OTAN DU SOLDE DES ÉLÉMENTS D'ACTIF ET DE PASSIF EN FIN D'EXERCICE** **Recommandation de l'IBAN** L'IBAN recommande que, à partir de l'exercice 2014, l'ACO se fasse confirmer par les autres organismes OTAN concernés le solde des éléments d'actif et de passif leur correspondant en prévision de l'établissement des états financiers.	L'IBAN note qu'un processus itératif est en place au sein de l'ACO, qui permet de confirmer les soldes des éléments d'actif et de passif de fin d'exercice correspondant aux autres organismes OTAN.	Question **traitée.**

COMMENTAIRES OFFICIELS DU COMMANDEMENT ALLIÉ OPÉRATIONS (ACO) SUR LE RAPPORT D'AUDIT ET POSITION DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN)

OBSERVATION N°1 :
NÉCESSITÉ DE RENFORCER LES MÉCANISMES DE CONTRÔLE INTERNE RELATIFS À L'ÉTABLISSEMENT DES ÉTATS FINANCIERS

Commentaires officiels de l'ACO

L'ACO souscrit à la recommandation.

L'ACO s'emploie sans relâche à améliorer les contrôles internes et à faire en sorte que les règles soient mieux respectées. Un grand nombre de mécanismes de contrôle sont déjà en place concernant les procédures de fin d'exercice et l'établissement des états financiers, comme les orientations pour les procédures de fin d'exercice, les listes de vérification et les procédures de certification. La Branche CAC les formalisera dans un cadre de contrôle interne applicable à l'échelle de l'ACO pour les activités financières et comptables. Ce cadre couvrira l'ensemble des activités et des domaines fonctionnels. Malgré tous les efforts *déployés, si des ressources appropriées ne sont pas octroyées, les progrès sur la voie de l'amélioration du contrôle interne au niveau de la CAC dans tous les domaines seront plus lents que prévu, la priorité étant accordée aux principaux domaines de risque.*

OBSERVATION N° 2 :
INSUFFISANCES DANS LE CONTRÔLE INTERNE DES ACTIVITÉS SOCIORÉCRÉATIVES ET MANQUE D'EXHAUSTIVITÉ DE LA NOTE JOINTE AUX ÉTATS FINANCIERS QUI SE RAPPORTE À CES ACTIVITÉS

Commentaires officiels de l'ACO

L'ACO souscrit partiellement à la recommandation.

Bien que l'ACO ne dispose pas d'une politique uniforme de contrôle interne pour les activités sociorécréatives, les parties prenantes et les organes de gouvernance ont déjà avancé dans plusieurs domaines. Par exemple, s'agissant de la Branche CAC de l'ACO, des procédures de contrôle, certes limitées, ont été suivies pour faire en sorte que les données fournies par les quartiers généraux de l'ACO soient fiables, notamment les procédures suivantes :

- *établissement et diffusion en 2021 d'une méthode comptable ACO applicable aux activités sociorécréatives, qui a donné des orientations normalisées sur la manière de comptabiliser ces activités ;*
- *établissement de modèles normalisés pour la communication des données financières ;*
- *examens analytique des données financières pour évaluer leur cohérence ;*
- *échange de correspondance suivi avec les quartiers généraux pour garantir l'exhaustivité et l'exactitude du compte rendu financier.*

Le Bureau d'audit interne de l'ACO (AIA), basé au SHAPE, a déjà mis en avant la raison d'être des clubs, et les entités locales ont décidé de prendre des mesures pour améliorer leur mécanisme de contrôle. Plusieurs acteurs jouent un rôle en la matière, mais il n'y pas d'autorité centrale, ce qui complique les choses dans un environnement multiforme. La question d'une révision de la directive ACO sur les activités sociorécréatives est à l'examen.

En principe, l'ACO souscrit aux recommandations de l'IBAN, même si elles ne semblent pas réalistes en raison du niveau actuel des ressources. La Direction Finances et acquisitions (FINAC) du SHAPE a déjà avancé sur plusieurs des éléments de la recommandation. Comme indiqué dans la déclaration sur le contrôle interne (SIC) contenue dans les états financiers 2021 de l'ACO, le contrôleur des finances, en plus de ses responsabilités principales d'administrateur des biens, est chargé du contrôle des activités sociorécréatives. Bien que des améliorations aient été apportées à l'assurance s'agissant des *procédures de contrôle des activités sociorécréatives, il faut octroyer des ressources suffisantes pour éviter toute incidence sur les autres priorités clés.*

Il est nécessaire de suivre une approche fondée sur la notion de risque pour toutes les questions relatives aux activités sociorécréatives en raison de l'importance de ces activités et compte tenu des ressources disponibles.

Cela vaut aussi pour la recommandation formulée à l'alinéa d), qui porte sur l'audit interne annuel/la vérification interne des activités sociorécréatives. Seul le SHAPE dispose d'un responsable chargé d'examiner en interne les activités sociorécréatives. Les autres sites dépendraient du Bureau AIA pour la réalisation de ce travail. Non seulement ce bureau ne dispose pas de ressources pour ce faire, mais encore la question ne serait pas considérée comme suffisamment prioritaire dans le profil de risques à l'échelle de l'ACO, profil devant guider la programmation annuelle des activités du Bureau. Il serait donc plus réaliste de prévoir un cycle d'audit d'une durée supérieure à un an.

OBSERVATION N° 3 :
NÉCESSITÉ DE FAIRE EN SORTE QUE LES SOLDES NON UTILISÉS RELATIFS AUX CHARGES À PAYER SOIENT ANNULÉS AU PLUS TÔT

Commentaires officiels de l'ACO

L'ACO souscrit à la recommandation.

a.) Pour se conformer pleinement à l'alinéa 22 des FRP XXV, la NAEW&CF, en concertation avec la Direction FINAC de l'ACO, examinera s'il faut solliciter l'aide des délégations des pays auprès de l'OTAN ou du Comité des budgets pour faire en sorte que les demandes de paiement soient présentées sans retard.

b.) En outre, il est possible que les données soient soumises au comité compétent en vue de l'obtention de son accord sur la voie à suivre pour le traitement des charges à payer en souffrance concernant des pays membres.

OBSERVATION N° 4 :
NÉCESSITÉ DE CLARIFIER, SUR LA BASE DU STATUT JURIDIQUE DE L'ÉCOLE INTERNATIONALE DU SHAPE, LES RÈGLES FINANCIÈRES ET LE CADRE DE COMPTE RENDU APPLICABLES À CET ÉTABLISSEMENT

Commentaires officiels de l'ACO

L'ACO souscrit à la recommandation dans son principe.

La Direction FINAC de l'ACO collaborera avec les parties concernées (École internationale du SHAPE, conseiller juridique, Bureau OTAN des ressources) pour clarifier le cadre réglementaire applicable à l'École ainsi que la voie à suivre.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

(1) Exercice 2020
IBA-AR(2021)0030, paragraphe 1
INCIDENCE FINANCIÈRE DU RETRAIT DES FORCES DE LA MISSION RESOLUTE SUPPORT : ESTIMATION NON ENCORE DISPONIBLE

Commentaires officiels de l'ACO

L'ACO est d'accord.

a.) Un processus de coordination a eu lieu avec la NSPA et des informations financières et juridiques récentes ont été échangées. La Direction FINAC du SHAPE continuera de collaborer avec la NSPA afin de recevoir régulièrement les toutes dernières informations financières.

b.) Aucun progrès n'a été réalisé en la matière car il a fallu traiter d'autres priorités. L'ACO maintient qu'il n'est pas économiquement rationnel d'appliquer cette recommandation à la lettre et que cela ne présente pas un intérêt suffisant pour l'Organisation : en effet, les informations qui seraient produites ne seraient pas fiables et resteraient incertaines en raison de la complexité inhérente aux opérations et aux missions.

(2) Exercice 2020
IBA-AR(2021)0030, paragraphe 2
COMPTABILISATION ET PRÉSENTATION DES CONTRIBUTIONS EN NATURE À LA NAEW&CF ET À L'AGS

Commentaires officiels de l'ACO

L'ACO n'est pas d'accord.

a.) Aucun élément nouveau à signaler.

b.) Aucun élément nouveau à signaler. Il est proposé de retirer cette observation du rapport de l'ACO car celui-ci n'a pas de prise sur la question. Même argument que pour l'observation 8.

Position de l'IBAN

Dans la partie b) de sa recommandation, l'IBAN a invité l'ACO à établir une méthode spécifique pour la comptabilisation des contributions en nature et le compte rendu financier s'y rapportant. Comme suggéré dans le PO(2022)0179, l'ACO traitera cette recommandation dans le contexte de la revue du cadre comptable OTAN. L'IBAN maintient par conséquent sa décision de considérer cette question comme étant en cours de traitement.

(3) Exercice 2020
IBA-AR(2021)0030, paragraphe 3
REMBOURSEMENT PAR LES UTILISATEURS NON ADMISSIBLES DES COÛTS FINANCÉS SUR LE NSIP

Commentaires officiels de l'ACO

L'ACO est d'accord.

(4) Exercice 2020
IBA-AR(2021)0030, paragraphe 4
COMPTABILISATION ET PRÉSENTATION DES ACTIFS D'INFRASTRUCTURE FINANCÉS SUR LE NSIP

Commentaires officiels de l'ACO

L'ACO est d'accord.

b) La Branche CAC de l'ACO travaille avec les sites et certains progrès ont été réalisés : par exemple les responsables finances et comptabilité ont la possibilité d'avoir accès au système intégré d'information sur les ressources financées en commun (CIRIS), et un processus d'analyse des projets NSIP est en cours d'établissement. Il s'agit toutefois de mesures visant à compenser les insuffisances actuelles dans les flux d'information et la structure organisationnelle.

(5) Exercice 2018
IBA-AR(2019)0016, paragraphe 1
L'ACO DOIT ÊTRE UN « CLIENT INTELLIGENT » DES AGENCES OTAN FINANCÉES PAR LE CLIENT

Commentaires officiels de l'ACO

L'ACO est d'accord.

Les échéances fixées pour la stratégie d'interaction ne conviennent plus. Elles seront adaptées.

La question de la procédure opérationnelle commune est devenue caduque :

– le document initial de portée limitée n'a pas été intégré officiellement dans les accords sur les niveaux de service (SLA) ; les parties des SLA conçues davantage comme des instructions permanentes (SOP) doivent encore être extraites et transférées dans le document évoqué ;

– une partie du travail sur les procédures opérationnelles communes a été confiée à des instances de niveau plus élevé : une partie du travail de synchronisation prévu est effectuée dans le cadre des réunions bilatérales de niveau deux étoiles en vertu du mandat défini pour celles-ci ; la portée du travail est élargie et englobe l'interaction directe au niveau le plus élevé et sur une base régulière pour ce qui concerne la fourniture de services dans le domaine des technologies de l'information et de la communication (TIC) ; le bon avancement des projets et la fourniture de services sont essentiels pour que le niveau d'ambition de l'OTAN soit atteint ; le chef d'état-major adjoint du SHAPE pour le cyberespace (DCOS Cyber) et le directeur général de l'Agence OTAN d'information et de communication (NCIA) ont décidé d'établir un calendrier de réunions ouvertes et constructives de haut niveau entre l'ACO et l'Agence (niveau deux étoiles, contrôleurs des finances et parties prenantes clés), le but étant d'examiner et de renforcer la compréhension mutuelle et la connaissance partagée de la situation pour ce qui concerne les projets TIC et la fourniture de services ;

– le paragraphe relatif à la procédure opérationnelle commune qui était prévu au départ est toujours dans le SLA et fait l'objet d'un examen dans la cadre de la deuxième Commission consultative sur les changements (CAB2), qui travaille sur l'établissement des SLA pour 2023 ; dans le cadre de l'introduction du concept de gestion du changement dans les SLA pour 2023, la procédure commune sera utilisée pour la saisie des opérations de transfert/reprise entre les deux parties pour ce qui concerne les aspects relatifs à la fourniture de services.

NSPA :

– le dossier de décision a été soumis au Comité militaire, mais son examen doit encore être inscrit à l'ordre du jour d'une réunion ;

– ce dossier fait état de la réorientation et du recentrage sur l'équipe de planification et de liaison de la NSPA (NPLT) et donne des éclaircissements sur son rôle dans les divers sites ; s'il est approuvé, il servira de base à la modification de l'accord de soutien logistique (LSA) ;

– il faut régler la question de l'intégration dans le Commandement interarmées du soutien et de la facilitation (JSEC) du membre de la NPLT en poste au Quartier général permanent de groupement de soutien logistique interarmées (SJLSG HQ) ; le JSEC étant partie au mémorandum d'entente (MOU), il devrait soumettre une demande et payer pour son personnel NSPA ;

– les travaux ont pris du retard en raison de la COVID-19 et, plus récemment, de la crise en Ukraine.

(6) Exercice 2018
IBA-AR(2019)0016, paragraphe 2
L'ACO DOIT ATTÉNUER LES RISQUES LIÉS AU RECOURS À DES AGENCES OTAN FINANCÉES PAR LE CLIENT

Commentaires officiels de l'ACO

L'ACO est d'accord.

Les mesures nécessaires sont prises pour traiter ces risques et en rendre compte.

(7) Exercice 2017
IBA-AR(2018)0009, paragraphe 8
NÉCESSITÉ D'APPORTER DES AMÉLIORATIONS DANS LES DOMAINES DE LA GESTION DES RISQUES ET DU CONTRÔLE INTERNE

Commentaires officiels de l'ACO

L'ACO est d'accord.

(8) Exercice 2016
IBA-AR(2017)08, paragraphe 2
RÉALISATION DE PROGRÈS SUR LA VOIE DE LA CONFORMITÉ AVEC LE RÈGLEMENT FINANCIER DE L'OTAN, ET EN PARTICULIER AVEC LES ARTICLES RELATIFS AU CONTRÔLE INTERNE, À LA GESTION DES RISQUES ET À L'AUDIT INTERNE

Commentaires officiels de l'ACO

L'ACO est d'accord.

(9) Exercice 2016

IBA-AR(2017)08, paragraphe 3
ABSENCE DE GARANTIE QUANT AU FONCTIONNEMENT CONTINU D'UN SYSTÈME ESSENTIEL AU SEIN DE LA FORCE AÉROPORTÉE DE DÉTECTION LOINTAINE ET DE CONTRÔLE DE L'OTAN (NAEW&CF)

Commentaires officiels de l'ACO

L'ACO est d'accord.

L'analyse de l'IBAN reflète bien la situation actuelle. Le travail se poursuit.

(10) Exercice 2016
IBA-AR(2017)08, paragraphe 5
ABSENCE DE MÉMORANDUM D'ACCORD AVEC LA NCIA

Commentaires officiels de l'ACO

L'ACO est d'accord.

Le JFCNP peaufinera le projet d'accord sur les services SIC établi par la KFOR. Le document sera ensuite transmis à la NCIA à des fins de coordination. À ce stade, la NCIA ne s'est toutefois pas encore engagée à avaliser le document. Si le travail de coordination avec la NCIA aboutit, le document pourrait déboucher sur l'établissement d'un accord en 2023.

(11) Exercice 2015
IBA-AR(2016)09, paragraphe 6
NÉCESSITÉ D'ÉTABLIR DE NOUVEAUX ACCORDS DE SOUTIEN LOGISTIQUE AVEC LA NSPA

Commentaires officiels de l'ACO

L'ACO est d'accord.

(12) Exercice 2013
IBA-AR(2014)20, paragraphe 5
NÉCESSITÉ D'UNE CONFIRMATION PAR LES ENTITÉS OTAN DU SOLDE DES ÉLÉMENTS D'ACTIF ET DE PASSIF EN FIN D'EXERCICE

Commentaires officiels de l'ACO

L'ACO est d'accord.

GLOSSAIRE

En application de la norme internationale des institutions supérieures de contrôle des finances publiques (ISSAI) 2705, les opinions émises au sujet des états financiers et au sujet de la conformité peuvent être des opinions sans réserve, des opinions avec réserve, des déclarations d'abstention ou des opinions défavorables.

- L'IBAN émet une opinion sans réserve (*unqualified opinion*) lorsqu'il estime que les états financiers et le rapport sur l'exécution du budget sont exacts et que rien ne lui donne à penser que les fonds n'ont pas été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec la réglementation en vigueur.

- L'IBAN émet une opinion avec réserve (*qualified opinion*) lorsque, d'une manière générale, il est satisfait de la présentation des états financiers mais que, pour certains éléments clés, il constate que les états n'ont pas été correctement établis ou que l'ampleur de l'audit a été limitée, ou lorsque certains éléments lui donnent à penser que les fonds n'ont pas été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec la réglementation en vigueur.

- L'IBAN se déclare dans l'impossibilité d'exprimer une opinion (*disclaimer of opinion*) lorsque l'ampleur de l'audit est extrêmement limitée – au point qu'il n'est pas en mesure d'exprimer une opinion – ou lorsque d'importantes incertitudes entourent les états financiers ou l'emploi des fonds.

- L'IBAN émet une opinion défavorable (*adverse opinion*) lorsqu'une erreur ou une anomalie présente dans les états financiers a des conséquences si étendues et si importantes que, selon lui, une réserve n'est pas suffisante pour faire apparaître le caractère trompeur ou incomplet des états financiers.

En application des normes d'audit, trois types de paragraphe peuvent figurer dans le rapport d'audit :

- Questions clés de l'audit (ISSAI 2701) – Paragraphe qui concerne des questions qui, selon le jugement professionnel de l'IBAN, sont les plus importantes parmi celles qui ressortent de l'audit des états financiers de la période considérée. Les questions clés de l'audit sont portées à l'attention du Conseil.

- Observation particulière (ISSAI 2706) – Paragraphe que l'IBAN ajoute dans la section « Opinion » du rapport d'audit afin d'appeler l'attention sur un élément présenté dans les états financiers dont l'importance est telle, selon lui, qu'il est indispensable à l'utilisateur pour sa compréhension de ces documents.

- Autre observation (ISSAI 2706) – Paragraphe que l'IBAN ajoute dans la section « Opinion » du rapport d'audit pour fournir des informations sur un élément autre que ceux présentés dans les états financiers qui, selon lui, est important pour la compréhension, par l'utilisateur, de l'audit, des responsabilités de l'auditeur ou du rapport d'audit.

NATO
OTAN

Enclosure 2 to PO(2022)0504 (INV)

ENCLOSURE 1 TO
SH/FINAC/CAC/FC112/22-011321
DATED 23 MAY 22

ALLIED COMMAND OPERATIONS
CONSOLIDATED FINANCIAL STATEMENTS

2021

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Allied Command Operations Consolidated Financial Statements 2021

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ACO Consolidated Financial Statements 2021

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CERTIFICATION OF THE 2021 ACO CONSOLIDATED FINANCIAL STATEMENTS

1. As per the NATO Financial Regulation (NFR) 35.1 ACO shall submit consolidated annual financial statements for audit to the International Board of Auditors for NATO (IBAN) by not later than 31 March following the end of the financial year. Attached herewith is the full set of the 2021 ACO Consolidated Financial Statements including the Statement of Internal Control.

2. The ACO Financial Controller is required by the NFRs/FRPs to maintain accounting records and to prepare consolidated annual financial statements. To lay the foundations for the financial statements, the ACO Financial Controller is responsible for establishing detailed financial rules and procedures to ensure that funds entrusted to ACO by the NATO Nations to support critical activities and operations are spent in an effective and efficient manner, transparently and with full accountability. The ACO Financial Controller is also required to maintain internal financial control, which shall provide an effective control mechanism of the financial transactions to ensure the regularity of the receipt, custody and use of all funds and other financial resources of the entity; and the conformity of expenditures with the appropriations approved by the Committees.

3. 2021 saw the closure of the Resolute Support Mission. The closure impacted the organization and required the assumption of some risk due to the circumstances of the closeout and subsequent support to the NATO Affiliated Afghans. Updates on this topic have been provided to the Budget Committee and coordinated with other service providers. The topic is also covered in the notes to financial statements. The impact of the COVID-19 pandemic continues to prove challenging, including in ACO's financial operations as reflected in these financial statements. There are deficiencies and limitations to provide continuity of services in a timely manner due to lack of appropriate CIS support at the working level. However, the Finance and Acquisition Directorate (FINAC) continues to find ways to mitigate the risk this new reality brings. FINAC made all efforts to ensure continuity of services whilst maintaining, to the maximum extent practicable, the internal controls in place via ACO processes and through the Financial Management System to strengthen the cascading certification process from subordinate reporting entities to the corporate level. Regular communication (remote and to a limited extent in person) with subordinate entities ensured that, an acceptable level of controls and standards were maintained and any limitations to financial data highlighted.

4. The ACO Corporate Accounting and Control Branch Head (CAC BH), responsible for all finance and accounting processes including the ACO Consolidated Financial Statements, provided reasonable assurance that the ACO Consolidated accounts present fairly, in all material aspects, the financial position, the results of the operations, the cash-flow and the notes of the ACO entity. This is assured due to the well-established finance and accounting processes and controls and the level of expertise and professional knowledge of key positions at corporate and decentralised level. The key business processes enable risk management, guarantee transparency, promote accountability and ensure the integrity of financial data. The annual financial closure is performed with an annually updated end of year guidance including a specific checklist and certification that provide evidence of the controls in place and alert the CAC BH of any areas that require action. Additional due diligence has been exercised and can be demonstrated in the tangible processes indicated at para.3.

RESPONSIBILITY

5. The attached, unaudited fiscal year 2021 ACO Consolidated Financial Statements for the period starting 01 January 2021 and ending 31 December 2021 have been prepared in accordance with the NFR, NATO Accounting Framework (NAF) and relevant International Public Sector Accounting Standards (IPSAS). In accordance with NFR Article 3.2, they are jointly signed by the

ACO Strategic Commander and the ACO Financial Controller, and conform to the responsibility and accountability principles prescribed in the NFR 3.1, and are submitted to the International Board of Auditors for NATO in accordance with the NFR 35.

6. In preparing these accounts, ACO has:

a. Observed the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis.

b. Made judgements and estimates on a reasonable basis.

c. Prepared the accounts on a going concern basis.

7. We hereby certify that to the best of our knowledge, we have a reasonable assurance that the attached financial statements and notes present a true and fair view of the financial activities of ACO as at 31 December 2021.

Mr Danny Hovaere
A/Financial Controller
Allied Command Operations

Tod D. Wolters
General, U.S. Air Force
Supreme Allied Commander Europe

2021 ACO STATEMENT OF INTERNAL CONTROL

1. **Introduction.** The 2021 ACO Statement of Internal Control (SIC) builds on explicit, written assurances provided by ACO Command Groups in accordance with ACO Directive 015-029[1] and COS SHAPE Order No. 178[2]. It reflects the Command's consolidated assessment of the efficiency and effectiveness of its activities, processes and procedures and their consistency with established rules and regulations. Responses to identified deficiencies will continue to be monitored and refined as needed and be considered during future iterations of the ACO SIC.

2. **Deficiencies identified in 2021**

a. **Communication and Information Systems**

(1) Inadequate information management, in combination with obsolete IT infrastructure and unsatisfactory IT support, and missing links between different information systems present a critical issue for ACO. The critical operational obsolescence of the legacy system and the growing capability gap affects system support, security, performance, reliability, and through-life costs, and limits ACO's ability to fully protect and exploit data. The Information Technology Modernisation programme delays have exposed ACO to an unacceptable level of operational risk.

(2) There were issues identified in the customer/supplier relationship with NCIA for local service delivery, which need to be addressed more centrally to ensure services agreed in the Service Level Agreements are met.

b. **Infrastructure**

(1) Infrastructure was identified as an area of some concern. A number of facilities are still insufficient in terms of size and quality to accommodate all staff. However, respective mitigation measures are in place or are being developed with the support of Host Nations.

(2) Furthermore, analysis of ACO's survivability and resilience has identified several areas of risk in the area of infrastructure. Work to address them has begun with the development of alternate sites and a dispersal capability in addition to other measures.

c. **Education and Training.** In 2021, the COVID-19 pandemic significantly disrupted the usual and planned conduct of both individual and collective Education and Training, while training demand increased due to previous years' shortfalls.

d. **Staffing**

(1) Nations assigned an insufficient number of suitably qualified and experienced personnel to fill Peacetime Establishment positions. Increasing workloads compounded the effects of vacancies and absence of relevant skills. In addition, the COVID-19 pandemic adversely affected staff's availability to work from the office due to quarantine or illness.

[1] Internal Control Framework in ACO, dated 28 January 2021.
[2] Internal Control Certification Process and the designation of the Internal Control Focal Point, dated 13 July 2021.

(2) ACO's insufficient workforce development hindered the development of talent across the military and civilian workforce. The introduction of the skill submission system to capture skills, qualifications and experience had a good initial response. However, there are only limited tools available to analyse and leverage the information submitted.

(3) The paucity of effective Hand-Over / Take-Over (HOTO) efforts during staff rotations negatively affected workforce capabilities. Although some HQs made efforts to improve their HOTO process[3], compliance by both departing individuals and their line managers has been suboptimal.

e. **Finance and Acquisition**

(1) In 2021, the situation in Afghanistan has resulted in outstanding close-out efforts within ACO, NATO Agencies and Nations. A number of negotiations are still in progress which may result in contractors' claims or settlements that have yet to be fully assessed. Whenever possible the magnitude of the risk is being captured. Moreover the very short notice requirement to support the NATO Affiliated Afghans is an area of financial and contractual risk enduring into 2022.

(2) In the framework of the LOG FS Finance Project, the technical upgrade of FinS[4] has not been completed due to the obsolescence of its infrastructure, leaving the system unsupported by Oracle since 31 December 2021 and vulnerable to potential threats.

(3) The slowdown of certain activities due to the COVID-19 pandemic (e.g. travel, training, exercises, maintenance projects) resulted in higher budgetary surpluses in 2021 than usual.

f. **Property Management.** ACO is aware of limitations related to property management and the asset lifecycle management. An ACO asset management framework could be considered to enhance the existing practical application of AD 060-080 Property Accounting and Control and provide further assurance regarding the safeguarding of assets.

g. **Policy Management.** Some directives and guidance documents are out of date and need updating, while the relevance of others is in question. This creates problems with the top-down adminstrative governance of the control framework to ensure consistent, transparent and cohesive policy effect. There was a need to better define an end-to-end policy lifecycle process and include opportunities for automation and/or digitalization.

3. **Enhancements identified in 2021.** The following areas have shown notable improvements in terms of their efficiency, effectiveness and consistency with established rules and regulations:

a. Crisis Identification and Area of Responsibility management and Peacetime Vigilance.

b. Business Continuity Policy.

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[3] For example JFCBS Directive 075-007, dated 10 August 2021.
[4] ACO's Enterprise Resource Planning System.

c. The governance framework and control environment supporting the Garrison Support Arrangements.

d. A process has been developed improving consideration of potential fraud while assessing risks to the achievement of objectives.

e. ACO Financial Controller is assigned control responsibility for the MWA activities in addition to the core fiduciary responsibilities. Although there has been an improvement in assurance related to MWA control processes, sufficient resources must be provided to prevent an impact to other key priorities.

4. **ACO Internal Control Framework.** The new ACO Directive on the Internal Control Framework issued on 28 January 2021 clarifies and rationalises the roles and responsibilities of all stakeholders involved in ACO's Internal Control efforts.

5. **Financial Controller's Contribution.** Assurance is provided related to the reliability of financial information. Extensive formal controls are in place within the 3 FINAC functions. These were confirmed through self-assessment certifications produced by the ACO Command Financial Controllers, providing tangible evidence and assurance as to the truthfulness and reliability of Budgetary, Finance & Accounting and Acquisition processes and information. Finally, a formal management plan to oversee and resolve external audit observations ACO-wide was introduced.

6. **ACO Strategic Management System.** The collective efforts of ACO Management Board members have significantly matured the ACO Strategic Management System in 2021. Strategic Management knowledge and competences, particularly with regard to risk management, among ACO leadership and working-level staff increased. A robust Strategic Management operating framework, with SACEUR's ACO Strategic Management Plan at its core, is in place. The ACO Management Board looks to consolidate these achievements and to gradually improve the overall ACO Strategic Management System in 2022.

7. **Conclusion**. Based on ACO's 2021 Certification Process, the involvement of the ACO Management Board, the ACO Audit Advisory Panel, and the acting ACO Financial Controller's independent fiduciary assessment; we are satisfied that actions were taken to remedy significant identified weaknesses, including the prevention and detection of potential fraudulent activities within ACO. Therefore, we confirm that, over the past calendar year, to the best of our knowledge after undertaking all relevant procedures, and subject to the ongoing work to address the deficiencies identified, ACO had an effective framework of Internal Control in place to ensure effective and efficient operation, reliable and accurate reporting, including financial information, safeguarding of assets and compliance with all applicable rules and regulations.

Mr Danny Hovaere A/Financial Controller Allied Command Operations	Tod D. Wolters General, U.S. Air Force Supreme Allied Commander Europe

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STATEMENT 1: ACO CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(I)

As at 31 December 2021 *in EUR*	*Notes*	*2021*	*Restated 2020 (II)*	*2020*
ASSETS				
Current Assets				
Cash and Cash Equivalents	B.1	1,363,491,891	922,439,037	922,439,037
Short Term Investments	B.2	520,048,947	932,885,474	932,885,474
Receivables	B.3	205,102,748	180,115,356	180,115,356
Prepayments	B.4	10,282,089	9,293,311	9,293,311
Other Current Assets	B.5	940,973	969,214	969,214
Inventories	B.6	47,007,170	45,202,592	42,917,335
Total Current Assets		**2,146,873,818**	**2,090,904,984**	**2,088,619,727**
Non-current Assets				
Receivables	B.7	1,031,072	1,034,023	1,034,023
Property, Plant & Equipment	B.8	789,230,102	788,806,976	639,663,035
Other Non-current Assets	B.9	7,297,226	8,032,988	8,032,988
Total Non-current Assets		**797,558,400**	**797,873,987**	**648,730,046**
Total ASSETS		**2,944,432,218**	**2,888,778,971**	**2,737,349,773**
LIABILITIES				
Current Liabilities				
Payables (III)	B.10	(372,435,901)	(283,956,187)	(283,956,187)
Deferred Revenue & Other liab.	B.11	(1,572,488,019)	(1,565,837,521)	(1,534,927,127)
Advances	B.12	(280,327,948)	(343,271,633)	(343,271,633)
Short Term Provisions	B.13	(543,052)	(393,447)	(393,447)
Total Current Liabilities		**(2,225,794,920)**	**(2,193,458,788)**	**(2,162,548,394)**
Non-current Liabilities				
Long Term Provisions	B.14	(9,312,981)	(10,274,853)	(10,274,853)
Non-current Deferred Revenue	B.15	(709,324,316)	(685,045,330)	(564,526,526)
Total Non-current Liabilities		**(718,637,297)**	**(695,320,183)**	**(574,801,379)**
Total LIABILITIES		**(2,944,432,218)**	**(2,888,778,971)**	**(2,737,349,773)**
NET ASSETS	C.19	-	-	-

(I) In all tables, credit amounts/balances such as liabilities and revenue are presented with negative signs. Debit amounts such as assets and expenses carry a positive sign.
(II) Restatement relates to PP&E and reclassification between current and non-current assets. More information can be found in the relevant note disclosure.
(III) Not all balances provided are reported on accrual basis. More information can be found in the notes A (Significant accounting policies - basis of preparation) and B.10.

STATEMENT 2: ACO CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

(I)

For the year ended 31 December 2021 *in EUR*	*Notes*	*2021*	*Restated 2020 (II)*	*2020*
Revenue				
Revenue		(1,132,489,146)	(1,066,722,278)	(1,062,432,189)
Other Revenue		(3,292,051)	(2,580,592)	(2,580,592)
Financial Revenue		(923,766)	(3,374,237)	(3,374,237)
Total to be returned to the Nations	C.18	(1,025,986)	3,562,226	3,562,226
Total Revenue	C.16	**(1,137,730,949)**	**(1,069,114,881)**	**(1,064,824,792)**
Expenses				
Personnel		195,544,716	206,881,080	206,881,080
Contractual Supplies and Services		771,031,820	731,319,920	767,458,744
Foreign Military Sales (FMS) *(III)*		15,222,118	23,248,961	23,248,961
Depreciation and Amortization		151,622,411	106,008,196	65,579,283
Provisions		856,903	-	-
Other Expenses		1,453	687	687
Financial Costs		3,451,527	1,656,037	1,656,037
Total Expenses	C.17	**1,137,730,949**	**1,069,114,881**	**1,064,824,792**
Result of the year		-	-	-

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

(II) Restatement concerns PP&E. More information can be found in the relevant note disclosure

(III) The amount for FMS is on cash rather than accrual basis. More information can be found in the note A (Significant accounting policies - basis of preparation).

ACO Consolidated Financial Statements 2021

STATEMENT 3: ACO CONSOLIDATED STATEMENT OF CASH FLOWS

(I)

As at 31 December 2021 *in EUR*	*2021*	*Restated* *2020 (II)*	*2020*
CASH FLOWS FROM OPERATING ACTIVITIES			
Result of the year	-	-	-
Non-cash movements			
Depreciation	151,622,411	106,008,196	65,579,283
Increase (Decrease) in payables	88,481,869	(101,547,045)	(101,547,045)
Increase (Decrease) in other current liabilities	(32,289,876)	100,695,795	98,410,539
Increase (Decrease) in other non-current liabilities	(961,872)	(809,459)	(809,459)
Increase (Decrease) in current deferred revenue for PP&E	(23,855,861)	46,204,553	17,579,416
Increase (Decrease) in non-current deferred revenue for PP&E	24,278,986	97,455,564	(23,063,240)
(III) Property, plant and equipment, from other funding	(101,503,876)	(197,383,370)	(44,669,341)
(Increase) Decrease in other current assets	(960,537)	14,410,203	14,410,203
(Increase) Decrease in other non-current assets	738,714	738,502	738,502
(Increase) Decrease in receivables	(24,987,392)	22,031,598	22,031,598
(Increase) Decrease in Inventories	(1,804,578)	(3,884,415)	(1,599,159)
Net cash flows from operating activities	78,757,988	83,920,122	47,061,297
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and AuC	(50,541,660)	(52,284,943)	(15,426,118)
Proceeds from sale of plant and equipment	-	-	-
Proceeds from sale of investments	-	-	-
Short term investment	412,836,526	(169,495,981)	(169,495,981)
Net cash flows from investing activities	362,294,866	(221,780,924)	(184,922,099)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	-	-	-
Repayment of borrowings	-	-	-
Distribution/dividend to Nations	-	-	-
Net cash flows from financing activities	-	-	-
Change in cash flow	**441,052,854**	**(137,860,803)**	**(137,860,803)**
Cash and cash equivalents at beginning of period	*922,439,037*	*1,060,299,840*	*1,060,299,840*
Cash and cash equivalents at end of period	*1,363,491,891*	*922,439,037*	*922,439,037*
Net increase/(decrease) in cash and cash equivalents	**441,052,854**	**(137,860,803)**	**(137,860,803)**

(I) In all tables, credit amounts/balances such as liabilities and revenue are presented with negative signs. Debit amounts such as assets and expenses carry a positive sign.
(II) Restatement relates to PP&E and reclassification between current and non-current assets. More information can be found in the relevant note disclosure
(III) Other funding refers to assets funded through NSIP, or programmes like NAPMA, where other entities than SHAPE are acting as Host Nation, and of AuC that has been completed and capitalised within the reporting year. This did not require any cash outflow from ACO.

STATEMENT 4: ACO CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

For the year ended 31 December 2021			*Restated*	
in EUR	*Notes*	*2021*	*2020*	*2020*
Equity at beginning of year		-	-	-
Result of for the year		-	-	-
Net recognized revenue and expenses for the year		**-**	**-**	**-**
Equity at End of year	C.19	**-**	**-**	**-**

ACO Consolidated Financial Statements 2021

STATEMENT 5/1: ACO BC BUDGET EXECUTION REPORT

(Note H)

EUR

	Initial budget	*Transfers*	*BA2*	*Transfers*	*BA3*	*Transfers*	*Final Budget*	*Commitments/ Special Carry Forward (*)*	*Expenses*	*Total spent*	*Carry Forward/ Special Carry Forward (*)*	*Lapsed*
2021 NCSEP												
	568,387,080	***-***	***568,387,080***	***-***	***568,387,080***	***-***	***568,387,080***	***44,281,342***	***492,195,964***	***536,477,306***	***44,281,342***	***31,909,774***
Budget 101 SHAPE	76,246,284	-	76,246,284	-	76,246,284	-	76,246,284	1,707,457	71,184,003	72,891,461	1,707,457	3,354,823
Budget 103 JFC HQ BRUNSSUM	25,291,223	-	25,291,223	-	25,291,223	-	25,291,223	460,307	24,795,470	25,255,778	460,307	35,445
Budget 104 JFC HQ NAPLES	29,158,359	-	29,158,359	-	29,158,359	-	29,158,359	1,052,245	27,722,494	28,774,739	1,052,245	383,620
Budget 105 HQ AIRCOM RAMSTEIN	23,415,235	-	23,415,235	-	23,415,235	-	23,415,235	892,917	20,582,831	21,475,748	892,917	1,939,487
Budget 111 HQ LANDCOM IZMIR	10,748,312	-	10,748,312	-	10,748,312	-	10,748,312	682,732	7,960,233	8,642,965	682,732	2,105,347
Budget 118 HQ MARCOM NORTHWOOD	10,843,382	-	10,843,382	-	10,843,382	-	10,843,382	1,005,986	9,809,796	10,815,782	1,005,986	27,600
Budget 131 HQ DEPLOYABLE ASSETS	11,537,316	-	11,537,316	-	11,537,316	-	11,537,316	326,221	10,511,804	10,838,026	326,221	699,290
Budget 157 ACO Exercises and Training	20,631,650	-	20,631,650	-	20,631,650	-	20,631,650	2,999,216	13,921,532	16,920,748	2,999,216	3,710,902
Budget 164 AIR DEFENCE (GROUND)	36,775,989	-	36,775,989	-	36,775,989	-	36,775,989	7,367,666	23,009,697	30,377,363	7,367,666	6,398,626
Budget 166 ACCS Support	96,116,491	-	96,116,491	-	96,116,491	-	96,116,491	14,834,905	79,326,020	94,160,925	14,834,905	1,955,566
Budget 176 NATO CENTRALISED NUCLEAR CIS BUDGET (NCNCB	3,915,251	-	3,915,251	-	3,915,251	-	3,915,251	300,000	3,195,251	3,495,251	300,000	420,000
Budget 177 NCCB	179,045,463	-	179,045,463	-	179,045,463	-	179,045,463	11,234,179	163,125,254	174,359,433	11,234,179	4,686,030
Budget 178 NATO CIS GROUP (NCISG)	40,152,125	-	40,152,125	-	40,152,125	-	40,152,125	1,378,540	35,358,689	36,737,229	1,378,540	3,414,896
Budget 502 OUTREACH PROGRAMMES (ACO)	4,510,000	-	4,510,000	-	4,510,000	-	4,510,000	38,970	1,692,889	1,731,859	38,970	2,778,141
2021 NCS-ADAPTATION												
	28,684,536	***-***	***28,684,536***	***-***	***28,684,536***	***-***	***28,684,536***	***1,220,620***	***22,175,146***	***23,395,765***	***1,220,620***	***5,288,771***
Budget 124 NCS-ADAPTATION (ACO)	28,684,536	-	28,684,536	-	28,684,536	-	28,684,536	1,220,620	22,175,146	23,395,765	1,220,620	5,288,771
2021 AGS												
	84,151,987	***-***	***84,151,987***	***-***	***84,151,987***	***-***	***84,151,987***	***46,366,277***	***28,362,169***	***74,728,445***	***46,366,277***	***9,423,542***
Budget 167 AGS O&S	84,151,987	-	84,151,987	-	84,151,987	-	84,151,987	46,366,277	28,362,169	74,728,445	46,366,277	9,423,542
2021 AGS												
	3,238,531	***-***	***3,238,531***	***-***	***3,238,531***	***-***	***3,238,531***	***139,309***	***3,098,234***	***3,237,543***	***139,309***	***988***
Budget 168 AGS CIS	3,238,531	-	3,238,531	-	3,238,531	-	3,238,531	139,309	3,098,234	3,237,543	139,309	988
2021 NAEW												
	176,413,241	***-***	***176,413,241***	***-***	***176,413,241***	***-***	***176,413,241***	***23,284,048***	***143,272,535***	***166,556,583***	***23,284,048***	***9,856,658***
Budget 163 NAEW&CF EMPLOYMENT	176,413,241	-	176,413,241	-	176,413,241	-	176,413,241	23,284,048	143,272,535	166,556,583	23,284,048	9,856,658
2021 NAEW												
	139,576,541	***-***	***139,576,541***	***-***	***139,576,541***	***-***	***139,576,541***	***63,739,788***	***74,568,873***	***138,308,660***	***63,739,788***	***1,267,881***
Budget 162 NAEW&CF PROVISIONING	139,576,541	-	139,576,541	-	139,576,541	-	139,576,541	63,739,788	74,568,873	138,308,660	63,739,788	1,267,881
2021 AOM												
	254,945,670	***-***	***254,945,670***	***-***	***254,945,670***	***-***	***254,945,669***	***81,210,408***	***171,836,456***	***253,046,864***	***81,210,408***	***1,898,806***
Budget 183 Balkans Operations	24,646,031	-	24,646,031	-	24,646,031	-	24,646,031	1,600,503	22,013,635	23,614,138	1,600,503	1,031,893
Budget 187 NATO Support to the African Union	471,260	-	471,260	-	471,260	-	471,260	12,526	184,028	196,554	12,526	274,706
Budget 189 Operation SEA GUARDIAN	302,090	-	302,090	-	302,090	-	302,089	6,914	221,074	227,987	6,914	74,102
Budget 194 RESOLUTE SUPPORT	211,089,661	-	211,089,661	-	211,089,661	(12,130,000)	198,959,661	73,097,238	125,862,423	198,959,661	73,097,238	-
Budget 195 NMI	18,436,628	-	18,436,628	-	18,436,628	-	18,436,628	3,948,972	13,969,552	17,918,523	3,948,972	518,105
Budget 196 ALLIED SOLACE	-	-	-	-	-	12,130,000	12,130,000	2,544,255	9,585,745	12,130,000	2,544,255	-
Total 2021	**1,255,397,586**	**-**	**1,255,397,586**	**-**	**1,255,397,586**	**-**	**1,255,397,586**	**260,241,791**	**935,509,377**	**1,195,751,167**	**260,241,791**	**59,646,418**

(*) Data include Carry Forward (CF) and Special Carry Forward (SCF). See Note H - Table H-D - ACO SCF- for the SCF details (page N-48).

EUR

	Initial budget	*Transfers*	*BA2*	*Transfers*	*BA3*	*Transfers*	*Final Budget*	*Commitments/ Special Carry Forward (*)*	*Expenses*	*Total spent*	*Carry Forward/ Special Carry Forward (*)*	*Lapsed*
2020 NCSEP												
	63,030,121	***-***	***63,030,121***	***-***	***63,030,121***	***-***	***63,030,121***	***8,454,963***	***47,014,143***	***55,469,106***	***8,454,963***	***7,561,015***
Budget 101 SHAPE	2,039,967	-	2,039,967	-	2,039,967	-	2,039,967	11,333	1,923,181	1,934,514	11,333	105,452
Budget 103 JFC HQ BRUNSSUM	548,004	-	548,004	-	548,004	-	548,004	17,272	508,708	525,979	17,272	22,025
Budget 104 JFC HQ NAPLES	179,963	-	179,963	-	179,963	-	179,963	375	81,007	81,382	375	98,582
Budget 105 HQ AIRCOM RAMSTEIN	915,499	-	915,499	-	915,499	-	915,499	5,091	826,021	831,113	5,091	84,387
Budget 111 HQ LANDCOM IZMIR	316,952	-	316,952	-	316,952	-	316,952	27,118	168,304	195,422	27,118	121,530
Budget 118 HQ MARCOM NORTHWOOD	255,493	-	255,493	-	255,493	-	255,494	167,788	50,711	218,499	167,788	36,995
Budget 131 HQ DEPLOYABLE ASSETS	352,946	-	352,946	-	352,946	-	352,946	17,362	323,419	340,781	17,362	12,165
Budget 157 ACO Exercises and Training	5,703,973	-	5,703,973	-	5,703,973	-	5,703,973	42,091	567,033	609,124	42,091	5,094,849
Budget 164 AIR DEFENCE (GROUND)	5,690,166	-	5,690,166	-	5,690,166	-	5,690,166	971,686	3,550,793	4,522,479	971,686	1,167,687
Budget 166 ACCS Support	38,855,881	-	38,855,881	-	38,855,881	-	38,855,881	6,074,536	32,535,581	38,610,117	6,074,536	245,765
Budget 177 NCCB	6,657,237	-	6,657,237	-	6,657,237	-	6,657,237	792,772	5,377,919	6,170,691	792,772	486,546
Budget 178 NATO CIS GROUP (NCISG)	1,514,039	-	1,514,039	-	1,514,039	-	1,514,039	327,540	1,101,466	1,429,006	327,540	85,033
2020 NCS-ADAPTATION												
	4,639,870	***-***	***4,639,870***	***-***	***4,639,870***	***-***	***4,639,870***	***204,540***	***1,203,172***	***1,407,712***	***204,540***	***3,232,158***
Budget 124 NCS-ADAPTATION (ACO)	4,639,870	-	4,639,870	-	4,639,870	-	4,639,870	204,540	1,203,172	1,407,712	204,540	3,232,158
2020 AGS												
	47,651,179	***-***	***47,651,179***	***-***	***47,651,179***	***-***	***47,651,179***	***22,630,537***	***4,744,552***	***27,375,089***	***22,630,537***	***20,276,090***
Budget 167 AGS O&S	47,651,179	-	47,651,179	-	47,651,179	-	47,651,179	22,630,537	4,744,552	27,375,089	22,630,537	20,276,090
2020 NAEW												
	14,364,251	***-***	***14,364,251***	***-***	***14,364,251***	***-***	***14,364,251***	***3,734,601***	***9,352,007***	***13,086,608***	***3,734,601***	***1,277,642***
Budget 163 NAEW&CF EMPLOYMENT	14,364,251	-	14,364,251	-	14,364,251	-	14,364,251	3,734,601	9,352,007	13,086,608	3,734,601	1,277,642
2020 NAEW												
	35,004,145	***-***	***35,004,145***	***-***	***35,004,145***	***-***	***35,004,145***	***12,048,535***	***21,116,082***	***33,164,617***	***12,048,535***	***1,839,529***
Budget 162 NAEW&CF PROVISIONING	35,004,145	-	35,004,145	-	35,004,145	-	35,004,145	12,048,535	21,116,082	33,164,617	12,048,535	1,839,529
2020 AOM												
	23,235,885	***-***	***23,235,885***	***-***	***23,235,885***	***-***	***23,235,885***	***8,639,138***	***3,558,270***	***12,197,408***	***8,639,138***	***11,038,478***
Budget 183 Balkans Operations	1,144,523	-	1,144,523	-	1,144,523	-	1,144,523	347,883	683,354	1,031,237	347,883	113,286
Budget 189 Operation SEA GUARDIAN	13,261	-	13,261	-	13,261	-	13,261	-	13,179	13,179	-	81
Budget 194 RESOLUTE SUPPORT	13,402,269	-	13,402,269	-	13,402,269	-	13,402,269	388,921	2,142,798	2,531,720	388,921	10,870,550
Budget 195 NMI	8,675,832	-	8,675,832	-	8,675,832	-	8,675,832	7,902,334	718,938	8,621,272	7,902,334	54,560
Total 2020	**187,925,451**	**-**	**187,925,451**	**-**	**187,925,451**	**-**	**187,925,451**	**55,712,314**	**86,988,225**	**142,700,539**	**55,712,314**	**45,224,913**

(*) Data include Carry Forward (CF) and Special Carry Forward (SCF). See Note H - Table H-D - ACO SCF- for the SCF details (page N-48).

EUR

	Initial budget	*Transfers*	*BA2*	*Transfers*	*BA3*	*Transfers*	*Final Budget*	*Commitments/ Special Carry Forward (*)*	*Expenses*	*Total spent*	*Carry Forward/ Special Carry Forward (*)*	*Lapsed*
2019 NCSEP												
	959,874	***-***	***959,874***	***-***	***959,874***	***-***	***959,874***	***-***	***767,448***	***767,447***	***-***	***192,426***
Budget 101 SHAPE	187,259	-	187,259	-	187,259	-	187,259	-	167,416	167,416	-	19,843
Budget 104 JFC HQ NAPLES	587	-	587	-	586.90	-	586.90	-	400	400	-	187
Budget 105 HQ AIRCOM RAMSTEIN	1,908	-	1,908	-	1,907.53	-	1,907.53	-	1,195	1,195	-	713
Budget 111 HQ LANDCOM IZMIR	15,995	-	15,995	-	15,994.98	-	15,994.98	-	-	-	-	15,995
Budget 164 AIR DEFENCE (GROUND)	172,117	-	172,117	-	172,117	-	172,117	-	127,596	127,596	-	44,520
Budget 166 ACCS Support	448,320	-	448,320	-	448,320	-	448,320	-	445,411	445,411	-	2,908
Budget 177 NCCB	132,154	-	132,154	-	132,154	-	132,154	-	23,894	23,894	-	108,259
Budget 178 NATO CIS GROUP (NCISG)	1,535	-	1,535	-	1,535	-	1,535	-	1,535	1,535	-	-
2019 NCS-ADAPTATION												
	2,463,155	***-***	***2,463,155***	***-***	***2,463,155***	***-***	***2,463,155***	***-***	***1,935,631***	***1,935,631***	***-***	***527,524***
Budget 124 NCS-ADAPTATION (ACO)	2,463,155	-	2,463,155	-	2,463,155	-	2,463,155	-	1,935,631	1,935,631	-	527,524
2019 AGS												
	8,806,195	***-***	***8,806,195***	***-***	***8,806,195***	***-***	***8,806,195***	***7,000,000***	***1,049,202***	***8,049,202***	***7,000,000***	***756,993***
Budget 167 AGS O&S	8,806,195	-	8,806,195	-	8,806,195	-	8,806,195	7,000,000	1,049,202	8,049,202	7,000,000	756,993
2019 NAEW												
	3,033,485	***-***	***3,033,485***	***-***	***3,033,485***	***-***	***3,033,485***	***-***	***2,093,385***	***2,093,385***	***-***	***940,100***
Budget 163 NAEW&CF EMPLOYMENT	3,033,485	-	3,033,485	-	3,033,485	-	3,033,485	-	2,093,385	2,093,385	-	940,100
2019 NAEW												
	9,735,857	***-***	***9,735,857***	***-***	***9,735,857***	***-***	***9,735,857***	***-***	***6,893,787***	***6,893,787***	***-***	***2,842,069***
Budget 162 NAEW&CF PROVISIONING	9,735,857	-	9,735,857	-	9,735,857	-	9,735,857	-	6,893,787	6,893,787	-	2,842,069
2019 AOM												
	7,947,546	***-***	***7,947,546***	***-***	***7,947,546***	***-***	***7,947,546***	***-***	***1,884,411***	***1,884,411***	***-***	***6,063,135***
Budget 183 Balkans Operations	487,242	-	487,242	-	487,242	-	487,242	-	-	-	-	487,242
Budget 187 NATO Support to the African Union	1,509	-	1,509	-	1,509	-	1,509	-	-	-	-	1,509
Budget 194 RESOLUTE SUPPORT	7,362,640	-	7,362,640	-	7,362,640	-	7,362,640	-	1,865,562	1,865,562	-	5,497,078
Budget 195 NMI	96,155	-	96,155	-	96,155	-	96,155	-	18,849	18,849	-	77,306
Total 2019	**32,946,112**	**-**	**32,946,112**	**-**	**32,946,112**	**-**	**32,946,112**	**7,000,000**	**14,623,864**	**21,623,864**	**7,000,000**	**11,322,248**

(*) Data include Carry Forward (CF) and Special Carry Forward (SCF). See Note H - Table H-D - ACO SCF- for the SCF details (page N-48).

EUR

	Initial budget	*Transfers*	*BA2*	*Transfers*	*BA3*	*Transfers*	*Final Budget*	*Commitments/ Special Carry Forward (*)*	*Expenses*	*Total spent*	*Carry Forward/ Special Carry Forward (*)*	*Lapsed*
2018 AGS												
	5,123,132	***-***	***5,123,132***	***-***	***5,123,132***	***-***	***5,123,132***	***5,000,000***	***123,132***	***5,123,132***	***5,000,000***	***-***
Budget 167 AGS O&S	5,123,132	-	5,123,132	-	5,123,132	-	5,123,132	5,000,000	123,132	5,123,132	5,000,000	-
Total 2018	**5,123,132**	**-**	**5,123,132**	**-**	**5,123,132**	**-**	**5,123,132**	**5,000,000**	**123,132**	**5,123,132**	**5,000,000**	**-**

(*) Data include Carry Forward (CF) and Special Carry Forward (SCF). See Note H - Table H-D - ACO SCF- for the SCF details (page N-48).

EUR

	Initial budget	Transfers	BA2	Transfers	BA3	Transfers	Final Budget	Commitments/ Special Carry Forward (*)	Expenses	Total spent	Carry Forward/ Special Carry Forward (*)	Lapsed
2017 AGS												
	39,730,491	***-***	***39,730,491***	***-***	***39,730,491***	***-***	***39,730,491***	***23,986,887***	***7,743,604***	***31,730,491***	***23,986,887***	***8,000,000***
Budget 167 AGS O&S	39,730,491	-	39,730,491	-	39,730,491	-	39,730,491	23,986,887	7,743,604	31,730,491	23,986,887	8,000,000
Total 2017	**39,730,491**	**-**	**39,730,491**	**-**	**39,730,491**	**-**	**39,730,491**	**23,986,887**	**7,743,604**	**31,730,491**	**23,986,887**	**8,000,000**

(*) Data include Carry Forward (CF) and Special Carry Forward (SCF). See Note H - Table H-D - ACO SCF- for the SCF details (page N-48).

EUR

	Initial budget	*Transfers*	*BA2*	*Transfers*	*BA3*	*Transfers*	*Final Budget*	*Commitments/ Special Carry Forward (*)*	*Expenses*	*Total spent*	*Carry Forward/ Special Carry Forward (*)*	*Lapsed*
					2014 AOM							
	24,448,305	***-***	***24,448,305***	***-***	***24,448,305***	***-***	***24,448,305***	***5,193,159***	***1,686,473***	***6,879,632***	***5,193,159***	***17,568,673***
Budget 185 ISAF	24,448,305	-	24,448,305	-	24,448,305	-	24,448,305	5,193,159	1,686,473	6,879,632	5,193,159	17,568,673
Total 2014	**24,448,305**	**-**	**24,448,305**	**-**	**24,448,305**	**-**	**24,448,305**	**5,193,159**	**1,686,473**	**6,879,632**	**5,193,159**	**17,568,673**

(*) Data include Carry Forward (CF) and Special Carry Forward (SCF). See Note H - Table H-D - ACO SCF- for the SCF details (page N-48).

EUR

	Initial budget	*Transfers*	*BA2*	*Transfers*	*BA3*	*Transfers*	*Final Budget*	*Commitments/ Special Carry Forward (*)*	*Expenses*	*Total spent*	*Carry Forward/ Special Carry Forward (*) (**)*	*Lapsed*
					2013 NCSEP							
X	***150,162***	-	***150,162***	-	***150,162***	-	***150,162***	-	***150,162***	***150,162***	-	-
Budget 178 NATO CIS GROUP (NCISG)	150,162	-	150,162	-	150,162	-	150,162	-	150,162	150,162	-	-
X												
Total 2013	**150,162**	-	**150,162**	-	**150,162**	-	**150,162**	-	**150,162**	**150,162**	-	-
Total for all MB Cost Shares, Years and Budgets	**1,545,721,239**	-	**1,545,721,239**	-	**1,545,721,239**	-	**1,545,721,239**	**357,134,151**	**1,046,824,837**	**1,403,958,987**	**357,134,151**	**141,762,252**

(*) Data include Carry Forward (CF) and Special Carry Forward (SCF). See Note H - Table H-D - ACO SCF- for the SCF details (page N-48).
(**) ACO SCF represents 32.44% of the overall amount

Notes to the ACO Consolidated Financial Statements 2021

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NOTES TO THE ACO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021

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A. Significant Accounting Policies

Basis for Preparation

The consolidated financial statements (FS) of the Allied Command Operation (ACO) have been prepared in accordance with the NATO Accounting Framework[1] (NAF) as adopted by the NATO Council. The NATO Accounting Framework is an adaptation of the International Public Sector Accounting Standards (IPSAS).

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

These FS have been prepared on the basis that ACO is a going concern[2] and will continue in operation and meet its mandate for the near future. The principal accounting policies are set out below. They have been applied consistently to all periods presented. The accounting principles deemed as appropriate for the recognition, measurement and reporting of the financial position, performance and cash flows on an accrual based accounting using historical costs have been applied consistently throughout the reporting period. Financial instruments are measured at fair value at the end of each reporting period. There is one exception related to the Foreign Military Sales acquired directly or via a NATO Agency from the US Defence Department where the financial data on accrual basis are not always available and are therefore reflected on a modified cash basis[3]. Details are disclosed in the relevant notes.

In accordance with Article 2.1 of the NFRs, the financial year of ACO begins on 1 January 2021 and ends on 31 December 2021.

Changes in Accounting Standards

ACO discloses whenever it has not yet applied a new accounting standard, and provides any information relevant to assessing the possible impact that the initial application of the new standard would have on the FS.

The standards reported below are effective for annual financial statements covering period beginning on or after 1 January 2021.

IPSAS	***Name***	***Effective date for periods beginning on or after***	***ACO Assessment***
IPSAS 41	*Financial Instruments*	*1 January 2022 (deferred due to COVID-19[4])*	*This standard will replace part of IPSAS 29 – Financial instruments: Recognition and Measurement. ACO's Financial Instruments are considered low risk. Its financial assets are low risk and as per NFRs/FRPs, ACO can only make low risk investments; moreover, its Account Receivables are essentially backed up by NATO Allies. Its financial liabilities are also low risk and are made up of account payables and advances provided to other NATO non-consolidated entities and/or customers. ACO does not engage with complex financial instruments such as hedges or derivatives, neither does it purchase and hold equity instruments. Therefore, it is unlikely that IPSAS 41 could impact the ACO Financial Reporting.*

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

2 Detailed information on the close-out of specific ACO segment reporting are indicated at Note E.

3 In accordance with NAF's adaptation of *IPSAS 1 – Presentation of Financial Statement*, ACO reports data on a modified cash basis where ACO Commands are unable to satisfy themselves that the data is presented on a reliable accrual basis. The modified cash basis reflects the FMS goods and services delivered according to United States DD645 reports and for which the United States government has received cash payment.

[4] COVID-19: Deferral of effective date – IPSASB – Nov. 2020

IPSAS 42	*Social Benefits*	*1 January 2022 (deferred due to COVID-19)*	*This standard relates to the financial reporting of social benefits such as cash transfers to individuals in the form of state pensions, unemployment benefits and income support; as such, it will not impact the financial reporting of ACO.*
IPSAS 43	*Leases*	*1 January 2025*	*This standard replaces IPSAS 13, approved in December 2021 and issued in January 2022. De-facto, the new standard will align IPSAS to International Financial Reporting Standard 16, which relates to Leases. This standard will remove the distinction between finance and operating leases and require the recognition of assets and liabilities created by all leases.* *ACO has few leases that require specific disclosure in the Financial Statements. The effective date allows preparers like ACO sufficient time to identify and assess the impacts of and to prepare for the implementation of the new standard, if required.*

Accounting Estimates and Judgments

In accordance with IPSAS and generally accepted accounting principles, the FS necessarily include amounts based on estimates and assumptions made by the management and based on historical experience as well as on the most reliable information available.

The estimates and underlying assumptions are reviewed on an on-going basis. These estimates and assumptions affect the amounts of assets, liabilities, revenue and expenses reported. By their nature, these estimates are subject to measurement uncertainty. The effect of changes to such estimates and assumptions in future periods could be significant to the FS.

Changes in Accounting Policy

The same accounting policies are applied within each period and from one period to the next, unless a change in accounting policy meets one of the criteria set in IPSAS 3. For the 2021 FS, the NAF and ACO accounting policies have been applied consistently throughout the reporting period.

Until FS 2020, ACO had reported inventories by applying a “transitional inventory valuation method” defined as “Global WAC”. For the 2021 FS, ACO has changed the inventory valuation method to the Weighted Average Cost (WAC) per item (as already applied for NAEW&C Force) and has recognized any inventory purchased prior to 2013 with the exception of NAEW&C Force. This exception for NAEW&C is authorized by the NAF, which permits considering inventory acquired prior to 2013 as fully expensed. A dedicated disclosure of this NAEW&C inventory is provided at note L. (table L.A.). The implementation of this new accounting policy ensures simplified and harmonized accounting treatment ACO wide, as well as provides a valuation that is more reliable. The change in accounting policy is applied retrospectively, with restatement of the 2020 inventory value.

The change in accounting policy having had the highest material impact relates to the recognition of the Aircraft - Depot Level Maintenance (DLM) costs for major inspections as capitalised assets.

In accordance with the FHQ 00-20-1 (Aerospace Equipment Maintenance Inspection, Documentation, Policies and Procedures), the NAEW&CF Maintenance Programme & Sustainment Branch (FHED) schedules the DLM events every six years/72 months for each Aircraft, which could be extended by 180 days. Based on the new ACO Accounting Policy, the DLM costs related to ongoing Major Inspections are initially recognised as Assets under Construction. Once the Certificate of Conformity (CoC) is issued, the related DLM costs are capitalised under the Major Inspections sub-category of Aircraft. The depreciation starts when, as required by NATO to operate the aircraft, the Military Certificate of Airworthiness (MCA) and/or Military Airworthiness Review Certificate (MARC) is issued.

These changes required the retrospective application of the accounting policy and the adjustment to prior period statements for inventory and PP&E balances.

If any specific change in the financial data, the impacts have been identified in the notes under the appropriate headings.

Reclassification

For 2021, there were two types of reclassifications made. The first is derived from the identification of misclassified inventory items between accounts i.e. inventory treated as asset or vice-versa or consumables treated as spare parts or vice-versa. The second reclassification relates to an item of PP&E that was reported in the Building category in 2020 FS but is classified as an item of Installed Equipment in 2021. This reclassification did not trigger a retrospective restatement, as it did not meet the materiality criteria defined in the related ACO policy.

No other reclassifications were applied to the 2021 financial data.

Restatements

The ACO Policy is in line with IPSAS 3: Accounting Policies, Changes in Accounting estimates and errors, retrospective restatements are only reported if an error was made and the value of the restatement is material.

An error is defined as an omission/misstatement in the financial statements as a result of the failure to use or misuse of information that was available when the financial statements were authorized for issue and/or could reasonably be expected to have been obtained and taken into account for the preparation and presentation of those financial statements.

Materiality is defined as items that could individually or collectively influence the decisions or assessments of the users of the financial statements.

Based on these criteria, ACO has restated PP&E balances for seven PP&E categories (Buildings, Other infrastructure, Installed Equipment, Machinery, Furniture, Communication and Assets under Construction) and for Inventory balances.

Restated data are reported also for the change in the accounting policy for the Aircraft-DLM-Major Inspection as indicated in the heading note.

Further information on these restatements is provided in the notes for Property, Plant and Equipment and Inventory

Foreign Currency

These FS are presented in EUR, which is the ACO functional and reporting currency. All entities included in the consolidated FS adopt EUR as functional currency. Data from ACO budgets approved in different currency are converted and reported in EUR using a fixed rate. The fixed rate applied for GBP for 2021 is equal to 0.8447 EUR representing the NATO exchange rate as of 1st January 2020.

Foreign currency transactions are translated into EUR at the NATO exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at year-end are translated into EUR using the NATO exchange rates applicable at 31 December 2021.

Consolidation

The ACO Consolidated FS include the financial results of the controlling entity[5] and its controlled entities. Entities, which are consolidated into the financial statements, are listed below.

ACO HQ NAME	LOCATION
SHAPE HQ	Casteau, Belgium
JFC Brunssum HQ	Brunssum, Netherlands
Resolute Support HQ[6]	Kabul, Afghanistan
NAEW&C Force GK HQ	Geilenkirchen, Germany

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

[6] During 2021, there has been considerable change related to the RSM due to the withdrawal announcement. Since the original announcement in Apr. 2021, further operational decisions had to be taken on short notice due to the security situation. In Sep. 2021, the operations were complete. However, the full financial closure will be disclosed in 2022. Additional detail to RSM segment reporting are at Note E.

JFC Naples HQ[7]	Naples, Italy
AIRCOM Ramstein[8] HQ	Ramstein, Germany
MARCOM Northwood HQ	Northwood, UK
NCIS Group HQ[9]	Casteau, Belgium
KFOR HQ	Pristina, Kosovo
NHQSa HQ	Sarajevo, Bosnia Herzegovina
LANDCOM Izmir HQ	Izmir, Turkey
NAGSF HQ	Sigonella, Italy
ACO Corporate Accounting and Control Office	Casteau, Belgium

Inter-entity balances and transactions have been eliminated in the consolidation. The Financial Controllers of the above mentioned controlled entities have certified the correctness of the data reported to ACO Corporate Accounting and Control (CAC) for further analysis and consolidation in the ACO FS. This includes the assurance of the checks and balances for the asset reporting.

Moreover, the overall process in 2021 continued to be extremely difficult due to the pandemic affecting all the ACO locations and the critical status of the corporate finance and accounting workforce.

The ACO MWA financial data are not consolidated into the primary ACO FS in line with the current NAF and adapted IPSAS Standards, even when they are under the control, from a financial reporting perspective, of the NATO Reporting Entity preparing and issuing the FS.

Relevant details are reported by way of a disclosure note (Note M).

Services in-Kind

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

Contributions in-Kind (CiK)

In these consolidated FS, contributions in-kind are not recognised.

The current IPSAS 23 does not require but only encourages the recognition of CiK. Moreover, as recommended by the IS-NOR and approved by the RPPB in Feb. 2022[10], ACO will work in coordination with the Working Group of Financial Controllers (WGFCs) and the IS-NOR to analyse and assess feasible scenarios about the potential financial reporting of the CiK. It is recognized that the broader political and military context for the disclosure about CiK requires careful consideration in the context of the NATO Accounting Framework review foreseen after the NFRs review.

In NATO, CiK have been seen traditionally as the provision of a service in lieu of a financial contribution, and was never foreseen nor intended to be financially measured; formal agreement for CiK is in place for one Ally for both NAEW&CF and NAGSF Capabilities; formal agreement for CiK is in place for another Ally for the NAGSF Capability, but not for the NAEW&CF Capability.

Financial Instruments Disclosure/Presentation

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

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

[7] Includes data related to NATO Mission Iraq (NMI), under the control of JFCNP HQ.

[8] Includes data related to AIRCOM HQ, Ramstein, Germany, Deployable Air Command and Control Centre (DACCC), Poggio Renatico, Italy, Combined Air Operations Centre (CAOC), Uedem, Germany, Combined Air Operations Centre (CAOC), Torrejon, Spain

[9] It includes data related to the NCISG HQ, SHAPE, Belgium, 1st NSB, Wesel, Germany, 2nd NSB, Grazzanise, Italy, 3rd NSB, Bydgoszcz, Poland

[10] AC/335-D(2022)0013 dated Feb. 2022

Financial risk factors

The ACO financial statements prepared under NAF and IPSAS provide details of how the entity manages its financial risk, including credit risk, market risk (foreign currency exchange and interest rate) and liquidity risk. From an overall perspective, the ACO's investment management prioritizes capital preservation as its primary objective, ensuring sufficient liquidity to meet cash operating requirements, and then earning a market rate of return on its portfolio within these constraints.

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

Credit risk

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

Liquidity risk

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

Foreign currency risk

ACO has some exposure to foreign currency risk due to some contracts and activities being managed in different currencies than EUR, mainly USD, GBP, TRY and a few remaining in AFN. Constant monitoring of the activities in foreign currencies is executed to identify the potential exposure to exchange rate variations and to manage the risk accordingly. ACO does not maintain significant assets or liabilities in foreign currency, except for some operational balances for services provided at MARCOM HQ, NAEW&C Force, and the TCNs in theatre.

Realised and unrealised gains and losses resulting from the settlement of transactions in foreign currencies and from the revaluation at the reporting date are recognised in the Statement of Financial Performance. Realised foreign exchange gains are generally returnable to the Nations. More information can be found in the relevant notes.

Interest rate risk

ACO has successfully implemented a centralised Cash Management office. The cash holdings are mainly kept and managed at corporate level with a few exceptions. Liquidity is invested in call accounts, saving accounts up to 3 months, short term deposits not exceeding 12 months and term deposits divided in packages that can be liquidated within 31 calendar days at no cost. All investment profiles are in accordance with NFRs, to ensure the best possible return on cash holdings considering the current financial market situation. The exposure to interest rate risk strictly follows the current market for all public and international organisations. Additional details are disclosed at Note B.1 and B.2.

Assets

a. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, petty cash, current bank accounts, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less.

Any amounts held in a foreign currency are translated into Euro at the exchange rate at the date of reporting.

b. Short-term investments

These are term deposits mainly with a maturity of more than 3 months and not exceeding 12 months. ACO also has term deposit packages for a nominal period of 36 months with the possibility to withdraw the liquidity at no cost within 31 calendar days. This measure mitigates the risk of negative interest on the EUR balance held in Treasury for the ACO budget groups and the various projects. The related interest for those packages is reported on a quarterly basis and if required accrued at year-end.

c. Receivables

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

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

d. Prepayments

Prepayments and deposits are payments to suppliers, employees and other NATO entities in advance of the period to which they pertain are reflected under this category in the Statement of Financial Position.

e. Inventories

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

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

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

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

ACO inventories are reported using the weighted average cost (WAC) method, with the exception of the spare parts used in meeting NCISG's readiness requirements for NRF kept in a central stock at NSPA in Capellen that are assessed to be under the control of NCISG and valued at replacement cost in the ACO FS.

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Inventories qualified as non-strategic held on stock at the reporting date and which were identified as 'slow moving', obsolete are written down to a net realizable value of 35% of its WAC if the following conditions are met:

- the total value of non-strategic slow moving items exceeds the materiality threshold of 50,000 EUR;
- the items have been identified as 'slow moving' over the last 3 reporting period.

The category of 'slow moving' is reported only for items identified at NAEW&C Force HQ.

ACO reports legacy assets (i.e. those acquired before 1 January 2013) for NAEW&C Force only by way of a disclosure note to include the approximate number of items per inventory category for each respective location in accordance with NAF.

f. Property, Plant and Equipment

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

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

An item of PP&E is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. To ensure procedures are followed for the proper authorisation for write off of international property, the moment of de recognition is the date when the item of PP&E has been formally approved for write-off. Any gain or loss arising from the disposal or retirement of an item is determined as the difference between the sales proceeds and the carrying amount of the asset and it is recognised in the Statement of Financial Performance.

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

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

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

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

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

The CIS assets (Communication and Automated Information System) reported in the 2021 ACO FS relate to NHQSa and NAEW&C Force GK HQ. In those two ACO sites the CIS assets are not under the control of the NCIA but of ACO.

The category of ‘Asset under Construction’ (AuC) refers to NSIP projects expenses occurred after 1 January 2013 for ACO requirements and implementation by SHAPE as HN. AuC are reported by ACO until the project is accepted by the users (completed) and put in service by the receiving HQ. It also includes building, equipment installation and infrastructure projects managed by local HQs via annual budgets. They mainly relate to SHAPE HQ and NAEW&C Force GK HQ.

Based on the recent change in accounting policy, the AuC also includes the DLM costs related to ongoing Aircrafts Major Inspections.

ACO is not recognising any other AuC.

Buildings and infrastructure facilities in use across the ACO Static Commands have been analysed in light of the control criteria set forth by the NAF and the Garrison Support Agreements as well as the Host Nation Support Policy and Standards[11], the Base Support Concept[12] and the NSIP regulations, to determine whether they are under the control of ACO or the HNs. Although, the analysis highlighted that the HN, besides being the owners also maintain a certain level of control over the infrastructure, these buildings and infrastructure have been reported in the ACO FS even when for some criteria the control over the infrastructure has resulted to be either of ACO or shared between

[11] PO(2011)0020 dated 8 February 2011
[12] CM-128-2011 dated 16 November 2011

ACO and the HNs. The HQ facilities in Sarajevo for NHQSa are not reported as they are under the control and responsibility of EUFOR based on the Berlin Plus Agreement.

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

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

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

Finally, due to the termination of the RSM in 2021, ACO no longer reports assets located at the former HQ RS (and in the regional airports of KAF, MeS, Herat and HKIA where Framework Nations (FWN) previously assumed responsibility). All RSM assets have been disposed of during 2021 leaving no PP&E assets reported as at 31 December 2021.

g. ***Leases***

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

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

h. Intangible Assets

ACO does not hold intangible assets at the reporting date.

Impairment of tangible and intangible assets

For 2021 ACO is not reporting any impairment.

Liabilities

a. Payables

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

b. Deferred Revenue

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

c. Advances

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

d. Employee benefits

The NATO Civilian employees subject to the NATO Civilian Personnel Regulations (NCPR) in the

ACO HQs[13] participate in one of the three NATO pension's funds: the Provident Fund, the Coordinated Pension Scheme or the Defined Contribution Pension Scheme (DCPS), all administered by NATO and the Retirees Medical Claims Fund (RMCF).

The assets and liabilities for these pension schemes are accounted for centrally at NATO Headquarters and therefore are not recognised in these FS. ACO only accounts for the contributions paid during the year.

DCPS and Provident Fund:

ACO HQs contribute a specified percentage of payroll costs to the DCPS and to the Provident Fund to fund the benefits. In addition to the employer's contribution, a portion of the employees' salaries is deducted and contributed to the annual financing of the DCPS, or provident fund. These contributions are recognised as an expense during the year the services are rendered and represent the total pension obligation of the ACO HQs.

Coordinated Pension Scheme:

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

Local Wage Rate Employees Termination/Severance/Bonus Benefit

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

e. Provisions

Provisions are recognised when the entity has a legal or constructive obligation as a result of past event, and where it is probable that an outflow of resources will be required to settle the obligation, and where a reliable estimate of the amount of the obligation can be made.

Net Assets

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

Revenue and Expense Recognition

a. Revenue

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

Interest income is accrued on a time-basis, by reference to the principal outstanding and at the effective interest rate applicable.

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

Bank interests earned and accrued as of 31 December 2021 exchange rate revenue due to transactions in foreign currency and realised exchange rate revenue in accordance with the entity Policy IPSAS 4 – Effect of the foreign exchange rate are recognised as financial revenue.

b. Expenses

Budgetary expenses are recognised when they occurred regardless of the timing of payment, in accordance with the accrual basis principle.

Bank charges, exchange rate losses due to transactions in foreign currency and realised/unrealised exchange rate losses are recognised as finance costs.

Result of the Year

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

Trust Funds

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

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

Cash-Flow Statement

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

B. Notes to Statement of Financial Position

Assets – Current Assets

1. Cash and Cash Equivalents

Cash and cash equivalents	2021	2020 Restated	2020
Cash accounts	203,675	279,729	279,729
Petty Cash and Advances	215,866	288,065	288,065
Current Bank Accounts	965,877,937	457,229,173	457,229,173
Clearing-Bank accounts	(74,601)	1,000,047	1,000,047
Cash Equivalent	397,269,013	463,642,024	463,642,024
Total	**1,363,491,891**	**922,439,037**	**922,439,037**

2. Short Term Investments

Short Term Investments	2021	2020 Restated	2020
Total	**520,048,947**	**932,885,474**	**932,885,474**

The overall cash holdings (Note 1 and 2) in ACO for 2021 is slightly higher compared to the balance of the previous year, due to an increase of 27.9 MEUR. The main variances are for the MB cash holdings with an increase of 165.4 MEUR, ANA TF cash holdings with a decrease of 138.3 MEUR. The MB cash holdings increase can be explained by large outstanding payables at year end compared to previous year while the decrease in ANA TF cash holdings is explained by a drastic reduction of donations from Donor Nations combined with higher volume of drawdowns executed as a result of the closure of the ANA TF initiated in summer 2021. An additional amount of 283 KEUR is recognized in the "Current Bank accounts' balance to include the life insurance benefit cash inflow at year to be paid to the beneficiary.

The ACO cash holdings includes a balance of 417 KEUR related to the previous management of the International Continental Mess (ICM) at SHAPE HQ. ICM operations were approved by the BC[14] as a Troop Messing Facility with limited NATO Common Funding support to authorised patrons. As a secondary function, the ICM provides a feeding facility for a large segment of the supporting working population at SHAPE. This change of status required the revision of the ICM management processes. Due to the pandemic, some activities have been delayed. The liquidity balance was returned to SHAPE, leaving only a change funds for the ICM to be used via the Advance account holder procedure. During 2021, the SHAPE ICM Directive was revised, but due to the still critical situation related to the pandemic, it was not possible to implement the new process. The calculation for the identification of the surplus was executed. Amounts above EFL C were recognised as miscellaneous income in the ACO Consolidated FS and included in the ACO 2021 result. The excess net of the ICF reserve was transferred in the first quarter of 2022.

The corresponding balance of the USD bank account, net of the 2021 outflow and the accrued interest is higher than 2020 due to the exchange rate between EUR/USD as of 31 December 2021.

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

[14] BC-D (2019) 0139 (INV), 5 July 2020 and BC-DS(2019)0041 (INV), 2 September 2019

During 2021 the US financial market continued to have a negative impact on the USD cash holdings liquidity (mainly ANA TF and other ad-hoc cash holdings). Only since the last quarter of 2021, did the market start to offer USD term deposit with positive rates for placement.

The variance in total cash and cash equivalents is due to a shift in the type of investments. During the year, there was no possibility for EUR term deposits. The only remaining option was the use of Call Accounts for both EUR and USD currency. The financial markets are slightly changing and they are starting, once again, to offer a very low, but positive rate for EUR liquidity only for periods above 18 months.

In 2021, all the USD liquidity belonging to ACO and ad-hoc projects was transferred from operating accounts in various term deposit packages and placed in term deposits with different period/rates. This transfer was required due to the considerable change in the remuneration of USD operating deposits.

ACO continuously reviews its banking arrangement to ensure that there is a low risk of capital loss. At the date the FS were issued, ACO considers that the value of cash and investment balances are correctly stated. During the RSM, ACO was using some local bank account at the Afghan International Bank (AIB) to support the requirements associated to local contracts and personnel at RSHQ. In light of the RSM closure in 2021 ACO initiated the transfer of all existing cash holdings in AIB towards ACO's primary bank. Due to the critical events that took place in August 2021 in Afghanistan the status of Afghanistan's international transfers are still pending. The Afghan Central Bank instructed all banks to stop any international transfer and cash withdrawals from corporate accounts with the exception of humanitarian activities under specific conditions. As a result, SHAPE is unable to determine when and whether these funds will eventually be transferred back to SHAPE, giving rise to the significant risk that these cash holdings may not be recovered. The potential loss is approx. 1.9 MEUR (converted amount). 91% of this liquidity belongs to AOM, while 9% relates to MWA at RSM. The overall cash holdings is reported net of the potential impairment related to the AIB liquidity.

Cash equivalents under IPSAS and NFRs/FRPs

ACO's cash equivalent represent call accounts and term-deposits, which can be quickly converted into a known amount of liquidity and subject to insignificant risks of changes in value. Under IPSAS, cash equivalent is considered as short-term when they have a maturity of less than three months from the original investment; however, this does not exclude potential longer durations. The NFRs/FRPs allow ACO to make "short-term" investments where short-term is considered to be up to one year. Therefore, ACO shows short-term investments as those call accounts and term deposits, which can be liquidated in up to one year.

To ensure the effective and efficient financial management of funds held at ACO and to mitigate the risk linked to the negative interest on the EUR excess, the BC authorised a deviation[15] to the current FRPs to allow to make exceptional EUR denominated term deposit not to exceed four years up to a cumulative amount of 400 MEUR.

Short-term investments (STIs) include term deposits for a period not exceeding 12 months. During 2021, ACO continued to work with term deposit packages for a nominal period of maximum 36 months with the possibility to withdraw the liquidity at no cost within 31 calendar days. This measure was initiated to mitigate the risk of negative interest on the EUR balance held in Treasury for the ACO budget groups and the various projects. The related interest for those packages are reported on a quarterly basis. However, it remained difficult over 2021 to find positive returns for new packages even on maturity exceeding 12 months. ACO will continue to explore the financial market in 2022 for potential cash investments exceeding the 12 months maturity to obtain slightly positive rates.

The STIs reported at the end of 2021 are related to MB Funds for 165 MEUR, ANA Trust Funds for 241 MEUR, other USD accounts for 89 MEUR and to other projects for approximately 25 MEUR.

All cash holding (savings, on-call accounts and term deposits) are managed centrally by ACO CAC Branch.

[15] BC-DS(2020)0002(INV) dated 5 Feb. 2020

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

Until 2021, ACO has managed to avoid any negative interest despite the considerable EUR balance. During 2021 ACO banks have further decreased the remuneration on term deposits as well as the ceilings under which no negative interests are being charged and were reluctant to take on additional EUR deposits.

ACO continues to diversify its approach, placing cash liquidity with different financial institutions and focusing on its cash forecast analysis in close coordination with all the parties involved (ACO Commands, Nations, NATO Agencies and Financial Institutions). As already indicated, ACO's investment management prioritizes capital preservation as its primary objective, ensuring sufficient liquidity to meet cash operating requirements, than earning a market rate of return on its portfolio within these constraints.

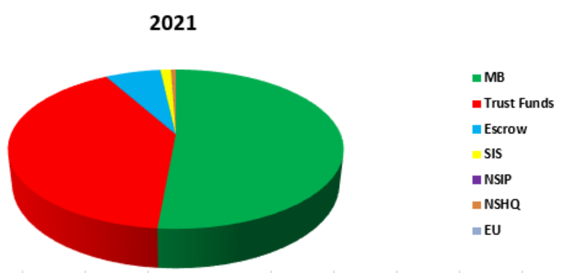
Moreover, in 2021, ACO continued to work on ad-hoc payment schedule with some Nations for the annual official calls, as an additional measure to reduce the impact of negative interest on excess EUR liquidity. Thanks to this approach and the recurring monitoring of the potential financial institutions, ACO managed to avoid any negative interest, despite extreme difficulties in doing so.

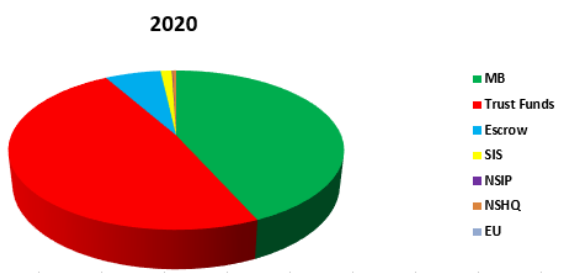
The revision of pricing for banking services effective 1st Jan. 2022 of the primary bank for ACO is a significant change compared to the past. Until the end of 2021, ACO was paying almost no fees taking into account the volume of the transactions managed in all currencies and countries (involving corresponding banks and potential extra costs). As a result it is expected that incremental financial cost due to bank fees will emerge during 2022.

With all the above, taking into account the drastic changes in bank ceilings and conditions, the large volume of Regular and Special Carry forwards, the world-wide repercussions of the pandemic on the financial markets, and the difficulty in establishing an ad-hoc payment schedule with the NATO Nations as a rule, it is expected that the risk of incremental cost due to the negative interest will materialise during 2022.

The breakdown for the main categories are reported below:

Table B.1/2.A – ACO Cash Holdings Breakdown

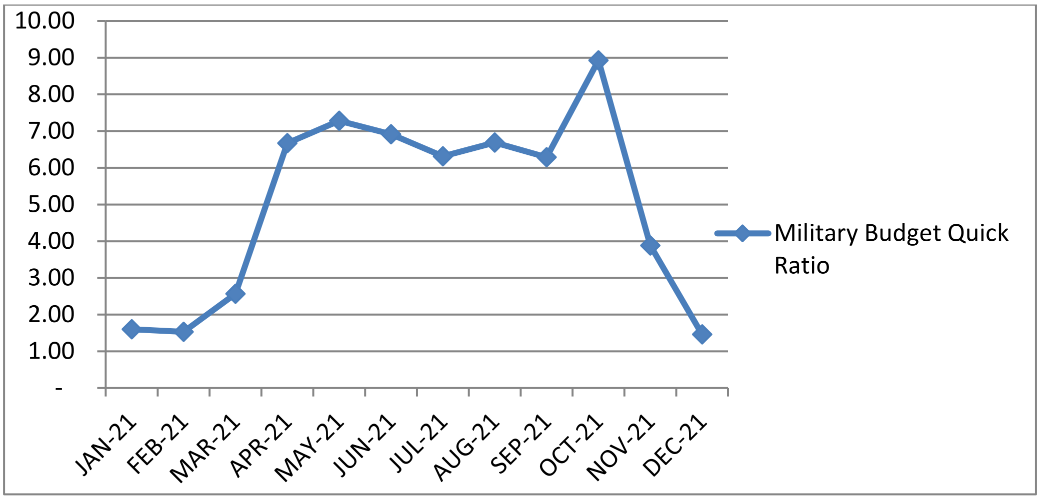




The cash holdings are shown in the chart below through the Quick Ratio. This ratio measures the ability of the entity to meet its short-term obligations at a certain point in time; a value higher than 1 means that the entity can pay off all its short-term liabilities.

The ratio during the entire year is higher than 1.

Table B.1/2.B – ACO MB Quick Ratio Fiscal Year 2021



3. Receivables (current)

Receivables	2021	2020 Restated	2020
Receivables Contribution from NATO Nations	141,495,237	115,980,655	115,980,655
Receivables from Troop Contributing Nations	20,035,926	31,169,658	31,169,658
Receivables from Other NATO bodies	4,455,339	3,522,757	3,522,757
Receivables from Staff Members	145,640	77,332	77,332
Receivables from Nations	4,244,880	2,110,953	2,110,953
Other Receivables/Recoverable	34,725,726	27,254,000	27,254,000
Total	**205,102,748**	**180,115,356**	**180,115,356**

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

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

Receivable Contribution from NATO Nations

The balance represents mainly outstanding calls for contribution for the various ACO Annual budgets: NCSEP and NCS-Adaptation for 55.8 MEUR (66 MEUR in 2020), NAEW&C FC for 64 MEUR (20.1 MEUR in 2020), AOM for 13.4 MEUR (20.5 MEUR in 2020), AGS for 8 MEUR (9.3 MEUR in 2020). There is an outstanding credit for NSIP for 173 KEUR (nil in 2020).

Receivable from Staff Members[16]

These are receivables from staff members, such as short term loans, salaries and allowances to be reimbursed by staff members and other receivables. Collections are assured through payroll withholding and staff separation payments.

Receivables from Troop Contribution Nations and Other Receivable/Recoverables

These credits are mainly for NBC outstanding from Nations participating in the AOM activities and for which ACO is providing services related to their troops. Some of these amounts are at year-end still to be invoiced to the Troop Contributing Nations (TCN).

The NBC outstanding credits are monitored on a recurring basis and a follow-up procedure is in place. The NBC financial management workload continues to be high due to the constant necessary

[16] See footnote 13

liaison between ACO and the TCNs. While some of the amounts have been outstanding for a significant period of time, it is considered that they remain collectable and ACO will continue to work with Nations to pursue resolution.

ISAF/Resolute Support NBC: The ending receivable balances for 2021 is still the highest with ACO for NBC credits. Outstanding credits mainly related to HKIA pre-financing and concentrated on few TCNs or countries sponsored by Allies, with one exception related to a non-NATO country. Due to the rigorous reminder procedures and interaction with TCNs and sponsor Nations, ACO CAC still considers that the credits remain collectable. ACO CAC is working very close with the Nations involved to purse resolution.

NHQSa/EUFOR: NBC continues to be raised for the remaining troops at Camp Butmir. Since 2011, the charges include some additional charges of severance being made to the TCNs. The NBC calculation and reports continue to be under EUFOR responsibility. NHQSa, in cooperation with EUFOR remains responsible for the validation and submission of the data on a quarterly basis.

KFOR: In 2021 the delays in the local billing process experienced in the previous years continued still due to the critical situation in theatre caused by the pandemic and the complication of the COVID-19 testing kit billing to be recovered from the TCNs.

NMI: As expected, the NATO Mission in Iraq expanded confirming an increase in the volume of NBC activities in 2021. In view of the complexity of the NMI process, due to different locations, parties involved and criteria, timeline for the billing mechanism are often times longer than typical, while occasionally adjustments need to be made.

RAC (NATO Reach-back Analytic Cell): With the closure of RSM effective June 2021, the RAC in support of RS also ceased operations. All costs have been billed to the Contributing Nations at the end of 2021.

Supreme Food Claim: As the settlement of the Food Case relates to claims brought by Supreme under the Food Basic Ordering Agreement ACO-BRU-08-89, the BC confirmed that NBC mechanism was applicable. Therefore, the TCNs were invoiced for their share of the awarded claim (2.7 MEUR) including legal fees (33 KEUR), calculated on the basis of the annual payments from Oct 2010 until Dec 2014.

Currently, the total amount has been reimbursed by the TCNs billed, leaving only one outstanding credit of 2,220.45 EUR belonging to one TCN outside of the Alliance. Repeated attempts were made during the years with no success. The issue was highlighted to the BC in Dec. 2021[17]. This outstanding credit is reported in the ACO 2021 FS at a net realisable value, after provision for doubtful and uncollectible debts.

The receivable balance at year-end are mainly for outstanding invoices issued to National Support Elements for the Reimbursable Program Host-Tenant Agreement and for other reimbursable procurements. SHAPE has a balance of 6.2 MEUR. In addition, 7.8 MEUR are related to the untaken leave for which the details are at note C.17.

4. Prepayments

Prepayments	**2021**	**2020 Restated**	**2020**
Advances and Prepayments	10,282,089	9,293,311	9,293,311
Total	**10,282,089**	**9,293,311**	**9,293,311**

Prepayments are net of related accruals previously recorded and associated expenses. Advances entered in foreign currency were accrued in that currency.

The reported amount reflects mainly advances and prepayments to other NATO entities and LWR Severance Pay (TFR) for JFC Naples 2 MEUR in 2021 (1.9 MEUR in 2020) as described in Note A – ‘Employee benefits’.

[17] BC-D(2021)0237, dated 2 Dec. 2021

5. Other Current Assets

Other current assets	2021	2020 Restated	2020
Bank Interest Accrued	397,921	575,767	575,767
Receivable for Provisions	543,052	393,447	393,447
Total	**940,973**	**969,214**	**969,214**

The majority of the Bank Interest Accrued relates to deposits with ACO CAC bank accounts and the other USD bank account managed by ACO CAC. The decrease is due to the change in the financial market related to USD and EUR term deposits.

Details for the provisions are reported in Note D.

6. Inventories

Inventories	2021	2020 Restated	2020
Consumable	16,913,526	17,268,144	16,440,599
Spare parts	30,093,644	27,934,448	26,476,736
Total	**47,007,170**	**45,202,592**	**42,917,335**

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

No inventory is pledged as security for liabilities.

Table B.6 – Inventory

Inventory	
Opening as of 1 January 2020	41,318,176
Adjustments to opening	(213,327)
Adjusted opening as of 1 January 2020	**41,104,850**
Variance	2,004,953
Write off/write down	(81,607)
Adjustments to ending	(110,860)
Ending balance as of 31 December 2020	**42,917,335**
Restatement 2020	2,285,257
Ending balance as of 31 December 2020 Restated	**45,202,592**
Opening as of 1 January 2021	45,202,592
Adjustments to opening	17,211
Adjusted opening as of 1 January 2021	**45,219,803**
Variance	4,211,742
Write off/write down	(2,256,848)
Adjustments to ending	(167,526)
Ending balance as of 31 December 2021	**47,007,170**

Restatements of the 2020 Inventories

The main restatement reported for 2020 relates to the change ACO Inventory valuation method to WAC per item and to a significant number of reclassification of items for a total of 2.4 MEUR. A further restatement is due to an error in the working paper for Aviation Fuel stock at NAEW&C Force GK HQ, which meant that the 2020 inventory balance was overstated by 134 KEUR. In addition, a minor restatement (1 KEUR) was made at SHAPE for the HRDS equipment erroneously reported previously for a smaller quantity.

Adjustments of the 2021 Inventories

The adjustment to the 2021 opening balance is due to the inclusion of beginning balances of an account/warehouse in KFOR (17 KEUR) that is at the end of 2021 above the applicable threshold. The adjustments to the ending balances for FY 2021 are due to the exclusion of another account/warehouse in KFOR (116 KEUR) and one inNHQSa (52 KEUR) that are at the end of 2021 below the applicable threshold.

Assets - Non-current Assets

7. Receivables (non-current)

Other Non-Current Assets	2021	2020 Restated	2020
Non-current Receivables	1,031,072	1,034,023	1,034,023
Total	**1,031,072**	**1,034,023**	**1,034,023**

The 2021 balance is a NAEW&C Force long-term guarantee for infrastructure projects to Bundeswehr Dienstleistungszentrum (Bw-DLZ).

8. Property, Plant and Equipment

Property, Plant & Equipment	2021	2020 Restated	2020
Land	-	-	-
Buildings	99,666,968	99,593,901	87,314,677
Other infrastructure	35,047,517	28,581,319	22,706,728
Installed Equipment	35,287,240	35,213,680	33,515,612
Machinery	9,075,760	6,577,967	6,345,792
Vehicles	13,628,259	16,213,138	16,213,138
Aircrafts (Planes, Major inspection, Upgrades, Spare parts)	512,501,151	531,046,064	446,582,378
Mission Equipment	3,756,765	6,266,573	6,266,573
Furniture	2,805,889	2,532,679	2,461,171
Communication	9,764,964	12,498,764	12,393,884
Automated Information Systems	2,685,789	2,911,413	2,911,413
Assets under Construction[18]	65,009,800	47,371,478	2,951,669
Total for Property, Plant and Equipment	**789,230,102**	**788,806,976**	**639,663,035**

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

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

No assets are pledged as security for liabilities.

[18] The category includes the Major Inspection on-going for the NAEW&C Force aircraft (DLM)

Restatement 2020

The main restatements for 2020 are related to:

- the handover and subsequent retirement (from the ACO asset register) of the Kandahar Airfield for the Resolute Support Mission. The restoration of the airfield operating surface was handed over to ACO in June 2020 and officially retired in December 2020. Since the handover and retirement are in the same year, there is no impact on 'Other infrastructures' figures reported in the table above. The effect of this restatement is shown in Table B.8;
- the recognition of the Depot Level Maintenance (DLM) costs for major inspections as capitalised assets adjusting the E-3A aircrafts' carrying amounts;
- the recognition of NSIP funded projects PP&E under NCISG and JFCBS control. These are mainly buildings, other infrastructure and installed equipment.

There were two other minor restatements to the 2020 data relating to the handover of a fire alarm modernisation project at SHAPE (471 KEUR in the Buildings category) and COVID-19 testing machines at HKIA, Resolute Support Mission (179 KEUR in the Machinery category). For both these assets, information was not received until 2021 confirming that these assets had been handed over in 2020. Finally, an error in the working papers for Assets under Construction meant that the 2020 data was overstated by 449 KEUR.

2021 Data

NAEW&CF: Fleet modernisation

The highest value PP&E reported is related to NAEW&C Force GK HQ who operate a fleet of fourteen surveillance (E-3A) airplanes. However, as they relate to data prior 2013, they are not accounted for with financial value.

The costs (and associated depreciation) from a programme of material upgrades to the airplanes is accounted for with financial value and is reported in these financial statements. As reported in previous year financial statements, as part of this modernisation the fleet was reduced from seventeen to fourteen planes. In 2015, 2017 and 2018, three planes were shipped to the USA for destruction and are no longer considered under NAEW&CF's operational control.

In 2021, additional costs were received from NAPMA for upgrades and training systems relating to the airplanes. These were:

- Amendments to the contract for the Full Flight Simulator (FFS) resulted in a further 6.1 MEUR being added to the capitalised cost of this asset.
- The handover of the Mission Training Centre No. 2 (MTC2) in 2021 resulted in the capitalisation of 2.3 MEUR.
- Following the upgrades of the communication and navigation systems (CNS/ATM) from analogue to digital in 2017 and 2018, further additional costs of 3.6 MEUR were received from NAPMA in 2021 and added to the capitalised cost of the upgrade.
- Following certificate of completion for the enhanced MODE 5 / IP COMMs upgrades in 2019 and 2020 (authorizing them for operational use), further additional costs were received from NAPMA in 2021 for 2.4 MEUR which have been added to the capitalised cost of these upgrades.

In addition, the recognition of DLM costs for major inspections, in line with the changed accounting policy, led to 75.3 MEUR net value increase of the *Aircrafts* PP&E category, and to 61.0 MEUR net value increase of the *Assets under Construction* category, which includes the ongoing major inspections.

Other significant variances

The other significant variances between 2020 and 2021 PP&E are in the Buildings, Infrastructure and Machinery categories.

In the Other infrastructure category, NAEW&CF reported improvements to the apron at FOL Oerland and FOB Trapani totalling 3 MEUR; NCISG report 1.4 MEUR for upgrades to infrastructure at the 2nd

Signal Batallion based at Grazzanise, Italy; and KFOR reported 2.8 MEUR upgrades to sewage and road networks.

In the Machinery category. NCISG reported 1.5 MEUR of machinery for heavy-duty tasks that were handed over as part of capability packages provided by NSPA and NAEW reported a number of items of machinery totalling 2.4 MEUR.

For the Building category, the main additions relate to NAEW building restorations at FOL Oerland and FOB's Aktion, Trapani and Konya amounting to 2.2 MEUR.

Finally, a significant amount of depreciation (8.3 MEUR across five asset categories) was expensed in 2021 relating to the termination of the Resolute Support Mission.

For other categories, the variance relates to immaterial additions less depreciation expenses for 2021.

TABLE B.8 – Property, Plant and Equipment – Breakdown of transactions for the year

Property, Plant and Equipment	Land		Buildings		Other Infrastructures		Installed Equipment		Machinery		Vehicles	
Acquisition cost as of 1 January 2020		-		128,311,411		81,577,622		52,766,014		12,440,003		32,235,621
Adjustment to opening balance		-		13,318,507		6,107,160		2,477,417		479,390		-
		-		141,629,918		87,684,782		55,243,432		12,919,392		32,235,621
Additions FinS	-		247,616		-		1,438,984		1,319,992		4,264,657	
Manual additions - NSIP/Other funding	-		14,910,640		13,656,801		2,907,201		-		521,415	
Adjustment to additions 2020	-		-		-		-		-		-	
Adjustment to additions - NSIP/Other funding	-		-		-		-		-		-	
+ Total Additions	-		15,158,256		13,656,801		4,346,184		1,319,992		4,786,072	
- Disposals/retirements	-		240,793		(14,781,785)		(636,730)		(138,202)		603,417	
- Capitalized/Expensed WIP	-		-		-		-		-		-	
+ Revaluations	-		-		-		-		-		-	
- Impairments	-	-	-	15,399,049	-	(1,124,983)	-	3,709,454	-	1,181,790	-	5,389,489
		-		157,028,967		86,559,799		58,952,886		14,101,182		37,625,110
- Accumulated depreciation	-		(50,094,056)		(58,317,399)		(19,607,239)		(6,259,562)		(16,509,874)	
Adjustment to opening balance	-		(769,396)		6,509,579		(591,630)		-		-	
	-		(50,863,451)		(51,807,820)		(20,198,869)		(6,259,562)		(16,509,874)	
+ Disposals/retirements	-		-		2,212,155		316,825		138,092		212,453	
- Depreciation 2020	-		(6,301,728)		(1,640,667)		(3,669,443)		(1,154,531)		(5,114,551)	
Adjustment to depreciation 2020	-	-	(269,887)	(57,435,066)	(6,742,148)	(57,978,480)	(187,719)	(23,739,206)	(247,214)	(7,523,215)	-	(21,411,971)
Ending balance as of 31 December 2020		**-**		**99,593,901**		**28,581,319**		**35,213,680**		**6,577,967**		**16,213,138**
Acquisition cost as of 1 January 2021		-		157,028,967		86,559,799		58,952,886		14,101,182		37,625,110
Adjustment to opening balance		-		-		-		-		-		-
		-		157,028,967		86,559,799		58,952,886		14,101,182		37,625,110
Additions FinS	-		287,761		-		2,471,769		3,069,393		1,549,425	
Manual additions - NSIP/Other funding	-		9,326,827		69,915,546		4,067,995		1,523,790		1,579,467	
+ Total additions	-		9,614,588		69,915,546		6,539,763		4,593,183		3,128,892	
- Disposals/retirements	-		(45,295,902)		(107,605,648)		(11,550,554)		(2,857,755)		(7,547,777)	
- Capitalized/Expensed WIP	-		-		-		-		-		-	
+ Revaluations	-		-		-		-		-		-	
- Impairments	-	-	-	(35,681,315)	-	(37,690,103)	-	(5,010,790)	-	1,735,428	-	(4,418,885)
Accumulated acquisition cost		-		121,347,652		48,869,696		53,942,096		15,836,611		33,206,225
- Accumulated depreciation as of 1 January 2021	-		(57,435,066)		(57,978,480)		(23,739,206)		(7,523,215)		(21,411,971)	
Adjustment to opening balance	-		-		-		-		-		-	
	-		(57,435,066)		(57,978,480)		(23,739,206)		(7,523,215)		(21,411,971)	
+ Disposals/retirements	-		41,818,515		51,636,142		10,220,783		2,706,949		7,547,777	
- Depreciation 2021	-	-	(6,064,134)	(21,680,684)	(7,479,840)	(13,822,179)	(5,136,433)	(18,654,856)	(1,944,584)	(6,760,851)	(5,713,771)	(19,577,965)
Ending balance as of 31 December 2021		**-**		**99,666,968**		**35,047,517**		**35,287,240**		**9,075,760**		**13,628,259**

	Airplanes & Components		Mission Equipment		Furniture		Communications		AIS		AuC		Total	
Acquisition cost as of 1 January 2020		491,969,084		113,693,812		3,783,375		30,517,363		11,906,429		3,500,480		962,701,214
Adjustment to opening balance		160,410,553		-		127,676		269,692		-				183,190,395
		652,379,637		113,693,812		3,911,051		30,787,055		11,906,429		3,500,480		1,145,891,609
Additions FinS	(3,084,774)		1,276,818		421,418		6,376,904		976,523				13,238,138	
Manual additions - NSIP/Other funding	27,091,083		151,864		-		-		-		47,571,175		106,810,178	
Adjustment to additions 2020	7,755,447		-		-		-		-				7,755,447	
Adjustment to additions - NSIP/Other funding	-		-		-		-		-		-		-	
+ Total Additions	31,761,756		1,428,682		421,418		6,376,904		976,523		47,571,175		127,803,764	
- Disposals/retirements	-		(78,000)		(21,731)		(57,094)		(98,593)		-		(14,967,925)	
- Capitalized/Expensed WIP	-		-		-		-		-		(3,700,178)		(3,700,178)	
+ Revaluations	-		-		-		-		-				-	
- Impairments	-	31,761,756	-	1,350,682	-	399,687	-	6,319,809	-	877,930		43,870,997	-	109,135,661
		684,141,393		115,044,494		4,310,739		37,106,864		12,784,359		47,371,478		1,255,027,270
- Accumulated depreciation	(42,845,685)		(96,752,390)		(1,328,040)		(17,748,876)		(8,091,234)		-		(317,554,355)	
Adjustment to opening balance	(57,427,272)		-		(43,400)		(74,914)		-		-		(52,397,033)	
	(100,272,957)		(96,752,390)		(1,371,440)		(17,823,791)		(8,091,234)		-		(369,951,388)	
+ Disposals/retirements	-		78,000		18,830		57,094		97,511		-		3,130,960	
- Depreciation 2020	(26,547,329)		(12,103,530)		(412,681)		(6,751,507)		(1,879,223)		-		(65,575,190)	
Adjustment to depreciation 2020	(26,275,043)	(153,095,329)	-	(108,777,921)	(12,768)	(1,778,059)	(89,897)	(24,608,100)	-	(9,872,946)	-	-	(33,824,676)	(466,220,293)
Ending balance as of 31 December 2020		**531,046,064**		**6,266,573**		**2,532,679**		**12,498,764**		**2,911,413**		**47,371,478**		**788,806,976**
Acquisition cost as of 1 January 2021		684,141,393		115,044,494		4,310,739		37,106,864		12,784,359		47,371,478		1,255,027,270
Adjustment to opening balance		-		-		-		-		-		-		-
		684,141,393		115,044,494		4,310,739		37,106,864		12,784,359		47,371,478		1,255,027,270
Additions FinS	5,628,341		690,022		324,761		66,875		451,747				14,540,095	
Manual additions - NSIP/Other funding	32,523,919		-		766,922		460,964		-		38,902,710		159,068,140	
+ Total additions	38,152,260		690,022		1,091,683		527,838		451,747		38,902,710		173,608,234	
- Disposals/retirements	0		(3,373,124)		(414,554)		(826,112)		(93,904)		-		(179,565,332)	
- Capitalized/Expensed WIP	-		-		-		-		-		(21,264,388)		(21,264,388)	
+ Revaluations	-		-		-		-		-		-		-	
- Impairments	-	38,152,260	-	(2,683,102)	-	677,129	-	(298,273)	-	357,844	-	17,638,322	-	(27,221,485)
Accumulated acquisition cost		722,293,653		112,361,392		4,987,868		36,808,591		13,142,203		65,009,799		1,227,805,785
- Accumulated depreciation as of 1 January 2021	(153,095,329)		(108,777,921)		(1,778,059)		(24,608,100)		(9,872,946)		-		(466,220,293)	
Adjustment to opening balance	-		-		-		-		-		-		-	
	(153,095,329)		(108,777,921)		(1,778,059)		(24,608,100)		(9,872,946)		-		(466,220,293)	
+ Disposals/retirements	-		3,247,276		140,187		524,129		93,621		-		117,935,379	
- Depreciation 2021	(56,697,173)	(209,792,501)	(3,073,983)	(108,604,627)	(544,107)	(2,181,979)	(2,959,656)	(27,043,627)	(677,089)	(10,456,414)	-	-	(90,290,770)	(438,575,684)
Ending balance as of 31 December 2021		**512,501,151**		**3,756,765**		**2,805,889**		**9,764,964**		**2,685,789**		**65,009,799**		**789,230,101**

9. Other Non-Current Assets

Other Non-Current Assets	2021	2020 Restated	2020
Long Term Receivables for Provisions	7,297,226	8,032,988	8,032,988
Total	**7,297,226**	**8,032,988**	**8,032,988**

The accounts Long Term Receivable for Provisions cover amounts reported as Provisions for which it is not expected a settlement at short-term.

Details are provided in Note D.

Liabilities – Current Liabilities

10. Payables

Payables	2021	2020 Restated	2020
Payables to Suppliers	(363,273,714)	(275,471,580)	(275,471,580)
Payables to Staff members	(351,358)	(97,212)	(97,212)
Other Payables	(8,810,829)	(8,387,395)	(8,387,395)
Total	**(372,435,901)**	**(283,956,187)**	**(283,956,187)**

Accrued amounts for goods and services are not automatically classified by the accounting system to match the reported categories. They are reported as Payable to suppliers.

Payables to Suppliers

Payables to suppliers include third parties invoices received from commercial vendors not settled, and goods and services received and accrued where no invoice has been received by the reporting date. In 2021 there was an increase of 87.8 MEUR compared to the previous year.

Payables to Staff members

Payables to Staff members include 283 KEUR received from an insurance company as life insurance benefit to be paid to the beneficiary.

Foreign Military Sales (FMS) Cases

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

Untaken Leave

The balance of untaken leave is classified as ‘Other payable’. The amount reported is quite stable, for 2021 the balance is 7.8 MEUR (7.8 MEUR in 2020). Detailed information for the amount reported as untaken leave is disclosed in Note C.17.

11. Deferred Revenue and Other Liabilities

Deferred Revenue and other liabilities	2021	2020 Restated	2020
Deferred Revenue	(1,414,280,799)	(1,496,505,775)	(1,465,595,382)
Other liabilities	(158,207,219)	(69,331,746)	(69,331,746)
Total	**(1,572,488,019)**	**(1,565,837,521)**	**(1,534,927,127)**

Details are reported in the tables below:

Deferred Revenue	2021	2020 Restated	2020
Deferred Revenue MB	(357,134,149)	(289,977,890)	(289,977,890)
Other Deferred Revenue	(930,233,695)	(1,057,563,647)	(1,057,563,647)
Deferred Revenue Inventory	(47,007,170)	(45,202,592)	(42,917,335)

Deferred Revenue PP&E	(79,905,785)	(103,761,647)	(75,136,510)
Total	**(1,414,280,799)**	**(1,496,505,775)**	**(1,465,595,382)**

Deferred Revenue MB

Deferred revenue for MB budgets corresponds to contributions for each budget/cost share under ACO responsibility eligible for call to NATO members' Nations for which corresponding expenditures will be incurred after the reporting date. It is accounted for by type, cost share and year in accordance with the ACO policy. The balance corresponds to the CF and SCF reported at the end of 2021 FY.

Other Deferred Revenue

The amount represents funds related to ACO non-core activities like SHAPE International School (SIS), NSHQ, EU Operation Althea, USD cash holding Account and Trust Funds. Even if those activities are defined as non-core, it can be assessed as critical due to their financial management complexity. For two of them the volume is material.

Details related to Trust Funds are reported at Note K.

Deferred Revenue Inventory

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

Deferred Revenue PP&E

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

The Current Deferred Revenue reported here represents the counterpart of the PP&E Net Value.

Other Liabilities

This category includes lapsed appropriations and results of the year as a result of the overall 2021 financial year execution. The ad-hoc liabilities are reported by nature (i.e. budgetary lapse, overestimated accrual, other adjustments) and are accounted for by type, cost share and year in accordance with the ACO policy. Those liabilities represent the main component of the refundable surpluses for FY 2021 together with the 2021 MB result of the financial year.

Other Liabilities	**2021**	**2020 Restated**	**2020**
Liabilities from lapsed appropriations	(156,919,956)	(62,961,939)	(62,961,939)
Liabilities from Result of the year	(1,897,074)	(2,169,608)	(2,169,608)
Liab. from unrealised exch. rate differences	(1,426,205)	(4,349,202)	(4,349,202)
Liabilities from NSIP Cash Call	2,009,110	122,160	122,160
Liab. from NSIP Accum. result of the year	26,906	26,843	26,843
Total	**(158,207,219)**	**(69,331,746)**	**(69,331,746)**

Liabilities from Lapsed Appropriations

Lapsed appropriations (MB)	**2021**	**2020 Restated**	**2020**
Budgetary lapses	(141,762,251)	(38,575,548)	(38,575,548)
Overestimated accruals	(15,313,822)	(24,315,166)	(24,315,166)
Other adjustments	156,117	(71,225)	(71,225)
Total	**(156,919,956)**	**(62,961,939)**	**(62,961,939)**

The amount of overestimated accruals decreased in 2021 mainly in the AOM budget group. 2021 breakdown by budget group is disclosed at Table B.11.

Liabilities from Result of the Year

Distribution of Result of the year	2021	2020 Restated	2020
Result of the year	1,025,986	(3,562,226)	(3,562,226)
Unrealised exchange rate gain/loss	(2,922,997)	1,392,125	1,392,125
Net of NSIP result of the year	(63)	493	493
Liabilities from Result of the year	**(1,897,074)**	**(2,169,608)**	**(2,169,608)**

The net amount of 1,897,074 EUR is made of miscellaneous income, provisions for bad debts, interest revenue, bank charges, and realised exchange rate gain/losses. The unrealised gain/loss for exchange rate is not part of the redistribution.

Table B.11 – Refundable Surpluses

Type	NCSEP	NCS-A	AGS	NAEW	AOM	TOTAL
Budgetary lapse	(39,663,214)	(9,048,453)	(38,457,613)	(18,023,879)	(36,569,092)	(141,762,251)
Overestimated accruals	(2,236,656)	(74,470)	(977,472)	(3,904,416)	(8,120,808)	(15,313,822)
Other Adjustment	(151,886)	-	-	-	(4,232)	(156,117)
TOTAL	***(42,051,755)***	***(9,122,924)***	***(39,435,084)***	***(21,928,295)***	***(44,694,132)***	***(157,232,190)***
Result of the year	(536,882)	-	(19,012)	(3,001,084)	1,659,904	(1,897,074)
GRAND TOTAL	**(42,588,638)**	**(9,122,924)**	**(39,454,096)**	**(24,929,379)**	**(43,034,228)**	**(159,129,264)**

The overall refundable surplus is reflected by nature as of 31 Dec. 2021. It will be included in the 2nd Assessment call for 2022 and duly allocated by type, cost share and budget year, unless decided differently by the BC.

Liabilities from NSIP Cash Call

ACO is reporting NSIP expenses on a quarterly basis. No funds are requested in advance for ACO.

Liabilities Result for NSIP

NSIP Results	2021	2020 Restated	2020
Accumulated result of previous years	26,843	27,336	27,336
Result of the year	63	(493)	(493)
Accumulated liabilities from NSIP Result	**26,906**	**26,843**	**26,843**

Interest and results, distributed by cost share are reported to the IS-NOR who is responsible for the redistribution to the Nations via the NSIP call for contributions.

On a quarterly basis, expenses, forecasts and status of the projects are updated in the CIRIS system tracking the NSIP projects for all the HNs. The quarterly revision is the basis for the calculations of the NSIP calls for contributions.

12. Advances

Advances	2021	2020 Restated	2020
Advance MB Contributions	(280,223,690)	(343,153,710)	(343,153,710)
Other Advance	(104,258)	(117,923)	(117,923)
Total	**(280,327,948)**	**(343,271,633)**	**(343,271,633)**

Advance MB Contributions

The amount is related to:

- Advance contribution allocated via the 2nd call 2021 for an amount of EUR 276,973,690 (AGS/NCSEP/AOM/NAEW cost share)[19]. These advances are recorded using appropriate account code by type/year/cost share. There is only one voluntary call advance for 3,250,000 EUR for AOM and a very small amount for NAEW.
- Other advances relates mainly to amounts received for NBC and other centralised activities.

13. Short Term Provisions

Short Term Provisions	2021	2020 Restated	2020
Personnel	(5,000)	(15,000)	(15,000)
Services	(538,052)	(378,447)	(378,447)
Total	**(543,052)**	**(393,447)**	**(393,447)**

Provisions are assessed using the best accounting estimate available.

Provisions are reported as either short term or long term liability based on the assessment of when the cases are expected to be settled, and separated into Personnel or Service categories based on the nature of the liability. ACO is reporting as overall provisions EUR 9,856,033 (EUR 10,668,300 in 2020); the amount of EUR 543,052 (EUR 393,447 in 2020) is considered as short term. The main variance between 2021 and 2020 relates to the Services category where three cases have been closed, one new case added and a number of cases reclassified between long term and short term provisions.

The amounts of the provisions reported in the Statement of Financial Position are shown in more detail in Note D, Table B.

Liabilities – Non-Current Liabilities

14. Long Term Provisions

Long Term Provisions	2021	2020 Restated	2020
Personnel	(4,289,452)	(6,182,246)	(6,182,246)
Services	(5,023,529)	(4,092,607)	(4,092,607)
Total	**(9,312,981)**	**(10,274,853)**	**(10,274,853)**

The main variance between 2021 and 2020 for long term provisions relates to the Personnel category where two cases have been closed (amounting to 2.079 MEUR), three new cases added (853 KEUR), and an increase in the provisioned amount for two cases.

15. Non-Current Deferred Revenue

Deferred Revenue	2021	2020 Restated	2020
Deferred Revenue for PP&E and AuC	(709,324,316)	(685,045,330)	(564,526,526)
Total	**(709,324,316)**	**(685,045,330)**	**(564,526,526)**

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

[19] NCSEP – FC(CC(2021)0012(MB-02)-REV1 Official dated 20 Dec. 2021; AGS –FC(CC)(2021)0020(AGS-02)COR1 dated 19 Nov. 2021; AOM - FC(CC)(2021)0006(AOM-02) dated 18 Oct. 2021; NAEW - FC(CC)(2021)0005(NAEW-02) dated 19 Oct. 2021

The non-current Deferred Revenue is the counterpart of the PP&E net of the amount recorded as current deferred revenue.

C. Notes to Statement of Financial Performance

16. Revenue

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

17. Expenses

Expenses for ACO entities are recognised by nature as follows:

a) Personnel[20]

Personnel	2021	2020 Restated	2020
Total	**195,544,716**	**206,881,080**	**206,881,080**

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

Employee Disclosure

NATO civilian employees subject to the NCPR

NATO civilian employees subject to the NCPR in ACO are compensated for the service they provide in accordance with rules and amounts established by NATO. The compensation consists of basic salary, various allowances, health insurance, pension plan and other benefits as agreed with each Host Nation and the Protocols of NATO. Cash compensations are exempt from income tax in accordance with NATO Nations agreement. ACO HQs are not liable for retirement benefits.

Different pension plans are applicable to NATO civilian employees subject to the NCPR within the ACO HQs. All pension plans are managed by NATO HQ and are therefore not included in the ACO FS. Contributions to the plans are expensed when occurred. The total amount paid for 2021 is 5,786,890 EUR (which shows an increase compared to 4,940,650 EUR reported in 2020) for NIC staff.

Table C.17.A - Untaken leave NATO civilian employees subject to the NCPR

Untaken Leave	2021	2020
Opening	7,803,315	5,307,242
Restatements 2020	n/a	n/a
Additions	7,781,029	7,803,315
Reversed	(7,803,315)	(5,307,242)
Ending	7,781,029	7,803,315

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

[20] See footnote n. 13

Locally hired staff

This categories are not under the NCPR. Data for financial reporting is not available for locally hired staff, LWR and LCH, due to each site recording differently.

Other

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

Within the ACO HQs various groups of workforces with different status are supporting the ACO activities[21]. Below is a table showing a summary of the different groups with number for filled positions.

The category 'Others' includes mainly Local Civilian Hire (LCH), Local Wage Rates (LWR), Voluntary National Contribution (VNC), International Military Partnership Staff Post (PSP), interim/temps, Manpower Overage (MO).

Table C.17.B – ACO Workforce Groups

ACO	Total Filled Positions
PE Positions total	**7054**
Military	6,038
Civilian	1,016
CE Positions total	**642**
Military	509
NIC (NATO International Civilian)	4
NCIV (National Civilian)	60
MCIV/ICC	69
Others	**1210**

b) Contractual Supplies and Services

Contractual Supplies and Services	2021	2020 Restated	2020
Total	**771,031,820**	**731,319,920**	**767,458,744**

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

In 2021, the total expense recorded for Foreign Military Sales (FMS) is 15,222,118 EUR (23,248,961 2020). This financial information is reported in a separate line in accordance with the ACO Policy reported at Note A.

Foreign Military Sales (FMS)	2021	2020 Restated	2020
Total	**15,222,118**	**23,248,961**	**23,248,961**

[21] See footnote n. 13.

The amount of EUR 15,222,118 EUR belongs to FMS cases for NAEW managed directly by NSPA. Those expenses are reported in the ACO FS on a modified cash basis built on the cash credit request/outflows exchange between the two NATO entities. The expenses for the financial year are not recognised on accrual basis with the exception of the FMS cases where tangible information is provided by the NAEW customers with regards to the effective delivery of goods and services.

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

Operating Leases

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

Table C.17.C – Operating leases

SITE	Asset leased / lease description	Amount Paid in 2021 converted to EURO (if other currency)	Amount to pay in 2022	Amount to pay in 2023-2025	Amount to pay after 2025	Renewal/restrictions	Purchase options/restrictions
SHAPE	3-Year Operational Lease of Reprographic equipment + 2 ONE Year options	78,915.78	34,115.52	14,332.36	-	2 ONE Year options	n/a
SHAPE	4-Year Operational Lease of 2 business passenger vehicles for COS & DSAC	51,220.32	-	-	-	n/a	n/a
SHAPE	4-Year Operational Lease of 2 business passenger vehicles for COS & DSACEUR	-	51,221.76	4,268.48		n/a	n/a
SHAPE	Rental services 2020 - 28 vehicles 16 vehicles C category 12 vehicles D category	227,168.42	229,515.84	231,811.20	-	n/a	n/a
SHAPE	2-Year Lease of one armored vehicle for SACEUR	64,200.00	32,100.00	-	-	End of contract June 2022 (+ 1 option of 1 year extension)	n/a
NAGS	Blue Fleet, 9 vehicles	60,259.05	60,611.52	200,000.00	65,000.00	36-month contract as of May 2020 (first delivery)/Jan 21 (last delivery)	2-year Contract Option till 2025. PO inludes commitment until EOY 2022
NAEW	(BizHub) Printers	160,304.50	160,893.96	-	-	Annual renewal based on contractual terms.	n/a
NAEW	13 Oracle T5-2 Servers	196,161.96	196,161.96	392,323.92	-	n/a	n/a
JFCNP	Villa Addis Ababa for NAUC	98,757.30	98.757.30	296,271.90	98,757.30	One base year plus four option years. Sole source deviation required from BC	No purchase option
JFCBS	Blue Vehicles	141,709.64	147,136.80	-	-	n/a	n/a

Depreciation

Depreciation and Amortization	2021	2020 Restated	2020
Total	**151,622,411**	**106,008,196**	**65,579,283**

The amount recognised for 2021 includes depreciation for the different asset categories set out in Table B.8. – Property, Plant and Equipment.

The depreciation for each category in 2021 was as follows; 56.7 MEUR for Aircraft (upgrades, spare parts Major Inspection DLM costs), 3.1 MEUR for Mission Equipment, 3.0 MEUR for Communication systems (mainly relating to aircraft communications), 6.1 MEUR for buildings, 5.7 MEUR for Vehicles, 7.5 MEUR for Other infrastructure, 5.1 MEUR for installed equipment, 0.7 MEUR for AIS (Automated Information Systems), 1.9 MEUR for Machinery and 0.5 MEUR for Furniture. Finally, the Net Book Value (NBV) of assets retired resulted in retirement losses of 61.3 MEUR (4 KEUR in 2020) mainly due to the RS mission termination.

Provisions

The Provision variance reported in 2021 of 856,903 EUR is made by a new provision for the funds currently blocked with the AIB bank and by a decrease in the provisions indicated under Note D and immaterial amounts relating to provisions for bad and doubtful debts. The net effect being a decrease in the provision amount of 932 KEUR.

Reimbursable activities

ACO manages a number of reimbursable activities on behalf of other non-ACO entities. The total expenses made by ACO for reimbursable activities in 2021 amount to 54.1 MEUR which reflects an increase of 4.6 MEUR compared to 2020. The reimbursable costs relate to a variety of services financially administered by ACO, as follows:

An amount of 2.1 MEUR (2020 1.9 MEUR) corresponds to travel services provided to the NCIA by JFC Naples HQ, JFC Brunssum HQ, LANDCOM Izmir HQ, AIRCOM Ramstein HQ and MARCOM Northwood HQ.

A total amount of approximately 24.9 MEUR (2020 20.9 MEUR) corresponds to real life support services provided mainly by JFC Naples HQ (NMI), KFOR HQ and Resolute Support HQ to the TCNs, such as messing, water, billeting, and laundry, fuel whose costs are not eligible for common funding and, therefore, shall be borne by the Nations (NBC). The NBC costs are, therefore, pre-financed by ACO and afterwards recovered from the TCNs through an established cost recovery mechanism.

Expenses for the remaining amount of 27,1 MEUR were made mainly by the ACO Commands on behalf of local NMRs or NSEs, MWAs, Host Nations and other co-located entities in accordance with Memorandum of Understanding or other ad-hoc agreements. This includes, but is not limited to, advance payments made by ACO for shared utilities, maintenance and cleaning services, etc. which is recovered from the customers through charges calculated on a pro-rata basis.

Some expenses are related to the Special Litigation Team at SHAPE[22]

18. Total to be returned

The result of the year is the difference of non-budgetary revenue and expenses, such as interest, exchange rate loss or gain, and depreciation. The amount, except unrealised gain/losses for exchange rate, is part of the refundable surpluses at year end.

19. Net Asset

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

[22] Reference to BC-DS(2016)0054, dated 14 Nov. 2016, BC-DS(2017)0021, dated 02 Jun. 2017, AC/335-N(2018)0015-AS1

D. Contingent Assets, Contingent Liabilities and Provisions

As required by IPSAS 19. Para 105, a contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

For the 2021 Financial Year, ACO assessed an estimated amount of 1.6 MEUR for LANDCOM HQ for Real Life Service provided to the Host-Nation during the period 2014-2018. The estimated amount reflects the Building Life Expectancy cap of 20% increase for buildings older than 20 years. From 2019, the local Finance Office has been tracking any Cost Shared Maintenance in line with the criteria and cost shares reflected in the coordinated SLA document. The Service Level Agreement (SLA) between the HQ and the Host Nation was signed in 2020.

Contingent Liabilities and Provisions

Based on IPSAS 19 and the nature of items identified in the 2021 reporting period, ACO aggregated Contingent Liabilities and Provisions reported by ACO consolidated entities in the following categories:

I. **NATO Administrative Tribunal**: includes cases related to NATO employees pending before the NATO Administrative Tribunal (NAT);

II. **Claims under Art. VIII SOFA**: includes cases related to damages caused to third parties by NATO personnel. The majority of the cases reported relate to damages to property or to individuals, including those provoked due to car accidents or initiated through health and safety Offices. The category also includes claims raised in the Bosnia and Herzegovina (BiH) theatre of operations, although the claim process is governed by the GFAP SOFA and Claims Annex to the Technical Arrangement between the Republic of BIH Ministry of Justice and Implementation forces and not by article VIII of NATO SOFA. The amounts, when disclosed and related to article VIII SOFA, represent 75% due by NATO being the remaining 25% to be paid by the Host Nation; the same cost share does not apply in the BiH where under the terms of GFAP SOFA, the entire burden (100%) for the payment of claims rests with NATO HQ Sarajevo, as legal successor of IFOR and SFOR.

III. **Labour court cases**: includes cases pending before local Courts in relation to employment issues;

IV. **Litigations**: includes other cases of legal or contractual litigations such as contractual claims for alleged damages;

V. **Liabilities due to HQs closure**: includes costs for dismantling/removal of NATO property or any type of direct/indirect liabilities derived from closure of AOMs, ACO Commands, their transformation and transfer or for closure of programmes of works previously contracted.

VI. **Others**: this is a residual category where there are reported cases which do not fall within one of the above mentioned categories, including liabilities for employees' emoluments due to severance pay, Trattamento di Fine Rapporto (TFR)[23], pension's contributions, etc.

Contingent Liabilities (CL)

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

TABLE D.A – Summary of the 2021 CL

CL Categories	Amount (EUR)
I NATO Administrative Tribunal	-
II Claims under Art. VIII SOFA	373,436
III Labour court cases	10,650,904
IV Litigations	476,019

[23] Liabilities due to TFR for JFCNP are only reported as provisions.

V Liabilities due to HQs closure	168,264
VI Others	1,619,220
TOTAL	**13,287,843**

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

I. NATO Administrative Tribunal: Nothing to report for 2021.

II. Claims under Art. VIII SOFA: The total amount disclosed under this category is 373,436 EUR (544,692 EUR in 2020).
In this category, an amount of EUR 363,436 EUR was reported by NHQSa for two claims related to damages arising from the usage of a factory in Visoko, BIH. The remaining amount of 10,000 EUR relates to cases falling under this category for JFCNP. This category also includes various cases reported by SHAPE and NAEW for which it is not possible to estimate reliably the amount to settle the liability. For NAEW, this includes potential liability relating to contamination of local waterworks.

III. Labour court cases: Out of the total amount of EUR 10,650,904 (10,710,504 EUR in 2020) disclosed in this category, the amount of 9,819,512 EUR relates to NHQSa's possible liability due to a labour contract dispute. There has been no further update from the reported 2020 figures.
An amount of 792,992 EUR is reported by SHAPE for litigations pending before the Labour Court in relation to the transfer of the Fire Brigade to the Belgium HN under the HNS Policy and Standards. The remaining amount disclosed in this category is reported by LANDCOM (38,400 EUR) for liabilities on employment cases pending at the reporting date before the local labour Courts.

This category also includes two cases where the amount cannot be determined by JFCNP in relation to deaths allegedly caused by asbestos.

IV. Litigations: The total amount disclosed under category IV is 476,019 EUR (584,223 EUR in 2020). It is made by two amounts; the first one is a Contingent Liability already disclosed last year by KFOR amounting to 394,146 EUR (537,500 USD) related to a claim for accommodation for rental services contracted in 1999 with a private company to rent premises for housing and related services for KFOR troops at the Sports and Recreation Centre in Pristina. This case is being handled by the NATO/IS LEGAD. The second part relates to potential liabilities relating to food and catering services in Afghanistan from 2012-2015. This case is being handled by JFCBS.

This category also includes two cases where the amount cannot be reliably estimated by the relevant operating unit. One case relates to a claim by a former contractor for NATO and TCNs fuel services for ISAF that could be counterbalanced by the ACO counter claim against the company. However, at this stage the potential outflows/inflows of resources cannot be reliably measured, as it was previously reported in the 2020 FS. The other case relates to the use of dining facilities at RS by contractors during COVID-19 lockdown for which a reliable amount cannot be measured.

V. Liabilities due to HQs closure: Within this category, JFCBS has reported possible liabilities due to the termination of the ISAF and Resolute Support missions. The liability is related to the ACO's responsibility towards NSPA for the payment of the Loss of Job Indemnities (LOJI) associated with redundant NSPA NIC workforce approved by SHAPE to support the ISAF operation and the RS Mission. The amount of 168,264 EUR represents NATO's share of the remaining liability.

This category also includes claims from NSPA for the closure of the RSM for which out-flow of resources cannot be reliably estimated. On 11 May, after a number of direct requests, NSPA provided a rough order of magnitude figure (ROM) of 7.2 MEUR of claims related to the RSM closeout and COVID claims. Even if these claims have been assessed by NSPA legal and finance offices, they remain subject to change due to the ongoing complex claims settlement process and the cost share methodology applied.

As the settlement, process will continue into future reporting periods, and longer than expected, ACO has asked that a Working Group be established with members from NSPA and ACO to set and monitor milestones in relation to this activity to guarantee the settlement as soon as possible.

VI. Others: Of the total 1,619,220 EUR reported in this category, an amount of 1,341,000 EUR is reported by JFCNP for retroactive social contributions in relation to sick leave. The remaining 278,220 EUR reported in this category relates to Turkish VAT liabilities levied against IAMCO.

Provisions

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

Table D.B – Summary of the 2021 Provisions

Provisions	**Amount (EUR)**
I NATO Administrative Tribunal	-
II Claims under Art. VIII SOFA	107,925
III Labour court cases	150,000
IV Litigations	4,908,656
V Liabilities due to HQs closure	400,000
VI Others	4,289,452
TOTAL	**9,856,033**

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

I. NATO Administrative Tribunal: Nothing to report for 2021.

II. Claims under Art. VIII SOFA: NHQSa reported provisions within this category totalling 102,925 EUR relating to claims due to car accidents or damages to land and property. The remaining amount of 5,000 EUR is for NAEW.

III. Labour court cases: KFOR HQ is reporting a provision of 150,000 EUR relating to Camp Novo Selo and the specific situation related to 4 private parcels, as reported in 2020.

IV. Litigations: The total reported in this category is 4,908,656 EUR and relates to cases reported by JFCNP and for the closed RSMHQ:

a. For JFCNP, the first case refers to a claim of the former JFCNP energy supplier that has requested the payment of arrears for the period 2005 – 2008 due to a malfunctioning of the electrical meter in the Bagnoli compound. The amount of 3,864,502 EUR, recognised as a provision last year for this liability, remains unchanged.

b. The second JFCNP provision amounting to 200,000 EUR relates to outstanding payments withheld by JFCNP due to the former provider of cleaning services because of non-satisfactory contract performance.

c. For RSM, for a total of 844,154 EUR is due to the lockdown at the camp during the COVID-19 pandemic. To prevent the spread of the COVID-19, a limited number of LCH employees and contractors were obliged to stay in the camp with access to the Dining Facility. The related cost was for the organisation responsible for their contract since company could not make a direct contract with DFAC.

V. Liabilities due to HQs closure: Within this category, one case is reported in relation to a claim by a contractor for costs incurred due to the termination of the RSM.

VI. Others: Within this category it is recognised the provision of 4,289,452 EUR Firstly, an amount of 1,161,926 EUR is recognised as a provision by LANDCOM in relation to severance allowances that would be payable to LWRs if they were to leave LANDCOM as at reporting date, plus a 7 month notice allowance payable to LWR’s on retirement or termination by employer. Next, an amount of 44,633 EUR is reported for a number of claims related to financial compensation under UK Labour Law. Finally, a provision is reported within this residual category for the “Trattamento di Fine Rapporto” (TFR) for JFCNP amounting to 3,082,893 EUR. In application of the Italian Law and in accordance with IPSAS 19, TFR is a vested benefit payable to the employee for a part of his/her salary deferred in time to the moment when termination of contract takes place; this applies to LWR. The value of this liability is determined annually and includes interests for the loan forcedly made by the employee to the employer given the fact that payment is deferred to a later time. In view of the foregoing, TFR has to be considered as a termination benefit calculated as one extra monthly instalment of the annual pay.

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

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

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

E. Segment Reporting

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

a) ‘service segments’ refer to a distinguishable component of an entity as engaged in providing outputs or achieving particular operating objectives consistent with the overall mission of each entity; and

b) ‘geographical segments’ are a distinguishable component of an entity as engaged in providing outputs or achieving particular operating objectives within a specific geographical area.

The financial reporting by segments elected by ACO is based on service segments on the HQ structure shown under the ‘Consolidation’ section that represents the grouping of activities for which ACO is responsible. In the preparation of the ACO 2021 FS the segment reporting has been prepared in conformity with the accounting policies and also reported in the ACO guidance for EOY 2021.

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

NSIP is shown as a separate segment and includes all 3 locations executing the different projects for which SHAPE is HN. The aggregated segment information disclosed is reconciled to the information reported in the consolidated FS, according to IPSAS 18, para 64.

Highlight

Since the issuance of the 2020 FS, there has been considerable change related to the RSM due to the withdrawal announcement. The withdrawal from the RSM was significant for ACO as an entity as the mission was extensive and had been in operation for many years. The announcement of the withdrawal occurred 14 April 2021, after the FS were produced, but while the Audit of the FS was ongoing. Since the original announcement, further operational decisions had to be taken on short notice due to the security situation, which meant it was a complex closure and risks were assumed. The closure of this segment reporting could not be compared to the past closure of static NATO Commands, nevertheless ACO ensured required financial processes were completed as confirmed in the financial closure checklist and undertook a massive effort to manage the NATO Funded infrastructure, Equipment (NFE/I) and Inventory redistribution and donation in coordination with the Committees. While operations are complete (September

2021), the final full financial assessment of the impact of the RSM will continue into the future due to the complicated and evolving matters, particularly considering contractor claims. JFCBS, as parent segment reporting will follow the financial impact related to RSM and take in charge the remaining financial aspects.
To ensure transparency, ACO has interacted extensively with stakeholders (agencies) and kept the nations apprised of the evolving financial situation and impact, through various briefings, reports and letters[24]. Interaction with the stakeholders concerning the financial estimates for provisions and contingent liabilities will continue to ensure all reliable and relevant information is disclosed.

[24] As part of the discussion of Budget Execution Report (BER) 1, 7 and 15 July 2021, BC-D(2021)0079, dated 30 JUN 2021, in the second BER and during the 2022 Budget screening, Status of the RSM NFE/I and Inventory, SH/FINAC/CAC/FC042/22, dated 7 FEB 2022, and Estimated Financial Impact of the RSM Withdrawal SH/FINAC/CAC/FC072/22, dated 3 MAR 2022

Segment reporting MB
Statement of Financial Position per HQ

	SHAPE HQ			NAGSF HQ			JFC Brunssum HQ		
	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020
ASSETS									
Current Assets									
Cash and Cash Equivalents	20,441	10,798	10,798	-	888	888	49,203	78,537	78,537
Interentity	140,071,653	71,447,688	71,447,688	15,800,762	9,260,247	9,260,247	7,166,457	2,965,379	2,965,379
Receivables	10,821,133	13,033,652	13,033,652	113,733	118,286	118,286	947,941	1,373,283	1,373,283
Prepayments	3,769,350	4,074,301	4,074,301	149,177	107,507	107,507	12,333	67,876	67,876
Other Current Assets	-	-	-	-	-	-	-	15,000	15,000
Inventories	706,208	839,102	853,441	133,001	104,263	177,561	291,354	238,271	204,950
Total Current Assets	*155,388,785*	*89,405,542*	*89,419,880*	*16,196,673*	*9,591,190*	*9,664,488*	*8,467,289*	*4,738,346*	*4,705,025*
Non-current Assets									
Receivables	-	-	-	-	-	-	-	-	-
Property, plant & equipment	23,005,581	16,779,636	16,757,259	17,825,430	18,620,532	18,620,532	14,261,941	13,943,102	13,405,591
Other Non-current Assets	-	-	-	-	-	-	-	-	-
Total Non-current Assets	*23,005,581*	*16,779,636*	*16,757,259*	*17,825,430*	*18,620,532*	*18,620,532*	*14,261,941*	*13,943,102*	*13,405,591*
Total ASSETS	178,394,367	106,185,177	106,177,139	34,022,103	28,211,723	28,285,021	22,729,230	18,681,448	18,110,615
LIABILITIES									
Current Liabilities									
Payables	(149,040,871)	(82,660,128)	(82,660,128)	(15,096,329)	(9,109,516)	(9,109,516)	(7,916,021)	(3,839,791)	(3,839,791)
Deferred Revenue & Other Current Liabilities	(8,731,968)	(8,882,791)	(8,897,130)	(2,112,146)	(1,443,530)	(1,516,828)	(1,606,564)	(1,437,368)	(1,313,250)
Advances	(20,092)	-	-	-	-	-	-	-	-
Short Term Provisions	-	-	-	-	-	-	-	(15,000)	(15,000)
Surpl./Deficit to be returned	50,646	131,214	131,214	10,128	295	295	(27,377)	(86,378)	(86,378)
Total Current Liabilities	*(157,742,286)*	*(91,411,704)*	*(91,426,043)*	*(17,198,346)*	*(10,552,752)*	*(10,626,050)*	*(9,549,962)*	*(5,378,537)*	*(5,254,420)*
Non-current Liabilities									
Payables	-	-	-	-	-	-	-	-	-
Long Term Provisions	-	-	-	-	-	-	-	(345,762)	(345,762)
Deferred Revenue	(20,652,081)	(14,773,473)	(14,751,096)	(16,823,757)	(17,658,971)	(17,658,971)	(13,179,268)	(12,957,150)	(12,510,434)
Other Non-current Liabilities	-	-	-	-	-	-	-	-	-
Total Non-current Liabilities	*(20,652,081)*	*(14,773,473)*	*(14,751,096)*	*(16,823,757)*	*(17,658,971)*	*(17,658,971)*	*(13,179,268)*	*(13,302,912)*	*(12,856,196)*
Total LIABILITIES	(178,394,367)	(106,185,177)	(106,177,139)	(34,022,103)	(28,211,723)	(28,285,021)	(22,729,230)	(18,681,448)	(18,110,615)
NET ASSETS	-	-	-	-	-	-	-	-	-

	AIRCOM Ramstein HQ			NAEW&C Force HQ			JFC Naples HQ		
	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020
ASSETS									
Current Assets									
Cash and Cash Equivalents	27,798	26,406	26,406	139,452	93,129	93,129	425,955	657,780	657,780
Interentity	2,772,388	1,651,558	1,651,558	48,146,328	43,634,982	43,634,982	17,070,630	8,671,024	8,671,024
Receivables	468,031	393,311	393,311	4,169,213	3,207,288	3,207,288	24,007,290	11,215,900	11,215,900
Prepayments	9,928	16,496	16,496	3,855,459	1,572,315	1,572,315	2,066,868	2,293,253	2,293,253
Other Current Assets	-	-	-	5,000	-	-	-	205,123	205,123
Inventories	285,734	188,980	206,557	39,318,954	34,909,634	35,044,050	233,151	223,622	142,162
Total Current Assets	***3,563,878***	***2,276,751***	***2,294,328***	***95,634,406***	***83,417,348***	***83,551,764***	***43,803,895***	***23,266,701***	***23,185,241***
Non-current Assets									
Receivables	-	-	-	1,022,584	1,022,584	1,022,584	-	-	-
Property, plant & equipment	2,289,844	2,394,771	2,394,771	662,915,179	667,035,481	537,702,913	183,500	234,739	234,739
Other Non-current Assets	-	-	-	-	-	-	5,131,640	4,927,185	4,927,185
Total Non-current Assets	***2,289,844***	***2,394,771***	***2,394,771***	***663,937,762***	***668,058,065***	***538,725,497***	***5,315,140***	***5,161,923***	***5,161,923***
Total ASSETS	**5,853,722**	**4,671,522**	**4,689,099**	**759,572,169**	**751,475,412**	**622,277,261**	**49,119,035**	**28,428,625**	**28,347,165**
LIABILITIES									
Current Liabilities									
Payables	(3,171,544)	(2,022,240)	(2,022,240)	(51,958,373)	(43,966,778)	(43,966,778)	(41,890,318)	(19,112,352)	(19,112,352)
Deferred Revenue & Other Current Liabilities	(654,013)	(518,452)	(536,029)	(110,310,592)	(124,129,567)	(96,443,796)	(457,103)	(1,000,172)	(918,712)
Advances	-	-	-	-	-	-	(1,440)	(1,440)	(1,440)
Short Term Provisions	-	-	-	(5,000)	-	-	-	(205,100)	(205,100)
Surpl./Deficit to be returned	3,459	(21,753)	(21,753)	(1,471,421)	(2,850,732)	(2,850,732)	518,915	(1,100,890)	(1,100,890)
Total Current Liabilities	***(3,822,099)***	***(2,562,444)***	***(2,580,021)***	***(163,745,387)***	***(170,947,077)***	***(143,261,307)***	***(41,829,946)***	***(21,419,954)***	***(21,338,494)***
Non-current Liabilities									
Payables	-	-	-	-	-	-	-	-	-
Long Term Provisions	-	-	-	-	-	-	(7,147,395)	(6,823,287)	(6,823,287)
Deferred Revenue	(2,031,624)	(2,109,078)	(2,109,078)	(595,826,782)	(580,528,335)	(479,015,955)	(141,693)	(185,384)	(185,384)
Other Non-current Liabilities	-	-	-	-	-	-	-	-	-
Total Non-current Liabilities	***(2,031,624)***	***(2,109,078)***	***(2,109,078)***	***(595,826,782)***	***(580,528,335)***	***(479,015,955)***	***(7,289,088)***	***(7,008,671)***	***(7,008,671)***
Total LIABILITIES	**(5,853,722)**	**(4,671,522)**	**(4,689,099)**	**(759,572,169)**	**(751,475,412)**	**(622,277,261)**	**(49,119,035)**	**(28,428,625)**	**(28,347,165)**
NET ASSETS	-	-	-	-	-	-	-	-	-

	NHQSa HQ			LANDCOM Izmir HQ			NCIS Group HQ		
	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020
ASSETS									
Current Assets									
Cash and Cash Equivalents	303,958	303,319	303,319	1,385,589	393,402	393,402	17,458	4,500	4,500
Interentity	13,318	216,557	216,557	279,071	(449,826)	(449,826)	12,586,015	8,181,774	8,181,774
Receivables	98,704	78,880	78,880	1,099,458	850,727	850,727	620,982	577,120	577,120
Prepayments	-	-	-	-	-	-	1,268	16,150	16,150
Other Current Assets	102,925	39,820	39,820	5,164	42,122	42,122	-	-	-
Inventories	1,490,396	1,652,993	1,123,721	592,496	587,699	1,074,416	3,624,720	3,620,598	1,537,232
Total Current Assets	***2,009,302***	***2,291,569***	***1,762,297***	***3,361,778***	***1,424,124***	***1,910,841***	***16,850,443***	***12,400,142***	***10,316,777***
Non-current Assets									
Receivables	-	-	-	8,488	11,440	11,440	-	-	-
Property, plant & equipment	29,338	29,790	29,790	5,284,729	5,451,327	5,451,327	60,177,608	55,296,018	36,223,304
Other Non-current Assets	-	78,105	78,105	1,161,926	1,145,140	1,145,140	-	-	-
Total Non-current Assets	***29,338***	***107,895***	***107,895***	***6,455,143***	***6,607,906***	***6,607,906***	***60,177,608***	***55,296,018***	***36,223,304***
Total ASSETS	2,038,640	2,399,465	1,870,192	9,816,921	8,032,031	8,518,748	77,028,050	67,696,160	46,540,081
LIABILITIES									
Current Liabilities									
Payables	(411,071)	(581,144)	(581,144)	(3,580,782)	(1,500,572)	(1,500,572)	(13,176,026)	(8,644,572)	(8,644,572)
Deferred Revenue & Other Current Liabilities	(1,523,256)	(1,690,037)	(1,160,764)	(863,582)	(791,520)	(1,278,237)	(9,921,680)	(9,460,281)	(6,662,762)
Advances	-	-	-	-	-	-	-	-	-
Short Term Provisions	(102,925)	(39,820)	(39,820)	-	(38,400)	(38,400)	-	-	-
Surpl./Deficit to be returned	(1,388)	(10,359)	(10,359)	870,699	694,953	694,953	9,635	(3,953)	(3,953)
Total Current Liabilities	***(2,038,640)***	***(2,321,360)***	***(1,792,087)***	***(3,573,665)***	***(1,635,539)***	***(2,122,256)***	***(23,088,071)***	***(18,108,806)***	***(15,311,287)***
Non-current Liabilities									
Payables	-	-	-	-	-	-	-	-	-
Long Term Provisions	-	(78,105)	(78,105)	(1,161,926)	(1,145,140)	(1,145,140)	-	-	-
Deferred Revenue	-	-	-	(5,081,331)	(5,251,352)	(5,251,352)	(53,939,980)	(49,587,354)	(31,228,794)
Other Non-current Liabilities	-	-	-	-	-	-	-	-	-
Total Non-current Liabilities	***-***	***(78,105)***	***(78,105)***	***(6,243,257)***	***(6,396,492)***	***(6,396,492)***	***(53,939,980)***	***(49,587,354)***	***(31,228,794)***
Total LIABILITIES	(2,038,640)	(2,399,465)	(1,870,192)	(9,816,921)	(8,032,031)	(8,518,748)	(77,028,050)	(67,696,160)	(46,540,081)
NET ASSETS	-	-	-	-	-	-	-	-	-

ACO Consolidated Financial Statements 2021

	Resolute Support Mission HQ (Ref. Note E. Segment Reporting)			KFOR HQ			MARCOM Northwood HQ		
	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020
ASSETS									
Current Assets									
Cash and Cash Equivalents	-	135,856	135,856	2,836,821	3,011,244	3,011,244	90,958	87,345	87,345
Interentity	79,759,387	122,399,773	122,399,773	(254,046)	(1,258,060)	(1,258,060)	6,154,722	1,991,101	1,991,101
Receivables	143,149	1,294,892	1,294,892	658,270	483,163	483,163	281,492	278,740	278,740
Prepayments	-	-	-	372,085	260,490	260,490	45,621	884,922	884,922
Other Current Assets	435,127	35,127	35,127	-	60,000	60,000	-	-	-
Inventories	-	2,541,813	2,426,530	253,747	224,572	-	77,408	71,044	126,715
Total Current Assets	***80,337,663***	***126,407,461***	***126,292,178***	***3,866,876***	***2,781,409***	***2,556,837***	***6,650,201***	***3,313,152***	***3,368,823***
Non-current Assets									
Receivables	-	-	-	-	-	-	-	-	-
Property, plant & equipment	-	7,372,771	7,194,001	1,561,266	194,983	194,983	766,122	793,162	793,162
Other Non-current Assets	853,660	1,732,559	1,732,559	150,000	150,000	150,000	-	-	-
Total Non-current Assets	***853,660***	***9,105,330***	***8,926,560***	***1,711,266***	***344,983***	***344,983***	***766,122***	***793,162***	***793,162***
Total ASSETS	81,191,323	135,512,791	135,218,738	5,578,142	3,126,392	2,901,820	7,416,323	4,106,314	4,161,984
LIABILITIES									
Current Liabilities									
Payables	(73,143,508)	(105,207,410)	(105,207,410)	(3,455,752)	(2,277,393)	(2,277,393)	(6,518,442)	(3,204,237)	(3,204,237)
Deferred Revenue & Other Current Liabilities	(7,741,890)	(26,666,306)	(26,551,023)	(1,845,936)	(547,715)	(323,143)	(180,242)	(151,351)	(207,022)
Advances	-	-	-	-	-	-	-	-	-
Short Term Provisions	(2,222,224)	(35,127)	(35,127)	-	(60,000)	(60,000)	-	-	-
Surpl./Deficit to be returned	2,769,959	(1,286,671)	(1,286,671)	(126,454)	(91,285)	(91,285)	598	(1,874)	(1,874)
Total Current Liabilities	***(80,337,663)***	***(133,195,514)***	***(133,080,231)***	***(5,428,142)***	***(2,976,392)***	***(2,751,820)***	***(6,698,085)***	***(3,357,463)***	***(3,413,133)***
Non-current Liabilities									
Payables	-	-	-	-	-	-	-	-	-
Long Term Provisions	(853,660)	(1,732,559)	(1,732,559)	(150,000)	(150,000)	(150,000)	-	-	-
Deferred Revenue	-	(584,719)	(405,948)	-	-	-	(718,238)	(748,851)	(748,851)
Other Non-current Liabilities	-	-	-	-	-	-	-	-	-
Total Non-current Liabilities	***(853,660)***	***(2,317,278)***	***(2,138,507)***	***(150,000)***	***(150,000)***	***(150,000)***	***(718,238)***	***(748,851)***	***(748,851)***
Total LIABILITIES	(81,191,323)	(135,512,791)	(135,218,738)	(5,578,142)	(3,126,392)	(2,901,820)	(7,416,323)	(4,106,314)	(4,161,984)
NET ASSETS	-	-	-	-	-	-	-	-	-

	ACO Corporate Accounting and Control Office			NSIP		
	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020
ASSETS						
Current Assets						
Cash and Cash Equivalents	1,359,449,582	916,011,551	916,011,551	531,771	1,624,281	1,624,281
Short Term Investment	520,048,947	932,885,474	932,885,474	-	-	-
Interentity	(329,566,684)	(268,712,197)	(268,712,197)	-	-	-
Receivables	161,500,023	147,210,114	147,210,114	173,329	-	-
Prepayments	-	-	-	-	-	-
Other Current Assets	392,757	572,022	572,022	-	-	-
Inventories	-	-	-	-	-	-
Total Current Assets	*1,711,824,625*	*1,727,966,965*	*1,727,966,965*	*705,100*	*1,624,281*	*1,624,281*
Non-current Assets						
Receivables	-	-	-	-	-	-
Property, plant & equipment	-	-	-	929,564	660,664	660,664
Other Non-current Assets	-	-	-	-	-	-
Total Non-current Assets	-	-	-	*929,564*	*660,664*	*660,664*
Total ASSETS	1,711,824,625	1,727,966,965	1,727,966,965	1,634,664	2,284,945	2,284,945
LIABILITIES						
Current Liabilities						
Payables	(335,749)	(54,614)	(54,614)	(2,741,116)	(1,773,285)	(1,773,285)
Deferred Revenue & Other Current Liabilities	(1,426,677,988)	(1,387,099,982)	(1,387,099,982)	2,009,110	122,160	122,160
Advances	(280,306,415)	(343,270,193)	(343,270,193)	-	-	-
Short Term Provisions	-	-	-	-	-	-
Surpl./Deficit to be returned	(4,504,472)	2,457,824	2,457,824	26,906	26,843	26,843
Total Current Liabilities	*(1,711,824,625)*	*(1,727,966,965)*	*(1,727,966,965)*	*(705,100)*	*(1,624,281)*	*(1,624,281)*
Non-current Liabilities						
Payables	-	-	-	-	-	-
Long Term Provisions	-	-	-	-	-	-
Deferred Revenue	-	-	-	(929,564)	(660,664)	(660,664)
Other Non-current Liabilities	-	-	-	-	-	-
Total Non-current Liabilities	-	-	-	*(929,564)*	*(660,664)*	*(660,664)*
Total LIABILITIES	(1,711,824,625)	(1,727,966,965)	(1,727,966,965)	(1,634,664)	(2,284,945)	(2,284,945)
NET ASSETS	-	-	-	-	-	-

	TOTAL FOR SEGMENTS			ELIMINATIONS			CONSOLIDATED		
	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020
ASSETS									
Current Assets									
Cash and Cash Equivalents	1,365,278,987	922,439,037	922,439,037	1,787,096	-	-	1,363,491,891	922,439,037	922,439,037
Short Term Investment	520,048,947	932,885,474	932,885,474	-	-	-	520,048,947	932,885,474	932,885,474
Interentity	-	-	-	-	-	-			
Receivables	205,102,748	180,115,356	180,115,356	-	-	-	205,102,748	180,115,356	180,115,356
Prepayments	10,282,089	9,293,311	9,293,311	-	-	-	10,282,089	9,293,311	9,293,311
Other Current Assets	940,973	969,214	969,214	-	-	-	940,973	969,214	969,214
Inventories	47,007,170	45,202,592	42,917,335	-	-	-	47,007,170	45,202,592	42,917,335
Total Current Assets	***2,148,660,914***	***2,090,904,983***	***2,088,619,726***	***1,787,096***	-	-	***2,146,873,818***	***2,090,904,984***	***2,088,619,726***
Non-current Assets									
Receivables	1,031,072	1,034,023	1,034,023	-	-	-	1,031,072	1,034,023	1,034,023
Property, plant & equipment	789,230,102	788,806,976	639,663,035	-	-	-	789,230,102	788,806,976	639,663,035
Other Non-current Assets	7,297,226	8,032,988	8,032,988	-	-	-	7,297,226	8,032,988	8,032,988
Total Non-current Assets	***797,558,399***	***797,873,988***	***648,730,047***	-	-	-	***797,558,400***	***797,873,987***	***648,730,047***
Total ASSETS	**2,946,219,313**	**2,888,778,971**	**2,737,349,773**	**1,787,096**	-	-	**2,944,432,218**	**2,888,778,971**	**2,737,349,773**
LIABILITIES									
Current Liabilities									
Payables	(372,435,901)	(283,954,032)	(283,954,032)	-	2,155	2,155	(372,435,901)	(283,956,187)	(283,956,187)
Deferred Revenue & Other Current Liabilities	(1,570,617,850)	(1,563,696,911)	(1,532,786,518)	1,870,169	2,140,610	2,140,610	(1,572,488,019)	(1,565,837,521)	(1,534,927,127)
Advances	(280,327,948)	(343,271,633)	(343,271,633)	-	-	-	(280,327,948)	(343,271,633)	(343,271,633)
Short Term Provisions	(2,330,149)	(393,447)	(393,447)	(1,787,096)	-	-	(543,052)	(393,447)	(393,447)
Surpl./Deficit to be returned	(1,870,169)	(2,142,765)	(2,142,765)	(1,870,169)	(2,142,765)	(2,142,765)			
Total Current Liabilities	***(2,227,582,016)***	***(2,193,458,788)***	***(2,162,548,395)***	***(1,787,096)***	-	-	***(2,225,794,920)***	***(2,193,458,788)***	***(2,162,548,395)***
Non-current Liabilities									
Payables	-	-	-	-	-	-			
Long Term Provisions	(9,312,981)	(10,274,853)	(10,274,853)	-	-	-	(9,312,981)	(10,274,853)	(10,274,853)
Deferred Revenue	(709,324,316)	(685,045,330)	(564,526,526)	-	-	-	(709,324,316)	(685,045,330)	(564,526,526)
Other Non-current Liabilities	-	-	-	-	-	-	-	-	-
Total Non-current Liabilities	***(718,637,297)***	***(695,320,183)***	***(574,801,379)***	-	-	-	***(718,637,297)***	***(695,320,183)***	***(574,801,379)***
Total LIABILITIES	**(2,946,219,313)**	**(2,888,778,971)**	**(2,737,349,773)**	**(1,787,096)**	-	-	**(2,944,432,217)**	**(2,888,778,971)**	**(2,737,349,773)**
NET ASSETS	-	-	-	-	-	-	-	-	-

Segment reporting MB
Statement of Financial Performance per HQ

	SHAPE HQ			NAGSF HQ			JFC Brunssum HQ		
	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020
REVENUE									
Revenue	(412,922,395)	(361,518,216)	(361,540,593)	(44,377,568)	(32,805,748)	(32,805,748)	(29,370,610)	(27,044,144)	(26,953,347.80)
Other Revenue	(23,530)	112,089	112,089	-	-	-	(420,344)	(146,440)	(146,440.03)
Financial Revenue	(303,340)	(41,527)	(41,527)	3,118	(73)	(73)	18,854	(18,802)	(18,802.15)
Total to be returned to the Nations	(50,646)	(131,214)	(131,214)	(10,128)	(295)	(295)	27,377	86,378	86,378.49
Total REVENUE	**(413,299,910)**	**(361,578,869)**	**(361,601,246)**	**(44,384,579)**	**(32,806,116)**	**(32,806,116)**	**(29,744,723)**	**(27,123,007)**	**(27,032,211.49)**
EXPENSES									
Expenses	**410,647,288**	**356,684,787**	**356,710,129**	**43,381,906**	**31,903,975**	**31,903,975**	**28,715,029**	**26,142,611**	**26,142,611**
Personnel	43,615,670	41,753,811	41,753,811	1,415,836	1,490,617	1,490,617	11,851,812	11,126,892	11,126,892
Contractual Supplies and Services	367,031,618	314,930,976	314,956,318	41,966,070	30,413,358	30,413,358	16,863,217	15,015,720	15,015,720
Foreign Military Sales (FMS)	-	-	-	-	-	-	-	-	-
Depreciation	2,275,107	4,833,429	4,830,464	995,662	901,773	901,773	1,016,344	977,323	886,527
Provisions	669	1,440	1,440	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	1,243	-	-
Financial Costs	376,846	59,213	59,213	7,011	368	368	12,108	3,073	3,073
Total EXPENSES	**413,299,910**	**361,578,869**	**361,601,246**	**44,384,579**	**32,806,116**	**32,806,116**	**29,744,723**	**27,123,007**	**27,032,211**
Result of the year	-	-	-	-	-	-	-	-	-

	AIRCOM Ramstein HQ			NAEW&C Force HQ			JFC Naples HQ		
	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020
REVENUE									
Revenue	(24,683,987)	(20,106,343)	(20,106,343)	(274,329,384)	(274,515,175)	(284,353,613)	(60,385,065)	(44,170,729)	(44,170,729)
Other Revenue	(25,625)	-	-	(2,668,714)	(1,732,135)	(1,732,135)	(40,211)	(273,155)	(273,155)
Financial Revenue	3,605	(3,605)	(3,605)	(539,907)	(449,749)	(449,749)	528,322	(764,530)	(764,530)
Total to be returned to the Nations	(3,459)	21,753	21,753	1,471,421	2,850,732	2,850,732	(518,915)	1,100,890	1,100,890
Total REVENUE	**(24,709,467)**	**(20,088,195)**	**(20,088,195)**	**(276,066,584)**	**(273,846,326)**	**(283,684,765)**	**(60,415,868)**	**(44,107,524)**	**(44,107,524)**
EXPENSES									
Expenses	**24,286,453**	**19,754,653**	**19,754,653**	**205,690,605**	**201,643,214**	**237,756,696**	**60,334,470**	**44,299,776**	**44,299,776**
Personnel	5,963,488	5,214,180	5,214,180	72,281,829	75,510,854	75,510,854	19,383,777	18,285,632	18,285,632
Contractual Supplies and Services	18,322,965	14,540,473	14,540,473	118,186,658	102,883,399	138,996,881	40,950,693	26,014,145	26,014,145
Foreign Military Sales (FMS)	-	-	-	15,222,118	23,248,961	23,248,961	-	-	-
Depreciation	397,534	351,689	351,689	68,633,779	72,920,292	46,645,248	51,239	85,417	85,417
Provisions	-	-	-	5,000	-	-	-	-	-
Other Expenses	-	-	-	-	239	239	-	-	-
Financial Costs	25,480	(18,148)	(18,148)	1,737,200	(717,418)	(717,418)	30,159	(277,669)	(277,669)
Total EXPENSES	**24,709,467**	**20,088,195**	**20,088,195**	**276,066,584**	**273,846,326**	**283,684,765**	**60,415,868**	**44,107,524**	**44,107,524**
Result of the year	-	-	-	-	-	-	-	-	-

	NHQSa HQ			LANDCOM Izmir HQ			NCIS Group HQ		
	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020
REVENUE									
Revenue	(3,266,656)	(3,245,724)	(3,245,724)	(12,763,953)	(8,226,306)	(8,226,306)	(47,857,980)	(43,640,595)	(43,030,242)
Other Revenue	(16,651)	(11,384)	(11,384)	(49,734)	(598,243)	(598,243)	(2,590)	-	-
Financial Revenue	(1,344)	(1,782)	(1,782)	(35,480)	(17,110)	(17,110)	14,038	(15,278)	(15,278)
Total to be returned to the Nations	1,388	10,359	10,359	(870,699)	(694,953)	(694,953)	(9,635)	3,953	3,953
Total REVENUE	**(3,283,263)**	**(3,248,532)**	**(3,248,532)**	**(13,719,866)**	**(9,536,612)**	**(9,536,612)**	**(47,856,167)**	**(43,651,920)**	**(43,041,567)**
EXPENSES									
Expenses	**3,233,401**	**3,178,337**	**3,178,337**	**12,584,736**	**8,623,849**	**8,623,849**	**41,741,588**	**38,106,268**	**38,106,268**
Personnel	2,214,627	2,137,693	2,137,693	2,946,709	3,123,379	3,123,379	10,240,792	8,445,496	8,445,496
Contractual Supplies and Services	1,018,773	1,040,645	1,040,645	9,638,027	5,500,470	5,500,470	31,500,796	29,660,773	29,660,773
Foreign Military Sales (FMS)	-	-	-	-	-	-	-	-	-
Depreciation	48,255	67,387	67,387	200,831	199,975	199,975	6,116,392	5,534,327	4,923,974
Provisions	-	98	98	-	-	-	-	-	-
Other Expenses	210	448	448	-	-	-	-	-	-
Financial Costs	1,397	2,261	2,261	934,299	712,788	712,788	(1,812)	11,325	11,325
Total EXPENSES	**3,283,263**	**3,248,532**	**3,248,532**	**13,719,866**	**9,536,612**	**9,536,612**	**47,856,167**	**43,651,920**	**43,041,567**
Result of the year	-	-	-	-	-	-	-	-	-

	Resolute Support Mission HQ (Ref. Note E. Segment Reporting)			KFOR HQ			MARCOM Northwood HQ		
	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020
REVENUE									
Revenue	(191,081,011)	(224,611,436)	(211,161,680)	(16,033,576)	(14,386,692)	(14,386,692)	(12,784,717)	(11,529,290)	(11,529,290)
Other Revenue	-	(26,270)	(26,270)	(189,109)	(116,592)	(116,592)	-	-	-
Financial Revenue	801,235	(1,046,531)	(1,046,531)	(9,461)	841	841	(4,878)	(62)	(62)
Total to be returned to the Nations	(2,769,959)	1,286,671	1,286,671	126,454	91,285	91,285	(598)	1,874	1,874
Total REVENUE	**(193,049,735)**	**(224,397,566)**	**(210,947,810)**	**(16,105,692)**	**(14,411,159)**	**(14,411,159)**	**(12,790,193)**	**(11,527,478)**	**(11,527,478)**
EXPENSES									
Expenses	**121,876,489**	**205,465,546**	**205,465,546**	**13,934,635**	**13,240,084**	**13,240,084**	**12,739,810**	**11,484,979**	**11,484,979**
Personnel	15,859,166	30,470,827	30,470,827	6,563,659	6,533,356	6,533,356	3,207,351	2,788,344	2,788,344
Contractual Supplies and Services	106,017,323	174,994,718	174,994,718	7,370,976	6,706,728	6,706,728	9,532,460	8,696,636	8,696,636
Foreign Military Sales (FMS)	-	-	-	-	-	-	-	-	-
Depreciation	69,683,422	19,155,666	5,705,910	2,158,941	936,608	936,608	44,906	44,311	44,311
Provisions	1,308,198	-	-	-	210,000	210,000	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-
Financial Costs	181,627	(223,645)	(223,645)	12,116	24,466	24,466	5,476	(1,812)	(1,812)
Total EXPENSES	**193,049,735**	**224,397,566**	**210,947,810**	**16,105,692**	**14,411,159**	**14,411,159**	**12,790,193**	**11,527,478**	**11,527,478**
Result of the year	-	-	-	-	-	-	-	-	-

	ACO Corporate Accounting and Control Office			NSIP		
	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020
REVENUE						
Revenue	-	-	-	(2,632,245)	(921,881)	(921,881)
Other Revenue	(314,727)	-	-	-	-	-
Financial Revenue	(1,398,250)	798,305	798,305	(275)	(547)	(547)
Total to be returned to the Nations	1,581,475	(1,065,699)	(1,065,699)	(63)	493	493
Total REVENUE	**(131,503)**	**(267,394)**	**(267,394)**	**(2,632,583)**	**(921,935)**	**(921,935)**
EXPENSES						
Expenses	**-**	**-**	**-**	**2,632,245**	**921,881**	**921,881**
Personnel	-	-	-	-	-	-
Contractual Supplies and Services	-	-	-	2,632,245	921,881	921,881
Foreign Military Sales (FMS)	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Provisions	2,220	-	-	-	-	-
Other Expenses	-	-	-	-	-	-
Financial Costs	129,282	267,394	267,394	338	54	54
Total EXPENSES	**131,503**	**267,394**	**267,394**	**2,632,583**	**921,935**	**921,935**
Result of the year	**-**	**-**	**-**	**-**	**-**	**-**

	TOTAL FOR SEGMENTS			ELIMINATIONS			CONSOLIDATED PERFORMANCE		
	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020	2021	2020 RESTATED	2020
REVENUE									
Revenue	(1,132,489,146)	(1,066,722,278)	(1,062,432,189)	-	-	-	(1,132,489,146)	(1,066,722,278)	(1,062,432,189)
Other Revenue	(3,751,236)	(2,792,130)	(2,792,130)	(459,184)	(211,538)	(211,538)	(3,292,051)	(2,580,592)	(2,580,592)
Financial Revenue	(923,766)	(1,560,449)	(1,560,449)	-	1,813,788	1,813,788	(923,766)	(3,374,237)	(3,374,237)
Total to be returned to the Nations	(1,025,986)	3,562,226	3,562,226	-	-	-	(1,025,986)	3,562,226	3,562,226
Total REVENUE	**(1,138,190,133)**	**(1,067,512,631)**	**(1,063,222,542)**	**(459,184)**	**1,602,250**	**1,602,250**	**(1,137,730,949)**	**(1,069,114,881)**	**(1,064,824,792)**
EXPENSES									
Expenses	**981,798,655**	**961,449,961**	**997,588,785**				**981,798,655**	**961,449,961**	**997,588,785**
Personnel	195,544,716	206,881,080	206,881,080	-	-	-	195,544,716	206,881,080	206,881,080
Contractual Supplies and Services	771,031,821	731,319,920	767,458,744	-	-	-	771,031,820	731,319,920	767,458,744
Foreign Military Sales (FMS)	15,222,118	23,248,961	23,248,961	-	-	-	15,222,118	23,248,961	23,248,961
Depreciation	151,622,411	106,008,196	65,579,283	-	-	-	151,622,411	106,008,196	65,579,283
Provisions	1,316,087	211,538	211,538	459,184	211,538	211,538	856,903	-	-
Other Expenses	1,453	687	687	-	-	-	1,453	687	687
Financial Costs	3,451,527	(157,751)	(157,751)	-	(1,813,788)	(1,813,788)	3,451,527	1,656,037	1,656,037
Total EXPENSES	**1,138,190,133**	**1,067,512,631**	**1,063,222,542**	**459,184**	**(1,602,250)**	**(1,602,250)**	**1,137,730,949**	**1,069,114,881**	**1,064,824,792**
Result of the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

F. Related Parties Disclosure

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

(1) Identification of ACO related parties.

(a) Key Management Personnel (KMP). KMP include members of the governing body **who have the greatest responsibility for the government of ACO** and their close family members. Based on the definitions provided by IPSAS 20 and the KMP within ACO have been identified as follows[25]:

i. Members of the governing body of the entity: SACEUR'S Commanders' Conference (SCC)[26] which acts as the **ACO Board of Directors**.
ii. Key advisors: the members of the SHAPE Management Board/Crisis Operations Board (SMB/COB) are considered as the **key advisors**.
iii. Senior management group of the reporting entity: **the ACO Management Board is the principle executive body within ACO** for implementing command-wide strategic management on behalf of SACEUR

(b) Consolidated entities: they are the ACO subordinate Commands that are controlled by SHAPE. The list of those entities is provided in the Note A.

(c) Other NATO entities: this includes the NATO agencies which provide goods and services to ACO at an agreed price.

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

(a) ACO and the KMP. Since the remuneration of the military personnel is a national responsibility under the principle of ‘costs lie where they fall’ the only amount charged against the international funds is to cover the salary payment of 3 NATO International Civilians (NICs) identified within this category, i.e. the ACO Financial Controller, the SHAPE Legal Advisor and the SHAPE Chief of the Strategic & International Affairs. The net remuneration received during the reporting year by these 3 NICs, including any salary transfer in foreign currencies, amounts to 527,345.04 EUR (corresponding to 129,848.60 EUR plus 170,040.65 EUR plus 227,455.79 EUR, respectively, for the three mentioned NICs).

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

(b) ACO and its consolidated entities. All intercompany transactions are posted and balances are reconciled with ACO CAC as of the reporting date. Intercompany balances are eliminated as part of the consolidation.

(c) ACO and other NATO entities. ACO is an integral part of NATO and it transacts in its normal business activities with other NATO bodies and these transactions occur at cost.

(3) Gratuities

As part of the effective management of the ethics program and to specifically ensure that any actual, potential or apparent conflicts of interest arising from staff members’ financial interests, business relationships or other outside activities can be identified and managed in the best interest of ACO, a list of gratuities accepted by the ACO Commanders on behalf of the respective Headquarters is submitted annually to ACO. This is in accordance with the prescriptions of the ACO Directive 040-007 Standards of Conduct and the ACO Instruction on the Administration of Gratuities from External Sources. A negative statement is also requested to be reported to ACO.

[25] The composition and Job titles have been updated in accordance with the AD 015-004, ACO High level Business Processes, dated 31 Oct. 2013.
[26] Only the ACO KMP of the SCC that are part of the NATO Command Structure, plus the NAEW&C Force GK Commander and Commander NAGSF.

(4) Representation funds

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

Within ACO Representation and Hospitality funds are provided to high officials of the ACO Headquarters, primarily the Commanders who may make sub-allocations to their most senior staff and deputy Commanders. During 2021 the total expenditure made by ACO for Representation amounted to 200 KEUR which represents 50% of the overall authorised budget of 401 KEUR.

G. Events after Reporting Date

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

1. Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
2. Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).
    a. Russian invasion of Ukraine. In February 2022, Russia invaded Ukraine. This does not affect ACO's 2021 Consolidated Financial Position, Financial Performance, Cash Flow, Net Assets or Budget Execution and it is not yet known whether this will have a significant impact on future financial activities of ACO.
    b. Increased military spend by a number of NATO Allies following the Russian Invasion of Ukraine. In February 2022, following the Russian invasion of the Ukraine, a number of Allies agreed substantial increases in their military spend. While this does not affect ACO's 2021 Financial Position, Financial Performance, Cash Flow, Net Assets or Budget Execution, and, as such it is not expected to have any significant impact on ACO activity in 2022.

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

H. MB Budget Execution

According to article 34.4 of the NFRs ACO has included the ACO Budget execution report in its FS. An overall assessment of the ACO Budget Execution Report is incorporated directly into this disclosure Note.

The ACO budget execution during 2021 is 95.3%, including Regular and Special Carry Forwards. This percentage was slightly higher than in 2020 (94.1%). The surpluses were largely due to the impact of the Covid-19 pandemic particularly from the ACO MTEP and Outreach programmes. The unintended cost savings were from travel reductions, personnel recruitment delays, and postponed projects. The identified surpluses were used to fund 2022 requirements as directed by the RPPB, repurposed to cover unfunded operational requirements.

The ACO budget groups were approved by the BC in BA3 in the following amounts:

Table H.A - ACO Budget Groups: approved BA3 amounts

Budget Category	Amount (EUR)
ACO portion - NATO Command Structure Entities and Programmes (NCSEP)	568,387,080
ACO portion - NCS-Adaptation	28,684,536
Alliance Operations and Missions (AOM)	254,945,670
NAEW&C Force	315,989,782
NAGS Force	87,390,518
TOTAL ACO	**1,255,397,586**

The figures in this report represent the net result of all transfers, cost reductions, cost increases, and the impact of parity changes and inflation rates during the reporting period

NATO COMMAND STRUCTURE ENTITIES AND PROGRAMMES (NCSEP)

In 2021, the final Budget Authorization (BA3) for the NCSEP 2021 budget totalled 568.4 MEUR. The combined execution rate, including Regular and Special Carry Forwards, reached 94.4% for the ACO part of NCSEP.

Table H.A1 - ACO NCSEP Approved BA3 Amounts

Budget Code	Budget Title	BA3 in Local Currency	BA3 in EUR
101EUR30	SHAPE	76,246,284	76,246,284
103EUR30	JFC HQ Brunssum	25,291,223	25,291,223
104EUR30	JFC HQ Naples	29,158,359	29,158,359
105EUR30	HQ AIRCOM Ramstein	23,415,235	23,415,235
111EUR30	HQ LANDCOM Izmir	10,748,312	10,748,312
118GBP30	HQ MARCOM Northwood	9,159,405	10,843,382
131EUR30	HQ Deployable Assets	11,537,316	11,537,316
157EUR30	ACO MTEP	20,631,650	20,631,650
164EUR30	NATINAMDS Non-C2 Elements	36,775,989	36,775,989
166EUR30	NATINAMDS C2 Elements	96,116,491	96,116,491
176EUR29	NCNCB	3,915,251	3,915,251
177EUR30	NCCB	179,045,463	179,045,463
178EUR30	NATO CIS Group (NCISG)	40,152,125	40,152,125
502EEUR30	Outreach Programmes (ACO)	4,510,000	4,510,000
NCSEP Total			**568,387,080**

The overall annual execution rate is similar to 2020 (94.1%) due to COVID-19 slowing down of operations. The figures in this report reflect the impact of the pandemic across the portfolio. The Covid-19 restrictions affected the budget execution negatively with unintended savings in travel, exercises, and other projects due to delay or unavailability of contractors. The Outreach programme was very significantly affected by these restrictions with an execution rate of 38.4%. It is also worth mentioning that some savings identified during the year were used to fund Covid-19 mitigation related requirements.

The BC approved the following SCFs under the 2021 ACO NCSEP budget:

a. SHAPE (BC 101) - A total of 635 KEUR for the replacement of the canopy buildings 504 and 506, handrails, air compressors, piping, diesel generators, tanks and the update of the NATO Performance Management System (NPMS).

b. JFC NAPLES (BC 104) - A total of 900 KEUR to cover the increase in utility cost (gas and electricity), the maintenance of the fire suppression system, and the HVAC Ductwork cleaning.

c. HQ AIRCOM (BC 105) - A total of 525 KEUR to replace HQ AIRCOM's building control component and to repair the main parking garage.

d. HQ LANDCOM (BC 111) - A total of 185 KEUR to replace two generators at the DISKO HIT Bunker and for the intrusion detection system overhaul.

e. HQ MARCOM (BC 118) - A total of 115 KEUR (97,000 GBP) to cover Public Affairs Office (PAO) Mini LAN, classroom upgrades, BICES phones and terminals.

f. ACO Military Training Exercise and Programs - MTEP (BC 157) - A total of 2.188 MEUR to cover the cost increase of multiple exercises (CIS cost in Steadfast Jupiter 2022), the NATO Force Structure (NFS HQs) participation in exercises, and to mitigate the high-level risk management.

g. NATO Integrated Air & Missile Defence System – NATINAMDS NON C2 (BC 164) - A total of 1,315 MEUR for Air Defence (Ground) Contractor Logistic Support and Obsolescence Management (by NSPA) for projects authorized in 2021.

h. NATO Integrated Air & Missile Defence System - NATINAMDS C2 (BC 166) - A total of 2,160 MEUR for the Air Command and Control Information Services (Air C2 IS) to upgrade Silverlight to Angular; to fund Voice Communication System (VCS) security, and for the replacement of the ACCS obsolete security auditing system.

i. NATO Centralized Nuclear CIS Budget - NCNCB (BC 176) - A total of 300 MEUR to cover industrial support the Voluntary National Contribution materialises. This SCF is currently frozen.

j. NATO Centralized CIS Budget - NCCB (BC 177) - A total of 13.273 MEUR to cover:

(1) The NCIA Management, Configuration Management, Patching and Vulnerability (ACPV) activities as part of the Cyber Adaptation Programme. This SCF part is currently frozen.

(2) Enterprise Service Management and Control Services

(3) For the guarding of the SATCOM Kester site up to 31 December 2022

(4) SLIN 3.2 Personnel Functional Services to fund the upgrades and implementation of third Level Support Agreement in FY2022.

To note that SCF were used for the he regularization of part of the suspense account for the guarding of the SATCOM Kester site up to 31 December 2021 as per RPPB recommendation.

k. NATO Communication & Information System Group (NCISG) (BC 178) - A total of 300 M EUR to support static CIS projects.

The further carry forward of the following SCF from previous years were approved by the BC:

l. NATO Centralized CIS Budget - NCCB (BC 177) - A total of 1.606 MEUR from 2020 to destroy about 10,000 Crypto Devices. To note that SCF were used to regularise another part of the suspense account for the guarding of the SATCOM Kester as per RPPB recommendation.

Surplus credits in 2021 totalled 31.90 MEUR only for the ACO part of the NCSEP budget group. The Covid-19 restrictions affected the MTEP (BC-157) and Outreach (BC-502) programmes significantly. Below are the surpluses examples:

a. SHAPE (BC 101) – 3.4 MEUR were identified mainly as surplus from salaries due to the lower than expected fill-in rates, Covid-19 travel restrictions, and unexpected delays in contractual projects.

b. JFC HQ Brunssum (BC 103) – 35 KEUR were identified as surplus due to Covid-19 related restrictions.

c. JFC HQ NAPLES (BC 104) – 384 KEUR were identified as a surplus due to reduced travel, unexpected hiring delays, and postponement of infrastructure and maintenance projects.

d. HQ AIRCOM (BC 105) – 1.939 MEUR were identified as surplus due to delays filling two vacant positions, limited travels and training activities because of Covid-19, and the AIS/CIS (420,000 EUR) surplus related to the non-delivery of the ESLA services.

e. HQ LANDCOM (BC 111) – 2.105 MEUR were identified as surplus mainly due to the exchange rate depreciations and inflation affecting personnel cost. In addition, Covid-19 restrictions reduced travel and hospitality cost.

f. HQ MARCOM Northwood (BC 118) – 28 KEUR were identified as surplus due to Covid-19 restrictions.

g. DEPLOYABLE HQ ASSETS (BC 131) – 699 KEUR were identified as surplus due to Covid-19 and other extenuating circumstances.

h. ACO Military Training Exercise and Programs (MTEP) (BC 157) – 3.711 MEUR. The implementation of the exercise program was impacted by COVID-19 travel restrictions and cancellation of exercises. Ten exercises were cancelled, four were reduced in scale and a substantial number of events were conducted via VTC making considerable savings.

i. NATO Integrated Air & Missile Defence System (NATINAMDS NON C2) (BC 164) – 6.4 MEUR surplus mainly as part of the NSPA commitments, and the NCIA.

j. NATO Integrated Air & Missile Defence System (NATINAMDS C2) (BC 166) – 1.96 MEUR surplus mainly from NCIA excess funding (NCIA Independent Validation and Verification requirements – IV&V).

k. NATO Centralized Nuclear CIS Budget (NCNCB) (BC 176) – A total of 420 KEUR surplus related to the Future Nuclear Exercise Environment.

l. NATO Centralized CIS Budget (NCCB) (BC 177) – Note a surplus of 4.7 MEUR. The main surplus relates to the Cyber Security Prevention Services, Enterprise Service Management and Control, Network Layer services, and IV&V services. The remaining surplus relates to the Service PLT004 Oriented Architecture & Identity Management Service (SOA&IDM) which was not provided in 2021.

m. NATO Communication & Information System Group (NCISG) (BC 178) - Note a surplus of 3.4 MEUR mainly due to delays in recruitments, travel restrictions, lower level of activities and delays in the delivery of the Communication Gateway Shelter System and Firefly assets.

n. Outreach Programmes (BC 502) - Note a surplus of 2,8 MEUR. The implementation of the programme was severely impacted by Covid-19 travel restrictions. The closure of NATO training facilities and the cancellation of various other partnership programmes resulted in unintended cost reductions (including subsidization of eligible partners, training and exercise costs).

NATO COMMAND STRUCTURE ADAPTATION (NCS-A) (BC124)

The final BA3 for the ACO NCS-A budget totalled 28.7 MEUR. The execution rate reached 81.56%, which includes Special Carry Forwards for 160 KEUR mainly for NCIA Academy courses in 2022 and the increase of gas and electricity costs at JFC Naples[27].

The lapsed credits of 5.3 MEUR are due to delays in personnel recruitment and COVID-19 Travel restrictions.

27 BC-D(2021)0232-FINAL, dated 09 Dec. 2021

ALLIANCE OPERATIONS AND MISSIONS (AOM)

The total final BA3 for the AOM budget was 254.9 MEUR. Resolute Support Mission was the main cost driver with an approved budget of 211 MEUR.

Following the closure of the RS Mission, the RSM budget was reduced by 12.13 MEUR to fund the Allied Solace Operation[28]. SCF were requested in the Allied Solace Budget for 674.5 KEUR to cover the three months of operations foreseen in 2022.

Table H.A2 - AOM Approved BA3 Amounts

Budget Code	Budget Title	BA3 in Local Currency	BA3 in EUR
183EUR30	Balkans Operations	24,646,031	24,646,031
187EUR30	NATO Support to the African Union	471,260	471,260
189GBP30	Operation Sea Guardian	255,175	302,090
194EUR30	Resolute Support (RS)	211,089,661	211,089,661
195EUR30	NATO Mission Iraq (NMI)	18,436,628	18,436,628
	AOM Total	**254,898,755**	**254,945,670**

The AOM budget Group execution rate is 99.3% including the Regular CF and SCF. This execution rate is heavily impacted by the SCF for RS mission. The execution rate excluding the SCF is 69.5%.

The RS budget was initially prepared with the assumption of continued RS operations throughout financial year 2021; however, the RSM officially ended in September[29]. As a result, the lapsable appropriations identified in November 2021 were carried forward to cover unaccounted contractual claims, cost of post-RS activities, and the Allied Solace operation[30].

Costs may stem from contractor and personnel claims, early termination of contracts, as well as, a number of other potential residual liabilities.

The 2021 SCF under the AOM amount to 77 MEUR due to:

a. RSM (BC194). All lapsable appropriations (74 MEUR) were carried forward following the regularisation of Operation Allied Solace and post-RS NATO HQ IS -Security and Real-life-Support Services to the Office of the NATO Senior Civilian Representative- and Out-of-Country Education and Training) suspense accounts for 2021. With the exception of 15 MEUR, all the SCF were frozen by the BC. 674.5 KEUR were transferred to the new BC196 2021.

b. NATO Mission Iraq (BC 195). SCF for the identified surplus of 3.5 MEUR were approved for future requirements related to the new NMI mandate.

c. Balkans Operations (BC 183). 150 KEUR were SCF for generator replacement and obsolete safes.

Finally, BC agreed to confirm SCF from previous years into 2022 for the following purposes:

5.2 MEUR from the 2014 ISAF (BC 185) SCF, to cover any clear ISAF related residual and the salary of an archivist.

7.5 MEUR from NMI.

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[28] BC-D(2021)0056, dated 09 Dec. 2021 and BC-D(2022) 0037, dated 15 Mar 2022.

[29] PO(2021)0139 and PO(2021)0312

[30] BC-D(2022)0037, dated 15 Mar 2022

The total AOM lapsed credits identified is 1.9 MEUR. The Covid-19 restrictions, decreased demand for fuel and CIS services support, and lower than forecast pricing in several procurement activities from the Balkans Operations comprised most of these lapsed credits.

NATO ALLIANCE GROUND SURVEILLANCE FORCE (NAGSF)

The Budget Authorization (BA3) for the Alliance Ground Surveillance force (AGS) budgets (BC167 and BC168) in 2021 was 87.4 MEUR, as shown on the table below:

Table H.A3 - NAGSF approved BA3 amounts

Budget Code	Budget Title	BA3 in Local Currency	BA3 in EUR
167EUR28+2	AGS Operation & Sustainment	84,151,987	84,151,987
168EUR30	AGS CIS	3,238,531	3,238,531
	Total	**87,390,518**	**87,390,518**

The AGS execution rate is 89%, including the SCF of 200 KEUR for the procurement of operational aircraft tow vehicles in 2022.

It should be noted that the 2020 Refundable surplus of AGS (167), was used to address the budget shortfalls in 2022. There was a funding gap of EUR 35.7M between the recommended budget for 2022 and the contributions agreed by Nations as part of the MTRP. This funding gap was filled through a combination of refundable surpluses from prior years and expected lapsed appropriation in 2021 of EUR 9.4M.

To note that for 2022 Budget, there was a funding gap of 17.3 MEUR between the recommended budget and the contributions agreed by Nations as part of the MTRP. This funding gap was filled through a combination of refundable surpluses from prior years and expected lapsed appropriations in 2021.

Regular carry forward[31] in the AGS budget of 46.3 MEUR is linked to large commitments to NSPA for un-invoiced training services, logistics, and other technical support.

NATO AIRBORNE EARLY WARNING AND CONTROL FORCE (NAEW&CF)

The NAEW&CF Budget Group (BCs 162/163) BA3 was 315.9 MEUR, as shown in the table below:

Table H.A4 - NAEW approved BA3 amounts

Budget Code	Budget Title	BA3 in Local Currency	BA3 in EUR
162EUR16	NAEW&CF Provisioning	139,576,541	139,576,541
162EUR28+2	NAEW&CF Employment	176,413,241	176,413,241
	Total	**315,989,782**	**315,989,782**

The NAEW execution rate is 96%, including the Regular CF and approx. 5 MEUR as SCF the cost increase of the flight simulator training devices approved under BC-163.
The NAEW surplus is 11.1 MEUR as result of the lower flying hours and per-flying-hour cost compared to the budget. Further delays in infrastructure maintenance and the Covid-19 impacts explain the surplus under this budget group.
To note that for 2022 Budget, there was a funding gap of 17.3 MEUR between the recommended budget and the contributions agreed by Nations as part of the MTRP. This funding gap was filled through a combination of refundable surpluses from prior years and expected lapsed appropriations in 2021.

[31] Amount of previous years'SCF for FY 2017, 2018, 2019 that became committed appropriations are considered regular CF supported by a legal obligation as per NFR art 25.3

2021 Budget Execution of non-ACO Budgets

The table below reports the summary execution of the budgets delegated to ACO. They are all related to the ACT Budget.

Table H.B – Summary Budget Execution NON-ACO Budgets

Budget Year	Budget	Expenditure Ceiling	Net Commitment	Actual Expenses	Total Spend
2021	211 - ACT NCS-A	51,532	-	51,532	51,532
2021	258 - ACT EUR POW	326,936	-	326,936	326,936
2019	259 ACT EXERCISES & TRAINING	-	-	(74,957)	(74,957)
2018	259 ACT EXERCISES & TRAINING	-	-	(13,994)	(13,994)
TOTAL		**378,468**	**-**	**289,517**	**289,517**

ACO Budget Execution/ACO Statement of Financial Performance Reconciliation (EUR)

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

Table H.C - ACO Budget Execution/ACO Statement of Financial Performance Reconciliation

	ACO Statement of Financial Performance	Budget execution report (adjusted)
	EUR	EUR
ACO Budget Execution Report: total expenses		**1,046,824,837**
Budget Execution Report-other: total expenses		289,517
Inventory variances		(2,070,176)
Property, Plant and Equipment and AuC		(50,541,661)
Over-estimated accruals		(15,313,822)
Untaken Leave		(22,286)
NSIP 2021 execution		2,632,245
		981,798,654
ACO Consolidated Statement of Financial Performance:		
Personnel	195,544,716	
Contractual Supplies and Services	771,031,820	
Foreign Military Sales (FMS) (III)	15,222,118	**981,798,654**

Statement of transfers

In accordance with the NFRs, Art. 26, transfers of appropriations approved by the relevant finance committee or the Financial Controller within his/her delegated authority shall be recorded in the annual financial statements. Further to the FRPs which have specified that only inter-budget transfers between NATO bodies shall be reported in the annual FS, no inter-budget group transfers occurred during 2021.

The changes between the initial and the final budget which were due to reallocations either authorised by the BC or by the ACO Financial Controller are presented in the Budget Execution Report which is prepared using a similar accrual basis approach in place for the preparation of the statements of financial position and performance.

The ACO Budget Execution Report also includes the contract authority already committed against credits converted into cash in the same financial year.

Statement of Credits Carried Forward (CF)

The credits carried forward are presented in the Budget Execution Statement together with the Special Carry Forwards (SCF) approved by the relevant authorities.

The CF represent the remaining credits due to later than expected delivery of goods/services when contracts placed in good faith of delivery before end of 2021 or to specific cases detailed above for each Budget Groups. For all of them there is a legal liability or a specific authorisation and are equal to the closing Deferred Revenue.

Special Carry Forward (SCF)

The total special carry forward of funds authorised into 2022 were 118,855,018 EUR however the amount actually specially carried forward from the past eight years ACO budgets amount, in total to 115,855,018 EUR (2020 122,159,249 EUR).

NCSEP: An amount of 20,501,793 EUR is carried forward from 2020 and 2021 to cover various ACO requirements within the ACO Static Commands and programmes. Special Carry Forward for BC 177 of 850,276 EUR (2020) and 2,149,724 EUR (2021) for a total of 3M EUR approved in BC-D(2021) 0232 Final is not recorded in the table as regularization of the Kester Suspense Account with such funds was completed in 2021 in accordance with AC/335-D(2021)0055-REV1-AS 1.

AOM: An amount 90,009,025 EUR is carried forward from 2014 and 2021 budgets; the 2014 amounts relate to Temporary Staff to support the close, Archivists, LOJI for NSPA and any other ISAF residual requirements. The amounts for 2020 relate to emerging requirements for NMI. The amounts related to 2021 Resolute Support and Op Allied Solace are carried forwarded in both BC 194 and BC 196[32] are 1.665M EUR more than estimated. The other amounts for 2021 relate to NMI emerging requirements and equipment replacement for Balkan Operations.

NCS-A: An amount of 160,000 EUR is carried forward from 2021 for NCIA Academy training and utility increases.

NAEW: An amount of 4,984,200 EUR is carried forward for Flight Simulators

AGS: An amount of 200,000 EUR is carried forward for operational aircraft tow vehicles.

Details were already provided at Note H – ACO MB Budget Execution. The table below provides an overall summary of the approved 2022 special carry forward reconciled with the related contingent liabilities and provisions, if any, as further disclosed in the Note D.

[32] BC-D(2022)0037, dated 15 Mar 2022

Table H.D - ACO Special Carry Forward

NCSEP	2014	2020	2021	Total	Reference	Note
BC 101 - Replacement air compressors,piping,generators,and tanks			170,000	170,000	BC-D (2021) 0232-Final	
BC 101- Replace canopy building 504 & 506			370,000	370,000	BC-D (2021) 0232-Final	
BC 101 - Upgrade NPMS (alignment and Single Salary Spine)			95,000	95,000	BC-D (2021) 0232-Final	
BC 104 - Fire suppression system			84,000	84,000	BC-D (2021) 0232-Final	
BC 104 - H/AC duct work cleaning			50,000	50,000	BC-D (2021) 0232-Final	
BC 104 - Utilities			766,000	766,000	BC-D (2021) 0232-Final	
BC 105 - Off set C-ARS guarding & other maintance requirements			387,413	387,413	BC-D (2021) 0232-Final	
BC 105 -Repair Main Parking Garage			137,500	137,500	BC-D (2021) 0232-Final	
BC BC111- replace generators			150,000	150,000	BC-D (2021) 0232-Final	
BC 111- overhaul intrusion detection system			35,000	35,000	BC-D (2021) 0232-Final	
BC-118-Mini LAN, upgrades and BICES phone & terminals			114,834	114,834	BC-D (2021) 0232-Final	
BC - 157 - Exceptional Eligibility for NFS HQs			1,250,000	1,250,000	BC-D (2021) 0232-Final	
BC -157 to mitigate high level risk environment			827,000	827,000	BC-D (2021) 0232-Final	
BC-157- Cost increase exercises			111,000	111,000	BC-D (2021) 0232-Final	
BC 164 - RSRP Heat Exchanger Replacement			715,000	715,000	BC-D (2021) 0232-Final	
BC-164 - RSRP Low Noise Replacement			600,000	600,000	BC-D (2021) 0232-Final	
BC 166 - Air C2 upgrade formSilverlight to Angular			1,260,000	1,260,000	BC-D (2021) 0232-Final	
BC -166- VCS Security and Obsolescence modifications			500,000	500,000	BC-D (2021) 0232-Final	
BC-166- replace ACCS security auditing systeme Trust by SPLUNK		400,000		400,000	BC-D (2021) 0232-Final and BC-	Typo in Ref - Year is 2020 BC-DS(2021)0046, states BC agreed to extend 400 KEUR of already-approved special carry forward into FY 2022
BC-176- Possible gap (VNC)			300,000	300,000	BC-D (2021) 0232-Final	
BC- 177- Destroy 10,000 Crypto devices		755,770		755,770	BC-D (2021) 0232-Final	
BC-177-Guarding of SATCOM Kester site up to 31 Dec 2021		-			BC-D (2021) 0232-Final AC/335-D(2021)0055-REV1-AS	SCF for BC 177 of 850,276 EUR (2020) approved in BC-D(2021) 0232 Final is not recorded in this summary as regularization of the Kester Suspense Account with such funds was completed in 2021 based on RPPB decision AC/335-D(2021)0055-REV1-AS 1
BC-177-Guarding of SATCOM Kester site up to 31 Dec 2021			-		BC-D (2021) 0232-Final AC/335-D(2021)0055-REV1-AS 1	SCF for BC 177 of 2,149,724 EUR (2021) in BC-D(2021) 0232 Final is not recorded in this summary as regularization of the Kester Suspense Account with such funds was completed in 2021 based on RPPB decision AC/335-D(2021)0055-REV1-AS 1
BC 177- Guarding of SATCOM Kester site up to 31 Dec 2022			1,600,276	1,600,276	BC-D (2021) 0232-Final AC/335-D(2021)0055-REV1-AS	
BC 177- Enterprise Service Management			1,985,000	1,985,000	BC-D (2021) 0232-Final	
BC 177- SLIN 3.2 PFS upgrades and implementation of 3rd level support FY2022			538,000	538,000	BC-D (2021) 0232-Final	
BC 177 - ACPV activities for Cyber Adaptation Program			7,000,000	7,000,000	BC-D (2021) 0232-Final	
BC 178 - Support static CIS projects			300,000	300,000	BC-D (2021) 0232-Final	
NCSEP Total	**-**	**1,155,770**	**19,346,023**	**20,501,793**		

AOM	2014	2020	2021	Total		
BC 185 -Temporary Staff to Support Close out	2,500,000			2,500,000	BC-D(2021)0232-FINAL	
BC-185 Potential LOJI for NSPA	93,791			93,791	BC-D(2020) 232 Final	
BC 185 -To ensure coverage of all potential ISAF related residual requirements	406,209			406,209	BC-D(2021) 232 Final	
BC 185 -To ensure coverage of all potential ISAF related residual requirements	2,000,000			2,000,000	BC-D(2021) 232 Final	
BC 185- Archivists	193,159			193,159	2022/23 BC-BA(2021)0003 / BC-DS(2021)0044 / BC-D(2021)0183	
BC 194 - RS 2021 requirements			72,991,416	72,991,416	BC-D(2021) 232 Final	The amount SCF for BC 194 2021 is higher than the estimated amount in BC-D(2020) 232 Final
BC-196 -future requirements			674,450	674,450	BC-D(2021) 232 Final and BC-DS(2021)0046/ BC-D(2021)0203-REV1	The SCF amount for BC196 2021 is carried forward due to budget being approved for entire msn extending in to 2022BC-DS(2021)0046 and BC-D(2020) 232 Final allow for SCF of all RS fund from which the BC 196 funds originated
BC-183- Generator replacement			60,000	60,000	BC-D(2021) 232 Final	
BC -183 -Obsolete Safe replacement			90,000	90,000	BC-D(2021) 232 Final	
BC 195 - NMI emerging requirements		7,500,000		7,500,000	BC-D(2021) 232 Final	
BC 195 - NMI surplus for future requirements			3,500,000	3,500,000	BC-D(2021) 232 Final	
AOM Total	**5,193,159**	**7,500,000**	**77,315,866**	**90,009,025**		
NCS-A	**2014**	**2020**	**2021**	**Total**		
BC 124 NCIA Academy courses			100,000	100,000	BC-D(2021) 232 Final	
BC124- Increase to electricity and gas			60,000	60,000	BC-D(2021) 232 Final	
NCS-A Total	**-**	**-**	**160,000**	**160,000**		
NAEW & CF	**2014**	**2020**	**2021**	**Total**		
BC 163 - Employment -flight simulator training device			4,984,200	4,984,200	BC-D(2021) 232 Final	
NAEW & CF Total	**-**	**-**	**4,984,200**	**4,984,200**		
AGS	**2014**	**2020**	**2021**	**Total**		
BC 167 - Operational Aircraft Tow Vehicles			200,000	200,000	BC-D(2021) 232 Final	
AGS Total	**-**	**-**	**200,000**	**200,000**		
Total per Budget Authorisation Year	**2014**	**2020**	**2021**	**Total**		
All ACO budget groups	**5,193,159**	**8,655,770**	**102,006,089**	**115,855,018**		

Table H.E - ACO CONTRACT AUTHORITIES as of 31 Dec 2021

ACO BC CONTRACT AUTHORITIES								
EUR								
	Initial Budget	*Variance*	*BA2*	*Variance*	*BA3*	*Variance*	*Final Budget*	*Net Commitment*
NCSEP								
	170,023,549	***19,027,536***	***189,051,085***	***3,688,768***	***192,739,853***	***31,845,719***	***224,585,572***	***194,760,549***
101 SHAPE	15,451,715	(48,480)	15,403,235	2,028,355	17,431,590	159,400	17,590,990	2,600,737
103 JFC HQ BRUNSSUM	5,000,000	60,000	5,060,000	1,125,000	6,185,000	-	6,185,000	-
104 JFC HQ NAPLES	5,544,000	564,000	6,108,000	-	6,108,000	-	6,108,000	-
105 HQ AIRCOM RAMSTEIN	1,084,568	240,000	1,324,568	535,413	1,859,981	-	1,859,981	587,404
111 HQ LANDCOM IZMIR	-	60,000	60,000	-	60,000	-	60,000	60,000
118 HQ MARCOM NORTHWOOD	107,072	65,646	172,718	-	172,718	-	172,718	62,628
131 HQ DEPLOYABLE ASSETS	258,703	-	258,703	-	258,703	-	258,703	-
157 ACO Exercises and Training	-	-	-	-	-	11,125	11,125	11,125
164 AIR DEFENCE (GROUND)	24,851,740	4,500,000	29,351,740	-	29,351,740	4,646,100	33,997,840	33,997,840
166 ACCS Support	8,552,604	238,300	8,790,904	-	8,790,904	1,150,000	9,940,904	9,340,904
176 NATO CENTRALISED NUCLEAR CIS BUDG	4,800,000	-	4,800,000	-	4,800,000	-	4,800,000	4,800,000
177 NCCB	104,137,947	3,081,570	107,219,517	-	107,219,517	25,879,094	133,098,611	133,033,411
178 NATO CIS GROUP (NCISG)	235,200	10,266,500	10,501,700	-	10,501,700	-	10,501,700	10,266,500
NCS-ADAPTATION								
	-	***-***	***-***	***1,708,350***	***1,708,350***	***-***	***1,708,350***	***1,604,435***
124 NCS-ADAPTATION (ACO)	-	-	-	1,708,350	1,708,350	-	1,708,350	1,604,435
AGS								
	133,281,896	***14,165,000***	***147,446,896***	***-***	***147,446,896***	***-***	***147,446,896***	***67,203,516***
167 AGS O&S	133,281,896	14,165,000	147,446,896	-	147,446,896	-	147,446,896	67,203,516
NAEW								
	97,219,599	***14,531,233***	***111,750,831***	***3,291,910***	***115,042,742***	***-***	***115,042,742***	***93,062,709***
162 NAEW&CF PROVISIONING	97,219,599	14,531,233	111,750,831	3,291,910	115,042,742	-	115,042,742	93,062,709
NAEW								
	104,852,018	***18,548,384***	***123,400,402***	***360,000***	***123,760,402***	***2,685,000***	***126,445,402***	***67,144,009***
163 NAEW&CF EMPLOYMENT	104,852,018	18,548,384	123,400,402	360,000	123,760,402	2,685,000	126,445,402	67,144,009
AOM								
	3,805,521	***640,958***	***4,446,479***	***(400,396)***	***4,046,083***	***3,164,107***	***7,210,190***	***1,192,480***
183 Balkans Operations	2,362,687	297,538	2,660,225	-	2,660,225	2,633,107	5,293,332	639,562
194 RESOLUTE SUPPORT	236,916	172,350	409,266	(409,266)	-	-	-	-
195 NMI	1,205,918	171,070	1,376,988	8,870	1,385,858	531,000	1,916,858	552,918
Total for all MBC Cost Shares, Years and Budget	**509,182,583**	**66,913,110**	**576,095,694**	**8,648,632**	**584,744,326**	**37,694,826**	**622,439,152**	**424,967,698**

The table above shows the ACO Contract Authorities approved by the BC[33] or by Financial Controllers[34] for the fiscal year 2021, in accordance with FRP XXV sub-para 8 of BC-D(2015)0260REV3.

[33] BC-BA (2021)0001, 18 DEC 2020

BC-BA (2021)0001-COR1, 22 JAN 2021

BC-BA (2021)0002, 16 SEP 2021

BC-BA (2021)0003, 29 NOV 2021

BC-DS(2021)0040, 27 OCT 2021

BC-DS(2021)0046, 10 NOV 2021

BC-D(2021)0200-AS1, 24 NOV 2021

BC-DS(2021)0056, 9 DEC 2021

BC-D(2021)0172-COR1, 24 JAN 2022

[34] SH/FINAC/BUP008/21, 20 OCT 2021

SH/FINAC/BUP/290/21, 15 DEC 2021

SH/FINAC/BUP0012/21, 1 DEC 2021

Table H.F - Reconciliation between ACO authorized Budgets and Calls in 2021

The ACO annual budgets, for which SACEUR is responsible (ACO entities and programmes in the NATO Command Structure, ACO portion of the NATO Command Structure – Adaptation budget, the Alliance Operations and Missions, NAGS and the NAEW programmes) are covered by the Allies with different cost share per type and year.

PO(2020)0146 includes the military, civil budget and NSIP cost shares from 2021 until 2024, covering the NCSEP, NCS-Adaptation, AOM budget under ACO responsibility.

BC-D(2018)0078 for NAEW Provisioning (16 Nations) cost share; BC-D(2020)0095 for NAEW Employment (28+2 Nations) cost shares; BC-D(2020)0074 for AGS Cost share.

For NAEW&CF programme, starting from 2018 the funding has been split between provisioning and employment and the employment portion now includes contributions from 28 nations in relation to the operation of the HQ and FOB/FOL facilities, including personnel costs[35].

For AGS, the engagement of NATO common funds for infrastructure, communications, operation and support follow the normal funding authorization applicable within the Alliance. For that programme, one Ally has signed a Memorandum of Understanding (MOU) with SHAPE, outlining the modalities for making its contributions in kind available to the Alliance as AGS become operational[36]. A second one as well is to provide contribution in kind to complement the program. The current reporting policy is provided in the Contribution in Kind section at note A.

The table on next page is showing the reconciliation between the Budget Authorization and the Calls made in 2021:

[35] See https://awacs.nato.int/default.aspx and https://www.napma.nato.int/

[36] See https://www.nato.int/cps/en/natohq/topics_48892.htm

Budget authorization 2021

Budget Groups	Total Called as of 31 Dec 2021 (BA2)	Final Budget (1)	Actual as of 31 Dec 21	CF as of 31 Dec 21	Difference between Calls, Actual and CF as of 31 Dec 21	Lapse	Adjustment
30N+29N NCSEP (1)	596,919,730	597,071,616	514,371,110	45,501,962	37,046,659	(37,198,545)	(151,886)
28N+2 AGS	84,151,987	84,151,987	28,362,169	46,366,277	9,423,542	(9,423,542)	(0)
30N AGS	3,238,531	3,238,531	3,098,234	139,309	988	(988)	(0)
28+2N NAEW	176,413,241	176,413,241	143,272,535	23,284,048	9,856,658	(9,856,658)	0
16N NAEW	139,576,541	139,576,541	74,568,873	63,739,788	1,267,881	(1,267,881)	(0)
30N AOM (1)	254,941,438	254,945,670	171,836,456	81,210,408	1,894,574	(1,898,806)	(4,232)
TOTAL	**1,255,241,468**	**1,255,397,586**	**935,509,377**	**260,241,791**	**59,490,301**	**(59,646,420)**	**(156,119)**

(1) **Exchange rate**: budgets authorised in GBP were converted and executed using a fixed rate for the fiscal year 2021.
The rate used was as of 1st January 2020, 1 EUR = GBP 0.8447. The 2nd cash call was converted to EUR using the rate 1 EUR = GBP 0.8567

Budget authorization 2020

Budget Groups	Carry Forward	Adjustment to Carry Forward	Adjusted Carry Forward	Actual as of 31 Dec 21	CF as of 31 Dec 21	Lapse
29N/30N NCSEP	67,669,991		67,669,991	48,217,314	8,659,503	(10,793,173)
			-			
27N/28N AGS	47,651,179		47,651,179	4,744,552	22,630,537	(20,276,090)
			-			
26+2N/27+2N NAEW	14,364,251		14,364,251	9,352,007	3,734,601	(1,277,643)
16N NAEW	35,004,145		35,004,145	21,116,082	12,048,535	(1,839,529)
			-			
29N/30N AOM	23,235,886		23,235,886	3,558,270	8,639,138	(11,038,478)
TOTAL	**187,925,452**	**-**	**187,925,452**	**86,988,225**	**55,712,314**	**(45,224,913)**

Budget authorization 2019

Budget Groups	Carry Forward	Adjustment to Carry Forward	Adjusted Carry Forward	Actual as of 31 Dec 21	CF as of 31 Dec 21	Lapse
29N NCSEP	3,423,028		3,423,028	2,703,079	(0)	(719,949)
27N AGS	8,806,195		8,806,195	1,049,202	7,000,000	(756,993)
27+2N NAEW	3,033,485		3,033,485	2,093,385	-	(940,099)
16N NAEW	9,735,857		9,735,857	6,893,787	-	(2,842,070)
29N AOM	7,947,546		7,947,546	1,884,411	(0)	(6,063,135)
TOTAL	**32,946,110**	**-**	**32,946,110**	**14,623,864**	**7,000,000**	**(11,322,245)**

Budget authorization 2018

Budget Groups	Carry Forward	Adjustment to Carry Forward	Adjusted Carry Forward	Actual as of 31 Dec 21	CF as of 31 Dec 21	Lapse
27N AGS	5,123,132		5,123,132	123,132	5,000,000	-
TOTAL	**5,123,132**	**-**	**5,123,132**	**123,132**	**5,000,000**	**-**

Budget authorization 2017

Budget Groups	Carry Forward	Adjustment to Carry Forward	Adjusted Carry Forward	Actual as of 31 Dec 21	CF as of 31 Dec 21	Lapse
26/27N AGS	39,730,491		39,730,491	7,743,604	23,986,887	(8,000,000)
TOTAL	**39,730,491**	**-**	**39,730,491**	**7,743,604**	**23,986,887**	**(8,000,000)**

Budget authorization 2014

Budget Groups	Carry Forward	Adjustment to Carry Forward	Adjusted Carry Forward	Actual as of 31 Dec 21	CF as of 31 Dec 21	Lapse
28N AOM	24,448,305		24,448,305	1,686,473	5,193,159	(17,568,673)
TOTAL	**24,448,305**	**-**	**24,448,305**	**1,686,473**	**5,193,159**	**(17,568,673)**

Budget authorization 2013

Budget Groups	Carry Forward	Adjustment to Carry Forward	Adjusted Carry Forward	Actual as of 31 Dec 21	CF as of 31 Dec 21	Lapse
28N NCSEP	150,162		150,162	150,162	-	0
TOTAL	**150,162**	**-**	**150,162**	**150,162**	**-**	**0**

ACO Budget Groups	Final budget	Actual as of 31 Dec 21	Lapse	Carry Forward	Adjustment
GRAND TOTAL	**1,545,721,238**	**1,046,824,837**	**(141,762,251)**	**357,134,150**	**(156,119)**

I. NSIP Project Execution

Table I.A - NSIP Active projects[37]

OVERALL - NSIP PROJECT EXECUTION STATUS					
Active projects					
Status	*Authorized Budget*	*Commitments*	*Actuals YTD*	*Actuals PJTD*	*Funds Available*
BRUNSSUM	5,980,088	-	873,011	3,411,940	2,568,148
NAPLES	20,322,409	152,982	419,400	20,059,661	109,766
KFOR	6,260,526	-	-	4,980,935	1,279,591
NHQSa	7,680,532	-	-	7,680,532	-
SHAPE	94,917,775	1,990,170	1,608,733	78,972,904	13,954,700
Grand Total	135,161,330	2,143,152	2,901,145	115,105,973	17,912,205

TABLE I-B - NSIP closed projects with COFFA

OVERALL - NSIP PROJECT EXECUTION STATUS					
Closed projects					
Status	*Authorized Budget*	*Commitments*	*Actuals YTD*	*Actuals PJTD*	*Funds Available*
BRUNSSUM	78,165,523	-	-	78,165,523	-
NAPLES	28,071,938	-	-	28,071,938	-
KFOR	92,309,141	-	-	92,309,141	-
NHQSa	115,089,335	-	-	115,089,335	-
SHAPE	558,311,172	-	-	558,311,172	-
Grand Total	**871,947,108**	**-**	**-**	**871,947,108**	**-**

TOTAL TABLES I-A & I-B

Total	1,007,108,438	2,143,152	2,901,145	987,053,080	17,912,205

The tables A and B above show the overall value, respectively, of the NSIP projects assigned to SHAPE HN still active and of the projects which have been completed and financially closed at the reporting date. The amounts shown in the tables are broken down by the ACO Commands responsible for the implementation of the projects further to the delegation of authority provided by SHAPE.

During 2021 a total amount of 2,901,145 EUR was expended against nine NSIP projects in total, which are executed by SHAPE (1,608,733 EUR), JFCBS (873,011 EUR) and JFCNP (419,400 EUR) through delegation. The ten projects refer to three main categorises as follows:

a) **AOM**. An amount of 873,011 EUR was expended against AOM projects. One contingency funding to repair critical infrastructure and one funding for low value civil works were executed in support of the RS Mission.

b) **Static HQs**. Total amount of 1,895,204 EUR in this category was charged against four projects. An amount of 1,131,675 EUR was spent to hire temporary NIC personnel and consulting services to support the SHAPE Project Office for the construction of new ACO Main HQ Building. In addition, an amount of 75,334 EUR was spent to hire personnel to support the provision of temporary office space required by the NCS adaptation. The amount of 268,795 EUR was spent to replace 6 existing Uninterrupted Power Supply (UPS) to support the power provision to Building 101 (Main SHAPE HQ). Finally, an amount of 419,400 EUR was spent to exchange obsolete CIS equipment in JFCNP HQ.

c) **Centralised projects**. An amount of 132,930 EUR was further spent on two projects. One with the amount of 132,825 EUR related to NATO-wide AIR C2 Capabilities and 105 EUR for the upgrade of the ACO/ACT Mission Identification System (AMIS).

[37] YTD indicates the actual data as of 31 December 2021; PJTD indicates the cumulated data for all the projects until 31 December 2021.

The difference of 268,900 EUR between the 2021 expenses reported at table A above (2,901,145 EUR), and the expenses reported in the note E – NSIP segment of the Statement of Financial Performance – (2,632,245 EUR) represents the increase of recognised construction in progress PPE assets.

The amounts shown in the tables I-A and I-B above are based on data recorded in the ACO Financial system (FinS). The financial data for these projects in CIRIS have been aligned and reconciled with the actual expenditures incurred and reported.

NSIP pre-financed projects ISAF/RSM

With regards to NSIP pre-financed projects related to ISAF/RSM for which SHAPE had control and visibility, in previous years, a cost recovery mechanism with proper billing procedure and reimbursement to the IC was established and successfully finalised. The COFFA and JFAI of the projects were duly reported in the 2020 ACO Consolidated FS. For all the other projects, JFCBS in 2010 and SHAPE/ACO in 2012 wrote to the IS-NOR (and reiterated its request over time) laying out the recovery achieved on a number of projects located in Kabul and Kandahar – and outlining its inability to take in charge of the recovery responsibility for those projects. Due to the lack of the necessary information, visibility and control over the data ACO could not create a legitimate basis to initiate the recovery actions against non-eligible users. The correspondence – with other organisations, also stressed this decision ought to be reconsidered by Senior Resource Board (SRB), since the recovery would only be performed by the original agencies performing the role of Host Nation. However, no such decision was made.

Further to IBAN audit of ACO FS 2020 and RPPB recommendation[38], ACO worked in close coordination with IS-NOR to present at the earliest convenience the overall status of the pre-financed costs that have not been recovered in order to define the actions to be taken.

J. Write-off and Donations

Write Off and Donations

In accordance with article 17 of the NFRs, an annual summary of property and cash losses written-off in 2021 is provided in the annual FS:

Table J.A - ACO Headquarters International Property Write-off

	SHAPE		AGS		JFCBS		JFCNP		AIRCOM		MARCOM		LANDCOM	
ASSET CATEGORY	Qty	€	Qty	€	Qty	€	Qty	€	Qty	€	Qty	€	Qty	€
BUILDING	-	-	-	-	-	-	-	-	3	-	-	-	-	-
OTHER INFRASTRUCTURE	-	-	-	-	-	-	-	-	-	-	-	-	93	-
INSTALLED EQUIPMENT	-	-	-	-	-	-	-	-	-	-	-	-	17	-
MACHINERY	6	-	-	-	20	-	22	-	23	-	-	-	128	-
TRANSPORT EQUIPMENT - VEHICLES	7	-	-	-	-	-	-	-	1	-	-	-	-	-
AIRCRAFT	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MISSION EQUIPMENT	-	-	-	-	12	-	3	-	7	-	-	-	50	-
FURNITURE	1,303	-	-	-	296	-	433	2,119	109	458	120	-	589	-
COMMUNICATIONS	-	-	-	-	-	-	-	-	-	-	-	-	1	-
AUTOMATION INFORMATION SYSTEMS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumables	-	-	-	-	5	1,556	20	-	8	965	-	-	178	1,494
Spare parts	-	-	-	-	-	-	-	-	-	-	3	-	134	1,430
Ammunition	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	**1,316**	**-**	**-**	**-**	**333**	**1,556**	**478**	**2,119**	**151**	**1,423**	**123**	**-**	**1,190**	**2,925**

	NAEW		NCISG		RSM		KFOR		NHQSa		TOTAL	
ASSET CATEGORY	Qty	€	Qty	€	Qty	€	Qty	€	Qty	€	Qty	€
BUILDING	-	-	-	-	207	3,267,038	2	-	-	-	212	3,267,038
OTHER INFRASTRUCTURE	-	-	6	-	610	55,969,506	-	-	-	-	709	55,969,506
INSTALLED EQUIPMENT	361	-	87	-	739	1,540,120	4	-	-	-	1,208	1,540,120
MACHINERY	113	-	4	-	673	150,806	92	-	162	-	1,243	150,806
TRANSPORT EQUIPMENT - VEHICLES	17	-	8	-	322	-	7	-	17	-	379	-
AIRCRAFT	378	-	-	-	-	-	-	-	-	-	378	-
MISSION EQUIPMENT	157	-	15	-	781	125,848	204	-	585	-	1,814	125,848
FURNITURE	118	-	131	-	207	-	1,100	5,456	1,730	-	6,136	8,033
COMMUNICATIONS	102	-	-	-	253	270,006	8	-	8	-	372	270,006
AUTOMATION INFORMATION SYSTEMS	367	283	-	-	4	-	1	-	1	-	373	283
Consumables	7,238	9,660	10	7,522	386,045	1,503,053	215	27,882	129,074	-	522,793	1,552,132
Spare parts	1,100	18,913	6	18,730	23,127	667,011	293	70,041	2,477	-	27,140	776,126
Ammunition	-	-	-	-	-	-	-	-	-	-	-	-
Grand Total	**9,951**	**28,856**	**267**	**26,252**	**412,968**	**63,493,389**	**1,926**	**103,379**	**134,054**	**-**	**562,757**	**63,659,899**

The table above shows the number of items written-off during 2021 by the ACO Commands per asset categories and the related accounting value (net book value).

For 2021, there has been a significant increase in the number of items written off due to the termination of the Resolute Support Mission with all assets being disposed of during the year. The majority of the other write-offs relate to the legacy assets (acquired prior to the aforementioned cut-off date) that are fully depreciated with a zero residual value as per the NAF. Some of the items included in the total quantities reported above refer also to PP&E acquired after 1 January 2013. In accordance with the revised NFRs/FRPs the assets were written off under the authority of the Financial Controllers based on the net book value (NBV).

[38] AC/335-D(2022)0013 approved on 25 Feb. 2022

With regard to Inventories, except for NAEW&C Force GK HQ, the accounting policy does not make any distinction between items acquired prior and after 1 January 2013. Therefore, the write-offs are all recorded at the weighted average cost (WAC).

ACO Headquarters International Cash Losses and Irrecoverable Debt Write-off

In 2021, there were no write-offs due to cash losses. Two entities reported write offs for irrecoverable debts: NHQSa reported 210 EUR relating to former employees' pension gap and severance payment, and JFC Brunssum reported 1,243 EUR relating to uncollectable debts for maintenance and utilities costs from a former concessionaire.

Table J-B - ACO Headquarters International Property Donations

In accordance with article 17.4 of the NFRs, donations of property/assets that ACO has ownership and control of which were authorised during the year by the relevant finance committee shall be reported in the Annual FS.

The table below shows a list of donations approved in 2021 by the relevant Finance Committees.

Asset Category	2021 Beneficiaries				
	GIRoA	Turkey	US	Norway	TOTAL
AUTOMATED INFORMATION SYSTEMS	5	33	-	-	**38**
BUILDINGS	206	96	2	-	**304**
COMMUNICATIONS	26	317	364	3	**710**
FURNITURE	68	131	68	39	**306**
INSTALLED EQUIPMENT	441	145	192	1	**779**
MACHINERY	157	618	221	28	**1,024**
MISSION EQUIPMENT	412	338	270	2	**1,022**
OTHER INFRASTRUCTURES POSTING - OTHER	460	23	10	1	**494**
TRANSPORT EQUIPMENT - VEHICLES	26	207	48	-	**281**
INVENTORY	-	271	411,773	28	**412,072**
TOTAL	**1,801**	**2,179**	**412,948**	**102**	**417,030**

Although a significant number of donations were made in 2021, they all are related to the closure of the Resolute Support Mission. ACO worked closely with the finance Committees to approve a very large number of donations in an efficient manner. There were various tranches of approved donations based on the closure timeline of the mission (see foot note for documents)[39]. The chart above provides a summary of the donations however; it should be noted due to the operational outcome and emergency evacuation these items did not remain in the possession of the intended recipients[40].

This information was reported to the BC in SH/FINAC/CAC/FC0042/22, dated 7 Feb 2022 as part of an overall report for 2020/21. Upon further end of year control processes it has been determined that an immaterial number of inventory items were reported as donated when they were in fact disposed of. In addition, some inventory items were not reported as donated in the 2020 financial statements.

K. Trust Funds

The Trust Funds reported in 2021 are the Trust Funds for Afghan National Army (ANA), Kosovo Security Forces (KSF), MHI missions and nationally funded projects. Trust Funds contributions are transferred to the ACO CAC dedicated bank accounts. Upon proper authorisation ACO CAC also executes payments on behalf of the Trust Funds Boards. All incoming and outgoing funds are recorded in the SHAPE ad-hoc Status Reports and in FinS. All the Trust Funds at ACO are managed purely for inflow and outflow through ACO CAC with the exception of KSF.

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[39] AC/4-N(2021)0024/ BC-D(2021)0065, dated APR 29 2021, AC/4-N(2021)0024-REV1 dated 12 MAY 2021, AC/4-N(2021)0024-REV1-ADD5_BC-D(2021)0065-REV1-ADD1 dated 20 MAY 2021, AC/4-N(2021)0024-REV1-ADD6_BC-D(2021)0065-REV1-ADD2 dated 16 JUN 2021, BC-D(2021)0065-REV1-ADD3 dated 25 JUN 2021, BC-D(2021)0065-REV1-ADD4 dated 05 JUL 2021.

[40] As reported to the BC in SH/FINAC/CAC/FC0042/22 HOTO was not completed for all items.

One of the main fund is the ANA Trust Fund (ANA TF), originally set up by the NAC in 2006 to support the efforts to equip the Afghan National Army. The role of ANA was expanded first in 2009 and later in 2013 taking into consideration the 2012 Chicago Summit commitments. A revised MOU dated 17 June 2014 was signed by the US, NATO HQ and SHAPE. On November 2017, the NAC agreed to extend the validity of the ANA Trust Fun Arrangements, Roles and Responsibilities and of the terms of Reference for the ANA trust Fund Board until 31 December 2020 (PO(2017)0544). In order to support the Council decision (PO(2020)0182) to extend the Afghan National Army Trust Fund arrangements beyond 2020, the three participants provided their written consent to extend the Trust Fund Memorandum of Understanding (MOU) (PO(2018)0091) until 31 December 2021. The role of SHAPE was confirmed as responsible for the financial management of the SHAPE ANA TF bank accounts by providing Treasury Functions, while the daily management of the ANA TF falls to the NATO ANA TF Office (NATFO).

However, on 15 August 2021, the Government of the Islamic Republic of Afghanistan collapsed and the Afghan National Army ceased to exist. On 20 August 2021, NATO Foreign Ministers decided to suspend all support to the Afghan authorities. Subsequently, Council agreed to the modality for initiating the closure of the ANA Trust Fund and proposed a way forward to return residual funds to donors. In Dec. 2021, the ANA Trust Fund Board approved an initial partial return of maximum 60% of the liquidity per Donor to be executed in multiple tranches following an approved schedule starting in 2022[41]. The ANA TF Board agreed that the full refund of residual funds would only be finalized upon the complete closure of the Trust Fund once all the claims and potential liabilities have been covered and residual liquidity duly allocated among Donors.
The new MOU between the parties involved is under coordination, but the role of SHAPE continue to be related to the responsibilities of the financial management of the SHAPE ANA TF bank accounts and Treasury function for the ANA TF close-out program.

The following table show the Trust Funds balances as of 31 December 2021:

	Funds received	Interests	Actual expenses	Cash transfers	Assessment rate	Total	Accumulated balance
ANA Trust Funds							
Previous years	2,815,620,008	31,351,763	(3,461,093)	(1,913,259,409)	(31,574,661)	898,676,608	898,676,608
2021	102,345,898	1,766,659	-	(279,570,485)	37,152,714	(138,305,214)	760,371,394
Total	2,917,965,906	33,118,422	(3,461,093)	(2,192,829,894)	5,578,053	760,371,394	
KSF Trust Funds							
Previous years	7,673,728	106,295	(7,740,777)	-	-	39,246	39,246
2021	-	8	-	-	-	8	39,254
Total	7,673,728	106,303	(7,740,777)	-	-	39,254	
KSF Trust Funds - US National funded							
Previous years	1,777,500	49,843	(1,777,500)	-	-	49,843	49,843
2021	-	10	-	-	-	10	49,853
Total	1,777,500	49,853	(1,777,500)	-	-	49,853	
Multinational Helicopter Initiative (MHI)							
Previous years	32,305,172	548,068	-	(32,566,917)	(51,822)	234,501	234,501
2021	-	(0.24)	-	(51,015)	-	(51,015)	183,486
Total	32,305,172	548,068	-	(32,617,932)	(51,822)	183,486	
POHRF - ISAF							
Previous years	4,983,792	(5,232)	-	(4,942,720)	-	35,839	35,839
2021	-	-	-	-	-	-	35,839
Total	4,983,792	(5,232)	-	(4,942,720)	-	35,839	

In 2021 the ANA Trust Fund received the equivalent of 102 MEUR in contributions from Trust Fund members in both USD and EUR and processed the equivalent of 280 MEUR in payments for approved projects. The fund gained over 1.4 MUSD and 575 KEUR in interests after deductions of bank charges during the year 2021 compared to 5 MUSD and 383 KEUR in 2020. The EUR negative interests charged over 2021 amount to 1KEUR in comparison to 20 KEUR in 2020. As a result of the 2021 execution the overall EUR holdings of the Fund decreased by 15.5% from 436.6 MEUR to 369 MEUR while the overall USD holdings decreased by 21.7% from 560.8 MUSD to 438.8 MUSD compared to 2020.

41 The first agreed tranches have already started in the first quarter 2022 for all the donors that formally requested the return/transfer.

L. Inventory and PP&E Prior to 2013

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

Table L.A - Inventory prior to 2013- status as of 31 December 2021 (quantities per site/category)

Inventory Categories	NAEW&C Force GK
CONSUMABLES	1,940,790
SPARE PARTS	836,781
AMMUNITION	17,053
TOTAL	**2,794,624**

Inventories acquired prior to 1 January 2013 and still present as of 31 December 2021 are reported only by NAEW&C Force GK HQ. The Force still holds a significant quantity of consumables and spare parts due to stockpiles accumulated in the past to satisfy maintenance requirements of the former NE-3A Component AWACS fleet.

The items are continuously monitored through normal stock-counting and technically checked to verify their serviceability. There is currently an effort conducted to identify any parts in excess that would be eligible for sale or relocation while initiating write offs through Reports of Surveys (ROS) for the remainder part. It is important to note that the policy to not consider any parts or equipment as excess when currently installed on E-3A fleet or used by aircrafts support systems, remains applicable. This policy is essential for supporting the E-3A fleet until 2035 due to increasing risk of diminishing manufacturing sources and material shortage.

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

TABLE L.B - PP&E prior to 2013 – status as of 31 December 2021 (quantities per site/category)

ASSET CATEGORY	SHAPE HQ	JFC Brunssum	AIRCOM HQ	RSM HQ	NAEW &C Force GK	JFC Naples HQ	NHQSa HQ	LANDCOM HQ	NCISG HQ	KFOR HQ	MARCOM HQ	Total
LAND		1	-		1		-	-			-	**2**
BUILDING	24	40	16		201	9	203	30	27	106	1	**657**
OTHER INFRASTRUCTURE	57	15	8		173	18	-	17	-	11	-	**299**
INSTALLED EQUIPMENT	92	267	149		3,960	65	55	5	79	187	5	**4,864**
MACHINERY	740	1,179	424		3,581	596	1,353	261	289	1,886	56	**10,365**
TRANSPORT EQUIPMENT - VEHICLES	212		87		363	25	76	25	737	49	1	**1,575**
TRANSPORT EQUIPMENT - AIRPLANES (Upgrades, Training Devices, Spare Parts, Major Inspections)			-		15,372		-	-	-		-	**15,372**
MISSION EQUIPMENT	944	383	189		7,670	201	1,310	232	221	356	5	**11,511**
FURNITURE	28,305	6,646	10,833		213	14,036	11,995	6,003	2,855	11,031	1,659	**93,576**
COMMUNICATIONS			12		14,010		320	-	-	16	-	**14,358**
AUTOMATION INFORMATION SYSTEMS			-		4,684		371	-	-		-	**5,055**
Grand Total	**30,374**	**8,531**	**11,718**	**-**	**50,228**	**14,950**	**15,683**	**6,573**	**4,208**	**13,642**	**1,727**	**157,634**

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

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

The only CIS assets reported in the 2021 ACO FS relate to NHQSa HQ and NAEW&C Force GK HQ as they are not under the control of the NCIA but rather of ACO as disclosed in Note A above.

There were no significant changes in quantities reported during 2021.

M. ACO Morale & Welfare Activities

The ACO Morale & Welfare Activities (MWA) report is presented on an annual basis to the BC while the disclosure note and the statement of assurance for the MWA activities as requested by the MWA regulations[42] is included as part of the ACO statement of internal control 2021.

All the ACO commands with the exception of NHQSa have performed MWA activities during 2021. The result is characterised by an overall loss of 761,281 EUR versus the loss of 1,256,857 EUR incurred in 2020 (restated data).The negative result is mainly due to insufficient increase in revenue compared to the level of expenses that continued to increase this year as disclosed in the Table M.

The Overall revenue increased by 14% while the overall expenses have increased by 11% in comparison to 2020. Close to 91% of revenue is derived from fund generating activities where sales increased by 15% in 2021. This trend shows that MWA activities slightly started to recover from the impact of COVID-19 although the level of sales remains far below the pre-pandemic levels observed in 2019. On the expense side the contractual supplies and services expenses account for 63% of the overall expenses while personnel expenses account for 27%. As a result of a higher level of MWA activities in 2021 these expenses increased by 17% and 4% respectively compared to the previous reporting period.

In 2021, ACO had five sites reporting losses (SHAPE, NAEW, JFCNP, RSM, which is a closed activity, and CAOC TJ). The loss can mostly be attributed to the larger activities such as SHAPE, NAEW and JFCNP that have been more severely impacted by the pandemic in terms of revenue loss while higher fixed costs impede a swift recovery. The closure of RSM HQ MWA generated a loss of 271.3 KEUR. This specific result will be reflected in the closed activity MWA segment. In general the remaining MWA activities showed a positive result and were less affected by the pandemic given their low complexity and associated cost structure.

On 23 June 2021 the RS HQ MWA was handed over to US Embassy and finally closed. The resulting outstanding liabilities consist of a provision of 141,574 EUR associated to meal costs supported by MWA. However, when the MWA activity closed the RSM MWA bank deposits of 171,435 EUR were transferred to the ACO AIB bank account. At the time of the collapse of the Afghan banking system the bank deposits were still held in the AIB and SHAPE is unable to determine when and if these funds will be recovered. Given the high risk of loss on the remaining cash holdings it is expected that the remaining outstanding liabilities following the closure of the RSM MWA are likely to be absorbed by the remaining funds held from previous closed activities.

In 2021 the overall cash and cash equivalents have increased by 574,579 EUR in comparison to 2020. This increase is attributed to the net cash flow from operating activities and primarily from the overall increase in payables which mainly explains the increase in overall liabilities. In addition, 86% of the cash and cash equivalents are held by the larger activities in SHAPE HQ, NAEW HQ and JFCNP HQ.

LANDCOM HQ disclosed a contingent liability in 2021 related to a former employee whose contract was terminated in 2015 and that filed a case in 2021. As of the end of 2021 no reliable amount is known by LEGAD and additional information has been requested. In addition JFCNP HQ identified contingent liabilities for which the local MWA Council approved to ring-fence by creating ad hoc reserves.

SHAPE HQ, NAEW HQ, JFCNP HQ, KFOR HQ, LANDCOM HQ and JFCBS HQ are the only MWA operating entities that reported FTEs in 2021. The overall number of FTEs reached 184.45 for 2021 compared to 197.14 in 2020. In addition, an estimated total of 16.83 FTE provided direct support to MWA without being directly employed by the activities.

The table below reflects the 2021/2020 comparative data of the ACO consolidated figures for Revenue, Expense, cash holdings and liabilities

[42] PO C-M2019-0026

Table M- ACO Consolidated Key data – Morale Welfare Activities Financial Year 2021/2020

	Revenue	Expenses	Cash and Cash Equivalents	Liabilities
2020 (Restated)	€ 21,696,650	€ 22,953,507	€ 21,139,844	€ 5,493,002
2021	€ 24,667,525	€ 25,428,806	€ 21,714,423	€ 6,558,258

The pandemic caused an unprecedented arduous business environment which initially was expected to last only few months in 2020. After two years, the situation still bears the financial impact with no firm end-date in sight. In 2021 few improvements have been observed on the revenue side as it appears that the level of activity started to resume to a certain extent and generated more sales compared to 2020 but remained overall under pre-pandemic levels. The overall financial situation for the main MWA site require close attention as the financial recovery from COVID-19 is slow and impeded by the effects of inflation and other factors. Therefore, the main challenge faced by the various MWA activities in the coming years will be to continue managing the expenses while supporting their revenue generating activities along the way to recovery.

Various measures have been continuously taken in this regard. These actions include, but are not limited to, reducing MWA operations to only vital activities, hiring freeze, offering voluntary departure programme to reduce the payroll and various cost saving measures such as limited opening hours, reinforced stock management, no replacement or acquisitions of new equipment. The purpose of this substantially restricted business model is to preserve cash for as long as possible in order to bridge the gap until the business environment will gradually recover.

SHAPE monitors the situation closely whilst paying specific attention to the evolution of the financials. Management actions are being taken in a continuous response to the ongoing challenge that COVID-19 has imposed.

ACRONYMS

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

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

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

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

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