



17 February 2026

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**DOCUMENT
PO(2026)0044-AS1**

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS OF THE NATO
NAVAL FORCES SENSOR AND WEAPONS ACCURACY CHECK SITES OFFICE**

ACTION SHEET

On 17 February 2026, under the silence procedure, the Council noted the RPPB Decision and the IBAN Audit Report, and approved the public disclosure of the 2024 Financial Statements of the NATO Naval Forces Sensor and Weapons Accuracy Check Sites Office (NFO), the associated IBAN Audit Report and the RPPB Decision.

(Signed) Mark RUTTE
Secretary General

NOTE: This Action Sheet is part of, and shall be attached to PO(2026)0044.

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10 February 2026

**DOCUMENT
PO(2026)0044
Silence Procedure ends:
17 Feb 2026 – 17.30**

To: Permanent Representatives (Council)
From: Secretary General

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS OF THE NATO
NAVAL FORCES SENSOR AND WEAPONS ACCURACY CHECK SITES OFFICE**

1. I attach the Resource Policy and Planning Board (RPPB) decision and recommendation to Council on the International Board of Auditors for NATO (IBAN) Audit Report on the 2024 Financial Statements of the NATO Naval Forces Sensor and Weapons Accuracy Check Sites Office (NFO).
2. I do not believe this issue requires further discussion in Council. Therefore, **unless I hear to the contrary by 17.30 on Tuesday, 17 February 2026**, I shall assume that Council has noted the RPPB decision and the IBAN Audit Report, and approved the public disclosure of the 2024 Financial Statements of NFO, the associated IBAN Audit Report and the RPPB Decision.

(Signed) Mark RUTTE

1 Annex
2 Enclosures

Original: English



RESOURCE POLICY AND PLANNING BOARD

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS OF THE NATO
NAVAL FORCES SENSORS AND WEAPONS ACCURACY CHECK SITES OFFICE
(NFO)**

DECISION

Reference: IBA-A(2025)0089

IBAN Audit Report

The Resource Policy and Planning Board:

1. Considered the IBAN Audit Report on the 2024 Financial Statements of the NFO (and the entity's comments) for which IBAN issued an unqualified opinion on the financial statements and on compliance, with one observation that does not impact the audit opinion.
2. Regarding IBAN's financial year 2015 recommendation on achieving compliance with NFRs on internal audit, noted that the International Staff's Internal Oversight Service, in line with its risk-based approach to planning internal audits, would audit¹ the NFO in the future if/when the risk is sufficient to consider within current resourcing levels.
3. Supports the IBAN's recommendation addressing the observation, notes the Emphasis of Matter paragraph on the Financial Statements and recommends to Council to publicly disclose the 2024 Financial Statements for the NFO and the associated IBAN Audit Report.

¹ PO(2024)0423.



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

Brussels - Belgium



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IBA-A(2025)0089
26 November 2025

To: Secretary General
(Attn: Chief of Staff and Director of the Office of the Secretary General)

Cc: NATO Permanent Representatives
Chair, NATO FORACS Office Steering Committee
Project Manager and Technical Director, NATO FORACS Office
Financial Controller, International Staff
Chair, Resource Policy & Planning Board
Branch Head, Resource Management Branch, NATO Office of Resources
Private Office Registry

Subject: ***International Board of Auditors for NATO (IBAN) Audit Report on the audit of the NATO Naval Forces Sensor and Weapons Accuracy Check Sites Office's (NATO FORACS Office (NFO)) Financial Statements for the year ended 31 December 2024 – IBA-AR(2025)0020***

IBAN submits herewith its approved Audit Report with a Summary Note for distribution to the Council.

IBAN's report sets out an unqualified opinion on the Financial Statements of the NFO and an unqualified opinion on compliance for financial year 2024.

Yours sincerely,

Sébastien Lepers
Chair

Attachments: As stated above.

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**Summary Note for Council
by the International Board of Auditors for NATO (IBAN)
on the audit of the Financial Statements of the
NATO Naval Forces Sensor and Weapons Accuracy Check Sites (NATO
FORACS) Office (NFO)
for the year ended 31 December 2024**

The International Board of Auditors for NATO (IBAN) audited the NATO Naval Forces Sensors and Weapon Accuracy Check Sites (NATO FORACS) Office (NFO) Financial Statements for the year ended 31 December 2024. The NATO FORACS provides a comprehensive calibration of sensors associated with the weapon systems of NATO naval units such as surface ships, submarines and anti-submarines helicopters. These tests are conducted at three NATO FORACS Ranges under the jurisdiction of Norway, Greece, and the United States of America.

The audit competence regarding the financial information related to the NATO FORACS Ranges (NATO FORACS Atlantic Undersea Test and Evaluation Center (AUTEC), NATO FORACS Greece (NFG) and NATO FORACS Norway (NFN)), falls under the responsibility of the competent national audit authorities.

The overall management of the project is under the responsibility of the FORACS Steering Committee. The NFO is located at the NATO Headquarters in Brussels and serves as the executive staff of the Steering Committee. The NFO budget for 2024 amounted to EUR 3.6 million while total budget expenses amounted to EUR 1.6 million.

IBAN issued an Emphasis of Matter in the Financial Statements regarding the legal and regulatory status of NFO and its implications for the presentation and disclosure in the NFO Financial Statements.

Legal and regulatory status of NFO

We draw attention to the additional disclosure made in Note 1 on General Information of the 2024 NFO Financial Statements, which states that:

"[...] For administrative purposes only, NATO FORACS is affiliated to the Defence Investment Division of the International Staff (IS) due to its limited size and structure of activities. However, NATO FORACS operates autonomously as per its governance structure.

As per PO/76/140, NATO IS delivers administrative support and facility services to NFO as a service provider to enable the NFO to conduct NF Project business. The cost for these services is reimbursed to NATO IS by NATO FORACS.

All expenses, both for the personnel expenses of NFO staff (part of the IS establishment) and expenses for contractual supplies and services, are directly allocated and charged to the approved NATO FORACS budget.

All NATO FORACS' financial transactions are identified through a unique identifier in the Enterprise Resource Planning system which is maintained by NATO-IS and ensures proper data segregation. This segregation ensures proper operational management, reporting and internal controls".

In the prior year, IBAN raised an observation concerning the legal and regulatory status of NFO and the resulting implications on the International Staff (IS) and NFO Financial Statements. In December 2024, the Resource Policy and Planning Board (RPPB) tasked the IS to assess and confirm with the NFO Steering Committee and Project Manager the two options included in the IBAN's recommendation and determine, as well as document the appropriate way to address the IBAN recommendation and report back to the RPPB. IBAN noted that an analysis paper is currently being prepared and will be coordinated within the IS and NFO. As of the time of the audit, no conclusion has been formally reached.

As a result, NFO is a NATO Reporting Entity only in respect of activities carried out by the IS in relation to NFO. Cash and cash equivalents, personnel expenses, and expenses for contractual supplies and services are reported solely in the 2024 NFO Financial Statements and excluded from the 2024 International Staff Financial Statements.

Our opinion is not modified in respect of this matter.

IBAN issued an unqualified opinion on the Financial Statements and on compliance for the year ended 31 December 2024.

IBAN made one observation and recommendation. This observation does not impact the audit opinion on the Financial Statements and on compliance:

1. Need to strengthen internal controls over the preparation of the financial statements.

Following a request of NFO to correct material misstatements identified by IBAN during the course of the audit, we agreed to audit the restated financial statements communicated to us on 13 August 2025. As described in Observation 1, without this correction, the NFO 2024 Financial Statements would have included material misstatements leading to a qualified audit opinion on the Financial Statements.

IBAN followed up on the status of observations and recommendations from the previous years' audits and found that one was closed and three remain in progress.

The Audit Report was issued to NFO whose comments have been included, with the IBAN's position on those comments where necessary.

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IBA-AR(2025)0020

26 November 2025

INTERNATIONAL BOARD OF AUDITORS FOR NATO

**AUDIT REPORT ON THE FINANCIAL STATEMENTS OF THE
NATO NAVAL FORCES SENSOR AND WEAPONS ACCURACY CHECK SITES
OFFICE**

(NATO FORACS OFFICE (NFO))

FOR THE YEAR ENDED 31 DECEMBER 2024

PUBLICLY DISCLOSED - PDN(2026)0020 - MIS EN LECTURE PUBLIQUE

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INDEPENDENT EXTERNAL AUDITOR'S REPORT TO THE NORTH ATLANTIC COUNCIL

Financial Statements

Opinion on the Financial Statements

The International Board of Auditors for NATO (IBAN) has audited the Financial Statements of NATO FORACS Office (NFO), for the 12-month period ended 31 December 2024, issued under document reference FC(2025)0027-REV2 and submitted to IBAN on 13 August 2025. These Financial Statements comprise the Statement of Financial Position as at 31 December 2024, the Statement of Financial Performance, the Statement of Changes in Net Assets/Equity and the Statement of Cash Flow, for the 12-month period ended 31 December 2024, including a summary of significant accounting policies and other explanatory notes. In addition, the Financial Statements include a Budget Execution Statement for the 12-month period ended 31 December 2024.

In our opinion, the Financial Statements give a true and fair view of the financial position of NFO as at 31 December 2024, and of its financial performance, its cash flows and budget execution for the 12-month period ended 31 December 2024, in accordance with accounting requirements and reporting standards consistent with the NATO Accounting Framework (NAF).

Basis for Opinion on the Financial Statements

In accordance with the NATO Financial Regulations (NFRs), external audit of the NATO bodies and reporting entities pursuant to the North Atlantic Treaty shall be performed by IBAN.

We have conducted our audit in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI) Principles as per our Charter, and standards consistent with the International Standards of Supreme Audit Institutions (ISSAI 2000-2899).

We are independent in accordance with the INTOSAI Code of Ethics and we have fulfilled our other ethical responsibilities in accordance with these requirements. The responsibilities of the members of IBAN are more extensively described in the section «Auditor's Responsibilities for the Audit of the Financial Statements» and in our Charter.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Legal and regulatory status of NFO

We draw attention to the additional disclosure made in Note 1 on General Information of the 2024 NFO Financial Statements, which states that:

“[...] For administrative purposes only, NATO FORACS is affiliated to the Defence Investment Division of the International Staff (IS) due to its limited size and structure of activities. However, NATO FORACS operates autonomously as per its governance structure.

As per PO/76/140, NATO IS delivers administrative support and facility services to NFO as a service provider to enable the NFO to conduct NF Project business. The cost for these services is reimbursed to NATO IS by NATO FORACS.

All expenses, both for the personnel expenses of NFO staff (part of the IS establishment) and expenses for contractual supplies and services, are directly allocated and charged to the approved NATO FORACS budget.

All NATO FORACS' financial transactions are identified through a unique identifier in the Enterprise Resource Planning system which is maintained by NATO-IS and ensures proper data segregation. This segregation ensures proper operational management, reporting and internal controls”.

In the prior year, IBAN raised an observation concerning the legal and regulatory status of NFO and the resulting implications on the International Staff (IS) and NFO Financial Statements. In December 2024, the Resource Policy and Planning Board (RPPB) tasked the IS to assess and confirm with the NFO Steering Committee and Project Manager the two options included in the IBAN's recommendation and determine, as well as document the appropriate way to address the IBAN recommendation and report back to the RPPB. IBAN noted that an analysis paper is currently being prepared and will be coordinated within the IS and NFO. As of the time of the audit, no conclusion has been formally reached.

As a result, NFO is a NATO Reporting Entity only in respect of activities carried out by the IS in relation to NFO. Cash and cash equivalents, personnel expenses, and expenses for contractual supplies and services are reported solely in the 2024 NFO Financial Statements and excluded from the 2024 International Staff Financial Statements.

Our opinion is not modified in respect of this matter.

Management's Responsibility for the Financial Statements

Management's responsibility for the financial statements is laid down in the NFRs. The Financial Statements of NFO are drawn up in accordance with accounting

requirements and reporting standards consistent with the NATO Accounting Framework as approved by the Council. The Financial Controller is responsible for submitting the Financial Statements for audit to IBAN not later than 31st March following the end of the financial year.

The Financial Statements are signed by the Head of the NATO reporting entity and the Financial Controller. In signing the Financial Statements, the Head of the NATO reporting entity and the Financial Controller confirm the establishment and maintenance of financial governance, resource management practices, internal controls and financial information systems to achieve the efficient and effective use of resources.

This confirmation covers the design, implementation and maintenance of internal controls relevant to the preparation and presentation of financial statements that are auditable and free from material misstatement, whether due to fraud or error. This also covers reporting on the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there are plans to liquidate the entity or to cease its operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of the audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards consistent with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with standards consistent with ISSAIs, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. This involves taking into account Considerations Specific to Public Sector Entities. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate with the bodies charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. Our Independent External Auditor's Report is prepared to assist North Atlantic Council in carrying out its role. We are therefore responsible solely to the North Atlantic Council for our work and the opinion we have formed.

Compliance

Opinion on Compliance

Based on the procedures we performed, nothing has come to our attention, as part of our audit of the Financial Statements that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations.

Basis for Opinion on Compliance

We have conducted our compliance audit in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI) Principles as per our Charter, and standards consistent with the International Standards of Supreme Audit Institutions (ISSAI 4000-4899).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility for Compliance

All NATO staff, military and civilian, are obligated to comply with the NATO Financial Regulations, associated Financial Rules and Procedures and internal implementing directives. These include the NATO Civilian Personnel Regulations.

The Project Manager is responsible and accountable for sound financial management. The financial administration of NATO bodies and reporting entities must incorporate the principles of propriety, sound governance, accountability, transparency, risk management and internal control, internal audit, external audit, and fraud prevention and detection.

Auditor's Responsibilities for Compliance

In addition to the responsibility to provide reasonable assurance about whether the financial statements as a whole are free from material misstatement, the IBAN Charter requires IBAN to provide independent assurance and report annually to the North Atlantic Council about whether funds have been properly used for the settlement of authorised expenditure (propriety) and are in compliance with the regulations in force (regularity). Propriety relates to the observance of the general principles governing sound financial management and the conduct of public officials. Regularity concerns the adherence to formal criteria such as relevant regulations, rules and procedures.

This responsibility includes performing procedures to obtain independent assurance about whether funds have been properly used for the settlement of authorized expenditure and whether they have been used in compliance with the regulations in force. Such procedures include consideration of the risks of material non-compliance.

Brussels, 26 November 2025



Sébastien Lepers
Chair

OBSERVATIONS AND RECOMMENDATIONS

IBAN made one observation and recommendation. This observation does not impact the audit opinion on the Financial Statements and on compliance:

1. Need to strengthen internal controls over the preparation of the Financial Statements.

The Audit Report was issued to NFO whose comments have been included, with the IBAN's position on those comments where necessary.

IBAN followed up on the status of observations and recommendations from the previous years' audits and found that one was closed and three remain in progress.

1. NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS**Reasoning**

1.1 According to the NATO Accounting Framework (NAF), IPSAS 1, "*the Financial Statements shall present fairly the Financial Position, Financial Performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS.*"

1.2 Article 6 of the NATO Financial Regulations (NFRs) requires the Financial Controller to exercise the responsibility of budgeting, accounting and reporting activities of the NATO entity. This includes being responsible for the financial internal control system established, and for the preparation of the Financial Statements in accordance with the NATO Accounting Framework.

1.3 A key part of any system of internal control is to ensure adequate processes are in place for the preparation, review and reporting of the Financial Statements. Adequate review procedures are necessary to provide a reasonable basis for obtaining assurance that financial statements are prepared and presented in compliance with the applicable reporting framework.

1.4 Article 12.2 of the NFRs provides that in order to meet the desired internal control standards, the Financial Controller shall establish and maintain comprehensive accounting records of all assets and liabilities. Article 12.3 also states that internal control activities shall include (but not be limited to) adequate audit trails and data confidentiality, integrity and availability in information systems.

Observations

1.5 IBAN identified material misstatements in the 2024 NFO Financial Statements first submitted to IBAN on 24 March 2025, as described below. These misstatements were corrected in the final version of the Financial Statements resubmitted to IBAN on 13 August 2025 (FC(2025)0027-REV2). Without these corrections, the 2024 NFO Financial statements would have included material errors leading to a qualified audit opinion on the Financial Statements.

1.6 The Statement of Cash Flows in the 2024 Financial Statements initially submitted to IBAN contained disclosure errors related to the 'Decrease in other non-current liabilities' reported as EUR 86,119 and the 'Purchase of property, plant, and equipment/Intangible assets' reported as EUR 172,663. NFO corrected these errors in the resubmitted Financial Statements and reported the 'Decrease in other non-current liabilities' as EUR 172,663 and the 'Purchase of property, plant, and equipment/Intangible assets' as EUR 86,119.

1.7 In addition, Note 16 on Retained Earnings in the Financial Statements initially submitted to IBAN incorrectly disclosed the Operational Reserve amount as EUR 434,045 instead of the correct amount of EUR 384,766. NFO also corrected this error in the resubmitted Financial Statements.

Recommendations

1.8 IBAN recommends that NFO ensure adequate internal control processes are in place for the preparation of the financial statements, to provide a reasonable basis for obtaining assurance that financial statements are prepared and presented in compliance with the NATO Accounting Framework and NATO Financial Regulations (NFRs).

FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS

IBAN followed up on the status of observations from the previous years' audit. The observations and recommendations, the actions taken by the auditee as reviewed by IBAN, and their status are summarised in the table below.

The Open status is used for recommendations that are open and for which no notable progress has been achieved to date. The In-progress status is used for open recommendations when the NATO Reporting Entity has started to implement the recommendation or when some (but not all) sub-recommendations are closed. The Closed status is used for recommendations that are closed because they have been implemented, are superseded, or have lapsed. In the case where there are sub-recommendations, the status related to each sub-recommendation is indicated in the Action Taken column.

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p>(1) FORACS FY 2023 IBA-AR(2024)0019, paragraph 1</p> <p>SIGNIFICANT WEAKNESSES IDENTIFIED IN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS</p> <p>IBAN's Recommendation IBAN recommends that NFO ensure adequate internal control processes are in place for the preparation of the financial statements, to provide a reasonable basis for obtaining assurance that financial statements are prepared and presented in compliance with the NATO Accounting Framework and NATO Financial Regulations (NFRs).</p>	<p>IBAN identified material misstatements in the 2024 NFO Financial Statements first submitted to IBAN for audit. As a result, this prior year recommendation is maintained in progress. In-Progress.</p>	<p>Observation In-Progress.</p>
<p>(2) FORACS FY 2023 IBA-AR(2024)0019, paragraph 2</p> <p>NEED FOR CLARIFICATIONS ON THE CONTENT AND PRESENTATION OF THE NATO FORACS OFFICE FINANCIAL STATEMENTS</p> <p>IBAN's Recommendation IBAN recommends that Council task the appropriate governing body to clarify, in consultation with the Steering Committee of NATO FORACS, whether the NATO FORACS Office Financial Statements should solely present the activities carried out by staff members from the International Staff in relation to the executive branch of the NATO FORACS project (i.e. activities of a NATO Body in accordance with IBAN's audit mandate), or present the activities of the executive branch of the NATO FORACS project (i.e. the executive branch of a NATO project that does not appear to meet the definition of a NATO body in accordance with IBAN's audit mandate and is not subject to the NFRs</p>	<p>In December 2024, the Resource Policy and Planning Board (RPPB) tasked the IS to assess and confirm with the NFO Steering Committee and Project Manager the two options included in the IBAN's recommendation and determine, as well as document the appropriate way to address the IBAN recommendation and report back to the RPPB. IBAN noted that an analysis paper is currently being prepared and will be coordinated within IS and NFO. In-Progress.</p>	<p>Observation In-Progress.</p>
<p>(3) FORACS FY 2023 IBA-AR(2024)0019, paragraph 3</p> <p>NEED FOR AMENDMENTS TO THE TERMINOLOGY USED IN THE HANDOVER DOCUMENT FOR ASSETS PURCHASED BY NFO ON BEHALF OF NATO FORACS RANGES</p>		<p>Observation Closed.</p>

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p>IBAN's Recommendation IBAN recommends that the NFO amend the terminology and conditions outlined in the document used to handover assets from the NFO to the NATO FORACS Ranges in order to align the document with the substance of the actual arrangements made with the NATO FORACS Ranges concerning the transfer of legal ownership and the decision-making authority over the sale, disposal and alternative use of the assets concerned.</p>	<p>IBAN notes that NFO has issued a revision of the NFO Standing Instructions regarding the status of assets procured for the Ranges. IBAN also notes changes made to the document 'Record of Receipt' where the original terminology was amended to better clarify Range asset ownership and associated authority. Closed.</p>	
<p>(4) FORACS FY 2015 IBA-AR(2017)22, paragraph 7</p> <p>EFFORT TO ACHIEVE COMPLIANCE WITH THE REVISED NATO FINANCIAL REGULATIONS, PARTICULARLY THOSE ARTICLES ON INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT</p> <p>IBAN's Recommendation IBAN recommends that NFO:</p> <p>a) Ensures its risk management policy and risk registers include financial reporting and compliance risks.</p> <p>b) As required by FRP XII 3) (e), choose a specific internal control framework that it will use to assess its system of internal control. The assessment is required by Article 12 of the NFRs. Since other NATO entities have already adopted COSO as their internal control framework, and it is a framework that can be used by entities of all sizes, the NFO should consider adopting COSO as their internal control framework.</p> <p>c) In coordination with the IS where applicable, begin the work of assessing and documenting the system of internal control and risk management procedures to support compliance with NFR Articles 11 and 12, FRPs XI and XII, and the internal control framework that it chooses.</p> <p>d) Through outsourcing if considered to be more cost effective, ensure internal audit</p>	<p>Sub-recommendation a) was closed in IBA-AR(2022)0007.</p> <p>Sub-recommendation b) was closed in IBA-AR(2021)0012.</p> <p>Sub-recommendation c) was closed in IBA-AR(2022)0007.</p> <p>d) Following Council approval of the RPPB's recommendations from the</p>	<p>Observation In-Progress.</p>

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p>activities are evaluating NFO risk management and internal control.</p> <p>e) Ensures that the supplementary budget credits are only used to enter into commitments for goods and services to be</p>	<p>2023 audit of NFO, the IS Internal Oversight Service (IOS) has agreed to include NFO in its future internal audit engagements on a risk-based approach. However, IOS has informed NFO, that due to current staffing constraints and higher-priority tasks, it is unlikely to have the capacity to include NFO in the near future. IOS will explore alternative options for including NFO in future audits, prioritising risk factors and considering the potential use of external consultants to temporarily augment IOS capacity, if necessary.</p> <p>In-Progress.</p> <p>Sub-recommendation e) was closed in IBA-AR(2019)0022.</p>	

PUBLICLY DISCLOSED - PDN(2026)0020 - MIS EN LECTURE PUBLIQUE

NATO NAVAL FORCES SENSOR AND WEAPONS ACCURACY CHECK SITES OFFICE (NFO) FORMAL COMMENTS ON THE AUDIT REPORT AND THE INTERNATIONAL BOARD OF AUDITORS (IBAN) POSITIONS

**OBSERVATION 1:
NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS**

NFO's Formal Comments

Agreed.

The NFO and IS(OFC) staff will continue to work together to improve measures and strengthen internal controls.

FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS

(1) FORACS FY 2023

IBA-AR(2024)0019, paragraph 1

SIGNIFICANT WEAKNESSES IDENTIFIED IN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS

NFO's Formal Comments

Agreed.

The NFO and IS(OFC) staff will continue to work together to improve measures and strengthen internal controls.

(2) FORACS FY 2023

IBA-AR(2024)0019, paragraph 2

NEED FOR CLARIFICATIONS ON THE CONTENT AND PRESENTATION OF THE NATO FORACS OFFICE FINANCIAL STATEMENTS

NFO's Formal Comments

Not agreed.

NATO FORACS notes the IBAN observation but, as previously stated, considers that there is nothing lacking in content and presentation of the NFO Financial Statements.

Founded as a multi-national, co-operative activity through a Memorandum of Understanding (May 1974) and established as a NATO Project by the CNAD (Aug 1974), NATO FORACS has adhered to the same operating model for the

past 50 years, including NFO's recognition as a NATO Reporting Entity. This has been confirmed during more than 47 years of IBAN audits.

The NFO and wider IS staff continue to work together to prepare the response to the RPPB task noted opposite.

IBAN's Position

IBAN notes that the NATO FORACS Office (NFO) and the International Staff continue to collaborate on preparing the response to the RPPB task referred to above. Accordingly, IBAN maintains its recommendation to ensure that the NFO Financial Statements clearly reflect the NFO's role as a service recipient with regards to the International Staff, particularly in relation to existing agreements under which the International Staff provides administrative support services in return for reimbursement or recovery of the associated costs.

(4) FORACS FY 2015

IBA-AR(2017)22, paragraph 7

EFFORT TO ACHIEVE COMPLIANCE WITH THE REVISED NATO FINANCIAL REGULATIONS, PARTICULARLY THOSE ARTICLES ON INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

NFO's Formal Comments

Not agreed.

As previously reported, the project's Governing Body, the NATO FORACS Steering Committee, continues to pursue Internal Audit of NATO FORACS' risk management and internal control via NIOS.

As noted opposite, NFO continues to explore with NIOS options for including NFO in the future NIOS audit schedule in accordance with risk priorities and considering the potential use of external consultants to temporarily augment NIOS capacity, if necessary.

IBAN's Position

IBAN takes note of the NFO's comment that the International Staff's Internal Oversight Service has agreed to include the NFO in its future internal audit engagements, based on risk priorities.

IBAN therefore maintains the status of its sub-recommendation (d) as in-progress.

GLOSSARY OF TERMS

In accordance with International Standards of Supreme Audit Institutions (ISSAI 2705), audit opinions on financial statements and on compliance can be unqualified, qualified, a disclaimer, or adverse:

- An unqualified opinion is when IBAN issues an opinion that the financial statements and budget execution report are stated fairly and that nothing has come to our attention that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the rules and regulations.
- A qualified opinion means that IBAN was generally satisfied with the presentation of the financial statements, but that some key elements of the statements were not fairly stated or affected by a scope limitation, or specific issues have come to our attention that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the rules and regulations.
- A disclaimer is issued when the audit scope is severely limited and IBAN cannot express an opinion, or when there are material uncertainties affecting the financial statements or the use of funds.
- An adverse opinion is issued when the effect of an error or disagreement is so pervasive and material to the financial statements that IBAN concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

In accordance with auditing standards, three types of paragraphs may also be communicated in the auditor's report:

- Key Audit Matters (ISSAI 2701): Those matters that, in IBAN's professional judgement, were of most significance in the audit of the financial statements of the current period. Key Audit Matters are addressed to Council.
- Emphasis of Matter (ISSAI 2706): If IBAN considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in our judgement, is of such importance that it is fundamental to users' understanding of the financial statements.
- Other Matter (ISSAI 2706): If IBAN considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in our judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

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NATO FORACS OFFICE

FINANCIAL STATEMENTS
Financial Year 2024

Annexes:

- 1 Statement of Financial Position
- 2 Statement of Financial Performance
- 3 Statement of Cash Flow
- 4 Statement of Changes in Net Assets/Equity
- 5 Statement of Budget Execution
- 6 Explanatory Notes to the Financial Statements



Michael Magan
Project Manager FORACS



Rui Miguel Mendes da Silva
Financial Controller NATO-IS

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ANNEX 1 to
FC(2025)0027-REV2

NATO FORACS OFFICE
Statement of Financial Position

As at 31 December 2024

(in EUR)

	Notes	Current Year 2024	Prior Year 2023
Assets			
Current assets			
Cash and cash equivalents	(3)	8,436,044.63	6,768,420.34
Short term investments	(4)	0.00	0.00
Receivables	(5)	1,272,330.74	684,702.82
Prepayments	(6)	3,022,396.91	1,999,656.92
Other current assets	(7)	47,279.59	43,532.96
Inventories	(8)		
		12,778,051.87	9,496,313.04
Non-current assets			
Receivables			
Property, plant & equipment			
Intangible assets	(9)	1,765,087.87	1,937,750.85
		1,765,087.87	1,937,750.85
Total assets		14,543,139.74	11,434,063.89
Liabilities			
Current liabilities			
Payables	(10)	145,930.69	281,891.70
Deferred revenue	(11)	1,543,046.02	854,691.06
Advances	(12)	9,043,760.80	6,321,122.90
Provisions	(13)	0.00	0.00
Other current liabilities	(14)	1,665,216.75	1,776,195.52
		12,397,954.26	9,233,901.18
Non-current liabilities			
Provisions		0.00	0.00
Deferred revenue	(15)	1,765,087.87	1,937,750.85
Other non-current liabilities			
		1,765,087.87	1,937,750.85
Total liabilities		14,163,042.13	11,171,652.03
Surplus/Deficit		0.00	0.00
Retained earnings	(16)	380,097.61	262,411.86
Reserves			
Total net assets		380,097.61	262,411.86

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ANNEX 2 to
FC(2025)0027-REV2

NATO FORACS OFFICE
Statement of Financial Performance

As at 31 December 2024

		(in EUR)	
	Notes	Current Year	Prior Year
		2024	2023
Revenue			
Non-Exchange Revenue		1,835,121.63	1,789,906.42
Exchange revenue		0.00	0.00
Financial revenue		171.89	1,649.11
Other revenue		2,743.34	4,002.26
Total revenue	(17)	1,838,036.86	1,795,557.79
Expenses			
Personnel		799,202.99	787,113.08
Contractual supplies and services		763,444.43	727,450.27
Depreciation and amortization		258,781.86	244,642.58
Impairment		0.00	0.00
Provisions		0.00	0.00
Other expenses		0.00	0.00
Finance costs		16,607.58	36,351.86
Total expenses	(18)	1,838,036.86	1,795,557.79
Surplus/(Deficit) for the period		0.00	0.00

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ANNEX 3 to
FC(2025)0027-REV2

NATO FORACS OFFICE
Statement of Cash Flow

As at 31 December 2024

(in EUR)

	Notes	Current Year	Prior Year
		2024	2023
Cash flow from operating activities			
Surplus/(Deficit)		0.00	0.00
Non-cash movements			
Depreciation/ Amortisation		258,781.86	244,642.58
Impairment		0.00	0.00
Use of Cash Reserves		117,685.75	-776,302.19
Increase/(decrease) in payables		-135,961.01	142,354.91
Increase/ (decrease) in deferred revenue, advances and other current liabilities		3,300,014.09	1,068,285.63
Increase/ (decrease) in provisions		0.00	0.00
Increase/ (decrease) in other non current liabilities		-172,662.98	-87,279.15
(Gains)/losses on sale of property, plant and equipment		0.00	0.00
Decrease/ (Increase) in prepayments and other current assets		-1,026,486.62	-100,264.16
Decrease/ (Increase) in receivables		-587,627.92	666,190.39
Net cash flow from operating activities		1,753,743.17	1,157,628.01
Cash flow from investing activities			
Purchase of property plant and equipment / Intangible assets		-86,118.88	-157,363.43
Proceeds from sale of property plant and equipment		0.00	0.00
Net cash flow from investing activities		-86,118.88	-157,363.43
Cash flow from financing activities			
Decrease/ (Increase) Deposit		0.00	0.00
Net cash flow from financing activities		0.00	0.00
Net increase/(decrease) in cash and cash equivalents		1,667,624.29	1,000,264.58
Cash and cash equivalent at the beginning of the period		6,768,420.34	5,768,155.76
Cash and cash equivalent at the end of the period		8,436,044.63	6,768,420.34

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ANNEX 4 to
FC(2025)0027-REV2NATO FORACS OFFICE
Statement of Changes in Net Assets/Equity

As at 31 December 2024

(in EUR)

Balance at the beginning of the period 2023	<u>(1,038,714.05)</u>
Changes in accounting policy	
Restated balance	
Net (gains)/losses recognised directly in net assets/equity	
Exchange difference on translating foreign operations	
Use of cash Reserves	776,302.19
Gain on property revaluation	
Surplus/(deficit) for the period	
Change in net assets/equity for the year ended 2023	<u>(262,411.86)</u>
Balance at the beginning of the period 2024	<u>(262,411.86)</u>
Changes in accounting policy	
Restated balance	
Net (gains)/losses recognised directly in net assets/equity	
Exchange difference on translating foreign operations	
Use of cash Reserves	(117,685.75)
Gain on property revaluation	
Surplus/(deficit) for the period	
Change in net assets/equity for the year ended 2024	<u>(380,097.61)</u>

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ANNEX 5 to
FC(2025)0027-REV2NATO FORACS OFFICE
Statement of Budget Execution

As at 31 December 2024

(Amounts in EUR)	Initial budget	Budget increase	BA2	Budget Revision	BA3	Transfers	Final budget	Expenses	Carry forward	Lapsed
Budget 2024										
Chapter 1	802,000.00	-	802,000.00	-	802,000.00	-	802,000.00	799,202.99	-	2,797.01
Chapter 2	430,141.00	-	430,141.00	507,150.00	937,291.00	-	937,291.00	407,018.99	288,869.65	241,402.36
Chapter 3	59,548.00	-	59,548.00	947,425.00	1,006,973.00	-	1,006,973.00	93,360.38	755,570.00	158,042.62
Chapter 4	-	-	-	-	-	-	-	-	-	-
Total	1,291,689.00	-	1,291,689.00	1,454,575.00	2,746,264.00	-	2,746,264.00	1,299,582.36	1,044,439.65	402,241.99
Budget 2023										
Chapter 1	-	-	-	-	-	-	-	-	-	-
Chapter 2	8,656.94	-	8,656.94	-	8,656.94	-	8,656.94	8,656.94	-	-
Chapter 3	846,034.75	-	846,034.75	-	846,034.75	-	846,034.75	340,527.00	498,605.00	6,902.75
Chapter 4	-	-	-	-	-	-	-	-	-	-
Total	854,691.69	-	854,691.69	-	854,691.69	-	854,691.69	349,183.94	498,605.00	6,902.75
Budget 2022										
Chapter 1	-	-	-	-	-	-	-	-	-	-
Chapter 2	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-
Total All Budgets	2,146,380.69	-	2,146,380.69	1,454,575.00	3,600,955.69	-	3,600,955.69	1,648,766.30	1,543,044.65	409,144.74

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**EXPLANATORY NOTES TO NATO FORACS OFFICE
2024 FINANCIAL STATEMENTS****NOTE 1: GENERAL INFORMATION**

NATO FORACS' mission is to maximise the lethality, operational readiness and interoperability of NATO maritime forces through comprehensive calibration of sensor, weapon, combat, communication, and navigation systems to clearly defined accuracy and performance standards in order to support the verification and restoration of optimal Operational Capability (OC) and interoperability, the provision of near real-time OC assurance to Alliance and National Command Chains and the validation of new and upgraded maritime platforms and capabilities.

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

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

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

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

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

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

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

Normal operations and maintenance of NATO FORACS activities are funded by the Member Nations on a cost-sharing basis. Non-member nations utilize the resources and capabilities based on a calculated 'per-test rate' for services. Fixed facilities and capital costs are sustained and updated, when necessary, with NATO common funding through the NATO Security Investment Programme (NSIP).

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

NATO FORACS conducts tests for Alliance nations in response to NATO's tasking to provide mission capable platforms. This testing also supports Nation's acquisition and upgrade programmes testing of ships, submarines and maritime aircraft. Having systems in ships, submarines and maritime aircraft aligned and calibrated to the same common reference and to clearly defined accuracy

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standards aligns with the Connected Forces Initiative and improves interoperability of maritime systems within and between nations.

The NATO FORACS Project continues to demonstrate a quality management culture based on ISO 9001:2015 and on 22 Dec 2023 achieved recertification for a further three years.

For administrative purposes only, NATO FORACS is affiliated to the Defence Investment Division of the International Staff (IS) due to its limited size and structure of activities. However, NATO FORACS operates autonomously as per its governance structure.

As per PO/76/140, NATO IS delivers administrative support and facility services to NFO as a service provider to enable the NFO to conduct NF Project business. The cost for these services is reimbursed to NATO IS by NATO FORACS.

All expenses, both for the personnel expenses of NFO staff (part of the IS establishment) and expenses for contractual supplies and services, are directly allocated and charged to the approved NATO FORACS budget.

All NATO FORACS' financial transactions are identified through a unique identifier in the Enterprise Resource Planning system which is maintained by NATO-IS and ensures proper data segregation. This segregation ensures proper operational management, reporting and internal controls.

NOTE 2: ACCOUNTING POLICIES

NFO applies the NATO IS Accounting Policies which have been published through ON(2021)0079 and updated through FC(CAF)(2023)0001.

Declaration of Conformity

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

Basis of Preparation

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

All budget related decisions are taken by the NATO FORACS Steering Committee, not by the NFO. The latter has no financial authority over the Ranges, which operate under national regulations for all aspects of their management (budget execution, procurement, human resources, health and safety, financial reporting, external audit, etc.). The NFO holds an executive management function

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but does not exercise any power over the Ranges and it does not have rights over their surpluses or assets, neither can it be considered liable for their obligations. As a consequence, the NFO exercises no control over the Ranges for financial reporting purposes and therefore its financial statements are not consolidated with those of the Ranges.

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

The financial year is from 1 January to 31 December.

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

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

The following IPSAS have no material effect on the 2024 NFO financial statements:

- IPSAS 5: Borrowing Costs
- IPSAS 7: Investments in Associates.
- IPSAS 8: Interests in Joint Ventures
- IPSAS 10: Financial Reporting in Hyperinflationary Economies
- IPSAS 11: Construction Contracts
- IPSAS 16: Investment Property
- IPSAS 21: Impairment of non-cash generating assets
- IPSAS 26: Impairment of Cash-Generating Assets
- IPSAS 27: Agriculture
- IPSAS 32: Service Concession Arrangements: Grantor

Changes in accounting policy

None.

Restatement of Financial Statements of Previous Years

An unsettled regularization stemming from previous years lapses between NFN and NFO of EUR 3,070.53 has been eliminated in Receivables and Retained Earnings.

Below tables provide an overview of the impact on the 2023 restated Statement of Financial Position and Statement of Financial Performance for comparative purposes:

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	Notes	2023 REPORTED	2023 RESTATED	IMPACT
Assets				
Current assets				
Cash and cash equivalents	(3)	6,768,420.34	6,768,420.34	0.00
Short term investments	(4)	0.00	0.00	0.00
Receivables	(5)	681,632.29	684,702.82	3,070.53
Prepayments	(6)	1,999,656.92	1,999,656.92	0.00
Other current assets	(7)	43,532.96	43,532.96	0.00
Inventories	(8)			0.00
		9,493,242.51	9,496,313.04	3,070.53
Non-current assets				
Receivables				0.00
Property, plant & equipment				0.00
Intangible assets	(9)	1,937,750.85	1,937,750.85	0.00
		1,937,750.85	1,937,750.85	0.00
Total assets		11,430,993.36	11,434,063.89	3,070.53
Liabilities				
Current liabilities				
Payables	(10)	281,891.70	281,891.70	0.00
Deferred revenue	(11)	854,691.06	854,691.06	0.00
Advances	(12)	6,321,122.90	6,321,122.90	0.00
Provisions	(13)	0.00	0.00	0.00
Other current liabilities	(14)	1,776,195.52	1,776,195.52	0.00
		9,233,901.18	9,233,901.18	0.00
Non-current liabilities				
Provisions		0.00	0.00	0.00
Deferred revenue	(15)	1,937,750.85	1,937,750.85	0.00
Other non-current liabilities				
		1,937,750.85	1,937,750.85	0.00
Total liabilities		11,171,652.03	11,171,652.03	0.00
Surplus/Deficit		0.00	0.00	0.00
Retained earnings	(16)	259,341.33	262,411.86	3,070.53
Reserves				
Total net assets		259,341.33	262,411.86	3,070.53

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	Notes	2023 REPORTED	2023 RESTATED	IMPACT
Revenue				
Non-Exchange Revenue		1,789,684.09	1,789,906.42	222.33
Exchange revenue		0.00	0.00	0.00
Financial revenue		1,649.11	1,649.11	0.00
Other revenue		4,002.26	4,002.26	0.00
Total revenue	(17)	1,795,335.46	1,795,557.79	222.33
Expenses				
Personnel		787,113.08	787,113.08	0.00
Contractual supplies and services		727,450.27	727,450.27	0.00
Depreciation and amortization		244,642.58	244,642.58	0.00
Impairment		0.00	0.00	0.00
Provisions		0.00	0.00	0.00
Other expenses		0.00	0.00	0.00
Finance costs		36,129.53	36,351.86	222.33
Total expenses	(18)	1,795,335.46	1,795,557.79	222.33
Surplus/(Deficit) for the period		0.00	0.00	0.00

Reclassification of Financial Statements of Previous Years

None.

Use of Estimates

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

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ANNEX 6 to
FC(2025)0027-REV2**Foreign Currency Transactions**

The NFO's budget is authorized and managed in EUR so the contribution call is made in EUR. Foreign currency transactions as required are accounted for at the NATO exchange rates prevailing on the date of the transactions. Monetary assets and liabilities at year-end which were denominated in foreign currencies were converted into EUR using the NATO foreign currency exchange rates as of 31 December 2024.

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

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

Financial Risks

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

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

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

a. Foreign currency exchange risk

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

b. Credit risk

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

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

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

BANK NAME	COUNTRY OF HQ	LONG TERM RATINGS					
		FITCH		S&P GLOBAL		MOODY'S	
		Rating	Outlook	Rating	Outlook	Rating	Outlook
ING Belgium SA/NV	Belgium	AA-	Stable	N/A		Aa3	Stable

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

c. Liquidity risk

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

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

d. Interest rate risk

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

Current Assets

a. Cash and cash equivalents

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

b. Funds managed for third parties

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

c. Receivables

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

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

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

d. Prepayments

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

e. Other Current Assets

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

f. Inventories

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

When it comes to assessing the control of NATO Inventory, these documents define a set of 10 criteria to be used in assessing the level of control of an Inventory asset. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January, 2013, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013.

Criteria that may indicate control of an asset:

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

Capitalization thresholds relevant to the financial statement are as follow:

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

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

Strategic stock – Some complex elements of slow-moving stock can be identified as strategic if they are deemed essential to the effective operation of an asset and cannot be readily replaced by

commercial off the shelf items or cannot be purchased due to market decisions to close production lines of key inventory items due to the advanced age of the strategic asset to which the stock relates.

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

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

NFO considers inventory acquired prior to 1 January 2013 as fully expensed.

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

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

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

a. Property, Plant & Equipment

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

When it comes to assessing the control of NATO over PPE these documents define a set of 10 criteria to be used in assessing the level of control of a tangible asset. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January 2013, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013.

Capitalization thresholds relevant to the financial statement are as follow:

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

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

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

b. Intangible Assets

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

When it comes to assessing the control of NATO over Intangible Assets, these documents define a set of 10 criteria to be used in assessing the level of control of an Intangible asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January 2013, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013.

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

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

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

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

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

NATO FORACS capitalizes other types of intangible assets acquired after 1 January 2013 including:

- Copyright
- Intellectual Property Rights
- Software development

NATO FORACS considers Intangible Assets acquired prior to 1 January 2013 as fully expensed.

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

NATO FORACS has no intangible assets acquired or held prior to 1 January 2013.

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

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

Current Liabilities

a. Payables

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

b. Advances and Deferred Revenue

Advances are contributions received related to future year's budgets. Advances include all advances linked to the budget process of the NFO and of the Ranges. This reflects the nature of the transactions since they result from the call for budgetary contributions process, handled by IS OFC, irrespective of the entity, and harmonises the approach between the NFO and the Ranges.

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

c. Other Current Liabilities

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

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

Non-Current Liabilities

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

Net Assets

Net Assets correspond to NATO FORACS' Project Accumulated Surplus. Project Accumulated Surplus relates to funds resulting from past years contributions by NATO FORACS' Member Nations in excess of budget execution that the Steering Committee decided not to redistribute to the Member Nations but keep for the needs of NATO FORACS as an operational reserve. It is held at the direction of the Steering Committee, with North Atlantic Council approval for the NFRs deviation.

Revenue Recognition

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

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

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

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

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

Segment Reporting

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

Statement of Financial Position**NOTE 3: CASH AND CASH EQUIVALENTS**

The current NFO bank accounts are held in EUR. Deposits (if any) are held in interest-bearing bank accounts, immediately available.

Overview of the cash and cash equivalents held by NATO FORACS:

Amounts in EUR		
	2024	2023
NFO	3,454,495.41	3,461,794.86
TOTAL	3,454,495.41	3,461,794.86

Funds managed for third parties

The NATO-IS Office of Financial Control holds funds, in cash, contributed to the NFG, NFA and NFN budgets. These bank accounts are managed by the IS Office of Financial Control, in the context of the management of NATO FORACS financial operations, thus the closing balances are reported in the NFO's financial statements. Upon request of the Range Managers, funds are transferred to the respective Range accounts to enable the execution of Range budgets following their national rules.

The breakdown is as follows:

Amounts in EUR		
	2024	2023
NFA	2,976,041.15	1,345,279.08
NFG	731,836.61	710,774.80
NFN	1,273,671.46	1,250,571.60
TOTAL	4,981,549.22	3,306,625.48

NOTE 4: SHORT TERM INVESTMENTS

The NFO does not hold short term investments as per 31 December 2024.

NOTE 5: ACCOUNTS RECEIVABLE

At the end of 2024 this position consists mostly of the receivable from lapsed Ranges' credits, being part of their yearly budgetary surplus.

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

The amounts recorded as receivables represent the lapses of the Ranges reported in their respective Budget Execution Statements.

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The below table provides an overview of open receivables at year-end for two consecutive years:

Amounts in EUR

	2024	2023
Budgetary contributions	49,214.00	325.45
NATO Bodies	562.90	221.77
Ranges	1,222,553.84	684,155.60
TOTAL	1,272,330.74	684,702.82

NOTE 6: PREPAYMENTS

Advance payments are made to the Ranges based on their respective budgets for the following year in accordance with the process of centralisation of all budgetary calls under the NFO umbrella.

Prepayments to NFO staff (typically advances on salaries, advances on education allowances, travel expenses) are done in accordance with the NATO Civilian Personnel Regulations. As per end of 2024, prepayments to staff are only related to education allowances.

Below table gives the breakdown of the different prepayments for the last 2 consecutive years:

Amounts in EUR

	2024	2023
Prepayments to the Ranges	2,985,028.90	1,976,978.40
Prepayments to Suppliers	-	1,893.20
Prepayments to Staff	37,368.01	20,785.32
TOTAL	3,022,396.91	1,999,656.92

The advances made to the Ranges are broken down as follows:

Amounts in EUR

	2024	2023
NFA	1,785,668.11	807,211.14
NFG	440,391.00	425,873.40
NFN	758,969.79	743,893.86
TOTAL	2,985,028.90	1,976,978.40

NOTE 7: OTHER CURRENT ASSETS

This item includes only accrued financial revenue.

Amounts in EUR

	2024	2023
Accrued bank interest	47,279.59	43,532.96
TOTAL	47,279.59	43,532.96

NOTE 8: INVENTORIES

Nothing to report, inventories are not considered material.

NOTE 9: INTANGIBLE ASSETS

Integrated Data Acquisition and Test System version X (IDATSvX) achieved Initial Operational Capability (IOC) on 1 September 2021. The Full Operational Capability (FOC) of IDATSvX was achieved in 2024.

The below table provides an overview of the Intangible Assets carrying amount at the year-end.

(amounts in EUR)	Carrying Amount end 2022	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2023
Software	2,025,030	157,363		244,643		1,937,751
TOTAL FORACS	2,025,030	157,363	0	244,643	0	1,937,751

(amounts in EUR)	Carrying Amount end 2023	Additions	Disposals	Depreciation	Other Changes	Carrying Amount end 2024
Software	1,937,751	86,119		258,782		1,765,088
TOTAL FORACS	1,937,751	86,119	0	258,782	0	1,765,088

NOTE 10: PAYABLES

Payables and accrued expenses (accruals) are to commercial suppliers, staff, other NATO bodies, NATO FORACS Member Nations or other NATO FORACS entities.

Payable to suppliers relates to goods and services for which an invoice has been processed but for which payment was still pending at year-end. The invoices open in a currency different from the budget currency (EUR) has been revalued on 31 December 2024. This item includes as well payments made by NATO-IS on behalf of NATO FORACS for travel agency expenses that will be settled in the first quarter of 2025.

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

Below table provides details of the payables balances for the last 2 financial years at year-end:

Amounts in EUR		
	2024	2023
Suppliers	62,416.05	169,668.36
Accruals	83,514.64	112,223.34
TOTAL	145,930.69	281,891.70

Payable to Participating Nations

Nothing to report.

NOTE 11: DEFERRED REVENUE**Deferred Revenue**

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

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

Below table provides details on the deferred revenue balances for the last 2 financial years at year-end:

Amounts in EUR

	2024	2023
Deferred revenue	1,543,046.02	854,691.06
TOTAL	1,543,046.02	854,691.06

NOTE 12: ADVANCES

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

Amounts in EUR

	2024	2023
NFO	1,073,455.00	1,035,787.00
NFA	4,762,669.27	2,153,729.80
NFG	1,174,376.00	1,136,657.00
NFN	2,033,260.53	1,994,949.10
TOTAL	9,043,760.80	6,321,122.90

This item includes also a voluntary advance by the United States for an amount of EUR 10,229.85 which will be offset with the next call for contributions.

NOTE 13: PROVISIONS

Nothing to report.

NOTE 14: OTHER CURRENT LIABILITIES

Amounts corresponding to the current year budgetary surplus of NFO, i.e. lapsed credits, net financial income and miscellaneous income, are considered a liability towards the Participating Nations. The settlement does not follow the normal accounts payable process, since the standard approach is to return them to Participating Nations via a deduction of the following year's call for budget contributions. Up to now, the standard practice of the NATO FORACS Steering Committee

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has been to use these amounts to fund the NFO Supplementary Budget or to add them to the Project Accumulated Surplus (see note on Net Assets).

Below is a snapshot of NFO's current year surplus at year ends:

Amounts in EUR

	2024	2023
Lapsed Appropriations	409,144.74	1,078,456.40
Net Financial Income/(Expense)	- 16,313.33	- 33,758.81
Miscellaneous Income/(Expense)	2,743.34	4,002.26
TOTAL	395,574.75	1,048,699.85

Miscellaneous income represents an over accrual reported for 2023.

Financial income is the result of foreign exchange rate differences on the payments of the supplementary budget to the ranges NFN and NFA, payments to suppliers, bank charges and interest collected throughout the year.

Other current liabilities cover also the current year budgetary surplus of the Ranges, i.e. lapsed credits and net financial income.

Detailed breakout is presented in the table below:

Amounts in EUR

	2024	2023
NFO Current Year Budget Surplus	395,574.75	1,048,699.85
Lapses NFA	703,688.31	254,082.86
Lapses NFG	98,975.58	64,306.85
Lapses NFN	419,889.95	365,765.89
Financial Surplus Ranges	47,088.16	43,340.07
TOTAL	1,665,216.75	1,776,195.52

NOTE 15: NON CURRENT LIABILITIES AND LONG TERM DEFERRED REVENUE

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

This account is used as a counterpart of the Integrated Data Acquisition and Test System version X (IDATSvX), since it is available for operational use and thus recognized as an Intangible Asset and subject to yearly amortizations.

NOTE 16: RETAINED EARNINGS

Retained earnings correspond to NATO FORACS' Project Accumulated Surplus and unrealized financial result.

Project Accumulated Surplus relates to funds resulting from past contributions by NATO FORACS member Nations in excess of budget execution that the Steering Committee decided not to redistribute to the member nations but keep for the needs of the NATO FORACS project. This

decision was approved by the NAC (C-M(2018)0032-AS1 dated 26 June 2018, under "Approval of FORACS Operational Reserve Fund"). It is an Operational Reserve, with a balance as per end 2024 of EUR 384,765.82, held at the direction of the Steering Committee essentially in the case of emergency funding needs for the Project to ensure continuity of service and also for reallocation among NATO FORACS entities when the Steering Committee approves their Supplementary Budgets. It originates from previous years' budgetary and financial operations of the various NATO FORACS entities.

An amount of EUR 4,668.21 is recognized as unrealized financial loss at year end stemming from the revaluation of balances held in foreign currency, netting the total amount of Retained Earnings to EUR 380,097.61.

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NOTE 17: REVENUE

Non-Exchange Revenue

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

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

Exchange Revenue may result from services provided by NATO FORACS to entities other than the Participating Nations. This type of revenue is assessed on a calculated day rate for services.

Below there is a snapshot of the 2024 non-exchange revenue breakdown:

Amounts in EUR

	2024	2023
Budget Execution (a)	1,648,766.30	1,671,926.78
Current Year Budget	2,746,264.00	3,353,806.00
Automatic carry forward from previous year	854,691.69	251,268.87
Lapses at year end	-409,144.74	-1,078,456.40
Automatic carry forward into next year	-1,543,044.65	-854,691.69
Financial Result (b)	-16,435.69	-34,702.75
Financial revenue - Realized	139.86	2,167.82
Financial cost - Realized	-16,453.19	-35,926.63
Financial revenue - Unrealized	32.03	-518.71
Financial cost - Unrealized	-154.39	-425.23
Miscellaneous Result (c)	2,743.34	4,002.26
Current year income		
Overaccrual	2,743.34	4,002.26
Other (d)	-172,662.98	-87,279.15
Purchase of PPE/Intangible assets	86,118.88	157,363.43
Depreciation and Amortizations	-258,781.86	-244,642.58
Non Exchange Revenue (a-b-c-d)	1,835,121.63	1,789,906.42

Exchange Revenue

Nothing to report.

Financial Revenue

This includes exchange rate differences.

Other Revenue

This includes the regularization of overestimated accruals from previous year.

NOTE 18: EXPENSES

Wages, Salaries and Employee Benefits

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

Supplies and Consumables Used

This item may also include expenses attributed to Capital Expenses (Property, Plant and Equipment and Intangible Assets) from a budget perspective, if they do not meet the criteria of PPE or Intangible Assets.

Depreciation and Amortization

Depreciation and amortization expenses are not budgeted for.

Impairments

Nothing to report.

Provisions

Nothing to report.

Other Expenses

Nothing to report.

Finance Costs

This item includes bank charges and exchange rate differences.

NOTE 19: BUDGET INFORMATION**NATO FORACS Office Budget**

Presently, the NATO FORACS Budgets are not publicly available.

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

Presentation of budget information in the financial statements

In the present financial statements budget information is limited to NFO since it is the only entity over which the IS OFC exercises budgetary control.

The NFO budget classification is based on the economic nature of the expenses broken down into three chapters as follows:

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

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

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

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

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

The NFO budget is prepared and executed as follows:

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

- 2) Approved Commitments for which no goods could be received or services rendered at year end normally lapse. However, if they are supported by a legal obligation and correspond to goods or services that could not be received during the course of the year for specific reasons, they may be carried forward and added to the budget of the following financial year. Uncommitted appropriations may be subject of a special carry forward to the following year if a specific agreement is given by the Steering Committee. Outstanding commitments can be carried forward for two years. As a consequence, the services or goods received may relate to a commitment of appropriations from previous years' budgets. The carry-forward should be justified by a reason for which the services or goods could not be received in the course of the year. In addition, in accordance with Financial Regulations, member Nations may agree to a further carry-forward of commitments that were already carried forward twice.
- 3) Commitments, because they are an advance acceptance, and because payments cannot be made above approved appropriations levels, typically include an estimation factor and may be (if only slightly) higher than the actual amount eventually paid. This results in commitments being higher than the actual expenses and in appropriations eventually lapsing.
- 4) Commitments are only made in respect of expenses relating to the initial purpose of the commitment. Commitments for capital expenditures are normally made in the year during which the purchase order is issued. In accrual accounting, the related costs would not appear in the Statement of Financial Performance but in the Balance Sheet and only upon reception of the works, goods or services. Conversely, there is no budgetary commitment of appropriations for non-cash flow transactions such as capital depreciation or provisions which would normally appear in the Statement of Financial Performance under accrual accounting.
- 5) On an exceptional basis, the Steering Committee may approve the carry-forward of credits without any prior legal commitment, for instance for projects at their initiation stage or planned expenditures. In accrual accounting there would be no expense recorded.
- 6) The balance of unused budgetary appropriations (not committed) lapses and is to be returned to Contributing Nations or added to the Operational Reserve at year-end (the latter being the usual practice). Lapses may include cases where a project was eventually not completed or started, and therefore lead to no expense.

Budget approval

Every year, an initial budget for Operations and Maintenance is requested in order to provide contributors with a stable level of contribution and a significant amount is planned for under the Supplementary Budget.

In order to keep the Ranges' annual O&M budgets reasonably constant, the Steering Committee decided to remove general equipment modernisation from the O&M budgets, These modernisation activities would be delivered through the NFO Supplementary Budget. For 2024, the Steering Committee approved additional proposals for a total of KEUR 1,455 to be funded from the Supplementary Budget.

Amounts in EUR

	2024	2023
Initial Budget	1,291,689.00	1,254,416.00
Supplementary Budget	1,454,575.00	2,099,390.00
Total Annual Budget	2,746,264.00	3,353,806.00

There were no frozen appropriations.

Budget execution

The NFO budget execution for the current and previous year is shown at Annex 5.

Table below compare the budget's authorized appropriations and the actual amounts committed and expended, i.e. the comparison between the Budget Execution and the expenses in the Statement of Financial Performance.

BUDGET EXECUTION		
Total Budget (including carried-forward from previous year)	(a)	3,600,956
Credits Carried Forward in Following Year	(b)	1,543,045
Lapsed Appropriations	(c)	409,145
Budget Execution Expenses	(d) = (a-b-c)	1,648,766
RECONCILIATION		
Financial Performance Expenses (Excluding financial costs)	(e)	1,562,647
Increase in Non-Current Assets	(f)	(172,663)
Provisions	(g)	-
Depreciations and Amortizations	(h)	258,782
Other Expenses	(i)	-
Sub-Total	(j)=(e+f-g+h-i)	1,648,766
Difference to Budget Expenses	(d-j)	-

Reconciliation between NFO Budget and Calls for Contributions

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

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

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

Amounts in EUR

	2024	2023
Initial Budget	1,291,689	1,254,416
Supplementary Budget	1,454,575	2,099,390
Total Annual Budget	2,746,264	3,353,806
Advance called previous year	1,033,351	1,003,533
Call in current year	258,338	250,883
Total Cash Calls	1,291,689	1,254,416
Use of Previous Year's Surplus	1,048,700	711,725
Transfer from (to) other FORACS entities	405,875	1,387,665
Other Funding Sources	1,454,575	2,099,390
Total Funding	2,746,264	3,353,806

NOTE 20: WRITE-OFFS

There were no write-offs during 2024.

NOTE 21: LEASES

NFO does not have any financial leases.

NOTE 22: RESTRICTIONS ON FIXED ASSETS

There are no restrictions on fixed assets.

NOTE 23: CONTINGENT LIABILITIES

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

NOTE 24: CONTINGENT ASSETS

Nothing to report.

NOTE 25: EMPLOYEE DISCLOSURE

Employee Status

The tables below provide comparative data about FORACS staff for two consecutive years:

	NATO Civilians	
	2024	2023
Total Approved PE	4	4
Total Filled Positions	4	4
Arrivals in the year	0	0
Departures in the year	0	0

	Total Approved PE	Total Filled Positions
Civilian (PE)	4	4
VNC	0	0
Short term	0	0
Interns	0	0
Others – explain	0	0

Pension Schemes

NATO-IS is managing centrally three pension programs, namely the Defined Benefit Pension Scheme (DBS), the Defined Contribution Pension Scheme (DCPS) as well as the Retiree Medical Claims Fund (RMCF), covering staff employed by all NATO bodies.

NFO staff are covered by one of the two NATO pensions schemes (either DCPS or DBPS). The DCPS provides that the NFO budget makes a 12 percent monthly matching contribution to the staff members' contributions for current service. As for the DBPS, a deduction of 11.8% of staff salaries is made and contributed to the annual financing of this Plan. In addition, the NFO budget makes a monthly matching contribution of 23.6% to the DBPS. These contributions are expensed during the year concerned and represent the sole pension related obligation of the entity. Consequently, the NFO has neither DBPS nor DCPS liabilities for its staff members.

The table below provides comparative data about the staff affiliation to the different pension schemes for two consecutive years:

FORACS STAFF PENSION SCHEME AFFILIATION

	2024	2023
Co-ordinated Pension Scheme	2	2
Defined Contribution Pension Scheme	2	2

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

Amounts in EUR

		2024	2023
Co-ordinated Pension Scheme	Staff	25,402.92	25,789.80
	Employer	50,805.84	51,579.60
	Total	76,208.76	77,369.40
Defined Contribution Pension Scheme	Staff	19,747.35	19,636.88
	Employer	29,621.03	29,455.41
	Total	49,368.38	49,092.29
TOTAL	Staff	45,150.27	45,426.68
	Employer	80,426.87	81,035.01
	Total	125,577.14	126,461.69

NOTE 26: KEY MANAGEMENT PERSONNEL

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

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

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

NOTE 27: RELATED PARTIES

In reviewing the four budgets on an annual basis, the Steering Committee determines the budgetary credits for the Initial and the Supplementary Budgets. It is in this context that funds for the O&M budget are called (Supplementary Budget funds are already held by NFO on behalf of the Project) and held in cash or cash equivalents by the NATO-IS Office of Financial Control to finance three other NATO FORACS budgets, namely NATO FORACS Greece, NATO FORACS AUTEK and NATO FORACS Norway. For more effective cash management purposes, the Steering Committee approved the call procedure whereby funds pertaining to NFG, NFA and NFN are transferred into accounts at NATO Headquarters. These bank accounts are controlled by NFO, thus the closing balances are reported in the NFO's financial statements. Upon request of the Range Managers, funds are transferred to the Greek, US and Norwegian defence authorities respectively, with whom the Range Managers engage to execute their budget following their national rules.

NATO Office of Financial Control manages the surplus funds of all the NATO FORACS entities on the NFO bank account. These funds are not controlled by the NFO Project Manager, but are approved for expenditure by the Steering Committee to enable it to implement its Supplementary Budget authorisations. Remaining funds constitute the Operational Reserve.

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Both the Steering Committee members and Key management personnel have no significant party relationships that could affect the operation of the NFO.

In 2024, NATO International Staff charged NATO FORACS for the services provided:

Amounts in EUR

	Services provided by NATO-IS	
	2024	2023
Common Operating Cost	43,293.00	24,496.00
Administrative Cost	56,428.98	43,886.86
Total	99,721.98	68,382.86

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List of acronyms:

AUTEC	Atlantic Underwater Test and Evaluation Center
DOD	Department of Defense
BC	Budget Committee
FORACS	Naval Forces Sensor and Weapon Accuracy Check Sites
IPSAS	International Public Sector Accounting Standards
IS	International Staff
MOD	Ministry of Defense
MOU	Memorandum of Understanding
NCIA	NATO Communication and Information Agency
NFA	NATO FORACS AUTEC
NFG	NATO FORACS Greece
NFN	NATO FORACS Norway
NFO	NATO FORACS Office
NFSC	NATO FORACS Steering Committee
OFC	Office of Financial Control
PPE	Property, Plant and Equipment