

NATO SANS CLASSIFICATION

17 janvier 2022

DOCUMENT
C-M(2022)0004-AS1

**RAPPORTS DU COLLÈGE INTERNATIONAL
DES AUDITEURS EXTERNES DE L'OTAN (IBAN)
SUR L'AUDIT DES ÉTATS FINANCIERS 2020
DE LA NAGSMO, DE LA NAHEMO, DE LA NAPMA ET DE LA NETMA**

NOTE SUR LA SUITE DONNÉE

Le 14 janvier 2022, au terme d'une procédure d'accord tacite, le Conseil a pris note du rapport du RPPB annexé au C-M(2022)0004, a approuvé les conclusions et les recommandations qu'il contient, a pris note des rapports de l'IBAN et a donné son accord pour que le rapport du RPPB, les rapports de l'IBAN, les états financiers 2020 de la NAGSMO, de la NAPMA et de la NETMA, et les états financiers 2020 rectifiés de la NAHEMO (à l'exception des pages 1 et 2 de l'annexe 1) soient rendus publics.

(signé) Jens Stoltenberg
Secrétaire général

NB : La présente note fait partie du C-M(2022)0004 et doit être placée en tête de ce document.

NATO SANS CLASSIFICATION



	NATO OTAN	NORTH ATLANTIC COUNCIL CONSEIL DE L'ATLANTIQUE NORD
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NATO SANS CLASSIFICATION

5 janvier 2022

DOCUMENT

C-M(2022)0004

Procédure d'accord tacite :

14 jan 2022 15:30

RAPPORTS DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN) SUR L'AUDIT DES ÉTATS FINANCIERS 2020 DE LA NAGSMO, DE LA NAHEMO, DE LA NAPMA ET DE LA NETMA

Note du secrétaire général

1. On trouvera ci-joint les rapports de l'IBAN concernant l'audit des états financiers 2020 de l'Organisation OTAN de gestion de l'AGS (NAGSMO), de l'Agence de gestion du programme du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAPMA) et de l'Agence de gestion OTAN pour le développement, la production et la logistique de l'ACE 2000 et du Tornado (NETMA), ainsi que l'audit des états financiers 2020 rectifiés de l'Organisation de gestion OTAN pour la conception, le développement, la production et la logistique de l'hélicoptère OTAN (NAHEMO). Pour ces quatre entités, l'IBAN a émis une opinion sans réserve à la fois sur les états financiers et sur la conformité.
2. Les rapports de l'IBAN ont été examinés par le RPPB (voir annexe).
3. Je ne pense pas que cette question doive être examinée plus avant. Par conséquent, **sauf avis contraire me parvenant d'ici au vendredi 14 janvier 2022 à 15h30**, je considérerai que le Conseil aura pris note du rapport du RPPB, approuvé les conclusions et les recommandations qu'il contient, pris note des rapports de l'IBAN et donné son accord pour que le rapport du RPPB, les rapports de l'IBAN, les états financiers 2020 de la NAGSMO, de la NAPMA et de la NETMA, et les états financiers 2020 rectifiés de la NAHEMO (à l'exception des pages 1 et 2 de l'annexe 1) soient rendus publics.

(signé) Jens Stoltenberg

1 annexe
1 pièce jointe

Original : anglais

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**RAPPORTS DU COLLÈGE INTERNATIONAL
DES AUDITEURS EXTERNES DE L'OTAN (IBAN)
SUR L'AUDIT DES ÉTATS FINANCIERS 2020
DE LA NAGSMO, DE LA NAHEMO, DE LA NAPMA ET DE LA NETMA**

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

Références :

A.	IBA-A(2021)0121	Rapport de l'IBAN sur l'audit des états financiers 2020 de l'Organisation OTAN de gestion de la capacité alliée de surveillance terrestre (NAGSMO)
B.	IBA-A(2021)0112	Rapport de l'IBAN sur l'audit des états financiers 2020 rectifiés de l'Organisation de gestion de l'hélicoptère OTAN (NAHEMO)
C.	IBA-A(2021)0114	Rapport de l'IBAN sur l'audit des états financiers 2020 de l'Agence de gestion du programme du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAPMA)
D.	IBA-A(2020)0115	Rapport de l'IBAN sur la vérification des états financiers 2020 de l'Agence de gestion OTAN pour le développement, la production et la logistique de l'ACE 2000 et du Tornado (NETMA)
E.	C-M(2015)0025	Règlement financier de l'OTAN
F.	PO(2015)0052	Mandat issu du sommet du pays de Galles concernant la transparence et l'obligation de rendre compte

INTRODUCTION

1. Le présent rapport du RPPB concerne les rapports du Collège international des auditeurs externes de l'OTAN (IBAN) sur l'audit des états financiers 2020 de la NAGSMO, de la NAPMA et de la NETMA ainsi que des états financiers 2020 rectifiés de la NAHEMO. Pour ces quatre entités, l'IBAN a émis une opinion sans réserve tant sur les états financiers que sur la conformité (références A, B, C et D).

OBJET

2. Le présent rapport appelle l'attention sur les éléments les plus importants des rapports de l'IBAN (références A à D), afin que le RPPB puisse réfléchir aux questions d'ordre stratégique découlant de l'audit des états financiers des entités concernées et, s'il y

a lieu, recommander au Conseil une ligne de conduite propre à accroître la transparence, à améliorer le compte rendu et à renforcer la cohérence.

3. Le RPPB note que les observations formulées dans les rapports de l'IBAN ont été examinées et prises en considération par les pays participants représentés au sein des organes directeurs compétents. En vertu de l'article 15 du Règlement financier de l'OTAN (document de référence E), il est tenu d'examiner les rapports d'audit et de formuler des commentaires et des recommandations.

4. Pour plus de clarté, le RPPB a regroupé ses commentaires par chapitre, un par entité.

EXAMEN DE LA QUESTION

CHAPITRE 1 : NAGSMO

5. L'IBAN n'a pas formulé d'observation ni de recommandation à l'issue de l'audit des états financiers 2020 de la NAGSMO. Il a fait le point sur les suites données aux observations et recommandations formulées lors d'audits précédents, et il a constaté qu'une question avait été traitée et que deux autres étaient toujours en cours de traitement.

5.1. Suites données aux observations antérieures – Questions traitées – En 2020, afin de donner suite à l'observation formulée lors de l'audit de l'année précédente, la NAGSMA a présenté dans ses états financiers de 2020 des informations pertinentes au sujet du processus de liquidation.

5.2. Suites données aux observations antérieures – En cours de traitement – Bien que des progrès aient été accomplis, la NAGSMA doit continuer de faire en sorte que des données financières complètes, exactes et fiables soient disponibles au moment de la finalisation du transfert des éléments du système central de l'AGS à l'Organisation OTAN de soutien et d'acquisition (NSPO). Des informations supplémentaires doivent également être fournies au sujet des annulations négatives présentées dans la note jointe à l'état de l'exécution du budget administratif.

CHAPITRE 2 : NAHEMO

6. À l'issue de l'audit des états financiers 2020 de la NAHEMO, l'IBAN a formulé trois observations, assorties de recommandations. Aucune de ces observations n'a eu d'incidence sur les opinions émises au sujet des états financiers rectifiés et de la conformité. Elles concernent la présence d'inexactitudes dans l'état de l'exécution du budget, le non-respect des dispositions de l'IPSAS 3 relatives à la fourniture d'informations de l'exercice précédent à des fins de comparaison, et la comptabilisation incorrecte de la taxe sur la valeur ajoutée dans l'état de la performance financière. Par ailleurs, l'IBAN a fait le point sur la suite donnée aux observations et recommandations formulées lors d'audits

précédents, et il a constaté que trois questions avaient été traitées et que trois autres étaient en cours de traitement.

6.1. Observation 1 – Le Comité directeur de la NAHEMO a approuvé un report spécial de crédits de 2020, destiné à couvrir les frais de déménagement vers le nouveau bâtiment. L'IBAN a constaté que le montant de ce report spécial était comptabilisé dans les engagements cumulés de l'état de l'exécution du budget, alors qu'il s'agit, par définition, d'un montant non engagé puisqu'il n'existe pas d'obligation juridique de paiement. En outre, les états financiers et l'état de l'exécution du budget ne donnaient aucune information sur ce report spécial et ne le présentaient pas séparément¹. Le RPPB souscrit à la recommandation de l'IBAN visant à ce que la NAHEMO présente ce report spécial séparément des autres reports dans l'état de l'exécution du budget, fournisse dans les états financiers des informations sur le montant, le statut et les objectifs du report, et actualise ses règles et procédures financières en y ajoutant une clause consacrée au traitement des reports spéciaux.

6.2. Observation 2 – Suite à une recommandation de l'IBAN, la NAHEMO a modifié en 2020 les modalités de traitement comptable et de comptabilisation des immobilisations. Toutefois, l'IBAN a constaté que la NAHEMO n'avait appliqué que partiellement les dispositions de l'IPSAS 3² relatives à la fourniture d'informations de l'exercice précédent à des fins de comparaison et qu'elle n'avait pas non plus mentionné ce changement dans la partie des états financiers consacrée à la méthode comptable³. Le RPPB souscrit à la recommandation de l'IBAN visant à ce que la NAHEMO fasse en sorte que son système de contrôle interne garantisse que les états financiers présentent les informations de comparaison requises par l'IPSAS 3 en cas de changement de méthode comptable ou de correction d'erreurs.

6.3. Observation 3 – L'IBAN a constaté que la NAHEMO avait comptabilisé la TVA dans l'état de la performance financière alors que ces flux n'auraient dû être comptabilisés que dans l'état de la situation financière. Le RPPB souscrit à la recommandation de l'IBAN visant à ce que la NAHEMO modifie la méthode comptable appliquée à la TVA en ne consignait ces flux que dans l'état de la situation financière.

6.4. Suites données aux observations antérieures – Questions traitées – Le Comité directeur ayant approuvé l'augmentation des dotations budgétaires au cours de l'audit, l'IBAN a pu considérer comme traitée l'observation concernant l'absence d'approbation

¹ Dans ses états financiers 2020 rectifiés, transmis à l'IBAN le 7 juillet 2021, la NAHEMO a fourni les informations requises concernant ce report.

² L'IPSAS 3 stipule ce qui suit : « Un changement de traitement comptable, de comptabilisation ou d'évaluation d'une opération, d'un événement ou d'une condition dans le cadre d'une convention comptable est considéré comme un changement de méthode comptable ». « Lorsqu'une entité change de méthode comptable [...], elle doit appliquer ce changement de manière rétrospective. »

³ Dans ses états financiers 2020 rectifiés, la NAHEMO a présenté correctement les informations de comparaison.

préalable du budget opérationnel révisé par le Comité directeur. Il a pu faire de même pour l'observation qui concernait l'amélioration des estimations figurant dans le budget opérationnel suite à la communication, dans une note jointe aux états financiers, de chiffres précis pour les phases du programme terminées en 2019 et en 2020 mais n'ayant pas donné lieu à des paiements au cours des exercices concernés. Enfin, la NAHEMO a fait le nécessaire pour assurer une séparation adéquate des tâches dans le processus financier en confiant à des personnes différentes la responsabilité des paiements et la responsabilité de la comptabilité.

6.5. Suites données aux observations antérieures – Questions en cours de traitement – Des progrès doivent encore être réalisés s'agissant de l'ajustement des appels de fonds et de la réduction des liquidités détenues ainsi que de l'établissement du budget opérationnel.

6.6. Suites données aux observations antérieures – Questions en cours de traitement ou à traiter depuis plus de trois ans – De manière générale, le RPPB est préoccupé par les opinions avec réserve et les observations adressées à toutes les entités OTAN présentant des états, en particulier lorsqu'elles remontent à plus de trois ans. S'agissant des états financiers de la NAGSMO, de la NAPMA et de la NETMA et des états financiers rectifiés de la NAHEMO, le RPPB note que l'IBAN a émis des opinions sans réserve et qu'en l'occurrence, la seule inquiétude concerne une observation remontant à plus de trois ans à laquelle la NAHEMO n'a toujours pas donné la suite voulue. À ce propos, il a invité le Bureau OTAN des ressources (NOR) (Secrétariat international) à lui faire savoir, après avoir consulté l'IBAN, s'il y avait lieu, pour que l'observation reçoive la suite voulue, que celle-ci soit examinée une fois encore avec l'organe de direction et/ou de gouvernance de la NAHEMO ou que le RPPB formule des recommandations plus ciblées à l'intention du Conseil. Le paragraphe suivant traite de l'observation en question.

6.6.1. Suites données par la NAHEMO aux observations antérieures – Question en cours de traitement depuis plus de trois ans – À l'issue de son audit des états financiers de 2016, l'IBAN avait formulé une observation sur la nécessité de tenir des registres complets et précis des actifs, comme le prévoit l'article 12 du NFR. Il avait aussi recommandé à la NAHEMA de mettre en place des processus fiables et coordonnés visant à faire en sorte que les nouvelles acquisitions soient inscrites à l'actif en tant qu'immobilisations corporelles ou immobilisations incorporelles. Suite à cette recommandation, la NAHEMA a créé en 2020 un registre des immobilisations et elle prévoit d'ajouter dans le système comptable un module permettant d'automatiser l'inscription à l'actif des immobilisations. Toutefois, afin d'améliorer la fiabilité et la coordination des processus pour l'inscription à l'actif des immobilisations et la tenue des registres des actifs, même si la création d'un registre des immobilisations constitue un pas dans la bonne direction, le RPPB recommande à la NAHEMO de prendre toutes les mesures nécessaires pour que cette question puisse être clôturée. Et il recommande au Conseil d'inviter la NAHEMO à lui communiquer, en même temps que ses commentaires relatifs au rapport de l'IBAN sur l'audit des états financiers de 2021, un plan d'action correctif clair, assorti d'échéances, sur ce qui sera fait pour donner suite à cette recommandation.

CHAPITRE 3 : NAPMA

7. À l'issue de l'audit des états financiers 2020 de la NAPMA, l'IBAN a formulé une nouvelle observation, assortie d'une recommandation, qui porte sur l'utilisation de la réserve spéciale. Cette observation n'a pas eu d'incidence sur les opinions émises au sujet des états financiers et de la conformité. Par ailleurs, l'IBAN a fait le point sur la suite donnée aux observations et recommandations formulées lors d'audits précédents, et il a ainsi constaté que deux questions avaient été traitées et que deux autres étaient en cours de traitement.

7.1. Observation 1 – Le Comité de direction de la NAPMO avait constitué une réserve spéciale destinée à financer certaines dépenses à caractère administratif ou liées à des projets. Au cours de l'audit, l'IBAN a constaté que les fonds encore disponibles n'étaient plus assignés à des objectifs spécifiques par le Comité de direction et qu'ils étaient alors assimilables à des fonds non affectés, devant en principe être reversés aux pays participant à la NAPMO, de même que les crédits annulés, à moins que les pays en décident autrement. Le RPPB souscrit à la recommandation de l'IBAN visant à ce que la NAPMA fasse approuver par le Comité de direction l'utilisation qui doit être faite de la réserve spéciale et en reclasse le solde en conséquence.

7.2. Suites données aux observations antérieures – Questions traitées – La NAPMA ayant modifié sa méthode comptable, l'IBAN a pu considérer comme traitée l'observation relative à la sous-évaluation du produit correspondant à une subvention reçue en l'absence d'obligation de performance. La deuxième question considérée comme traitée est celle des améliorations à apporter dans les domaines de la gestion des risques, du contrôle interne et de l'audit interne.

7.3. Suites données aux observations antérieures – Questions en cours de traitement – Malgré les différentes mesures prises par la NAPMA, pour que l'IBAN puisse considérer comme traitée l'observation relative à la comptabilisation dans les immobilisations corporelles des biens acquis par les contractants (CAP), il devra encore s'assurer, lorsqu'il procédera à la vérification des états financiers 2021 de la NAPMA, que les politiques de gestion et de comptabilisation des CAP récemment adoptées sont dûment appliquées. En outre, pour que l'observation relative à la présence d'inexactitudes et d'erreurs non significatives dans les états financiers puisse être considérée comme traitée, des progrès supplémentaires devront être accomplis dans le processus de vérification des informations financières.

CHAPITRE 4 : NETMA

8. À l'issue de l'audit des états financiers 2020 de la NETMA, l'IBAN a formulé une observation, assortie d'une recommandation, au sujet de la nécessité d'améliorer la présentation de l'état de l'exécution du budget. L'IBAN a par ailleurs fait le point sur les suites données aux observations et recommandations formulées lors d'audits précédents, et il a constaté que les questions avaient toutes été traitées.

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ANNEXE 1
C-M(2022)0004

8.1. Observation 1 – Dans l'état de l'exécution du budget de la NETMA, le montant des crédits annulables pour l'exercice considéré est calculé en déduisant du budget approuvé le montant total des engagements. L'IBAN a relevé une différence entre le montant total des engagements, d'une part, et la somme des dépenses et des reports d'engagements, d'autre part. Cette différence, qui se rapporte aux charges à payer, n'est pas expliquée dans l'état de l'exécution du budget ni dans les notes jointes aux états financiers. Le RPPB souscrit à la recommandation de l'IBAN visant à ce que la NETMA veille à l'exhaustivité des informations fournies dans l'état de l'exécution du budget ainsi qu'à la cohérence entre les informations présentées dans l'état de l'exécution du budget et celles figurant dans les notes jointes qui y sont jointes.

8.2. Suites données aux observations antérieures – Questions traitées – Afin de donner suite à l'observation relative à l'amélioration du contrôle interne du compte rendu financier, la NETMA a renforcé ces dernières années ses procédures de vérification des données chiffrées et autres présentées dans les états financiers et elle a amélioré ses procédures de contrôle interne. L'IBAN a également considéré comme traitée la question de la compatibilité des rôles et des responsabilités du chef de l'audit interne avec les principes de la séparation des tâches et de l'indépendance de la fonction d'audit interne.

CONCLUSIONSNAGSMO

9. L'IBAN a émis une opinion sans réserve à la fois sur les états financiers de la NAGSMO et sur la conformité pour l'exercice 2020, au sujet duquel il n'a formulé aucune nouvelle observation. À la date de l'établissement du rapport de l'IBAN, deux questions ayant fait l'objet d'observations lors de précédents audits, deux étaient en cours de traitement et une autre avait été traitée.

10. S'agissant de ces observations, le RPPB se félicite que la NAGSMA ait présenté dans ses états financiers des informations concernant le processus de liquidation. Par ailleurs, le RPPB souscrit aux recommandations adressées par l'IBAN à la NAGSMO au sujet de la finalisation du transfert à la NSPO des éléments du système central de l'AGS ainsi que des améliorations à apporter aux informations présentées dans la note jointe à l'état de l'exécution du budget administratif.

NAHEMO

11. L'IBAN a émis une opinion sans réserve sur les états financiers rectifiés de la NAHEMO ainsi que sur la conformité pour l'exercice 2020. À l'issue de son audit, il a formulé trois nouvelles observations. Aucune d'elles n'a eu d'incidence sur les opinions émises. À la date de l'établissement du rapport de l'IBAN, trois questions ayant fait l'objet d'observations lors de précédents audits étaient en cours de traitement et trois autres avaient été traitées.

12. Le RPPB souscrit à la recommandation de l'IBAN visant à ce que la NAHEMO fournisse des informations sur les reports spéciaux séparément des autres reports dans l'état de l'exécution du budget et à ce qu'elle mette à jour ses règles et procédures financières en y incluant une clause consacrée au traitement des reports spéciaux. Il souscrit également à la recommandation de l'IBAN visant à ce que la NAHEMO fasse en sorte, pour ce qui est du changement de méthode comptable, que les données soient présentées de manière correcte et à ce qu'elle modifie la façon dont elle comptabilise la TVA en consignnant les flux correspondants dans l'état de la situation financière.

13. S'agissant des observations antérieures, le RPPB se félicite des progrès réalisés par la NAHEMO sur les questions de l'approbation du budget opérationnel, de l'amélioration des estimations et de la séparation des tâches dans le processus financier. Par ailleurs, il souscrit à la recommandation de l'IBAN concernant la nécessité d'améliorations supplémentaires en ce qui concerne l'établissement du budget opérationnel ainsi que l'ajustement des appels de fonds et la réduction des liquidités détenues.

14. Pour ce qui est de la recommandation que l'IBAN avait formulée à l'issue de son audit des états financiers de 2016, le RPPB recommande à la NAHEMO de mettre en place des processus fiables pour l'inscription des immobilisations à l'actif et de tenir des registres répertoriant tous les actifs. À ce sujet, il recommande au Conseil d'inviter la NAHEMO à lui communiquer, en même temps que ses commentaires relatifs au rapport de l'IBAN sur l'audit des états financiers de 2021, un plan d'action assorti d'échéances sur ce qui sera fait pour donner suite à cette recommandation.

NAPMA

15. L'IBAN a émis une opinion sans réserve sur les états financiers de la NAPMA ainsi que sur la conformité pour l'exercice 2020. À l'issue de son audit, il a formulé une nouvelle observation, qui n'a pas eu d'incidence sur les opinions émises. À la date de l'établissement du rapport de l'IBAN, deux questions ayant fait l'objet d'observations lors de précédents audits étaient toujours en cours de traitement et deux autres avaient été traitées.

16. Le RPPB souscrit à la recommandation de l'IBAN visant à ce que la NAPMA fasse approuver par le Comité de direction de la NAPMO l'utilisation qui doit être faite de la réserve spéciale.

17. S'agissant des observations antérieures, le RPPB se félicite des progrès réalisés par la NAPMA dans les domaines de la gestion des risques, du contrôle interne et de l'audit interne ainsi que sur la question de la sous-évaluation du produit correspondant à une subvention reçue. Par ailleurs, il souscrit à la recommandation de l'IBAN selon laquelle il conviendrait d'apporter des améliorations supplémentaires en ce qui concerne la comptabilisation des biens acquis par les contractants ainsi que la présence d'inexactitudes et d'erreurs non significatives dans les états financiers.

NETMA

18. L'IBAN a émis une opinion sans réserve sur les états financiers de la NETMA ainsi que sur la conformité pour l'exercice 2020. À l'issue de son audit, il a formulé une nouvelle observation, qui n'a pas eu d'incidence sur les opinions émises. À la date de l'établissement du rapport de l'IBAN, toutes les questions ayant fait l'objet d'observations lors de précédents audits avaient été traitées.

19. Le RPPB souscrit à la recommandation de l'IBAN visant à ce que la NETMA veille à l'exhaustivité des informations fournies dans l'état de l'exécution du budget ainsi qu'à la cohérence avec les données des autres états financiers.

RECOMMANDATIONS

20. Le Bureau de la planification et de la politique générale des ressources (RPPB) recommande au Conseil :

20.1. de prendre note du présent rapport ainsi que des différents rapports de l'IBAN (documents de référence A à D) ;

20.2. d'approuver les conclusions formulées aux paragraphes 9 et 10 (NAGSMO), 11 à 14 (NAHEMO), 15 à 17 (NAPMA) et 18 et 19 (NETMA) ;

20.3. d'inviter la NAHEMO à lui communiquer, en même temps que ses commentaires relatifs au rapport de l'IBAN sur l'audit des états financiers de 2021, un plan d'action assorti d'échéances sur ce qui sera fait pour donner suite à la recommandation restant à traiter ;

20.4. d'autoriser la communication au public des états financiers 2020 de la NAGSMO, de la NETMA et de la NAPMA, des états financiers 2020 rectifiés de la NAHEMO (à l'exception des pages 1 et 2 de l'annexe 1), des rapports de l'IBAN correspondants ainsi que du présent rapport, en vertu de la politique agréée dans le document de référence F.



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD
INTERNATIONAL BOARD OF AUDITORS
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

PIÈCE JOINTE
C-M(2022)0004

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IBA-A(2021)0121
25 août 2021

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

Cc : Représentants permanents auprès de l'OTAN
Président du Comité de direction de la NAGSMO
Directeur général de la NAGSMA
Contrôleuse des finances de la NAGSMA
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Gestion des ressources du Bureau OTAN des ressources
Bureau d'ordre du Cabinet

Objet : ***Rapport du Collège international des auditeurs externes de l'OTAN (IBAN) sur l'audit des états financiers de l'Organisation OTAN de gestion de la capacité alliée de surveillance terrestre (NAGSMO) pour l'exercice clos le 31 décembre 2020 – IBA-AR(2021)0024***

Monsieur le Secrétaire général,
Vous trouverez ci-joint le rapport d'audit approuvé ainsi qu'une note succincte à l'intention du Conseil.

L'IBAN a émis une opinion sans réserve sur les états financiers de la NAGSMO ainsi que sur la conformité pour l'exercice 2020.

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

Daniela Morgante
Présidente

Pièce jointe : voir ci-dessus.

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IBA-AR(2021)0024

**Note succincte du Collège international des auditeurs externes de l'OTAN
à l'intention du Conseil sur l'audit des états financiers de l'Organisation OTAN
de gestion de la capacité alliée de surveillance terrestre (NAGSMO)
pour l'exercice clos le 31 décembre 2020**

La NAGSMO a été créée au sein de l'OTAN pour l'acquisition du système central de la capacité alliée de surveillance terrestre (AGS). Elle est chargée de la gestion globale du programme AGS. Elle se compose d'un comité de direction et de groupes de travail où sont représentés les pays participants ainsi que d'une agence de gestion, placée sous la responsabilité d'un directeur général.

En 2020, les dépenses relevant du budget administratif se sont élevées à 7,2 millions d'euros (MEUR), et les dépenses relevant du budget opérationnel à 37,4 MEUR et 66 millions de dollars des États-Unis.

L'IBAN a émis une opinion sans réserve sur les états financiers ainsi que sur la conformité pour l'exercice clos le 31 décembre 2020.

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

Il a fait le point sur les suites données aux observations et recommandations formulées lors des audits précédents, et il a constaté qu'une question avait été traitée et que deux questions étaient toujours en cours de traitement.

Le rapport d'audit a été transmis à la NAGSMO pour commentaires factuels et commentaires officiels.

25 août 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**RAPPORT SUR L'AUDIT DES ÉTATS FINANCIERS
DE L'ORGANISATION OTAN DE GESTION DE LA CAPACITÉ ALLIÉE
DE SURVEILLANCE TERRESTRE (NAGSMO)
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2020**

PUBLICLY DISCLOSED - PDN(2022)0012 - MIS EN LECTURE PUBLIQUE

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OPINION DE L'AUDITEUR EXTERNE À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD***Audit des états financiers*****Opinion sur les états financiers**

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers de l'Organisation OTAN de gestion de la capacité alliée de surveillance terrestre (NAGSMO) portant sur la période de 12 mois ayant pris fin le 31 décembre 2020. Diffusés sous la cote NAGSMA/FC/L/(2021)00 5069 et soumis à l'IBAN le 26 mars 2021, ces états financiers se composent de l'état de la situation financière au 31 décembre 2020, de l'état de la performance financière, de l'état des variations de l'actif net/situation nette et du tableau des flux de trésorerie pour la période de 12 mois ayant pris fin le 31 décembre 2020, ainsi que d'un résumé des méthodes comptables importantes et d'autres notes explicatives. Ils contiennent en outre un rapport sur l'exécution du budget portant sur la même période de 12 mois.

L'opinion de l'IBAN est que les états financiers donnent une image fidèle et exacte de la situation financière de la NAGSMO au 31 décembre 2020 ainsi que de sa performance financière, de ses flux de trésorerie et de l'exécution du budget pour la période de 12 mois ayant pris fin le 31 décembre 2020, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN.

Justification de l'opinion émise sur les états financiers

Le Règlement financier de l'OTAN prévoit que l'audit externe des entités OTAN présentant des états financiers et des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par l'IBAN.

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 2200-2899), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

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

Responsabilité de la direction concernant les états financiers

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

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

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

Responsabilités de l'IBAN concernant l'audit des états financiers

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

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

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

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

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

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

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

Audit de conformité**Opinion sur la conformité**

Sur la base des procédures qu'il a appliquées, l'IBAN estime que rien, dans son audit des états financiers, ne lui donne de raison de penser que les fonds n'ont pas été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec le Règlement financier de l'OTAN et le Règlement du personnel civil de l'OTAN.

Justification de l'opinion émise sur la conformité

L'IBAN a effectué l'audit de conformité sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000-4899), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

Responsabilité de la direction concernant la conformité

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

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

Responsabilité de l'IBAN concernant la conformité

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

Il incombe ainsi à l'IBAN d'appliquer des procédures lui permettant d'obtenir en toute indépendance une assurance sur le point de savoir si les fonds ont été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec la réglementation en vigueur. De telles procédures prévoient notamment la prise en compte des risques de non-conformité significative.

Bruxelles, le 25 août 2021



Daniela Morgante
Présidente

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OBSERVATIONS ET RECOMMANDATIONS

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

Il a fait le point sur les suites données aux observations et recommandations formulées lors des audits précédents, et il a constaté qu'une question avait été traitée et que deux questions étaient toujours en cours de traitement.

Le rapport d'audit a été transmis à la NAGSMO pour commentaires factuels et commentaires officiels.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

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

Une question est considérée comme étant « à traiter » lorsqu'aucun progrès notable n'a encore été réalisé en vue de son règlement. Une question est considérée comme étant « en cours de traitement » lorsque l'entité a commencé à mettre en œuvre la recommandation correspondante ou lorsque certains éléments de la recommandation (mais pas tous) ont été suivis d'effets. Une question est considérée comme étant « traitée » lorsque la recommandation correspondante a été mise en œuvre ou qu'elle a été rendue ou est devenue caduque. Lorsque la recommandation se subdivise en plusieurs éléments, l'état de la question est indiqué pour chacun d'eux dans la colonne « Mesures prises ».

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(1) NAGSMO – Exercice 2019 IBA-AR(2020)0014, paragraphe 1 TRANSFERT PAR LA NAGSMO À LA NSPO DES ÉLÉMENTS DU SYSTÈME CENTRAL DE L'AGS Recommandation de l'IBAN L'IBAN recommande à la NAGSMO : - de faire en sorte que, avant le transfert officiel du système AGS à la NSPO, le contractant principal fournisse des données financières ayant le degré de granularité défini dans le plan de transition et exigé par les méthodes comptables de la NSPO ;	La NAGSMO a transféré des éléments à la NSPO, en commençant, en décembre 2020, par la composante opérationnelle n°1 du MOS (appui à des opérations de mission) et par un aéronef OTAN sans pilote (UA) de l'OTAN. Jusqu'à présent, le transfert s'est effectué sur la base des	Question en cours de traitement.

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OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
- de devenir membre d'un groupe de travail formel au sein duquel elle collaborerait avec des experts techniques de l'AGS de la NSPO et des responsables financiers, afin qu'un accord soit trouvé sur la valorisation des coûts au moment du transfert officiel des éléments de l'AGS à l'association de soutien AGS de la NSPO ; il faudrait donner à ce groupe de travail un mandat clair et déterminer les responsabilités de chacune des deux parties ; cela permettra de faire en sorte que des données complètes, exactes et fiables soient utilisées pour l'analyse et le calcul de la valeur des éléments d'actif et des stocks de l'AGS que la NSPO devra comptabiliser ; - de mettre en place des contrôles internes supplémentaires, et notamment des mécanismes d'examen et de rapprochement, pour faire en sorte que les	données financières disponibles dans le calendrier contractuel des biens et des services. L'évaluation visant à déterminer si ces chiffres sont complets, exacts et fiables est en cours. En effet, d'autres parties du système AGS ont été transférées après la fin de l'exercice financier et le transfert des éléments d'actif se poursuivra en 2021. Question en cours de traitement. La NAGSMA n'est pas devenue membre d'un groupe de travail formel au sein duquel les participants auraient cherché un accord sur la valorisation des coûts au moment du transfert officiel des éléments de l'AGS à l'association de soutien AGS de la NSPO. Toutefois, elle a eu des échanges de correspondance avec l'Agence OTAN de soutien et d'acquisition (NSPA) et elle a organisé des réunions auxquelles ont participé des membres de la Branche Contrôle du programme et de la Division Finances, le but étant de présenter et d'expliquer au personnel financier et au personnel technique de la NSPA les données qui sont à leur disposition. Le transfert se poursuit et la NAGSMA doit continuer de veiller à ce que des données complètes, exactes et fiables soient mises à disposition pour ce qui concerne les éléments d'actif et les stocks de l'AGS que la NSPO devra comptabiliser. Question en cours de traitement. Aucune anomalie n'a été constatée dans les informations relatives à la phase de transition présentées	

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OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
informations relatives à la phase de transition présentées dans les notes jointes aux états financiers soient cohérentes et exactes.	dans les notes jointes aux états financiers. Question traitée .	
(2) NAGSMO – Exercice 2019 IBA-AR(2020)0014, paragraphe 2 LIQUIDATION DE LA NAGSMO ET MANQUE D'EXHAUSTIVITÉ DES NOTES JOINTES AUX ÉTATS FINANCIERS DE 2019 Recommandation de l'IBAN L'IBAN recommande à la NAGSMO de faire en sorte que les notes relatives au processus de liquidation soient complètes et utiles et, à cet effet, de fournir des informations pertinentes aux utilisateurs des états financiers en vue de la prise de décisions et de l'exercice de l'obligation de rendre compte.	Dans les états financiers de 2020, la NAGSMA a présenté des informations pertinentes au sujet du processus de liquidation. Les plans de lancement du processus de liquidation figurent dans la partie A01 (« Basis of preparation ») de l'annexe A.	Question traitée .
(3) NAGSMO – Exercice 2018 IBA-AR(2019)0024, paragraphe 2 NÉCESSITÉ D'AMÉLIORER LA PRÉSENTATION ET LES INFORMATIONS CONCERNANT LES ENGAGEMENTS DANS LA NOTE JOINTE À L'ÉTAT DE L'EXÉCUTION DES BUDGETS OPÉRATIONNELS DE LA NAGSMO Recommandation de l'IBAN Afin de faciliter la compréhension des états financiers de la NAGSMO par ses lecteurs et utilisateurs, en particulier dans la perspective de l'achèvement du programme, l'IBAN recommande de faire apparaître, dans la note jointe à l'état de l'exécution du budget, des informations concernant les obligations juridiques contractées pendant l'exercice en cours pour l'acquisition de biens et de services pendant les exercices à venir. Par ailleurs, l'IBAN recommande d'utiliser le terme « dépenses » au lieu du terme « charges » dans le contexte de l'exécution du budget.	Dans l'annexe F aux états financiers de 2020, qui contient les notes sur l'état de l'exécution du budget opérationnel, la NAGSMA a présenté le report d'obligations juridiques contractées pendant l'exercice en cours pour l'acquisition de biens et de services pendant les exercices à venir. Tous les reports de montants engagés ou non engagés initialement prévus pour 2020 et décalés sur 2021 ont été expliqués, avec une description de chaque ligne budgétaire. En outre, le budget opérationnel 2021 de la NAGSMA a été présenté, et	Question en cours de traitement .

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OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
	il est précisé que le programme prendra fin en 2021. Par ailleurs, dans l'état de l'exécution du budget administratif, la NAGSMA a présenté les annulations négatives (20 779 EUR). Cela est dû à la différence entre le montant estimatif et le montant réel des charges à payer, mais aucune explication n'a été donnée dans les notes jointes aux états financiers de 2020. La NAGSMA utilise certes le terme « dépenses » lorsque qu'elle évoque l'exécution du budget dans les notes s'y rapportant, mais on trouve encore le terme « charges » dans les états de l'exécution du budget.	

**COMMENTAIRES OFFICIELS DE L'ORGANISATION OTAN DE GESTION
DE LA CAPACITÉ ALLIÉE DE SURVEILLANCE TERRESTRE (NAGSMO)
SUR LE RAPPORT D'AUDIT ET POSITION DU COLLÈGE INTERNATIONAL
DES AUDITEURS EXTERNES DE L'OTAN (IBAN)**

La NAGSMO n'a pas communiqué de commentaires officiels sur le rapport ni sur les observations antérieures.

GLOSSAIRE

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

- L'IBAN émet une opinion sans réserve (*unqualified opinion*) lorsqu'il estime que les états financiers et le rapport sur l'exécution du budget sont exacts et que rien ne lui donne à penser que les fonds n'ont pas été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec la réglementation en vigueur.
- L'IBAN émet une opinion avec réserve (*qualified opinion*) lorsque, d'une manière générale, il est satisfait de la présentation des états financiers mais que, pour certains éléments clés, il constate que les états n'ont pas été correctement établis ou que l'ampleur de l'audit a été limitée, ou lorsque certains éléments lui donnent à penser que les fonds n'ont pas été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec la réglementation en vigueur.
- L'IBAN se déclare dans l'impossibilité d'exprimer une opinion (*disclaimer of opinion*) lorsque l'ampleur de l'audit est extrêmement limitée – au point qu'il n'est pas en mesure d'exprimer une opinion – ou lorsque d'importantes incertitudes entourent les états financiers ou l'emploi des fonds.
- L'IBAN émet une opinion défavorable (*adverse opinion*) lorsqu'une erreur ou une anomalie présente dans les états financiers a des conséquences si étendues et si importantes que, selon lui, une réserve n'est pas suffisante pour faire apparaître le caractère trompeur ou incomplet des états financiers.

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

- Questions clés de l'audit (ISSAI 2701) – Paragraphe qui concerne des questions qui, selon le jugement professionnel de l'IBAN, sont les plus importantes parmi celles qui ressortent de l'audit des états financiers de la période considérée. Les questions clés de l'audit sont portées à l'attention du Conseil.
- Observation particulière (ISSAI 2706) – Paragraphe que l'IBAN ajoute dans la section « Opinion » du rapport d'audit afin d'appeler l'attention sur un élément présenté dans les états financiers dont l'importance est telle, selon lui, qu'il est indispensable à l'utilisateur pour sa compréhension de ces documents.
- Autre observation (ISSAI 2706) – Paragraphe que l'IBAN ajoute dans la section « Opinion » du rapport d'audit pour fournir des informations sur un élément autre que ceux présentés dans les états financiers qui, selon lui, est important pour la compréhension, par l'utilisateur, de l'audit, des responsabilités de l'auditeur ou du rapport d'audit.

NAGSMO

2020

FINANCIAL STATEMENTS



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NATO ALLIANCE GROUND SURVEILLANCE MANAGEMENT AGENCY

NAGSMA



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NATO ALLIANCE GROUND SURVEILLANCE MANAGEMENT AGENCY

NAGSMA



NAGSMA/FC/L/(2021)00 5069

23 March 2021

International Board of Auditors for NATO

Attention: NAGSMO Board of Directors - Chairman and National Representatives

Subject: **NAGSMO Financial Statements - Year ending 31 December 2020**

Enclosed are the NAGSMO 2020 Financial Statements. Please note that the enclosed statements are subject to audit by the International Board of Auditors for NATO.

For the General Manager

Grazia M. D'Arcangelo
NAGSMA Financial Controller

Encl.: NAGSMO Financial Statements for the year ending 31 December 2020.

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NATO ALLIANCE GROUND SURVEILLANCE MANAGEMENT AGENCY

NAGSMA



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These Financial Statements represent the consolidated activities of the NATO Alliance Ground Surveillance Management Organisation (NAGSMO) and its executive body NATO Alliance Ground Surveillance Management Agency (NAGSMA).

THE NATO ALLIANCE GROUND SURVEILLANCE PROGRAMME

NAGSMO is acquiring as an agent a NATO owned and operated Alliance Ground Surveillance (AGS) system that will give commanders an up-to-date picture of the situation on the ground throughout a wide area of interest. The AGS Core will be compliant with NATO Standardization Agreements (STANAGs) in order to ensure interoperability with interoperable national and NATO systems.

The AGS Core capability will enable the Alliance to perform persistent surveillance over wide areas from high-altitude, long-endurance (HALE), unmanned air platforms operating at considerable stand-off distances and in any weather or light condition. Using advanced radar sensors, the AGS Core will continuously detect and track moving objects throughout the observed areas, as well as providing radar imagery of areas and stationary objects.

The NAGSMO and its executive body NAGSMA are responsible for the procurement of the NATO AGS Core capability. NAGSMA was established in September 2009, after all Participating Nations signed the AGS Programme Memorandum of Understanding.

In late 2011, NAGSMA completed negotiations of the AGS Core procurement contract which was subsequently approved by the Participating Nations. The AGS Programme contract award was signed on 20 May 2012 in the margins of the NATO Summit in Chicago. In parallel, all 28 NATO nations negotiated the AGS Programme's practical funding solution for the related Capability Package for the future operations and support of the system.

THE AGS CORE

The AGS Core will be an integrated system consisting of an air segment, a ground segment and a support segment.

The air segment will be based on the Block 40 version of the US RQ-4B Global Hawk high-altitude, long-endurance (HALE) unmanned aerial vehicle (UAV). The UAV will be equipped with the state-of-the-art Multi-Platform Radar Technology Insertion Program (MP-RTIP) ground surveillance sensor, and also with an extensive suite of communications and data links. The air segment will also include the ground-based UAV control stations, which will be located at the AGS Main Operating Base (MOB) at Sigonella Air Base, Italy.

The ground segment will consist of deployable ground stations in mobile and transportable and maritime configurations, and dedicated mission operations support facilities at the MOB. The ground segment entities will provide data link connectivity, data processing and

exploitation capabilities, and interoperable interfaces between the AGS Core System and a wide range of NATO and national Command, Control, Intelligence, Surveillance and Reconnaissance systems. This will enable the AGS Core to interconnect with and provide data to multiple deployed and non-deployed operational users in a flexible, timely and effective manner.

The AGS support segment provides items needed to train the air and ground segment operators and maintainers, to support the AGS System at its main operating base, and to enable maintenance and repair during deployed operations.

The AGS Core System will be supplemented by interoperable national airborne ground surveillance systems from NATO countries, as part of NATO's broader Joint Intelligence, Surveillance and Reconnaissance (JISR) capability.

NATO ALLIANCE GROUND SURVEILLANCE MANAGEMENT ORGANISATION

The NATO Alliance Ground Surveillance Management Organisation (NAGSMO) is a NATO body

- created within the framework of NATO for the acquisition of the AGS Core System and established by the North Atlantic Council pursuant to Article IX of the North Atlantic Treaty and within the meaning of the Agreement on the Status of the North Atlantic Treaty Organisation, National Representatives and International Staff, signed in Ottawa 20 September 1951;
- to which the North Atlantic Council grants, within the framework of the NATO, a clearly defined organisational, administrative and financial status as specified below; and
- established with a view to meeting the NATO requirement, by Bulgaria, Czech Republic, Denmark, Estonia, Germany, Italy, Latvia, Lithuania, Luxembourg, Norway, Poland, Romania, Slovakia, Slovenia, and the United States of America in the field of implementation of the NATO AGS Programme described in the AGS Programme Memorandum of Understanding (PMOU).

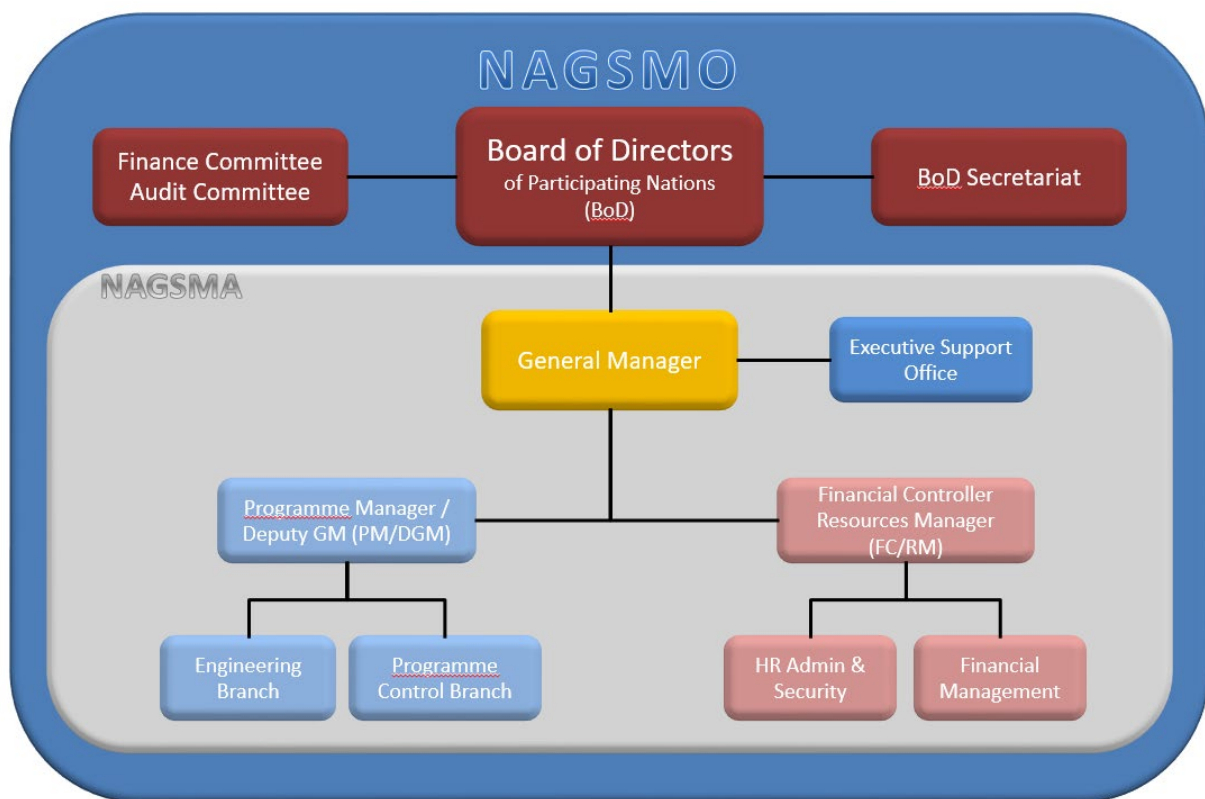
In June 2010, Denmark announced her intent to withdraw from the AGS Programme, a process that under the terms of the PMOU came into effect on 31 March 2011. Subsequently, in July 2011, Canada also announced her intent to withdraw, effective as of 30 April 2012. Later in 2012 Denmark announced her interest and intent to re-join the AGS Programme. Denmark re-joined the AGS Programme in December 2012. Poland announced to the NAGSMO Board of Directors their interest in joining the AGS Programme in August 2012. An amendment to the PMOU was sent to Participating Nations for signature in August 2013. Poland signed the Amendment 1 to the AGS PMOU in April 2014. With the signature of all of the Participating Nations, the Amendment 1 to the AGS PMOU has come into effect on the 19th of June 2014.

The principal task of the NAGSMO is to ensure the planning and implementation of a harmonised AGS Programme, which satisfies the operational requirements, in accordance with the provisions of the PMOU, and with due regard to the NAGSMO Member States' views on political, economic, industrial and technological factors. NAGSMO shall assume the functions of overall management of the AGS Programme, including:

- overall governance of the AGS Programme;
- general administration of the NAGSMA and procurement of the AGS Core System;
- examination of all issues that might impact the AGS Programme;
- coordination, as necessary, of the policy and working methods of the NAGSMO Member States' services, such as quality assurance and auditing; and
- support integration of the AGS Core System with the NATO Joint Intelligence, Surveillance and Reconnaissance (JISR) architecture.

NAGSMO comprises a Board of Directors (BoD) with Representatives from the Participating Nations, and NAGSMA as the Executive Body, led by a General Manager (GM).

The diagram below depicts the NAGSMO and NAGSMA organizational structure in 2020.



NAGSMA and Service Support/Level Agreement

NAGSMA has signed service support agreements with the NATO IS and the NCI Agency in a number of areas necessary for the day-to-day operations of the Agency. In all respects of NAGSMA related activities, the GM and his staff remain fully accountable for the responsibilities assigned to them and make the final decisions on all matters related to the execution of NAGSMA's mandate.

NAGSMO Financial Management Procedures Document and Financial Rules and Procedures (FMPD-FRP)

The NAGSMO FMPD-FRP conforms to the provision of the NATO Financial Regulations. The NAGSMO FMPD-FRP recognises the withdrawal of Canada and the re-entry of Denmark, the conversion parameters from Then-Year to Base-Year, the call for contribution structure, the proposed structure of the Administrative and Operational Budgets as well as the Voluntary National Financial Contributions.

NAGSMA 2020 Administrative Budget

In November 2019 the NAGSMO BoD approved the 2020 NAGSMA Administrative Budget. The 2020 Administrative Budget funded NAGSMA's expenditures from 1 January to 31 December 2020.

Due to the postponed closure of the Agency to 30 June 2021 decided by the NAGSMO BoD on 11 February 2021 and the corresponding NAGSMA staff contract extensions as well as the departures and transfers of some NAGSMA staff members to other NATO entities, the estimates for possible Loss of Job Indemnity (LOJI), installation and removal allowances were revised. As a result of the Mid-Year review exercise, in September 2020 the NAGSMO BoD approved a decrease of the 2020 Administrative budget by 3M EUR.

In 2020 NAGSMA continued finding cost-effective manpower and increased performance solutions. In 2020 NAGSMA's administrative expenditures were considerably lower than what had been anticipated. 51% of the total savings were in Chapter I. The majority of savings were generated in basic salary and payroll related costs as well as consultancy. Savings in basic salary resulted from early departures of staff and unfilled positions already foreseen in the Staffing table.

In Chapter II, Operations and Maintenance, the Agency successfully negotiated the Service Support Agreement and an annual Service Support Package with the NCI Agency for external administrative and IT support. It also received administrative and operational support from the NATO IS under the Memorandum of Agreement. 43% of the total savings were identified in Chapter II and primarily related to a lower scope of support from the NCI Agency due to a take-over by NAGSMA of accounting and finance functions as well as less travel on duty

mainly due to the Covid19 related travel restrictions. The remaining 6% of administrative savings were in risk management.

NAGSMA 2020 Operational Budget

The 2020 NAGSMA Operational Budget was approved In November 2020 by the NAGSMO BoD. The budget primarily covers the Initial In-Service Support (I-ISS) and Spare parts as well as contracts in place with Terma (Denmark), EXENCE, PITRADWAR & ITWL (Poland), Leonardo (Italy) and Kongsberg (Norway).

At 2020 Mid-Year Review, the 2020 Operational Budget was decreased to reflect the operational changes made with Task Order 01 signed with NGISSII in May 2020 that enabled the I-ISS activities to start in June 2020. Due to a delay in starting the I-ISS activities some of the milestones originally budgeted in 2020 were transferred to 2021. Also a part of Management Reserve was transferred from 2020 to 2021 to accommodate possible additional requirements to complete the program. The NAGSMO BoD approved the 2020 Operational Budget decrease by 23.6MUSD and 5.1MEUR in September 2020.

Furthermore, due to delays in the program not least caused by COVID-19 related disruptions, the 2020 Operational Budget was further decreased by 11.5M USD and 2.9M EUR, carrying forward the uncommitted funds to the Operational budget 2021. The NAGSMO BoD approved the carry forward of uncommitted funds to the 2021 Operational Budget in January 2021.

Major Achievements FY 2020:

In 2020, the AGS Programme achieved the following important milestones:

Core Contract:

- System Level Performance Verification (SLPV) flight completed;
- Main Operating Base (MOB) Validation Flight completed;
- Multi-UAV Demonstration event completed;
- MP-RTIP RSD 1.5+ development completed and installed in all five (5) UAVs;
- DAAA accepted Technical Publications Rev. R;
- DAAA issued Airworthiness Certificates for NA-01 and NA-03, and assigned Military Registration Numbers to NA-01, NA-03 and AVMC2;
- Early Site Acceptance / Early Use with NAGSF executed with:
 - AVMC2 with MOS;
 - UAVs NA-01 and NA-03;
 - MGGs Production Units #3, #4, #5, and #6;
 - TGGs Production Unit #2;
- Early Use Agreement between NAGSMO and NAGSF enabled fifteen (15) Training and Familiarization flights and declaration of Early Operational Capability (EOC);

- Initial In-Service Support (IIS) commenced on 1 June 2020 with NGISSII, Airbus, Leonardo, and Kongsberg;
- Title Transfer to NATO of NA-05, completing title transfer of all five UAVs;
- Factory Acceptance, Temporary Military Registration Numbers, and Ferry Flights to MOB of NA-03, NA-04, NA-05, completing all five (5) UAVs at the MOB;
- Multiple “COVID Recovery / CSX Test Periods” executed to complete development;
- IIS Spares acceptance ongoing with more than 23000 parts turned over to NAGSF;
- Training Courses and Courseware complete and delivered;
- Test and Verification (T&V) completion with the exception of SLPV Ground (NS WAN);
- Second Vulnerability Assessment / Security Audit complete;
- Handover from NAGSMO to AGS Support Partnership commenced in December with MOS, NA-03, and NA-01.

Core Extension Contracts:

- ATR/ATID by Terma, DK
 - Phase I:
 - Radar Data Provision (CAFEx): In coordination with the NAGSF, NAGSMA is collecting the first tranche of data for use by Terma in algorithm development.
 - Phase II:
 - Provides software integration into the MOS/TGGS and other categorization features.
 - Phase II CMR #9 achieved on 22 January 2020. Evaluation status approved and Milestone paid.
 - Transition after Phase II: NAGSMA / NSPA coordination started:
 - NAGSMA / NSPA coordination started the assessment on options for ATR/ATID installation at MOB, and further development of the simulation tool chain ongoing.
 - Phase II + for integration of the capability into the PED Cell negotiated and signed in August 2020.
 - Leonardo portion for support of the integration will be executed through a Task Order (TO) to the Leonardo I-ISS contract. Milestone #25 (Phase II + Activity Startup) achieved.

- TSEC by Exence, POL
 - A contract with the Polish company EXENCE S.A. was signed on 6 December 2016 to design/develop/qualify/produce the Phase I of NATO AGS Test System Environment Capability (TSEC).
 - First iteration of Integration Test events with Leonardo and Airbus completed with positive outcomes.
 - Second iteration of Integration Test events with Airbus have been successfully finalized in early July at Airbus facilities.
 - Security Testing event completed.
 - TSEC shipment to the MOB completed on April 2020.
- Battle Lab by ITWL, POL
 - AGS Ground Entities installed in SIG and integrated as one environment.
 - HW procurement completed.
 - Milestone paid for CDR preparation package.
 - Milestone paid for CMR#4.
 - CDR Successful completed.
 - Formal Test 1 successful completed.
 - Containers Delivered and installed at the Contractor Premises.
 - System Integration started.
- CSOP / Back-Up SMARF by PIT-RADWAR, POL
 - A contract with the Polish company PIT-RADWAR was signed in October 2017 to design/develop/qualify/produce the NATO AGS Core Software Only Package (CSOP).
 - Back-Up SMARF location was approved and the contract amendment was signed for covering the Enabling Projects work in Bydgoszcz, Poland.
 - Critical Design Review (CDR) successfully completed Sept – Dec 2020
 - PIT-RADWAR S.A. to complete System Delivery to be completed by (TBD) 2021.
- ALIS by Leonardo, IT
 - The NATO AGS Logistic Information System (ALIS) was granted Security Accreditation by the NATO Office of Security (NOS) for the next 3 years.
 - The Final System Acceptance (FSA) was completed for the system design and development in December 2020
 - ALIS transition to NSPA expected in 1st quarter 2021.
- SMARF Support by Kongsberg, NOR

- The Norwegian company Kongsberg continues to ensure the ongoing sustainment of the AGS SMARF software, providing general online support through tele/ videoconferences, and other means to authorized Subject Matter Experts (SME) to respond to problem reports and support finding resolutions.
- The 1st and 2nd Quarters of IISS support on the SMARF were completed in 2020

2021 Outlook

The main activities foreseen in 2021 are the execution/completion of the following:

- Core Contract:
 - Completion of System Design Development Qualification (SDDQ), including multiple Engineering Change Proposals / Service Bulletins (ECPs/SBs);
 - Completion of Site Acceptance and Handover of all AGS Air, Ground, and Support Segment entities.
- I-ISS Contracts: Completion on 31 August 2021 of the I-ISS Contracts and transition to ISS under NSPA:
 - Air-Segment with NGISSII (Part 6 of the AGS Core Contract);
 - MGGs with Airbus;
 - TGGs/MOS with Leonardo;
 - SMARF with Kongsberg.
- Execution, delivery, acceptance, and Handover the Core Extension (IP) Capabilities:
 - IT - ALIS with Leonardo;
 - DEN - ATR/ATID with TERMA;
 - POL- EXENCE for TSEC;
 - POL - PITRADWAR for CSOP;
 - POL - ITWL for the Battle Lab;
 - NOR - SMARF with Kongsberg.

NAGSMA Assets

Office space, including furniture is provided by NATO IS via MoU. IT and other equipment is provided by the NCI Agency via the SSA.

NAGSMO & NAGSMA Acting as a Procurement Agent

The North Atlantic Council (NAC) established NAGSMO by approving its Charter. The Charter clearly establishes that NAGSMO is a subsidiary body of NATO and states that the objective is to procure the AGS Core system which will be owned, controlled and operated by NATO. NAGSMA is an entity acting as an agent with no control over the assets procured. The AGS Participating Nations reiterated the specific nature of the AGS Programme: temporary existence of the Agency with the goal to procure, deliver, and hand over the AGS Core system to NATO and, as such, the Agency will not own any assets.

As per AGS Transition Plan, NSPA, as the executive body of the AGS Support Partnership, will exercise ownership and will be responsible for the registration of ownership and accountability for each asset on behalf of NATO at the granularity level defined by the Transition Plan as well as the financial accounting, depreciation and financial reporting in their own financial statements of the AGS Core System Assets in accordance with Council-approved regulations, including those related to NATO Accounting Framework and International Public Sector Accounting Standards (IPSAS). NAGSMA is responsible for the submission of the initial asset accounting list in accordance with the minimum data requirements specified in LW-A/2016/088/IS/II Asset Accounting Minimum Data Requirements.

In 2020 NAGSMO handed over to the AGS Support Partnership the Mission Operations Support (MOS) Operational Element #1 and NATO Unmanned Aerial Vehicle (UAV) NA-03. A transition process of UAV NA-01 has also started in December 2020. The final step of the hand-over in accordance with the AGS transition plan comprising a sign-off of the appropriate Supportability Checklist, was completed in January 2021.

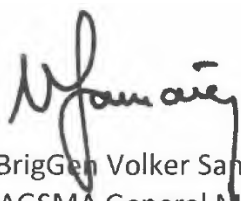
Furthermore, the following additional assets have been handed over to the AGS Support Partnership in 2021 as at the day of the Financial Statements authorisation for publishing:

- Mission Operations Support (MOS) Operational Element #2,
- Transportable General Ground Station (TGGS) Unit D1,
- Transportable General Ground Station (TGGS) Unit P2,
- Mobile General Ground Station (MGGS) Unit P1,
- Mobile General Ground Station (MGGS) Unit P2,
- Mobile General Ground Station (MGGS) Unit P4,
- Mobile General Ground Station (MGGS) Unit P5,
- Mobile General Ground Station (MGGS) Unit P6,
- DUCE Unit 2.

More than 23000 parts were turned over to NAGSF in 2020. NAGSMA has provided data for all transferred assets and inventory to NSPA.

CERTIFICATION

1. The NAGSMO 2020 Financial Statements are submitted to the International Board of Auditors for NATO.
2. The Financial Statements will be audited in accordance with the following reference documents:
 - a. The NAGSMO FMPD-FRP conform to the NFRs, Part II as approved by the North Atlantic Council (NAC) in C-M(2015)0025.
 - b. PO(2002)109, dated 23 July 2002: the document from the NAC adopting IPSAS, including the accrual and going concern assumptions, as the applicable accounting standards for all NATO entities effective for the financial year of 2006.
 - c. The NATO Accounting Framework has been developed to provide minimum requirements for financial reporting for all NATO Reporting Entities following approval of C-M(2016)0023 by the North Atlantic Council on 29 April 2016 of an IPSAS-adapted accounting framework for the Alliance.
3. The NAGSMO Financial Statements are certified by the NAGSMA Financial Controller to the best of her knowledge and according to the applicable accounting standards to give a true and fair view of the assets, liabilities, financial position and financial performance of NAGSMO and to be in accordance with the books and records maintained by the NCI Agency and NAGSMA.
4. The NAGSMO Financial Statements may be disclosed to the general public.



BrigGen Volker Samanns
NAGSMA General Manager



Grazia M. D'Arcangelo
NAGSMA Financial Controller

STATEMENT ON INTERNAL CONTROL

This statement of internal control applies to the Financial Statements of NAGSMA, as the executive body of NAGSMO, for the year ended 31 December 2020.

Scope of responsibility

- The General Manager acknowledges responsibility to maintain a sound system of internal control that supports the achievement of NAGSMA's mandate under its NATO Charter.
- The Financial Controller acknowledges responsibility for the correct use of funds made available to NAGSMA and for maintaining a sound system of internal control that supports the achievement of NAGSMA's goals and objectives, whilst safeguarding the public funds and assets.
- Funds received are recorded, accounted and managed through the NCI Agency core financial system.

The NAGSMO Board of Directors approved the NAGSMO Financial Management Procedures Document-Financial Rules and Procedures (FMPD-FRP) to provide guidance on the proper handling and reporting of public funds. The FMPD-FRP sets out the relevant financial rules and procedures in accordance with the NATO Financial Regulations, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

Purpose of the System of Internal Control

The system of internal control is designed to ensure that NATO assets are used for the purposes intended and that the transactions relating to their usage reflect the highest standards of integrity to justify continued confidence of the AGS Programme Participating Nations.

The process within NAGSMA accords with the NAGSMO FMPD-FRP and has been in place for the year ending 31 December 2020 and up to the date of approval of the Financial Statements.

Risk and Control Framework

The NAGSMA system of internal control is based on an ongoing process designed to identify the key risks to the achievement of NAGSMA goals and objectives, to evaluate the nature and extent of those risks and to manage them efficiently and effectively.

NAGSMA is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area.

Since the NCI Agency carries out transactions on behalf of NAGSMA under the Service Support Agreement, NAGSMA's processes need to be compatible to the NCI Agency financial management system.

Review of Effectiveness

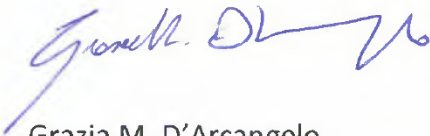
The Financial Controller has responsibility for reviewing the effectiveness of the system of internal control. The review is informed by:

- The executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- Periodic Internal Audits performed on selected areas of activity within the FC/RM division; and
- Comments made by the external auditors in their management letters and other reports.

Appropriate action is in place to address any weaknesses identified and to ensure the continuous improvement of the system. During 2020, no material instances of failure to the internal control system were reported that should be brought to your attention.



BrigGen Volker Samanns
NAGSMA General Manager



Grazia M. D'Arcangelo
NAGSMA Financial Controller

NAGSMO – Statement of Financial Position
as at 31 December 2020
(all amounts in Euro)

	Notes	Current Year	Prior Year
	ANNEX B	31-Dec-20	31-Dec-19
ASSETS			
Cash and cash equivalents	B01	167,949,792	253,795,547
Short-term investments	B02	0	0
Receivables	B03	1,392,436	21,394,354
Other current assets and prepayments	B04	233,814	157,906
Current assets		169,576,042	275,347,806
TOTAL ASSETS		169,576,042	275,347,806
LIABILITIES			
Payables	B05	9,770,266	642,690
Advances and deferred revenue	B06	154,290,918	253,635,373
Short term provisions	B07	233,814	150,206
Other current liabilities	B08	5,281,044	20,919,537
Current liabilities		169,576,042	275,347,806
NET ASSETS/EQUITY			
Accumulated surpluses/(deficits)		0	0
Net Assets/Equity		0	0
TOTAL LIABILITIES		169,576,042	275,347,806

**NAGSMO – Statement of Financial Performance
for the year ended 31 December 2020
(all amounts in Euro)**

	Notes	Current Year	Prior Year
	ANNEX C	2020	2019
REVENUE			
Revenue from non-exchange transactions	C01	7,274,196	7,997,409
Revenue		7,274,196	7,997,409
EXPENSES			
Personnel	C02	6,223,345	6,330,735
Contractual supplies and services	C03	1,050,851	1,666,674
Expenses		7,274,196	7,997,409
NET SURPLUS/(DEFICIT)		0	0
NET SURPLUS/(DEFICIT) ALLOCATION			
Reserves		0	0
Accumulated surpluses/(deficits)		0	0
Net surplus/(deficit) allocation		0	0

NAGSMO – Cash Flow Statement (Indirect Method)
for the year ended 31 December 2019
(all amounts in Euro)

	Notes	Current Year	Prior Year
	ANNEX D	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Cash flow from operating and other activities			
Net surplus/(deficit)		0	0
Total cash flow from operating and other activities		0	0
Decrease/(increase) Current assets			
Decr./ (incr.) Other current assets and prepayments		(75,909)	4,102
Decr./ (incr.) Receivables		20,001,918	33,422,696
Total decrease/(increase) Current assets		19,926,009	33,426,797
Increase/(decrease) Current liabilities			
Incr./ (decr.) Short term provisions		83,609	(11,802)
Incr./ (decr.) Other current liabilities		(15,638,494)	810,177
Incr./ (decr.) Payables		9,127,576	(1,364,582)
Incr./ (decr.) Advances and deferred revenue		(99,344,455)	(55,399,214)
Total increase/(decrease) Current liabilities		(105,771,764)	(55,965,420)
NET CASH FLOW FROM OPERATING ACTIVITIES		(85,845,755)	(22,538,622)
NET CASH FLOW FROM INVESTING ACTIVITIES		0	0
NET CASH FLOW FROM FINANCING ACTIVITIES		0	0
NET INCREASE/(DECREASE) CASH AND CASH EQUIVALENTS		(85,845,755)	(22,538,622)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		253,795,547	276,334,169
CASH AND CASH EQUIVALENTS AT END OF PERIOD		167,949,792	253,795,547

**NAGSMO – Statement of Changes in Net Assets/Equity
for the year ended 31 December 2020
(all amounts in Euro)**

BALANCE AT 31-DECEMBER-2019	0
Net surplus for the period	0
BALANCE AT 31-DECEMBER-2020	0
NET CHANGE IN ASSETS/EQUITY (OPERATING FUND) FOR THE YEAR ENDED 31-DECEMBER-2020	0

NAGSMO Budget Execution Statement - Administrative Budget
for the year ended 31 December 2020
(All amounts in Euro)

	Notes ANNEX E	Initial Authorisa- tion	Mid-year Review (MYR)	Final Approval - MYR	Transfers	Final Authorisation	Net Commitment	Expenses*	Total	Carry Forward	Lapsed
Personnel											
2019 - Personnel	E02	0	0	0	0	0	0	504	504	0	-504
2020 - Personnel	E03	8,155,410	-500,000	7,655,410	0	7,655,410	0	6,139,233	6,139,233	0	1,516,177
Total Personnel		8,155,410	-500,000	7,655,410	0	7,655,410	0	6,139,737	6,139,737	0	1,515,673
Contractual supplies and services											
2019 - Contractual supplies and services	E04	0	0	0	0	0	0	20,275	20,275	0	-20,275
2020 - Contractual supplies and services	E05	3,021,300	-725,845	2,295,455	0	2,295,455	0	1,018,178	1,018,178	0	1,277,277
Total Contractual supplies and services		3,021,300	-725,845	2,295,455	0	2,295,455	0	1,038,453	1,038,453	0	1,257,002
Capital and investment budgeting											
2019 - Capital and investment budgeting	E06	0	0	0	0	0	0	0	0	0	0
2020 - Capital and investment budgeting		1,000	7,400	8,400	8,400	8,400	0	3,398	3,398	0	5,002
Total Capital and investment budgeting		1,000	7,400	8,400	8,400	8,400	0	3,398	3,398	0	5,002
Budget contingencies											
2019 - Budget contingencies	E07	0	0	0	0	0	0	0	0	0	0
2020 - Budget contingencies		2,000,000	-1,800,000	200,000	200,000	200,000	0	9,000	9,000	0	191,000
Total Budget contingencies		2,000,000	-1,800,000	200,000	200,000	200,000	0	9,000	9,000	0	191,000
TOTAL BUDGET EXECUTION		13,177,710	-3,018,445	10,159,265	10,159,265	10,159,265	0	7,190,588	7,190,588	0	2,968,677

NAGSMO Budget Execution Statement - Operational Budget Total
for the year ended 31 December 2020
(All amounts in Euro equivalent)

Notes	Initial Authorisation	Transfers Effected*	Revised Budget Authorisation	Mid Year - Review (MYR)**	Final Approval- MYR	Transfers***	Final Authorisation	Net Commitment	Actual Expenses	Total Spend	Carry Forward	Lapsed
Annex F												
AGS Core System Procurement												
2015 - AGS Core System Procurement	500	0	500	0	500	0	500	500	0	500	500	0
2016 - AGS Core System Procurement	170,800	0	170,800	0	170,800	0	170,800	13,000	157,800	170,800	13,000	0
2017 - AGS Core System Procurement	144,635	0	144,635	0	144,635	0	144,635	85,635	59,000	144,635	85,635	0
2018 - AGS Core System Procurement	22,060,639	0	22,060,639	0	22,060,639	0	22,060,639	10,058,090	12,002,550	22,060,640	10,058,090	0
2019 - AGS Core System Procurement	151,516,887	0	151,516,887	0	151,516,887	0	151,516,887	79,415,271	71,987,615	151,402,886	79,415,271	114,000
2019 - AGS Core System Procurement	46,505,981	14,009,566	60,515,547	-25,898,708	34,616,839	-13,067,493	21,549,346	10,032,804	11,283,029	21,315,833	10,032,804	233,514
TOTAL AGS Core System Procurement												
	220,399,443	14,009,566	234,409,009	-25,898,708	208,510,301	-13,067,493	195,442,808	99,605,300	95,489,994	195,095,294	99,605,300	347,514

Notes:

* Transfers effected after the Initial budget authorisation include the special carry forwards of uncommitted appropriations from the 2019 NAGSMA Operational Budget to the 2020 NAGSMA Operational Budget, approved by BoD on 7 January 2020 (NAGSMO/BOD/D/2020/0028-AS1)

** At MYR 2020, the 2020 Operational Budget was decreased in line with the expected AGS Program execution. The amount of decrease was added to 2021 Operational budget.

*** Transfers effected after the Mid-Year review include the special carry forwards of uncommitted appropriations from the 2019 NAGSMA Operational Budget to the 2020 NAGSMA Operational Budget, approved by BoD on 7 January 2020 (NAGSMO/BOD/D/2019/0028-AS1)

NAGSMO Budget Execution Statement - Operational Budget (EUR part)
for the year ended 31 December 2020
All amounts in Euro

Notes	Initial Authorisation	Transfers Effectuated	Revised Budget Authorisation	Mid Year - Review (MYR)	Final Approval - MYR	Transfers	Final Authorisation	Net Commitment	Expenses	Total Spend	Carry Forward	Lapsed*
Annex F												
BL 6604011							FA					
System Design, Development and Qualification												
2018 - System Design, Development and Qualification	100,000	0	100,000	0	100,000	0	100,000	0	100,000	100,000	0	0
2019 - System Design, Development and Qualification	20,180,479	0	20,180,479	0	20,180,479	0	20,180,479	8,498,822	11,681,657	20,180,479	8,498,822	0
Total System Design, Development and Qualification	20,280,479	0	20,280,479	0	20,280,479	0	20,280,479	8,498,822	11,781,657	20,280,479	8,498,822	0
Production												
2018 - Production	1,474,166	0	1,474,166	0	1,474,166	0	1,474,166	1,324,166	150,000	1,474,166	1,324,166	0
2019 - Production	19,576,091	0	19,576,091	0	19,576,091	0	19,576,091	13,135,438	6,440,653	19,576,091	13,135,438	0
Total Production	21,050,257	0	21,050,257	0	21,050,257	0	21,050,257	14,459,604	6,590,653	21,050,257	14,459,604	0
Management Reserve												
2016 - Management Reserve	170,800	0	170,800	0	170,800	0	170,800	13,000	157,800	170,800	13,000	0
2017 - Management Reserve	86,189	0	86,189	0	86,189	0	86,189	27,189	59,000	86,189	27,189	0
2018 - Management Reserve	254,564	0	254,564	0	254,564	0	254,564	254,564	0	254,564	254,564	0
2019 - Management Reserve	370,090	0	370,090	0	370,090	0	370,090	334,031	36,059	370,090	334,031	0
2020 - Management Reserve	3,021,946	-71,194	2,950,752	-1,587,343	1,363,409	-1,363,409	0	0	0	0	0	0
Total Management Reserve	3,903,589	-71,194	3,832,395	-1,587,343	2,245,052	-1,363,409	881,643	628,784	252,859	881,643	628,784	0
CAFEX												
2018 - CAFEX	2,425	0	2,425	0	2,425	0	2,425	0	2,425	2,425	0	0
2019 - CAFEX	902,301	0	902,301	0	902,301	0	902,301	421,242	481,059	902,301	421,242	0
2020 - CAFEX	0	1,481,187	1,481,187	0	1,481,187	0	1,481,187	0	1,247,673	1,247,673	0	233,514
Total CAFEX	904,726	1,481,187	2,383,913	0	2,385,913	0	2,385,913	421,242	1,731,158	2,162,399	421,242	233,514
IISS												
2018 - IISS	6,632,519	0	6,632,519	0	6,632,519	0	6,632,519	4,563,143	2,069,376	6,632,519	4,563,143	0
2019 - IISS	1,226,692	0	1,226,692	0	1,226,692	0	1,226,692	245,037	867,654	1,112,691	245,037	114,000
2020 - IISS	3,969	6,313,304	6,317,273	-3,522,500	2,794,773	-270,500	2,524,273	53,969	2,470,304	2,524,273	53,969	0
Total IISS	7,863,179	6,313,304	14,176,483	-3,522,500	10,653,983	-270,500	10,383,483	4,862,150	5,407,333	10,269,483	4,862,150	114,000
ATR / ATID												
2020 - ATR/ATID	3,640,000	0	3,640,000	0	3,640,000	-1,390,000	2,250,000	0	2,250,000	2,250,000	0	0
Total ATR / ATID	3,640,000	0	3,640,000	0	3,640,000	-1,390,000	2,250,000	0	2,250,000	2,250,000	0	0
TCB												
2017 - TSEC, CSOP & Battle Lab, Capability	58,446	0	58,446	0	58,446	0	58,446	58,446	0	58,446	58,446	0
2018 - TSEC, CSOP & Battle Lab, Capability	39,372	0	39,372	0	39,372	0	39,372	39,372	0	39,372	39,372	0
2019 - TSEC, CSOP & Battle Lab, Capability	16,099,867	0	16,099,867	0	16,099,867	0	16,099,867	8,199,537	7,900,330	16,099,867	8,199,537	0
2020 - TSEC, CSOP & Battle Lab, Capability	8,822,506	120,080	8,942,586	1	8,942,587	75,000	9,017,587	7,578,426	1,439,161	9,017,587	7,578,426	0
Total TCB	25,020,192	120,080	25,140,272	1	25,140,273	75,000	25,215,273	15,876,782	9,339,491	25,215,273	15,876,782	0
	82,662,423	7,843,377	90,505,800	-5,109,842	85,395,958	-2,948,909	82,447,049	44,746,383	37,353,151	82,099,534	44,746,383	347,514

Notes: * Transfers effected after the initial budget authorisation include the special carry forwards of uncommitted appropriations from the 2019 NAGSMA Operational Budget to the 2020 NAGSMA Operational Budget, approved by BoD on 7 January 2020 (NAGSMO/BOD/D/2020/0028-AS1)
** Transfers effected after the Mid-Year review include the special carry forwards of uncommitted appropriations from the 2020 NAGSMA Operational Budget to the 2021 NAGSMA Operational Budget, approved by BoD on 8 January 2021 (NAGSMO/BOD/D/2020/0017-AS1)

NAGSMO Budget Execution Statement - Operational Budget (USD part)
for the year ended 31 December 2020
All amounts in USD

BL	Notes	MYR															Total Spend	Carry Forward	Lapsed
		Initial Authorisation	Transfers Effected*	Revised Budget Authorisation	Mid Year - Review (MYR)	Final Approval - MYR	Transfers Effected**	Final Authorisation	Net Commitment	Expenses									
BL 6604010	Annex F																		
System Design, Development and Qualification	2018 - System Design, Development and Qualification	3,109,181	0	3,109,181	0	3,109,181	0	3,109,181	0	3,109,181	3,109,181	0	0	0	0				
	2019 - System Design, Development and Qualification	46,667,997	0	46,667,997	0	46,667,997	0	46,667,997	27,007,601	19,660,396	46,667,997	27,007,601	27,007,601	0	0				
	Total System Design, Development and Qualification	49,777,178	0	49,777,178	0	49,777,178	0	49,777,178	27,007,601	22,769,577	49,777,178	27,007,601	27,007,601	0	0				
	Production																		
	2018 - Production	7,673,765	0	7,673,765	0	7,673,765	0	7,673,765	4,401,083	3,272,682	7,673,765	4,401,083	4,401,083	0	0				
	2019 - Production	45,992,984	0	45,992,984	0	45,992,984	0	45,992,984	27,044,905	18,948,080	45,992,984	27,044,905	27,044,905	0	0				
	Total Production	53,666,749	0	53,666,749	0	53,666,749	0	53,666,749	31,445,988	22,220,762	53,666,749	31,445,988	31,445,988	0	0				
	Management Reserve																		
	2020 - Management Reserve	4,486,850	0	4,486,850	0	4,486,850	-4,486,850	0	0	0	0	0	0	0	0				
	Total Management Reserve	4,486,850	0	4,486,850	0	4,486,850	-4,486,850	0	0	0	0	0	0	0	0				
CAFX																			
2015 - CAFX		568	0	568	0	568	0	568	568	0	568	568	568	0	0				
Total CAFX		568	0	568	0	568	0	568	568	0	568	568	568	0	0				
IISS																			
2018 - IISS		4,607,947	0	4,607,947	0	4,607,947	0	4,607,947	0	4,607,947	4,607,947	0	0	0	0				
2019 - IISS		13,097,952	0	13,097,952	0	13,097,952	0	13,097,952	1,097,952	12,000,000	13,097,952	1,097,952	1,097,952	0	0				
2020 - IISS		30,725,000	7,000,000	37,725,000	-23,600,000	14,125,000	-7,000,000	7,125,000	2,725,000	4,400,000	7,125,000	2,725,000	2,725,000	0	0				
Total IISS		48,430,899	7,000,000	55,430,899	-23,600,000	31,830,899	-7,000,000	24,830,899	3,822,952	21,007,947	24,830,899	3,822,952	3,822,952	0	0				
TOTAL BUDGET EXECUTION		156,362,244	7,000,000	163,362,244	-23,600,000	139,762,244	-11,486,850	128,275,394	62,277,108	65,998,286	128,275,394	62,277,108	62,277,108	0	0				

Note: **Transfers effected after the Initial budget authorisation include the special carry forwards of uncommitted appropriations from the 2019 NAGSMA Operational Budget to the 2020 NAGSMA Operational Budget, approved by BoD on 7 January 2020 (NAGSMO/BOD/D/2020/0028-AS1)
**Transfers effected after the Mid-Year review include the special carry forwards of uncommitted appropriations from the 2020 NAGSMA Operational Budget, approved by BoD on 8 January 2021 (NAGSMO/BOD/D/2020/0017-AS1)

Notes to the Financial Statements for the year ending 31 December 2020

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ANNEX A Basis of Preparation and Accounting Policies

A01 Basis of preparation

The financial statements of the NAGSMO, including NAGSMA being the executive body of the NATO Alliance Ground Surveillance Management Organisation (NAGSMO), have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) and based on International Financial Reporting Standards (IFRS/IAS), as adopted by the North Atlantic Council (NAC) in 2002. In 2013 and in 2016, the NAC approved an adaptation to IPSAS to better suit the specific requirements of the Alliance and an associated NATO Accounting Framework.

The financial statements have been prepared in accordance with the NATO Accounting Framework, the NATO Financial Regulations (NFRs) and the Financial Rules and Procedures (FRPs) and the relevant entity directives and policies.

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

These financial statements represent the consolidated activities of the NATO Alliance Ground Surveillance Management Organisation (NAGSMO) and its executive body NAGSMA.

In December 2019 the NAGSMO BoD approved a plan to initiate the liquidation of the entity starting on 1 July 2021. Subsequently, in February 2021 the NAGSMO BoD approved an extension of NAGSMA's activities till 30 September 2021. As of the day of publication of these Financial Statements, the formal request to the Secretary General for the required NAC decision on liquidation, in compliance with NATO C-M(66)9 Rules governing the dissolution of NATO Production Organisations and the NAGSMO Charter, has not yet been sent by the NAGSMO BoD. After the request has been sent, and upon NAC decision, NAGSMO in liquidation will operate through a Liquidator, supported by a small "Office of the Liquidator".

NAGSMA's significant accounting policies are set out below. The accounting policies have been applied consistently to all periods presented.

A02 Use of estimates

In accordance with IPSAS and generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions by management, based on historical experience as well as the most reliable information available, judgement and assumptions. Estimates include accrued revenue and expenses. The majority of goods and services are provided by third parties and other NATO entities; therefore, accrued expenses and the related revenue recognition are based on estimates. By nature, these estimates are subject to measurement uncertainty. Actual results could differ

from those estimates. Changes in estimates are reflected in the period in which they become known.

A03 Significant Accounting Policies

Accounting as a Procurement Agent

IPSAS draw a distinction between transactions that an entity undertakes on its own behalf (principal) and those on behalf of others (agent). The distinction is whether the economic benefits arising from the procurement effort accrue to the entity or to the extent that a fee may be levied for providing an agency service.

Agency activities are those activities carried out by the reporting entity, but which are not its own activities. Where an entity undertakes agency activities, it is identified as the agent in relation to those activities.

NAGSMA is considered as a procurement agent in respect of its operations since:

- It was created for the sole purpose of procuring the AGS Core System on behalf of the AGS Participating Nations;
- It does not bear any inventory risk before or after the customer order;
- It does not bear the credit risk for the amounts receivable from the customer;
- It does carry out acceptance of goods and services on behalf of Nations/NATO;
- It does not receive a fixed fee per transaction or a stated percentage of the amount billed, as it is reimbursed for the running costs of the Agency via the Administrative Budget.

NAGSMA provides for a contract administration function to NAGSMO. NAGSMA acts as an agent in accordance with a mandate set by the NAGSMO Participating Nations in the PMOU, which defines the role of the Agency in the procurement of a NATO owned and operated core AGS capability. NAGSMO is as well considered an Agent in respect of its operations, as a subsidiary body of NATO, with the sole objective to procure the AGS Core which will be owned, controlled and operated by the 30 Nations of NATO. NAGSMO and its executive body NAGSMA do not have and will not have control in the future of the assets procured as per the criteria in the NATO Accounting Framework. Transactions are treated accordingly in the NAGSMO Financial Statements.

Foreign Currency Translation

The functional and reporting currency of NAGSMA is the EUR. Transactions in currencies other than EUR are translated into EUR at the prevailing NATO rates of exchange at the time of transaction. Monetary assets and liabilities denominated in currencies other than EUR are translated into EUR at the prevailing NATO year-end closing rate. Resulting foreign exchange unrealised gains and losses are recognised as Advances from Nations. Realised exchange differences are recognised as Payables to Nations in the Statement of Financial Position.

Financial Instruments

Financial instruments are recognised at the contract date and initially measured at fair value. Their subsequent measurement depends on their classification. Loans and receivables and other liabilities are not re-valued (except for changes in exchange rates). Financial instruments are not recognised on expiry or when all contractual rights and obligations are transferred.

Management is aware of the risks associated with financial instruments and is bound by NAGSMO's Financial Rules and Procedures to keep these risks very low. NAGSMA uses only non-derivative financial instruments as part of its normal operations, such as bank accounts, deposit accounts.

Currency risk: To limit the exposure to foreign currency exchange risk, NAGSMA is forecasting the yearly expected expenditures in foreign currencies. In order to have the required funding, NAGSMA asks the Participating Nations to provide their contributions in the necessary currencies.

Liquidity risk: The liquidity risk is based on the assessment of whether the organisation will encounter difficulties in meeting its obligation associated with financial liabilities. There is a very limited exposure to liquidity risk because of the budget funding mechanism that guarantees contributions for the total approved budget. The accuracy of forecasts that result in the calls for contributions as well as the delay in payment represents the main liquidity risks. There is a clause in the NAGSMO FMPD-FRP art. 28 Contributions, that deals with unpaid contributions giving the Agency the authority to determine the appropriate course of action in case of a delay or a non-payment and the financial consequences of such, borne by the Participating Nation.

Credit Risk: There is a very limited credit risk as the contributing Nations generally have a high credit rating. NAGSMA uses three banks to deposit its cash holdings. UniCredit S.p.A. bank was selected after a competitive review and approved as a service bank for NAGSMA by the BoD in February 2019 in order to avoid negative interests on EUR holdings charged by other banks. UniCredit bank is a SIFI bank – subject to stricter regulations and supervision by the European Central Bank. The credit ratings of the banks used by NAGSMA are as follows:

DNB Bank ASA: AA- (S&P)

Banque et Caisse d'Épargne de l'État: AA+ (S&P)

UniCredit S.p.A.: BBB (S&P)

Cash and Cash Equivalents

Cash and cash equivalents includes cash held with the bank in current and savings accounts.

Receivables

Receivables are stated at net realisable value, after provision for doubtful and uncollectible debts. No allowance for loss is recorded with respect to Member States' assessed contributions receivable except for exceptional and agreed technical reasons.

Other Current Assets and Prepayments

Other current assets include prepayments which are payments in advance of the period to which it pertains as well as bank interest receivable at year-end.

Payables

Payables are amounts due to third parties based on goods received or services provided that remain unpaid. This includes an estimate of accrued obligation to third parties for goods and services received but not yet invoiced.

Advances and Deferred Revenue

Advances are contributions called or received related to future years' budgets. Advances include future budget funding.

Deferred revenue represents contributions from Nations and/or third parties that have been called for current or prior years' budgets but that have not yet been recognised as revenue. Funds are called in advance of their need because the entity has no capital that would allow it to pre-finance any of its activities.

Provisions and Contingent Liabilities

Provisions are recognised when NAGSMA has a present obligation as a result of a past event, and it is probable that NAGSMA will be required to settle that obligation. Provisions are measured at the General Manager's best estimate of the expenditure required to settle the obligation at the date of the statement of financial position, and are discounted to present value where the effect is material.

Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of NAGSMA.

Budget Execution Statement

The Board of Directors approves the annual budgets which include budgeted amounts for the administration of the Agency and Programme costs. Budgets may be subsequently amended by the Board of Directors or through the exercise of delegated authority. The budget execution statement provides a comparison of budgeted and actual amounts calculated on accrual basis.

Revenue and Expense Recognition

Revenue comprises contributions from Participating Nations to fund the entity's budgets. 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. Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, NAGSMA recognises a liability until the condition is fulfilled.

Revenue for the Administrative Budget

Contributions to the budget are initially recorded as advances from nations. They are recognised as revenue in the statement of financial performance when such contributions are used for their intended purpose as envisioned in its approved budget.

Interest

Interest receivable is credited as payables to Participating Nations in the statement of financial position.

Representation Allowance

As from 1 June 2013, a summary of the operations related to the Representation Allowance is included in the Financial Statements. Transactions occurring in respect of Representation Allowance are expensed in the period to which they relate, and are paid back directly from payroll or reimbursed.

Post-employment benefits

Defined Contribution Plans

NAGSMA employees are members of the NATO-wide Defined Contribution Pension Scheme (DCPS). The assets of the plans are held separately from those of NAGSMA in funds under the control of trustees. NAGSMA is required to contribute a specified percentage of payroll costs to the DCPS to fund the benefits. Payments to the DCPS are recognised as an expense when employees have rendered service entitling them to the contributions. The only obligation of NAGSMA with respect to the DCPS is to make the specified contributions.

Defined Benefit Plans

NAGSMA employees who have joined NATO before 1 July 2005 are members of the NATO Coordinated Pension Scheme which is a funded defined benefit plan. Under the plans and upon completion of 10 years employment with NATO, the employees are entitled to retirement benefits of 2% per year of service of final basic salary on attainment of a retirement age of 65. No other post-retirement benefits are provided to these employees. Staff members whose length of service is not sufficient to entitle them to a retirement pension are eligible for a leaving allowance. The assets and liability for NATO's Defined Benefit Plan are accounted for centrally at NATO Headquarters and therefore are not recognised in these financial statements.

ANNEX B Notes to the Statement of Financial Position

Notes Reference	Current Year	Prior Year
	31-Dec-20	31-Dec-19

The Statement of Financial Position details the assets and liabilities of NAGSMA as of 31 December.

B01	Cash and cash equivalents	167,949,792	253,795,547
	Administrative budget	8,237,512	4,864,185
	Operational budget	152,211,530	248,931,362
	Administrative budget NAGSMAiL	7,500,750	0

Cash and Cash equivalents are short-term liquid assets.

NAGSMA operates highly reliable and interest bearing bank accounts in EUR and USD currencies.

B02	Short-term investments	0	0
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Short-term investments are bank deposits maturing in less than 3 months.

B03	Receivables	1,392,436	21,394,35
	Calls receivable Administrative budget	9,494	2,316,544
	Calls receivable Operational budget	1,382,942	19,077,811

Accounts receivable are kept in separate sub-ledgers that provide detailed insight into the outstanding calls for contribution and provide accurate and up-to-date cash forecast information.

B04	Other current assets and prepayments	233,814	157,906
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Other current assets match provision for annual leave entitlements accrued but untaken at year-end.

B05	Payables	9,770,266	642,690
	Payables	6,571,270	0
	Accruals	3,198,996	642,690

These short-term payables comprise payables and accruals for milestones accomplished as well as services rendered in 2020, including consulting, communication, travel and personnel related expenses.

B06	Advances and deferred revenue	154,290,918	253,635,373
	Advances from NATO entities	365,624	462,064
	Advances from Nations	50,425,500	75,490,876
	Advance towards NAGSMAiL Administrative budget	7,500,500	0
	Deferred revenue	95,999,044	177,682,433

Advances from NATO entities relate to NSIP contribution provided through NSPA for ALIS implementation, which is co-funded by NAGSMA.

Advances from Nations are funds called and/or received from Nations in respect of 2021 Administrative and Operational Budgets and unrealised exchange rate gains and losses. Advances include future budget funding as well as the cumulative effect of unrealised foreign exchange impact over the periods.

Advances for Liquidation include funds received from the United States in respect of NAGSMAiL Administrative Budget.

Deferred revenue comprises unspent funding from prior periods.

B07	Short-term provisions	233,814	150,206
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The provision includes annual leave entitlements accrued matched with Other current assets and prepayments.

Balance at 1 January 2020	150,206
Provision increase	83,608
Balance at 31 December 2020	233,814

B08	Other current liabilities	5,281,044	20,919,537
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Other payables mainly include lapsed credits 2020 (3,316,193 EUR) and the 2020 financial result and other liabilities to the Nations that will have to be refunded upon their decision.

B09	Contingent Liabilities		
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On 18 January 2021, NAGSMA was handed the decision by the NATO Administrative Tribunal on two appeal cases against NAGSMA suspension of a staff member and his subsequent termination as an outcome of a disciplinary proceedings. The case was lost by NAGSMA and as such NAGSMA was ordered to pay 5,000 EUR for moral damages as well as up to 4,000 EUR reimbursement for retaining legal counsel and material damages sustained. These amounts were accrued accordingly in the current Financial Statements. However, due to the lack of knowledge of material damages, the Tribunal deferred to the parties to agree on the amount of material damages, which is still ongoing. These costs will be borne by the NAGSMO Nations.

ANNEX C Notes to the Statement of Financial Performance

Notes Reference	Current Year	Prior Year
	2020	2019
The Statement of Financial Performance details the revenue and expenses that NAGSMA incurred during the year ending 31 December.		
C01 Revenue from non-exchange transactions	7,274,196	7,997,409
Revenue represents funding from Nations for expenses incurred during the financial year.		
C02 Personnel	6,223,345	6,330,735
Personnel costs are for staff members hired under the NATO Civilian Personnel Regulations as well as for consultants and contractors.		
The figures represent the costs of personnel including basic salary, allowances, insurance and pension plan contributions.		
NAGSMA had 27 staff members at the year-end 2020 (2019: 32 staff members).		
The breakdown of wages, salaries and employee benefits is as follows:		
	Year ended 31/12/2020	Year ended 31/12/2019
	EUR	EUR
Employee benefits expense, consultants and contractors	5,865,692	5,924,344
Post-employment benefits		
for defined contribution pension scheme	274,045	418,193
for defined benefit pension scheme	0	0
Termination benefits	0	0
Provision for annual leave entitlements accrued	83,608	-11,802
Total employee benefits expense	6,223,345	6,330,735
C03 Contractual supplies and services	1,050,851	1,666,674
Supplies and consumables are costs of goods and services used by NAGSMA associated with the general management and administrative activities under the SSA and SLA, such as information management, finance, human resources, building and facilities, security, travel expenses, etc. These costs are linked to the approved NAGSMA Staffing Plan. It also includes hospitality funds, communications services (i.e. telephones), and NATO Headquarters support (MOA).		

ANNEX D Notes to the Cash Flow Statement

The Cash Flow Statement is prepared using the indirect method.

The Cash Flow Statement summarises the cash movements in and out of the Agency during the financial year.

ANNEX E Notes to the Budget Execution Statement – Administrative Budget

The Administrative Budget is prepared and presented using the accrual basis.

The classification basis adopted for the Administrative Budget is to show expenditure in three chapters for Personnel costs, Contractual supplies and services costs as well as Capital and Investment expenditure.

The actual expenses presented in the budget execution statement include accruals (expenses for goods and services delivered before the year-end but not yet invoiced) and therefore reconcile to the expenses in the statement of financial performance after excluding the reversal for the provision for annual leave entitlement (increase of 83,608 EUR). The net commitments are those commitments for which a contractual obligation has been created before the year-end without the goods and services delivered before the year-end.

Personnel, E01 – E02

The expenses with regard to Personnel mainly covered basic salary, allowances, contributions to the employees' pension scheme and consultancy. Lapses are due to savings that were generated in basic salary and education allowance, following the lower personnel strength than what was approved in the NAGSMA staffing plan 2020.

Contractual supplies and services, E03 – E04

The commitments and expenditures as regards Contractual Supplies and Services were mainly related to travel for duty and telecommunication services. Lapses are due to savings that were generated due to lower volume of travel as a result of COVID related travel ban in place throughout major part of 2020 as well as lower support costs from NCI Agency and NATO IS.

Capital and investment budgeting, E05

Expenditures incurred with regard to Capital and investment budgeting are to provide for business equipment and software not provided by NCI Agency via the Service Support Agreement.

Budget contingencies, E06

Lapses are due to unused budget contingencies.

ANNEX F Notes to the Budget Execution Statement – Operational Budget

The accounting basis used in preparation and presentation of the Operational Budget is the same as the one used in the financial statements, the accrual basis for recording of the actual expenditures. Due to the Agency's role as an agent acting with no control over the assets being procured, it is not accounting for the operational budget expenditures as an asset under construction. Rather, it is expected that NSPA will account for the AGS Core System once the system will be transitioned to them.

The classification basis adopted for the Operational Budget is to show expenditure for AGS Core System Procurement.

The exchange rate used to translate the USD portion of expenditure to the presentation currency EUR in the Operational Budget Total table is the official NATO rate applicable as at 31 December 2020 of 1.2151.

The Operational Budget is presented to Participating Nations in two currencies, EUR and USD. The Budget Execution Statements by currency show the Budget's net commitments, expenditures and lapses by sub-categories, as presented to and approved by Participating Nations.

System Design, Development and Qualification

The AGS Core System Design, Development and Qualification covers the design and development for the AGS Core System. The Budget includes provisions for milestones which cover: Programme Design Review of the AGS Core System in accordance with the mandatory TRD requirements; Technical Interchange Meetings; the beginning of Critical Design Review and Working Group meetings and Programme design reviews.

Production

Contractual milestones under the production sub-category are related to production progress payments and advance procurement authority to meet the contract timeline for production of deliverable SSS items and related placement of purchase orders for long-lead-time items. Long lead items include parts, components, equipment and sub-assemblies that must be ordered by the Contractor well in advance of actual final assembly such as the structural carbon fibre and metal components, nacelles, communication equipment, navigation equipment.

IISS

IISS includes NGISSII's effort for Initial In-Service Support as Part 6 of the AGS Core Contract as well as the supporting Airbus and Leonardo contracts and comprises sustaining services for a period of 15 months starting at SLPV of the AGS Core Contract. The task order Nr.1 with NGISSII has been signed in May 2020 enabling to start IISS in June 2020. Due to a delay in

commencement of IISS activities some of the milestones related to IISS Engineering were shifted into 2021.

This budget line also includes payments for the NATO Alliance Logistics Information System contract. It covers the Test Readiness Review of Final Operational Capability (FOC), System and Factory Acceptance training and the Final System Acceptance.

The actual I-ISS related costs in 2020 were higher compared to the expenses presented in the NAGSMO Budget Execution Statement - Operational Budget (EUR) due to one of the milestones budgeted in Operational Budget 2021, however, completed by Leonardo earlier than planned and invoiced in 2020. The invoiced amount comprising 168kEUR was duly accrued as at 31 December 2020 and settled in January 2021 from the Operational Budget 2021.

Management Reserve

The Management Reserve was used to provide financial coverage CAFX related expenses as well as an escalation of I-ISS procurement contracts.

In September 2020 and then subsequently in December 2020 the NAGSMO BoD approved the transfer of unused Management reserve funds from the 2020 Operational Budget to the 2021 Operational Budget. These funds will be used to fund the contract with Terma that was signed on the third quarter of 2020 and is expected to start in 2021, a procurement of the NAR, Security accreditation ECP as well as SMARF Re-use, Support and Sustainment Security services provided by Kongsberg based on NAGSMA-CON-0025.

CAFX

Funds to provide items for the Prime Contractor in accordance with Contracting Authority Furnished Property. CAFX funds were mainly used to pay for SMARF Re-use, Support and Sustainment Security services provided by Kongsberg based on NAGSMA-CON-0025. Commitments and expenditures for the NCI Agency and NSPA were for the NATO CIS support to the AGS programme and Crypto Materials support respectively.

ATR/ATID

Danish funds committed and expensed for contractual milestones for the acquisition of the NATO AGS Automatic Target Recognition/ Automatic Target Identification Capability Development & Integration Phase II.

As a result of the amendment 2 to Terma contract related to the ATR/ATID capability Phase 2+ signed in August 2020, some of the milestones originally foreseen to be completed in 2020 were shifted to 2021. The Operational budgets for 2020 and 2021 were adjusted accordingly.

TCB

Expenditures comprised milestones for delivered CSCI Installation Disks and Source Code, final CMR, completion of TSEC Capability Phase I/Phase II design as well as Production Engineering and Programme Management related to Battle Laboratory capabilities provided by Exence, ITWL and PIT-RADWAR.

Carry Forwards

In December 2020 the NAGSMO Finance Committee provided an exceptional extension of the carry forward of 2015, 2016, 2017 and 2018 commitments to be expensed in 2021. The exceptional carry forward of funds was requested for commitments mainly related to the Foreign military sales, Collaborative Environment, Italian Non-Financial Contributions, IISS support to be provided by Leonardo as well as milestones related to Factory Acceptance of AVMCs, completion of Mission Crew Trainer & UAV Pilot Trainer & Training Management System (TMS) and Test Team Training.

Carry forwards from 2019 are primarily related to remaining outstanding AGS Core Contract SDDQ and Production milestones.

Carry forwards from 2020 mainly comprise remaining outstanding AGS Core Contract milestones related to delivery of Spares, as well as remaining Battle-Lab and CSOP milestones.

The Table below represents the cumulative NAGSMA Operational budget per year from 2012 to 2020 expended, carried forward and lapsed in two currencies EUR and USD.

The Budgets are presented below by currency showing the actual expenditures, carry forwards and lapses as of the 31.12.2020.

NAGSMA Operational Budget EUR

BL6604011	Budget	Actual Expenses	Carry Forward	Lapsed
2012	107,086,412	107,086,412	0	0
2013	137,794,865	137,794,865	0	0
2014	122,977,865	117,257,630	0	5,720,235
2015	109,014,294	91,671,063	0	17,343,231
2016	63,924,048	12,747,990	13,000	51,163,058
2017	34,822,414	9,371,331	85,635	25,365,448
2018	42,137,943	27,220,399	6,181,245	8,736,298
2019	82,086,583	50,834,294	30,834,108	418,181
2020	15,273,047	7,407,138	7,632,395	233,514
Total	715,117,471	561,391,122	44,746,383	108,979,965

NAGSMA Operational Budget USD

BL6604010	Budget	Actual Expenses	Carry Forward	Lapsed
2012	204,865,340	204,865,340	0	0
2013	238,445,262	238,445,262	0	0
2014	373,468,465	365,689,392	0	7,779,073
2015	169,456,878	104,644,827	568	64,811,483
2016	193,990,813	51,246,428	0	142,744,385
2017	103,520,795	86,303,846	0	17,216,949
2018	157,284,201	136,981,743	4,401,083	15,901,375
2019	139,142,932	82,202,474	55,150,458	1,790,000
2020	7,125,000	4,400,000	2,725,000	0
Total	1,587,299,686	1,274,779,311	62,277,108	250,243,267

Note to the table:

The Carry Forwards from the Financial Statements 2014-2019 which have been expended in 2020 have been added to the Actual Expenses of 2014-2019 respectively.

The AGS program is expected to be completed in 2021. The Operational Budget for 2021 presented below includes all the remaining funds up to the PMoU Ceiling.

2021 NAGSMA Operational Budget

Description	Approved 2021 Operational Budget		Transfer from 2020 Operational Budget		2021 Operational Budget after the transfer	
	USD	EUR	USD	EUR	USD	EUR
Management Reserve	2,248,514	459,105	4,486,850	952,593	6,735,364	1,411,698
CAFX		597,342				597,342
Initial In Service Support	23,600,000	3,522,500	7,000,000	531,316	30,600,000	4,053,816
ATR/ATID		990,000		1,390,000		2,380,000
TSEC, CSOP & Battle Lab. Capabilities				75,000		75,000
Total	25,848,514	5,568,947	11,486,850	2,948,909	37,335,364	8,517,856

ANNEX G General Notes to the Financial Statements

G01 Related Party Disclosures

NAGSMO and NAGSMA have related party relationships with the Members of the NAGSMO Board of Directors and a number of other NATO bodies.

Transactions with NATO bodies

	Current Year 2020	Prior Year 2019
	EUR	EUR
NATO Communications and Information Agency	571,782	1,523,431
NATO Support and Procurement Agency	71,681	8,432,857
NATO International Staff	218,017	250,310
SHAPE	3,623	475
NATO School	0	900
	865,103	10,207,973

In 2020, the NCI Agency provided administrative services for NAGSMA under the Support Services and Service Level Agreements.

NSPA provided Technical Engineering Services support in 2020 as well as support of MP-RTIP and Integrated Mission Management Computer (IMMC) maintenance during IISS (2019), as well as logistics support services.

NATO IS provided operating, Human Resources, administrative, training and telephone services for NAGSMA.

In 2020 NAGSMA reimbursed to SHAPE a part of an Education allowance due to a former NAGSMA staff member who was transferred to SHAPE in 2020.

Compensation of key management personnel

The remuneration of Directors and other members of key management personnel (NATO civilian grade A5 and above) is determined by the NATO salary scales and was as follows during the year:

	Current Year 2020	Prior Year 2019
	EUR	EUR
Basic salaries	690,216	599,252
Allowances	137,574	125,503
Post-employment benefits	83,760	81,564
Employer's contribution to Insurance	72,982	70,967
	984,532	877,286

The compensation of key management personnel in 2020 is higher than the previous year due to an A5 vacancy that was filled in on 1 August 2019.

	Current Year 2020	Prior Year 2019
Number of individuals at year-end on a full time equivalent basis		
General Manager	1	1
Programme Manager	1	1
Key management personnel	3	3
	5	5

G02 Representation Allowance

The purpose of the Representation Allowance is to help meet the reasonable representational expenses of certain designated high level officials of the Agency whose positions entail responsibility for establishing and maintaining relationships of value with individuals or groups external to NATO.

As from 1 June 2013, a new procedure is in place in respect of Representation Allowance; as all recipients are now reimbursed permitted expenses within the limits of their individual Representation Allowance allocation. All representation allowance disbursements for the 2020 reporting period were administered by the Agency in in line with the guidelines which apply to the use of the representation allowance as of 1 February 2017.

Expenditures	EUR
Rental Supplement	2,673
Functions	512
Total	3,185
Entitlements	EUR
Representation Allowance annual entitlement	10,692
<i>of which: Rental Supplement annual entitlement</i>	2,673
Transactions	EUR
Rental Supplement January-December	2,673
Dinners and Luncheons	512
Total	3,185

G03 Approval of Financial Statements

The financial statements were approved by the Financial Controller and authorised to be issued on 23 March 2021.



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NATO Alliance Ground Surveillance
Management Organisation
(NAGSMO)

NAGSMO
NATO Headquarters
1110 Brussels
Belgium



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD
INTERNATIONAL BOARD OF AUDITORS
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

NATO SANS CLASSIFICATION

IBA-A(2021)0112
25 août 2021

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

Cc : Représentants permanents auprès de l'OTAN
Président du Comité directeur de l'Organisation de gestion de l'hélicoptère OTAN (NAHEMO)
Directeur général de l'Agence de gestion de l'hélicoptère OTAN (NAHEMA)
Responsable de la Division administrative de la NAHEMA
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Gestion des ressources du Bureau OTAN des ressources (NOR)
Bureau d'ordre du Cabinet

Objet : ***Rapport du Collège international des auditeurs externes de l'OTAN (IBAN) sur l'audit des états financiers rectifiés de l'Organisation de gestion de l'hélicoptère OTAN (NAHEMO) pour l'exercice clos le 31 décembre 2020 – IBA-AR(2021)0031***

Monsieur le Secrétaire général,

Vous trouverez ci-joint le rapport d'audit approuvé ainsi qu'une note succincte à l'intention du Conseil.

L'IBAN a émis une opinion sans réserve sur les états financiers de la NAHEMO ainsi que sur la conformité pour l'exercice 2020.

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

Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.

NATO SANS CLASSIFICATION

**Note succincte
du Collège international des auditeurs externes de l'OTAN (IBAN)
à l'intention du Conseil
sur l'audit des états financiers rectifiés
de l'Organisation de gestion de l'hélicoptère OTAN
(NAHEMO)
pour l'exercice clos le 31 décembre 2020**

L'IBAN a audité les états financiers rectifiés de l'Organisation pour la gestion de l'hélicoptère OTAN (NAHEMO) pour l'exercice clos le 31 décembre 2020. La NAHEMO est un organisme subsidiaire de l'OTAN créé en vue de répondre aux besoins en hélicoptères de la France, de l'Allemagne, de l'Italie, des Pays-Bas, et de la Belgique. La NAHEMO est chapeautée par un comité directeur, composé des représentants des pays participants et chargé de la gestion globale du programme et de l'Agence (NAHEMA). L'Agence se trouve à Aix-en-Provence (France).

Pour 2020, les dépenses au titre du budget opérationnel et du budget administratif de la NAHEMO ont représenté respectivement 1,4 milliard et à 11,7 millions d'euros.

L'IBAN a émis une opinion sans réserve sur les états financiers rectifiés de la NAHEMO ainsi que sur la conformité pour l'exercice clos le 31 décembre 2020.

L'IBAN a formulé trois observations, assorties de recommandations. Ces observations n'ont pas d'incidence sur l'opinion émise. Elles portent sur les points suivants :

1. État de l'exécution du budget administratif - Inexactitudes significatives dans la présentation des engagements ayant fait l'objet d'un report spécial.
2. Non-respect des dispositions de l'IPSAS 3 relatives aux informations de l'exercice précédent à fournir pour comparaison, et incohérences significatives dans les informations comparatives fournies.
3. Comptabilisation incorrecte de la taxe à la valeur ajoutée (TVA) dans l'état de la performance financière.

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

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

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

25 août 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**RAPPORT SUR L'AUDIT DES ÉTATS FINANCIERS RECTIFIÉS
DE L'ORGANISATION DE GESTION DE L'HÉLICOPTÈRE OTAN
(NAHEMO)**

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2020

NATO SANS CLASSIFICATION

IBA-AR(2021)0031

**OPINION DE L'AUDITEUR EXTERNE
À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD*****Audit des états financiers*****Opinion sur les états financiers rectifiés**

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers de l'Organisation de gestion de l'hélicoptère OTAN (NAHEMO) portant sur la période de 12 mois ayant pris fin le 31 décembre 2020. Diffusés sous la cote NH/ADM/ACC-1/03024/2021 et soumis à l'IBAN le 7 juillet 2021, ces états financiers rectifiés se composent de l'état de la situation financière au 31 décembre 2020, de l'état de la performance financière, de l'état des variations de l'actif net/situation nette et du tableau des flux de trésorerie pour la période de 12 mois ayant pris fin le 31 décembre 2020, ainsi que d'un résumé des méthodes comptables importantes et d'autres notes explicatives. Ils contiennent en outre un rapport sur l'exécution des budgets portant sur la même période de 12 mois.

L'opinion de l'IBAN est que les états financiers rectifiés donnent une image fidèle et exacte de la situation financière de la NAHEMO au 31 décembre 2020 ainsi que de sa performance financière, de ses flux de trésorerie et de l'exécution des budgets pour la période de 12 mois ayant pris fin à cette date, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN.

Justification de l'opinion émise sur les états financiers rectifiés

Le Règlement financier de l'OTAN prévoit que l'audit externe des entités OTAN présentant des états financiers et des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par l'IBAN.

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 2200-2899), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

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

Responsabilité de la direction concernant les états financiers

La responsabilité de la direction concernant les états financiers est définie dans

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

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

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

Responsabilités de l'IBAN concernant l'audit des états financiers

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

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

- à recenser et à évaluer les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur, à concevoir et à mettre en œuvre des procédures d'audit sensibles à ces risques ainsi qu'à obtenir par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion ; le risque de non-détection d'une inexactitude significative relevant d'une fraude est plus élevé que le risque de non-détection d'une inexactitude significative relevant d'une erreur, car la fraude peut résulter d'une collusion, d'une falsification, d'omissions

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intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;

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

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

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

Audit de conformité

Opinion sur la conformité

Sur la base des procédures qu'il a appliquées, l'IBAN estime que rien, dans son audit des états financiers rectifiés, ne lui donne de raison de penser que les fonds n'ont pas été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec le Règlement financier de l'OTAN et le Règlement du personnel civil de l'OTAN.

Justification de l'opinion émise sur la conformité

L'IBAN a effectué l'audit de conformité sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000-4899), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

Responsabilité de la direction concernant la conformité

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

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

Responsabilités de l'IBAN concernant la conformité

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

Il incombe ainsi à l'IBAN d'appliquer des procédures lui permettant d'obtenir en toute indépendance une assurance sur le point de savoir si les fonds ont été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec la réglementation en vigueur. De telles procédures prévoient notamment la prise en compte des risques de non-conformité significative.

Bruxelles, le 25 août 2021



Daniela Morgante
Présidente

OBSERVATIONS ET RECOMMANDATIONS

L'IBAN a formulé trois observations, assorties de recommandations. Ces observations n'ont pas eu d'incidence sur le opinion émise au sujet des états financiers rectifiés et de la conformité.

1. État de l'exécution du budget administratif - Inexactitudes significatives dans la présentation des engagements ayant fait l'objet d'un report spécial.
2. Non-respect des dispositions de l'IPSAS 3 relatives aux informations de l'exercice précédent à fournir pour comparaison, et incohérences significatives dans les informations comparatives fournies.
3. Comptabilisation incorrecte de la taxe à la valeur ajoutée (TVA) dans l'état de la performance financière.

Par ailleurs, l'IBAN a fait le point sur les suites données aux observations et recommandations formulées lors des audits précédents, et il a constaté que trois questions avaient été traitées et que trois autres étaient en cours de traitement.

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

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

1. ÉTAT DE L'EXECUTION DU BUDGET ADMINISTRATIF - INEXACTITUDES SIGNIFICATIVES DANS LA PRESENTATION DES ENGAGEMENTS AYANT FAIT L'OBJET D'UN REPORT SPECIAL

Contexte

1.1. Aux termes de l'article 25.6 du Règlement financier de la NAHEMO, « le comité directeur ou le comité compétent peut, avant le 31 décembre, accepter un report spécial d'autorisations non engagées qui sont destinées à une fin bien précise s'il reçoit une demande dûment motivée à cet effet avant le 1^{er} décembre ». Cet article est identique à celui du Règlement financier de l'OTAN.

1.2. Le glossaire joint au Règlement financier de la NAHEMO donne les définitions suivantes :

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- « Report spécial :

Procédure exceptionnelle permettant d'autoriser le maintien de fonds budgétaires non engagés pour utilisation au cours de l'exercice suivant. Chaque cas est soumis à l'approbation du comité directeur.

- Engagement :

Acceptation et enregistrement anticipés des obligations juridiques qui se rapportent :

- (a) aux autorisations budgétaires pour l'exercice en cours ;*
- (b) aux autorisations de programme pour les exercices ultérieurs.*

1.3. Les règles et procédures financières de la NAHEMO ne prévoient pas de dispositions spécifiques pour les reports spéciaux. L'article 13.2 indique uniquement ce qui suit : « *En fin d'exercice, les soldes non utilisés de crédits engagés pour lesquels il existe une obligation juridique de paiement sont reportés et automatiquement rouverts au budget de l'exercice financier suivant, sous le poste correspondant. Les crédits n'ayant pas fait l'objet d'engagements pendant l'exercice financier sont automatiquement annulés (crédits annulés).* » Ce qu'il y a lieu de faire pour le report de crédits non engagés n'est pas précisé.

1.4. Dans sa décision SC85-02, le Comité directeur de la NAHEMO a autorisé le report spécial d'un montant de 976 000 euros inscrit au budget 2020 au titre du déménagement vers le nouveau bâtiment, qui doit pourtant être achevé.

Constatations

1.5. L'audit a montré que le montant de 976 000 euros pour lequel un report spécial a été autorisé est consigné dans la colonne des engagements cumulés de l'état de l'exécution du budget, alors qu'il s'agit, par définition, d'un montant non engagé pour lequel il n'existe pas d'obligation juridique de paiement.

1.6. En outre, ni les états financiers ni l'état de l'exécution du budget ne donnent des informations sur ce report spécial, s'agissant en particulier du montant, du statut et de l'objet, ce qui induit le lecteur en erreur et n'est pas conforme à l'obligation qui incombe à l'entité audité de donner une image fidèle et exacte de la situation financière et de l'exécution du budget. Par ailleurs, le report spécial n'a pas été présenté séparément des autres reports dans l'état de l'exécution du budget. Dans ses états financiers rectifiés de 2020, la NAHEMO fournit, dans une note de bas de page, les informations pertinentes concernant ce report spécial.

Recommandations

1.7. L'IBAN recommande à la NAHEMO :

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- a) de ne pas mettre, dans la colonne des engagements cumulés de l'état de l'exécution du budget, le montant ayant fait l'objet d'un report spécial, car aucune obligation juridique de paiement ni aucun contrat n'y est lié ;
- b) de présenter le report spécial séparément des autres reports en le consignnant dans une colonne distincte de l'état de l'exécution du budget ;
- c) de communiquer les informations pertinentes concernant le montant, le statut et l'objet du report spécial dans les notes jointes aux états financiers et dans l'état de l'exécution du budget.
- d) de mettre à jour ses règles et procédures financières en introduisant un article consacré au traitement des reports spéciaux.

2. NON-RESPECT DES DISPOSITIONS DE L'IPSAS 3 RELATIVES AUX INFORMATIONS DE L'EXERCICE PRECEDENT A FOURNIR POUR COMPARAISON, ET INCOHERENCES SIGNIFICATIVES DANS LES INFORMATIONS COMPARATIVES FOURNIES

Contexte

2.1. Comme le prévoit l'article 6 du Règlement financier de la NAHEMO, il incombe au contrôleur des finances d'exécuter les activités qui concernent l'établissement du budget, la comptabilité et le compte rendu. Ainsi, le contrôleur des finances est notamment responsable du système de contrôle financier interne et de l'établissement des états financiers conformément aux IPSAS.

2.2. Par ailleurs, aux termes de l'article 12.3 du Règlement financier de la NAHEMO, « les activités de contrôle interne portent notamment sur la constitution de pistes d'audit adéquates ainsi que [sur] le maintien de la confidentialité, de l'intégrité et de la disponibilité des données dans les systèmes d'information ».

2.3. Les états financiers doivent être exempts de toute inexactitude, de toute erreur de chiffres, de toute incohérence et de toute autre erreur ou omission découlant d'un contrôle insuffisant au moment de leur établissement. Chaque entité doit disposer d'un système approprié de contrôle interne, et notamment d'un mécanisme d'examen et de rapprochement, pour faire en sorte que les informations présentées dans ses états financiers soient cohérentes et exactes.

2.4. Une part essentielle du système de contrôle interne consiste à s'assurer qu'un processus approprié est en place pour l'établissement, l'examen et la présentation des états financiers. Un processus d'examen approprié est nécessaire pour obtenir l'assurance raisonnable que les états financiers ont bien été établis conformément au cadre de compte rendu financier applicable.

2.5. L'IPSAS 3 précise qu'« un changement de traitement comptable, de comptabilisation ou d'évaluation d'une opération, d'un événement ou d'une condition

dans le cadre d'une convention comptable inchangé est considéré comme un changement de méthode comptable ». « Lorsqu'une entité change de méthode comptable [...], elle doit appliquer ce changement de manière rétrospective. » L'application rétrospective signifie que « l'entité doit ajuster le solde d'ouverture de chaque élément affecté de l'actif net/situation nette pour la première période antérieure présentée, ainsi que les autres montants comparatifs fournis pour chaque période antérieure présentée comme si la nouvelle méthode comptable avait toujours été appliquée ».

2.6. L'IPSAS 3 prévoit également la possibilité de corriger des erreurs rétrospectivement par le retraitement des montants comparatifs de la ou des périodes antérieures présentées au cours desquelles l'erreur a été commise.

Constatations

2.7. Suite à une recommandation de l'IBAN, la NAHEMO a modifié, en 2020, le traitement comptable et la comptabilisation des immobilisations pour éviter le risque de double comptabilisation des charges et celui d'une prise en compte directe des immobilisations dans l'actif net. Cette modification corrige une comptabilisation jusqu'alors inappropriée et permet désormais de faire apparaître dans la colonne des excédents/déficits le montant des acquisitions en capital enregistrées pendant la période dont on a déduit l'amortissement total pour la période.

2.8. Bien que cette modification représente une amélioration, l'audit a révélé que la NAHEMO avait appliqué partiellement les dispositions de l'IPSAS 3 s'agissant de la fourniture rétrospective de l'information comparative. L'impact de ce changement sur les résultats de 2019, qui se monte à 322 000 euros, n'apparaît pas dans l'état de la performance financière, dans le tableau des flux de trésorerie ni dans les notes 9 et 10. À l'inverse, ce changement est bien répercuté dans l'état de la situation financière et dans l'état des variations de l'actif net/situation nette, ce qui constitue une incohérence supplémentaire dans la présentation de l'information financière.

2.9. Enfin, le changement n'est pas mentionné dans la section des notes jointes aux états financiers consacrée à la méthode comptable, où l'on peut lire que la méthode comptable a été appliquée de la même manière pendant toute la période considérée.

2.10. La NAHEMO doit veiller à la cohérence et à la complétude des changements apportés dans les différents tableaux et dans les notes jointes aux états financiers. Les états financiers doivent également fournir, dans les paragraphes appropriés, des explications sur la nature et les raisons des changements ainsi que sur les améliorations qu'ils apportent. Dans ses états financiers rectifiés de 2020, la NAHEMO a présenté correctement l'information comparative.

Recommandation

2.11. L'IBAN recommande à la NAHEMO :

- a) de faire en sorte, dans le cadre de son système de contrôle interne, que les états financiers présentent l'information comparative conformément aux prescriptions de l'IPSAS 3 en cas de changement de méthode comptable ou de correction d'erreurs.

3. COMPTABILISATION INCORRECTE DE LA TAXE A LA VALEUR AJOUTEE (TVA) DANS L'ETAT DE LA PERFORMANCE FINANCIERE

Contexte

3.1. La NAHEMO exerce ses activités sous le couvert de la personnalité juridique que possède l'OTAN, en vertu de la convention d'Ottawa, qui s'inscrit dans le prolongement du Traité de l'Atlantique Nord.

3.2. L'article X de la Convention d'Ottawa dispose que « quand l'Organisation effectue pour son usage officiel des achats importants dont le prix comprend des droits et taxes de cette nature, les États membres prendront, chaque fois qu'il leur sera possible, les dispositions administratives appropriées en vue de la remise ou du remboursement du montant de ces droits et taxes ».

3.3. La NAHEMO bénéficie de l'exemption de TVA, qui lui permet d'obtenir auprès des autorités fiscales le remboursement de la TVA sur les biens et services qu'elle achète en France. En outre, un mémorandum d'entente entre la NAHEMO et le ministère français des Affaires étrangères signé en 2010 élargit cette exonération à d'autres catégories de frais.

3.4. Dans la pratique, la TVA est remboursée par l'administration fiscale sur demande et sur présentation d'une liste justifiée des biens et services éligibles, accompagnée des factures payées par la NAHEMO et relevant de son budget administratif. La TVA prélevée sur le reste des biens et services non couverts par l'exemption est remboursée par le ministère des Armées par le biais de la contribution de la France au budget administratif de la NAHEMO.

3.5. De par leur nature, les flux de TVA ne sont ni des opérations avec contrepartie directe (IPSAS 9), ni des opérations sans contrepartie directe (IPSAS 23) étant donné qu'aucune des parties à l'opération ne reçoit de l'argent liquide, des biens, des services ou l'utilisation d'immobilisations et remet, ou non, en contrepartie une valeur approximativement égale.

3.6. Si l'on se réfère au principe d'une présentation fidèle et exacte de la situation financière énoncé dans l'IPSAS 1, les flux de TVA ne doivent pas être comptabilisés dans la colonne des charges et/ou produits de l'état de la performance financière. Ils doivent être directement consignés sur le compte approprié de la TVA à déduire/à recevoir et/ou sur celui de la TVA perçue/à payer, dans l'état de la situation financière.

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Constatations

3.7. L'IBAN a constaté que la NAHEMO indiquait la TVA dans les produits et charges exposés dans l'état de la performance financière. Comme expliqué plus haut, les flux de TVA auraient dû être comptabilisés directement dans l'état de la situation financière, et n'auraient pas dû avoir d'incidence sur l'état de la performance financière.

3.8. Par conséquent, les produits et les charges indiqués dans l'état de la performance financière sont surestimés de 211 000 euros en 2020.

Recommandation

3.9. L'IBAN recommande à la NAHEMO de modifier la méthode comptable appliquée à la TVA en consignait les flux de TVA uniquement dans l'état de la situation financière.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

L'IBAN a fait le point sur la suite donnée aux observations formulées lors des audits précédents. On trouvera dans le tableau ci-après un récapitulatif de ces observations/recommandations, des mesures prises par l'entité (dans la mesure où elles ont été examinées par l'IBAN) ainsi que l'état de la question.

Une question est considérée comme étant « à traiter » lorsqu'aucun progrès notable n'a encore été réalisé en vue de son règlement. Une question est considérée comme étant « en cours de traitement » lorsque l'entité a commencé à mettre en œuvre la recommandation correspondante ou lorsque certains éléments de la recommandation (mais pas tous) ont été suivis d'effets. Une question est considérée comme étant « traitée » lorsque la recommandation correspondante a été mise en œuvre ou qu'elle a été rendue ou est devenue caduque. Lorsque la recommandation se subdivise en plusieurs éléments, l'état de la question est indiqué pour chacun d'eux dans la colonne « Mesures prises ».

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(1) NAHEMO – Exercice 2019 IBA-AR(2020)0011, paragraphe 1 ABSENCE D'APPROBATION PRÉALABLE PAR LE COMITÉ DIRECTEUR DU BUDGET OPÉRATIONNEL RÉVISÉ Recommandation de l'IBAN L'IBAN recommande à la NAHEMA de se conformer à l'article 23.5 du règlement financier de la NAHEMO en faisant en sorte	La NAHEMO applique l'article 23.5 du règlement financier de la NAHEMO, car	Question traitée.

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OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
que les augmentations budgétaires soient systématiquement approuvées au préalable par le Comité directeur.	l'augmentation de la dotation budgétaire a été approuvée par le Comité directeur en juillet 2020.	
(2) NAHEMO – Exercice 2019 IBA-AR(2020)0011, paragraphe 2 NÉCESSITÉ D'AMÉLIORER L'ESTIMATION DU COÛT DES PHASES DU PROGRAMME RÉALISÉES EN 2019 AVEC LE BUDGET OPÉRATIONNEL, MAIS N'AYANT PAS DONNÉ LIEU À DES PAIEMENTS EN 2019 Recommandation de l'IBAN L'IBAN recommande que la NAHEMO communique, dans une note ajoutée à l'état de l'exécution du budget, le montant exact des phases réalisées, mais n'ayant pas encore fait l'objet de paiements en fin d'exercice.	Le montant exact des phases réalisées, mais n'ayant pas encore fait l'objet de paiements en 2019 et en 2020, a été communiqué dans une note jointe aux états financiers.	Question traitée.
(3) NAHEMO – Exercice 2018 IBA-AR(2019)0011, paragraphe 1 NÉCESSITÉ D'AJUSTER LES APPELS DE FONDS DE MANIÈRE À ÉVITER LES EXCÉDENTS DE LIQUIDITÉS Recommandation de l'IBAN L'IBAN recommande que la NAHEMA fasse en sorte que les appels de contributions couvrent uniquement les paiements à effectuer au cours de l'exercice financier concerné, conformément aux règles et procédures financières de la NAHEMO. En conséquence, la NAHEMA devrait réduire aussi ses avoirs en devises au minimum nécessaire pour couvrir les paiements prévus jusqu'à la réception de la tranche suivante et liquider les contributions inutilisées dans la même mesure.	La NAHEMA s'apprête à lancer une nouvelle procédure d'appel de fonds qui améliorera le processus global.	Question en cours de traitement.
(4) NAHEMO – Exercice 2018 IBA-AR(2019)0011, paragraphe 2 NÉCESSITÉ D'AMÉLIORER L'ÉTABLISSEMENT DU BUDGET OPÉRATIONNEL Recommandation de l'IBAN L'IBAN recommande à la NAHEMA de	Conformément aux résultats	Question en cours de traitement.

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OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
procéder aux ajustements budgétaires nécessaires lors de l'examen de mi-exercice afin de corriger la surévaluation du budget opérationnel et d'aligner celui-ci sur les engagements et les paiements prévus dans le courant de l'année. Il lui recommande aussi de passer en revue tous les engagements reportés des exercices précédents et de justifier chacun d'eux, et de veiller à déduire les crédits annulables des appels de fonds qui seront lancés au titre du budget opérationnel. En outre, l'IBAN réitère l'observation qu'il a formulée lors de l'audit précédent, à savoir qu'aucune analyse n'a été réalisée pour déterminer si les crédits engagés devaient être reportés ou annulés. Toutes les informations utiles sur les engagements reportés doivent être communiquées au Comité directeur afin que les pays soient informés des crédits budgétaires disponibles pour l'année suivante.	de l'audit interne concernant l'établissement du budget opérationnel, la NAHEMA amélioré ses processus de planification budgétaire et pris une série de mesures coordonnées afin de mieux ajuster le budget sur les engagements et les paiements prévus dans le courant de l'année.	
(5) NAHEMO – Exercice 2016 IBA-AR(2017)29, paragraphe 2 ABSENCE DE PROCÉDURES FIABLES ET COORDONNÉES POUR L'INSCRIPTION DES IMMOBILISATIONS À L'ACTIF ET LA TENUE DES REGISTRES DES ACTIFS Recommandation de l'IBAN L'IBAN recommande à la NAHEMA de tenir à jour des registres complets répertoriant tous les actifs, conformément à l'article 12 du Règlement financier de l'OTAN. Il y a lieu de contrôler ces registres comme il se doit au niveau approprié, et il convient de dresser régulièrement l'inventaire des biens pour que les registres demeurent exacts et fiables. L'IBAN recommande également à la NAHEMA de mettre en place des procédures fiables et coordonnées visant à assurer que les nouvelles acquisitions soient inscrites à l'actif dans les	Un registre des immobilisations a été créé en 2020 et est tenu à jour depuis le quatrième trimestre de cette même année. La création d'un module pour l'inscription automatique des immobilisations à l'actif dans le système de comptabilité Oracle est prévue.	Question en cours de traitement.

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OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
immobilisations corporelles ou dans les immobilisations incorporelles.		
(6) NAHEMO – Exercice 2016 IBA-AR(2017)29, paragraphe 3 SÉPARATION DES TÂCHES INAPPROPRIÉE POUR CERTAINS PROCESSUS FINANCIERS Recommandation du Collège L'IBAN recommande à la NAHEMA d'assurer une séparation des tâches appropriée en confiant à des personnes différentes la responsabilité des paiements et la responsabilité de la comptabilité.	Un administrateur Décaissements a été recruté en 2020 et l'un des deux assistants comptables a été nommé au poste d'assistant Décaissements. Les titulaires de ces deux nouveaux postes sont responsables des paiements et n'ont aucune responsabilité en matière de comptabilité.	Question traitée.

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COMMENTAIRES OFFICIELS DE L'ORGANISATION DE GESTION DE L'HÉLICOPTÈRE OTAN (NAHEMO) CONCERNANT LE RAPPORT D'AUDIT ET POSITION DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN**OBSERVATION 1 :
ÉTAT DE L'EXÉCUTION DU BUDGET ADMINISTRATIF - INEXACTITUDES SIGNIFICATIVES DANS LA PRÉSENTATION DES ENGAGEMENTS AYANT FAIT L'OBJET D'UN REPORT SPÉCIAL*****Commentaires officiels de la NAHEMO****La NAHEMO est d'accord.**La NAHEMO souscrit à l'observation et tiendra compte de la recommandation. Question traitée par la rectification des états financiers, sauf pour ce qui est de l'actualisation des règles et procédures financières de la NAHEMO.***OBSERVATION 2 :
NON-RESPECT DES DISPOSITIONS DE L'IPSAS 3 RELATIVES AUX INFORMATIONS DE L'EXERCICE PRÉCÉDENT À FOURNIR POUR COMPARAISON, ET INCOHÉRENCES SIGNIFICATIVES DANS LES INFORMATIONS COMPARATIVES FOURNIES*****Commentaires officiels de la NAHEMO****La NAHEMO est d'accord.**La NAHEMO souscrit à l'observation de l'IBAN et continuera d'améliorer l'application de la procédure. Question traitée par la rectification des états financiers.***OBSERVATION 3 :
COMPTABILISATION INCORRECTE DE LA TAXE À LA VALEUR AJOUTÉE (TVA) DANS L'ÉTAT DE LA PERFORMANCE FINANCIÈRE*****Commentaires officiels de la NAHEMO****La NAHEMO est d'accord.**La NAHEMO souscrit à l'observation de l'IBAN et fera en sorte qu'à l'avenir, la méthode de comptabilisation de la TVA soit conforme aux exigences de l'IPSAS.*

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

(3) Exercice 2018

IBA-AR(2019)0011, paragraphe 1

NÉCESSITÉ D'AJUSTER LES APPELS DE FONDS DE MANIÈRE À ÉVITER LES EXCÉDENTS DE LIQUIDITÉS

Commentaires officiels de la NAHEMO

La NAHEMO est d'accord.

La NAHEMO souscrit à l'observation de l'IBAN.

Toutefois, les pays sont tenus de respecter leur propre règlement interne, qui ne correspond pas toujours aux règles et procédures financières de la NAHEMO.

En tout état de cause, la directive interne de la NAHEMA a été actualisée aux fins d'alignement.

(4) Exercice 2018

IBA-AR(2019)0011, paragraphe 2

NÉCESSITÉ D'AMÉLIORER L'ÉTABLISSEMENT DU BUDGET OPÉRATIONNEL

Commentaires officiels de la NAHEMO

La NAHEMO est d'accord.

La NAHEMO souscrit à l'observation de l'IBAN. Le budget sera davantage ajusté sur les engagements et les paiements planifiés grâce à une analyse des phases en cours. En outre, le Comité exécutif conjoint (JEC) et le Comité exécutif conjoint de la communauté (CJEC) sont informés des crédits budgétaires disponibles et des crédits reportés. Tous les contrats et les phases s'y rapportant sont actuellement passés en revue de sorte qu'ils soient alignés sur le budget effectif.

(5) Exercice 2016

IBA-AR(2017)29, paragraphe 2

ABSENCE DE PROCÉDURES FIABLES ET COORDONNÉES POUR L'INSCRIPTION DES IMMOBILISATIONS À L'ACTIF ET LA TENUE DES REGISTRES DES ACTIFS

Commentaires officiels de la NAHEMO

La NAHEMO est d'accord.

La NAHEMA donnera suite à la recommandation de l'IBAN.

La NAHEMA continue d'améliorer la cohérence des registres en utilisant à présent un module de la suite Oracle E-Business pour l'inscription des immobilisations à l'actif.

GLOSSAIRE

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

- L'IBAN émet une opinion sans réserve (*unqualified opinion*) lorsqu'il estime que les états financiers et le rapport sur l'exécution du budget sont exacts et que rien ne lui donne à penser que les fonds n'ont pas été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec la réglementation en vigueur.
- L'IBAN émet une opinion avec réserve (*qualified opinion*) lorsque, d'une manière générale, il est satisfait de la présentation des états financiers mais que, pour certains éléments clés, il constate que les états n'ont pas été correctement établis ou que l'ampleur de l'audit a été limitée, ou lorsque certains éléments lui donnent à penser que les fonds n'ont pas été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec la réglementation en vigueur.
- L'IBAN se déclare dans l'impossibilité d'exprimer une opinion (*disclaimer of opinion*) lorsque l'ampleur de l'audit est extrêmement limitée – au point qu'il n'est pas en mesure d'exprimer une opinion – ou lorsque d'importantes incertitudes entourent les états financiers ou l'emploi des fonds.
- L'IBAN émet une opinion défavorable (*adverse opinion*) lorsqu'une erreur ou une anomalie présente dans les états financiers a des conséquences si étendues et si importantes que, selon lui, une réserve n'est pas suffisante pour faire apparaître le caractère trompeur ou incomplet des états financiers.

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

- Questions clés de l'audit (ISSAI 2701) – Paragraphe qui concerne des questions qui, selon le jugement professionnel de l'IBAN, sont les plus importantes parmi celles qui ressortent de l'audit des états financiers de la période considérée. Les questions clés de l'audit sont portées à l'attention du Conseil.
- Observation particulière (ISSAI 2706) – Paragraphe que l'IBAN ajoute dans la section « Opinion » du rapport d'audit afin d'appeler l'attention sur un élément présenté dans les états financiers dont l'importance est telle, selon lui, qu'il est indispensable
- Autre observation (ISSAI 2706) – Paragraphe que l'IBAN ajoute dans la section « Opinion » du rapport d'audit pour fournir des informations sur un élément autre que ceux présentés dans les états financiers qui, selon lui, est important pour la compréhension, par l'utilisateur, de l'audit, des responsabilités de l'auditeur ou du rapport d'audit.

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NAHEMA

"UNITE TO SUCCEED"

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RE-STATEMENT

NAHEMO FINANCIAL STATEMENTS FOR

FINANCIAL YEAR 2020

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NAHEMO Financial Statements 2020

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ANNEX 1 Statement of Budget Execution

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GENERAL INFORMATION

The NATO Helicopter for the 1990s (NH-90) Design and Development, Production and Logistics Management Organization (NAHEMO), is a NATO subsidiary body, established in 1992 by the North Atlantic Council within the frame of the Ottawa Agreement. It was created to meet the requirements of four Nations (France, Germany, Italy and The Netherlands), and later on also Belgium, that joined the club in 2006, which had jointly decided to design, develop, produce and support a new medium size NATO military helicopter for the 1990s (the so-called NH-90).

From a legal perspective and pursuant to article IV of the Ottawa Agreement, NAHEMO possesses juridical personality, having the capacity to conclude contracts, acquire and dispose of properties and institute legal proceedings. As all NPLOs, it benefits of organizational, administrative and financial independence and operates under the authority of the North Atlantic Council, in accordance with the terms set out in its Charter. The Organization consists of:

- a Steering Committee, that is the governing body acting with regard to the collective interests of Member Nations with the overall responsibility for guidance, execution, control and supervision of the Programme;
- an Agency (NAHEMA), located in Aix-en-Provence (FR), that is the executive managing body under the authority of a General Manager (appointed by the Secretary General of NATO on recommendation of the NAHEMO Steering Committee).

During the years, as the Programme matured, NAHEMO Nations, recognizing the existence of common interests and requirements with other customers, took the initiative to create a wider NH-90 Community, officially established in 2004 with the signature of the Community MOU. Since then, the cooperation has further expanded allowing important economical, technical and operational advantages resulting from standardization, rationalization and interoperability among all Participants.

As of now, 11 Nations are part of the NH-90 Community which consists of the 5 NAHEMO Nations (Belgium, France, Germany, Italy and The Netherlands) plus:

- Finland, Norway and Sweden, who first signed together with NAHEMO Nations the CMOU in 2004;
- Australia, who joined the CMOU in May 2008;
- Spain and New Zealand, who joined the CMOU in May 2013.

Post production modifications, In Service Support, training and joint evolution are the main areas of cooperation among the Community Nations.

The NAHEMO Financial Regulations, approved on July 27th 2017 and based on NATO Financial Regulations, are the basis of NAHEMO financial and administrative processes and procedures.

From a financial point of view, NAHEMA is maintaining two different budget types as reported below.

1. The Administrative Budget (AB) for the administrative costs of NAHEMA.
2. The Operational Budget (OB), composed of the following three chapters:
 - Chapter 1: expenditures related to Design and Development activities for FRA, DEU, ITA, and NLD, under the legal framework of the D&D MOU;

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- Chapter 2: expenditures related to Production Investment, Production, Integrated Logistics Support and Initial In-Service Support for FRA, DEU, ITA, NLD under the legal framework of the PI/P MOU and for BEL under the BEL Prod MOU;
- Chapter 3: expenditures related to In-Service Support activities for all NH-90 Community Nations (NAHEMO and non-NAHEMO) under the legal framework of the CMOU.

The Financial Statements on pages 1 to 29 and the Annex hereto were issued to the International Board of Auditors for NATO on 07 July 2021.

Giorgio Gomma
General Manager

On behalf
Vincent BERNERT
Deputy General Manager

Adrianus van de Geijn
Financial Controller

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NAHEMO

Statement of Financial Position

As of 31 December 2020

(in € '000)

	2020	2019 Restated	2019 Initial	Note
Assets				
Current assets				
Cash and cash equivalents	684,094	709,816	709,816	1
Short term investments (over 3 month)	0	0	0	2
Receivables	170,755	183,983	183,983	3
Prepayments	0	0	0	
Other current assets	0	0	0	
Inventories	0	0	0	
	854,849	893,799	893,799	
Non-current assets				
Receivables	0	0	0	
Property, plant & equipment	256	257	257	4
Intangible assets	90	177	177	5
Other non-current assets	0	0	0	
	346	434	434	
Total assets	855,195	894,233	894,233	
Liabilities				
Current liabilities				
Payables to suppliers	105	463	463	6
Payables to nations in respect of AB	3,773	2,229	2,229	6
Payables to nations in respect of OB	848,816	885,924	885,924	6
Unearned revenue	1,208	424	424	7
Advances	947	4,758	4,758	7
Short term provisions	0	0	0	
Other current liabilities	0	1	1	7
	854,849	893,799	893,799	
Non-current liabilities				
Payables	0	0	0	
Long term provisions	0	0	0	
Deferred revenue	0	0	0	
Other non-current liabilities	0	0	0	
Total liabilities	854,849	893,799	893,799	
Net assets				
PP&E Intangible Assets Reserves			275	
Acquisition of PP&E and Intangible Assets			322	
Accumulated Surplus/(Deficit)	434	275		8
Surplus/(Deficit) for the Period	(88)	159	(163)	11
Total net assets / equity	346	434	434	

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For the year ended 31 December 2020			
	(in € '000)		
		Accumulated surplus / (deficit)	Total
Balance at the beginning of the period 2019		275	275
Changes in accounting policy			
Restated balance			
Exchange difference on translating foreign operations			
Gain / (losses) on property revaluation			
Surplus /(deficit) for the period		159	159
Change in net assets/equity for the year ended 2019		159	159
Balance at the end of the period 2019		434	434
Changes in accounting policy			
Restated balance			
Exchange difference on translating foreign operations			
Gain / (losses) on property revaluation			
Surplus /(deficit) for the period		(88)	(88)
Change in net assets/equity for the year ended 2020		(88)	(88)
Balance at the end of the period 2020		346	346

NAHEMO Statement of Cash Flow

For the year ended 31 December 2020
(in € '000)

	2020	2019 Restated	2019 Initial	Comments
Cash flow from operating activities				
Surplus / (Deficit)	(88)	159	(163)	
Non cash movements				
Depreciation/amortisation	186	163	163	
Impairment				
Increase / (decrease) in payables to suppliers	(359)	(35,186)	(35,186)	
Increase / (decrease) in payables to Nations	(35,564)	122,368	122,368	
Increase / (decrease) in unearned revenue	784	466	466	
Increase / (decrease) in provisions	0	0	0	
(Gains) / losses on sale of property, plant and equipment	0	0	0	
Decrease / (Increase) in net assets	0	0	322	
Decrease / (Increase) in receivables	13,229	(56,630)	(56,630)	
Increase / (decrease) in advances	(3,811)	3,766	3,766	
Increase / (decrease) in other current liabilities	0	(3)	(3)	
Net cash flow from operating activities	(25,623)	35,103	35,103	

Cash flow from investing activities				
Purchase of property plant and equipment / Intangible assets	(98)	(322)	(322)	
Proceeds from sale of property plant and equipment		0	0	
Net cash flow from investing activities	(98)	(322)	(322)	
Cash flow from financing activities				
Net cash flow from financing activities				
Net increase / (decrease) in cash and cash equivalents	(25,721)	34,781	34,781	
Cash and cash equivalent at the beginning of the period	709,816	675,035	675,035	
Cash and cash equivalent at the end of the period	684,094	709,816	709,816	

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These 2020 Financial Statements are based on the accounting records of NAEHMO as of 31 December 2020. In accordance with Article 2 of the NFR, the financial year at NAEHMO begins on 1 January and ends on 31 December of the year.

The functional and reporting currency used throughout these Financial Statements is the Euro (€). All call for funds and contributions are made in Euro.

The financial statements have been prepared in accordance with NATO Accounting Framework (NAF) which is based upon International Public Sector Accounting Standards (IPSAS). In addition, where certain financial reporting requirements are required by the NATO Financial Regulations (NFR), these were also met. The financial statements are prepared on a going-concern basis, which means that those in charge with governance of NAHEMA believe NAHEMA will continue in existence for at least a year from the date the financial statements are issued.

These financial statements represent the consolidated activities of NAHEMO and its executing agency NAHEMA.

In December 2012 NAHEMO changed its accounting policy for the treatment of accounting for revenues and expenditures in relation to operational programme revenues and expenditures. Therefore, these revenues and expenditures are excluded from the Statement of Financial Performance. The subject of knowing the stage-of-completion of operational programme assets from an accounting perspective is not relevant due to the change in accounting policy.

NAHEMO considers that it is acting as an agent for its member states in relation to managing the NH-90 programme. As NAHEMO is not exposed to the risks or rewards of the programme and is paying Industry on behalf of NAHEMO member states it considers that it should show the net consideration received from member states for running the programme and match this to expenditures; this revenue and expenditure is equivalent to NAHEMO's AB. NAHEMO's management considers that this information provides more reliable and transparent financial reporting to users of the financial statements. The change in accounting policy is in accordance with IPSAS 9: Revenue from Non-Exchange Transactions.

NAHEMO considers that Industry controls the assets like helicopters, training media, AGE and spares until they are delivered to Nations. Liabilities for accrued expenses for the OBS are excluded from the Statement of Financial Performance and these assets are excluded from the Statement of Financial Position.

NAHEMO makes prepayments on behalf of member nations to Industry. However, these prepayments are not considered assets of NAHEMO (they are assets of the member nations) and as such are not shown as assets in the Statement of Financial Position.

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

Expenditure, on a cash basis, in respect of the OB can be found in the Budget Execution Statement.

Changes in accounting policy

For the 2020 Financial Statements there was an interactive change in the accounting policy for the capitalisation of fixed assets and intangible assets as a correction of the old practice and wrong presentation in former Financial Statements. This change meets the criteria of IPSAS 3 and is reflected a retroactive change as of 2019 on the accounting treatment and presentation for the capitalisation of new fixed and intangible assets acquisition.

Assets – Current Assets

The entity holds the following types of current assets:

a. Cash and cash equivalents

Cash and cash equivalents are defined as short-term assets. They include cash on hand, petty cash, current bank accounts and deposits held with banks.

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b. Receivables

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

In accordance with IPSAS, receivables are broken down into amounts receivable from user charges, taxes, receivables from related parties, etc.

Contribution receivables are recognized when a call for contribution has been issued to the member nations.

c. Inventories

NAHEMO does not hold inventory. In this respect, purchases which might be considered inventory consist entirely of administrative operating material and regularly consumed supplies. All such supplies are expensed when purchased. The total of all such items in stock at any one date is deemed to be immaterial to these financial statements.

d. Prepayments

A prepayment is a payment in advance of the period to which it pertains and is mainly in respect of advance payments made to third parties. NAHEMO acts as an agent on behalf of member states. It makes prepayments on behalf of member nations to Industry. However, these prepayments are not considered assets of NAHEMO (they are assets of the member nations) and as such are not shown as assets in the Statement of Financial Position.

Assets – Non - Current Assets

In this category, NAHEMO is reporting all assets invested for more than 12 months or receivable beyond 12 months from the closing date of the financial statements.

a. Property, Plant and Equipment

Basic Principles

- Buildings are shown at their re-valued amounts, being the fair value based on internal valuations at each reporting date. NAHEMO has rented the building.
- All other property, plant and equipment are stated at historical cost less accumulated depreciation and any recognised impairment loss.
- No external evaluator to set values for assets.
- Best available information from procurement sources, industry estimates or any relevant source of information as a basis for valuation.

PP&E categorizations for purposes of determining the appropriate depreciable life of the assets is listed in the table below. The categories for both tangible and intangible assets complete with the years in which the asset is to be depreciated.

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Straight-line depreciation method is used for all categories; however, the depreciable life of an asset is dependent on the particular category it is in.

Category	Capitalisation Threshold	Useful life	Depreciation 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 (e.g. deployable assets)	€50,000	3 years	Straight line
Furniture	€30,000	10 years	Straight line
Communication systems	€1,000	3 to 5 years	Straight line
Automated information systems	€1,000	3 to 5 years	Straight line

Impairment of tangible assets

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate that they may be not recoverable. In 2020 no indication existed to review the values of fixed assets for impairment.

b. Intangible assets

According to IPSAS 31: Intangible Assets; NAHEMO recognized the set-up costs for the implementation of ORACLE modules as intangible assets. In the financial statements these set-up costs have been expensed. NCIA Microsoft Licence Software Assurance was not capitalised in accordance with IPSAS 31 no. 93 and NATO Policy for Intangible Assets no. 4.1 and 5. Amortisation is calculated using the straight line method to allocate the cost to the residual values over the estimated useful lives.

Current liabilities

a. Payables

Payables are amounts due to third parties for goods received or services provided that remain unpaid as of reporting date. Accruals are estimates of the cost for goods and services received at year-end but not yet invoiced.

b. Unearned revenue, advances and amounts owing to nations

Unearned revenue represents contributions from Nations that have been called for current or prior year ABs but that have not yet been recognised as revenue. Funds are called in advance of their need because the agency has no capital that would allow it to pre-finance any of its activities.

Advances are contributions received related to future years' ABs.

Amounts owing to nations are amounts held by or owed to NAHEMO in respect of the AB or OB. Until these amounts are expensed they are considered as owing to the member nations.

c. Employee benefits

IPSAS 25 prescribes the accounting treatment of the following employee benefits:

1. Short term benefits which fall due wholly within twelve months after the end of the accounting period in which employees render the related service;
2. Post-employment benefits and
3. Termination benefits.

Employees participate in the New Defined Contribution Pension Scheme administered by NATO. Contributions to these Plans are limited to matching the employees' contributions for current service.

The assets and liability for NATO's Defined Benefit Plan are accounted for centrally at NATO Headquarters and therefore are not recognized in these financial statements, whilst the employer's contribution made to the New Defined Contribution Pension Plan are expensed during the reporting period.

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Non-Current liabilities

Provisions

Provisions are recognised when the entity has a legal or constructive obligation as a result of past event, and where it is probable that an outflow of resources will be required to settle the obligation, and where a reliable estimate of the amount of the obligation can be made. In 2020 NAHEMO has no provisions.

Net Assets

Net assets represent the residual interest in the assets of the entity after deducting its liabilities.

Revenue and expense recognition

a. Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to NAHEMO and the revenue can be measured reliably. Contributions to the NAHEMO AB when called are booked as unearned revenue and subsequently recognized as revenue when it is earned.

Revenue comprises contributions from Member Nations to fund the NAHEMO AB. It is recognized as revenue in the statement of financial performance when such contributions are used for their intended purpose as envisioned by the AB. Revenue is recognized to the extent that it is probable that the economic benefits will flow to NAHEMO 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, NAHEMO recognizes a liability until the condition is fulfilled.

b. Expenses

NAHEMO AB expenses are recognized when occurred. Accruing of expenses is based on the concept of accruing when goods and services are received.

Surplus or Deficit for the Period

In accordance with NAHEMO accounting policies NAHEMO AB revenue is recognized up to the amount of the matching AB expenses.

Cash Flow Statement

The Cash Flow Statement is prepared using the indirect method and the format follows the layout provide by IPSAS 2 (Cash Flow Statement).

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B. Significant Accounting Judgements and Estimates

In accordance with generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions made by the management and based on historical experience as well as on the most reliable information available. In exercising the judgements to make the estimates a degree of caution was included in light of the principle of 'prudence' required by IPSAS in order not to overstate assets or revenue or understate liabilities or expenses.

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

C. Notes to Statement of Financial Position

Assets – Current Assets

1. Cash and cash equivalents

	December 31, 2020	December 31, 2019
	€ '000	€ '000
Petty Cash	1	1
Current Bank Accounts	438,391	511,018
Cash equivalents	245,702	198,797
Total Cash and cash equivalents	684,094	709,816

Petty cash is cash on hand locked in a safe at NAHEMA.

Deposits are partly held in interest-bearing current bank accounts in immediately available funds. Current bank accounts are held in EURO.

Cash equivalents are funds invested on short-term deposit bank accounts held in EURO.

Cash and cash equivalents included in the Cash Flow Statement equal the above figures in the Statement of Financial Position.

2. Accounts receivable

	December 31, 2020	December 31, 2019
Contributions from Member Nations	€ '000	€ '000
Receivable from Nations related to AB	16	
Receivable from Nations related to OB	164,253	183,753
Other receivables		(35)
Receivables VAT reimbursement 2018	0	8
Receivables VAT reimbursement 2019	45	239
Receivables VAT reimbursement 2020	209	0
Receivable accrued interest	26	18
Receivable by Suppliers	6,205	0
Total Receivables	170,755	183,983

Contributions from Member Nations

Contributions receivables from Member Nations are recognised when called.

Receivables from Nations related to the AB funding

The accounts receivable from Nations related to the NAHEMO AB are related to the NAHEMO Nations (France, Germany, Italy, The Netherlands and Belgium), and the Non-NH-90-Programme Contributing Participants Finland, Norway and Sweden (the so called NORDIC Nations) and Australia, Spain and New Zealand.

The total yearly Administrative Costs of NAHEMA have been fixed by the Production MOU for the NAHEMO community to a ceiling amount of EUR 6.6 Million based on economic conditions of 01/01/1999. The ceiling has been increased to EUR 7.85 Million since the Addendum No. 5 to the Production MOU has been signed in September 2009. The ceiling is annually escalated using the annual NATO salaries increase and the index "Indice mensuel des prix à la consommation" published in the Bulletin mensuel de l'INSEE.

With Programme Arrangement No. 1 to the NH-90 Community MOU an additional ceiling amount of EUR 750,000 on economic conditions of 01/01/1999 has been fixed for the NAHEMA activities in favour of the NORDIC Nations depending on the agreed scope of work. The NORDIC Nations contribute to the AB starting from the financial year 2005.

Since the financial year 2007 Australia is contributing to the AB.

In June 2007 the NH-90 Belgian Production MOU was signed and Belgium became the 6th NAHEMO Nation. The yearly administrative ceiling amount of EUR 110,000 for an A3 post or an amount of EUR 124,000 for an A4 post on economic conditions 01/1999 has been agreed as Belgian participation.

In May 2013 with Programme Arrangement No.1 amendment 2 to the Community MOU an additional ceiling amount of EUR 140,000 each of the Spanish and the New Zealand Contributing Participant on economic conditions 01/1999 has been agreed as annual administrative participation.

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All expenses including salaries and associated costs within the scope of the AB are considered as administrative expenses.

In 2020, the NAHEMO Nations were invited to pay EUR 1,120,356.45 the NORDIC Nations share was EUR 2,475,327.00 and the share for Australia, New Zealand and the Kingdom of Spain was EUR 1,237,663.00.

Lapsed funds 2018 in the amount of EUR 854,053.22 were to be offset from call for funds in 2020. Respective credit memos were created and credited against the 2nd call for funds 2020.

PRT shares will not be returned to PRT. The funds will remain in NAHEMA until the MOU related to the PRT withdrawal has been signed. After signature of this MOU it will be determined how the remaining PRT funds will be used.

Receivables from Nations related to OB funding

At the end of Budget Year 2020, a total OB receivables of EUR 164,253,537.75 was recorded.

Receivables VAT reimbursement

These are receivables for outstanding VAT reimbursements from 2018 in the amount of EUR 119.21, from 2019 in the amount of EUR 44,554.81 and from 2020 in the amount of EUR 209,025.04 from the French Minister of Finance for a total of EUR 253,699.06.

According to the MOUs, VAT is payable by the country levying it, which is France in the case of the NH-90 Programme. The Finance and Administrative Committee (FAC) decided that the AB is to be submitted exclusive of VAT. VAT payments are kept in a specific expense account and will be reimbursed by the French Ministry of Finance (MoF).

VAT payments not reimbursed by MoF due to French internal regulations will be compensated by the French Ministry of Defence (MoD). This practise was confirmed per decision 35th Financial Administrative Committee Meeting 16-18 October 2018.

Receivables by Suppliers

Negative payables to suppliers were reclassified to receivables. The main amount of EUR 6,002,485.72 is connected to credits notes on the PTP Contract Amendment 23 (CA23) signed on 10 June 2015.

3. Prepayments

NAHEMO acts as an agent on behalf of member states. It makes prepayments on behalf of member nations to industry. However, these prepayments are not considered assets of NAHEMO (they are assets of the member nations) and as such are no longer shown as assets in the Statement of Financial Position.

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Assets – Non-current Assets**4. Property, plant and equipment**

Changes in Property, Plant and Equipment and related depreciation for the year were as follows:

Cost	Automated Vehicle Information Systems			Total
	EUR	EUR	EUR	
Net book value				
Balance at 31 December 2019	23,345.85	233,186.53	256,532.38	
Additions	-	92,710.02	92,710.02	
Disposals	-	-	-	
Revaluation	-	-	-	
Balance at 31 December 2020	23,345.85	325,896.55	349,242.40	
Accumulated depreciation				
Depreciation expense	6,131.40	76,034.09	82,165.49	
Balance at 31 December 2020	6,131.40	86,856.16	92,987.56	
Net book value				
Balance at 31 December 2020	17,214.45	249,862.46	256,254.84	

In 2020 NAHEMA replaced and purchased automated information systems for EUR 92,710.02 that are capitalized on NAHEMO's Statement of Financial Position. The total depreciation charge for the year 2020 was EUR 92,987.56 and results in a total net book value of EUR 256,254.84 for property, plant and equipment.

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5. *Intangible assets*

Changes in Intangible assets and related amortisation for the year were as follows:

	Computer Software (off the shelf)	Computer Software (bespoke)	Total
Cost	EUR	EUR	EUR
Net book value			
Balance at 31 December 2019	171,072.77	6,273.89	177,346.66
Additions	5,491.44	-	5,491.44
Disposals	-	-	-
Revaluation	-	-	-
Balance at 31 December 2020	176,564.21	6,273.89	182,838.10
Accumulated amortisation			
Amortisation expense	89,983.85	3,273.33	93,257.18
Balance at 31 December 2020	89,983.85	3,273.33	93,257.18
Net book value			
Balance at 31 December 2020	86,580.36	3,000.56	89,580.92

In 2020 NAHEMA purchased computer software for EUR 5,491.44 that are capitalized on NAHEMO's Statement of Financial Position. The total amortisation charge for the year 2020 was EUR 93,257.18 and results in a total net book value of EUR 89,580.92 intangible assets.

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Liabilities – Current Liabilities

6. Payables

	December 31, 2020	December 31, 2019
	€ '000	€ '000
Payables AB suppliers	105	12
Payables OB suppliers	0	451
Payables to suppliers	105	463
Payables to Nations in respect of AB	3,773	2,229
Payables to Nations in respect of OB	848,816	885,924
Payables to Nations	852,589	888,153
Other Payables	0	0
Total Payables	852,694	888,616

Payables to AB Suppliers

In 2020 there are payables to AB suppliers for the purchase of goods and services of EUR 8,919.20. Payables also contain liabilities for accrued expenses in the amount of EUR 95,779.20.

Payables to OB Suppliers

For 2020 there are no payables to OB suppliers as negative payables to OB suppliers were reclassified to receivables.

Payables to AB funding nations in respect of AB

This represents the net revenue containing interest, bank charges, lapses, and over/under call in 2020. The net result in the amount of EUR 3,773,115.43 has to be reimbursed to the nations following the MOU cost sharing agreement and NAHEMO SC decisions towards the NAHEMO AB funding.

Lapsed funds 2019 in the amount of EUR 1,474,230.65 will be offset from call for funds in 2021. Respective credit memos will be created and credited against the 2nd call for funds 2021.

Lapsed funds 2020 in the amount of EUR 2,164,443.55 will be offset from call for funds in 2022. Respective credit memos will be created and credited against the 2nd call for funds 2022.

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Payables to OB funding nations in respect of OB

This represents the net revenue containing interest, bank charges, lapses, contributions from other Nations for compensation, unallocated contributions, miscellaneous receipts and unused contributions.

The amount of EUR 848,815,661.85 represents balances held by NAHEMO or owed from member Nations which are in turn owed to nations until they are expensed on the OB. Due to a change in accounting policy in 2013, contributions for next year's OB are shown as payables to Nations.

In the table below, the details of the total payables to Nations of EUR 3,773,115.42 (AB) and EUR 848,815,661.95 (OB) are explained.

Interest held on operational bank accounts have accumulated since 2007 to EUR 1,697,132.21.

Payables to Nations at the end of 2020	
Payables to Nations in respect of AB	
Misc. Payables	EURO € '000
Lapsed Funds related to Budget Year 2019	134
Lapsed Funds related to Budget Year 2020	1,474
	2,165
	3,773
Payables to Nations in respect of OB	
Interest	EURO € '000
Lapsed Funds NSPA related to Budget Year 2011	1,697
Unallocated Contributions	105
Unused Contributions	5,900
Misc. Payables	841,041
	72
Total OB Related	848,816

Other Payables

In 2020 there are no other payables.

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7. Unearned Revenue and Advances

	December 31, 2020	December 31, 2019
	€ '000	€ '000
Unearned Revenue AB	1,208	424
Advances AB	947	4,758
Total	2,155	5,182

Unearned Revenue AB

Unearned revenue AB consists of contributions and other transfers received or receivable, but for which corresponding charges will be incurred after the reporting date. The unearned revenue liability as of 31 December 2020 was EUR 1,208,411.76.

In note 9, it is explained how the unearned revenue 2019, contributions and revenue recognition in 2020 result in the unearned revenue 2020.

Advances AB

Advances related to the AB are contributions called in advance relating to the 2020 Budget. EUR 946,708.42 was an advanced contribution from Germany.

Net Assets**8. PP&E and Intangible Asset Reserve**

Net assets of EUR 345,835.73 are represented by accumulated surplus/(deficit) of EUR 433,879.04 related to PP&E and intangible asset additions and depreciation/amortisation previous periods, plus fixed assets acquisition of 98,201.46 EUR for 2020, minus the depreciation/amortisation of EUR 186,244.74 for 2020.

A separate cost account (711005 "capital capitalized") was created in ORACLE to easily track the cost of acquisition and to avoid an overstatement of the expenses in the year the asset is purchased. Additions to asset are not to be recorded directly into the Net Assets/Equity, unless the asset will be donated by its owner as a contribution in kind (IPSAS 17).

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D. Notes to Statement of Financial Performance

9. Revenue

The revenue recognition is matched with the recognition of expenses against the NAHEMO AB.

Contributions when called are booked as an advance under unearned revenue and subsequently recognised as revenue when it is earned.

The table below shows the revenue from exchange transactions for the AB 2019 and 2020.

	December 31, 2020	December 31, 2019 Restated	December 31, 2019 Initial
<i>Revenue AB</i>	€ '000	€ '000	€ '000
Contributions	11,822	11,746	11,424
Revenue	11,822	11,746	11,424

The revenue recognition is matched with the recognition of expenses.

Reconciliation between Revenue and Unearned Revenue

The table below explains to what extent the unearned revenue from previous years and the net calls in the current year for the AB is recognized as revenue in the current year. The remaining balance is unearned revenue for the funds that are carried forward to future years and payables for the AB credits that are lapsed.

The starting balance of the unearned revenue at the beginning of 2020 is EUR 5,182,494.67. The reversal for accrued expenses is EUR 12,168.42, the total amount called in 2020 reads EUR 11,021,917.74. EUR 274,795.15. was recorded for the VAT paid in 2018 and 2019 to be reimbursed in 2021. EUR 208,972.24 was recorded for the VAT paid in 2020 to be reimbursed in 2021.

The revenue recognized in 2020 is EUR 11,822,338.47 for expenses and EUR 446,225.03 for VAT expenses; lapsed funds to be returned to Nations are for an amount of EUR 2,276,664.54. This results in unearned revenue of EUR 2,155,120.13.

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Reconciliation of Unearned Revenue AB 2019 with 2020

	EURO € '000
Unearned Revenue 31 December 2019	5,182
Reversal accruals 2019	12
Call for Funds 2020	10,075
Call for Funds 2021	947
VAT paid 2018 & 2019 to be reimbursed in 2021	275
VAT paid 2020 to be reimbursed in 2021	209
Accrued Expenses 2020	(96)
Revenue earned 2020	(11,726)
Bank Charges	(0)
Revenue earned in 2020 for VAT 2020	(167)
Payable to Governments 31 December 2020	(2,277)
VAT 2019 reimbursed 2020	(234)
VAT 2019 reimbursed 2021	(45)
Total unearned revenue 31 December 2020	2,155

10. Expenses

Expense recognition for the 2020 AB and previous years carried forward budgets activities are based upon actual payments made together with accrued expenses which are based on value of work completed by contractors or duty trips performed where invoices are not yet received. Depreciation for PP&E and Intangible Assets for 2019 is reflected as expense.

AB Expenses are recognized by nature within the following groups.

Personnel

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

Contractual Supplies and Services

Contractual Supplies and Services expenses include expenses for general administrative overheads, and the maintenance costs of buildings/grounds, communication and information systems, transportation, travel expenses, representation/hospitality and miscellaneous expenses. These expenses were mainly needed to meet NAHEMOS' requirements in order to fulfil NAHEMAS' management tasks.

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Operating Leases

NAHEMA rents premises on an operating lease. The annual rent for the premises is EUR 493,161.64 inclusive accessory charges. The lease for building A was extended for an unlimited duration. The lease for building B will terminate in 2022.

Capital & Investment

Capital investments are still reported as expenses against the AB. Acquired assets of PP&E which exceed the materiality thresholds would be in principle capitalized and depreciated over their useful life.

The table below shows the breakdown of the expense from AB exchange transactions:

	December 31, 2020	December 31, 2019 Restated	December 31, 2019 Initial
	€ '000	€ '000	€ '000
Personnel	10,444	10,170	10,170
Operating	1,151	1,517	1,195
Capital	131	47	47
Capital capitalized	(98)	(322)	0
Depreciation PP&E	93	81	81
Depreciation Intangible Assets	93	82	82
VAT	212	215	215
Finance Costs	0	0	0
Accrued Expenses	96	12	12
Total Expenses AB	12,122	11,802	11,802

AB expenses are recognized when occurred. Accruing of expenses is based on the concept of accruing when goods and services are received. The accrued expenses are composed as follows:

Personnel	17,531.64 EUR
Operating	72,699.56 EUR
Capital	5,548.00 EUR
Total	95,779.20 EUR

Reconciliation between Revenue and Expenses

The Revenue related to the AB that has been recognized in 2020 relates directly to the expenses that can be attributed to the AB. For the AB the total revenue incurred is matched with the total expenses recognized in 2020 for a total of EUR 12,122,106.42.

11. Surplus or Deficit for the Period

In the Statement of Financial Performance the surplus/deficit of the period of EUR 88,130.90 represent the difference between total revenue and total expenses, which is composed of the annual depreciation expense for P&E and the annual amortisation expense for intangible assets, plus PP&E additions of the period ("capital capitalized").

12. Bank Charges / Negative Interest

In 2020 bank charges exceeded the interest earned. For the AB, charges were expensed and recognized as revenue in accordance with 76th NH-90 Steering Committee decision. For the OB, charges were either offset from payable interest of previous years or expensed and recognized as revenue in accordance with respective Nations' requests.

In 2020 three NAHEMO Nations were charged with negative interest on their operational bank accounts. For two Nations, negative interest in the amount of EUR 106,374.83 and EUR 100,813.43 were offset from payable interest of previous years in accordance with respective Nations' request. For the other Nation negative interest in the amount of EUR 48,362.42 was recognized as expenses in accordance with respective Nation's request.

E. Events after Reporting Date

Under IPSAS 14 (Events after the reporting date) reporting entities are required to disclose any event, both favourable and unfavourable, which occurs between the reporting date and the date when the financial statements are authorized for issue.

At the end of 2020, one ADM Call for Funds (CFF) out of 2020 was still unpaid. This CFF with the amount of EUR 51,569.25 was paid in January 2021.

At the end of 2020 one OB Call for Funds (CFF) out of 2020 for Chapter 1 was still unpaid. This CFF with the outstanding amount of EUR 90,800,000.00 was paid in January 2021.

Two OB CFF out of 2020 for Chapter 3 were partly paid at the end of 2020. The outstanding amount of EUR 2,000,000.00 for one of these CFF was paid in January 2021. The outstanding amount of EUR 17,600,000.00 for the other CFF will be paid in 2021 to avoid negative interest in accordance with respective Nation's request.

One OB CFF out of 2020 for Chapter 6 was still unpaid. This CFF with the outstanding amount of EUR 98,961.20 was paid in January 2021.

Two OB CFF out of 2020 for Chapter 8 were still unpaid. These CFF with the amount of EUR 1,217,000.00 and EUR 4,200,00.00 were paid in January 2021.

There have been no other events between reporting date and the date when the financial statements were authorized for issue that would affect the amounts recognized in these financial statements.

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F. Related Parties Disclosure

Under IPSAS 20 Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions. IPSAS 20 requires the disclosure of the existence of related party relationships, where control exists, and the disclosure of information about transactions between the entity and its related parties. This information is required for accountability purposes and to facilitate a better understanding of the financial position and performance of the reporting entity.

The key management personnel of NAHEMA have completed a declaration stating that they have no related party relationships that could affect the operation of this reporting entity. Also National Heads of Delegations as well as Joint Executive Committee Members have completed a declaration stating that they have no related party relationships that could affect the operation of this reporting entity.

NAHEMA senior management is remunerated in accordance with published NATO pay scales and does not receive loans that are not available to all staff.

Key Management Personnel

GENERAL MANAGER, grade A7
 DEPUTY GENERAL MANAGER, grade A6
 ADM DIVISION LEADER, grade A6
 SYS DIVISION LEADER, grade A6
 LOG DIVISION LEADER, grade A6

The aggregate remuneration of key management personnel was as follows during the year:

	December 31, 2020	December 31, 2019
	€ '000	€ '000
Basic salaries	753	781
Allowances	120	124
Post-employment benefits	90	74
Employer's contribution to Insurance	76	79
TOTAL	1.039	1.058

The Salary adjustment was +2.6% in 2020.

	December 31, 2020	December 31, 2019
Number of individuals on a full time equivalent basis		
General Manager	1	1
Deputy General Manager	1	1
Other key management personnel (Division Leaders)	3	3
TOTAL	5	5

In addition NAHEMA management has assessed that there are no related party transactions between the nations which are members of NAHEMO and the industrial contractors used to implement NAHEMO programmes. However, France and Germany have shareholdings of about 12% of EADS, who owns Airbus Helicopters (formerly known as Eurocopter).

G. Employee Disclosure

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

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

The costs in Chapter 1 are for staff members hired under the NATO Civilian Personnel Regulations as well as for consultants and contractors. The figures represent the costs of personnel including basic salary, allowances, insurance and pension plan contributions.

	December 31, 2020	December 31, 2019
Employee benefits expense	€ '000	€ '000
	9,934	9,6321
Post-employment benefits for defined benefit pension scheme	0	0
for defined contribution pension scheme	829	781
Total employee benefits expense	10,763	10,413

Different pension plans are applicable to employees in NAHEMA; defined benefit plan, and defined contribution plan. All pension plans are managed by NATO HQ and are therefore not included in the entity Financial Statements. Contributions to the plans are expensed when occurred.

Further to an analysis covering the last years of the history of death in service risks in relation to premiums paid by the Organisation during 2012-2015, a compensation of EUR 6 million at the NATO-wide level was agreed by the insurance company. End 2018, the NATO Secretary General decided that a fraction of this amount (circa EUR 1,7 million) should be paid to NATO staff who were members of the DCPS during the period 2012-2015 in proportion to the contributions they made to the DCPS. Staff employed by "NATO body" during the period 2012-2015 and affiliated to the DCPS is therefore entitled to a payment to be made from the NATO DCPS accounts. According to the NATO IS – Office of Financial Control the actual payment will take place in early 2020.

H. Financial Instruments Disclosure/Presentation

NAHEMA uses only non-derivative financial instruments as part of its normal operations. These financial instruments include, cash, bank accounts, deposit accounts, and accounts receivable. All the financial instruments are recognised in the statement of financial position at their fair value.

NAHEMA is restricted from entering into borrowings and investments. NAHEMA's management have considered the following types of risks related to its financial assets and liabilities:

- Foreign currency exchange risk: NAHEMA is not exposed to foreign currency exchange risk because all contributions and payments are made in EURO
- Liquidity risk: The liquidity risk is based on the assessment whether the organisation will encounter difficulties in meeting its obligation associated with financial liabilities. There is a very limited exposure to liquidity risk because of the budget funding mechanism that guarantees contributions in relation to approved budgets. The limited risks are primarily the validity of forecasts that result in the calls for contributions.
- Credit Risk: There is a low credit risk as the contributing nations have high or sufficient credit ratings. NAHEMA's management does not believe that its customers' credit positions will directly impact on their ability to meet NAHEMA's funding commitments.
- Price Risk: There is a low price risk to NAHEMA due to programme price increases because Nations are contractually bound to meet such price changes and NAHEMA itself is not exposed to this price risk.

I. Bank Guarantees

NAHEMA's building rental contracts include two bank guarantees ("cautionnement bancaire") with Credit Agricole Bank in favour of société GENEPIERRE for EUR 258,805.00 and in favour of société ATLANTIQUE MUR REGIONS S.C.P.I. of EUR 20,260.08.

Société GENEPIERRE is the owner of the building (Bâtiment A) and société ATLANTIQUE MUR REGIONS S.C.P.I. is the owner of the building (Bâtiment B, ground floor) that are rented by NAHEMA. Société GENEPIERRE and société ATLANTIQUE MUR REGIONS S.C.P.I. insisted on these bank guarantees. These guarantees do not elapse before the end of the rental contract.

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PUBLICLY DISCLOSED - PDN(2022)0012 - MIS EN LECTURE PUBLIQUE

Notes to the Statement of Budget Execution

Comparison of Budget Execution and Statement of Financial Performance

Budget Execution***Reconciliation between the NAHEMO Budget Execution Statements and the NAHEMO Statement of Financial Performance:***

The difference between the Budget Execution Statement for the AB and the accrual based inputs in the Statement of Financial Performance is based on the depreciation & amortisation amount of EUR 186,244.74, the VAT paid amount of EUR 211,724.71, the amount for capital capitalised of EUR (98,201.46), the bank charges amount of EUR 229.00 and the payables accrued expenses amount of EUR 95,779.20.

The following table represents this reconciliation.

Budget	Expenses in Budget Execution Statement	Adjustments for Depreciation & Amortisation	Adjustments for VAT paid	Adjustments for Capital Capitalized	Adjustments for Bank Charges	Adjustments for Accrued Expenses	Expense in Statement of Financial Performance
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
ADM Budget 2020	11,726	186	212	(98)	0	96	12,122
TOTAL	11,726	186	212,2	(98)	0	96	12,122

IPSAS 24 - Presentation of budget information in Financial Statements is applicable from the 2009 financial reporting period onwards.

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Due to the fact that the NAHEMO Budget Execution Statement is cash based and the NAHEMO Financial Statements are on the accruals basis please find below the reconciliation.

The AB is based on estimates and was approved by the NAHEMO Steering Committee during the 34 CSC meeting held on the 4th of December 2019, except for France, which approved ex-committee on the 17th of December 2019.

The AB COMMITMENTS 2020 are mainly based on personal cost for the NAHEMA employees and purchase and service contracts signed in order to run the agency.

In the "Statement of Budget Execution":

- the column "Carry forward 2020" shows the committed amounts at year end to be carried forward to the next year;
 - the column "Expenses at 31/12/2020" shows the total amount expensed during the year;
 - the column "Uncommitted amounts authorized as SCFW" shows only an uncommitted amount of 976M€ linked to the relocation of Nahema in the new premises, for which the Steering Committee has agreed to a "special carry forward" (SC85), in accordance with art 25.6 of the Nahemo Financial Regulations. The purpose of this special request was to maintain the availability of the funds allocated in 2020, following unexpected delays occurred in the relocation project;
 - the column "Lapsed" shows the difference between the total amount of credits minus the total amount committed lapsed at year end and to be given back to Nations.
- Credits carried forward are allowed to be carried forward for two years. At the end of the third year, they have to be finally cancelled.

At the end of 2020, EUR 2,276,664.54 were lapsed, and will be given back to Nations. Hence, payable lapses to Nations add up as follows: Coming from Budget 2019: EUR 112,220.99, coming from Budget 2020: EUR 2,164,443.55.

RECONCILIATION OF ADM BUDGET EXECUTION TO CASH FLOW STATEMENT

Expenditure (modified cash based) on AB	(11,932,514.07)	
Cash received on AB	10,761,825.94	
Net outflow on AB	(1,405,115.60)	
Net cash flow as per cash flow statement	1,480,728.85	
Difference	75,614.25	
	Represented by:	
	(229.00)	Bank Charges
	(309,812.72)	Misc. Payments
	234,427.47	VAT reimbursed

In accordance with the new NAHEMO Financial Rules and Procedures, replacing the 5th issue of the NAHEMO Financial Rules and Regulations, the OB is composed of three Chapters, Chapter 1 (formerly known as D&D), Chapter 2 (formerly known as PIP) and Chapter 3 (formerly known as ISS and NAMSA).

The OB for each Chapter indicates the total estimated amount of expected cash payments. This amount includes amounts for planned contracts to be signed during the actual Budget year and planned amendments of contracts as well. For the new frame contracts like the repair & overhaul contracts for the engine and the helicopter, Nations provided the budget figures based on their assumptions.

The INI OB 2020 was approved during the 34 CSC meeting held on the 4th of December 2019, except for France and Italy, which approved ex-committee on the 26th of February 2020 and on the 05th of March 2020 respectively. The MYR OB 2020 was approved ex-committee by all Nations.

RECONCILIATION OF OP BUDGET EXECUTION TO CASH FLOW STATEMENT

Expenditure (modified cash based) on OB	(1,375,118,014.94)
Cash received on OB	1,351,026,992.39
Net outflow on OB	(24,091,022.55)
Net cash flow as per cash flow statement	24,271,160.60
Difference	180,138.05

Represented by:

16,755.65	Interest paid to Treasuries
2,773.38	Bank Charges
183,381.11	Negative Interest
(22,772.09)	Interest earned

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Statement of Credits carried forward

The following table shows credits carried forward with a brief explanation of the unexpended balances at year end for which there is a legal liability.

NAHEMA AB 2020		
(EUR)	STATEMENT OF CREDITS CARRIED FORWARD TO 2020	
CHAPTER		REMARKS
01 PERSONNEL	44,782.201	Education allowances, overtime, removal, recruitment, home leave, medical examinations CEPMA costs to be finalized
02 SUPPLIES	1,132,714.92	Moved to new premise, maintenance, travel missions, computerization, technical assistance, leasing costs to be finalized
03 CAPITAL	27,911.79	Furniture, IT, security costs to be finalized
TOTAL	1.205,408.91	

OB Milestones achieved 2020

As of 31 December 2020 milestones in the amount of EUR 117,347,313.89 had been declared achieved but were not invoiced before closing of F.Y. 2020. Hence, they were not recognized as payables in F.Y. 2020.

Statement of transfers

There were no transfers in NAHEMA Administrative Budget 2020 in accordance with the Section 1 art. 12 of the NAHEMO FINANCIAL RULES AND PROCEDURES (approved on 20/10/2017).

Representation allowance

The NAHEMA General Manager is entitled to representation allowance to cover expenses associated with establishing and maintaining business relationships of value to NATO (e.g. hosting of functions such as dinners, luncheons and receptions). As per EM-HR(PSC)(2014)0008 dated 5 March 2014, including PO(2013)0154, the total entitlement to representation allowance for 2020 was EUR 4,500.00 of which EUR 0.00 were expensed. Remaining commitments were closed and credits were lapsed. Expenses 2020 were as follows:

	December 31, 2020	December 31, 2019
	€	€
Rental supplement expenses	0.00	0.00
Hospitality expenses	0.00	870.15
Total	0.00	870.15

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NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD
INTERNATIONAL BOARD OF AUDITORS
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

NATO SANS CLASSIFICATION

IBA-A(2021)0114
26 août 2021

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

Cc : Représentants permanents auprès de l'OTAN
Président du Comité de direction de l'Organisation de gestion du programme du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAPMO)
Directeur général de l'Agence de gestion du programme du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAPMA)
Contrôleur des finances de la NAPMA
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Gestion des ressources du Bureau OTAN des ressources
Bureau d'ordre du Cabinet

Objet : ***Rapport du Collège international des auditeurs externes de l'OTAN (IBAN) sur l'audit des états financiers de l'Agence de gestion du programme du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAPMA) pour l'exercice clos le 31 décembre 2020 – IBA-AR(2021)0022***

Monsieur le Secrétaire général,

Vous trouverez ci-joint le rapport d'audit approuvé ainsi qu'une note succincte à l'intention du Conseil.

L'IBAN a émis une opinion avec réserve sur les états financiers de la NAPMA ainsi que sur la conformité pour l'exercice 2020.

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

Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.

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-1-

**Note succincte
du Collège international des auditeurs externes de l'OTAN
à l'intention du Conseil
sur l'audit des états financiers
de l'Agence de gestion du programme du système aéroporté
de détection lointaine et de contrôle de l'OTAN (NAPMA)
pour l'exercice clos le 31 décembre 2020**

L'Organisation de gestion du programme du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAPMO), dont fait partie l'Agence de gestion du programme du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAPMA), a été créée pour assurer la direction, la coordination et l'exécution du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAEW&C). La gestion du programme consiste à superviser l'acquisition des moyens opérationnels nécessaires à la mise en place de la capacité NAEW&C ainsi que l'acquisition ultérieure des moyens destinés à la renforcer. En 2020, les dépenses de la NAPMA – y compris les ajouts aux projets de modernisation – se sont établies à environ 161 millions de dollars des États-Unis.

L'IBAN a émis une opinion sans réserve sur les états financiers 2020 de la NAPMA ainsi que sur la conformité pour l'exercice.

L'IBAN a formulé une observation, assortie d'une recommandation, qui porte sur l'utilisation de la réserve spéciale. Cette observation n'a pas eu d'incidence sur l'opinion émise au sujet des états financiers et de la conformité.

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

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

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

25 août 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**RAPPORT SUR L'AUDIT DES ÉTATS FINANCIERS
DE L'AGENCE DE GESTION DU PROGRAMME DU SYSTÈME AÉROPORTÉ
DE DÉTECTION LOINTAINE ET DE CONTRÔLE DE L'OTAN
(NAPMA)**

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2020

NATO SANS CLASSIFICATION

IBA-AR(2021)0022

OPINION DE L'AUDITEUR EXTERNE À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD***Audit des états financiers*****Opinion sur les états financiers**

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers de l'Agence de gestion du programme du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAPMA) portant sur la période de 12 mois ayant pris fin le 31 décembre 2020. Diffusés sous la cote NAPMA/FC(21)50-00/032 et soumis à l'IBAN le 31 mars 2021, ces états financiers se composent de l'état de la situation financière au 31 décembre 2020, de l'état de la performance financière, de l'état des variations de l'actif net/situation nette et du tableau des flux de trésorerie pour la période de 12 mois ayant pris fin le 31 décembre 2020, ainsi que d'un résumé des méthodes comptables importantes et d'autres notes explicatives. Ils contiennent en outre un rapport sur l'exécution du budget portant sur la même période de 12 mois.

L'opinion de l'IBAN est que les états financiers donnent une image fidèle et exacte de la situation financière de la NAPMA au 31 décembre 2020 ainsi que de sa performance financière, de ses flux de trésorerie et de l'exécution du budget pour la période de 12 mois ayant pris fin à cette date, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN.

Justification de l'opinion émise sur les états financiers

Le Règlement financier de l'OTAN prévoit que l'audit externe des entités OTAN présentant des états financiers et des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par l'IBAN.

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 2200-2899), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

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

Responsabilité de la direction concernant les états financiers

La responsabilité de la direction concernant les états financiers est définie dans le Règlement financier de l'OTAN. Les états financiers de la NAPMA sont établis en

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IBA-AR(2021)0022

application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN tel qu'approuvé par le Conseil. Il incombe au contrôleur des finances de soumettre les états financiers à l'IBAN au plus tard le 31 mars qui suit la fin de l'exercice visé dans les états financiers.

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

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

Responsabilités de l'IBAN concernant l'audit des états financiers

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

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

- à recenser et à évaluer les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur, à concevoir et à mettre en œuvre des procédures d'audit sensibles à ces risques ainsi qu'à obtenir par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion ; le risque de non-détection d'une inexactitude significative relevant d'une fraude est plus élevé que le risque de non-détection d'une inexactitude significative relevant d'une erreur, car la fraude peut résulter d'une collusion, d'une falsification, d'omissions

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intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;

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

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

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

Audit de conformité**Opinion sur la conformité**

Sur la base des procédures qu'il a appliquées, l'IBAN estime que rien, dans son audit des états financiers, ne lui donne de raison de penser que les fonds n'ont pas été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec le Règlement financier de la NAPMO et le Règlement du personnel civil de l'OTAN.

Justification de l'opinion émise sur la conformité

L'IBAN a effectué l'audit de conformité sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000-4899), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

Responsabilité de la direction concernant la conformité

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

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

Responsabilité de l'IBAN concernant la conformité

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

Il incombe ainsi à l'IBAN d'appliquer des procédures lui permettant d'obtenir en toute indépendance une assurance sur le point de savoir si les fonds ont été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec la réglementation en vigueur. De telles procédures prévoient notamment la prise en compte des risques de non-conformité significative.

Bruxelles, le 25 août 2021



Daniela Morgante
Présidente

OBSERVATIONS ET RECOMMANDATIONS

L'IBAN a formulé une observation, assortie d'une recommandation. Cette observation n'a pas eu d'incidence sur l'opinion émise au sujet des états financiers et de la conformité. Elle porte sur le point suivant :

1. Utilisation de la réserve spéciale

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

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

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

1. UTILISATION DE LA RÉSERVE SPÉCIALE

Contexte

1.1 Dans ses états financiers de 2006, la NAPMA a, pour la première fois, comptabilisé les recettes générées par le programme (PGI) comme un élément de l'actif net. En réponse aux questions posées par l'IBAN à l'époque au sujet de la destination et de la nature des PGI une fois celles-ci incluses dans l'actif net, la NAPMA avait expliqué à l'IBAN que le Comité de direction de la NAPMO destinait toutes ces recettes au financement de dépenses spécifiques, liées à des projets ou de nature administrative, et que les PGI étaient considérées comme des avances reçues des pays, mises de côté et affectées aux réserves de la NAPMA en prévision de charges futures. Ainsi, à partir de 2006, la NAPMA a comptabilisé les PGI comme une réserve faisant partie de l'actif net et non comme une dette à l'égard des pays participant à la NAPMO.

1.2 En 2020, en application des méthodes comptables figurant dans ses états financiers, la NAPMA a, pour la première fois, présenté les PGI comme une réserve spéciale « *constituée de fonds qui ne correspondent pas à des contributions, constitués d'intérêts produits par les contributions des pays aux programmes de modernisation, par les recettes provenant d'autres activités autorisées de la NAPMO (p. ex. vente d'actifs) jusqu'en 2009 ainsi que par des contributions reçues par la suite de la part de nouveaux participants aux programmes. Ces fonds sont alloués à des objectifs spécifiques par le Comité de direction. Après certification définitive de chaque*

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programme, le solde de la réserve spéciale sera reversé aux pays au prorata de leur quote-part, sauf si le Comité de direction décide du contraire. »

1.3 Comme indiqué dans les états financiers 2020 de la NAPMA, *[l]es fonds provenant d'avances des pays participant à la NAPMO et non affectés à ces pays correspondent à des montants non reversés à ces pays et dont le Comité de direction de la NAPMO n'a pas encore décidé de l'utilisation.* » Ils sont comptabilisés et présentés comme des dettes sous la rubrique « Avances » de l'état de la situation financière de la NAPMA.

1.4 Aux termes de l'article 24 du Règlement financier de la NAPMO, « *les autorisations non engagées tombent en annulation en fin d'exercice* ».

1.5 D'après les règles et procédures financières IV de la NAPMO, « *[t]outes les recettes générées par les contributions des pays aux programmes de modernisation ou par les activités autorisées de la NAPMO (p. ex. vente d'actifs) seront reversées aux pays au prorata de leur quote-part, sauf si le Comité de direction décide du contraire. La NAPMA et chacun des pays décideront du mode de versement dans le cadre bilatéral. L'Agence fera savoir aux pays à combien s'élèvent les fonds disponibles et la part non encore engagée de ces fonds* ».

Constatations

1.6 Au 31 décembre 2020, la réserve spéciale incluse dans l'actif net/situation nette (état de la situation financière), qui d'après l'état des variations de l'actif net/situation nette de la NAPMA s'élève à 3,7 millions de dollars des États-Unis (USD), consiste pour 2,3 millions USD en des fonds encore disponibles et pour 1,4 million USD en des crédits annulés.

1.7 S'agissant du montant de 2,3 millions USD correspondant à des fonds encore disponibles, l'IBAN a constaté qu'ils n'étaient plus alloués à des objectifs spécifiques par le Comité de direction de la NAPMO. Ils s'assimilent dès lors à des fonds non affectés, qui devraient en principe être reversés aux pays participant à la NAPMO. Par conséquent, sauf si ces pays en décident autrement, ils constituent une dette à leur égard et non pas une réserve spéciale allouée à un objectif particulier, et ils devraient être reclassés au sein de l'état de la situation financière de la NAPMA.

1.8 S'agissant du montant de 1,4 million USD correspondant à des crédits annulés, ils auraient dû être reversés aux pays participant à la NAPMO ou comptabilisés et présentés comme élément de passif dans l'état de la situation financière de la NAPMA et non pas être inclus dans une réserve spéciale figurant dans l'état des variations de l'actif net/situation nette de cette entité, sauf décision contraire des pays.

1.9 Par conséquent, l'actif net/situation nette est surévalué de 3,7 millions USD et les dettes à l'égard des pays participant à la NAPMO sont sous-évaluées du même montant dans l'état de la situation financière de la NAPMA pour 2020.

Recommandation

1.10 L'IBAN recommande à la NAPMA de faire approuver l'utilisation de la réserve spéciale par le Comité de direction de la NAPMO et d'en reclasser le solde en conséquence.

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SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

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

Une question est considérée comme étant « à traiter » lorsqu'aucun progrès notable n'a encore été réalisé en vue de son règlement. Une question est considérée comme étant « en cours de traitement » lorsque l'entité a commencé à mettre en œuvre la recommandation correspondante ou lorsque certains éléments de la recommandation (mais pas tous) ont été suivis d'effets. Une question est considérée comme étant « traitée » lorsque la recommandation correspondante a été mise en œuvre ou qu'elle a été rendue ou est devenue caduque. Lorsque la recommandation se subdivise en plusieurs éléments, l'état de la question est indiqué pour chacun d'eux dans la colonne « Mesures prises ».

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(1) NAPMA – Exercice 2019 IBA-AR(2020)0018, paragraphe 1 COMPTABILISATION DES BIENS ACQUIS PAR LES CONTRACTANTS DANS LES IMMOBILISATIONS CORPORELLES Recommandation de l'IBAN L'IBAN recommande à la NAPMA : a) s'agissant du programme de prolongation de la durée de vie (FLEP), de requalifier en immobilisations corporelles des CAP (biens acquis par les contractants/<i>Contractor Acquired Property</i>) représentant une valeur de 26 millions USD qui ont été comptabilisés dans les projets en cours ainsi que des CAP représentant une valeur d'environ deux millions USD qui ont été portés en charges, et de créer une nouvelle catégorie d'immobilisations corporelles pour ces éléments requalifiés ;	a) L'IBAN a noté que la NAPMA avait reclassé en immobilisations corporelles des CAP représentant une valeur de 26 millions USD qui avaient précédemment été comptabilisés dans les projets en cours ainsi que des CAP représentant une valeur d'environ deux millions USD qui avaient représenté été portés en charges, et qu'elle avait créé une nouvelle catégorie d'immobilisations corporelles pour ces éléments reclassés. La NAPMA a rectifié ses états financiers des exercices précédents pour ce qui est des comptes concernés par ces reclassements, et elle a fourni les chiffres rectifiés pour	Question en cours de traitement.

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OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
b) à l'avenir, de constater et de présenter tous les CAP en tant qu'immobilisations corporelles dans les états financiers, en application du cadre comptable OTAN et du règlement financier de la NAPMO ; c) d'imputer la dotation annuelle aux amortissements relative aux CAP sur le compte « projets en cours », transférables à l'ACO ; d) de faire figurer dans les états financiers les informations relatives aux CAP qui ont été cédés, vendus ou transférés ; e) de modifier la méthode comptable qu'elle applique au FLEP, de façon à tenir compte des changements recommandés ci-dessus.	comparaison dans ses états financiers de 2020. Question traitée. b) L'IBAN a noté qu'en février 2021, la NAPMA avait mis en place des politiques spécifiques de gestion et de comptabilisation des CAP afin de constater et de présenter ces actifs conformément au cadre comptable OTAN et au règlement financier de la NAPMO et qu'elle les avait appliquées dans ses états financiers de 2020. Il est important de noter que la NAPMA continuera d'acquérir des CAP au cours de la suite de la première phase du FLEP, à savoir la phase de conception, de fabrication et de développement (EMD). Par conséquent, au cours de l'audit des états financiers 2021 de cette agence, l'IBAN s'assurera que les politiques précitées sont bien appliquées en intégralité. Question en cours de traitement. c) La NAPMA a imputé la dotation annuelle aux amortissements relative aux CAP sur le compte « projets en cours ». La méthode comptable relative aux CAP rend compte de cette manière de faire. Question traitée. d) En 2020, la NAPMA n'a pas cédé, vendu ou transféré de CAP. Question traitée. e) L'IBAN a noté que la NAPMA avait modifié la méthode comptable qu'elle applique au FLEP, de façon à tenir compte des changements recommandés. Question traitée.	

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OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(2) NAPMA – Exercice 2019 IBA-AR(2020)0018, paragraphe 2 SOUS-ÉVALUATION DU PRODUIT CORRESPONDANT À UNE SUBVENTION REÇUE Recommandation de l'IBAN L'IBAN recommande à la NAPMA : a) de modifier sa méthode comptable de façon à prévoir que les subventions sont comptabilisées en tant que produits lorsqu'il n'y a pas d'obligation de performance ; b) de comptabiliser un produit de 7 millions USD dans l'état de la performance financière et l'état des variations de l'actif net/situation nette pour rendre compte de l'achèvement du volet FSTD financé par le SESAR.	a) L'IBAN a noté que la NAPMA avait modifié sa méthode comptable de façon à prévoir que les subventions soient comptabilisées en tant que produits lorsqu'il n'y a pas d'obligation de performance. Question traitée. b) L'IBAN a noté que la manière dont la NAPMA avait comptabilisé le produit correspondant à la subvention reçue du SESAR était conforme à la méthode comptable révisée de l'Agence. La NAPMA a rectifié chacun des états financiers des exercices précédents pour ce qui est des comptes concernés par ce reclassement, et elle a fourni les chiffres rectifiés pour comparaison dans ses états financiers de 2020. Question traitée.	Question traitée.
(3) NAPMA – Exercice 2017 IBA-AR(2018)0013, paragraphe 1 INEXACTITUDES ET ERREURS NON SIGNIFICATIVES DANS LES ÉTATS FINANCIERS Recommandation de l'IBAN Le Collège recommande à la NAPMA d'améliorer le processus de vérification des informations financières. Il lui recommande plus spécifiquement de veiller à la cohérence entre les états financiers proprement dits et les notes qui y sont jointes.	L'IBAN a relevé des erreurs de mise en forme mineures : tableaux présentés deux fois, différences de numérotation des notes entre les renvois figurant dans l'état de la performance financière et les notes proprement dites. Le processus de vérification du compte rendu financier doit donc encore être amélioré.	Question en cours de traitement.

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OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(4) NAPMA – Exercice 2017 IBA-AR(2018)0013, paragraphe 2 NÉCESSITÉ D'APPORTER DES AMÉLIORATIONS DANS LES DOMAINES DE LA GESTION DES RISQUES, DU CONTRÔLE INTERNE ET DE L'AUDIT INTERNE Recommandation de l'IBAN Le Collège recommande à la NAPMA : • de continuer de procéder, de manière systématique et détaillée, à l'évaluation de ses procédures de contrôle interne et de gestion des risques et à leur consignation par écrit, en vue d'une mise en conformité avec le cadre COSO, qu'elle a adopté ; • de faire en sorte que son service d'audit interne évalue pleinement le contrôle interne et la gestion des risques dans l'ensemble de l'organisme et veille à ce que ce travail soit clairement documenté, de manière à ce que l'on puisse aboutir à la conclusion que la NAPMA respecte le cadre COSO.	En décembre 2018, un document d'orientation portant sur la gestion des risques et le contrôle interne au sein de la NAPMA a été diffusé pour servir de base à l'élaboration de deux instructions d'exploitation relatives respectivement à la gestion des risques et au contrôle interne. Entre-temps, ces instructions d'exploitation ont été publiées et sont suivies par la NAPMA (OI.A-18 sur la gestion des risques et OI.A-19 sur le contrôle interne). En outre, la politique relative à la gouvernance de la NAPMO a été révisée de façon à obliger la NAPMA à assurer une gestion des risques et à exercer un contrôle interne. La version révisée de cette politique a été avalisée par le Comité financier de la NAPMO lors de sa session PFC-27 puis approuvée par le Comité de direction de cette organisation en 2021, lors de sa session BOD-105. Question traitée. En 2018, l'auditeur interne a procédé à une évaluation de la gestion des risques. Résultat : quelques améliorations sont requises. Cette appréciation pourrait être revue quand la version révisée de la politique relative à la gouvernance de la NAPMO, qui oblige à assurer une gestion des risques et à	Question traitée.

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OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
	exercer un contrôle interne, sera d'application. Une version mise à jour du mémorandum de la NAPMA intitulé « Gestion des risques et cadre intégré de contrôle interne – Premier inventaire », daté du 23 mars 2017, a été diffusée en 2020 sous la cote NAPMA/COS(17)11-00/002. L'actualisation vise à faciliter l'évaluation de la prise en considération des principes COSO par la NAPMA. L'auditeur interne a achevé l'évaluation formelle du système de contrôle interne et son rapport, qui porte la cote IA(20)30-14-017, a été présenté au Comité financier de la NAPMO, ainsi qu'au Comité de direction de cette organisation lors de sa session BOD-105, tenue en 2021. Question traitée.	

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COMMENTAIRES OFFICIELS DE L'AGENCE DE GESTION DU PROGRAMME DU SYSTÈME AÉROPORTÉ DE DÉTECTION LOINTAINE ET DE CONTRÔLE DE L'OTAN (NAPMA) SUR LE RAPPORT D'AUDIT ET POSITION DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN (IBAN)

**OBSERVATION N° 1 :
UTILISATION DE LA RÉSERVE SPÉCIALE**

Commentaires officiels de la NAPMA

La NAPMA souscrit à la recommandation.

La NAPMO prend note de la recommandation. La NAPMA demandera au Comité de direction de la NAPMO d'approuver l'utilisation des 3 737 490 USD qui se trouvent actuellement dans la réserve spéciale incluse dans l'actif net.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

(1) NAPMA – Exercice 2019

IBA-AR(2020)0018, paragraphe 1

COMPTABILISATION DES BIENS ACQUIS PAR LES CONTRACTANTS DANS LES IMMOBILISATIONS CORPORELLES

Commentaires officiels de la NAPMA

a) La NAPMA est d'accord.

b) La NAPMA est d'accord.

La NAPMO prend note de la recommandation. La NAPMA a modifié sa méthode comptable relative aux CAP pour la mettre en conformité avec les recommandations de l'IBAN. En outre, elle a révisé ses procédures ainsi que les documents sur la gestion des actifs afin de faciliter la mise en pratique de la méthode comptable révisée. D'ici à la fin du FLEP, elle continuera de travailler à l'amélioration de la gestion et de la comptabilisation des actifs.

c) La NAPMA est d'accord.

d) La NAPMA est d'accord.

e) La NAPMA est d'accord.

(2) NAPMA – Exercice 2019
IBA-AR(2020)0018, paragraphe 2
SOUS-ÉVALUATION DU PRODUIT CORRESPONDANT À UNE SUBVENTION
REÇUE

Commentaires officiels de la NAPMA

- a) *La NAPMA est d'accord.*
- b) *La NAPMA est d'accord.*

(3) NAPMA – Exercice 2017
IBA-AR(2018)0013, paragraphe 1
INEXACTITUDES ET ERREURS NON SIGNIFICATIVES DANS LES ÉTATS
FINANCIERS

Commentaires officiels de la NAPMA

La NAPMA est d'accord.

La NAPMO souscrit à la recommandation. Elle veillera à la cohérence entre les états financiers proprement dits et les notes et annexes.

(4) NAPMA – Exercice 2017
IBA-AR(2018)0013, paragraphe 2
NÉCESSITÉ D'APPORTER DES AMÉLIORATIONS DANS LES DOMAINES DE
LA GESTION DES RISQUES, DU CONTRÔLE INTERNE ET DE L'AUDIT
INTERNE

Commentaires officiels de la NAPMA

- a) *La NAPMA est d'accord.*
- b) *La NAPMA est d'accord.*

GLOSSAIRE

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

- L'IBAN émet une opinion sans réserve (*unqualified opinion*) lorsqu'il estime que les états financiers et le rapport sur l'exécution du budget sont exacts et que rien ne lui donne à penser que les fonds n'ont pas été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec la réglementation en vigueur.
- L'IBAN émet une opinion avec réserve (*qualified opinion*) lorsque, d'une manière générale, il est satisfait de la présentation des états financiers mais que, pour certains éléments clés, il constate que les états n'ont pas été correctement établis ou que l'ampleur de l'audit a été limitée, ou lorsque certains éléments lui donnent à penser que les fonds n'ont pas été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec la réglementation en vigueur.
- L'IBAN se déclare dans l'impossibilité d'exprimer une opinion (*disclaimer of opinion*) lorsque l'ampleur de l'audit est extrêmement limitée – au point qu'il n'est pas en mesure d'exprimer une opinion – ou lorsque d'importantes incertitudes entourent les états financiers ou l'emploi des fonds.
- L'IBAN émet une opinion défavorable (*adverse opinion*) lorsqu'une erreur ou une anomalie présente dans les états financiers a des conséquences si étendues et si importantes que, selon lui, une réserve n'est pas suffisante pour faire apparaître le caractère trompeur ou incomplet des états financiers.

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

- Questions clés de l'audit (ISSAI 2701) – Paragraphe qui concerne des questions qui, selon le jugement professionnel de l'IBAN, sont les plus importantes parmi celles qui ressortent de l'audit des états financiers de la période considérée. Les questions clés de l'audit sont portées à l'attention du Conseil.
- Observation particulière (ISSAI 2706) – Paragraphe que l'IBAN ajoute dans la section « Opinion » du rapport d'audit afin d'appeler l'attention sur un élément présenté dans les états financiers dont l'importance est telle, selon lui, qu'il est indispensable à l'utilisateur pour sa compréhension des états financiers.
- Autre observation (ISSAI 2706) – Paragraphe que l'IBAN ajoute dans la section « Opinion » du rapport d'audit pour fournir des informations sur un élément autre que ceux présentés dans les états financiers qui, selon lui, est important pour la compréhension, par l'utilisateur, de l'audit, des responsabilités de l'auditeur ou du rapport d'audit.

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NAPMA

FINANCIAL STATEMENTS 2020

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OVERVIEW

Overview of the NAEW&C Programme Management Organisation's Operations and Environment (NAPMO)

In 1975, the NATO Military Authorities established a "priority one" requirement for an Airborne Early Warning and Control (AEW&C) system to operate over both land and sea. The system was designed to provide an airborne warning and detection capability and to improve the Alliance's maritime surface surveillance capability. It would also contribute to the direction and control of tactical air forces and to the gathering of information on hostile ship and aircraft movements.

In December 1978, a number of NATO Nations joined together to establish and implement the NATO AEW&C Programme. As a result of the international agreements formally ratified at that time, the NAEW&C Force Programme Management Organisation (NAPMO) was created as a NATO Production and Logistics Organisation and established as a NATO civil organisation under the provisions of the 1951 Ottawa Agreement i.a.w. its charter.

Nations agreed at the time to operate and support the NAEW&C Force under a single Force Commander subordinate to the Strategic Commanders (SCs). The Supreme Allied Commander Europe (SACEUR) acts as the executive agent for the SC's in NAEW&C Force matters. However with regard to the maintenance and supply concept the NAPMO retained responsibility to represent the NAPMO Nations' interest, in particular the NAPMO Board of Directors (BOD) is responsible for the Depot Level Maintenance (DLM) policy and its implementation, while NAPMO at the same time is responsible for the achievement of industrial benefits.

Currently, the NATO AEW&C Programme is comprised of 16 Nations participating as full members – Belgium, Czech Republic, Denmark, Germany, Greece, Hungary, Italy, Luxembourg, The Netherlands, Norway, Poland, Portugal, Romania, Spain, Turkey, and the United States.

The United Kingdom exercises limited participation as a NAPMO member; but its fleet of E-3D aircraft is an integral part of the NAEW&C Force.

France has an observer role and maintains continual coordination to ensure its four E-3F aircraft remain interoperable with the other E-3 fleets. France also often assists in coordinated operations with the NAEW&C Force.

Role of the NAEW&C Programme Management Agency (NAPMA)

As NAPMO executive agent, the NAEW&C Programme Management Agency (NAPMA) is accountable to the Board of Directors (BOD) for planning and coordinating the acquisition strategy, managing projects associated with modernisation of the E-3A fleet, providing sustainment support services, and overseeing the technical aspects of the NAEW&C airworthiness programme.

NAPMA is a programme management organisation mainly funded through contributions made by the Member Nations.

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NAPMA's 2019 implemented Final Lifetime Extension Programme (FLEP) Peacetime Establishment (PE) is 113 posts plus a few remaining posts closing the FUP projects; manned by seconded military officers and civilian personnel, drawn from all of the Nations participating in the Programme (A-Grades) and from all NATO Nations (B-Grades). While most are located in Brunssum, The Netherlands, a small number perform their duties in Geilenkirchen, Germany and in Oklahoma City at BOEING. The legal status of NAPMA, as an integral part of the North Atlantic Treaty Organisation, is laid down in the Ottawa Agreement as of 20 September 1951. Based on this agreement, NAPMA is, inter alia, exempt from all taxes and customs duties. The NAPMA General Manager (GM) is responsible for the Technical Airworthiness of the NAEW&C Force Fleet.

How NAPMA's operating environment affects its Financial Statements

NAPMA's financial management is "separate and distinct from the International Staff, other NPLSOs or other NATO Organs¹". The overall activities of NAPMA are funded by Member Nations, the income generated by NAPMA's authorised activities and funds otherwise made available to NAPMA. The budgets are approved annually by the NAPMO BOD. The Nations' Contributions are to remain within the overall Programme ceiling as agreed in the respective MMoU addendum amendment. The Administrative Budget covers all expenditures for the internal functioning of the Agency. The Project Budgets contain the appropriations for the modification of the NAEW&C Force fleet. Aside from its own budgeted activities, NAPMA also supports other NATO entities such as NAEW&C Force Command, and relies on the support of NATO Support Procurement Agency (NSPA) and NATO Communication and Information Agency (NCIA).

NAPMO has an agreement with the US Government (USG) that they can act as an exclusive general agent which has responsibility and authority to procure and manage aircraft modernisation efforts. This gives NAPMO a special arrangement in the Foreign Military Sales (FMS) process but more specifically the USG can act as the Agent for NAPMO resulting in Agent Contracts between NAPMO and US industry. The System Programme Office (SPO) at Hanscom Air Force Base, Massachusetts performs the day-to-day support functions for the US Agent. Since 2017 NAPMO also uses regular agreements under the FMS with the United States.

Compliance with Financial Regulations

The NAPMA Financial Statements have been prepared on the accrual basis of accounting in accordance with the NATO Accounting Framework (NAF) as adopted by the North Atlantic Council (NAC). The NAF is based upon the International Public Sector Accounting Standards (IPSAS) issued by the IPSAS Board (IPSASB) and relevant to NAPMA as decided by the NAC in 2002 and revised again in 2013 and 2016 to adapt IPSAS 12 – Inventories, IPSAS 17 – Property Plant and Equipment, IPSAS 31 – Intangible Assets, and IPSAS 1 – Presentation of Financial Statements.

NAPMA Financial Statements have been prepared in accordance with the accounting requirements of the NAPMO Financial Regulations (NFRs), Version 2.0, approved by the NAC on 07 December 2017 and the NAPMO Financial Rules and Procedures (FRPs).

¹ NAPMO Charter paragraph 37 (a)

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How NAPMA's mission and strategies relate to its financial position, financial performance and cash flows

NAPMA's mission is to plan, acquire and deliver improvements to the NATO AEW&C capabilities following the guidance of the NAPMO Nations taking into account life cycle considerations.

NAPMA has several separate multi-year projects, both direct and indirect (administered by the US agent and US FMS), which require maintaining substantial annual cash levels to satisfy requirements which may be required in support of the procurement efforts towards the end of the current modernisation programme.

Basis for the preparation of NAPMA's Financial Statements

NAPMA has prepared the Financial Statements for the financial year ended 31 December 2020 on a going concern bases, which assumes continuity of current business activities and the realization of assets and the settlement of liabilities in the ordinary course of business.

NAPMA's functional and reporting currency used throughout these Financial Statements is stated in USD (\$) equivalent.

Risks and Uncertainties that affect NAPMA's Financial Position and Performance

COVID-19 pandemic may have an effect on NAPMA's Programme of Work and may have financial implications, but NAPMA's management assesses its impact not as significant for the going concern of the agency and the continuity of current operations.

Until the reporting date (31 March 2021), NAPMO's Board of Directors (BOD) did not approve the 2021 FLEP project budget. Some NAPMO Nations risk permanently losing their programmed 2021 contribution for the FLEP modernization programme, which would cause significant shortfalls throughout the programme and would force NAPMA to re-baseline the programme (scope and timing).

The Policy and Finance Committee (PFC) did approve FLEP interim financing for the first and second quarter as requested by NAPMA in accordance with NAPMO FRs articles 22.2 and 22.33 on interim financing. The approved interim financing allows NAPMA to maintain critical operations or programmes related to the FLEP for the first six months of 2021.

Payments of existing FLEP legal obligations are covered by automatic carry forwards of residual budgets from previous years for at least twelve months after the reporting date.

Final Lifetime Extension Programme (FLEP)

At the Wales Summit in 2014, the NATO Council stated: "NATO's Airborne Early Warning and Control Force will continue to be modernized to maintain its full operational capability."

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Accordingly, at the Warsaw summit it was stated that “NATO’s Airborne Early Warning and Control Force (AWACS) continues to prove itself instrumental not only to monitor our airspace, but also as a critical part of NATO’s command and control capabilities and that NATO AWACS will continue to be modernised and extended in service until 2035. By 2035, the Alliance needs to have a follow-on capability to the E-3 AWACS”.

Upon receipt of the last signature of a financially contributing NAPMO Nation the 6th Amendment to the Addendum to the Multilateral Memorandum of Understanding (MMOU) entered into effect 23 September 2019, committing the Nations to the USD 1,000,000.00 at Base-Year 2016 ceiling amount for the FLEP. This allowed for the necessary Contract Authority to enter into the main contract for this modernization programme and secured the related Administrative budgets for the Agency.

The main contract with Boeing was formally awarded on 27 November 2019.

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NAPMA Statement of Financial Position

as at 31 December 2020

(in USD equivalent)

	Note	2020	Restated * 2019	Original ** 2019
ASSETS				
Current assets				
Cash and cash equivalents	1	113,931,585	91,638,942	91,638,942
Receivables	2	6,973,527	12,748,298	12,748,298
Prepayments	3	4,156,051	3,426,617	3,346,136
Investments	4	300,000,000	290,000,000	290,000,000
		<u>425,061,163</u>	<u>397,813,857</u>	<u>397,733,375</u>
Non-current assets				
Prepayments > 12 Months	5	0	0	80,481
Property, Plant & Equipment	6	32,843,487	29,358,361	958,886
Other non-current assets ***	7	<u>108,176,480</u>	<u>12,966,954</u>	<u>37,037,349</u>
		<u>141,019,967</u>	<u>42,325,315</u>	<u>38,076,716</u>
TOTAL ASSETS		<u>566,081,130</u>	<u>440,139,172</u>	<u>435,810,091</u>
LIABILITIES				
Current liabilities				
Payables	8	1,410,909	1,686,283	1,686,283
Accruals	8	1,244,479	13,759,466	13,759,466
Deferred Revenue	9	213,778,739	257,006,457	271,077,337
Advances	10	61,647,975	87,976,578	14,396,150
Risk Mitigation Fund Nations	11	22,988,935	19,822,054	0
		<u>301,071,037</u>	<u>380,250,838</u>	<u>300,919,236</u>
Non-current liabilities				
Deferred Revenue	12	137,274,641	26,680,336	0
Advances > 12 Months	13	872,544	1,542,668	72,540,862
Risk Mitigation Fund Nations	14	0	0	19,720,364
Reimbursables NATO Entities	15	0	0	976,584
Other non-current liabilities	16	<u>108,176,480</u>	<u>12,966,954</u>	<u>37,037,349</u>
		<u>246,323,665</u>	<u>41,189,958</u>	<u>130,275,159</u>
TOTAL LIABILITIES		<u>547,394,702</u>	<u>421,440,796</u>	<u>431,194,396</u>
Net assets/equity	17	<u>18,686,428</u>	<u>18,698,376</u>	<u>4,615,696</u>
TOTAL LIABILITIES AND NET ASSETS		<u>566,081,130</u>	<u>440,139,171</u>	<u>435,810,091</u>

* Restated column presents the new adjusted figures for 2019 after taking into account the corrections.

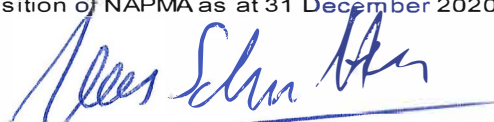
** Original figures are those which were published in the NAPMA Financial Statements for 2019.

*** The figures given in respect of indirect contracting via the U.S. System Program Office (SPO) are presented on a modified cash and not on an accrual basis; more information can be found in the Accounting Policies (see page 9).

We hereby certify that to the best of our knowledge the attached financial statements and notes present a true and fair view of the financial performance and position of NAPMA as at 31 December 2020.



BrigGen Michael Gschossmann
General Manager NAPMA,
Date 31 March 2021



Col Kees Schulten
Financial Controller NAPMA,
Date 31 March 2021

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NAPMA Statement of Financial Performance

for the year ended 31 December 2020

(in USD equivalent)

	Note	2020	Restated 2019	Original 2019
Revenue				
Revenue from Contributions	18	33,953,324	45,261,370	47,953,309
Financial Revenue	18	88,746	262,112	262,112
Revenue - SESAR		0	14,082,678	0
Other Revenue	18	9,087,544	16,890,242	18,527,383
Total Revenue		43,129,615	76,496,402	66,742,805
Expenses				
Projects - direct	19	24,362,944	45,946,643	50,275,725
Administrative	19	18,402,888	18,054,505	18,054,505
Depreciation	19	375,729	389,574	389,574
Total expenses		43,141,561	64,390,722	68,719,804
Surplus/(Deficit) for the period	20	(11,946)	12,105,679	(1,976,999)

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NAPMA Statement of Changes in Net Assets/Equity

for the year ended 31 December 2020

(in USD equivalent)

	Capital assets	Dedicated Funds Reserve	Accumulated surplus/deficit	Total
Balance at the beginning of the period 2019	1,348,459	5,515,494	(270,767)	6,593,188
Changes in accounting policy/prior period errors				
Restated balance	1,348,459	5,515,494	(270,767)	6,593,188
Net gains/(losses) recognised directly in net assets/equity	0	(52,347)		(52,347)
Use of dedicated funds reserve	0	(1,849,536)	1,849,536	0
Net increase-decrease capital assets	(389,574)	0	389,574	0
Exchange difference on translating foreign operations	0	(290,177)	0	(290,177)
Net unrealised foreign exchange gains and losses	0	342,032	0	342,032
Surplus/(Deficit) for the period	0	0	(1,976,999)	(1,976,999)
Change in net assets/equity for the year ended 2019	(389,574)	(1,850,028)	262,112	(1,977,490)
Balance at the end of the period 2019	958,885	3,665,466	(8,654)	4,615,696
Changes in accounting policy/correction prior period errors			14,082,678	14,082,678
Restated balance at the end of the period 2019	958,885	3,665,466	14,074,023	18,698,376
Balance at the beginning of the period 2020	958,885	3,665,466	14,074,023	18,698,376
Balance at the beginning of the period 2020 (using NPR 31 Dec 2020)	958,885	3,665,466	14,074,023	18,698,376
Net increase-decrease capital assets	(100,693)	0	100,693	0
Net unrealised foreign exchange gains and losses	0	72,024	(72,024)	0
Surplus/(Deficit) for the period	0	0	(11,946)	(11,946)
Change in net assets/equity for the year ended 2020	(100,693)	72,024	16,723	(11,946)
Balance at the end of the period 2020	858,193	3,737,490	14,090,746	18,686,428

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NAPMA Statement of Cash Flow

for the year ended 31 December 2020

(in USD equivalent)

	2020	Restated * 2019	Original ** 2019
Cash Flow from Operating Activities			
Surplus/(Deficit) from Operating Activities	(11,946)	12,105,679	(1,976,999)
Change in net assets/correction	0	(52,347)	(52,347)
Add: Non-Cash Movements			
Depreciation	375,729	389,574	389,574
Depreciation adjustment CAP	176,471	88,235	0
(Increase)/Decrease in Accounts Receivable	5,774,770	(11,205,852)	(11,205,852)
(Increase)/Decrease in Prepayments	(729,434)	1,068,196	1,068,196
Increase/(Decrease) in Accounts Payables	(275,373)	629,517	629,517
Increase/(Decrease) in Unearned Contributions	67,366,587	113,896,268	101,286,812
Increase/(Decrease) in Advances and Reimbursables NATO Entities	(23,831,847)	15,827,931	14,120,590
Change of Value in Deliverable to NAEW&C Force	118,349,762	52,891,697	51,247,056
Increase/(Decrease) in Goods Receipt	(12,514,988)	(11,814,304)	(11,814,304)
Net Cash Flow from Operating Activities	154,679,732	173,824,594	143,692,242
Cash Flow from Investing Activities			
Additions to Other investments not included in cash and cash equivalent	(10,000,000)	(95,000,000)	(95,000,000)
(Purchase)/Disposal of Assets	(4,037,326)	(28,487,711)	0
Additions to Work in Progress (WIP)	(118,349,762)	(52,891,697)	(51,247,056)
Net Cash Flow from Investing Activities	(132,387,088)	(176,379,408)	(146,247,056)
Cash Flow from Financing Activities			
Fund Transfer from Net Assets	0	(290,177)	(290,177)
Effect of Currency Valuations			
Currency Valuation Operating Activities	0	0	0
Currency Valuation Financing Activities	0	342,032	342,032
Total Currency Valuations	0	342,032	342,032
Net Increase (Decrease) in Cash/Cash Equival.	22,292,644	(2,502,958)	(2,502,958)
Cash and Cash Equiv. Beginning of Period	91,638,942	94,141,900	94,141,900
Cash and Cash Equiv. End of Period	113,931,585	91,638,942	91,638,942

* Restated column presents the new adjusted figures for 2019 after taking into account the corrections.

** Original figures are those which were published in the NAPMA Financial Statements for 2019.

GENERAL INFORMATION

The NAPMA Financial Statements for the year ending 31 December 2020 were authorized for issuance in accordance with NAPMO Financial Rules and Procedures by the General Manager and the Financial Controller on 31 March 2021. Additionally, with approval from IBAN, the General Manager and the Financial Controller, on an exceptional basis and with the intent to correct a material misstatement or disclosure, can restate financial statements until 25 June 2021.

ACCOUNTING POLICIES

Basis of Preparation

NAPMA Financial Statements have been prepared on the accrual basis of accounting in accordance with the NAF, which is based on the IPSAS issued by the IPSAS Board. NAPMA Financial Statements are prepared in accordance with the accounting requirements of the NAPMO FRs and FRPs and uses an Enterprise Resource Planning System based in SAP to record and report financial information.

The accounting principles accepted as appropriate for the recognition, measurement and reporting of the financial position, performance, and cash flows are based on accrual accounting using historical costs, unless the NAF requires otherwise. The accounting principles have been applied consistently throughout the reporting period. This ensures that the Financial Statements provide information that is relevant to decision-making and that is reliable, comparable, and understandable in light of the qualitative characteristics of financial reporting.

For the accounting of the expenditures related to indirect contracts and FMS, in accordance with the NAF's adaptation of IPSAS 1 – Presentation of Financial Statements, NAPMA reports data on a cash basis where the agency is unable to satisfy that the data is presented on a reliable accrual basis. The modified cash basis reflects that FMS/indirect contracts goods and services delivered according to DD645 billing statements as provided by the US government and for which the US government has received cash payments.

Slight differences in summation may occur due to the fact that all the figures have been rounded to the nearest dollar.

The Financial Statements have been prepared on a going-concern basis which assumes that NAPMA will continue in operation for at least a year from the date the financial statements are Issued.

In accordance with the NAF, the Financial Statements necessarily include amounts based on estimates and assumptions made by the management and based on historical knowledge as well as on the most reliable information available. In exercising the judgement to formulate the estimates, a degree of caution was included in light of the principle of 'prudence' required by IPSAS in order not to overstate assets or revenue or understate liabilities or expenses.

The estimates and underlying assumptions are reviewed on an on-going basis. These estimates and assumptions affect the amounts of assets, liabilities, revenues and expenses reported. The estimates are subject to a measure of uncertainty. The effect of changes to such estimates and assumptions in future periods could be significant to the Financial Statements.

The most significant estimate used in these Financial Statements is the estimation of goods/services received that are not yet supported by an invoice at year-end.

Accounting Period

The 2021 Financial Statements are based on the accounting records of NAPMA as of 31 December 2020. In accordance with the NAPMO FRs, the financial year at NAPMA begins on 1 January and ends on 31 December.

Functional and reporting Currency

The functional and reporting currency used throughout these Financial Statements is the USD (\$) equivalent. The Financial Statements are prepared using data based on the actual multi-currency execution of the approved budget appropriations.

Cash Flow Statement

IPSAS 2 – Cash Flow Statement allows the choice between presenting the cash flow based on the direct method or indirect method. NAPMA has selected the indirect method of presentation for these Financial Statements.

Revenue and Expense Recognition

According to the NAPMO charter, NAPMA has an administrative budget and an operational (project) budget for the annual programme objectives and operating plans of NAPMO. The operational budget covers the disbursements which are directly related to the modernization of the NE-3A aircraft. The administrative budget covers the expenses for the administration, acquisition, execution, support and other management activities related to the modernization programmes. The administrative and operational budget are mainly funded through contributions made by the Member Nations.

NAPMA will recognize revenue when the administrative budget is used for its intended purpose as authorized by the BOD. This includes the (moment of) acquisition of Property, Plant and Equipment (PP&E).

NAPMA will recognize revenue when the operational budget is used (expenses incurred) for its intended purpose as authorized by the BOD, except when the outflow results in (1) a non-current liability to deliver assets to the NAEW&C Force (deliverable to NAEW&C Force) or (2) the recognition of Property, Plant and Equipment (PP&E). Depreciation of PP&E funded from the operational budget is simultaneously recognized as contract work in progress and as a deliverable to the NAEW&C Force. Depreciation of PP&E funded from the operational budget will therefore not result in gains or losses and will not be recognized in the statement of Financial Performance.

NAPMA will recognize other non-exchange revenues when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, recognition of revenue is deferred. NAPMA will not defer revenue for performance obligations that are also part of a modernisation programme approved by the NAPMO Nations, and that NAPMA has no alternative but to perform.

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Revenues and expenses are accrued when goods and services are received or when economic benefits or expenses are incurred.

Foreign Currency Transactions and Presentation

Foreign currency monetary items, like cash, trade creditors or debtors, will for reporting purposes be translated into US Dollar (USD) equivalents using the closing rate.

Foreign currency non-monetary items are assets and liabilities whose value depends on economic conditions. Non USD expenditures for non-monetary items are translated using the weekly posted NATO exchange rates that apply on the date of the transaction.

Exchange differences are accounted for in the Risk Mitigation Fund.

Changes in Accounting Policies and Corrections

As a result of the IBAN audit of NAPMA's 2019 Financial Statements, NAPMA has changed its accounting policies for revenue recognition. Deferred revenue represents contributions from Nations and payments from third parties that are subject to specific conditions which have not been met during the reporting year. NAPMA will not defer revenue for performance obligations that are also part of a modernisation programme approved by the NAPMO Nations, and that NAPMA has no alternative but to perform.

Prior year adjustments

NAPMA will retrospectively restate the opening balances of assets, liabilities and net assets for changes in accounting policies, initial or voluntary application of an IPSAS and corrections of prior period errors, except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

Reclassification of liabilities

Non-current liabilities to which NAPMA does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date, have been reclassified as current liabilities.

Restatement of the 2019 Financial Statements

In its Auditor's Report and Letter of Observations and Recommendations on the audit of the NAPMA 2019 Financial Statements, the IBAN reported misstatements in NAPMA's financial statement affecting contract work in progress (WIP), deliverables, direct project expenses, Property, Plant and Equipment (PP&E), depreciation, (deferred) revenue and the related deficit and net assets.

The IBAN issued a qualified opinion on the NAPMA financial statements for the year ended 31 December 2019 (IBA-A(2020)0079 dated 26 August 2020). NAPMA discussed with the IBAN its observations and recommendations and shared its intended way forward to address the IBAN qualifications with the Resource Policy and Planning Board (RPPB) on 23 November 2020. NAPMA expressed to the RPPB that it would implement all IBAN recommendations including the reclassification of CAP Assets and the revenue recognition of a SESAR grant. The implementation of the IBAN recommendations is reflected in NAPMA's 2020 Financial Statements. The errors have been corrected by restating the affected financial statement line items for prior periods and by including the restated comparative figures in NAPMA's 2020 Financial Statements.

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Changes in Accounting Standards

NAPMA discloses when initial application of an IPSAS has or would have an effect on the current period of any prior period of the Financial Statements. For 2020 no new relevant standards had or would have had an effect on the Financial Statements.

Assets – Current Assets

The current assets of NAPMA are cash and cash equivalents, accounts receivables prepayments and short term investments. They are measured at fair value. Changes in fair value. are recognized in the Statement of Financial Performance.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at current and saving bank accounts and fixed-term deposits with an original maturity of three months or less.

Receivables

Receivables are reported at fair value in the Statement of Financial Position. No loss allowances and lifetime credit losses are recorded for the balance due as it is deemed to be collectable. Receivables are disaggregated into receivables from non-exchange transactions (contributions from NAPMO Nations) and receivables from exchange transactions (NATO and Non-NATO Entities, Staff Members, bank interest and other receivables). Contribution receivables are recognized when a call for contribution has been issued to the member nations. Prepayments

Prepayments

Prepayments made to suppliers and to other NATO entities are reflected in the Statement of Financial Position.

Investments

NAPMA's current investments are held-to-maturity fixed term deposits with original maturities between three and six months. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method.

Assets – Non-Current Assets

In this category, NAPMA is reporting all assets which are not expected to realise within twelve months after the reporting period.

Property, Plant and Equipment

Property, plant, and equipment (PP&E) includes tangible items that support programme management activities and are expected to be used in more than one reporting cycle. PP&E is recognized if it is controlled by NAPMA in accordance with the criteria outlined in the NATO Accounting Framework (NAF) and if the acquisition cost exceed the NAPMA capitalisation thresholds. Where an asset is acquired in a non-exchange transaction the asset is initially measured at its fair value.

After recognition as an asset, an item of PP&E is carried at its historical cost less any accumulated depreciation and impairment losses. Cost includes all expenditure that is directly attributable to the acquisition of the items.

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The building and the land that NAPMA occupies are provided by the Host Nation as a “right of use”.

Contractor-held NATO Property

Contractor-held NATO Property concerns property that is NATO Furnished (NFP) or Contractor Acquired (CAP) for the performance of a contract and to which NAPMA has title.

Contract costs for CAP that is also a deliverable end-item pursuant to a contract, will be reported as contract work in progress until delivery of the asset to NATO.

Contract costs for CAP that is not a deliverable end-item pursuant to a contract, will be reported as assets under construction when it is acquired under a cost reimbursement contract and is expected to meet the NAPMA criteria for PP&E.

Contract costs for CAP that is not a deliverable end-item pursuant to a contract, will be reported as contract work in progress when it is acquired under a fixed price contract until the constructive delivery of the asset. At the time of constructive delivery to NATO, the fully burdened unit cost will be estimated and transferred to assets under construction.

Serviceable assets will be transferred from assets under construction to the appropriate PP&E categories (if the relevant capitalization criteria are met).

Development laboratories

For performing a modernization contract, the contractor acquires development laboratories to simulate, test and evaluate integrated technologies in as realistic an operating environment. NATO holds title of the development laboratories when it has fully paid for them. Development laboratories are considered to be a combination of hardware and integrated software (i.e. the hardware cannot operate without the software) and together recognized as property, plant and equipment. No development laboratory software is separately recognized as an intangible asset.

Serviceable development laboratories will be reported in the PP&E category integrated systems (if the relevant capitalization criteria are met).

Depreciation of Property, Plant and Equipment

Depreciation is charged at rates calculated to allocate the cost or valuation of the assets, less their residual values, over their estimated useful lives, using the straight-line method. Depreciation of an asset begins the first month after it is available for use. PP&E categorization for purposes of determining the appropriate depreciable life of the assets and the associated capitalization thresholds per item, is listed in the table below.

Disposal of Property, Plant and Equipment

An item of PP&E is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item is determined as the difference between the sales proceeds and the carrying amount of the asset and it is recognised in the statement of financial performance.

PP&E categories

Categories (classes) of PP&E is a grouping of assets of a similar nature or function in an entity's operation that is shown as a single item for the purpose of disclosure in the financial statements.

The following table provides details per PP&E category on the expected useful live and their associated capitalization thresholds per item:

PPE Category	Description	Threshold per item	Useful life
Buildings	Building	200,000	40
Installed Equipment	Equipment/building improvements as part of the building such as heating & cooling systems, security systems, renovation, replacements and fixtures	30,000	10
Vehicles	Transportation equipment	10,000	5
Furniture	Desks, Chairs, Cabinets, Safes, etc.	30,000	10
Automated Information Systems	NIMS, major Hardware and Software	50,000	3
Communication and IT Equipment	Equipment/Tools required for daily office operations such as PC's, Laptops, Software, etc.	50,000	3
Government Furnished Equipment	Miscellaneous Equipment provided to Contractors	50,000	7-10
Integrated Systems	Development laboratories to simulate, test and evaluate integrated technologies	50,000	7-10
Assets under Construction			No depreciation

Leases

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and benefits incidental to ownership to the lessee.

All other leases are classified as operating leases. NAPMA does not have any finance leases.

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Work in Progress (other non-current assets)

Contract work in progress is the accumulated amount of expenses during the execution of a programme to modernize the NE-3A aircraft. Deliverable end-items pursuant to the contract, that are ready for their intended use and controlled by the NAEW&CF, will be de-recognized as contract work in progress in NAPMA's financial statements ("transferred to the NAEW&CF").

Contract work in progress is valued at its historical acquisition value at the exchange rate in effect on the date of the expenditure transactions. The expenditures for US FMS contracts and indirect agent contracts are presented on a cash basis provided by the US Government under the US Government Acquisition Agreement. Contract work in Progress is presented on a modified cash basis in the financial statements.

Acquisition programmes have a full cost recovery basis for NAPMA, so no surpluses or deficits are recognized in relation to the contract work in progress with the provision that the budget is used for its intended purpose. Impairment or depreciation of the accumulated costs only starts after the operational capability has been transferred to the NAEW&C Force and put into service.

Liabilities – Current Liabilities

Payables and Accruals

Payables are reported at fair value in the Statement of Financial Position. They represent amounts for which goods and services, supported by an invoice, have been received due to NATO and Non-NATO entities, commercial vendors and NAPMA Staff for goods received or services provided that remain unpaid as of the reporting date. Accruals are estimates of the cost for goods and services received but not yet supported by an invoice at year-end.

Deferred Revenue – current

Deferred revenue - current are unearned contributions from Nations that are expected to be consumed in the first year after the end of the reporting period and payments from third parties subject to specific conditions that are expected to become unconditional in the first year after the end of the reporting period.

Advance NAPMO Nations

Advances NAPMO Nations represent the amounts of funds held on behalf of the member nations, arising from a variety of sources including received advanced contributions from some Nations on calls for the following financial year, sales of residual assets and Research and Development (R&D) recoupment.

Advances NATO Entities

Advances received from NATO Entities to support Third Party Projects. Funds are received and expended on behalf of other NATO entities, predominantly the NAEW&C Force, for execution of projects and activities for Operations and Support.

Risk Mitigation Funds (RMF)

During BOD96, the NAPMO BOD approved the creation of a fund comprised of revenue generated from gross interest earned and investments to mitigate currency and exchange risks. Upon dissolution of the fund, the fund will be redistributed to the Nations according to the then current MoU cost shares.

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The RMF is comprised of income generated from interest earned on bank accounts, investments in term/time deposits or money market accounts and gains or losses from foreign currency exchanges. The liquidity held in the fund will have no denomination or link to a particular programme rate or inflation factor.

Employee Benefits

NAPMA employees participate in one of the two NATO pensions funds: the Coordinated Pension Scheme (CPS) which is a benefit plan, and the Defined Contribution Pension Scheme (DCPS) which is a contribution plan. NATO IS operates the CPS for all NATO staff. NATO appointed Previnet SPA as the pension scheme administrator for the DCPS. The assets and liabilities for these pension schemes are accounted for centrally at NATO Headquarters and therefore are not recognized in these Financial Statements. NAPMA only accounts for the contributions paid during the year.

Provisions and Contingent Liabilities

Provisions are recognized when the NAPMA has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Liabilities – Non-Current Liabilities

Deferred Revenue – non-current

Deferred revenue – non-current are unearned contributions from Nations that are not expected to be consumed in the first year after the end of the reporting period and payments from third parties subject to specific conditions that are not expected to become unconditional in the first year after the end of the reporting period.

Deliverables to NAEW&C Force (other non-current liabilities)

Deliverables to NAEW&C Force represent the obligation to transfer deliverable end-items to the NAEW&C Force pursuant to the contract. Deliverable end-items that are controlled by the NAEW&CF, will be de-recognized in NAPMA's financial statements ("transferred to the NAEW&CF").

Because work in progress is presented in the financial statements on a modified cash basis, deliverables to NAEW&C Force – being a derivative – is also presented on a modified cash basis.

Contingent Liabilities

NAPMA does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Net Assets

Net assets is the residual interest of the NAPMO nations in NAPMA's assets after deducting all its liabilities. Net assets are disaggregated into capital asset reserves, cash reserves and accumulated surpluses and deficits.

Nature and purpose of reserves

A capital assets reserve has been established for the depreciation and impairment of capitalized PP&E from the administrative budget. The capital assets reserve is increased with the expenditures for acquired PP&E and decreased with the depreciation and impairment of the PP&E. The capital assets reserve equals the carrying amount of the PP&E. The capital assets reserve is not available for redistribution to nations, programmes or budgets.

The dedicated funds reserve consists of non-contribution funds generated from interest earned on nations' contributions to the modernisation programmes and NAPMO authorized activities (e.g. sale of assets) until 2009 and additional contributions subsequently received from new joiners to the programme. These non-contribution funds are earmarked by the BOD for specific purposes. After final accreditation of each programme, the residual of the related dedicated fund will be returned to nations, in accordance with their cost share, in the absence of express decision by the BOD to the contrary.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

Assets – Current Assets

1. Cash and Cash Equivalents

<u>Cash and cash equivalents</u>	<u>2020</u>	<u>2019</u>
Current Accounts	4,068,525	192,966
Saving Accounts	109,863,059	91,445,976
Total	113,931,585	91,638,942

Cash balances are held in current and deposit accounts spread between various reliable financial institutions. Multiple currencies are held in separate accounts. As of the 31st of December 2020 NAPMA invested a part of the cash holding in high rated short fixed-term deposits.

Saving accounts held:

Bank	Currency		USD equivalent
DNB Bank	EUR	32,401,916	39,371,568
	NOK	24,293,557	2,792,593
	USD	7,679,707	7,679,707
WELLS FARGO	USD	64,087,716	64,087,716
Grand Total			113,931,585

Savings are converted using the NATO weekly posted exchange rates applicable on 31 December 2020.

2. Accounts Receivable

<u>Accounts receivable</u>	<u>2020</u>	<u>2019</u>
Contributions from NAPMO Nations	3,346,027	11,884,218
Receivables from NATO Entities	0	161,310
Other Receivables/Recoverable	0	5,905
Receivables from Bank interest	174,722	696,864
Long outstanding Receivables	3,452,778	0
Total	6,973,527	12,748,298

Receivables are reported at fair value in the Statement of Financial Position. No loss allowances and lifetime credit losses are recorded for the balance due as it is deemed to be collectable. Receivables are disaggregated into receivables from non-exchange transactions (contributions from NAPMO Nations) and receivables from exchange transactions (NATO and

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Non-NATO Entities, Staff Members, bank interest and other receivables). Contribution receivables are recognized when calls for contribution have been issued to the member nations.

Contributions from Nations represent the amount not yet received from member nations for the second call for contributions 2020.

Long outstanding receivables represent the amount for the first call for contribution 2019 and the first call for 2020 issued in November 2019 not yet received from one member nation.

The decrease in the Receivables is primarily due to the fact that the 2021 Project Budget was not approved before 1st January 2021. As a consequence the first call for 2021 contribution was not issued in 2020.

3. Prepayments

<u>Prepayments</u>	<u>2020</u>	<u>Restated 2019</u>	<u>Original 2019</u>
NATO Entities	217,250	283,950	283,950
DFAS	3,702,183	2,903,258	2,903,258
ADMIN NON-NATO Entities	236,618	239,409	158,928
Total	4,156,051	3,426,617	3,346,136

Advance payments were made to NSPA (NATO Entities) and DFAS against Taskings and Case Directive Amendments (CDAs).

Advance payments to Non-NATO entities cover prepayments for maintenance contracts or licenses related to administrative and operational transactions.

The majority of the prepaid expenses relates to education allowances which cover the entire school year 2020-2021.

4. Investments

<u>Investments</u>	<u>2020</u>	<u>2019</u>
Investments	300,000,000	290,000,000
Total	300,000,000	290,000,000

NAPMA's current investments are held-to-maturity fixed term deposits with original maturities between three and six months. The carrying amounts for these deposits are a reasonable approximation of their fair value due to their short term maturities.

The majority of the increase in investments is due to the payments of contributions received prior to year-end which were invested in fixed term deposits.

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Fixed-Term Deposits held

Bank	Duration	Currency	Total amount
JP MORGAN	Up to 6 Months	USD	155,000,000
DNB Bank	Up to 6 Months	USD	145,000,000
Grand Total		USD	300,000,000

Assets – Non-Current Assets**5. Prepayments > 12 Months**

<u>Prepayments</u>	<u>2020</u>	<u>Restated</u> <u>2019</u>	<u>Original</u> <u>2019</u>
ADMIN NON-NATO Entities >12Months	0	0	80,481
Total	0	0	80,481

6. Property, Plant and Equipment (PP&E)

Property, plant, and equipment (PP&E) includes tangible items that support programme management activities and are expected to be used in more than one reporting cycle.

Based on the best available information provided by the contractor when the financial statements were prepared, development laboratories are considered to be a combination of hardware and integrated software (i.e. the hardware cannot operate without the software) and together recognized as property, plant and equipment. Serviceable development laboratories are categorized as integrated systems. No development laboratory software is separately recognized as an intangible asset.

The NAPMA 2019 Financial Statements included 25,715,036 USD equivalent contract work-in-progress and 2,772,674 USD equivalent direct project expenses which should have been reported as Property, Plant and Equipment (PP&E) in accordance with IPSAS 17, Property, Plant and Equipment. The respective annual depreciation charge should have been allocated to WIP in accordance with IPSAS 11, Construction Contracts.

The error has been corrected by restating each of the affected financial statement line items for prior periods. For a table summarizing the impacts of this correction on NAPMA's financial statements, see also note 7.

PP&E 2019 (restated)

	Automated Inf. System (NIMS)	Communication and IT Equipment	Furniture	Vehicles	Buildings	Installed Equipment	Gov. Furnished Equipment	Integrated Systems	Assets under Construction	Totals
Opening Balance (01 January 2019)	28,439	794,797	29,241	105,161	387,804	3,018	0	0	0	1,348,460
Additions	0	0	0	0	0	0	0	1,500,000	26,987,711	28,487,711
Disposals/Corrections	0	0	0	0	0	0	0	0	0	0
Depreciation	28,439	309,919	11,813	23,144	15,097	1,161	0	88,235	0	477,810
Closing Balance (31 December 2019)	0	484,878	17,428	82,017	372,706	1,857	0	1,411,765	26,987,711	29,358,361
Gross Carrying Amount	7,500,612.30	929,758	668,851	115,722	603,899	12,149	0	1,500,000	26,987,711	38,318,701
Accumulated Depreciation	7,500,612.30	444,880	651,423	33,705	231,192	10,292	0	88,235	0	8,960,340
Net Carrying Amount	0	484,878	17,428	82,017	372,706	1,857	0	1,411,765	26,987,711	29,358,361

In 2020 the following amounts were capitalized as PP&E:

- assets funded from the administrative budget totaling 275,037 USD equivalent (Communication and IT Equipment and Installed Equipment)
- development laboratories funded from the operational budget totaling 3,762,289 USD equivalent (assets under construction)

PP&E 2020

	Automated Inf. System (NIMS)	Communication and IT Equipment	Furniture	Vehicles	Buildings	Installed Equipment	Gov. Furnished Equipment	Integrated Systems	Assets under Construction	Totals
Opening Balance (01 January 2020)	0	484,878	17,428	82,017	372,706	1,857	0	1,411,765	26,987,711	29,358,362
Additions	0	188,891	0	0	0	86,146	0	0	3,762,289	4,037,326
Disposals/Corrections	0	0	0	0	0	0	0	0	0	0
Depreciation	0	327,512	8,135	23,144	15,097	1,841	0	176,471	0	552,200
Closing Balance (31 December 2020)	0	346,257	9,293	58,873	357,609	86,162	0	1,235,294	30,750,000	32,843,489
Gross Carrying Amount	7,500,612.30	1,118,649	560,923	115,722	603,899	98,295	0	1,500,000	30,750,000	42,248,100
Accumulated Depreciation	7,500,612.30	772,392	551,631	56,850	246,290	12,133	0	264,706	0	9,404,613
Net Carrying Amount	0	346,257	9,293	58,873	357,609	86,162	0	1,235,294	30,750,000	32,843,489

7. Work in Progress (WIP) (other non-current assets)

<u>Work in Progress</u>	<u>2020</u>	<u>Restated 2019</u>	<u>Original 2019</u>
Work in Progress (WIP)	108,176,480	12,966,954	37,037,349
Total	108,176,480	12,966,954	37,037,349

WIP – The value of work in progress for the acquisition projects will be transferred to the NAEW&C Force when the related asset is ready for its intended use and controlled by the NAEW&C Force.

The amount of 19,377,946 USD equivalent was transferred to the NAEW&C Force in 2020 in compliance with the control criteria of assets as outlined in the NAF see note 16 on Deliverables.

In accordance with the NAF, NAPMA records the expenditures related to indirect contracts in the Financial Statements based on data/billing reports as provided by the US Government. The amount of 10,685,871 USD equivalent is presented on a modified cash basis.

The Work in Progress balance that NAPMA reported in its 2019 Financial Statements, contained 25,715,036 USD equivalent property that was paid by NAPMA, acquired by contractors and not expensed as incurred while modifying the NE-3A aircraft. This concerns NATO-owned property which should have been reported as Property, Plant and Equipment (PP&E) in accordance with IPSAS 17, Property, Plant and Equipment, and the respective annual depreciation charge allocated to WIP in accordance with IPSAS 11, Construction Contracts. The error has been corrected by restating each of the affected financial statement line items for prior periods. Additionally there was a correction to the additions in the amount of 1,556,406 USD equivalent for a mission Training Center which was reported under expenses but should have been accounted for under Work in Progress, see also note 19.

The following table summarizes the impacts of this correction on NAPMA's financial statements:

Restated 2019 Work in Progress (WIP)	
Closing Balance (31 December 2019)	37,037,349
Correction additions	1,556,406
Transfer to assets under construction	-25,715,036
Adjustment depreciation	88,235
Restated Closing Balance (31 December 2019)	12,966,954
Gross Carrying Amount	2,358,225,359
Accumulated Transfers	2,345,258,404
Net Carrying Amount	12,966,954

The below summary table shows additions and transfers occurred during the financial year 2020 as well as the accumulated amounts:

	Work in Progress (WIP)
Opening Balance (01 January 2020)	12,966,954
Additions	118,173,291
Transferred to NAEW&C	-19,377,946
Disposals/Corrections	0
Transfer to assets under construction	-3,762,289
Adjustment depreciation	176,471
Closing Balance (31 December 2020)	108,176,480
Gross Carrying Amount	2,472,812,830
Accumulated Transfers	2,364,636,350
Net Carrying Amount	108,176,480

Liabilities – Current Liabilities

8. Accounts Payable and Accruals

<u>Accounts Payable</u>	<u>2020</u>	<u>2019</u>
Payables to NATO Entities	7,195	17,915
Payables to Non-NATO Entities	395,460	275,898
Payables to Suppliers	1,008,094	1,368,237
Payables to Staff	160	24,233
Total	1,410,909	1,686,283

Payables to NATO Entities

Payables to NATO Entities include primarily invoices received from NSPA, JFC HQ Brunssum and NATO Headquarters Brussels International Staff (IS) that were not settled at year-end.

Payables to Non-NATO Entities

Payables to Non-NATO Entities include the DFAS US-Reimbursables that were not settled at year-end.

Payables to Suppliers

Payables to suppliers include invoices received from commercial vendors not settled at year-end. There is a decrease in payables to suppliers because the majority of the invoices were paid before year-end or not received yet before the cut-off date.

Payables to staff members

Amounts due to staff members such as travel expenses. There is a decrease in the payable to staff members due to COVID-19 travel restrictions in 2020.

<u>Accruals</u>	<u>2020</u>	<u>2019</u>
Accrued Bank charges		
Goods receipt – Invoices to be received	1,244,479	13,759,466
Total	1,244,479	13,759,466

Goods Receipt – Invoices to be received are the amounts based on estimates and assumptions made for goods/services that were delivered/performed during fiscal year 2020 and prior but not invoiced by the 31 December 2020.

The variance between the comparative figures is explained by the receipt in invoicing from the prime contractor before the cut-off date.

9. Deferred Revenue - current

<u>Unearned Contributions</u>	<u>2020</u>	<u>Restated 2019</u>	<u>Original 2019</u>
Unearned Contribution - Current	208,339,666	255,503,651	271,077,337
Unearned Grant - SESAR	1,539,871	1,389,318	15,573,687
Unearned depreciation PP&E - Current	3,899,203	113,488	0
Total	213,778,739	257,006,457	286,651,024

Revenue from contributions and other non-exchange transactions is deferred until it is deemed to have been earned.

Unearned Contributions - current represents the balance of BOD approved but not yet consumed budgets of the financial year and prior periods that are expected to be consumed in the twelve months after the end of the reporting period.

In the NAPMA 2019 Financial Statements all unearned contributions were reported as current liabilities. The unearned contributions that are not expected to be consumed in the first year after the end of the reporting period have been reclassified as non-current liabilities.

The unearned contributions for SESAR that NAPMA reported in its 2019 Financial Statements, contained 14,082,678 USD equivalent approved eligible costs that should have been recognized as revenue. The error has been corrected by restating each of the affected financial statement line items for prior periods. The pre-financing SESAR balance of 15,573,687 that NAPMA reported in its 2019 Financial Statements, was based on the weekly posted NATO exchange rates that applied on the date of the transaction. As the pre-financing SESAR balance is a foreign currency monetary item, it should have been reported in US Dollar equivalents using the closing rate. The error of 101,691 USD equivalent has been corrected

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by restating each of the affected financial statement line items for prior periods. The following table summarizes the impacts of the correction of the SESAR grant on NAPMA's financial statements.

Restated 2019 Unearned Contribution - SESAR	
Closing Balance (31 December 2019)	15,573,687
Adjustment (as per NPR 31 Dec 2019) to revenue	-14,082,678
Adjustment exchange rate difference (to RMF)	-101,691
Restated Closing Balance (31 December 2019)	1,389,319

Contract work in progress and deliverables to the NAEW&C Force are recognized simultaneously with the depreciation of PP&E funded from the operational budget to correspond with the consumption of the assets. The unearned depreciation PP&E - current is the expected depreciation of operational budget funded PP&E in the twelve months after the end of the reporting period. The NAPMA 2019 Financial Statements included 113,488 USD equivalent contract work-in-progress as which should have been reported Unearned depreciation PP&E - current. The error has been corrected by restating each of the affected financial statement line items for prior periods. The following table summarizes the impacts of this correction on NAPMA's financial statements.

Restated 2019 Unearned depreciation PP&E - Current	
Closing Balance (31 December 2019)	0
2019 Depreciation operational budget funded PP&E	113,488
Restated Closing Balance (31 December 2019)	133,488

10. Advances NAPMO Nations and NATO entities

<u>Advances</u>	<u>2020</u>	<u>Restated 2019</u>	<u>Original 2019</u>
Advances Nation's Contributions	670,125	14,459,132	14,396,150
Advances NAPMO Nations-Appropriated	38,750,930	42,330,299	0
Advances NAPMO Nations-Unappropriated	21,320,463	30,210,563	0
Advances NATO Entities	906,458	976,584	0
Total	61,647,975	87,976,578	14,396,150

Advances Nation's contributions represent the amount called at the end of the current financial year related to the following financial year in the amount of 14,396.150 USD equivalent. In 2020 no calls for contributions for 2021 were issued.

Additionally the amount of 62,982 USD equivalent is included as part of the expected depreciation of operational budget funded PP&E in the twelve months after the end of the reporting period, see also note 9 unearned depreciation PP&E.

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Restated 2019 Advances on Nations' contributions – Current	
Closing Balance (31 December 2019)	14,396,150
2019 transfer Depreciation operational budget funded PP&E	62,982
Restated Closing Balance (31 December 2019)	14,459,132

Advances Nation's contributions represent the amount called at the end of the current financial year related to the following financial year. In 2020 no calls for contributions for 2021 were issued.

Advances NAPMO Nations represent the amounts of funds held on behalf of the member nations, arising from a variety of sources including received advanced contributions from some nations on calls for the following financial year, sales of residual assets, Research and Development (R&D) recoupment for the Radar System Improvement Project (RSIP) and interest earned on bank accounts for the years 2010 to 2013. The Advances NAPMO Nations is split into appropriated and unappropriated. Appropriated advances to NAPMO Nations are refundable contributions, reimbursements or distributions payable allocated to NAPMA Nations. Unappropriated advances to NAPMO Nations are distributions not allocated to NAPMA Nations pending a NAPMO BOD decision on further use.

The NAPMA 2019 Financial Statements reported 72,540,862 USD equivalent for Advance Nation accounts > 12 months as non-current liabilities. NAPMA does not have an unconditional right to defer settlement of the advance nation accounts for at least twelve months after the reporting date. The advance nation accounts > 12 months has been reclassified as current liabilities.

Advances NATO entities are funds are received and expended in support of other NATO entities predominantly the NAEW&C Force for execution of projects and activities for Operations and Support.

The Advances NATO entities was reported in the NAPMA 2019 Financial Statements as non-current liabilities. NAPMA does not have an unconditional right to defer settlement of the RMF for at least twelve months after the reporting date. The Advances NATO entities has been reclassified as current liabilities.

11. Risk Mitigation Fund Nations

<u>Risk Mitigation Fund Nations</u>	<u>2020</u>	<u>Restated 2019</u>	<u>Original 2019</u>
Risk Mitigation Fund Nations	22,988,935	19,822,054	0
Total	22,988,935	19,822,054	0

During BOD96, the NAPMO BOD approved the creation of a Risk Mitigation Fund (RMF) to mitigate currency and exchange risks.

The RMF is comprised of income generated from interest earned on bank accounts, investments in term/time deposits or money market accounts and gains from foreign currency

exchanges since 2014. The liquidity held in the fund will have no denomination or link to a particular programme rate or inflation factor.

Risk management procedures are implemented specifically pertaining to measuring and managing liquidity risk in both normal and adverse conditions.

The RMF balance on the 31 December 2019 is mainly made of interest generated in bank accounts held in USD.

In 2019, the RMF covered bank charges and negative interest in the amount of 102,902 USD equivalent.

The RMF was reported in the NAPMA 2019 Financial Statements as non-current liabilities. NAPMA does not have an unconditional right to defer settlement of the RMF for at least twelve months after the reporting date. The RMF has been reclassified as current liabilities.

Restatement of 2019 RMF	
Original reported balance as of 31 December 2019	19,720,364
Prior year error correction - SESAR grant	101,691
Restated reported surplus for the year ended 31 December 2019	19,822,054

Liabilities – Non-Current Liabilities

12. Deferred Revenue – non-current

<u>Unearned Contributions</u>	<u>2020</u>	<u>Restated 2019</u>	<u>Original 2019</u>
Unearned Contribution-Non-Current	110,731,218	0	0
Unearned depreciation PP&E-Non-Current	26,543,423	26,680,336	0
Total	137,274,641	26,680,336	0

Revenue from contributions and other non-exchange transactions is deferred until it is deemed to have been earned.

Unearned Contributions – non-current represents the balance of BOD approved but not yet consumed budgets of the financial year and prior periods that are not expected to be consumed in the first year after the end of the reporting period.

In the NAPMA 2019 Financial Statements all unearned contributions were reported as current liabilities. The unearned contributions that are not expected to be consumed in the first year after the end of the reporting period have been reclassified as non-current liabilities.

Revenue is recognized simultaneously with the depreciation of PP&E funded from the operational budget to correspond with the consumption of the assets. The unearned depreciation PP&E – non-current is the depreciation of operational budget funded PP&E not expected to be recognized in the first year after the end of the reporting period.

The NAPMA 2019 Financial Statements included 26,680,336 USD equivalent contract work-in-progress as which should have been reported unearned depreciation PP&E – non-current.

The error has been corrected by restating each of the affected financial statement line items for prior periods. The following table summarizes the impacts of this correction on NAPMA's financial statements.

Restated 2019 Unearned depreciation PP&E – non-current	
Closing Balance (31 December 2019)	0
Depreciation beyond 2020 - transferred from WIP	26,680,336
Restated Closing Balance (31 December 2019)	26,680,336

13. Advances on Nations' Contributions and NATO Entities > 12 Months

<u>Advances on Nations' Contributions</u>	<u>2020</u>	<u>Restated 2019</u>	<u>Original 2019</u>
Advance Nation accounts	872,544	1,542,668	72,540,862
Total	872,544	1,542,668	72,540,862

The restated 2019 figures in the amount of 72,540,862 represented in Advances Nations' accounts non-current was reclassified to current, see note 10.

Additionally the amount of 1,542,668 USD equivalent is included as part of the expected depreciation of operational budget funded PP&E beyond 2020, see also note 9 unearned depreciation PP&E.

Restated 2019 Advances on Nations' contributions – Non-Current	
Closing Balance (31 December 2019)	72,540,862
Reclassification to Current Liabilities	72,540,862
Depreciation beyond 2020 - operational budget funded PP&E	1,542,668
Restated Closing Balance (31 December 2019)	1,542,668

14. Risk Mitigation Fund Nations

<u>Risk Mitigation Fund Nations</u>	<u>2020</u>	<u>Restated</u> <u>2019</u>	<u>Original</u> <u>2019</u>
Risk Mitigation Fund Nations	0	0	19,720,364
Total	0	0	19,720,364

Risk Mitigation Fund Nations non-current was reclassified to current, see note 11.

15. Advances NATO entities

Advances NATO entities non-current were reclassified to current, see note 10.

<u>Advances NATO entities</u>	<u>2020</u>	<u>Restated</u> <u>2019</u>	<u>Original</u> <u>2019</u>
Advance NATO entities	0	0	976,584
Total	0	0	976,584

16. Other non-current liabilities (Deliverables)

<u>Deliverable to NAEW&C Force</u>	<u>2020</u>	<u>Restated</u> <u>2019</u>	<u>Original</u> <u>2019</u>
Deliverables	108,176,480	12,966,954	37,037,349
Total	108,176,480	12,966,954	37,037,349

Deliverables to NAEW&C Force represent the cumulative amount that is still to be transferred to NAEW&C Force when the related asset is ready for its intended use and controlled by the NAEW&C Force.

The deliverables balance that NAPMA reported in its 2019 Financial Statements, contained 25,715,036 USD equivalent NATO-owned property that is not transferable to the NAEW&C Force. The error has been corrected by restating each of the affected financial statement line items for prior periods. Additionally there was a correction to the additions in the amount of 1,556,406 USD equivalent for a mission Training Center which was reported under revenue from contributions but should have been accounted for under deliverables, see also note 18.

The following table summarizes the impacts of this correction on NAPMA's financial statements as well as the additions and transfers occurred during the financial year and the accumulated amounts.

	Restated 2019 Deliverables
Closing Balance (31 December 2019)	37,037,349
Correction additions	1,556,406
Prior year adjustment of Unearned Nations Contributions (Non-current)	-25,715,036
Adjustment depreciation	88,235
Restated Closing Balance (31 December 2019)	12,966,954
Gross Carrying Amount	2,358,225,359
Accumulated Transfers	2,345,258,404
Net Carrying Amount	12,966,954

The below summary table shows additions and transfers occurred during the financial year 2020 as well as the accumulated amounts.

	Deliverables
Opening Balance (01 January 2020)	12,966,954
Additions	118,173,291
Transferred to NAEW&C	-19,377,946
Disposals/Corrections	0
Adjustment Unearned Nations Contributions (Non-current)	-3,762,289
Adjustment depreciation	176,471
Closing Balance (31 December 2020)	108,176,480
Gross Carrying Amount	2,472,812,830
Accumulated Transfers	2,364,636,350
Net Carrying Amount	108,176,480

17. Net Assets

Net assets is the residual interest of the NAPMO nations in NAPMA's assets after deducting all its liabilities.

Net assets are disaggregated into capital asset reserves, a dedicated funds reserve and accumulated surpluses and deficits. Further details can be found in the Statement of Changes in Net Assets/Equity (page 8).

NAPMA reported a deficit of 1,976,999 USD equivalent in its 2019 Financial Statements. The deficit included an error in the recognition of part of the pre-financing SESAR balance that should have been recognized as revenue. The error has been corrected by restating each of the affected financial statement line items for prior periods. The following table summarizes the impacts of these corrections on the deficit and NAPMA's accumulated surplus / deficit.

	Restatement of 2019 reported result
Original reported deficit for the year ended 31 December 2019	-1,976,999
Prior year error correction - recognition SESAR grant	14,082,678
Restated reported surplus for the year ended 31 December 2019	12,105,679

NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

18. Revenue

Revenue recognition is matched with the recognition of expenses against NAPMA budgets. Contributions when called are booked as unearned revenue and recognized when earned. The table below shows the breakdown of the operating revenue.

<u>Revenue</u>	<u>2020</u>	<u>Restated 2019</u>	<u>Original 2019</u>
Revenue from Contributions	33,953,324	45,261,370	47,953,309
Financial Revenue	88,746	262,112	262,112
Revenue from received grants	0	14,082,678	0
Other Revenue	9,087,544	16,890,242	18,527,383
Total	43,129,615	76,496,402	66,742,805

Revenue from Contributions has been recognized for project and administrative activities.

The 2019 original figures were restated due to prior year error corrections, the details can be found in the table below :

<u>Restatement of 2019 revenue from contributions</u>	
Original reported balance as of 31 December 2019	47,953,309
Prior year error correction - to WIP	-1,556,406
Prior year error correction - to PP&E operational assets	-1,135,533
Restated reported balance as of 31 December 2019	45,261,370

Financial revenue in the amount of 88,746 USD equivalent represents unrealized foreign exchange rate gains and losses originating from the translation of the functional currency of dedicated funds into their presentation currency.

In 2016, NAPMA was found to be eligible for an EU grant from the Single European Sky Air Traffic Management Research (SESAR) for the efforts in defining, developing and delivering new or improved technologies and procedures to increase the performance of Europe's Air Traffic Management (ATM) system. The grant addressed the activities Production and Retrofit (PAR), and Flight Simulator Training Device upgrade and Air Crew Training (FSTD). NAPMA will recognize revenue on the SESAR-grant when eligible costs are reimbursed (interim payment received) and the activity is published as completed by the SESAR Deployment Manager in the reporting tool called STAR.

The pre-financing SESAR balance that NAPMA reported in its 2019 Financial Statements, contained 14,082,678 USD equivalent approved eligible costs for an activity (FSTD) that was published as completed by the SESAR Deployment Manager in the reporting tool called STAR and that is also part of a modernisation programme approved by the NAPMO Nations, and that NAPMA has no alternative but to perform. The error has been corrected by restating each of the affected financial statement line items for prior periods.

Restatement of 2019 revenue from received grants	
Original reported balance as of 31 December 2019	0
Prior year error correction - revenue recognition SESAR grant	14,082,678
Restated reported balance as of 31 December 2019	14,082,678

Other revenue in the amount of 9,087,544 USD equivalent was used to pay for 2020 Risk Reduction expenditure, as per 2018 and 2019 approved NAPMA budgets.

The 2019 original figures were restated due to prior year error corrections, the details can be found in the table below :

Restatement of 2019 other revenue	
Original reported balance as of 31 December 2019	18,527,383
Prior year error correction - to PP&E operational assets	-1,637,142
Restated reported balance as of 31 December 2019	16,890,242

19. Expenses

Expenses are recognized by nature within the following groups.

<u>Project Expenses</u>	<u>2020</u>	<u>Restated 2019</u>	<u>Original 2019</u>
Projects direct	24,362,944	45,946,643	50,275,725
Total	24,362,944	45,946,643	50,275,725

Project expenses are outlay costs in support the modernization programmes, funded from the operational budget but not directly related to deliverable assets to the NAEW&C Force or assets acquired by the contractor for the performance of a contract. Project expenses are not capitalized as WIP or PP&E.

Project expenses are divided into direct and indirect.

Indirect project expenses are disbursements for indirect contracts made by the Defense Finance and Accounting Service (DFAS) for obligations incurred by the U.S. Government on behalf of NAPMA and that are not directly related to deliverable assets to the NAEW&C Force. Indirect project expenses are not capitalized as WIP or PP&E.

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Any indirect expenses incurred presented on a “modified cash” basis. All disbursements for indirect contracts in 2019 and 2020 were directly related to deliverable assets to the NAEW&C Force and therefore capitalized as WIP. No indirect project expenses (i.e. non-capitalized disbursements for indirect contracts) occurred in 2019 and 2020.

The direct project expenses that NAPMA reported in its 2019 Financial Statements, included 2,772,674 USD equivalent computer hard- and software acquired by contractors under Risk Reduction that was subsequently transferred to the FLEP modernization programme. This concerns NATO-owned property which should have been reported as Property, Plant and Equipment (PP&E) in accordance with IPSAS 17, Property, Plant and Equipment. Additionally an amount of 1,556,406 USD equivalent was reported as expensed but should have been capitalized under WIP. The errors have been corrected by restating each of the affected financial statement line items for prior periods.

The following table summarizes the impacts of the corrections on NAPMA's financial statements:

Restated 2019 Project expenses direct	
Original 2019 reported project expenses direct	50,275,725
Adjustment transfer to PP&E	-2,772,674
Adjustment transfer to WIP	-1,556,406
Restated Project expenses direct 31 December 2019	45,946,643

<u>Administrative Expenses</u>	<u>2020</u>	<u>2019</u>
Personnel	16,949,681	15,698,259
Operational	1,453,207	2,356,247
Total	18,402,888	18,054,505

The amounts for Personnel include expenses for salaries and emoluments for NATO civilian positions and temporary personnel, for other salary related and non-related allowances including overtime, medical examinations, recruitment, installation, removal and training.

The remaining part of the administrative expenses relate to operational activities such as maintenance costs, travel expenses, communication and information systems. These expenses are needed to meet NAPMA's operational requirements.

The lease for three staff cars and photocopiers have been qualified as operating leases and are therefore also included in the administrative costs.

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NAPMA Personnel Costs (including key management personnel)

	2020	2019
Salaries	11,777,610	10,627,876
Allowances	2,400,340	2,377,038
Pension contributions	1,167,697	1,100,552
Health care contributions	1,362,158	1,294,443
Loss-of-Job Indemnities	0	0
Other	241,875	298,349
Total	16,949,681	15,698,258

Employee Disclosure

NAPMA personnel is enrolled in two NATO pension schemes. NAPMA contributes to the schemes for existing employees at amounts laid out in the NATO Civilian Personnel Regulations (NCPR's).

NAPMA does not control or manage any of the schemes or scheme assets and is not exposed to the risks and rewards of the schemes and hence does not record any assets or liabilities of the schemes on its statements of financial position. In 2020 NAPMA contributed 1,167,697 USD equivalent to the NATO pension schemes.

<u>Depreciation Expenses</u>	<u>2020</u>	<u>2019</u>
Depreciation and amortization	375,729	389,574
Total	375,729	389,574

Assets of PP&E are depreciated over their useful life (see also Note 6).

The depreciation expense in the amount of 375,729 USD equivalent relate to the depreciation funded out of the administrative budget.

The annual depreciation related to PP&E funded from the operational budget has been allocated to WIP in accordance with IPSAS 11, Construction Contracts, see note 7.

20. Deficit for the Period

The 2020 deficit in the amount of (11,946) USD equivalent results from:

- The currency translation adjustments at the end of the year in accordance with IPSAS 4 presented under Financial revenue in the amount of 88,746 USD equivalent;
- The depreciation expenses in the amount of (375,729) USD equivalent;
- The purchase of PP&E funded out of the administrative budget in the amount of 275,037 USD equivalent.

EVENTS AFTER THE REPORTING DATE

NAPMA's reporting date is 31 December 2020 and the Financial Statements were authorized for issue by the General Manager on 31 March 2021.

In response to the current COVID-19 pandemic, NAPMA senior management has directed the NAPMA staff to work from home to the maximum extent practical from 17 March 2020 until further notice.

No material events, favorable or unfavorable, which would have an impact on the statements have occurred between the reporting date and the date on which the Financial Statements were authorized for issue.

RELATED PARTY DISCLOSURE

Under IPSAS 20 parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial and operating decisions. IPSAS 20 requires the disclosure of the existence of related party relationships, where control exists, and the disclosure of information about transactions between the entity and its related parties. This information is required for accountability purposes and to facilitate a better understanding of the Financial Position and Performance of the reporting entity.

The BOD members receive no remuneration and do not receive loans from the entity. Based on the BOD annual declarations for 2020, received from all the BOD Members, no significant related party relationships could be identified which could affect the operation of NAPMA.

Based on the annual declaration for 2020 received from the key management personnel of NAPMA, there were no significant related party relationships identified which could affect the operation of NAPMA.

Senior management is remunerated in accordance with the published NATO pay scales. They do not receive loans that are not available to all staff members.

The aggregate remuneration of key management personnel during the year was as follows:

Number of individuals at year- end on a full time equivalent basis

Grades	2020	2019
A7	1	1
A6	3	3
A5	4	8
A4	8	7
A3	1	2
Total	17	21

Salaries and benefits paid to key management personnel

Remuneration type	2020	2019
Basic salaries	2,692,826	2,786,145
Allowances	577,557	531,340
Employer's contribution to insurance	323,954	336,129
Employer's contribution to pension	300,038	328,763
Other	0	3,922
Total	3,894,375	3,986,299

The General Manager is entitled to receive a representation allowance as per DC(2016)0100. The amount spent in 2020 was 2,031 USD equivalent. Expenditures made against this allowance are supported by invoices.

BUDGET EXECUTION STATEMENT

The execution of the budget during financial year 2020 is shown in annex A.

The budget and accounting bases differ for NAPMA. The Financial Statements for NAPMA are prepared on an accrual basis, based on the nature of expenses in the Financial Statements whereas the Budgets are prepared on a commitment basis. Budgets are approved annually by programme/project, but cover multi-year requirements. All budgets are approved in US Dollar equivalent at an established rate at the beginning of each project. Execution of the approved budgets is in multi-currencies and is expressed in USD equivalent at the established programme rate.

The BOD approves the budgets based on programme/projects including administrative costs. Budgets may be subsequently amended by the Board. On 12 June 2020 and 8 July 2020 the PFC approved through positive procedure, additional transfers of appropriations between projects.

In the Clearing House process, actual expenditures are recognized when USD equivalent payments are made through DFAS or via a Direct USD contract with Boeing, while the Budgeted Expenditures are recognized when payments are made to subcontractors, in multi-currencies, by NAPMA.

In the Budget Execution Statement, actual expenditures are recorded on an accrual basis. Budgeted expenditures are recognized when the Service Entry (Good Receipt) is posted and the budget is consumed by an individual project.

The following table reconciles the differences between budget expenses (commitment basis) and actual expenses (accrual accounting basis) which are driven primarily by timing differences in Clearing House, accruals and capitalization. Exchange rate differences are generated because the BES expenditures are calculated at programme rate while the Financial Statement expenditures are calculated at market rate (NATO Parity Rate).

2020 Expenditure Reconciliation							
Fund Center	Expenditure Comparison		Difference	Explanation			
	BES Expense at Program Rate (\$EQ)	Financial Stmt Expense at Market Rate (LC) (Incl WIP)	BES Expense @ Program Rate less Fin Stmt Expense @ Mkt Rate	Exchange Difference Program Rate to Mkt Rate	Capitalization Difference	Currency Clearing House Difference	Accrual Difference
PROJECTS	147,289,452.96	142,536,234.83	4,753,218.13	(165,293.17)	-	7,809,219.44	(12,397,144.40)
ADMIN	17,789,925.77	18,402,887.67	(612,961.90)	917,458.44	(275,036.75)	-	(29,459.79)
TOTAL	165,079,378.73	160,939,122.50	4,140,256.23	752,165.27	(275,036.75)	7,809,219.44	(12,426,604.19)

WRITE OFF

Assets which are currently providing operational service potential are deemed to be the reporting responsibility of NAEW&C Force, NAPMA only reports write-offs of NAPMA fixed admin assets and inventory. This results from the implementation of the NAF.

In 2020, NAPMA wrote-off assets (Furniture) with a net book value of 0.00 USD equivalent and a historical value of 107,927.11 USD equivalent. An authentication card was lost and not separately priced.

FINANCIAL INSTRUMENTS DISCLOSURE

NAPMA's financial requirements are set by its Member Nations. NAPMA does not borrow money to meet any financial obligation. Other than financial assets and liabilities which are generated by day-to-day operational activities, no long term financial instruments are held. The Risk Mitigation Fund's purpose is to mitigate currency and exchange risks.

Liquidity risk

NAPMA's financial requirements and capital expenditures are met by its Member Nations and are typically funded in advance. NAPMA is therefore not exposed to material liquidity risks.

Credit risk

NAPMA Nations are member and partner Nations of NATO, hence NAPMA is not exposed to material credit risks. Credit risk of financial institutions is mitigated by the Risk Mitigation Fund.

Foreign currency risk

NAPMA has limited exposure to foreign currency because some of its work is denominated in currencies other than the USD. However, risk related to foreign currency transactions is ultimately borne by NAPMA Nations.

CONTINGENCIES

There is a claim of a contractors employee, dated 5 April 2018, represented by DAS, Onderwijsboulevard 2015, 5223 DJ Den Bosch, claiming material and immaterial damages resulting from a fall at NAPMA premises while working for the cleaning company Hectas.

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Annex A to the Financial Statements
Budget Execution Statement

2020 Budget Execution Statement										
	Appropriations current Budget Year(\$EQ)	Total Changes to Previous Appropriations (\$EQ)	Uncommitted Appropriations Carried Forward from Previous FY(\$EQ)	(TOTAL) Commitments Carried Forward from Previous FY(\$EQ)	Lapse in current FY (\$EQ)	Total Appropriations Available FY (\$EQ)	Expense Program Rate (\$EQ)	Uncommitted Appropriations Carried Forward (\$EQ)	(TOTAL) Commitments Carried Forw. into Following FY(\$EQ)	Total Appropriations Used FY (\$EQ)
PROJECTS	200,467,111.32	(4,899,999.99)	19,349,932.41	259,481,442.03	(24,612,351.43)	449,786,134.34	(147,289,452.96)	(14,834,931.48)	(287,661,749.90)	(449,786,134.34)
ADMIN	21,090,231.40	3,893.96	-	382,426.29	(3,325,504.57)	18,151,047.08	(17,789,925.77)	-	(361,121.31)	(18,151,047.08)
TOTAL	221,557,342.72	(4,896,106.03)	19,349,932.41	259,863,868.32	(27,937,856.00)	467,937,181.42	(165,079,378.73)	(14,834,931.48)	(288,022,871.21)	(467,937,181.42)

(1)

Note (1): Appropriation transfer between projects per BOD approvals

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Statement of Internal Control

Scope of Responsibility

1. As General Manager of NAPMA, I am responsible and accountable to the agency's Board of Directors (BoD) for designing, implementing and maintaining an efficient, effective and economical system of Internal Control that supports the achievement of NAPMA's objectives. To this end, I have established an effective, efficient and economical Internal Control System in accordance with NAPMO Financial Regulations (NFRs) and NAPMO Financial Rules and Procedures (FRPs) based on the principles of COSO Enterprise Risk Management (ERM) and Internal Control System as described below.
2. As the NAPMA Financial Controller I am responsible to the General Manager and accountable to the NAPMO Policy and Finance Committee (PFC) for establishing a system of internal financial and budgetary control, delegate authority to officials who may disburse and receive funds on my behalf, maintaining comprehensive accounting records of all assets and liabilities and the correct use of funds made available to the agency in accordance with the NFR and FRP.

Purpose and Limitation of the System of Internal Control

3. The Internal Control System defines a process carried out by NAPMA's management and staff designed to provide reasonable assurance that the Agency will achieve its objectives while using the agency's resources in an efficient and effective manner.
4. NAPMA's system of internal control specifically addresses the efficiency and effectiveness of operations, accuracy and reliability of financial reporting and compliance with its legal framework and applicable laws and regulations.
5. Common limitations for an internal control system are collusion, human error and management override.
6. The cost of the internal controls should not outweigh the risks they are mitigating.

Oversight over NAPMA's Internal Control

7. Oversight on NAPMA's internal control is exercised by the NAPMO BoD and the PFC pursuant to Articles 28 and 30 of the NAPMO Charter and paragraph 39 of the NAPMO Corporate Governance Policy (NCGP). The PFC's oversight role as the Agency's Audit Advisory Panel are pursuant to Article 16 of the NFR and paragraph 40 of the NCGP.

NATO UNCLASSIFIED**Annex B to the Financial Statements
Statement of Internal Control**

8. In June 2018, the BoD tasked NAPMA to update the NCGP. In Oct 2018, NAPMA presented a draft NCGP to the PFC with proposed changes in the areas of internal audit, audit committee roles and application of the COSO Enterprise Risk Management framework.
9. In October 2020, the PFC agreed to re-evaluate the draft NCGP document after NAPMA provides its revised Operating Instructions (OIs) that reflect the agency's hiring process. The PFC will be requested in May 2020 to endorse a revised draft NCGP for BOD approval.
10. While this revised NCGP awaits formal PFC endorsement and BoD approval, NAPMA has already begun implementing parts of the revised NCGP with the NAPMO Nations' agreement.

Risk Management

11. NAPMA manages risks at two distinct levels: the enterprise and the functional levels. NAPMA has established an Enterprise Risk Manager and an enterprise risk management plan to manage risks that can jeopardize NAPMA's abilities to successfully execute the modernisation of the NE-3A aircraft and other missions assigned by the NAPMO BoD to include its Technical Airworthiness responsibilities.
12. Division Heads and Office Chiefs are responsible for managing risks within their functional areas and complying with the internal controls in place.

Internal Control System

13. Other key elements of the Agency's Internal Control System include, but are not limited to:
 - Commitment of NAPMA's senior leadership to integrity and ethical values;
 - Standards of Behaviour in line with the NATO Code of Conduct with an annual signed declaration of adherence by each staff member;
 - Annual confirmation of the responsibility and accountability for NAPMA's system of internal control by the General Manager and the Financial Controller by signature of the Statement of Internal Control;
 - Annual signature by NAPMA key personnel of a statement on related party disclosure;
 - NAPMA Program Office Estimate (POE) for the financial planning and management of modernization programmes;
 - Presentation of an annual Mid Term Financial Plan to the PFC and approval of administrative and project budgets by the BoD;
 - Signature on an annual basis by the General Manager and the Financial Controller of a NAPMA Management Representation Letter that provides assurance regarding the integrity, reliability, accuracy, completeness and consistency of information contained in the Financial Statements;
 - The NAPMO FR and NAPMO FRP;

NATO UNCLASSIFIEDAnnex B to the Financial Statements
Statement of Internal Control

- NAPMA Management Directives and Operating Instructions;
- The use of the NAPMA Integrated Management System (NIMS) which incorporates the standard SAP Enterprise Resource Planning system with a budgeting module especially designed to manage, monitor and safeguard the funds appropriated to NAPMA;
- A Treasury Policy Group that periodically reviews cash management and issues regarding the financial institutions which are responsible for cash deposits;
- Signature on an annual basis by designated responsible managers within the NAPMA organization of a statement of assurance declaring their assessment of the execution of their internal controls.

Internal Audit

14. NAPMA has a permanently staffed internal audit function that independently evaluates the adequacy and effectiveness of the organization's governance, risk management, and internal controls to help the GM to protect assets, reputation and sustainability of the organization.

Important Developments that Influenced NAPMA's Internal Control in 2020

15. The COVID-19 pandemic forced NAPMA staff to telework from 17 March 2020 on. The inefficiencies of working remotely may have had a negative impact on the effectiveness of NAPMA's control activities such as segregation of duties, physical controls and internal auditing.

Review of the Effectiveness of the System of Internal Control

16. The Financial Controller is responsible for evaluating the system of financial control.
17. The main basis for the assessment of the effectiveness of the system of internal control by the Financial Controller is direct observation. Other sources include, but are not limited to, reporting by internal and external auditors, signed statements of assurance by designated responsible managers within NAPMA and identifying risks and mitigation controls as described in Guideline FC #1 Financial and Budgetary Control.
18. It is the Financial Controller's assessment that strong controls exist over accounting, budgeting, treasury and the non-expendable items controlled by NAPMA. Some items controlled by NAPMA are held at contractors' locations. The Financial Controller found that strong controls exist for the accounting and safeguarding of NAPMA furnished property but that the accounting for the completeness of Contractor Acquired Property to which NATO has title is challenging.

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Annex B to the Financial Statements
Statement of Internal Control**General Manager's Internal Control Priorities for the Year 2021**

19. The General Manager's Internal Control Priorities for the Year 2021 are:

- Continue the implementation of a tailored NAPMA ERM and Internal Control System in compliance with the principles of the COSO framework;
- Implementing a structured framework of Directives, Standards, and Guidance's clarifying the granular linking from strategy through to processes capturing that levels of responsibility, internal control artefacts, and methods of reporting.

Confirmation of adherence to NAPMO Financial Regulations article 3.1

20. Based on the above, to the best of our knowledge and information available and within the scope of our respective responsibilities, we hereby confirm that the agency operated satisfactory systems of internal control for the year ended 31 December 2020 and up to the date of approval of the Financial Statements.



BrigGen Michael Gschossmann
General Manager NAPMA
Date 31 March 2021

Col Kees Schulten
Financial Controller NAPMA
Date 31 March 2021NATO UNCLASSIFIED
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NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD
INTERNATIONAL BOARD OF AUDITORS
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

NATO SANS CLASSIFICATION

IBA-A(2021)0115
25 août 2021

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

Cc : Représentants permanents auprès de l'OTAN
Président du Comité de direction de l'Organisation de gestion OTAN pour le développement, la production et la logistique de l'avion de combat européen (NEFMO)
Président du Comité de direction de l'Organisation de gestion OTAN pour la mise au point, la production et le soutien opérationnel d'un avion de combat polyvalent (NAMMO)
Directeur général de l'Agence de gestion OTAN pour le développement, la production et la logistique de l'ACE 2000 et du Tornado (NETMA)
Contrôleuse des finances de la NETMA
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Gestion des ressources du Bureau OTAN des ressources
Bureau d'ordre du Cabinet

Objet : ***Rapport du Collège international des auditeurs externes de l'OTAN (IBAN) sur l'audit des états financiers de l'Agence de gestion OTAN pour le développement, la production et la logistique de l'ACE 2000 et du Tornado (NETMA) pour l'exercice clos le 31 décembre 2020 – IBA-AR(2021)0028***

Monsieur le Secrétaire général,
Vous trouverez ci-joint le rapport d'audit approuvé ainsi qu'une note succincte à l'intention du Conseil.

L'IBAN a émis une opinion sans réserve sur les états financiers de la NETMA ainsi que sur la conformité pour l'exercice 2020.

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

Daniela Morgante
Présidente

Pièces jointes : voir ci-dessus.

NATO SANS CLASSIFICATION

-1-

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IBA-AR(2021)0028

**Note succincte
du Collège international des auditeurs externes de l'OTAN
à l'intention du Conseil sur l'audit des états financiers
de l'Agence de gestion OTAN pour le développement, la production
et la logistique de l'ACE 2000 et du Tornado (NETMA)
pour l'exercice clos le 31 décembre 2020**

Entité OTAN présentant des états financiers, la NETMA est l'agence qui se charge, au nom de ses pays membres, de l'administration des programmes Tornado et Eurofighter (anciennement ACE 2000) et de la gestion des acquisitions réalisées dans le cadre de ces deux programmes opérationnels.

L'Organisation de gestion OTAN pour la mise au point, la production et le soutien opérationnel d'un avion de combat polyvalent (NAMMO) est l'entité OTAN qui présente les états financiers relatifs au programme Tornado, et l'Organisation de gestion OTAN pour le développement, la production et la logistique de l'avion de combat européen (NEFMO) est l'entité OTAN qui présente les états financiers relatifs au programme Eurofighter.

Considérant la NAMMO, la NEFMO et la NETMA comme des entités OTAN distinctes, la NETMA publie chaque année des états financiers à usage général pour chacun des trois budgets qu'elle gère et administre.

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers de la NETMA pour l'exercice clos le 31 décembre 2020. En 2020, le montant total des dépenses relevant du budget administratif s'est établi à 44,8 millions d'euros.

L'IBAN a émis une opinion sans réserve sur les états financiers de 2020 ainsi que sur la conformité pour cet exercice.

L'IBAN a formulé une observation, assortie d'une recommandation. Cette observation n'a pas eu d'incidence sur l'opinion émise sur les états financiers et sur la conformité. Elle porte sur le point suivant :

1. Nécessité d'améliorer la présentation de l'état de l'exécution du budget.

L'IBAN a par ailleurs fait le point sur les suites données aux observations et recommandations formulées lors d'audits précédents, et il a constaté que les questions avaient toutes été traitées.

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

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

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25 août 2021

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

RAPPORT SUR L'AUDIT DES ÉTATS FINANCIERS

**DE L'AGENCE DE GESTION OTAN POUR LE DÉVELOPPEMENT,
LA PRODUCTION ET LA LOGISTIQUE DE L'ACE 2000 ET DU TORNADO**

(NETMA)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2020

OPINION DE L'AUDITEUR EXTERNE À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD***Audit des états financiers*****Opinion sur les états financiers**

Le Collège international des auditeurs externes de l'OTAN (IBAN) a audité les états financiers de l'Agence de gestion OTAN pour le développement, la production et la logistique de l'ACE 2000 et du Tornado (NETMA) portant sur la période de 12 mois ayant pris fin le 31 décembre 2020. Diffusés sous la cote N/8301000N/38111107/204778/21/NU et soumis à l'IBAN le 31 mars 2020, ces états financiers se composent de l'état de la situation financière au 31 décembre 2020, de l'état de la performance financière, de l'état des variations de l'actif net/situation nette et du tableau des flux de trésorerie pour la période de 12 mois ayant pris fin le 31 décembre 2020, ainsi que d'un résumé des méthodes comptables importantes et d'autres notes explicatives. Ils contiennent en outre un rapport sur l'exécution du budget portant sur la même période de 12 mois.

L'opinion de l'IBAN est que les états financiers donnent une image fidèle et exacte de la situation financière de la NETMA au 31 décembre 2020 ainsi que de sa performance financière, de ses flux de trésorerie et de l'exécution du budget pour la période de 12 mois ayant pris fin à cette date, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN.

Justification de l'opinion émise sur les états financiers

Le Règlement financier de l'OTAN prévoit que l'audit externe des entités OTAN présentant des états financiers et des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par l'IBAN.

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 2200-2899), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

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

Responsabilité de la direction concernant les états financiers

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

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

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

Responsabilités de l'IBAN concernant l'audit des états financiers

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

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

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

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

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

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

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

Audit de conformité**Opinion sur la conformité**

Sur la base des procédures qu'il a appliquées, l'IBAN estime que rien, dans son audit des états financiers, ne lui donne à penser que les fonds n'ont pas été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec le Règlement financier de l'OTAN et le Règlement du personnel civil de l'OTAN.

Justification de l'opinion émise sur la conformité

L'IBAN a effectué l'audit de conformité sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 4000-4899), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

Responsabilité de la direction concernant la conformité

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

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

Responsabilités de l'IBAN concernant la conformité

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

Il incombe ainsi à l'IBAN d'appliquer des procédures lui permettant d'obtenir en toute indépendance une assurance sur le point de savoir si les fonds ont été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec la réglementation en vigueur. De telles procédures prévoient notamment la prise en compte des risques de non-conformité significative.

Bruxelles, le 25 août 2021



Daniela Morgante
Présidente

OBSERVATIONS ET RECOMMANDATIONS

L'IBAN a formulé une observation, assortie d'une recommandation. Cette observation n'a pas eu d'incidence sur l'opinion émise sur les états financiers et sur la conformité. Elle porte sur le point suivant :

1. Nécessité d'améliorer la présentation de l'état de l'exécution du budget.

L'IBAN a par ailleurs fait le point sur les suites données aux observations et recommandations formulées lors d'audits précédents, et il a constaté que les questions avaient toutes été traitées.

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

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

1. NÉCESSITÉ D'AMÉLIORER LA PRÉSENTATION DE L'ÉTAT DE L'EXÉCUTION DU BUDGET**Contexte**

1.1 Dans l'état de l'exécution du budget pour l'exercice 2020, la NETMA présente son budget approuvé pour l'exercice, les engagements, les dépenses exposées au cours de l'exercice, les reports d'engagements et les crédits annulables.

1.2 L'article 25.2 du NFR dispose ce qui suit : « L'autorisation qui a été engagée et au titre de laquelle des biens et des services ont été fournis, mais pas encore facturés lorsque l'exercice s'achève, est comptabilisée comme charge à payer, et l'engagement est réduit d'autant. Il n'y a pas report dans ce cas, l'autorisation ayant été utilisée aux fins auxquelles elle était destinée. »

1.3 Dans la note E.3 jointe à ses états financiers de 2020, la NETMA a procédé au rapprochement du total des dépenses notifié dans l'état de l'exécution du budget et du total des charges notifié dans l'état de la performance financière.

Constatations

1.4 Dans l'état de l'exécution du budget de la NETMA, le montant des crédits annulables pour l'exercice considéré est calculé en déduisant du budget approuvé le montant total des engagements.

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1.5 La différence entre le montant total des engagements (45 449 000 EUR) et le montant total des dépenses (44 843 000 EUR) est de 606 000 EUR, dont 137 000 EUR correspondent au report d'engagements mentionné dans l'état de l'exécution du budget. Le solde de 469 000 EUR est quant à lui inexpliqué.

1.6 Ces 469 000 EUR se rapportent aux charges à payer au 31 décembre 2020, qui ont été dûment comptabilisées dans le montant des engagements présenté dans l'état de l'exécution du budget, comme le prévoit l'article 25.2 du NFR.

1.7 Cependant, l'IBAN a constaté que, bien que les charges à payer aient été dûment prises en compte dans le calcul du montant total des engagements, le montant des charges à payer qui a servi au calcul n'apparaît pas tel quel dans l'état de l'exécution du budget. Il en résulte une différence inexpliquée de 469 000 EUR entre le montant total des engagements, d'une part, et la somme des dépenses et des reports d'engagements, d'autre part. La note E.3 jointe aux états financiers ne permet pas non plus d'expliquer la différence relevée par l'IBAN, les données sur les charges à payer présentées dans cette note ne pouvant pas être rapprochées du montant de 469 000 EUR mentionné ci-dessus.

Recommandations

1.8 L'IBAN recommande à la NETMA :

- a) de veiller à l'exhaustivité des informations fournies dans l'état de l'exécution du budget, soit en incluant les charges à payer dans les dépenses exposées pendant l'exercice, soit en présentant séparément les charges à payer dans l'état de l'exécution du budget ;
- b) de veiller à la cohérence entre les informations présentées dans l'état de l'exécution du budget et celles figurant dans les notes qui y sont jointes.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

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

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

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plusieurs éléments, l'état de la question est indiqué pour chacun d'eux dans la colonne « Mesures prises ».

OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
(1) Exercice 2017 IBA-AR(2018)0021-REV1, paragraphe 1 LES RÔLES ET LES RESPONSABILITÉS DU CHEF DE L'AUDIT INTERNE NE SONT PAS COMPATIBLES AVEC LES PRINCIPES DE SÉPARATION DES TÂCHES ET DE L'INDÉPENDANCE DE LA FONCTION D'AUDIT INTERNE Recommandation de l'IBAN L'IBAN recommande à la NETMA de veiller au respect du principe de la séparation des tâches et de renforcer l'indépendance organisationnelle de l'audit interne en veillant à ce que le chef de l'audit interne et son équipe ne participent pas au fonctionnement de l'entité.	Dans la structure organisationnelle de la NETMA, l'équipe d'audit interne dépend de la Section F3 de la Division Finances pour les questions administratives telles que l'approbation des relevés horaires et des jours de congé. Bien qu'elle en fasse partie, l'équipe d'audit interne ne relève pas directement de la Division Finances étant donné que le chef de l'audit interne rend compte officiellement à la commission consultative sur l'audit et au comité d'audit. Suite à la recommandation de l'IBAN, un consultant externe a évalué en 2020 l'exécution et l'indépendance de la fonction d'audit interne. Sur la base des conclusions de cette évaluation externe, les directeurs de la NETMA ont estimé qu'il n'était pas nécessaire d'apporter de nouveaux changements à la structure de l'entité, la place qu'occupe l'équipe d'audit interne au sein de celle-ci lui permettant de s'acquitter de ses fonctions de manière indépendante et objective.	Question traitée.
(2) Exercice 2017 IBA-AR(2018)0021-REV1, paragraphe 2 LE CONTRÔLE INTERNE DU COMPTE RENDU FINANCIER DOIT ÊTRE AMÉLIORÉ		Question traitée.

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OBSERVATION/RECOMMANDATION	MESURES PRISES PAR L'ENTITÉ	ÉTAT DE LA QUESTION
Recommandation de l'IBAN Le Collège recommande à la NETMA de renforcer la procédure de vérification des données chiffrées et autres présentées dans les états financiers et d'améliorer les procédures de contrôle interne, de manière à éviter ou à détecter les erreurs avant la publication des états financiers.	Ces dernières années, la NETMA a renforcé la procédure de vérification des données chiffrées et autres présentées dans les états financiers et elle a amélioré les procédures de contrôle interne, de manière à éviter ou à détecter les erreurs avant la publication des états financiers. L'IBAN n'a relevé aucune faille ni erreur dans le cadre de son audit.	

**COMMENTAIRES OFFICIELS DE L'AGENCE DE GESTION OTAN
POUR LE DÉVELOPPEMENT, LA PRODUCTION ET LA LOGISTIQUE
DE L'ACE 2000 ET DU TORNADO (NETMA) SUR LE RAPPORT D'AUDIT
ET POSITION DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES
DE L'OTAN (IBAN)**

La NETMA n'a pas fait de commentaires officiels sur le rapport ni sur les observations antérieures.

GLOSSAIRE

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

- L'IBAN émet une opinion sans réserve (*unqualified opinion*) lorsqu'il estime que les états financiers et le rapport sur l'exécution du budget sont exacts et que rien ne lui donne à penser que les fonds n'ont pas été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec la réglementation en vigueur.
- L'IBAN émet une opinion avec réserve (*qualified opinion*) lorsque, d'une manière générale, il est satisfait de la présentation des états financiers mais que, pour certains éléments clés, il constate que les états n'ont pas été correctement établis ou que l'ampleur de l'audit a été limitée, ou lorsque certains éléments lui donnent à penser que les fonds n'ont pas été employés aux bonnes fins – pour le règlement de dépenses autorisées – et en conformité avec la réglementation en vigueur.
- L'IBAN se déclare dans l'impossibilité d'exprimer une opinion (*disclaimer of opinion*) lorsque l'ampleur de l'audit est extrêmement limitée – au point qu'il n'est pas en mesure d'exprimer une opinion – ou lorsque d'importantes incertitudes entourent les états financiers ou l'emploi des fonds.
- L'IBAN émet une opinion défavorable (*adverse opinion*) lorsqu'une erreur ou une anomalie présente dans les états financiers a des conséquences si étendues et si importantes que, selon lui, une réserve n'est pas suffisante pour faire apparaître le caractère trompeur ou incomplet des états financiers.

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

- Questions clés de l'audit (ISSAI 2701) – Paragraphe qui concerne des questions qui, selon le jugement professionnel de l'IBAN, sont les plus importantes parmi celles qui ressortent de l'audit des états financiers de la période considérée. Les questions clés de l'audit sont portées à l'attention du Conseil.
- Observation particulière (ISSAI 2706) – Paragraphe que l'IBAN ajoute dans la section « Opinion » du rapport d'audit afin d'appeler l'attention sur un élément présenté dans les états financiers dont l'importance est telle, selon lui, qu'il est indispensable à l'utilisateur pour sa compréhension de ces documents.
- Autre observation (ISSAI 2706) – Paragraphe que l'IBAN ajoute dans la section « Opinion » du rapport d'audit pour fournir des informations sur un élément autre que ceux présentés dans les états financiers qui, selon lui, est important pour la compréhension, par l'utilisateur, de l'audit, des responsabilités de l'auditeur ou du rapport d'audit.

NETMA



ANNUAL FINANCIAL STATEMENTS 2020

FOR THE PERIOD ENDED 31 DECEMBER 2020



NETMA

NATO EF2000 AND TORNADO DEVELOPMENT, PRODUCTION AND
LOGISTICS MANAGEMENT AGENCY

These statements are produced in Thousands of Euros, unless otherwise stated.

For example:

34,632 = Thirty Four Million Six Hundred and Thirty Two Thousand Euros;

132 = One Hundred and Thirty Two Thousand Euros

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Overview

2020 Financial Statements

Notes to the NETMA Accounts

PUBLICLY DISCLOSED - PDN(2022)0012 - MIS EN VENTEURE PUBLIQUE

Introduction to the 2020 Financial Statements



NATO EF2000 and Tornado Development, Production and Logistics Management Agency (NETMA) is an agency formed jointly by NAMMO (NATO Multi-Role Combat Aircraft Development, Production and In-Service Support Management Organisation) and NEFMO (NATO European Fighter Aircraft Development, Production and Logistics Support Management Organisation) in 1996 to manage the procurement and the administration of the two programmes within the framework of NATO. The operations of NETMA concerning NAMMO and NEFMO are each controlled by a Joint Steering Committee of the three NAMMO nations and the four NEFMO nations involved in the programmes.

NETMA is based in Hallbergmoos, Germany and is an Executive Body created by charter to administer the functions of two NATO Production and Logistic Organisations (NPLOs). The two NPLOs are NAMMO and NEFMO.

The budgetary organisation of NETMA is funded by the four member nations – Germany, Italy, Spain and United Kingdom. Budget approval is given jointly by the Boards of Directors (BoDs) of NAMMO and NEFMO. As a NATO agency, NETMA is exempt from taxation relating to operating revenue and expenses, where VAT is incurred this is recovered directly from the host nation's tax office.

Key points from the Annual Financial Statements

NETMA Liabilities

The agency's office accommodation is the subject of an operating lease and is therefore not capitalised as PP&E. In accordance with IPSAS 13, it must be expensed on a straight-line basis over the lease term. IPSAS 13 mandates that operating leases are accounted for in this way irrespective of cash payments made. As NETMA were able to negotiate a rent free period at the start of the lease, these expenses are accrued as a long term liability which is unwound over the term of the lease. This only impacts on the Financial Statements and does not impact on either the budget or cash spent in 2020.

NETMA AT A GLANCE



Vision

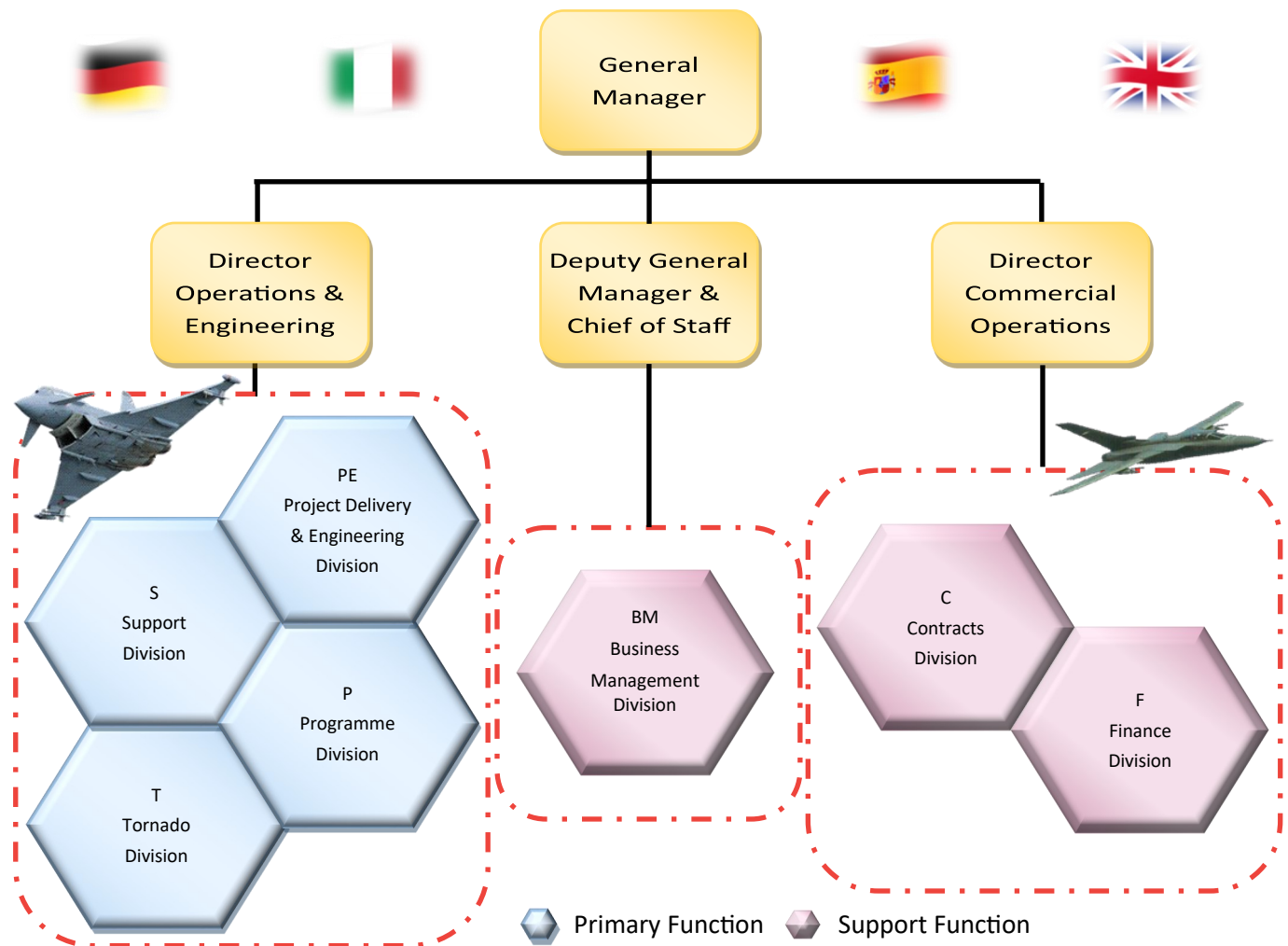
"To deliver In-service Support, Capability Enhancements and New Eurofighter Aircraft to Nations, through excellence in Programme Management and Continuous Improvement"



Mission

"Ensure Nations' requirements are satisfied in the delivery of New Eurofighter Aircraft, and the Enhancement & Sustainment of the existing Eurofighter & Tornado Capabilities"

In order to deliver our operational programmes for the Nations, NETMA operates using a functional organisational structure, grouping its staff into agency divisions based on their specific skills and knowledge, as shown below:



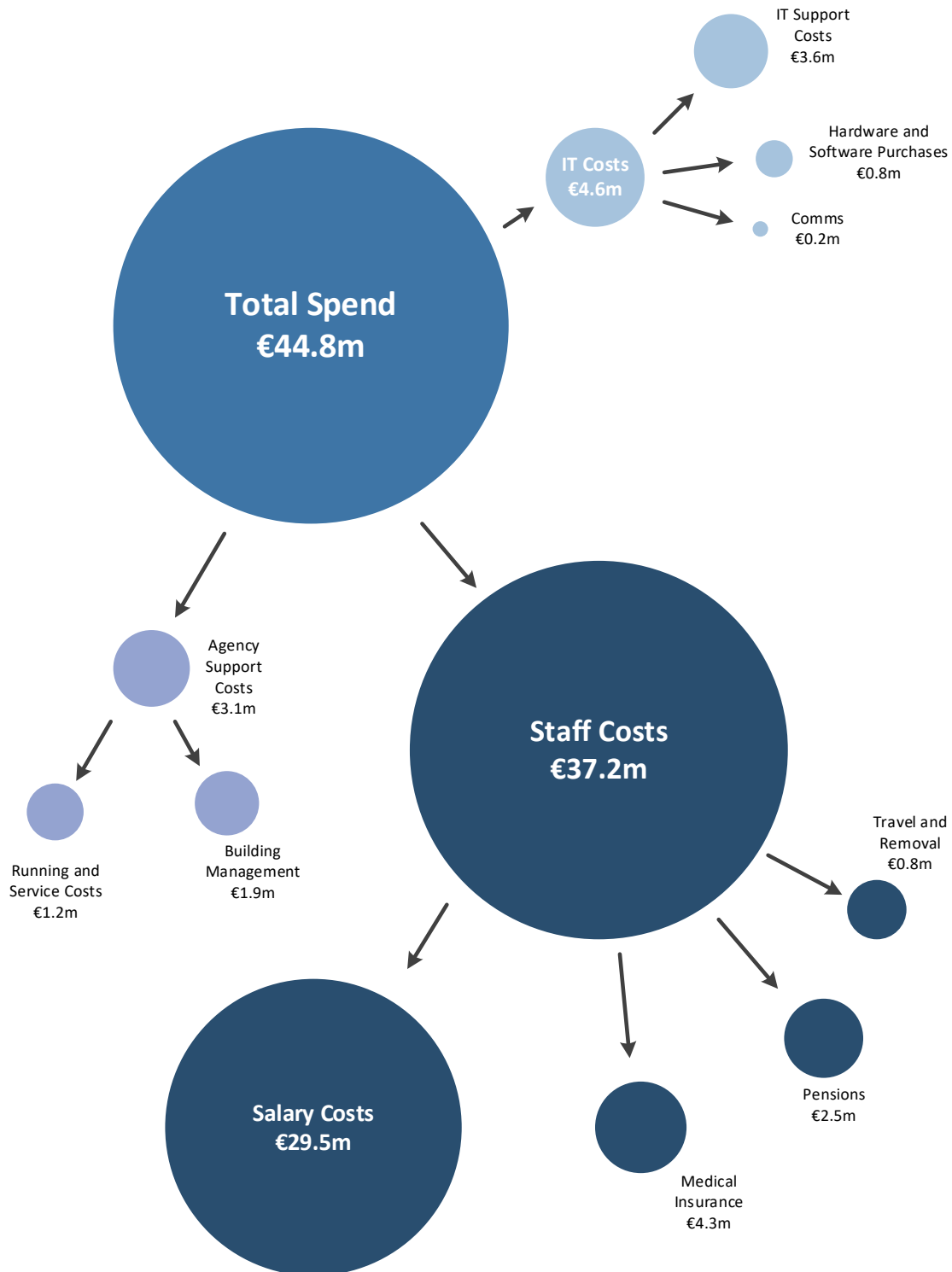
In support of the NEFMO and NAMMO BoDs and the Typhoon and Tornado Weapon Systems, the NETMA structure is organised to deliver the agency's requirements. PE, S, and P Divisions manage, on behalf of the contributing nations, the logistics and operations activities with our industry partners for Typhoon (Eurofighter Jagdflugzeug GmbH and Eurojet Turbo GmbH). T Division acts in the same manner for Tornado (PANAVIA Aircraft GmbH and Turbo-Union GmbH).

In support of these primary activities, the Contracts and Finance Divisions drive value through Contract and Financial management between Nations and Industry. The Business Management Division, made up of Human Resources, IT Management and Business Improvement and Performance, supports the entire NETMA agency. The IT Management department supports the IT Applications which enable Tornado Programme management. These include (but are not limited to) the Agency Integrated Management System (AIMS) for Milestone/Task and Invoice Management, the Enhanced Procurement System-Central Automatic Data Processing System (EPS-CADPS) for Procurement and Logistics Support Activities, and the Personnel & Accruals Reporting Management Information System (PARMIS) for Invoice to Payment & Banking processes.

NETMA Expenditure Breakdown 2020

The total expenditure to deliver the Administration Budget, as reported in the NETMA financial statements, was €44.8m in 2020. The majority (83%) of this expenditure is related to the staffing costs of the agency, with the remainder spent on the rent and running costs of the NETMA headquarters at Hallbergmoos and the provision and support of IT and communications equipment and infrastructure.

In total, the costs of running the agency equate to circa 1.1% of all spend on the NETMA programmes, representing good value to our customer nations.



NETMA Statement of Internal Control



As General Manager of NETMA, I have responsibility for maintaining an effective system of internal control that supports the achievement of my Agency's policies, aims and objectives, set by NETMA's Four Nations and the Board of Directors, whilst safeguarding the funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

The system of internal control is designed to manage the risk of failure to achieve the organisation's policies, aims and objectives but it can only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing evidence based process designed to identify the principal risks to the achievement of my Agency's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently and effectively on a continual basis. The Board has established

appropriate structures, reporting lines and responsibilities to support the delivery of objectives.

I have responsibility for reviewing the effectiveness of the system of internal control. The processes in place to achieve this are summarised below:

- NETMA has a Management Plan that outlines the Nations Priorities and NETMA's Strategic Objectives. The Management Plan focusses on the targets and initiatives developed in support of these, identifying existing plans and governance arrangements through which they are managed and reported. Key risks and dependencies are also captured as part of the planning process and are managed through NETMA processes.
- Management checks are undertaken and the internal audit function performs a range of audit activities, based on an annual audit plan agreed by the Audit Advisory Panel alongside the detailed audit of property held in industry, to ensure appropriate internal controls are in place and adhered to. The Internal Audit process complies with the International Standards for the Professional Practice of Internal Auditing in accordance with previous IBAN recommendations.

The Agency has been operating the integrated framework for internal control developed by the Committee of Sponsoring Organisations of the Treadway commission (COSO Framework) as a mechanism for formally documenting the internal control system and providing assurance that it is functioning effectively, since 2016. The 2020 annual COSO review was undertaken as scheduled in Feb 2021, with the Directors confirming that NETMA meets those requirements.

My review of the effectiveness of the system of internal control is informed by the work of the executive managers within the organization. They have responsibility for the development and maintenance of the internal control framework, comments made by the external auditors in their management letters and other reports together with the results of the annual COSO review.

I am content that the processes in place within the organisation provide reasonable assurance of the effectiveness and efficiency of the organisation's operations, the reliability of its financial information and its integrity with regards to application and compliance to applicable rules and regulations. Whilst we always seek to improve our processes each year there are no material internal control weaknesses currently identified that need specific intervention from Senior Management in 2020. The 2020 pandemic has not had any major adverse effect on these controls.

LT GEN MIGUEL ÁNGEL MARTÍN PÉREZ

General Manager

WENDY BRADBURY

Financial Controller

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2020 Financial Statements

Notes to the NETMA Accounts

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NATO UNCLASSIFIED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

(in thousands of Euros)

	Note	2020	2019 Restated	2019
Assets				
Current assets				
Cash and cash equivalents	B1	5,816	15,752	15,752
Short term investments		0	0	0
Receivables	B2	12,412	10,031	10,031
Prepayments	B3	0	0	0
Inventories		0	0	0
		<u>18,228</u>	<u>25,782</u>	<u>25,782</u>
Non-current assets				
Property, plant & equipment	B4	112	106	48
Intangible assets	B4	32	91	149
		<u>144</u>	<u>197</u>	<u>197</u>
Total assets		<u>18,372</u>	<u>25,980</u>	<u>25,980</u>
Liabilities				
Current liabilities				
Payables	B5	2,846	3,050	3,050
Deferred revenue	B6	2,796	2,619	7,470
Advances	B7	11,958	19,325	14,475
		<u>17,600</u>	<u>24,994</u>	<u>24,994</u>
Non-current liabilities				
Provisions		0	0	0
Other Long Term Liabilities	B8	628	788	788
		<u>628</u>	<u>788</u>	<u>788</u>
Total liabilities		<u>18,228</u>	<u>25,782</u>	<u>25,782</u>
Surplus / (deficit)	B9	(53)	60	60
Reserves	B10	197	137	137
Total net assets		<u>144</u>	<u>197</u>	<u>197</u>

The financial statements on pages 10 to 14 and their associated notes were issued to the International Board of Auditors for NATO on 30th March 2021.



LT GEN MIGUEL ÁNGEL MARTIN PÉREZ

General Manager



WENDY BRADBURY

Financial Controller

NATO UNCLASSIFIED

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 DECEMBER 2020

(in thousands of Euros)	Note	2020	2019 Restated	2019
Revenue				
Revenue	C1	45,804	44,675	44,675
Financial revenue		0	0	0
Other revenue		0	0	0
Total revenue		45,804	44,675	44,675
Expenses				
Personnel	C2	38,252	37,660	37,664
Contractual supplies and services - Buildings & Maintenance	C3	2,899	2,720	2,720
Contractual supplies and services - IT Services	C4	4,595	4,143	4,143
Depreciation and amortisation	C5	119	86	86
Impairment		0	0	0
Provisions		0	0	0
Other expenses		0	0	0
Finance costs	C6	(8)	5	1
Total expenses		45,857	44,614	44,614
Surplus / (deficit) for the period		(53)	60	60

NATO UNCLASSIFIED

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2020

(in thousands of Euros)	Note	2020	2019 Restated	2019
Cash flow from operating activities				
Surplus / (deficit)	D1	(53)	60	60
Non-cash movements				
Depreciation / amortisation	D2	119	86	86
Impairment		0	0	0
Increase / (decrease) in payables	D3	(204)	262	262
Increase / (decrease) in advances	D4	(7,367)	15,439	6,465
Increase / (decrease) in other liabilities	D5	(160)	(160)	(160)
Increase / (decrease) in provisions		0	0	0
Increase / (decrease) in deferred revenue	D6	177	(7,631)	1,342
(Increase) / decrease in receivables	D7	(2,381)	(1,864)	(1,864)
Net cash flow from operating activities		(9,870)	6,192	6,192
Cash flow from investing activities				
Purchase of property plant and equipment / intangible assets	D8	(66)	(146)	(146)
Proceeds from sale of property plant and equipment		0	0	0
Net cash flow from investing activities		(66)	(146)	(146)
Cash flow from financing activities		0	0	0
Net cash flow from financing activities		0	0	0
Net increase / (decrease) in cash and cash equivalents		(9,936)	6,046	6,046
Cash and cash equivalents at the beginning of the period		15,752	9,706	9,706
Cash and cash equivalents at the end of the period		5,816	15,752	15,752

STATEMENT OF CHANGE IN NET ASSETS / EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	PP&E Asset Reserve	Revaluation Reserves	Accumulated Surplus / (Deficit)	Total
(in thousands of Euros)					
Balance at the beginning of the period 2019		6	0	130	136
Changes in accounting policy		0	0	0	0
Restated balance		6	0	130	136
Transfer from accumulated surplus / (deficit)		130	0	(130)	0
Surplus / (deficit) for the period		0	0	60	60
Balance at the end of the period 2019		136	0	60	197
Changes in accounting policy		0	0	0	0
Restated balance		136	0	60	197
Transfer from accumulated surplus / (deficit)		60	0	(60)	0
Surplus / (deficit) for the period		0	0	(53)	(53)
Balance for the period ended 2020		197	0	(53)	144

STATEMENT OF BUDGET EXECUTION

FOR THE YEAR ENDED 31 DECEMBER 2020

(in thousands of Euros)	Note	Initial Budget	Transfers	Final Budget	Commitments	Expenditure	Carry Forward	Lapsed
Budget 2020								
Chapter 1								
Personnel costs	E1	39,077	0	39,077	37,721	37,578	47	1,356
Chapter 2								
Agency support costs	E1	3,187	0	3,187	3,113	2,999	20	75
Chapter 3								
Process and IT management	E1	4,787	0	4,787	4,625	4,276	70	162
Total FY 2020		47,051	0	47,051	45,459	44,853	137	1,592
Chapter 1 c/o from 2019		(397)	0	(397)	(397)	(397)	0	0
Chapter 2 c/o from 2019		97	0	97	97	97	0	0
Chapter 3 c/o from 2019		289	0	289	289	289	0	0
Historical c/o		0	0	0	0	0	0	0
Total		47,041	0	47,041	45,449	44,843	137	1,592

Overview

2020 Financial Statements

Notes to the NETMA Accounts

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A. Significant Accounting Policies

Basis of preparation

The financial statements of NETMA have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) and based on International Financial Reporting Standards (IFRS/IAS), as adopted by the North Atlantic Council (NAC) in 2002. In 2013, the NAC adopted an adaptation to IPSAS to better suit the specific requirements of the Alliance and an associated NATO accounting framework, applicable for financial reporting periods beginning on 1 January 2013.

The financial statements comply with the accounting requirements of the NATO Financial Regulations (NFRs) and the relevant NETMA directives and policies. In instances where there is a conflict between IPSAS and the NFRs this will be noted.

The financial statements have been prepared on a going concern basis and it is considered that there are no impediments to continuing with this assumption for the foreseeable future.

The financial statements have been prepared on a historical cost basis except for financial instruments that are measured at fair value at the end of each reporting period. The principal accounting policies are set out below and have been applied consistently to all periods presented. The accounting principles recognised as appropriate for the recognition, measurement and reporting of the financial position, performance and cash flows on an accrual based accounting system using historical costs have been applied consistently throughout the reporting period.

In accordance with Article 2.1 of the NFRs, the financial year of NETMA is 1 January to 31 December.

Accounting estimates and judgements

In accordance with IPSAS and generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions made by the management and based on historical experience as well as on the most reliable information available. In exercising the judgments to make the estimates, a degree of caution was included in light of the principle of 'prudence' required by IPSAS in order not to overstate assets or revenue or understate liabilities or expenses.

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

Changes in accounting policy and standards

The same accounting policies are applied within each period and from one period to the next, unless a change in accounting policy meets one of the criteria set in IPSAS 3. For the 2020 Financial Statements the accounting policies have been applied consistently throughout the reporting period. There have been no changes to NETMA accounting policy for 2020.

Changes in pronouncements

No accounting standard has been adopted earlier than the application date as stated in the IPSAS standards. The following IPSAS are not relevant for the NETMA Financial Statements 2020: IPSAS 26 (Impairment of Cash-Generating Assets), IPSAS 27 (Agriculture). The following IPSAS have no material effect on the financial statements: IPSAS 5, IPSAS 10, IPSAS 11, IPSAS 16, IPSAS 18, IPSAS 32, IPSAS 34, IPSAS 35 and IPSAS 40.

Restatements and prior period adjustments

For the 2020 Financial Statements, NETMA has revised the presentation of Italian Duty Travel and Untaken Leave Accrual. Previously the Italian Duty Travel was presented as Advances but is now accounted as Deferred Revenue. Furthermore, due to the COVID-19 situation, the untaken leave balance at the end of the year increased significantly from 2019. Previously these small movements in the related accrued expenses were accounted under Financial Costs but now they have been split out and presented under Personnel expenses.

Changes in financial rules and regulations

During 2015 NATO adopted new financial rules and regulations and there were no additional changes during 2020. These financial statements have been produced in line with these financial rules and regulations. NETMA updated its Financial Rules and Regulations in 2019, to ensure that they were in line with NATO NFRs. Only minor adjustments were made in the NETMA FRRs, and none of these changes affected the process in the preparation of the NETMA Financial Statements.

Foreign currency

These financial statements are presented in Euros, which is the NETMA functional and reporting currency. Foreign currency transactions are translated into Euros at the NATO exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at year-end are translated into Euros using the NATO exchange rates applicable at 31 December 2020, with the resulting realised and unrealised gains and losses are recognised in the Statement of Financial Performance.

NETMA used the following NATO-promulgated exchange rates as at 31st Dec 2020:

EUR – GBP = 1 : 0.8973

EUR – USD = 1 : 1.2151

Consolidation

The NETMA financial statements are not consolidated in line with the NETMA Agency charter.

IPSAS 6 has been adapted by NATO and in accordance with Council decision (PO(2018)0329) Financial Reporting of Morale and Welfare Activities (MWA), these activities have not been consolidated into the NETMA Annual Financial Statements.

Financial instruments disclosure / presentation

NETMA uses only non-derivative financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, accounts receivable, liabilities, provisions and loans between NATO entities. Financial instruments are recognised in the statement of financial position at fair value.

Financial risk factors

Credit risk

There is very limited credit risk as the contributing nations generally have a high credit rating. The risk of financial loss due to a participating nation's failure to raise funds is still assessed as very low. In the event that there is a shortage of funds by one or more nations to meet financial obligations, other nations will be expected to provide the necessary funding.

Liquidity risk

The liquidity risk is based on the assessment of whether the organisation will encounter difficulties in meeting its obligations associated with financial liabilities. There is limited exposure to liquidity risk because of the budget mechanism that guarantees contributions for the total approved budget. The accuracy of forecasts that result in the calls for contributions as well as the delay in receiving payments represent the main liquidity risks.

Currency risk

The majority of transactions associated with the administrative budget are contracted in Euros and in order to have the required funding, NETMA also asks nations to provide their contributions in Euros. Therefore the exposure of financial instruments to foreign currency exchange risk associated with the administrative budget is considered negligible.

Interest rate risk

NETMA is restricted from entering into borrowings and investments, and therefore there is no significant interest rate risk identified.

Assets

NETMA holds the following types of current assets:

Cash and cash equivalents

Cash and cash equivalents include cash on hand and current bank accounts.

Receivables

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

Contributions receivable are recognised when a call for contribution has been issued to the member nations. Other receivables include those from staff and external sources such as German MoD in relation to VAT receivable.

Property, plant and equipment

The categories of Property, Plant and Equipment (PP&E) relevant for NETMA are detailed below:

Land and Buildings: The agency's office accommodation is subject of a building lease and therefore not capitalised as PP&E. In accordance with IPSAS 13 - Leases, it is expensed on a straight-line basis over the lease term. In 2015 this resulted in the creation of a long term liability due to a rent free period at the start of the contract on the new premises in Hallbergmoos. This liability is unwound against rental payments on a straight-line basis over the 10 year duration of the lease.

Office Furniture and Equipment: This includes items of non-aggregated office furniture and other miscellaneous office items (i.e. lamps, fans, projectors, printing equipment). Items in this category are depreciated on a straight-line basis over a ten year period which equates to their useful life. It is assumed an item is fully depreciated with nil residual value at the end of its useful life.

IT and Communications Equipment: This consists of Commercial-Off-The-Shelf (COTS) purchase of computer systems (hardware only), and communications equipment (i.e. telephones, faxes and accessories). Items in this category are depreciated on a straight-line basis over a three year period. It is assumed an item is fully depreciated with nil residual value at the end of its useful life.

In accordance with IPSAS 17, PP&E are recognised as tangible assets when it is probable that future economic benefits or service potential associated with the item will flow to the entity and the cost or fair value can be measured reliably. All PP&E, with the exception of land, are stated at cost less accumulated depreciation and accumulated impairment losses. NETMA's capitalisation threshold is €15,000, items with a purchase cost or fair value on acquisition above this threshold are capitalised and items falling below this threshold are fully expensed in the year of procurement.

For new asset additions during the year, the gross value of an asset is capitalised as PP&E on the Statement of Financial Position. The revenue for the gross asset value is accounted for in the year of purchase on the Statement of Financial Performance with a surplus on the Statement of Financial Performance being generated in the first year of purchase and transferred to the PP&E asset reserve account to increase accumulated asset reserves. A full months depreciation is only charged if the item is purchased in the first half of the month (i.e.: before 15th Month), otherwise the first month of depreciation starts from the following period.

Depreciation is recognised so as to write off the cost of the assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is accounted for as an expense which generates a deficit on the Statement of Financial Performance. This deficit is transferred to PP&E Asset Reserves at the end of each year to reduce the accumulated asset reserve.

An item of PP&E is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of PP&E is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance. NETMA has no assets purchased prior to 2013 that would still have an economic life still in active use within the agency.

During 2020 there were no items approved for disposal through the NETMA Internal Audit section in accordance with NETMA delegated authorities.

Intangible assets

The only categories of Intangible Assets relevant to NETMA are computer software and software development costs, which entails costs for licences over a period longer than 1 year and consultancy costs incurred for IT system change requests which meet the recognition criteria outlined below. NETMA intangible assets are amortised on a straight-line basis over a three year period. It is assumed an item is fully amortised with nil residual value at the end of its useful life.

In accordance with IPSAS 31, intangible assets are recognised as an identifiable non-monetary asset without physical substance, where it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. In line with its treatment of PP&E IT Equipment, the capitalisation threshold is €15,000 and all intangible assets are initially measured at cost less accumulated amortisation and accumulated impairment losses.

The estimated useful lives, residual values and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. NETMA has no assets purchased prior to 2013 that would still have an economic life still in active use within the agency.

During 2020 NETMA conducted a review of Intangible and Tangible assets. This provided a reclassification of some assets which has resulted in a rebalancing adjustment in the depreciation and net book values in each of these asset categories.

Leases

As stated above, the office accommodation has been determined as an operating lease and, in accordance with IPSAS 13 - Leases, is expensed on a straight-line basis over the lease term.

Liabilities

Payables

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

Deferred revenue

Deferred revenue represents contributions from member nations and/or third parties that have been called for in current or prior years' budgets and that have not yet been recognised as revenue. Deferred/unearned revenue also includes miscellaneous income and double entry adjustments for lapsed credits which are now shown as a payable to nations. During 2020 there has been a review of the Italian Duty Travel and Madrid Telephone Line accounts which has changed the presentation of these balances from advances to unearned revenue. These accounts are now consistent with the defined treatments of advances and unearned revenue.

Advances

Advances are contributions from member nations called for or received related to future years' budgets. Funds are called for in advance of the relating financial period as NETMA has no capital that would allow it to pre-finance any of its activities. During 2020 there has been a review of the Italian Duty Travel and Madrid Telephone Line accounts which has moved these balances from advances to unearned revenue. These accounts are now consistent with the defined treatments of advances and unearned revenue.

Revenue and expenses recognition

Revenue

Revenue comprises of contributions from the four contributing nations: Germany, Italy, Spain and United Kingdom and other revenue earned during the period. Contributions from the four nations are called for in advance on a quarterly basis, while other revenue earned during a financial period includes bank interest and miscellaneous recoveries from staff for car parking and telephone calls.

Revenue is recognised to the extent that it is probable that economic benefits will flow to NETMA and revenue can be measured reliably. Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, NETMA recognises a liability until the condition is filled.

National contributions to the administrative budget are recognised as revenue on the statement of financial performance when such contributions are used for their intended purpose as envisioned within the approved budget.

Expenses

The NETMA financial statements cover the running costs of the agency and of the NAMMO and NEFMO programmes. These costs cover pay and personnel, utilities, rental payments and those costs associated with information management support.

Cash flow statement

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

B. Notes to Statement of Financial Position

(in thousands of Euros)

Assets

1. Cash and cash equivalents

	2020	2019
Cash accounts	5,816	15,751
Clearing cash accounts	0	0
Petty cash and advances	1	1
Current bank accounts	0	0
Cash equivalents	0	0
Bank accounts interest	0	0
Total	5,816	15,752

NETMA operates two bank accounts into which all contributions are received and payments to suppliers are made. Interest earned is accumulated on an associated account and in the subsequent year is transferred to the main account to offset future Calls for Funds where permitted under national procedures. The petty cash accounts enable small, essential purchases to be made quickly and are reconciled on a monthly basis.

The reason for the variance between 2020 and 2019 on the main NETMA account balance is that one participating nation paid its total amount for 2020 contributions in 2019.

2. Receivables

	2020	2019
Receivables from non-consolidated entities	429	485
Contributions receivable from nations following year	11,958	9,037
Receivables from staff members	17	35
Other receivables	1	474
Total	12,406	10,031

Receivables from non-consolidated entities

This value represents receivables recoverable from MoD Germany with regards to VAT charged in 2020.

Contributions receivable from nations following year

This represents receivables from nations that have been called for the following years budget within the current year but not yet received as at 31st December 2020.

Receivables from staff members

Receivables from staff members relate to the outstanding recoveries from advances of salaries made in the year. This account has been reconciled with payroll records at year end.

Other Receivables

Other receivables include accrued credits from third parties relating to the period but still outstanding at the period end. At 31st December 2019 there was a €466K credit due from NATO HQ for DCPS Pension contributions reimbursement and this was paid in 2020, reducing the 2020 closing balance.

3. Prepayments

	2020	2019
Suppliers	0	0
Staff	0	0
Total	0	0

No prepayments were made to suppliers in 2020.

4. Non-current assets

	2020	2019 Restated	2019
PP&E	112	106	48
Intangible Assets	32	91	149
Total	144	197	197

As highlighted on page 18 under the Significant Accounting Policies: Property, Plant and Equipment section, the office accommodation in Hallbergmoos is treated as an operating lease arrangement and therefore is not capitalised. The Agency controls two types of PP&E and is responsible for replacement and maintenance of these assets: Office Furniture & Equipment, and IT & Communications Equipment. Additionally, NETMA controls intangible assets relating to computer software licences and capitalised consultancy support to an approved system change. The capitalisation threshold for all PP&E and intangible assets is €15,000. Upon moving to Hallbergmoos, the Agency took a view that integrated purchases (Cabling, Air Con Units, Security enhancements, etc.) were not to be capitalised due to no clear future ownership lines being in place and the ability to use such items if the Agency were to move premises in the future.

As at 31 December 2020 only items within IT and Communications met the criteria for capitalisation. This consists of Commercial Off The Shelf (COTS) computer systems (hardware and software), communications equipment (e.g. telephones, faxes and accessories) and capitalised IT consultancy costs for changes to NETMA IT applications. IT and Communications assets are measured at cost less depreciation or amortisation. Both depreciation and amortisation are calculated on a straight-line basis over the useful life of IT and Communications Equipment. During 2020 one new item of tangible IT capability, valued at €66K, was purchased that met the capitalisation criteria and has been added to the asset register. A review of the tangible and intangible assets during 2020 resulted in a rebalancing of these assets to correct a misallocation.

In accordance with IPSAS 17, below is a reconciliation of the carrying amounts for NETMA non-current assets:

	2020	2019
Opening Balance	197	137
Additions	66	146
Disposals	0	0
Depreciation	(119)	(86)
Closing Balance	144	197
 Gross Carrying Amount	 1,626	 1,560
Accumulated Depreciation	(1,482)	(1,363)
Net Carrying Amount	144	197

Liabilities**5. Payables**

	2020	2019
Payables to suppliers	0	7
Payables to non-consolidated entities	0	0
Payables to staff members	0	0
Lapsed Credits to be offset from future CFFs	1,592	2,096
Other payables	1,253	947
Total	2,846	3,050

Payables to suppliers

Amounts payable to suppliers represents invoices for work undertaken but not yet paid. This account is reconciled to the payables sub-ledger within the financial system operated by NETMA on a monthly basis.

Lapsed Credits to be offset from future CFFs

These values align to the value reported in the Statement of Budget Execution, representing budget called for but not spent that will be offset from the following years call for funds.

Other payables

Other payables are made up of the manual accrual figure which is made up of two elements. The first element relates to goods and services provided during 2020, where an estimate is made by reviewing invoices paid/received in 2021 up to mid-February. The estimated accrual for goods and services as at 31 December 2020 is €416K. The other element is the estimated accrual relating to unpaid leave, this is based on the untaken leave carried forward as at 31 December 2020 multiplied by the average salary costs per day. This results in an accrual of €814K which is an increase of €400K compared to 2019, due to more leave being carried-over by staff as a consequence of the COVID-19 situation.

6. Deferred Revenue

	2020	2019 Restated	2019
Deferred Revenue	2,796	2,619	7,470
Total	2,796	2,619	7,470

Deferred Revenue represents accumulated deferred revenue which is the excess of national contributions and miscellaneous revenue over expenditure on the NETMA program to date. This 2019 value has been adjusted to reflect the change in presentation of Italian Duty Travel and Spanish Telephone Line advances accounts to align to Deferred Revenue in 2020.

The movement on unearned revenue can be reconciled as follows:

	2020	2019 Restated	2019
Unearned revenue b/f	2,619	6,127	6,127
Add in 2018 b/f IT Duty Travel and SP Tel Line		4,136	
National Contributions	44,943	44,872	44,872
Miscellaneous Revenue (excl Bank Interest)	99	71	71
Movement in Receivable from nations for following year	38	38	38
Less:			
Operational Expenditure	44,843	44,984	44,984
Movement in Lapsed Credits	(504)	282	282
Movement in IT Duty Travel and SP Tel Line	(397)	(50)	0
Movement in CFF called for but not received		7,720	(1,317)
Miscellaneous Financial Charges / (Income)	960	(312)	(312)
Foreign Exchange (Gains) / Losses	1	3	3
Unearned revenue c/f	2,796	2,619	7,470

7. Advances

	2020	2019 Restated	2019
Advance contributions	11,958	19,325	14,475
Total	11,958	19,325	14,475

Advance contributions

The movement in advance contributions in 2020 reflects the first Call for Funds for all Nations for 2021 and the revised treatment of unearned revenue and advances. The closing 2020 balance is reduced from 2019 due to the payment of the full 2020 contribution by one nation in 2019, which did not occur in 2020. Furthermore, the Italian Duty Travel and Spain Telephone Line accounts have now been presented as unearned revenue, consequently, the 2019 balance has been adjusted to reflect this revision.

8. Other long term liabilities

	2020	2019
Operating lease liability	628	788
Total	628	788

In May 2015 the agency moved into new office accommodation in Hallbergmoos. Due to delays in this move, rent was not charged until September 2016, despite the lease being signed from 1st December 2014. Therefore in accordance with IPSAS 13, a liability for rental payments over the rent free period has been created and will be unwound against actual payments over the life of the lease.

Net Assets**9. Surplus / (Deficits)**

	2020	2019
PP&E additions / revaluations	66	146
PP&E depreciation and amortisation	(119)	(86)
Total	(53)	60

The accumulated surplus balance represents in year movements relating to PP&E. The deficit for 2020 results from in year depreciation and amortisation charges totalling €119K against asset purchases totalling €66K. This surplus / (deficit) is transferred to reserves at the close of each financial year.

10. Reserves

	2020	2019 Restated	2019
Non-current asset reserve	197	137	136
Total	197	137	136

The non-current asset reserve represents the nation's equity in PP&E and intangible assets. IT & Communications equipment assets are capitalised and accounted for at their net carrying amount (i.e. gross historical purchase costs less accumulated depreciation / amortisation). At the end of 2020, the asset reserve increased by the accumulated surplus of €60K, resulting in an opening Net Assets balance as at 1st January 2020 of €197K. The 2019 balance has been revised from €136K to €137K due to rounding not considered in the 2019 statement.

C. Notes to Statement of Financial Performance

(in thousands of Euros, unless otherwise stated)

1. Revenue

	2020	2019
National contributions	44,943	44,872
National contributions to be called for	0	0
Other reimbursements	861	(198)
Total	45,804	44,675

National contributions represents the funds provided by nations to support NETMA in fulfilling its objectives under the administrative budget. Funding is normally called for in advance on a quarterly basis.

Other reimbursements includes recoveries from nations in support of the overall NETMA Programme, the movement on unearned revenue representing the surplus or deficit of revenue over expenditure in the financial year and recoveries from staff employed by the agency.

Expenses

2. Personnel

	2020	2019 Restated	2019
Pay and overtime	25,002	24,059	24,063
Allowance	4,904	4,751	4,751
Pension	2,937	2,394	2,394
Medical and insurance	4,329	4,598	4,598
Travel and other costs	1,080	1,857	1,857
Total	38,252	37,660	37,664

Personnel expenses include civilian and military personnel expenses as well as other non-salary related expenses, in support of common funded activities. The amounts include expenses for salaries and emoluments for approved NATO permanent civilian positions and temporary personnel, for other salary related and non-salary related allowances including overtime, medical examinations, recruitment, installation, removal and for contracted consultants and training. FY 2019 pay has been adjusted by €4K due to the revised presentation of untaken leave accruals; FY 2020 has increased by €400K for the same reason.

NATO introduced the Defined Contribution Pension Scheme (DCPS) on 1st July 2005. The scheme is a money purchase pension scheme which is funded by NETMA and the staff member. This pension scheme is compulsory for all new entrants. NETMA's contribution is 12% (Staff contribution is 8% of Basic Salary and the Additional Voluntary Contribution AVC (up to 5% of Basic Salary). Pension costs are predominantly for those members in the DCPS. The scheme is administered and accounted for centrally by NATO IS.

Travel costs include duty travel, home leave travel, removals and travel for interviews and repatriation.

At the year-end, NETMA has 254 established posts. A breakdown of wages, salaries and employee benefits is provided below. Costs remained largely consistent in 2020, although there was a pay rise applied to all staff with a corresponding increase in DCPS payments. For 2019 a minor discrepancy has been found leading to a reduction of the Total Employee Benefits figure reported by €469K. This was double counted in 2019 and has been removed from the 2019 balance.

	2020	2019 Restated	2019
Employee benefits expense	33,421	32,995	33,882
Post employee benefits			
For defined contribution pensions scheme	2,937	2,394	2,394
Untaken leave accrued	814	414	414
Total employee benefits expense	37,172	35,803	36,690

Untaken leave

Untaken leave at year-end may be carried-over to the following year. Under normal circumstances, NETMA takes measures to ensure all carried-over leave is taken by 30th April of the following year in accordance with the CPRs. However, due to the current situation of travel and movement restrictions as a result of the COVID-19 outbreak, this has resulted in a larger than normal untaken leave accrual.

Related Parties Disclosure

The key management personnel of NETMA have no significant related party relationships that could affect the operation of NETMA. NETMA is led by four directors, one for each participating Nation. They are remunerated in line with NATO pay scales as are all other NETMA staff.

	2020	2019
Key management remuneration	1,002	983

The figure for 2020 is higher than 2019 in-line with NATO wide pay increases.

Representation allowance

(stated in Euros)

Due to the change in NETMA GM mid-year, Representation Allowance has been utilised by both the outgoing and incoming GM. As per PO (2014)0154 dated 27 March 2013 expenditure on the representation allowance by the qualifying officials totalled €4,851 and is broken out below.

	2020	2019
Rent supplement	3,173	3,173
Hospitality expenses	1,678	3,026
Total	4,851	6,199

Contractual supplies and services

3. Buildings and maintenance

	2020	2019
Building rent and maintenance	1,985	1,722
Security	659	635
Other costs	255	363
Total	2,899	2,720

Building costs include rent of the Agency's accommodation, utilities and cleaning. Security costs are predominantly those of the contracted out guard service. Other costs include office supplies, the rental of reprographic equipment and the costs for the canteen services that have been outsourced.

During 2015, NETMA moved from its previous accommodation in Unterhaching Munich to Hallbergmoos, North of Munich. For the new accommodation NETMA signed a contract on 27th September 2013 to lease the new office building to 30th November 2024. Although a firm price has been agreed, the contract incorporates a clause whereby a rental increase or reduction can be triggered after the first three years if inflation in Germany varies by more than 5% based on the consumer price index. Utility payments are subject to an annual review and can vary on the basis of actual usage of the previous year (they have not changed in this reporting period). The contract includes an option to extend the lease for a further two periods of 5 years.

In accordance with IPSAS 13 – Leases, the table below details obligations under the Operating Leases as at 31 December 2020: (For the new building, both building and garage costs are combined). For this reconciliation an assumption has been made that the lease will be extended for the later than five years calculation.

	2020	2019
Buildings: (Includes Garage Charges)		
Not later than one year	252	239
Later than one year and not later than five years	3,721	3,537
Later than five years	4,573	4,347
Utilities:		
Not later than one year	272	272
Later than one year and not later than five years	1,089	1,089
Later than five years	1,338	1,338

4. IT services

	2020	2019
Communication	167	144
Information technology support	4,428	3,999
Total	4,595	4,143

The major cost elements in this category are for consultancy and outsourced support costs for the Agency's information systems.

5. Depreciation and amortisation

	2020	2019
Depreciation	60	31
Amortisation	59	55
Total	119	86

PP&E and intangible assets are depreciated / amortised on a straight-line basis over the useful life of the asset. The depreciation charge relates to IT and Communication Equipment assets capitalised by NETMA.

6. Finance costs

	2020	2019 Restated	2019
Foreign exchange gain / (loss)	1	3	3
Other charges	(9)	2	(1)
Total	(8)	5	1

Translation gains and losses occur when assets held in foreign currencies are converted to a Euro value at the closing NATO-promulgated exchange rates for the financial period. While some Euro : GBP exchange rate fluctuations were experienced in 2020, due to the low value of GBP transactions made only immaterial values of €951 were incurred. 2019 Finance costs have been adjusted by €4K due to the presentation of the annual leave accrual as personnel costs.

Realised gains and losses occur when currency transactions are paid or received at a different rate to that which the expense or income was accounted when accrued for.

Other charges include VAT expensed during the year and expensed movements in the manual accrual.

D. Notes to Statement of Cash Flow

(in thousands of Euros)

Cash flow from operating activities

1. Surplus / (deficit)

	2020	2019
Surplus / (deficit)	(53)	60
Total	(53)	60

This represents the surplus / deficit from normal operating activities before interest, depreciation and financial charges such as exchange differences arising from transactions. The previous year's balance is transferred from Surplus/Deficit into Nation Reserves in the following year.

Non-cash movements

2. Depreciation / amortisation

	2020	2019
Depreciation and amortisation	119	86
Total	119	86

This represents the annual depreciation/amortisation on NETMA Assets which is calculated on a straight-line basis. The depreciation/amortisation charge for 2020 is higher than 2019 due to the 2020 addition to the fixed asset register.

3. Increase / (decrease) in payables

	2020	2019
Payables to suppliers	(7)	2
Other payable	(197)	260
Total	(204)	262

The movement on payables in 2020 represents an increase in the outstanding liabilities from 2019. The decrease is attributable to a lower lapsed credit value to be returned to nations in 2020 compared to the 2019 Statement of Budget Execution.

4. Increase / (decrease) in advances

	2020	2019 Restated	2019
Advance contributions	(7,367)	15,439	6,465
Total	(7,367)	15,439	6,465

The movement in advance contributions in 2020 reflects the first Call for Funds for all Nations for 2021 and the revised treatment of unearned revenue and advances. The closing 2020 balance is reduced from 2019 due to the payment of the full 2020 contribution by one nation in 2019, which did not occur in 2020. Furthermore, the Italian Duty Travel and Spain Telephone Line accounts have now been presented as unearned revenue, consequently, the 2019 balance has been adjusted to reflect this revision.

5. Increase / (decrease) in other liabilities

	2020	2019
Operating lease liability	(160)	(160)
Total	(160)	(160)

This reflects the movement created by the operating lease liability explained at Note B8.

6. Increase / (decrease) in deferred revenue

	2020	2019 Restated	2019
Deferred revenue	177	(7,631)	1,342
Total	177	(7,631)	1,342

Deferred revenue represents accumulated unearned revenue which is the excess of national contributions and miscellaneous revenue over expenditure on the NETMA program to date. The 2019 balance has been reduced to reflect the adjustment of the full 2020 contribution from one nation received before 31st December 2019 to advances, offset by the change in presentation of Italian Duty Travel and the Spain telephone Line (described in Note D4).

7. (Increase) / decrease in receivables

	2020	2019
National contributions	(2,921)	(1,317)
VAT	56	(54)
Other receivables	485	(494)
Total	(2,381)	(1,864)

The increase in national contributions receivable is explained in Note B2, it relates to the value of national contributions called for the administration budget for 2021. The decrease in VAT receivable relates to monies owed to the Agency from the German VAT office regarding VAT reclaimable expenditure in 2020. Other receivables relate to monies owed from NETMA Staff members.

Cash flow from investing activities**8. Purchase of property plant and equipment / intangible assets**

	2020	2019
Asset additions	(66)	(146)
Total	(66)	(146)

Asset additions represents the expenditure relating to hardware, software and consultancy costs which met the required criteria for capitalisation in line with IPSAS 17 & 31. The 2020 addition is attributed to a single tangible asset.

E. Notes to Statement of Budget Execution

1. Budget analysis - 2020

	2020 Budget	2020 Expenditure
Chapter 1 - 2020	39,077	37,578
Total	39,077	37,578

There was an underspend of €1.499M against the budget for 2020 due to lower than budgeted spend on salaried expenses, Allianz contributions, removal expenses and duty travel expenditure. The return of the lapsed credits will be agreed with nations in 2021.

	2020 Budget	2020 Expenditure
Chapter 2 - 2020	3,187	2,999
Total	3,187	2,999

In 2020 for Chapter 2 NETMA spent 5% less than budget due to lower than expected office equipment rental and supplies costs together with lower utility costs. The return of the lapsed credits will be agreed with nations in 2021.

	2020 Budget	2020 Expenditure
Chapter 3 - 2020	4,787	4,276
Total	4,787	4,276

In 2020 for Chapter 3 NETMA spent 10% less than the approved budget. This was caused by lower than budgeted costs for IT Consultancy, as well as lower than budgeted IT procurements. Where applicable the return of the lapsed credits will be agreed with nations in 2021.

2. Reconciliation between Statement of Cash Flow and Statement of Budget Execution:

	2020
SCHEDULE 3: NET CASH FLOW FROM OPERATING ACTIVITIES	(9,870)
- Cash contributions received for 2020	(45,069)
- Movement in funds received for following year budget	10,289
- Advances for Italian duty travel and Spanish phone line	(397)
- VAT reimbursed	(941)
- Other reimbursements	(158)
- Asset additions	(66)
GROSS CASH OUTFLOW FROM OPERATING ACTIVITIES	(46,212)
- Recoverable VAT paid in year	950
- Other payments	142
- Italian duty travel / Spanish phone line payments excluded from budget	287
- Exchange rate losses / (gains)	1
- Movement in staff salary advances	(18)
- Movement in unpaid accounted invoices (included in Expenditure)	7
SCHEDULE 5: EXPENDITURE	(44,843)

3. Reconciliation between Statement of Financial Performance and Statement of Budget Execution:

	2020
SCHEDULE 2: TOTAL EXPENSES	45,857
- Add: Opening manual accruals	384
- Less: Closing manual accruals	(1,227)
- Asset additions less depreciation / amortisation	(53)
- Finance costs: gains / (losses)	8
- Operating lease expense	160
CASH PAYMENTS	45,130
Less: Italian duty travel / Spanish phone line payments excluded from budget	(287)
SCHEDULE 5: EXPENDITURE	44,843

F. Contingent Liabilities / Provisions

NETMA has no contingent liabilities or provisions.

G. Related Parties Disclosure

The key management personnel of NETMA have no significant related party relationships that could affect the operation of NETMA. Board members receive no remuneration and senior management is remunerated in accordance with the published NATO pay scales. Both do not receive loans that are not available to all staff.

H. Write-Off and Donations

In accordance with the NATO Financial Regulations, where a global statement of write-offs and donations shall be reported in the Annual Financial Statements NETMA can report that no items were submitted and approved for write-off/strike-off through the NETMA Internal Audit section in 2020 in accordance with NETMA delegated authorities. These write-offs/strike-offs are effected when items are deemed surplus to requirements, obsolete, damaged beyond economic repair or lost.

I. Morale and Welfare Activities (MWA)

In line with the requirements of C-M(2019)0099, the following disclosures regarding the MWA are made:

Cash and Cash Equivalents: €20,340.55

Liabilities: €0.00

Full-time equivalent personnel directly supporting MWA as of year-end: Zero

The statement of Internal Control within these Annual Financial Statements includes MWA activities.



