	<b>NATO</b>	NORTH ATLANTIC COUNCIL
	<b>OTAN</b>	CONSEIL DE L'ATLANTIQUE NORD

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18 November 2016

**DOCUMENT**  
C-M(2016)0060-AS1 (INV)

**IBAN AUDIT ON THE NATO STAFF CENTRE 2013**  
**FINANCIAL STATEMENTS**

**ACTION SHEET**

On 18 November 2016, under the silence procedure, the Council noted the IBAN report IBA-AR(2015)02 attached to C-M(2016)0060 (INV) and agreed the recommendations, including on public disclosure, contained in the RPPB report.

(Signed) Rose E. Gottemoeller  
Deputy Secretary General

NOTE: This Action Sheet is part of, and shall be attached to C-M(2016)0060 (INV).

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14 November 2016

**DOCUMENT**  
C-M(2016)0060 (INV)  
**Silence Procedure ends:**  
**18 Nov 2016 14:00**

**IBAN AUDIT ON THE NATO STAFF CENTRE 2013  
FINANCIAL STATEMENTS**

**Note by the Deputy Secretary General**

1. I attach the International Board of Auditors for NATO (IBAN) report on the audit of the financial statements of the NATO Staff Centre the year ended 31 December 2013.
2. For the third consecutive year since the implementation of regular financial audits starting with the 2011 financial statements, the IBAN has issued a disclaimer of opinion on the 2013 Staff Centre financial statements and a disclaimer of opinion on compliance of the financial statements with the NATO Financial Regulations (NFR) and NATO Civilian Personnel Regulations (NCPR). Full compliance with the NATO Accounting Framework is not expected before the audit of the 2015 financial statements.
3. The IBAN report has been reviewed by the Resource Policy and Planning Board (RPPB), which has provided its own report (see Annexes) with conclusions and recommendations to Council.
4. I consider that no further discussion regarding this report is required. Consequently, **unless I hear to the contrary by 14:00 on Friday, 18 November 2016**, I shall assume that the Council has noted the IBAN report IBA-AR(2015)02 and agreed the recommendations, including on public disclosure, contained in enclosed the RPPB report.

(Signed) Rose E. Gottemoeller

4 Annexes  
1 Enclosure

Original: English

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**IBAN REPORT ON THE AUDIT OF THE 2013 FINANCIAL STATEMENTS  
OF THE NATO STAFF CENTRE**

**Report by the Resource Policy and Planning Board**

References: (a) IBA-A(2015)47 & IBA-AR(2015)02  
(b) BC-D(2015)0066-FINAL  
(c) C-M(70)62  
(d) C-M(2015)0016 (audit reports on the Staff Centre for 2011 and 2012)  
(e) C-M(2013)0054 + AS1 (Staff Centre Mandate & Governance)  
(f) C-M(2013)0039 (NATO Accounting Framework)  
(g) FC(2016)114 and FC(2016)115

**Introduction**

1. The present report by the Resource Policy and Planning Board (RPPB) contains the RPPB's observations and recommendations concerning the International Board of Auditors for NATO (IBAN) report (reference (a)). The report is based on the full review of the audit report provided by the Budget Committee (BC) (reference (b)).
2. The RPPB notes and agrees with the conclusions and recommendations of the BC as laid out in their report (reference (b)), which have informed the Board's consideration.

**Background**

3. For the third consecutive year since the implementation of regular financial audits starting with the 2011 financial statements, the IBAN has issued a disclaimer of opinion on the 2013 Staff Centre financial statements and a disclaimer of opinion on compliance of the financial statements with the NATO Financial Regulations (NFR) and NATO Civilian Personnel Regulations (NCPR).

**RPPB Conclusions**

4. Prior to financial year 2014 the Staff Centre was still operating under the mandate approved in 1970 which did not specify the regulations governing the Staff Centre nor did it indicate whether the Staff Centre should comply with the NATO Financial Regulations. The adoption of the revised Staff Centre Governance and Mandate in October 2013 was expected to clarify this situation. However a revision to the new Mandate is required to take into account the implementation of the NATO Accounting Framework in relation to the separate presentation of Morale and Welfare Activities and potentially in respect of the NATO HQ Commercial Operations Business Plan 2015-2019.<sup>1</sup> The International Staff will prepare a revision to the Mandate for the Budget Committee's consideration; consequently, full compliance with the NATO Accounting Framework is not expected before the audit of the 2015 financial statements.

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<sup>1</sup> BC-D(2015)0116 + COR1

5. The International Staff has made some progress towards settling the outstanding observations from prior years' audits<sup>2</sup> and most should be finalised by the end of 2015. The observations related to non-compliance with the NATO Financial Regulations and IPSAS should be partially resolved following the implementation of the revised Staff Centre Governance and Mandate, the requirement to amend the Mandate in relation to the NATO Accounting Framework notwithstanding.

6. The Board specifically also notes the Budget Committee report on the NATO HQ Commercial Operations Business Plan 2015-2019.<sup>3</sup> The Board supports the recommendations to Council therein, which the Board deems suitable. Once the Business Plan is approved, actions to implement the proposed operating model are urged to begin as soon as possible. The implementation of the proposed business model would also lead to the revision of the current Staff Centre Governance and Mandate.

7. The RPPB notes the IBAN observation on the Staff Centre's negative net assets position, with total liabilities exceeding the total assets as at 31 December 2013. This was also the case in financial years 2011 and 2012. The RPPB notes, as in previous years, that the main reason for the negative net assets is due to the liability recorded to account for the unpaid pension contributions from 2001 to 2008 (see IBA-AR(2013)05), where a payment plan was agreed by the Budget Committee.<sup>4</sup> The extant liabilities in this respect are therefore being reduced accordingly, as also noted in the RPPB report on the 2012 audit of the Staff Centre.<sup>5</sup>

8. With regard to public disclosure, the International Staff Financial Controller, having reviewed the statements in accordance with agreed policies<sup>6</sup>, originally had concerns related to commercial information<sup>7</sup> contained in the financial statements. As a result, and further to discussions held between the IBAN and the International Staff Financial Controller, it was agreed to remove those elements (names of commercial suppliers) which should not be disclosed to the public.<sup>8</sup> The IBAN has reviewed the adapted version and confirmed that the findings reflected in their original audit report remain valid.

9. After due consideration of the arguments presented, the RPPB, in line with PO(2015)0052, recommends to Council the publication of the adapted 2013 NATO Staff Centre financial statements and the associated IBAN report.

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<sup>2</sup> See Appendix 1 for a detailed overview of audit observations.

<sup>3</sup> BC-D(2015)0123-REV2

<sup>4</sup> BC-DS(2012)0035

<sup>5</sup> C-M(2015)0016

<sup>6</sup> C-M(2008)0116; AC/324-D(2014)0010-REV1

<sup>7</sup> NATO 3 – confidential commercial information, unless the parties concerned consent to its public disclosure (C-M(2008)0116).

<sup>8</sup> FC(2016)114 and FC(2016)115, dated 15 September 2016.

**RPPB recommendations**

The Resource Policy and Planning Board (RPPB) recommends that Council:

- (a) note the present report along with IBA-AR(2015)02 and the revised tables provided with FC(2016)114;
- (b) endorse the conclusions outlined in paragraphs 4 through 9 above;
- (c) note that the resource committees intend to continue to monitor the status of outstanding audit observations;
- (d) in line with the agreed policy in PO(2015)0052, agree to the public disclosure of the NATO Staff Centre 2013 financial statements and the associated IBAN report (IBA-AR(2015)02) with the revised tables provided with FC(2016)114.

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**Summary Note for Council  
by the International Board of Auditors for NATO (Board)  
on the audit of the Financial Statements of the  
NATO Staff Centre  
for the year ended 31 December 2013**

The Staff Centre was established by Council in 1970. It is composed of the Sports Centre, the Restaurant, and the Shops and Medical Centre. It provides a service for the sporting and cultural activities of NATO Military and Civil International Staff and their families, the personnel of Delegations and Military Representations, Partner Nations and NATO retirees. The Staff Centre operations and activities are funded from membership fees, sports and social subscriptions, from trading and commercial activities, and from indirect support from the Civil Budget. The revenue of the Staff Centre for 2013 (Sports Centre, Restaurant, Shops and Medical Centre) was about EUR 5.1 million.

On 3 October, 2013, the Council approved a revised mandate and governance structure for the Staff Centre (C-M(2013)0054).

The Board issued a disclaimer of opinion on the NATO Staff Centre 2013 Financial Statements due to the following reasons:

- The Staff Centre prepared incomplete financial statements as the financial statements did not include any notes and summary of significant accounting policies. This is not in accordance with the NATO Accounting Framework and the NATO Staff Centre Mandate. The Staff Centre 2013 Financial Statements did not disclose under which financial reporting framework the financial statements were prepared, and the Board was not able to confirm that the financial statements were presented in accordance with the NATO Accounting Framework and the NATO Staff Centre Mandate.
- The Cash Flow Statement was misstated and not prepared in accordance with the NATO Accounting Framework. The receipts and payments in the Cash Flow Statement were not actual receipts and payments but rather revenue and expenses from the Statement of Financial Performance.

The Board issued a disclaimer of opinion on compliance due to the following reasons:

- The revised NATO Staff Centre Mandate was approved by Council on 3 October 2013 and in practice implemented as for the financial year 2014. The previous mandate and regulations governing the Staff Centre as set by Council in C-M(70)62 did not specify which regulations should govern the Staff Centre and there was no indication of whether the Staff Centre was operated and governed by the NATO Financial Regulations. The Board found that in the area of procurement the Staff Centre did not comply with the NATO Financial Regulations because of a lack of clarity on which regulations govern the Staff

Centre. The Board was not able to confirm that all activities and financial transactions were in compliance with the authorities which govern them.

During the audit, the Board also made 4 observations and 5 recommendations. These findings are summarised in the Letter of Observations and Recommendations (Annex 4).

The main findings are:

- Incomplete financial statements presented – non-compliance with the NATO Financial Regulations and the NATO Staff Centre Mandate.
- Procurement of goods and services – non-compliance with the NATO Financial Regulations and the NATO Staff Centre Mandate.
- Risks of negative net assets.
- The need to establish a contract with sport instructors.

**INTERNATIONAL BOARD OF AUDITORS FOR NATO**

**AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF**

**THE NATO STAFF CENTRE**

**FOR THE YEAR ENDED 31 DECEMBER 2013**



**REPORT OF THE INTERNATIONAL BOARD OF AUDITORS  
FOR NATO TO THE NORTH ATLANTIC COUNCIL**

**Report on the Financial Statements**

The International Board of Auditors for NATO (Board) audited the accompanying Financial Statements of the NATO Staff Centre, which comprised the Statement of Financial Position as at 31 December 2013, and the Statement of Financial Performance, Statement of Changes in Net Assets and Cash Flow Statement for the year then ended.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the NATO Accounting Framework and the requirements of the NATO Financial Regulations as authorized by the North Atlantic Council (NAC). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit, which is conducted in accordance with our Charter and international standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Because of the matter described in the Basis for Disclaimer of Opinion on the Financial Statements paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for our audit opinion.

*Basis for Disclaimer of Opinion on the Financial Statements*

The Staff Centre prepared incomplete financial statements as the financial statements did not include any notes and summary of significant accounting policies. This is not in accordance with the NATO Accounting Framework and the NATO Staff Centre Mandate. The Staff Centre 2013 Financial Statements did not disclose under which financial reporting framework the financial statements were prepared and the Board was not able to confirm that the financial statements were presented in accordance with the NATO Accounting Framework and the NATO Staff Centre Mandate.

Furthermore, the Cash Flow Statement was misstated and not prepared in accordance with the NATO Accounting Framework. The Cash Flow Statement was prepared as a mix of the direct and indirect method. The receipts and payments in the Cash Flow Statement were not actual receipts and payments but rather revenue and expenses from the Statement of Financial Performance.

*Disclaimer of Opinion on the Financial Statements*

Because of the significance of the matters described in the Basis for Disclaimer of Opinion on the Financial Statements paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the Staff Centre 2013 Financial Statements.

**Report on Compliance**

*Management's Responsibility for Compliance*

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the financial transactions and information reflected in the financial statements are in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations as authorised by the North Atlantic Council (NAC).

*Auditor's Responsibility*

In addition to the responsibility to express an opinion on the financial statements described above, our responsibility includes expressing an opinion on whether the financial transactions and information reflected in the financial statements are, in all material respects, in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations. This responsibility includes performing procedures to obtain reasonable assurance about whether the funds have been used for the settlement of authorised expenditure and whether their operations have been carried out in compliance with the financial and personnel regulations in force. Such procedures include the assessment of the risks of material non-compliance.

Because of the matter described in the Basis for Disclaimer of Opinion on Compliance, we were not able to obtain sufficient appropriate audit evidence to provide a basis for our audit opinion.

*Basis for Disclaimer of Opinion on Compliance*

The revised NATO Staff Centre Mandate was approved by Council on 3 October 2013, and in practice implemented as for the financial year 2014. The previous mandate and regulations governing the Staff Centre as set by Council in C-M(70)62 did not specify which regulations should govern the Staff Centre and there was no indication of whether the Staff Centre was operated and governed by the NATO Financial Regulations. The Board found that in the area of procurement, the Staff Centre did not comply with the NATO Financial Regulations because of a lack of clarity on which regulations govern the Staff Centre. The Board was not able to confirm that all activities and financial transactions were in compliance with the authorities which govern them.

*Disclaimer of Opinion on Compliance*

Because of the significance of the matters discussed in the Basis of Disclaimer, the Board was not able to express an opinion on whether the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them.

Brussels, 27 February 2015

Dr Charilaos Charisis  
Chairman

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ANNEX 4  
C-M(2016)0060 (INV)  
IBA-AR(2015)02

**INTERNATIONAL BOARD OF AUDITORS FOR NATO**

**LETTER OF OBSERVATIONS AND RECOMMENDATIONS**

**FOR THE NATO STAFF CENTRE**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

## **Introduction**

The International Board of Auditors for NATO (Board) audited the NATO Staff Centre's Financial Statements for the year ended 31 December 2013, and issued a disclaimer of opinion on the financial statements, and on compliance.

## **Observations and Recommendations**

During the audit, the Board identified 4 observations and provided 5 recommendations. These observations and recommendations do impact the audit opinion. They are summarised herein:

- Incomplete financial statements presented – non-compliance with the NATO Financial Regulations and the NATO Staff Centre Mandate.
- Procurement of goods and services – non-compliance with the NATO Financial Regulations and the NATO Staff Centre Mandate.
- Risks of negative net assets.
- The need to establish a contract with sport instructors.

The Board also followed up on the status of observations from previous year's audits and noted that 3 have been settled, 1 partially settled, 3 superseded by current year observations and 7 are still outstanding.

## **OBSERVATIONS AND RECOMMENDATIONS**

### **1. INCOMPLETE FINANCIAL STATEMENTS PRESENTED – NON-COMPLIANCE WITH THE NATO FINANCIAL REGULATIONS AND THE NATO STAFF CENTRE MANDATE**

#### **Reasoning**

1.1 According to the revised NATO Staff Centre Mandate approved by Council on 3 October 2013, the *“Staff Centre’s accounts and financial operations are subject to the NATO Financial Regulations, including procurement, in compliance with IPSAS and are subject to oversight by the IS Financial Controller; the Staff Centre produces annual financial statements which are incorporated into the Financial Statements of the International Staff and are audited by the International Board of Auditors for NATO.”*

1.2 Furthermore, according to paragraph 21 of IPSAS 1, *Presentation of Financial Statements*, a complete set of financial statements comprises: (a) Statement of Financial Position, (b) Statement of Financial Performance, (c) Statement of Changes in Net Assets/Equity, (d) Cash Flow Statement, (e) Notes, comprising a Summary of Significant Accounting Policies and other Explanatory Notes.

#### **Observation**

1.3 The Board found that incomplete financial statements were presented to the Board for the financial year 2013. The incomplete set included the Statement of Financial Performance, Statement of Financial Position, Cash Flow Statement and Statement of Changes in Net Assets, but the Notes describing the applicable accounting policies and explanatory notes were missing. This is not in compliance with IPSAS 1.

1.4 Furthermore, the financial statements were issued on 5 November 2014, more than 6 months after the deadline according to the NATO Financial Regulations, Article 27.

1.5 Also, the Board found that the Cash Flow Statement was misstated and not prepared in accordance with IPSAS 2, *Cash Flow Statements*, as the receipts and payments were not actual receipts and payments but rather revenue and expenses from the Statement of Financial Performance.

1.6 The Board notes that the NATO Staff Centre Mandate as approved by Council on 3 October 2013 requires that the Staff Centre’s Financial Statements be incorporated into the financial statements of the International Staff. This is inconsistent with the NATO Accounting Framework which was approved by Council on 2 August 2013 prior to the approval of the Staff Centre Mandate.

1.7 As incomplete financial statements for the year ended 31 December 2013 were presented to the Board, the Board is not in a position to issue an opinion on the Staff Centre 2013 Financial Statements.

### **Recommendation**

1.8 The Board recommends that a separate complete set of financial statements of the Staff Centre are prepared and approved in accordance with the NATO Financial Regulations and the NATO Accounting Framework.

1.9 The Board recommends the International Staff to obtain Council agreement on whether the Staff Centre's Financial Statements should be incorporated into the International Staff's Financial Statements or whether the NATO Accounting Framework applies.

### **Comment of the Financial Controller, International Staff**

*The recommendations are agreed.*

*The Staff Centre's Mandate requires the Staff Centre's Financial Statements to be incorporated into the IS Financial Statements. However, to be consistent with the NATO Accounting Framework, which does not require such incorporation of Morale and Welfare activities, the IS will recommend a revision to the Staff Centre's Mandate. The proposed revision will require that separate Staff Centre Financial Statements be prepared in accordance with the NATO Accounting Framework and that those financial statements will continue to be audited by IBAN. The IS believes that this will contribute to greater transparency and accountability.*

## **2. PROCUREMENT OF GOODS AND SERVICES – NON-COMPLIANCE WITH THE NATO FINANCIAL REGULATIONS AND THE NATO STAFF CENTRE MANDATE**

### **Reasoning**

2.1 According to the revised NATO Staff Centre Mandate approved by Council on 3 October 2013, the "*Staff Centre's accounts and financial operations are subject to the NATO Financial Regulations, including procurement, in compliance with IPSAS and are subject to oversight by the IS Financial Controller [...].*"

2.2 According to Article XX.a of the Financial Rules and Procedures: "*Goods and services shall normally be procured from the most economical governmental or commercial services available*" and, "*Contracts of which the estimated value exceeds an amount equivalent to twice level B of the EFL [...] shall be awarded by a Contract Award Committee (CAC).*"

## **Observation**

2.3 The Board in its audit of the Staff Centre's Financial Statements for financial years 2011 (IBA-AR(2013)05), and 2012 (IBA-AR(2014)01), concluded that the Staff Centre did not comply with the NATO Financial Regulations and the Financial Rules and Procedures in the area of procurement and contracting. For example, proper bidding was not done in the area of food and beverages, and contracts were not in place when required.

2.4 The revised NATO Staff Centre Mandate, which clearly states that the Staff Centre should follow the NATO Financial Regulations, was approved by Council on 3 October 2013 and therefore in practical terms implemented as from the financial year 2014. The Board therefore expected that the Staff Centre would not fully comply with the NATO Financial Regulations in 2013.

2.5 The Board is aware that the International Staff Financial Controller and the International Staff Procurement Service are working closely with the Staff Centre to ensure that current contracts are reviewed and revised in order to be compliant with the NATO Financial Regulations.

2.6 The Board expects that the Staff Centre and the International Staff Financial Controller will ensure full compliance with the NATO Financial Regulations in 2014.

## **Recommendation**

2.7 The Board recommends the Staff Centre to follow the NATO Financial Regulations and thus ensure that goods and services are procured in accordance with the requirements for tender unless a deviation is approved. Contracts should be signed for substantial purchases and co-signed by the International Staff Financial Controller.

## ***Comment of the Financial Controller, International Staff***

*The IS can agree with IBAN's recommendation and confirms that in close cooperation with the Office of the Financial Controller, ASG EM, in his capacity of Chairman of the Staff Centre Executive Board, issued clear instructions to the Director Staff Centre to undertake procurement activities in coordination with the OFC Procurement service. The impact should be visible as of financial year 2014.*



### **3. RISKS OF NEGATIVE NET ASSETS**

#### **Reasoning**

3.1 As at 31 December 2013, the total liabilities of EUR 2,046,426 exceeded the total assets of EUR 1,061,140. The Staff Centre is therefore in a negative net assets position, which presents risks to the Staff Centre. This was also the case in financial years 2011 and 2012.

#### **Observation**

3.2 The main reason for the negative net assets is due to the liability recorded to account for the unpaid pension contributions from 2001 to 2008 (see IBA-AR(2013)05), where a payment plan was agreed by the Budget Committee (BC-DS(2012)0035). The amount of this liability at 31 December 2013 was EUR 1,571,029.

3.3 While the Staff Centre currently earns enough profits to ensure the short-term sustainability of the business, it needs to continue earning profits in the future to be able to continue reducing the negative net assets position. For the time being all profits currently earned by the Staff Centre need to be used for this purpose. This poses a risk to the Staff Centre and to the nations as any unfunded liabilities will have to be paid by them.

3.4 In this respect, analysis and closely monitoring of cash needs are important and thus the information in the cash flow statement is useful management information. As the Staff Centre did not disclose actual cash in and outflows in the Cash Flow Statement but rather revenue and expenses, it is difficult to assess cash needs and make proper management analysis.

#### **Recommendation**

3.5 As the Staff Centre transitions to the New NATO Headquarters, the Board recommends the Staff Centre Executive Board and the nations to take into account the negative net asset position as it considers the business and price strategy of the Staff Centre. Both profit and cash flows will need to be fully disclosed and monitored in future years.

#### ***Comment of the Financial Controller, International Staff***

*The negative net asset risk is essentially due to the pension liability of the Staff Centre for which there is a repayment plan endorsed by Nations. The Staff Centre Executive Board monitors and controls on a regular basis the financial and management situation of the Staff Centre. The business plan which is currently being developed, including on how to operate in the NNHQ, will take into consideration this issue.*

#### **4. THE NEED TO ESTABLISH A CONTRACT WITH SPORT INSTRUCTORS**

##### **Reasoning**

4.1 According to Annex IV of the Financial Rules and Procedures for the International Staff, contracts should be prepared by the purchasing and contracting officer and co-signed by the Financial Controller when the value of the contract exceeds an amount equivalent to level B of the EFL (EUR 20,000).

##### **Observation**

4.2 The Staff Centre offers members of the Staff Centre the opportunity to book group or private sport lessons with sport instructors for an hourly fee. The sport instructors are hired by the Staff Centre as contractors and issues monthly invoices.

4.3 The Board found that no contract existed for the purchase of services from the sport instructors. In 2013, the total cost was EUR 50,562.

##### **Recommendation**

4.4 The Board recommends that the Staff Centre and the International Staff establish a contractual agreement with the sport instructors agreeing prices, terms and conditions, etc.

##### ***Comment of the Financial Controller, International Staff***

*The recommendation is agreed. The IS has developed a plan with a gradual approach to bring contracts into compliance with NATO Financial Regulations by order of importance and decreasing risk. Contracts with the sport instructors are addressed in that context.*

## **FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS**

The Board reviewed the status of observations and recommendations arising from previous years' audits. The observation and its status are summarised in the table below.

### **Status of previous year's observations**

<b>OBSERVATION / RECOMMENDATION</b>	<b>ACTION TAKEN</b>	<b>STATUS</b>
<p><b>1. IBA-AR(2014)01 (FY 2012) paragraph 5.1 Financial statements not presented and approved – non-compliance with the NATO Financial Regulations Articles 27 and IPSAS 1</b></p> <p>The Board found that incomplete and unapproved financial statements for the year ended 31 December 2012 were presented to the Board. Therefore, the Staff Centre was not in compliance with the NFRs and the International Public Sector Accounting Standards (IPSAS). As a result, the Board is not in a position to issue an opinion on the Staff Centre's Financial Statements for 2012</p> <p><b>Board's recommendation</b> The Board recommends that the Staff Centre's Financial Statements are prepared and approved in accordance with the mandate given to the Staff Centre and the NATO Financial Regulations and IPSAS 1.</p>	<p>Incomplete financial statements were submitted for the financial year 2013.</p>	<p>Observation <b>Superseded by current year observation.</b></p>
<p><b>2. IBA-AR(2014)01 (FY 2012) paragraph 5.2 Procurement of goods and services – non compliance with the NATO Financial Regulations</b></p> <p>The Board found that the Staff Centre did not follow the Financial Rules and Procedures in the area of contracting and procurement.</p> <p><b>Board's recommendation</b> The Board recommends the Staff Centre to follow the NATO Financial Regulations and thus ensure that goods and services are procured in accordance with the requirements for tender unless deviation is approved. Also, contracts should be signed for substantial purchases and co-signed by International Staff Financial Controller.</p> <p>The Board recommends the International Staff Financial Controller and International Staff Procurement Services to assist the Staff</p>	<p>The new mandate for the Staff Centre was approved by Council on the 3 October 2013 (C-M(2013)0054). The mandate clearly specifies that the Staff Centre should follow the NATO Financial Regulations in the area of procurement.</p> <p>In practice, the new mandate was applied as from 2014. Therefore, the Staff Centre did not consistently follow the NATO Financial Regulations related to procurement in 2013.</p>	<p>Observation <b>Superseded by current year observation.</b></p>

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
Centre in the contract management and procurement of goods and services.	The Board is aware that the International Staff and the Procurement Service is working closely with the Staff Centre to ensure current contracts are reviewed and revised to be in compliance with the NATO Financial Regulations. The Board expects the Staff Centre and the International Staff Financial Controller to ensure that full compliance with the NATO Financial Regulations are achieved in 2014.	
<p><b>3. IBA-AR(2014)01 (FY 2012) paragraph 5.3 Lack of proper management of concession contracts in the commercial area of the Staff Centre and the NATO HQ</b></p> <p>The Board found significant weakness in the management of the concession contracts in the Staff Centre. Because of these management weaknesses, contracts and amendments to contracts have been signed which have significantly changed the contractual and financial conditions making it less advantageous to the Staff Centre and thus impacting the profitability of these concessions.</p> <p>Further, occupancy fees according to concession contracts had not been collected in several cases and thus revenue and net assets were EUR 117,000 less than they should have been.</p> <p>Additionally, contracts were not co-signed by the IS FC and no consultation had taken place between the Staff Centre and the International Staff on the significant changes in contract conditions for two contracts.</p> <p>The Board finds that there was a lack of communication between the International Staff and the Staff Centre and to the SCMC who are responsible for the proper operation of the Staff Centre according to the previous mandate. Also, the Board found that the International Staff had not properly executed its role as given in the Financial Rules and Procedures in relation to ensuring a sound system of internal controls and regularly</p>	<p>During the second half of 2013, and in 2014, the Staff Centre, the International Staff Financial Controller's Office, and the new Executive Board worked closely to review and update current concession contracts and implement new procedures for the management of concession contracts.</p> <p>The contract where an "intervention amount" was paid was reviewed and a new contract was signed by the International Staff Financial Controller with the concessionaire on 07 August 2014 based on Contract Award Committee (CAC) approval. The new contract cancels all "intervention amounts" and ensures the reimbursement of utility costs. No occupancy fee is to be paid by the concessionaire. The new contract was further discussed and approved by the Executive Board for the Staff Centre.</p> <p>As of the end of the audit, 5 contracts had been reviewed and new updated contracts had</p>	Observation <b>Partially settled.</b>

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
<p>reviews of non-appropriated funds (Articles 18 and 21).</p> <p><b>Board's recommendation</b> The Board recommends that the concession contract where an "intervention amount" is currently being paid be reviewed. The Staff Centre, in close consultation with the International Staff, should assess whether the presence of this type of service is desirable to NATO. Based on the outcome of this, a new contract could possibly be made.</p> <p>The Board recommends the International Staff to seek legal advice on the validity of both contracts referred to in paragraph 5.3.17. The Board recommends that all contracts in the future be co-signed by the International Staff Financial Controller, or alternatively, the Head of Procurement Services, depending on the value of the contract. Further, all contracts should be reviewed and updated and expired contracts should be extended or re-competed.</p> <p>The Board recommends that the outstanding occupancy fees be collected in accordance with the contracts.</p> <p>The Board recommends that cooperation between the IS and the Staff Centre be improved, including consultation with the International Staff Procurement Services and Legal Adviser on complex contracts.</p> <p>The International Staff Financial Controller should ensure that a sound system of internal controls is in place in the Staff Centre in accordance with the Financial Rules and Procedures and regular reviews should be performed.</p> <p>The Board recommends that the International Staff and the Staff Centre ensure that the Business plan for 2014 – 2018 for the Staff Centre, which is currently being developed, is built on reliable, correct information, reflecting all costs and revenue generating activities.</p>	<p>been signed by the International Staff Financial Controller with 4 of the concessionaires and 1 contract was cancelled. The remaining 11 contracts are under review and negotiations are ongoing with the concessionaires. The management expects that all contracts will be reviewed and updated during 2015.</p> <p>Occupancy fees not previously collected have now been fully collected. Outstanding fees are included as receivables in the 2013 accounts.</p>	

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
<p><b>4. IBA-AR(2014)01 (FY 2012) paragraph 5.4 Medical Centre – Update of current contracts necessary</b></p> <p>The Board found that changes to the agreed rents according to the contracts with contractors were made without written agreement or contract amendments. Furthermore, contracts were not signed by the International Staff Financial Controller, and two contracts had expired.</p> <p><b>Board's recommendation</b> The Board recommends that no changes to the agreed rent according to the contracts are made without written agreement. Also, contracts should be co-signed by the International Staff Financial Controller.</p>	<p>The Board found that contracts with contractors had not been reviewed and revised and approved by the IS Financial Controller.</p> <p>The Board found one new case where the agreed rent according to the contract was decreased without any written agreement or contract amendment.</p>	<p>Observation <b>Outstanding.</b></p>
<p><b>5. IBA-AR(2014)01 (FY 2012) paragraph 5.5 Sale of equipment to contractors in the Medical Centre without VAT</b></p> <p>The Board found that the Staff Centre, on behalf of the contractors, purchased equipment without VAT and re-sold it to the contractors. The Board is concerned about the perceived exploitation of NATO privileges for other entities outside the NATO community</p> <p><b>Board's recommendation</b> The Board recommends the Staff Centre not to buy and resell equipment or other goods and services to non-NATO entities. Such transactions can be used to avoid the payment of VAT by non-NATO entities that are not entitled to the privilege</p> <p>The Board also recommends the International Staff to consider the tax implications and recommends the International Staff Financial Controller to consult the issue with tax authorities and Legal Advisers.</p>	<p>The Board did not find any instances of sale of equipment without VAT in the financial year 2013.</p> <p>The Board was informed that consultations with the Host Nation authorities took place in 2014, including handing over of relevant information. The Host Nation authorities are looking into the case. The International Staff is not aware if the Host Nation has taken any action.</p>	<p>Observation <b>Settled.</b></p>
<p><b>6. IBA-AR(2014)01 (FY 2012) paragraph 5.6 Risk of not collecting outstanding receivables due to legal dispute</b></p> <p>The Board found that it is uncertain whether the Staff Centre will be able to fully collect outstanding receivables of EUR 153,712. This continuing situation impacts the Staff Centre's daily cash flow needs.</p>	<p>The legal dispute is still on-going. The Budget Committee and the Resource Policy and Planning Board (RPPB) have been briefed on several occasions on this issue.</p>	<p>Observation <b>Outstanding.</b></p>

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
<b>Board's recommendation</b> The Board recommends the Staff Centre, in cooperation with the International Staff Financial Controller and the International Staff Legal Advisor, to consider the reasonableness of the outstanding receivable or whether allowance for doubtful debts is necessary in accordance with IPSAS.	The total outstanding receivable as at 31 December 2013 impacted by the legal dispute was EUR 186,086. In December 2014, the International Staff advanced cash to the Staff Centre to assist the Staff Centre in its day-to-day cash needs.	
<b>Comment of the Financial Controller, International Staff</b>  <i>The IS agrees with the recommendation. The legal dispute referred to relates to a contractual matter between KFOR and the private firm IHW (International Hotels Worldwide) regarding services provided in Kosovo. The dispute is neither attributable to the Staff Centre nor to the IS. IHW involved some of the vendors at the Staff Centre in legal procedures that are ongoing before the Host Nation's courts. OLA closely follows up on these proceedings and regularly informs about the status of those court procedures. On 8 December 2014 the Budget Committee was informed (BC-DS(2014)0072) that a cash advance of EUR 226,360.63 was made to the Staff Centre in order to compensate for the cash loss. IS FC will coordinate with ACO FC on this issue.</i>		
<b>7. IBA-AR(2014)01 (FY 2012) paragraph 5.7 Temporary Personnel in the Staff Centre</b>  The Board found that no appropriate solution had yet been found for the employment of personnel in the Staff Centre, considering its long-term needs for a flexible workforce. The Board also found that in 2012, several staff were employed on two different types of contracts thus applying two different social security and tax regimes. In addition, the Staff Centre had acted as intermediary employing personnel for a concessionaire which is beyond the role of the Staff Centre.  The Staff Centre informed the Board that as from 2014, a number of NATO International Staff temporary personnel contracts were transferred to a private manpower agency. Furthermore, some temporary personnel contracts were expected to be converted to NATO civilian posts and only a limited number will continue on NATO temporary personnel contracts in 2014.  <b>Board's recommendation</b> The Board recommends that the Staff Centre should work with the International Staff to find an appropriate form of employment for Staff Centre personnel that covers its specific needs	The Staff Centre continued to employ temporary personnel during 2013.  However, as from mid-2014, the majority of temporary personnel have been transferred to a contractor. On 26 May 2014 the BC approved the award of a contract, and a contract was thus signed by the IS Financial Controller on 25 June 2014.	<b>Observation Settled.</b>

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
<p>for a flexible workforce and complies with regulations. It may, for example, choose direct local hiring of staff in accordance with Host Nation employment regulations or hiring through an agency.</p> <p>The Board recommends the Staff Centre not to act as an employer of personnel working for concessionaires. The Staff Centre should seek advice from EM(HR) on contract and HR related issues before entering into business arrangements with manpower agencies or concessionaires.</p>		
<p><b>8. IBA-AR(2014)01 (FY 2012) paragraph 5.8 Non-receipt of Letter of Representation from Management</b></p> <p>The Board did not receive written representations from the International Staff management recognising their responsibility for the fair presentation of the financial statements. The receipt of these written representations is a fundamental requirement where management acknowledges that financial information is complete and reliable, and that a system is put in place to avoid waste, fraud or misuse of funds.</p> <p><b>Board's recommendation</b> The Board recommends that, in subsequent years, management ensures that letters of representation are provided to the Board.</p>	<p>The Board received written representations from the International Staff management for financial year 2013.</p>	<p>Observation <b>Settled.</b></p>
<p><b>9. IBA-AR(2013)05 (FY 2011) paragraph 5.1 Lack of clear Governance, Rules and Regulations for the Staff Centre</b></p> <p>The Board found that there is a lack of clarity about which rules and regulations are governing the Staff Centre as the current mandate given by Council in C-M(70)62 do not specify the governing regulations and applicable financial reporting framework. As a result, the Staff Centre is not following the NATO Financial Regulations and the Staff Centre does not prepare financial statements in accordance with IPSAS.</p> <p>Because of lack of specific regulations and clear mandate, the Board also found that the Staff Centre is not following regulations in the NATO Financial Regulations for contracting and procurement, contracts are not co-signed by the International Staff Financial Controller and CACs are not involved when suppliers are selected.</p>	<p>The Council approved a revised mandate and governance structure for the Staff Centre on the 3 October 2013.</p> <p>The revised mandate clearly states that all Staff Centre funds, revenues and costs are accounted for, and reported on, in accordance with NATO Financial Regulations. Contracts for goods and services should be in compliance with the NATO Financial Regulations and oversight is exercised by the International Staff Financial Controller.</p>	<p>Observation <b>Superseded by current year observation 1 and 2.</b></p>




OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
<p>It is the Board's opinion that, without clear regulations for the governing of the Staff Centre, there is limited accountability and a risk of the Staff Centre operating under a somewhat self constructed regime, without proper oversight by governing bodies.</p> <p>Also, the Board found that the Governance arrangements established by Council (C-M(70)62) states that the Centre's accounts are under the control and responsibility of the IS Financial Controller, but the Board found no written evidence of the International Staff Financial Controller controlling the Staff Centre accounts and thus exercising his role as given by Council.</p> <p><b>Board's recommendation</b></p> <p>1) The Board recommends that the International Staff prepare and seek Council's approval for a revised governance structure and mandate for the Staff Centre reflecting its current and future roles and responsibilities, with the aim of providing a clearer governance structure.</p> <p>2) The Board also recommends that the Staff Centre be governed by the NATO Financial Regulations (or, alternatively, an adapted version for the Staff Centre to take into account the commercial nature of Staff Centre activities) including closer relationship with the Office of Financial Controller and Procurement Service.</p> <p>3) Finally, the Board recommends that the Staff Centre adopts IPSAS as its financial reporting framework and that its activities are consolidated into the International Staff's Financial Statements in order to present fairly the total revenues, expenditures, assets and liabilities of the International Staff.</p>	<p>Also, the revised mandate states that the Staff Centre's accounts should be in compliance with IPSAS. The Staff Centre should produce annual financial statements.</p> <p>The new mandate is being implemented in 2014. Therefore, for the years 2012 and 2013, the regulations in the NATO Financial Regulations and IPSAS were not followed to full extent.</p> <p>The Board will follow actual implementation and application of the new NATO Staff Centre Mandate in its 2014 audit.</p>	
<p><b>10. IBA-AR(2013)05 (FY 2011) paragraph 5.2.6</b></p> <p><b>Differences between financial statements and detailed data - Understatement of Property, Plant &amp; Equipment (PP&amp;E) and Revenue in prior years</b></p> <p>The Board found that revenue in prior years were understated by EUR 293,242 and the gross values of PP&amp;E were understated by the same amount. This was due to misstatements</p>	<p>The Board found that the Staff Centre had corrected some of the differences but noted that there were still differences</p>	<p>Observation <b>Outstanding.</b></p>

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
<p>of revenue by decreasing values of PP&amp;E instead of recognizing income as revenue. Also, the Board noted unexplained differences in the values of PP&amp;E.</p> <p><b>Board's recommendation</b> The Board recommends the Staff Centre to make proper corrections ensuring that the values of PP&amp;E are correct. Also, the Board recommends the Staff Centre to regularly (at least annually) ensure the reconciliation of sub-ledgers and general ledgers to identify errors in PP&amp;E.</p>	<p>between sub-ledgers and general ledgers related to PP&amp;E that has not yet been corrected. The differences are in the CP areas.</p> <p>The Board recommends the Staff Centre to make proper corrections ensuring that the PP&amp;E values are correct.</p> <p>Also, the Board recommends the Staff Centre to regularly (at least annually) ensure the reconciliation of sub-ledgers and general ledgers to identify errors in PP&amp;E.</p>	
<p><b>11. IBA-AR(2013)05 (FY 2011) paragraph 5.3.1</b> <b>Overstatement of revenue and expenses due to non-elimination of inter-entity balances</b></p> <p>Inter-entity balances of in total EUR 24,830 were not properly eliminated in the 2011 financial statements, resulting in an overstatement of revenue, expenses and receivables and payables.</p> <p><b>Board's recommendation</b> The Board recommends the Staff Centre to strengthen the identification and elimination of inter-entity balances in the process of preparing the financial statements to ensure a fair and true view of the revenues and expenses in the Staff Centre.</p>	<p>The Board found that the Staff Centre had not eliminated inter-entity balances of EUR 41,188 resulting in an overstatement of EUR 41,188 of revenue, expenses and receivables and payables.</p>	<p>Observation <b>Outstanding.</b></p>
<p><b>12. IBA-AR(2013)05 (FY 2011) paragraph 5.3.2</b> <b>Building up of a reserve fund for the move to New HQ</b></p> <p>The Staff Centre did not disclose the build-up of a reserve for the move to the New NATO Headquarters by earmarking and reserving part of the Net Assets. Also, the Staff Centre's liabilities currently exceed its assets, and thus, the Staff Centre is not in a position to build up a reserve for the New Headquarters.</p> <p><b>Board's recommendation</b> The Board recommends the Staff Centre, once it is in a position to build up a reserve for the New NATO Headquarters (i.e. once it has</p>	<p>As the total liabilities of the Staff Centre in 2013 exceed the assets, the Staff Centre is not yet in a position to build up a reserve for the New HQ.</p> <p>The Board recommends the Staff Centre to disclose information hereon in the 2014 financial statements.</p>	<p>Observation <b>Outstanding.</b></p>

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
positive net equity), to properly disclose such a reserve within the Net Assets.		
<b>13. IBA-AR(2013)05 (FY 2011) paragraph 5.4.1</b> <b>Payment of Shift Allowance</b>  Shift allowance was granted to two staff members in category A without the proper approval. This is not in accordance with the CPRs.  <b>Board's recommendation</b> If the International Staff wishes to continue to pay shift allowance to these Staff Centre staff, the Board recommends the International Staff to seek the proper approval from the appropriate finance committee.	The Board found that no approval had yet been sought from the appropriate Finance Committee. The two staff continued to receive shift allowance during 2012 and 2013 without proper approval. In total, EUR 4,327 was received in shift allowance in 2013.	<b>Observation Outstanding.</b>
<b>Comment of the Financial Controller, International Staff</b>  <i>The Staff Centre Executive Board will address this issue as part of the review of all Staff Centre personnel establishments and conditions.</i>		
<b>14. IBA-AR(2013)05 (FY 2011) paragraph 5.5</b> <b>Weaknesses in the Internal Controls and Accounting Policies</b>  The Board found that the current internal written accounting policies of the Staff Centre did not cover all accounting areas and processes. Also, the Board found weaknesses in the internal controls and inadequate segregation of duties, including in the area of inventory management, leading to the increased risk of error and fraud. <b>Board's recommendation</b> Based on a decision by Council on a revised governance structure and mandate of the Staff Centre, the Board recommends the Staff Centre to develop adequate accounting policies covering the main accounting areas and processes to ensure an effective financial administration.  Also, the Board recommends the Staff Centre to improve the current internal controls, ensuring the proper segregation of duties in key areas, such as inventory, and strengthening the review and monitoring of controls by involving the International Staff Financial Controller.	The Board found that there was still a need to update and revise the internal written accounting policies Standard Operating Procedures (SOP's) as the current SOP's do not in detail cover all accounting areas and processes, especially in the area of inventory management, disposal policies etc.  There is a concentration of responsibilities in the hands of a few key staff, especially in the area of inventory management of food and beverages where the responsibilities for ordering, inputting and updating inventory records, receiving of goods, controlling and performing physical inventory checks and storage are assigned to the same person.	<b>Observation Outstanding.</b>

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
	The Staff Centre should improve the internal controls in coordination with the International Staff Office of Financial Control in order to ensure that a sound system of internal controls is in place in accordance with Article 18 of the Financial Rules and Procedures.	

	<b>NATO</b>	INTERNATIONAL STAFF OFFICE OF FINANCIAL CONTROL
	<b>OTAN</b>	SECRÉTARIAT INTERNATIONAL BUREAU DU CONTRÔLE FINANCIER

**NATO UNCLASSIFIED**

15 September 2016  
FC(2016)114

To: Chairman IBAN

From: Financial Controller NATO-IS

Subject: **Financial Statements NATO Staff Centre for the year ended 31 December 2013**

Ref.: FC(2014)220

1. In accordance with the Staff Centre Mandate (C-M(2013)0054, paragraph 3.5 of Appendix 2 to Annex 1.), I submitted the financial statements, as provided to me by the Director Staff Centre with the memorandum at reference. In these statements, Table 1 – Assets contained commercial information which gave me concerns regarding public disclosure.

2. Further to my e-mail correspondence with you, IBAN indicated that they would not object, on an exceptional basis, if a modified version were submitted where the names of these suppliers would no longer appear.

3. I am, therefore, herewith submitting the amended financial statements and have indicated to the Director NOR and Chairman RPPB that these financial statements can be disclosed to the public.



S. CHAGNOT

**NATO UNCLASSIFIED**

**TABLE 1**  
**NATO STAFF CENTRE STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 December 2013**  
**(all amounts in euro)**

	Current year 31-déc.-13	Prior Year 31-déc.-12	Variance CY-PY
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
<b>Cash and Cash equivalents</b>			
Cash	4,120.00	4,120.00	0.00
Current bank accounts	312,057.80	510,538.23	-198,480.43
Cash equivalents	29,369.75	25,670.86	3,698.89
<b>Total Cash and Cash Equivalents</b>	<b>345,547.55</b>	<b>540,329.09</b>	<b>-194,781.54</b>
<b>Receivables</b>			
Accounts receivable	406,197.39	275,191.31	131,006.08
Other receivables	3,261.34	6,459.45	-3,198.11
<b>Total Receivables</b>	<b>409,458.73</b>	<b>281,650.76</b>	<b>127,807.97</b>
<b>Miscellaneous Assets</b>			
Bank interest accrued	0.00	0.00	0.00
<b>Total Miscellaneous Assets</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Inventories</b>			
Inventory sports	6,119.13	10,477.06	-4,357.93
inventory restaurant	22,798.50	20,838.09	1,960.41
inventory commercial area	275,537.35	273,224.77	2,312.58
<b>Total Inventories</b>	<b>304,454.98</b>	<b>304,539.92</b>	<b>-84.94</b>
<b>TOTAL CURRENT ASSETS</b>	<b>1,059,461.26</b>	<b>1,126,519.77</b>	<b>-67,058.51</b>
<b>NON CURRENT ASSETS</b>			
Receivables	0.00	0.00	0.00
Infrastructure, plant and equipment	1,679.10	0.00	1,679.10
<b>Total non current assets</b>	<b>1,679.10</b>	<b>0.00</b>	<b>1,679.10</b>
<b>TOTAL ASSETS</b>	<b>1,061,140.36</b>	<b>1,126,519.77</b>	<b>-65,379.41</b>

**NATO STAFF CENTRE STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 December 2013**  
(all amounts in euro)

	Current year 31-déc.-13	Prior Year 31-déc.-12	Variance CY-PY
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
<b>Payables</b>			
Payable to Third Parties	466,312.50	312,061.09	154,251.41
<b>Total payables</b>	<b>466,312.50</b>	<b>312,061.09</b>	<b>154,251.41</b>
<b>Equity</b>			
commercial input - at front money	0.00	0.00	0.00
<b>Total Equity</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>466,312.50</b>	<b>312,061.09</b>	<b>154,251.41</b>
<b>NON CURRENT LIABILITIES</b>			
Long-term Pension debt and charges	1,580,113.42	1,803,094.88	-222,981.46
<b>Total non current liabilities</b>	<b>1,580,113.42</b>	<b>1,803,094.88</b>	<b>-222,981.46</b>
<b>TOTAL LIABILITIES</b>	<b>2,046,425.92</b>	<b>2,115,155.97</b>	<b>-68,730.05</b>
<b>NET ASSETS</b>			
Surplus/deficit of the period			
Previous results	-1,021,969.53	-955,894.93	-66,074.60
Current result	3,350.64	-66,074.60	69,425.24
Capital subsidies	33,333.33	33,333.33	0.00
<b>Total Net Assets</b>	<b>-985,285.56</b>	<b>-988,636.20</b>	<b>3,350.64</b>
<b>TOTAL NET ASSETS</b>	<b>-985,285.56</b>	<b>-988,636.20</b>	<b>3,350.64</b>
<b>TOTAL BALANCE</b>	<b>1,061,140.36</b>	<b>1,126,519.77</b>	<b>-65,379.41</b>



TABLE 2

NATO SPORT CENTRE STATEMENT OF FINANCIAL PERFORMANCE

As at 31 december 2013  
(All amounts in EUR)

	Current year	Prior year	Variance
	31-déc.-13	31-déc.-12	CY - PY
<b>Revenue</b>			
Revenue from contributions and sports	888,239.44	850,465.61	37,773.83
Revenue from restaurant and bar	1,623,081.93	1,770,264.61	(147,182.68)
Revenue from commercial area	2,357,874.80	1,658,387.00	699,487.80
Other incomes	250,193.37	284,429.65	(34,236.28)
<b>Total Revenue</b>	<b>5,119,389.54</b>	<b>4,563,546.87</b>	<b>555,842.67</b>
<b>Expenses</b>			
Wages, salaries	2,985,940.46	3,010,412.92	(24,472.46)
Operating costs	272,021.24	286,056.59	(14,035.35)
Raw materials	1,858,077.20	1,333,151.96	524,925.24
Other costs	0.00	0.00	0.00
Depreciation or reevaluation	0.00	0.00	0.00
<b>Total Expenses</b>	<b>5,116,038.90</b>	<b>4,629,621.47</b>	<b>486,417.43</b>
<b>Surplus/deficit for the period</b>	<b>3,350.64</b>	<b>(66,074.60)</b>	<b>69,425.24</b>



## STAFFCENTRE NATO

## CASH FLOW STATEMENT - TABLEAU DES FLUX DE TRESORERIE

DIRECT METHOD

Cash flow from operating activities Flux de tresorerie des activites de fonctionnement	2013	2012
<b>RECEIPTS/RECETTES</b>		
Revenues	4,869,196.34	4,279,117.22
Other ops revenues /autre revenus opérationnels	250,193.20	284,429.65
<b>Total</b>	<b>5,119,389.54</b>	<b>4,563,546.87</b>
<b>PAYMENTS/PAIEMENTS</b>		
Personnel costs/dépenses de personnel	(2,985,940.46)	(3,010,412.92)
Operating costs /Dépenses de fonctionnement	(2,130,098.44)	(1,619,208.55)
<b>TOTAL</b>	<b>(5,116,038.90)</b>	<b>(4,629,621.47)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b> A	<b>3,350.64</b>	<b>(66,074.60)</b>
<b>FLUX DE TRESORERIE NET DES ACTIVITES DE FONCTIONNEMENT</b>		
<b>CASH FLOW FROM INVESTING ACTIVITIES/FLUX DE TRESORERIE DES ACTIVITES D'INVEST.</b>		
<b>PURCHASE OF PLANT AND EQUIPMENT / ACHAT D'IMMOBILATIONS</b>	(1,679.10)	0.00
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		
<b>FLUX DE TRESORERIE NET DES ACTIVITES D'INVESTISSEMENT</b> B	<b>(1,679.10)</b>	<b>0.00</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES/FLUX DE TRESORERIE DES ACTIVITES FINANCIERES</b>		
Increase-decrease of capital / Augmentation -diminution de capital	0.00	0.00
Refund Pension and charges/Remboursement pensions et charges	-222,981.46	-63,245.66
Variation of stock /variation de stock	84.94	30,782.58
Variation accounts receivable/Variation des créances clients	131,006.08	-24,109.59
Variation other receivables / Variation autres créances	3,198.11	-3,115.75
Variation accounts payable/ Variation des dettes fournisseurs	154,251.40	59,749.46
<b>NET CASH FLOW FROM FINANCIAL ACTIVITIES</b>		
<b>FLUX DE TRESORERIE NET DES ACTIVITES FINANCIERES</b> C	<b>65,559.07</b>	<b>61.04</b>
<b>NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS OF PERIOD</b> A+B+C		
<b>AUGMENTATION(DIMINUTION) NETTE EN CASH ET EQUIVALENTS SUR LA PERIODE</b>	<b>(194,781.54)</b>	<b>(66,013.56)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		
<b>CASH ET EQUIVALENTS AU DEBUT DE LA PERIODE</b>	<b>540,329.09</b>	<b>606,342.65</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		
<b>CASH ET EQUIVALENTS A LA FIN DE LA PERIODE</b>	<b>345,547.55</b>	<b>540,329.09</b>

STAFF CENTRE

STATEMENT OF CHANGES IN NET ASSETS AS AT 31/12/2013 (IN EUR)	
VARIATION DE L'ACTIF NET AU 31/12/2013 (EN eur)	
	Accumulated surpluses(deficits)
<b>Balance at / solde au 31/12/2012</b>	0.00
Revaluation of investments /Réévaluation d'actif immobilise (deficit)	0.00
Revaluation of investments /Réévaluation d'actif immobilise (surplus)	0.00
Net surplus for the period	-988,636.20
<b>Balance at 31 december 2012</b>	-988,636.20
<b>Balance at / solde au 31/12/2013</b>	
Revaluation of investments /Réévaluation d'actif immobilise (deficit)	-985,285.56
Revaluation of investments /Réévaluation d'actif immobilise (surplus)	0.00
Net surplus for the period	-988,636.20
<b>Balance at 31 december 2013</b>	-3,350.64