

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

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30 August 2016

**DOCUMENT**  
C-M(2016)0046-AS1 (INV)

## **IBAN REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE INTERNATIONAL STAFF FOR 2014**

### **ACTION SHEET**

On 26 August 2016, under the silence procedure, the Council noted the IBAN report IBA-AR(2015)34 and agreed its recommendations, including on public disclosure.

(Signed) Alexander Vershbow  
Deputy Secretary General

NOTE: 1. This Action Sheet is part of, and shall be attached to C-M(2016)0046 (INV).

2. This Action Sheet may be considered NATO UNCLASSIFIED when separated from the document which it refers.

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1 August 2016

**DOCUMENT**  
C-M(2016)0046 (INV)  
**Silence Procedure ends:**  
**26 Aug 2016 16:00**

**IBAN REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE  
INTERNATIONAL STAFF FOR 2014**

**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 International Staff for the year ended 31 December 2014.
2. The IBAN issued a qualified opinion on the 2014 Financial Statements of the International Staff, and an unqualified opinion on compliance with the NATO Financial Regulations and Civilian Personnel Regulations. The qualification is related to non-compliance with the NATO Accounting Framework. The introduction of the Enterprise Resource Planning (ERP) system is expected to address many of the compliance issues the International Staff has with the NATO Accounting Framework, although audit issues in this context are likely to continue for a number of years before the full benefits of the ERP system materialise<sup>1</sup>.
3. The IBAN report has been reviewed by the Resource Policy and Planning Board which has provided its own report (Annex 1) 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 16:00 hours on Friday, 26 August 2016**, I shall assume that the Council has noted the IBAN report IBA-AR(2015)34 and agreed its recommendations, including on public disclosure.

(Signed) Alexander Vershbow

4 Annexes  
1 Enclosure

Original: English

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<sup>1</sup> PO(2016)0542 (INV)

**IBAN REPORT ON THE AUDIT OF THE INTERNATIONAL STAFF FINANCIAL  
STATEMENTS FOR 2014**

**Report by the Resource Policy and Planning Board (RPPB)**

References:

- (a) IBA-A(2015)207 & IBA-AR(2015)34
- (b) BC-D(2016)0030

**Background**

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)).
2. The report takes full account of the review of the IBAN report provided by the Budget Committee (BC) (reference (b)).

**Discussion**

3. The Board notes that the IBAN has issued a qualified opinion on the 2014 financial statements of the International Staff (IS) in relation to non-compliance with the NATO Accounting Framework<sup>2</sup> in the area of accrual based accounting and the valuation of inventory, and an unqualified opinion on compliance with the NATO Financial Regulations (NFRs)<sup>3</sup> and Civilian Personnel Regulations. Nevertheless, with the exception of the possible effects of not systematically identifying accrued expenses at year end, the financial position, financial performance and cash flows of the IS as of 31 December 2014 are considered by IBAN, in all material respects, as having been presented fairly in accordance with the NATO Accounting Framework.

3.1. The Board notes the BC report and its assessment that a qualified opinion on the 2014 financial statements was expected. The introduction of the Enterprise Resource Planning (ERP) system will address many of the compliance issues the IS has with the NATO Accounting Framework, although audit issues in this context are likely to continue for a number of years before the full benefits of the ERP system materialise. Nonetheless, the Board notes the continued improvement in the production of the IS financial statements and the IS's continuing efforts towards compliance with the NATO Accounting Framework.

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<sup>2</sup> C-M(2016)0023

<sup>3</sup> C-M(2015)0025

4. Three observations were raised by the IBAN, two of which – non-compliance with the principles of accrual based accounting and the valuation of inventory per the NATO Accounting Framework and delays in the preparation of the financial statements – were fully addressed by Nations in the context of the report on the audit of the 2013 restated financial statement for the IS.<sup>4</sup> The third observation, not previously identified in prior years' audits, relates to the internal audit function and the fact that it is not in-line with the new NFRs. The new NFRs were not in effect during 2014 but the Board notes, based on the BC report, that work has already been undertaken by the IS that could settle this observation in the context of the 2015 audit.

4.1. The IS has made progress in settling the outstanding observations from prior years' audits with four of the ten observations settled. It is expected that the remaining four outstanding observations will be resolved by the end of 2016. The Board will continue to monitor the resolution of these issues.

5. The Board notes that the International Staff Financial Controller has reviewed the financial statements in accordance with agreed policies<sup>5</sup> and that the Financial Controller concludes there are no issues with regard to the NATO categories of exemptions concerning public disclosure of these financial statements.<sup>6</sup>

#### **RPPB Conclusions**

6. The Board notes that the IBAN has issued a qualified opinion on the 2014 financial statements of the International Staff (IS) and an unqualified opinion on compliance. Based on stakeholder input, the Board concludes that the introduction of the Enterprise Resource Planning (ERP) system will address many of the compliance issues the IS has with the NATO Accounting Framework, although audit issues in this context are likely to continue for a number of years before the full benefits of the ERP system materialise.

7. The Board considers that the IS has made progress in settling the outstanding observations from prior years' audits and that it is expected that the remaining four outstanding observations will be resolved by the end of 2016. The Board will continue to monitor the resolution of these issues.

8. The RPPB concludes that the subject IBAN report does not contain information which, according to NATO Policy on Disclosure of NATO Information<sup>7</sup>, shall be withheld from public disclosure, and in line with the agreed policy in PO(2015)0052, therefore recommends that the Council agree to the public disclosure of the subject IBAN report and the related financial statements.

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<sup>4</sup> C-M(2015)0057

<sup>5</sup> C-M(2008)0116; AC/324-D(2014)0010-REV1 and PO(2015)0052

<sup>6</sup> FC(2015)107, dated 24 July 2015.

<sup>7</sup> C-M(2008)0116; AC/324-D(2014)0010-REV1

**RPPB Recommendations**

9. The Resource Policy and Planning Board (RPPB) recommends that Council:
- (a) note the IBAN report IBA-AR(2015)34 along with the present report;
  - (b) endorse the conclusions outlined in paragraphs 6 through 8;
  - (c) invite the International Staff to implement the IBAN recommendations;
  - (d) note that the Resource Committees will continue to monitor the status of outstanding audit observations;
  - (e) in line with the agreed policy in PO(2015)0052, agree to the public disclosure of the International Staff 2014 financial statements and the associated IBAN report (IBA-AR(2015)34).

**Summary Note for Council  
by the International Board of Auditors for NATO (Board)  
on the audit of the Financial Statements of the International Staff (IS)  
for the year ended 31 December 2014**

The International Staff (IS) supports the work of the North Atlantic Council and its Committees. The IS staff complement was 1,110 at the end of 2014 and the total budgetary authorisations for 2014 amounted to EUR 227 million including EUR 189 million of new credits authorised for 2014.

The Board issued a qualified opinion on the IS 2014 Financial Statements because the IS did not systematically identify accrued expenses at year-end.

However, the Board was able to express the opinion that, in all material respects, the financial transactions and information reflected in the financial statements are in compliance with the NATO Financial and Civilian Personnel Regulations.

During the audit, the Board made 3 observations and 4 recommendations. These findings are summarised in the Letter of Observations and Recommendations (Annex 4).

The main findings are:

1. Financial Statements are not compliant with the NATO Accounting Framework
2. Charter of the Internal Audit function needs to be revised
3. Delays in the financial statements preparation and review process

18 December 2015

**AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF**  
**THE INTERNATIONAL STAFF**  
**(IS)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**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 Financial Statements of the IS which comprised the Statement of Financial Position as at 31 December 2014, the Statement of Financial Performance, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Board also audited the Statement of Budget Execution for the year ended 31 December 2014.

*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).

*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.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements due to fraud or error. In making those risk assessments, internal control relevant to the entity's preparation and presentation of the Financial Statements is considered in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements.

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



*Basis for Qualified Opinion on the Financial Statements*

The IS did not systematically identify accrued expenses at year-end. The expenses in the Statement for Financial Performance are based on budgetary commitments and not accrued expenses. The fact that accrued expenses are not systematically identified affects the balances of Operating Costs, Capital Expenditures, Programmes and Grants and Revenue from Non-Exchange Transactions in the Statement of Financial Performance. In addition it affects Payables and Unearned Revenue in the Statement of Financial Position. Comparative 2013 figures are affected as well.

As the IS did not fully identify accrued expenses, there is uncertainty as to the exact value of the misstatements. The possible effects of undetected accrual misstatements on the balances of Operating Costs, Capital Expenditures, Programmes and Grants, the related balances of Revenue from Non-Exchange transactions and Payables and Unearned Revenue could be material but are not pervasive to the Financial Statements as a whole.

In addition, the Cash Flow Statement did not disclose cash flows from investing activities. Rather, these cash flows are disclosed as cash flow from financing activities. The classification error does not affect the net cash flow in 2014 but materially affects the disclosure of cash flow from investing activities and financing activities.

*Qualified Opinion on the Financial Statements*

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion on the Financial Statements* paragraph, the Financial Statements present fairly, in all material respects, the financial position of IS as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the NATO Accounting Framework.

**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.

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

*Opinion on Compliance*

In our opinion, in all material respects the financial transactions and information reflected in the Financial Statements are in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations.

Brussels, 18 December 2015

Lyn Sachs  
Chairman

18 December 2015

**LETTER OF OBSERVATIONS AND RECOMMENDATIONS**  
**FOR THE INTERNATIONAL STAFF**  
**(IS)**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

## **Introduction**

The International Board of Auditors for NATO (Board) audited the IS Financial Statements for the year ended 31 December 2014 and issued a qualified opinion on those financial statements and an unqualified opinion on compliance.

## **Observations and Recommendations**

During the audit, the Board made three observations and four recommendations. They are summarised herein.

One observation impacts the audit opinion on the financial statements:

1. Financial Statements are not compliant with the NATO Accounting Framework

The remaining observation does not impact the audit opinion:

2. Charter of the Internal Audit function needs to be revised
3. Delays in the financial statements preparation and review process

The Board also followed up on the status of observations from previous years' audits and noted that four are settled, one is superseded by a current year observation, and five are still outstanding.

## **OBSERVATIONS AND RECOMMENDATIONS**

### **1. FINANCIAL STATEMENTS ARE NOT COMPLIANT WITH THE NATO ACCOUNTING FRAMEWORK**

#### **Reasoning**

1.1 The NATO Accounting Framework is based on the principles of accrual based accounting. All NATO entities are required to comply with the framework.

#### **Observation**

1.2 As reported in the financial statements, due to limitations in the IS accounting system, the IS Financial Statements are not fully accruals based, and therefore not compliant with the NATO Accounting Framework. The Board notes that progress has been made and that the financial statements are now closer to accrual based financial statements, while still not fully complying.

1.3 The IS has not systematically identified accrued expenses at year-end. The expenses in the Statement for Financial Performance are based on budgetary commitments and not accrued expenses. However expenses in the Budget Execution Statement are cash payments made in 2014 to some extent adjusted for outstanding payables at year-end.

1.4 The fact that accrued expenses are not systematically identified affects mainly the balances of Operating Costs, Capital Expenditures, Programmes and Grants in the Statement of Financial Performance as well as Revenue from Non-Exchange Transactions, Payables and Unearned Revenue in the Statement of Financial Position. Personnel costs are not significantly different from accrued Personnel Costs.

1.5 As the IS did not fully identify accrued expenses, there is uncertainty as to the exact value of misstatements. The possible effects of undetected accrual misstatements on the balances of Operating Costs, Capital Expenditures, Programmes and Grants and the related balances of Revenue from Non-Exchange transactions, payables and unearned revenue could be material.

1.6 The Board understands that full compliance with the NATO Accounting Framework is expected for 2015 now that a new accounting system, an Enterprise Resource Planning (ERP) system, has been implemented as from the beginning of 2015.

1.7 Further, the value of inventory is misstated as it is not based on the principles in NATO Accounting Framework for inventory valuation due to limitations in the inventory system used (see note 7 of the IS Financial Statements). In addition, the IS does not have a fixed asset module and effectively reconstructed Property, Plant & Equipment (PP&E) listings retrospectively in June/July 2015.

## **Recommendation**

1.8 With the new accounting system in place in 2015, the IS should establish full compliance with NATO Accounting Framework, including improving accounting policies and disclosures. Further, the IS should ensure fixed asset and inventory modules are implemented to properly track and record PP&E and inventory.

### **Comment of the International Staff**

*The recommendation is agreed. The IS is happy to note that IBAN notes that progress has been made and that the financial statements are now closer to accrual based financial statements. This is work in progress and will include fixed asset and inventory modules in 2016.*

## **2. CHARTER OF THE INTERNAL AUDIT FUNCTION NEEDS TO BE REVISED**

### **Reasoning**

2.1 According to Article 13.2 of the revised NATO Financial Regulations applicable as from 2015, all NATO bodies shall have access to a permanent, adequately resourced, internal audit function, compliant with internationally accepted Internal Auditing standards. Further, internal audit reports should be submitted to the relevant Audit Advisory Panel for consideration.

2.2 According to the current Charter of the Internal Audit Service of IS dated 7 March 2007, the Internal Audit Service primarily serves and reports to the IS Financial Controller.

### **Observation**

2.3 The Board found that the current Charter of the Internal Audit Service dated 7 March 2007 was approved by the IS Financial Controller. The Charter has not been approved by the Secretary General or any NATO Committee.

2.4 Further, the internal audit service reports to and serves primarily the IS Financial Controller and organisationally is part of the IS Office of Financial Control. Also, audit reports are submitted to the IS Financial Controller. This is not in accordance with international standards on internal audit.

2.5 The Board is aware that currently, the Internal Audit Service is drafting a new mandate for approval by the Secretary General.

## **Recommendation**

2.6 The Board recommends the IS ensures that a new mandate for the Internal Audit Service is established in accordance with the revised NFRs and international standards and approved by the appropriate authority as soon as possible. The mandate should ensure proper reporting lines and organisational independence of the internal audit service. In addition, an audit advisory panel should be established.

## **Comment of the International Staff**

*The IBAN observation refers to Financial Regulations that were not in place during the financial year under review, i.e. 2014. The situation described was consistent with Council approved documents and prior IBAN recommendations.*

*In C-M(2009)0152 - "Internal Audit Function at NATO", Appendix 1, Annex 1, the draft internal audit mandate stated, "The Internal Auditor shall act under the authority of the Financial Controller or of Senior Management. In cases where the organisation of the internal audit is entrusted to the Financial Controller, access to Senior Management should not be denied for important matters or for issues exceeding the responsibility of the Financial Controller."*

*In IBA-C(2011)07 – "Special Report to Council on the Status of Implementation on the IBAN Recommendations Related to the Internal Audit Function at NATO", page 2-4, IBAN found that all internal auditors of the entities surveyed have access to senior management in their organisations. IBAN also said it was "dismayed" to see that in a specific NATO body the Internal Audit "would be moved from the direct authority of the Financial Controller".*

*A draft Internal Audit Mandate has been prepared for approval.*

## **Board's position**

The Board notes that a new Internal Audit mandate has been prepared for approval which will ensure compliance with the new NATO Financial Regulations.

### **3. DELAYS IN THE FINANCIAL STATEMENTS PREPARATION AND REVIEW PROCESS**

#### **Reasoning**

3.1 According to Article 27 of the NFRs, the financial statements shall be issued no later than 30 April following the end of the financial year. As from the financial year 2015, financial statements shall be presented no later than 31 March.

#### **Observation**

3.2 There was a significant delay in the issuance of the financial statements as the IS Financial Statements for 2014 were issued on 24 July 2015, almost 3 months late.

3.3 Further, due to the lack of a chief accountant, the IS Financial Controller is too involved in the preparation of the financial statements. Their preparation is fully dependent on the IS Financial Controller.

3.4 The Board also found that, due to a lack of written procedures for the preparation of the financial statements, information on how figures are derived and prepared are concentrated on a few key staff, for example the preparation of PP&E. Without the availability of these key staff, the access to information on how certain figures is derived is limited. This poses a significant risk on the audit trail and internal controls.

#### **Recommendations**

3.5 The Board recommends establishing robust internal procedures which would define responsibilities, requirements and internal deadlines for the preparation of the financial statements in order to ensure that they are issued on time in accordance with the NFRs.

3.6 Further, the Board recommends that the IS establish robust procedures for the identification, capture and tracking of costs related to PP&E, intangible assets and inventory during the financial year. The IS should ensure that the ERP system provides asset module functionalities to record PP&E, intangible assets and inventory and effective coordination with IS divisions currently maintaining asset registers. The Board understands that the IS will implement an asset module in 2016.

#### **Comment of the International Staff**

*These recommendations are agreed.*

*The generation of the financial statements is a collective work involving several individuals and not only the Financial Controller.*



*The timelines related to the issuance of the 2014 financial statements have been impacted by the implementation of the ERP and first steps in learning to use it, whilst the same scarce resources had to be used to generate the financial statements from the old system.*

*Considering the number of statements to be issued by the Office of Financial Control (nine each year) and the overall shortage of staff it was not possible, therefore, to publish all of them by the required deadline. This can be the cause of single points of failure.*

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

The Board reviewed the status of the observations and recommendations arising from previous audits. The observations and their status are summarised in the table below.

### **STATUS OF PREVIOUS YEARS' OBSERVATIONS**

<b>OBSERVATION/RECOMMENDATION</b>	<b>ACTION</b>	<b>STATUS</b>
<p><b>1. IBA-AR(2014)19 (FY 2013) paragraph 1 RESTATED FINANCIAL STATEMENTS ARE NOT COMPLIANT WITH THE NATO ACCOUNTING FRAMEWORK</b></p> <p>The IS has not systematically identified accrued expenses at year-end. The expenses in the Statement for Performance are based on budgetary commitments and not accrued expenses whereas expenses in the Budget Execution Statement are cash payments done in 2013 and to some extent adjusted for outstanding payables at year-end.</p> <p>Further, the value of inventory is misstated as it is not based on the principles in NATO Accounting Framework for inventory valuation due to limitations in the inventory system used (see note 7 of the IS Restated Financial Statements). In addition, the IS does not have a fixed asset module and effectively reconstructed Property, Plant &amp; Equipment (PP&amp;E) listings retrospectively in May/June 2014.</p> <p><b>Board's recommendation</b> As part of the ERP implementation, the IS should continue working towards preparing the accounts to be compliant with NATO Accounting Framework including improving accounting policies and disclosures. Further, the IS should ensure proper training of staff who will be working with the ERP system and especially, the IS should ensure divisions understand the principles of accrual based accounting.</p>	Superseded by current year observation 1.	Observation <b>Superseded</b> by current year observation.

OBSERVATION/RECOMMENDATION	ACTION	STATUS
<p><b>2. IBA-AR(2014)19 (FY 2013) paragraph 2 CASH FLOW FROM INVESTING ACTIVITIES NOT DISCLOSED IN THE CASH FLOW STATEMENT</b></p> <p>The Board found that the IS did not separately disclose cash flow from investing activities, i.e. cash payments to acquire PP&amp;E and Intangible assets. These cash flows were included under cash flow from operating activities.</p> <p><b>Board's recommendation</b> The Board recommends the IS to disclose cash flow from investing activities in the Cash Flow Statement to comply with the NATO Accounting Framework.</p>	<p>The IS did not disclose correctly cash flow from investing activities in the 2014 Cash Flow Statement.</p> <p>The IS disclosed EUR 12.5 million as a cash outflow from financing activities. The amount equals payments made for capital costs and thus is not a cash flow from financing activities. The error was due to a classification mistake.</p> <p>With the current system, the IS is not fully able to identify cash flows from investing activities.</p>	<p><b>Observation Outstanding.</b></p>
<p><b>Comment of the International Staff</b></p> <p><i>Factual observation- We believe the facts relating to 2014 are not properly described. There was an error in the classification and cash outflows from investing activities were erroneously disclosed as outflows from financing activities. This could have been corrected through a restatement.</i></p>		
<p><b>3. IBA-AR(2014)19 (FY 2013) paragraph 3 NO RESTATEMENT OF COMPARATIVE 2012 FIGURES</b></p> <p>The Board found that the IS, in the 2013 Restated Financial Statements, did not consistently and properly restate comparative 2012 figures to adapt to the changes made in 2013. The 2012 figures in the Statement of Position and Statement of Cash Flow as well as the segment reporting in the notes were not properly restated as required by the NATO Accounting Framework (IPSAS 3).</p> <p><b>Board's recommendation</b> The Board recommends the IS to comply with the disclosure requirements in the NATO Accounting Framework (adapted International Public Sector Accounting Standards).</p>	<p>No changes were made in 2014 requiring restatement of comparative 2013 figures.</p>	<p><b>Observation Settled.</b></p>

OBSERVATION/RECOMMENDATION	ACTION	STATUS
<p><b>4. IBA-AR(2014)19 (FY 2013) paragraph 4 FINANCIAL STATEMENTS PREPARATION AND REVIEW PROCESS RESULTED IN DELAYS IN PUBLICATION AND ERRORS IN THE FINANCIAL STATEMENTS INCLUDING DISCLOSURE ERRORS.</b></p> <p>The IS did not issue financial statements by the deadline (30 April 2014). The unaudited Financial Statements were issued on 15 July 2014 and further based on audit findings, Restated Financial Statements were issued on 9 September 2014. Although the preparation of the financial statements is complicated by the non-existence of a fully functional information system, the Board believes that part of the delay is due to deficiencies in the book-closing processes in the IS.</p> <p><b>Board's recommendation</b> The Board recommends establishing robust internal procedures which would define responsibilities, requirements and internal deadlines for the preparation of the financial statements in order to ensure that they are issued on time in accordance with the NFRs. Further, the Board recommends the IS to establish robust procedures for the identification, capture and tracking of costs related to PP&amp;E and Intangible assets during the financial year. The IS should ensure that the new ERP system provides asset module functionalities to record PP&amp;E and intangible assets and proper coordination with divisions in the IS currently maintaining asset register should take place.</p>	Superseded by current year observation 3.	Observation <b>Superseded</b> by current year observation.
<p><b>5. IBA-AR(2014)19 (FY 2013) paragraph 5 ABSENCE OF CLEAR ALLOCATION OF RESPONSIBILITIES WHEN CONTRACTING THROUGH NCIA.</b></p> <p>There is no global agreement between the IS and NCIA setting out the roles and responsibilities when using NCIA as a procurement agent. This means that it is not clear who (the IS or NCIA) is responsible for, among other things, compliance with the FRPs in relation to bidding and contracting, the contract management, payment terms and conditions to NCIA, access to information/documentation etc.</p>	According to the IS Financial Controller, regulations for contracting through the agencies will be clarified in the new FRPs.	Observation <b>Outstanding</b> .

OBSERVATION/RECOMMENDATION	ACTION	STATUS
<b>Board's recommendation</b> The Board recommends that a Memorandum of Agreement (MOA) governing those types of relationships should be signed by both parties clarifying the roles and responsibilities in the procurement process, contract management, etc.		
<b>Comment of the International Staff</b>  <p><i>The report states "According to the IS Financial Controller, regulations for contracting through the agencies will be clarified in the new FRPs".</i></p> <p><i>FRP XXXII in the latest version of the new FRPs released for nations' consideration [BC-WP(2015)0004-REV5, dated 30 October 2015] states that in those instances where the procurement process is conducted by other NATO body, the NATO body supplying the service will apply their own procurement rules and procedures subject to any specific procedures or stipulation of the Financial Controller of the Agency or the Budget Committee. This new rule will make it unnecessary to establish a separate agreement with the Agencies in order to clarify procurement procedures, roles, and responsibilities since, unless otherwise stated, the Agencies' approved procedures, roles, and responsibilities will apply to these situations.</i></p>		
<b>Board's position</b>  <p><i>Regardless of which NATO bodies procurement rules are followed, the Board recommends that there be a written agreement in place between the IS and NCIA setting out the roles and responsibilities in all aspects of the relationship.</i></p>		
<b>6. IBA-AR(2014)19 (FY 2013) paragraph 6 CONFIRMATION OF YEAR-END ASSETS AND LIABILITIES OUTSTANDING BETWEEN NATO ENTITIES</b>  The Board found that IS does not confirm outstanding year-end assets and liability balances between the IS and other NATO bodies (NCIA, IMS, etc.) with the other NATO body. Therefore, there is no certainty that the other NATO body agrees on the amount of the outstanding balances.  <b>Board's recommendation</b> The Board recommends the IS, as from 2014, to confirm the outstanding asset and liability balances it has with other NATO bodies as part of the preparation of the financial statements.	The IS did not confirm outstanding year-end asset and liability balances with other NATO entities.  The Board recommends that the IS confirm outstanding asset and liability balances with other NATO bodies as part of the preparation of the financial statements.	<b>Observation Outstanding.</b>
<b>Comment of the International Staff</b>  <p><i>Agreed.</i></p>		

OBSERVATION/RECOMMENDATION	ACTION	STATUS
<p><b>7. IBA-AR(2013)24 (FY 2012) paragraph 5.3 THE COLLECTION OF CONCESSION REVENUE FROM COMMERCIAL SHOPS IN HQ BUILDING AND THE CONTRACT MANAGEMENT HEREOF</b></p> <p>The Board found that due to an unclear mandate for the commercial activities in the HQ building, annual rent and reimbursement of utility costs had not in all cases been collected as otherwise agreed in the concession contracts. Also, one of the contracts did not contain provision for reimbursement of utility costs and two contracts had expired in 2012.</p> <p><b>Board's recommendation</b> The Board recommends that written agreement and instructions are established between the IS and the Staff Centre specifying each of their responsibilities relating to commercial activities in the HQ building in order to ensure that rent and utility costs are collected as appropriate. Also, the IS should immediately ensure that outstanding rent and utility cost reimbursement is collected.</p> <p>The Board also recommends that expired contracts are regularised by either re-competing or extending the contracts.</p>	<p>Rent and reimbursement of utility costs for concessionaires in the HQ building managed by the IS were properly collected by the IS in 2014.</p> <p>The IS Procurement Service has worked extensively on reviewing all concession contracts in both the HQ building and the Staff Centre. A standard format for concession contracts has been developed and several contracts have been revised and signed properly and the reimbursement of utility costs has been included in the contracts.</p> <p>The Board will continue to monitor and audit concession contracts as part of the annual audit of the Staff Center and the IS.</p>	<p>Observation <b>Settled.</b></p>
<p><b>8. IBA-AR(2013)24 (FY 2012) paragraph 5.5 SURPLUS GENERATED ON THE SALE OF PETROL TO STAFF MEMBERS</b></p> <p>The Board found that a surplus of EUR 301,750 was generated on the sale of petrol to eligible personnel. No decision has yet been taken on the use or distribution of this surplus.</p> <p><b>Board's recommendation</b> The Board recommends that the IS decides on the use of the generated surplus from the sale of petrol. Whatever action is chosen, the Board recommends the IS to inform the BC.</p>	<p>In agreement with the Private Office, the IS decided to use the balance of EUR 324,086 to offset the Staff Centre pension liability for 2015.</p>	<p>Observation <b>Settled.</b></p>
<p><b>Comment of the International Staff</b></p> <p style="text-align: center;"><i>Agreed.</i></p>		

OBSERVATION/RECOMMENDATION	ACTION	STATUS
<p><b>9. IBA-AR(2012)08 (FY 2010) paragraph 5.2 ACCOUNTING FOR FUNDS RELATING TO THE FORMER NATO HAWK PRODUCTION AND LOGISTICS ORGANIZATION</b></p> <p>Cash balances of EUR 598,300 and USD 89,619 held by the IS as an agent for the former NHMO entity, and payments of EUR 946,319 during the year under the management of IS were not disclosed.</p> <p><b>Board's recommendation</b> The Board recommends that the IS should determine the best method to account and disclose the assets and liabilities and movements of funds during the year of the former NHMO.</p>	<p>The IS informed the Board that separate financial statements would be issued for NHPLO.</p> <p>However, no financial statements have been issued yet. This has been outstanding for a number of years now and needs to be addressed by the IS.</p> <p>The Board notes that the last payments in HAWK has been executed and all activities were now finished, and that a surplus of EUR 425,013 remains to be distributed to nations.</p>	<p>Observation <b>Outstanding.</b></p>
<p><b>10. IBA-AR(2012)08 (FY2010) paragraph 5.5 BANK RECONCILIATIONS NOT SIGNED</b></p> <p>As there was no signature by the reviewer of the IS bank reconciliations, there was no documented evidence of the operation of the review. In addition the reconciliations were not signed by the preparer and therefore there was no documented evidence of the operation of segregation of duties for this internal control.</p> <p><b>Board's recommendation</b> The Board recommends that in future bank reconciliations are signed both by the preparer and the Head of Treasury (or deputy) as reviewer.</p>	<p>In 2014, bank reconciliations were properly signed by the preparer and the reviewer.</p>	<p>Observation <b>Settled.</b></p>

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## **INTERNATIONAL STAFF**

### **FINANCIAL STATEMENTS AS AT 31 DECEMBER 2014**

#### **ANNEXES :**

- 1 Statement of financial position
- 2 Statement of financial performance
- 3 Cash flow statement
- 4 Statement of changes in net assets/equity
- 5 Budgetary Execution Statements
- 6 Budgetary operations: use of credits by Global Objective
- 7 Budgetary operations: use of credits by Resource Pool
- 8 Breakdown of Global Objectives' commitments by Resource Pool
- 9 Explanatory notes to the financial statements

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**NATO INTERNATIONAL SECRETARIAT STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2014**  
 (All amounts in Euro)

	Notes	Current Year	Year	Variance
		31-Dec-14	31-Dec-13	CY - PY
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
<b>Cash and Cash Equivalents</b>	3			
Cash		4,592.85	2,249.35	2,343.50
Current bank accounts		64,626,506.01	68,565,700.12	-3,939,194.11
Cash equivalents		0.00	0.00	0.00
Subtotal Cash & Equivalent		64,631,098.86	68,567,949.47	-3,936,850.61
Cash Managed for Third Parties	4	12,714,431.84	11,844,681.60	869,750.24
<b>Total Cash and Cash Equivalents</b>		<b>77,345,530.70</b>	<b>80,412,631.07</b>	<b>-3,067,100.37</b>
<b>Receivables</b>	5			
Contributions from Member Nations Receivables		36,639,407.52	44,584,206.46	-7,944,798.94
Receivables from Nations, Partners and others		903,104.42	493,782.65	409,321.77
Budget undercall		3,448,725.00	0.00	3,448,725.00
Receivables from other NATO bodies		722,759.16	620,247.41	102,511.75
Receivables from Staff Members		1,095,779.36	957,980.24	137,799.12
Receivables from Post Employment Benefit Schemes		147,569.16	90,827.26	56,741.90
Bank interest accrued		163,737.18	195,586.53	-31,849.35
<b>Total Receivables</b>		<b>43,121,081.80</b>	<b>46,942,630.55</b>	<b>-3,821,548.75</b>
<b>Prepayments</b>	6			
Other receivables		3,908,080.84	3,220,709.36	687,371.48
<b>Total Prepayments</b>		<b>3,908,080.84</b>	<b>3,220,709.36</b>	<b>687,371.48</b>
<b>Inventories</b>	7			
Office supplies		205,105.58	169,477.42	35,628.16
Supplies/maintenance		272,932.27	319,380.16	-46,447.89
Medicine and vaccines		344,215.92	343,582.17	633.75
Munitions		39,930.00	30,907.00	9,023.00
<b>Total Inventories</b>		<b>862,183.77</b>	<b>863,346.75</b>	<b>-1,162.98</b>
<b>TOTAL CURRENT ASSETS</b>		<b>125,236,877.11</b>	<b>131,439,317.73</b>	<b>-6,202,440.62</b>
<b>NON CURRENT ASSETS</b>				<b>0</b>
<b>Receivables</b>				0.00
<b>Infrastructure, plant and equipment</b>	8	1,277,583.80	1,035,769.03	241,814.76
<b>Land and buildings</b>	8	0.00	0.00	0.00
<b>Intangible assets</b>	8	14,498,137.57	9,041,201.19	5,456,936.38
<b>TOTAL NON CURRENT ASSETS</b>		<b>15,775,721.37</b>	<b>10,076,970.22</b>	<b>5,698,751.14</b>
<b>TOTAL ASSETS</b>		<b>141,012,598.48</b>	<b>141,516,287.95</b>	<b>-503,689.48</b>

TABLE 2

**NATO INTERNATIONAL SECRETARIAT STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2014**  
 (All amounts in Euro)

	Notes	Current Year	Prior Year	Variance
		31-Dec-14	31-Dec-13	CY - PY
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
<b>Payables</b>	9			
<b>Payable to Nations</b>				
Interest		46,881.03	109,948.14	-63,067.11
Lapsed credits		5,031,199.01	10,937,453.63	-5,906,254.62
Miscellaneous receipts		628,256.75	315,268.95	312,987.80
US & NL reimbursables		6,829,250.43	5,022,398.28	1,806,852.15
Project accumulated surplus		638,342.68	565,547.68	72,795.00
Other payable to Nations		3,166,557.54	1,699,471.14	1,467,086.40
<b>Total Payable to Nations</b>		<b>16,340,487.44</b>	<b>18,650,087.82</b>	<b>-2,309,600.38</b>
<b>Payable to Staff</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Payable to NATO Bodies</b>				
Stikker fund		95,774.61	95,535.77	238.84
Agencies		387,710.30	1,570.70	386,139.60
Post Employment Benefit Schemes		0.00	0.00	0.00
<b>Total Payable to NATO Bodies</b>		<b>483,484.91</b>	<b>97,106.47</b>	<b>386,378.44</b>
<b>Payable to Suppliers</b>				
Payable to Suppliers		588,889.72	10,560,332.98	-9,971,443.26
Accrued expenses		297,497.88	0.00	297,497.88
<b>Total Payable to Suppliers</b>		<b>886,387.60</b>	<b>10,560,332.98</b>	<b>-9,673,945.38</b>
<b>Payable to Others</b>				
Other Accounts Payable		895,698.33	907,288.30	-11,589.97
Trust Funds		15,390,648.05	15,017,577.46	373,070.59
<b>Total Payable to Others</b>		<b>16,286,346.38</b>	<b>15,924,865.76</b>	<b>361,480.62</b>
<b>Total Accounts Payable</b>		<b>33,996,706.33</b>	<b>45,232,393.03</b>	<b>-11,235,686.70</b>
<b>Unearned Revenue and Advanced Contributions</b>	10			
Unearned revenue from budgetary credits		44,587,228.21	38,405,800.23	6,181,427.98
Unearned revenue from Annex IV - Partners' Accomodation		80,758.80	20,777.72	59,981.08
Unearned revenue from previous years surplus		0.00	0.00	0.00
Unearned revenue advance called for Y +1		45,710,000.00	46,917,000.00	-1,207,000.00
Unearned revenue inventory		862,183.77	863,346.75	-1,162.98
<b>Total Unearned Revenue and Advanced Contributions</b>		<b>91,240,170.78</b>	<b>86,206,924.70</b>	<b>5,033,246.08</b>
<b>TOTAL CURRENT LIABILITIES</b>		<b>125,236,877.11</b>	<b>131,439,317.73</b>	<b>-6,202,440.62</b>
<b>NON CURRENT LIABILITIES</b>	11			
Long-term unearned revenue from PPE		1,277,583.80	1,035,769.03	241,814.76
Long-term unearned revenue from intangible assets		14,498,137.57	9,041,201.19	5,456,936.38
<b>Provisions</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>15,775,721.37</b>	<b>10,076,970.22</b>	<b>5,698,751.14</b>
<b>TOTAL LIABILITIES</b>		<b>141,012,598.48</b>	<b>141,516,287.95</b>	<b>-503,689.48</b>
<b>NET ASSETS</b>				
Surplus/Deficit of the period		0.00	0.00	0.00
<b>Total Net Assets</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL NET ASSETS</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## NATO INTERNATIONAL SECRETARIAT STATEMENT OF FINANCIAL PERFORMANCE

As at 31 December 2014

(All amounts in EUR)

		Civil Budget	PMIS	OSS	Trust Funds	Partners' Accommodatio n	Neutralisation of Internal Transactions	Total
	Notes	Current Year 31-Dec-14	Current Year 31-Dec-14	Current Year 31-Dec-14	Current Year 31-Dec-14	Current Year 31-Dec-14	31-Dec-14	Current Year 31-Dec-14
<b>Revenue</b>	12							
Revenue from non exchange transactions		170,949,283.16	-	540,240.84	-	-		171,489,524.00
Revenue from exchange transactions		10,452,673.09	91,790.16	-	1,797,457.27	2,080,142.00		14,422,062.52
Financial Revenue		215,991.76	-	812.25		-		216,804.01
Other revenue		-	-	-	-	-		-
Long term revenue funding depreciation and impairment		648,497.00						648,497.00
Internal Transactions		248,420.43	41,233.15	30,979.50		608,135.00	(928,768.08)	-
<b>Total Revenue</b>		<b>182,514,865.44</b>	<b>133,023.31</b>	<b>572,032.59</b>	<b>1,797,457.27</b>	<b>2,688,277.00</b>	<b>(928,768.08)</b>	<b>186,776,887.53</b>
<b>Expenses</b>	13							
Wages, salaries and employee benefits		115,679,909.62	113,563.71	508,510.25	48,086.54	-		116,350,070.12
Operating costs: rents, supplies and consumables used		31,930,983.38	19,459.60	2,658.91	1,748,649.98	2,294,711.96		35,996,463.83
Capital Expenditure		5,277,054.55						5,277,054.55
Programmes and grants		27,411,008.53	-	-		-		27,411,008.53
Financial Costs		170,013.34	-	-	720.75	-		170,734.09
Other expenses (interest to nations and transfers)		773,663.37	-	-	-	-		773,663.37
Depreciation		648,497.00	-	-	-	-		648,497.00
Impairment		-	-	-	-	-		-
Internal Transactions		623,735.65		60,863.43		244,169.00	(928,768.08)	-
<b>Total Expenses</b>		<b>182,514,865.44</b>	<b>133,023.31</b>	<b>572,032.59</b>	<b>1,797,457.27</b>	<b>2,538,880.96</b>	<b>(928,768.08)</b>	<b>186,627,491.49</b>
<b>Surplus/Deficit for the period</b>	14	-	-	-	-	149,396.04	-	149,396.04

## NATO INTERNATIONAL SECRETARIAT STATEMENT OF FINANCIAL PERFORMANCE

As at 31 December 2013

(All amounts in EUR)

		Civil Budget	PMIS	OSS	Trust Funds	Partners' Accommodatio n	Neutralisation of Internal Transactions	Total
	Notes	Current Year 31-Dec-13	Current Year 31-Dec-13	Current Year 31-Dec-13	Current Year 31-Dec-13	Current Year 31-Dec-13		Current Year 31-Dec-13
<b>Revenue</b>	12							
Revenue from non exchange transactions		163,146,657.63	-	601,158.21	-	-		163,747,815.84
Revenue from exchange transactions		9,645,844.00	98,161.69	-	1,854,982.67	2,152,908.87		13,751,897.23
Financial Revenue		217,897.51	175.70	1,320.08		-		219,393.29
Other revenue		-	-	-	-	-		-
Long term revenue funding depreciation and impairment		2,131,526.40						2,131,526.40
Internal Transactions		261,234.00	36,392.96			692,933.40	(990,560.36)	-
<b>Total Revenue</b>		<b>175,403,159.54</b>	<b>134,730.35</b>	<b>602,478.29</b>	<b>1,854,982.67</b>	<b>2,845,842.27</b>	<b>(990,560.36)</b>	<b>179,850,632.76</b>
<b>Expenses</b>	13							
Wages, salaries and employee benefits		121,095,604.73	115,837.54	402,155.62		-		121,613,597.89
Operating costs: rents, supplies and consumables used		23,867,829.50	18,892.81	118,988.27	-	2,382,245.05		26,387,955.63
Capital Expenditure		3,842,651.76						3,842,651.76
Programmes and grants		23,499,108.68	-	-	1,854,982.67	-		25,354,091.35
Financial Costs		109,264.45	-	-	-	-		109,264.45
Other expenses (interest to nations and transfers)		209,182.06	-	-	-	-		209,182.06
Depreciation		131,526.40	-	-	-	-		131,526.40
Impairment		2,000,000.00	-	-	-	-		2,000,000.00
Internal Transactions		647,991.96		81,334.40		261,234.00	(990,560.36)	-
<b>Total Expenses</b>		<b>175,403,159.54</b>	<b>134,730.35</b>	<b>602,478.29</b>	<b>1,854,982.67</b>	<b>2,643,479.05</b>	<b>(990,560.36)</b>	<b>179,648,269.54</b>
<b>Surplus/Deficit for the period</b>	14	-	-	-	-	202,363.22	-	202,363.22

## NATO INTERNATIONAL SECRETARIAT STATEMENT OF FINANCIAL PERFORMANCE

As at 31 December 2012

(All amounts in EUR)

		Civil Budget	PMIS	Agency Reform and OSS	Trust Funds	Partners' Accommodation	Neutralisation of Internal Transactions	Total
	Notes	Current Year 31-Dec-12	Current Year 31-Dec-12	Current Year 31-Dec-12	Current Year 31-Dec-12	Current Year 31-Dec-12		Current Year 31-Dec-11
<b>Revenue</b>	12							
Revenue from non exchange transactions		176,272,517.55	-	151,529.00	-	-		176,424,046.55
Revenue from exchange transactions		9,567,247.77	92,037.72	435,857.47	1,194,226.06	2,106,071.07		13,395,440.09
Financial Revenue		290,741.42	234.62	-	-	-		290,976.04
Other revenue		-	-	-	-	-		-
Internal Transactions		262,112.00	39,830.97			709,675.00	(1,011,617.97)	-
								-
<b>Total Revenue</b>		<b>186,392,618.74</b>	<b>132,103.31</b>	<b>587,386.47</b>	<b>1,194,226.06</b>	<b>2,815,746.07</b>	<b>(1,011,617.97)</b>	<b>190,110,462.68</b>
<b>Expenses</b>	13							
Wages, salaries and employee benefits		127,868,542.54	112,282.36	431,552.16		-		128,412,377.06
Operating costs: rents, supplies and consumables used		22,490,293.39	19,820.95	155,834.31	-	2,607,891.77		25,273,840.42
Capital Expenditure		11,599,242.22						11,599,242.22
Programmes and grants		23,394,293.20	-	-	1,194,226.06	-		24,588,519.26
Financial Costs		65,411.89	-	-	-	-		65,411.89
Other expenses (interest to be reimbursed to nations)		225,329.53	-	-	-	-		225,329.53
Depreciation		-	-	-	-	-		-
Internal Transactions		749,505.97				262,112.00	(1,011,617.97)	-
								-
<b>Total Expenses</b>		<b>186,392,618.74</b>	<b>132,103.31</b>	<b>587,386.47</b>	<b>1,194,226.06</b>	<b>2,870,003.77</b>	<b>(1,011,617.97)</b>	<b>190,164,720.38</b>
<b>Surplus/Deficit for the period</b>	14	-	-	-	-	(54,257.70)		(54,257.70)

## INTERNATIONAL STAFF

## CASH FLOW STATEMENT

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>Note</b>	<b>2014</b>	<b>2013</b>
<b>RECEIPTS</b>	15		
Contributions		182,815,424.36	179,268,516.22
Advances on Next Year Budget		428,232.98	640,000.00
Other operational revenue		9,391,657.73	9,593,920.01
Financial Revenues		214,228.29	235,058.08
Others		11,802,221.17	15,451,490.11
Partner Accomodation		1,649,772.01	1,935,899.29
Contributions paid to incorrect account		3,131,444.35	760,221.20
Net gain on foreign exchange transactions		127,239.14	64,176.76
<b>TOTAL</b>		<b>209,560,220.03</b>	<b>207,949,281.67</b>
<b>PAYMENTS</b>	16		
Personnel Costs (RP1)		(116,211,591.15)	(119,679,476.25)
Operating Costs (RP2)		(31,532,796.88)	(21,906,518.73)
Capital Costs (RP3)		-	(5,286,455.55)
Programmes (RP4)		(23,854,207.54)	(16,685,069.15)
Partner Accomodation		(933,841.64)	(1,795,504.16)
Correction of Contributions paid to incorrect account		(3,131,444.35)	(760,221.20)
Miscellaneous Payments		(25,098,640.38)	(19,775,601.60)
Financial Costs		(43,116.35)	(42,795.26)
Net loss on foreign exchange transactions		(193,405.98)	(118,479.61)
<b>TOTAL</b>		<b>(200,999,044.27)</b>	<b>(186,050,121.51)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>8,561,175.76</b>	<b>21,899,160.16</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	16		
<b>PURCHASE OF NON CURRENT ASSETS</b>			
RECEIPTS		0.00	0.00
PAYMENTS		0.00	0.00
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>0.00</b>	<b>0.00</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>	16		
RECEIPTS		0.00	0.00
PAYMENTS		(12,498,026.37)	0.00
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(12,498,026.37)</b>	<b>0.00</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS OF PERIOD</b>	16	<b>(3,936,850.61)</b>	<b>21,899,160.16</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	16	<b>68,567,949.47</b>	<b>46,668,789.31</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>64,631,098.86</b>	<b>68,567,949.47</b>
<b>CASH FLOW FUNDS HELD FOR THIRD PARTIES</b>	17		
RECEIPTS		21,269,333.43	13,975,230.31
PAYMENTS		(20,399,583.19)	(13,605,398.57)
<b>NET INCREASE (DECREASE) FUNDS HELD FOR THIRD PARTIES</b>		<b>869,750.24</b>	<b>369,831.74</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD HELD FOR THIRD PARTIES</b>		<b>11,844,681.60</b>	<b>11,474,849.86</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD HELD FOR THIRD PARTIES</b>		<b>12,714,431.84</b>	<b>11,844,681.60</b>

## INTERNATIONAL STAFF

STATEMENT OF CHANGES IN NET ASSETS/EQUITY AS AT 31/12/2014 (IN EUR)	
	Accumulated surpluses/(deficits)
<b>Balance at 31 December 2012</b>	<b>0.00</b>
Revaluation of investments	0.00
Revaluation of investments	0.00
Currency translation differences	0.00
Net gains and losses not recognized in statement of financial performance	0.00
Net surplus/deficit for the period	0.00
<b>Balance at 31 December 2013</b>	<b>0.00</b>
Revaluation of investments	0.00
Revaluation of investments	0.00
Currency translation differences	0.00
Net gains and losses not recognized in the statement of financial performance	0.00
Net surplus/deficit for the period	0.00
<b>Balance at 31 December 2014</b>	<b>0.00</b>

**INTERNATIONAL STAFF**  
**BUDGET EXECUTION STATEMENT: CIVIL BUDGET**

(n = 2014)

( in EUR)

CHAPTER		BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
		BUDGET	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			Credits carried forward to n+1	Lapsed credits
		INITIAL : BC-D(2013)0205-REV3						
		REV: BC-D(2014)0206 -REV1						
(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)		
1	PERSONNEL COSTS							
	Financial year n	117,634,626.02	-5,183.25	117,629,442.77	116,659,528.62	113,572,651.37	3,086,877.25	969,914.15
	Carried forward:							
	Financial year n-1	3,933,428.42	0.00	3,933,428.42	3,553,573.25	3,014,536.09	539,037.16	379,855.17
	Financial year n-2	949,904.90	0.00	949,904.90	684,848.26	608,664.22	76,184.04	265,056.64
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		122,517,959.34	-5,183.25	122,512,776.09	120,897,950.13	117,195,851.68	3,702,098.45	1,614,825.96
2	OPERATING COSTS							
	Financial year n	33,004,757.67	-46,764.94	32,957,992.73	32,330,091.38	26,269,848.04	6,060,243.34	627,901.35
	Carried forward:							
	Financial year n-1	1,801,875.55	0.00	1,801,875.55	1,434,877.16	1,329,033.06	105,844.10	366,998.39
	Financial year n-2	100,668.79	0.00	100,668.79	8,953.55	6,953.55	2,000.00	91,715.24
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		34,907,302.01	-46,764.94	34,860,537.07	33,773,922.09	27,605,834.65	6,168,087.44	1,086,614.98
3	CAPITAL COSTS							
	Financial year n	9,894,846.94	486,585.19	10,381,432.13	10,377,103.03	2,131,813.70	8,245,289.33	4,329.10
	Carried forward:							
	Financial year n-1	6,365,139.59	0.00	6,365,139.59	6,241,592.16	3,880,256.20	2,361,335.96	123,547.43
	Financial year n-2	4,013,705.08	0.00	4,013,705.08	3,828,683.88	2,177,710.88	1,650,973.00	185,021.20
	Financial year n-3	3,597,776.65	0.00	3,597,776.65	3,597,776.65	1,484,800.71	2,112,975.94	0.00
	Financial year n-4	177,340.00	0.00	177,340.00	177,340.00	129,760.08	47,579.92	0.00
		24,048,808.26	486,585.19	24,535,393.45	24,222,495.72	9,804,341.57	14,418,154.15	312,897.73
4	PROGRAMMES TOTAL							
	Financial year n	28,177,494.00	-434,637.00	27,742,857.00	27,411,008.53	11,055,839.93	16,355,168.60	331,848.47
	Carried forward:		0.00					
	Financial year n-1	13,506,498.68	0.00	13,506,498.68	12,727,011.68	8,487,230.52	4,239,781.16	779,487.00
	Financial year n-2	3,953,724.65	0.00	3,953,724.65	3,304,128.82	3,304,128.82	0.00	649,595.83
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		45,637,717.33	-434,637.00	45,203,080.33	43,442,149.03	22,847,199.27	20,594,949.76	1,760,931.30
	TOTAL CHAPTERS 1 TO 4							
	Financial year n	188,711,724.63	0.00	188,711,724.63	186,777,731.56	153,030,153.04	33,747,578.52	1,933,993.07
	Carried forward:							
	Financial year n-1	25,606,942.24	0.00	25,606,942.24	23,957,054.25	16,711,055.87	7,245,998.38	1,649,887.99
	Financial year n-2	9,018,003.42	0.00	9,018,003.42	7,826,614.51	6,097,457.47	1,729,157.04	1,191,388.91
	Financial year n-3	3,597,776.65	0.00	3,597,776.65	3,597,776.65	1,484,800.71	2,112,975.94	0.00
	Financial year n-4	177,340.00	0.00	177,340.00	177,340.00	129,760.08	47,579.92	0.00
		227,111,786.94	0.00	227,111,786.94	222,336,516.97	177,453,227.17	44,883,289.80	4,775,269.97



## INTERNATIONAL STAFF

## BUDGET EXECUTION STATEMENT

(n = 2013)

( in EUR)

CHAPTER		BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
		BUDGET	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			Credits carried forward to n+1	Lapsed credits
		INITIAL : BC-D(2013)0005 REV: BC-D(2013)0215 -						
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)
1	PERSONNEL COSTS							
	Financial year n	123,184,714.14	2,741.80	123,187,455.94	122,483,905.83	118,550,477.41	3,933,428.42	703,550.11
	Carried forward:							
	Financial year n-1	4,318,647.85	0.00	4,318,647.85	4,257,470.62	3,307,565.72	949,904.90	61,177.23
	Financial year n-2	896,847.81	0.00	896,847.81	113,312.26	113,312.26	0.00	783,535.55
	Financial year n-3	29,295.48	-29,295.48	0.00	0.00	0.00	0.00	0.00
		128,429,505.28	-26,553.68	128,402,951.60	126,854,688.71	121,971,355.39	4,883,333.32	1,548,262.89
2	OPERATING COSTS							
	Financial year n	26,613,872.55	-400,000.00	26,213,872.55	23,977,829.50	22,175,953.95	1,801,875.55	2,236,043.05
	Carried forward:							
	Financial year n-1	1,700,465.38	0.00	1,700,465.38	1,427,107.74	1,326,438.95	100,668.79	273,357.64
	Financial year n-2	543,686.47	0.00	543,686.47	53,627.81	53,627.81	0.00	490,058.66
	Financial year n-3	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		28,858,024.40	-400,000.00	28,458,024.40	25,458,565.05	23,556,020.71	1,902,544.34	2,999,459.35
3	CAPITAL COSTS							
	Financial year n	8,464,705.15	397,258.20	8,861,963.35	8,667,601.22	2,302,461.63	6,365,139.59	194,362.13
	Carried forward:							
	Financial year n-1	9,121,570.48	0.00	9,121,570.48	9,075,233.57	5,061,528.49	4,013,705.08	46,336.91
	Financial year n-2	4,500,499.69	0.00	4,500,499.69	4,334,719.99	736,943.34	3,597,776.65	165,779.70
	Financial year n-3	315,993.89	29,295.48	345,289.37	338,973.98	161,633.98	177,340.00	6,315.39
		22,402,769.21	426,553.68	22,829,322.89	22,416,528.76	8,262,567.44	14,153,961.32	412,794.13
4	PROGRAMMES TOTAL							
	Financial year n	28,605,708.00	0.00	28,605,708.00	23,576,070.68	10,069,572.00	13,506,498.68	5,029,637.32
	Carried forward:		0.00					
	Financial year n-1	10,528,718.78	0.00	10,528,718.78	9,889,707.08	5,935,982.43	3,953,724.65	639,011.70
	Financial year n-2	3,304,908.00	0.00	3,304,908.00	3,005,653.41	3,005,653.41	0.00	299,254.59
	Financial year n-3	20,000.00	0.00	20,000.00	13,336.00	13,336.00	0.00	6,664.00
		42,459,334.78	0.00	42,459,334.78	36,484,767.17	19,024,543.84	17,460,223.33	5,974,567.61
	TOTAL CHAPTERS 1 TO 4							
	Financial year n	186,868,999.84	0.00	186,868,999.84	178,705,407.23	153,098,464.99	25,606,942.24	8,163,592.61
	Carried forward:							
	Financial year n-1	25,669,402.49	0.00	25,669,402.49	24,649,519.01	15,631,515.59	9,018,003.42	1,019,883.48
	Financial year n-2	9,245,941.97	0.00	9,245,941.97	7,507,313.47	3,909,536.82	3,597,776.65	1,738,628.50
	Financial year n-3	365,289.37	0.00	365,289.37	352,309.98	174,969.98	177,340.00	12,979.39
		222,149,633.67	0.00	222,149,633.67	211,214,549.69	172,814,487.38	38,400,062.31	10,935,083.98

## INTERNATIONAL STAFF

## BUDGET EXECUTION STATEMENT: PMIS

(n = 2014)

( in EUR)

CHAPTER		BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
		BUDGET	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			Credits carried forward to n+1	Lapsed credits
		(1)	(2)	(3) = (1)+(2)			(6) = (4) - (5)	(7) = (3) - (4)
1	<b>PERSONNEL COSTS</b>							
	Financial year n	115,445.00	0.00	115,445.00	115,000.00	113,563.71	1,436.29	445.00
	Carried forward:							
	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		115,445.00	0.00	115,445.00	115,000.00	113,563.71	1,436.29	445.00
2	<b>OPERATING COSTS</b>							
	Financial year n	25,250.00	0.00	25,250.00	19,459.60	19,459.60	0.00	5,790.40
	Carried forward:							
	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		25,250.00	0.00	25,250.00	19,459.60	19,459.60	0.00	5,790.40
3	<b>CAPITAL COSTS</b>							
	Financial year n	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Carried forward:							
	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	<b>PROGRAMMES TOTAL</b>							
	Financial year n	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Carried forward:							
	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<b>TOTAL CHAPTERS 1 TO 4</b>							
	Financial year n	140,695.00	0.00	140,695.00	134,459.60	133,023.31	1,436.29	6,235.40
	Carried forward:							
	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		140,695.00	0.00	140,695.00	134,459.60	133,023.31	1,436.29	6,235.40

## INTERNATIONAL STAFF

## BUDGET EXECUTION STATEMENT: PMIS

(n = 2013)

( in EUR)

CHAPTER		BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
		BUDGET	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			Credits carried forward to n+1	Lapsed credits
		(1)	(2)	(3) = (1)+(2)			(6) = (4) - (5)	(7) = (3) - (4)
1	<b>PERSONNEL COSTS</b>							
	Financial year n	115,000.00	1,000.00	116,000.00	115,837.54	115,837.54	0.00	162.46
	Carried forward:							
	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		115,000.00	1,000.00	116,000.00	115,837.54	115,837.54	0.00	162.46
2	<b>OPERATING COSTS</b>							
	Financial year n	22,100.00	-1,000.00	21,100.00	18,892.81	18,892.81	0.00	2,207.19
	Carried forward:							
	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		22,100.00	-1,000.00	21,100.00	18,892.81	18,892.81	0.00	2,207.19
3	<b>CAPITAL COSTS</b>							
	Financial year n	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Carried forward:							
	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	<b>PROGRAMMES TOTAL</b>							
	Financial year n	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Carried forward:							
	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<b>TOTAL CHAPTERS 1 TO 4</b>							
	Financial year n	137,100.00	0.00	137,100.00	134,730.35	134,730.35	0.00	2,369.65
	Carried forward:							
	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		137,100.00	0.00	137,100.00	134,730.35	134,730.35	0.00	2,369.65

**BUDGET EXECUTION STATEMENT: OFFICE OF SHARED SERVICES**

(in EUR)

**NATO UNCLASSIFIED**  
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## INTERNATIONAL STAFF

## BUDGET EXECUTION STATEMENT: OFFICE OF SHARED SERVICES

(n = 2013)

( in EUR)

CHAPTER		BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS	
		BUDGET	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			Credits carried forward to n+1	Lapsed credits
		(1)	(2)	(3) = (1)+(2)			(6) = (4) - (5)	(7) = (3) - (4)
1	<b>PERSONNEL COSTS</b>							
	Financial year n	666,443.43	0.00	666,443.43	402,155.62	396,985.00	5,170.62	264,287.81
	Carried forward:							
	Financial year n-1	101,771.10	0.00	101,771.10	101,771.10	24,662.00	77,109.10	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		768,214.53	0.00	768,214.53	503,926.72	421,647.00	82,279.72	264,287.81
2	<b>OPERATING COSTS</b>							
	Financial year n	129,056.57	0.00	129,056.57	118,988.27	118,420.97	567.30	10,068.30
	Carried forward:							
	Financial year n-1	18,199.69	0.00	18,199.69	18,199.69	14,657.06	3,542.63	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		147,256.26	0.00	147,256.26	137,187.96	133,078.03	4,109.93	10,068.30
3	<b>CAPITAL COSTS</b>							
	Financial year n	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Carried forward:							
	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	<b>PROGRAMMES TOTAL</b>							
	Financial year n	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Carried forward:							
	Financial year n-1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<b>TOTAL CHAPTERS 1 TO 4</b>							
	Financial year n	795,500.00	0.00	795,500.00	521,143.89	515,405.97	5,737.92	274,356.11
	Carried forward:							
	Financial year n-1	119,970.79	0.00	119,970.79	119,970.79	39,319.06	80,651.73	0.00
	Financial year n-2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
		915,470.79	0.00	915,470.79	641,114.68	554,725.03	86,389.65	274,356.11

**INTERNATIONAL STAFF**  
**BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2014 : USE OF CREDITS BY GLOBAL OBJECTIVE**

	GLOBAL OBJECTIVES	BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS		Consumption rate budget	Consumption rate adjusted credits
		REVISED BUDGET	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			Credits carried forward to n+1	Lapsed credits		
		(1)	(2)	(3) = (1)+(2)	(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)	(8) = (4)/(1)	(8) = (4)/(3)
A	ACTIVE OPERATIONS	15,851,130.43	0.00	15,851,130.43	15,473,168.71	14,496,045.76	977,122.95	377,961.72	97.62%	97.62%
C	ALLIANCE CAPABILITIES	26,187,222.77	116,000.00	26,303,222.77	26,193,805.49	22,460,063.89	3,733,741.60	109,417.28	100.03%	99.58%
P	CONSULTAT COOP WITH PARTNERS	27,548,755.83	-462,920.00	27,085,835.83	26,944,662.38	16,210,743.84	10,733,918.54	141,173.45	97.81%	99.48%
R	PUBLIC RELATIONS	19,699,160.35	49,200.00	19,748,360.35	19,427,736.86	16,766,561.81	2,661,175.05	320,623.49	98.62%	98.38%
N	CONSULTATION PROCESS	20,925,913.84	266,960.00	21,192,873.84	21,046,699.04	20,392,900.44	653,798.60	146,174.80	100.58%	99.31%
M	OPERATIONAL ENVIRONMENT OF THE SITE	26,801,704.02	-54,721.77	26,746,982.25	26,746,765.61	20,457,820.43	6,288,945.18	216.64	99.80%	100.00%
G	GOVERNANCE AND REGULATION	22,802,297.82	59,831.77	22,862,129.59	22,761,927.37	18,877,744.69	3,884,182.68	100,202.22	99.82%	99.56%
S	HQ SECURITY	20,579,814.57	25,650.00	20,605,464.57	20,164,120.72	18,590,533.26	1,573,587.46	441,343.85	97.98%	97.86%
L	PRIOR YEAR CREDITS	3,448,725.00	0.00	3,448,725.00	3,444,225.00	203,118.54	3,241,106.46	4,500.00	0.00%	0.00%
Z	PENSION SCHEMES	4,867,000.00	0.00	4,867,000.00	4,574,620.38	4,574,620.38	0.00	292,379.62	93.99%	93.99%
	<b>GRAND TOTAL</b>	188,711,724.63	0.00	188,711,724.63	186,777,731.56	153,030,153.04	33,747,578.52	1,933,993.07	98.98%	98.98%

## INTERNATIONAL STAFF

## BUDGETARY OPERATIONS FOR FINANCIAL YEAR 2014 : USE OF CREDITS PER RESOURCE POOL

	RESOURCE POOLS	BUDGET AUTHORISATIONS			COMMITMENTS	EXPENDITURES	BUDGETARY SURPLUS		Consumption rate revised budget	Consumption rate adjusted credits
		REVISED BUDGET	AUTHORIZED TRANSFERS	ADJUSTED CREDITS			Credits carried forward to n+1	Lapsed credits		
		(1)	(2)		(4)	(5)	(6) = (4) - (5)	(7) = (3) - (4)	(8) = (4)/(1)	(8) = (4)/(3)
1	Personnel / Personnel	117,634,626.02	-5,183.25	117,629,442.77	116,659,528.62	113,572,651.37	3,086,877.25	969,914.15	99.17%	99.18%
2	Operating costs	33,004,757.67	-46,764.94	32,957,992.73	32,330,091.38	26,269,848.04	6,060,243.34	627,901.35	97.96%	98.09%
3	Capital	9,894,846.94	486,585.19	10,381,432.13	10,377,103.03	2,131,813.70	8,245,289.33	4,329.10	104.87%	99.96%
4	Programmes	28,177,494.00	-434,637.00	27,742,857.00	27,411,008.53	11,055,839.93	16,355,168.60	331,848.47	97.28%	98.80%
	<b>GRAND TOTAL</b>	188,711,724.63	0.00	188,711,724.63	186,777,731.56	153,030,153.04	33,747,578.52	1,933,993.07	98.98%	98.98%

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ANNEX 8 to  
FC(2015)105

INTERNATIONAL STAFF

BREAKDOWN OF OBJECTIVES' COMMITMENTS BY RESOURCE POOLS FOR YEAR 2014

GLOBAL OBJECTIVES		Personnel			Operating Credits			Capital			Programmes			
			(1)	(2)		(1)	(2)		(1)	(2)		(1)	(2)	
A	ACTIVE OPERATIONS	11,407,067.07	73.72%	6.11%	2,836,484.46	18.33%	1.52%	37,809.50	0.24%	0.02%	1,191,807.68	7.70%	0.64%	100.00%
C	ALLIANCE CAPABILITIES	20,486,243.19	78.21%	10.97%	1,323,685.21	5.05%	0.71%	0.00	0.00%	0.00%	4,383,877.09	16.74%	2.35%	100.00%
P	CONSULTAT COOP WITH PARTNERS	11,596,054.11	43.04%	6.21%	816,261.30	3.03%	0.44%	0.00	0.00%	0.00%	14,532,346.97	53.93%	7.78%	100.00%
R	PUBLIC RELATIONS	10,229,895.11	52.66%	5.48%	1,500,872.86	7.73%	0.80%	828,061.13	4.26%	0.44%	6,868,907.76	35.36%	3.68%	100.00%
N	CONSULTATION PROCESS	18,824,891.55	89.44%	10.08%	1,725,850.46	8.20%	0.92%	495,957.03	2.36%	0.27%	0.00	0.00%	0.00%	100.00%
M	OPERATIONAL ENVIRONMENT OF THE SITE	6,545,017.69	24.47%	3.50%	17,030,402.30	63.67%	9.12%	3,171,345.62	11.86%	1.70%	0.00	0.00%	0.00%	100.00%
G	GOVERNANCE AND REGULATION	19,475,959.83	85.56%	10.43%	1,366,083.99	6.00%	0.73%	1,836,283.55	8.07%	0.98%	83,600.00	0.37%	0.04%	100.00%
S	HQ SECURITY / SECURITE DU SIEGE	13,321,490.06	66.07%	7.13%	5,730,450.80	28.42%	3.07%	1,078,710.83	5.35%	0.58%	33,469.03	0.17%	0.02%	100.00%
L	PRIOR YEAR CREDITS	198,289.63	0.00%	0.11%	0.00	0.00%	0.00%	2,928,935.37	0.00%	1.57%	317,000.00	0.00%	0.17%	0.00%
Z	PENSION SCHEMES	4,574,620.38	100.00%	2.45%	0.00	0.00%	0.00%	0.00	0.00%	0.00%	0.00	0.00%	0.00%	100.00%
	SubTotal	116,659,528.62		62.46%	32,330,091.38		17.31%	10,377,103.03		5.56%	27,411,008.53		14.68%	100.00%
	Grand Total													
		186,777,731.56												

(1) % to total of Global Objective

(2) % to Grand Total

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**EXPLANATORY NOTES TO NATO INTERNATIONAL STAFF  
2014 FINANCIAL STATEMENTS****NOTE 1: GENERAL INFORMATION**

The financial statements cover the budgetary and financial operations relating to the NATO International Staff (IS) budgeted and non-budgeted functions and programs. Funds where the NATO-IS Office of Financial Control (OFC) is the Treasurer for the project (specifically Trust Funds) are also reported.

**NOTE 2: ACCOUNTING POLICIES**

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

**Declaration of conformity**

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

Due to limitations in the current automated accounting system, the IS financial statements are not yet fully IPSAS compliant. The accounting system currently used by NATO-IS is a budgetary driven cash accounting system. It can be analysed as a hybrid system which is essentially budget and cash based. It does not have an accrual based accounting functionality.

**Basis of preparation**

In the NATO-IS IT financial system, commitments are recorded for budget execution and control purposes, in accordance with NATO Financial Regulations. The commitment of credits is defined as the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year. Expenses linked to those commitments are recorded when the settlement of invoices is due. The unexpended balances of committed credits may be carried forward to the following financial years; eventually the unused part lapses.

Expenses reported in the Statement of Financial Performance are based on budgetary credit commitments. As a result of this approach, expenses in the Statement of Financial Performance tend to be overestimated, compared to accruals, and the presentation could be seen as too prudent.

This overestimation is not material for Personnel Costs (which represent 68% of the total) and is limited for Operating Costs since the budgetary controls tend to analyse the commitment requests on an approach similar to accruals (e.g. based on service provided between 1 January and 31 December). In 2014, the OFC continued to apply the process whereby invoices received after 31 December 2014 but relating to 2014 have been taken into account and allocated against the appropriate commitment. As a consequence it is considered that reported expenses are not significantly different from accruals for Personnel and Operating costs.

For Programme credits, on the other hand, the inherent nature of certain operations (e.g. grants) is such that the related project is executed over several years and achievement of objectives is only known at the end.. Commitments relating to Programme credits are generally based on an individual decision taken by the Organisation to award the grant. At that stage the Organisation has not benefited from the outcome of the subsidized event and the beneficiary has not entered into expenses eligible for reimbursement. Therefore, from an accrual perspective this could justify that no liability or expense be recorded. However, from the grantee's perspective the expectation may have been created that it will receive an inflow of cash from the Organisation; and therefore some form of obligation exists on the side of the Organisation. Experience indicates that the vast majority of grants

result in the payments of the benefit to the grantees in amounts comparable, if not equal, to the one provided in the award decision. Lapse rates can also be explained by the fact that grantees, for their own reasons, do not always seek the payment of the awarded amounts. It is, however, reasonable on the part of the Organisation to expect that they will seek full payment of the award, and therefore in that respect it is normal that the related transactions be recorded as a commitment by the Organisation. This difference between the expected amounts of the expense or the liability and its actual value is inherent to the use of estimates, for which IPSAS provides.

Similarly, capital expenditures generate lapse rates that result from prudent budgetary evaluation of funding needs. In addition, some commitments are made at the end of the year in relation to special carry-forwards of credits, as provided by Article 11 bis of the NATO Financial Regulations, with approval of the Budget Committee, for specific projects for which no service was provided to the IS, nor goods received by the IS, during the financial year. It is estimated that the use of commitments overestimates expenses by 1-2%.

Contributions are registered as unearned revenue on the date they are called and revenue is recognized afterwards on the basis of related expenditure.

The NATO-IS will transition to full transactional accrual accounting with the implementation of an integrated Enterprise Resource Planning (ERP) solution.

The financial statements have been prepared on a going-concern basis and the amounts shown in these financial statements are presented in EUR. NATO-IS will continue in operation for the foreseeable future. The financial year begins on 1 January and ends on 31 December of the same year.

The following IPSAS have no material effect on the 2014 financial statements of the NATO-IS:

IPSAS 5: Borrowing Costs  
 IPSAS 6: Consolidated and Separate Financial  
 IPSAS 7: Investments in Associates.  
 IPSAS 8: Interests in Joint Ventures  
 IPSAS 10: Financial Reporting in Hyperinflationary Economies  
 IPSAS 11: Construction Contracts  
 IPSAS 16: Investment Property  
 IPSAS 21: Impairment of non-cash generating assets  
 IPSAS 26: Impairment of Cash-Generating Assets  
 IPSAS 27: Agriculture  
 IPSAS 32: Service Concession Arrangements: Grantor

The Cash Flow Statement has been prepared using the direct method, as recommended under IPSAS 2, item 27. a): *“whereby major classes of gross cash receipts and gross cash payments are disclosed”*.

### **Segment Reporting**

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. For NATO IS the segment information is based on principal activities and different sources of financing for different categories of activities of the organisation. For this purpose, the following segments have been adopted: Civil Budget, Personnel Management Information System, Office of Shared Services, Trust Funds and Partners' Accommodation. Civil Budget operations can be broken down into Global Objectives.

### **Changes in Accounting Policy**

In February of 2013 Council decided to adapt a number of IPSAS standards to better suit the specific requirements of the Alliance (C-M(2013)0006). The adaptations were spelled out in C-M(2013)0039 of July 2013, among which were specific items addressing IPSAS 6 Consolidated and Separate

Financial Statements, IPSAS 12 Inventories, IPSAS 17 Property Plant and Equipment (PPE) and IPSAS 31, Intangible Assets. The items are detailed below.

### Reclassification of financial statements of previous years

None.

### Use of estimates

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

### Foreign currency transactions

The NATO-IS budget is authorized and managed in EUR so contributions are called in EUR. Foreign currency transactions as required are accounted for at the NATO exchange rates prevailing on the date of the transaction. Monetary assets and liabilities at year-end which were denominated in foreign currencies were converted into EUR using the NATO exchange rates applicable at 31 December 2014.

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

### Financial risks

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

All the financial instruments are recognised in the Statement of Financial Position at their fair value.

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

#### a. Foreign currency exchange risk

The exposure to foreign currency risk is limited as the majority of the NATO-IS's expenditures are made in EUR. The current bank accounts are held in EUR, CAD, CHF, DKK, GBP, NOK and USD. There are accounts with local banks for the Information and Liaison Offices in New York, Moscow, Kyiv, Tbilisi, Chisinau and Tashkent. The currency risk associated with these holdings is considered limited because the aggregated amount held in these accounts is not more than EUR 453K.

The maximum exposure as at 31 December 2014 is equal to the total amount of bank balances, short term deposits and receivables. There is very limited credit risk associated with the realization of these elements.

#### b. Credit risk

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

ING Bank	Credit Ratings as at 31.12.2014			
	Fitch	S&P	Moody's	Date of last rating update
Short term	A+	A	A2	19.12.2014

## c. Liquidity risk

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

## d. Interest rate risk

Except for certain cash and cash equivalent balances, the NATO-IS financial assets and liabilities do not have associated interest rates. NATO-IS is restricted from entering into borrowings and investments, and, therefore, there is an insignificant interest rate risk. Interest earned is not a budgetary resource but contributes to the surplus owed to Nations.

**Current Assets**

## a. Cash and cash equivalents

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

## b. Funds managed for third parties

Funds managed on behalf of third parties are held in cash and are presented as a liability. They are accounted for when cash is effectively received. They are represented as a separate item in the cash flow statement of the entity in order to avoid any confusion.

## c. Receivables

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

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

## d. Prepayments

A prepayment is a payment in advance of the period to which it pertains and is mainly in respect of advance payments made to third parties.

## e. Inventories

As mentioned above, NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 12 Inventories. It is described as follows:

Control of NATO-IS Inventories was refined with a set of 10 criteria to be used in assessing the level of control of an asset. A positive response on six of the criteria will lead to the asset being capitalised in the financial statements if it is above the capitalization threshold. This is applied from January, 2013.

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

Capitalization thresholds relevant to the financial statement are as follow:

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

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

Strategic stock – Some complex elements of slow moving stock can be identified as strategic if they are deemed essential to the effective operation of an asset and cannot be readily replaced by commercial off the shelf items or cannot be purchased due to market decisions to close production lines of key inventory items due to the advanced age of the strategic asset to which the stock relates

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

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

For inventory held prior to 1 January 2013, and not previously recognized as an asset, NATO-IS provides a brief description of inventory held within its inventory recording systems in the notes to the financial statements.

Where this adaptation conflicts with another requirement of IPSAS this adaptation shall apply. For the remainder, IPSAS 12 shall apply.

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

As mentioned above, NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 17 Property Plant and Equipment. It is described as follows:

Control of NATO PPE was refined with a set of 10 criteria to be used in assessing the level of control of an asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalised in the financial statements if it is above the capitalization threshold. This is applied from January 2013.

Capitalization thresholds relevant to the financial statement are as follow:

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

In light of the forthcoming move to a New NATO HQ in 2016, it has been decided, in general, that core PPE relating to the current HQ and Building Z will be fully expensed as will any fixed equipment and furniture that is not to be transferred to the New HQ. Only movable items purchased with a view to being used again in the New HQ/Building Z environment will be capitalized.

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

NATO-IS deems that the NAC, by approving this guideline, recognized that the resources necessary to deal with the issues capitalising the legacy assets would exceed the benefits. In light of this and, combined with the fact that substantial assets will not survive the move to the New NATO HQ at the end of 2015, NATO-IS decided to apply the IPSAS principle of balance between Benefit and Cost (IPSAS 1, Appendix A).

**b. Intangible Assets**

As mentioned above, NATO's adaptations of IPSAS were spelled out in C-M(2013)0039 of July 2013, which included IPSAS 31 Intangible Assets. It is described as follows:

Control of NATO Intangible Assets was refined with a set of 10 criteria to be used in assessing the level of control of an asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalised in the financial statements if it is above the capitalization threshold. This is applied from January, 2013.

NATO Intangible Assets Capitalization Thresholds – NATO-IS will capitalise each intangible asset item that is above the following agreed NATO thresholds:

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

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

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

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

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

- Copyright
- Intellectual Property Rights
- Software development

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

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

For intangible assets held prior to the 1 January 2013, and not previously recognized as an asset, NATO-IS will provide a brief description of intangible assets held in its intangible asset recording systems in the notes to the financial statements. Such disclosure will include as a minimum the types of intangible held, locations where intangible assets are held and the approximate number of items held per asset category.

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

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

**Current liabilities**

## a. Payables

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

## b. Advances and Unearned revenue

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

Unearned revenue represents participating Nations' contributions which have been called for current budgets but that have not yet been recognised as revenue in the absence of matching expenses.

Advances are recognised when calls in relation to future year budgets are issued.

**Leases**

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

**Revenue and expense recognition**

## a. Revenue from non-exchange transactions

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

Assessed contributions for the NATO-IS Civil Budget are accounted for as unearned revenue when called; revenue is recognised and the liability is discharged when the conditions are fulfilled. Revenue is recognised in that it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably. The balance of unspent contributions and other revenues which relate to future periods are deferred accordingly.

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

## b. Revenue from exchange transactions

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

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

## c. Expenses

Expenses are reported in the Statement of Financial Performance and based on budgetary credit commitments as explained above in "Basis for preparation".



## d. Long term unearned revenue

The budget resources provided by Nations for the funding of capital expenditure are recognised as a liability in the Statement of Financial position as long term unearned revenue.

Earned revenue will be progressively recognised from long term unearned revenue, in an amount equal to annual depreciation of the related non current assets, as future economic benefits and service potential will flow to the NATO international Staff when the asset is operational.

**NOTE 3: CASH AND CASH EQUIVALENTS**

The current bank accounts are held in EUR, CAD, CHF, DKK, GBP, NOK and USD. Deposits are held in interest-bearing bank current accounts that are immediately available.

NATO-IS has information and liaison offices in New York, Moscow, Kyiv, Tbilisi, Tashkent and Chisinau. Current accounts of these offices held with local banks. The aggregate holdings in these local currencies amounts to approximately EUR 453K.

Cash held for Trust Funds for which NATO-IS is the executing agent and therefore acts as the principal is listed below:

<b>NATO I.S. MANAGED TRUST FUNDS</b>	<b>2014</b>	<b>2013</b>
CRISIS MGMT IN MAURITANIA	224,698.41	606,618.78
NTF - UKRAINE MEDICAL REHABIL	30,000.00	0.00
NTF - UKRAINE MCT	390,000.00	0.00
JWGDR	616,494.92	253,806.79
NTF BLDG INTEGRITY	963,177.22	1,160,361.55
NRC - WEB SITE	1,093.14	14,579.18
NATO EXPLOSIVES DET.	324,824.77	946,535.78
NATO SILK AFGHANISTAN (USD)	125,927.75	190,993.78
<b>Sub-total</b>	<b>2,676,216.21</b>	<b>3,172,895.86</b>

**NOTE 4: FUNDS MANAGED FOR THIRD PARTIES**

Funds managed on behalf of third parties are held in cash or as a receivable if they correspond to an unpaid non-budgetary contribution in relation to nationally funded elements. In the case of an anticipated contribution, they are accounted for when cash is effectively received. The corresponding amounts are presented as a current liability.

The NATO-IS manages, as Treasurer, 30 accounts for third parties, essentially for various Trust Fund projects not financed by the common funding principle. A list of these accounts is provided below. For transparency reasons the related cash amounts are disclosed separately in order to avoid any confusion with funds held by NATO IS on its own behalf.

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AGENCY	BALANCE 2014	BALANCE 2013
<b>THIRD PARTY</b>		
COLONIES VACANCES	104,251.63	119,613.93
NATO AIRCRAFT EW TRIAL	522,751.40	500,973.72
NATO SWG4 NAVAL EW TRIAL	231,804.71	236,960.23
NTF GEORGIA PROF. DEV. PROGR.	265,614.83	293,392.21
NATO TRUST FUND TAJIKISTAN II	297,455.21	445,788.64
NATO TRUST FUND MOLDOVA II	471,955.12	266,259.31
NATO TRUST FUND BOSNIA-HERZEGOVINA II	0.00	469,261.49
NRC - CAI PHASE IV	137,575.23	289,788.75
NRC - HELICOPTER MAINTENANCE	939,230.92	2,002,336.18
NRC - HELICOPTER MAINTENANCE (USD)	0.00	226,493.71
NATO TRUST FUND AZERBAIJAN JCP	648,421.66	951,729.12
NATO TRUST FUND UKRAINE II PH 2	870,091.92	530,204.41
NATO UKRAINE RADACT DISP	85,345.18	84,995.00
NATO TRUST FUND GEORGIA IV	491,990.72	308,904.23
NATO CNAD VNCF	749,197.80	373,653.63
NTF JORDAN III	375,673.02	20,000.00
NTF SERBIA IV	901,782.19	814,916.91
NRC DISPOSAL EXCESS AMMUN	0.00	50,000.00
NRC HELICOPTER MAINT PH II	2,485,629.01	2,584,999.80
ASSOCIAT. DU PERSONNEL	86,522.58	86,115.59
NATO TF UKRAINE C4	643,940.95	0.00
NATO TF UKRAINE L & S	520,000.00	0.00
NATO TF UKRAINE CYBER DEFENCE	30,000.00	0.00
NATO APM DESTR.BELARUS	22,826.80	22,735.96
UKRAINE II SALW MUNITIONS DESTR.	14,393.53	14,338.14
NATO TRUST FUND KMELNITSKY	2,678.41	2,514.77
NATO TF PROJECT AFGHAN & CENTRAL ASIA	530,516.42	73,275.40
NATO US TRAMIL	586,602.85	379,997.50
N.R.C. - TMD III	25,148.42	25,047.81
NATO TRUST FUND MAURITANIA	673,031.33	670,385.16
<b>Total</b>	<b>12,714,431.85</b>	<b>11,844,681.61</b>

**NOTE 5: ACCOUNTS RECEIVABLE**

Contributions receivable are funds requested from the Nations to finance the 2014 budget and the advances called in relation to the 2015 budget that remain unpaid at year end. One advance for the 2014 budget was called in 2013 (FC(CC)(2013)0015(CBC-02)) and two calls for contributions were issued in 2014: (FC(CC)(2014)0008(CBC-01) in February and FC(CC)(2014)0015(CBC-02) in November. In 2014 an advance was called for the 2015 budget (FC(CC)(2014)0015(CBC-02)). At year-end 2014, outstanding contributions relating to previous financial years were not material.

Receivables from member Nations, Partners and others correspond to amounts due in relation to common operating costs, administrative support, rental of modular buildings, accommodation fees of Partner buildings, items procured on behalf of third parties, etc.

Receivables from staff members correspond to advances to be regularised (education allowances, travel on duty) and loans as provided by the CPRs.

Receivables from the Post Employment Benefit Schemes are funds that were advanced by the IS, as manager of the Provident Fund, to accelerate the pay out on the retirement of individuals and which is to be recovered. It also includes a cash advance to the Defined Contribution Pension Scheme of EUR 145,000 to ease the payment of invalidity and retirement annuities.

Undercalled receivables relates to a EUR 3,448,725 portion of lapsed civil budget credits end 2013 which the budget committee decided to re-use for 2014. This amount was originally deducted from

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the calls issued in 2013, as the decision by the budget committee was taken after the call was issued. This situation was not readjusted in 2014 and therefore will be regularized in 2015 in accordance with NFRs governing the Call for Contribution process..

**NOTE 6: PREPAYMENTS**

Other receivables are mainly constituted of other advances to be regularised (NATO Liaison Offices, ad-hoc projects, pre-payments etc.).

**NOTE 7: INVENTORIES**

Inventories for office supplies, maintenance supplies, medicines and munitions are valued at EUR 862,183.77 based on a hybrid method imposed by the various types of software used in the IS. Inventories represent less than 0.4% of the annual IS budget.

**NOTE 8: FIXED ASSETS**

The following principles have been applied.

**Property, Plant and Equipment**

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

This consists principally of costs related to the NR2 and audiovisual equipment.

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

**Land and buildings**

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

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

The original buildings of the current HQ site are estimated as having a zero value in consideration of their age, of the terms of the concession agreement, of the limited value for money of an evaluation study and of the planned move to new premises in 2016.

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

**Intangible assets**

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

- Digital Assets Management System (DAMS) – this is a Public Diplomacy tool that will make NATO's digital assets accessible in multiple formats to the media. It will improve the retrieval and availability of multimedia files to all NATO Staff and will serve as Public Diplomacy's single shared storage platform for all public digital assets.
- Enterprise Resource Planning (ERP) – this Oracle based software will enable NATO-IS to more effectively manage and report on the human and financial resources under its responsibility by integrating business processes from Finance, Budget, Procurement, Facility Management, and Human Resources (HR).
- Integrated Library System (ILS) – the project is designed to provide an online library automation solution to support the daily operations of the IS Library (which is part of PDD) ranging from cataloguing and circulation procedures to delivering resources and services via its website.
- Web Content Management (WCM) – the project will update and improve the web based content management system for the public website of NATO Headquarters.
- Enterprise Information Management (EIM) is a core multi-year program of procedures and integrated software applications to manage information throughout NATO HQ and ensure that information is handled effectively and securely.
- Project Portfolio Management System (PPM) is part of a NATO Resource Reform process under the aegis of the NATO Office of Resources (NOR). The system will provide the necessary functionality for collecting, analysing, validating, recording, consolidating and reporting information on current and planned common funded military resources in terms of Investment, Operation and Maintenance and Manpower costs.

### Depreciation

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

### Impairment of fixed assets

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

The values of the PP&E and intangible assets as at 31 December 2014 and as at 31 December 2013 are presented below:

(amounts in EUR)	Carrying Amount end 2013	Updated accounting policy-start point	Additions	Disposals	Depreciation	Impairment	Carrying Amount end 2014
<b>COMMON FUNDED</b>							
Automated Information Systems	0	0	189,754	0	18,022	0	171,732
Installed equipment	383,444	0	0	0	38,344	0	345,100
Machinery	118,548	0	0	0	26,344	0	92,204
Vehicles	19,113	0	91,634	0	23,084	0	87,663
Communications	514,664	0	304,896	0	238,675	0	580,885
Land and buildings	0	0	0	0	0	0	0
Intangible assets	9,041,201	0	5,892,491	0	435,555	0	14,498,138
<b>TOTAL</b>	<b>10,076,970</b>	<b>0</b>	<b>6,478,775</b>	<b>0</b>	<b>780,024</b>	<b>0</b>	<b>15,775,721</b>

(amounts in EUR)	Carrying Amount end 2012	Updated accounting policy-start point	Additions	Disposals	Depreciation	Impairment	Carrying Amount end 2013
<b>COMMON FUNDED</b>							
Installed equipment	0	0	383,444	0	0	0	383,444
Machinery	0	0	131,720	0	13,172	0	118,548
Vehicles	0	0	22,486	0	3,373	0	19,113
Communications	0	0	558,530	0	43,866	0	514,663
Land and buildings	0	0	0	0	0	0	0
Intangible assets	0	5,808,285	5,304,032	0	71,115	2,000,000	9,041,201
<b>TOTAL</b>	<b>0</b>	<b>5,808,285</b>	<b>6,400,212</b>	<b>0</b>	<b>131,527</b>	<b>2,000,000</b>	<b>10,076,970</b>

**NOTE 9: PAYABLES****Payable to Nations**

The payable of EUR 45,978.42 (EUR 109,948.14 in 2013) represents the net revenue in 2014 from interest, foreign exchange difference gain and bank charges – this figure includes €1,315.08 in interest from the OSS

For the Civil Budget, these receipts are deducted from the contributions due by Nations to fund the Civil Budget in the following year; the deduction is made in the second call. The table below reflects the Civil Budget breakdown (Civil Budget only).

	December 31, 2014	December 31, 2013
<b>Revenue</b>		
Interest	162,574.40	197,180.01
Foreign exchange rate difference/gain	53,417.36	20,717.50
<b>Total revenue</b>	<b>215,991.76</b>	<b>217,897.51</b>
<b>Expenses</b>		
Bank costs	46,965.01	37,990.26
Foreign exchange rate difference/loss	123,048.33	71,274.19
<b>Total expense</b>	<b>170,013.34</b>	<b>109,264.45</b>
<b>Net revenue to return to nations</b>	<b>45,978.42</b>	<b>108,663.06</b>

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

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

The payable of EUR 6,829,250.13 (EUR 5,022,398.28 end 2013) in relation to the reimbursable salaries represents the amount due to the United States (EUR 6,673,411.30) and the Netherlands (EUR 155,839.13) for civilian staff members who are paid directly by the United States or Netherlands Governments. This amount payable is usually used by the nations in question applying it against their annual project contribution.

Other payables to Nations consist of monies relating to balances of closed Trusts Funds for which NATO-IS is awaiting instructions on the redistribution of funds (EUR 151,447), to the settlement of the closure of former NATO entities (HAWK Agency for EUR 425,013) and AGS Support Staff Cell for EUR 575,191), to ad-hoc contributions by some nations to specific projects such as "ISAF economic footprint Afghanistan", "Advisory Team in Kosovo", "Partnership Network, "DEEP" and "Women Peace and Security (EUR 447,795), to a number of Nations' voluntary Civil Budget advances

(EUR 268,232.98) and to amounts resulting from IBAN audits of multinationally funded entities awaiting further use (EUR 41,906.28). Due to an oversight, the amount of common operating costs deducted from the calls in 2014 was limited to that charged to member Nations, resulting in EUR 1,003,345.03 not being deducted. This situation will be regularized in 2015.

### **Stikker Fund**

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

### **Payable to NATO bodies**

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

### **Payable to suppliers**

This corresponds to invoices dated 2014, relating to 2014, received up to the closure of accounts, but not yet certified and not having given rise to an outflow of cash.

### **Payable to others**

This item consists mainly of amounts due to executing agents in relation to Trust Funds. Other payables include deposits in relation to appeals, settlement of salaries for staff leaving the organisation at the end of the year, surplus resulting from the sale of petrol coupons to staff, etc.

## **NOTE 10: UNEARNED REVENUE AND ADVANCED CONTRIBUTIONS**

### **Unearned Revenue**

Unearned revenue corresponds to contributions called in 2014 or before, but for which corresponding expenses will be incurred after the reporting date of 31 December 2014.

The unearned revenue includes principally those amounts of contributions which will be spent in subsequent years on the NATO Civil Budget as credits carried-forward resulting from the budget execution in accordance with the NATO Financial Regulations or as advances received for the following years' budget. It is adjusted for accrued expenses.

#### **a. Unearned revenue from Civil Budget execution**

EUR 44,587,228 was part of calls for the current or prior Civil Budget but is foreseen to be spent in subsequent years. The NATO Financial Regulations provide that credits lapse if the funds are not spent by the end of the second year following the year in which they have been approved.

Because the current IT financial system has neither invoice registration functionality nor an accounts payable functionality, the current reporting is based on commitments instead of expenses. As a consequence, unearned revenue is estimated at the amount of credits carried forward (EUR 44,883,289) adjusted for accrued expenses. However, these funds can be classified in three indicative categories:

- 1) Funds for which no purchase order has been issued at year end – this relates to a special carry-forward of credits authorized by the Budget Committee under BC-D(2014)0228-REV2 essentially for the ICT-Revitalization Programme, NOR's Project Portfolio Management, the PDD DAMS, archival related projects and programme activities related to Ukraine (EUR 8,440,252).
- 2) Funds for which a purchase order has been issued but the related service provision or delivery of goods had not been completed by year-end - as can typically be the case for some

Capital Expenditure and/or can not be precisely assessed for unsettled grants such as those of the Science for Peace and the Security Programme (estimated amount EUR 26.5 million).

- 3) Funds for which the service has been rendered or the goods delivered, but the payment has still to be made – typically, this relates to personnel expenditure and the greatest part of Operating Costs (estimated amount EUR 8.9 million).

b. Unearned revenue – Annex IV

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

The unearned revenue corresponds to commitments carried forward (e.g. invoices not yet paid or received). In addition, due to the limitations of the current financial software which does not allow the calculation of separate net assets for this budget, the accumulated financial results of Annex IV are shown in a specific commitment carried forward from one year to another. This commitment receives each year the cumulative result of the budget, being the difference between contributions and expenditures represented by commitments: a surplus of EUR 362,431.98 (surplus of EUR 210,539.84 at the end of 2013).

The IS contributes to this budget in proportion to the surface occupied by its services and receives income for common operating costs (see Notes 12 and 13).

### Advances

Advances called amounting to EUR 45,500,000 relate to funding the 2015 Civil Budget (FC(CC)(2013)0015(CB-02) and an advance of EUR 210,000 was called for the OSS relating to the 2015 budget.

### NOTE 11: LONG TERM UNEARNED REVENUE

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

### NOTE 12: REVENUE

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

#### Revenue from non-exchange transactions

The total revenue from non-exchange transactions is essentially related to NATO-IS. Budget contributions, when called, are booked as unearned revenue and subsequently recognised as revenue when earned. The revenue recognition is matched with the recognition of expenses against the budgets.

#### Revenue from exchange transactions

The total revenue from exchange transactions is broken down as follows. For the IS: revenue in relation to the reimbursement to the Civil Budget of administrative support and common operating costs, revenue received from concessions, miscellaneous income. For the PMIS: contributions from other NATO bodies to cover the expenses of the PMIS system according to their proportion of established posts. For Trust Funds: revenue matching the costs of activities undertaken by NATO-IS

as executive agent for Trust funds. For Partners' Accommodation: rent charged principally to Partner Countries for office space at NATO HQ (Buildings V/VA/Woerner).

### **Financial Revenue**

Financial revenue of EUR 216,804 (being principally from the Civil Budget) is revenue from exchange transactions measured at fair value received or receivable for interests and foreign exchange gains.

### **Internal Transactions**

Internal Transactions correspond to transactions between segments for services provided or goods delivered, and to the matching revenue.

In 2014 internal transactions corresponded to the rental cost for space occupied by NATO-IS in the V and VA buildings as Partner accommodation (EUR 551,523) and to its share of the PMIS costs (EUR 41,233.15). Conversely NATO-IS charged common operating costs for V and VA buildings (EUR 244,169).

The OSS paid rent for office space it uses in the V and VA buildings for Partner accommodation (EUR 81,334.40) and for administrative support provided by the IS (EUR 4,251.43). It charged the IS for salaries of some of its staff having worked for the IS (EUR 30,979.50).

This comment applies to Note 13 as well.

## **NOTE 13: EXPENSES**

### **Wages, salaries and employee benefits**

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

### **Operating costs: rents, supplies and consumables used**

The operating costs relate primarily to costs necessary to the day to day operation of the HQ, as well as travel expenses.

### **Capital expenditure**

Capital expenditure relates to items such as IT, security, television and radio studios etc that qualify as capital expenditure in the budget process.

### **Programmes and grants**

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

Programmes and grants expenses include advances paid to beneficiaries of grants. This is an area where NATO-IS is not fully compliant with IPSAS and is unlikely to be in the near future in light of the adjustments of the current IT budgeting system it would require.



**Financial costs**

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

**Other expenses**

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

**NOTE 14: RESULT OF THE PERIOD**

The result of the period is EUR 151,892.14. The surplus is realised from the activities in support of Partner accommodation.

**NOTE 15: CASH FLOW STATEMENT – IN FLOWS****Contributions**

Corresponds to inflows of cash in relation to calls for contributions towards the funding of approved budgets (essentially the Civil Budget). The advance on next year's budget is considered a standard budgetary contribution as this is provided for by the NATO Financial Regulations.

**Advances on next year budget**

This item corresponds to voluntary advances made by member Nations.

**Other Operating Revenue**

Other operating revenue is comprised of inflows in common operating funds and in administrative support.

**Others**

This refers to a variety of receipts not directly attributable to Civil Budget, PMIS, OSS or Trust Fund operations including the recovery from the Provident Fund for advances made to departing staff for payment of their capital, contributions received for the Von Karman Institute and paid out again, rent from nations for the ND, NE, NF, NG and NH building, contributing Nations' funds from trust funds that have ended and are being held until re-directed as per instructions from the Nations involved, amounts returned by the bank further to unsuccessful payment transactions, miscellaneous invoices (including missions, telephone calls etc).

**National Contributions paid to incorrect account**

This covers contributions inadvertently paid by Nations to NATO-IS for the New NATO HQ or to Pension Fund accounts, which are then re-directed to the correct accounts.

**Internal Transactions**

Internal Transactions correspond to transactions between segments for services provided or goods delivered and paid, and to the matching revenue (see notes related to Financial Performance) and to cash advances between segments. The OSS received a cash advance from the IS in 2014 (EUR 200,000) and paid it back during the year. The PMIS reimbursed a cash advance received from NATO-IS in 2013 (EUR 75,000).

**NOTE 16: CASH FLOW STATEMENT – OUT FLOWS****Correction of National Contributions Paid to Incorrect Account**

This covers the re-direction of contributions inadvertently paid by nations to NATO-IS in lieu of the New NATO HQ or to Pension Fund accounts.

**Miscellaneous Payments**

The figure includes items covered under Notes 13 and 15 “Others” above. It also includes the payment (EUR 8.962 million) to the New NATO HQ budget of their share of the 2013 civil budget surplus for those nations who decided to use it to fund part of the 2014 New NATO HQ budget supplementary budget in relation to a claim.

**Cash Flows related to investment activities**

Cash flows related to investment activities could not be specifically identified due to IT system limitations. The amount shown is merely the outflow related to resource pool 3 Capital Expenditure in the Civil Budget.

**Cash and Cash Equivalents**

As from 2013, the latter are limited to funds for which NATO-IS acts as agent and no longer includes PMIS, OSS and Trust Funds for which NATO-IS is the executing agent.

**Internal Transactions**

See note above.

**NOTE 17: BUDGET INFORMATION AND RECONCILIATION WITH CASH FLOWS****Civil Budget**

Presently, the NATO Civil Budget is not publicly available.

**Presentation of budget information in the financial statements**

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

The actual amounts referred to by IPSAS 24 (“amounts that result from execution of the budget”) are considered to be the commitment of credits.

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

The eight objectives are set out below:

A	ACTIVE OPERATIONS
C	ALLIANCE CAPABILITIES
P	CONSULTATION AND COOPERATION WITH PARTNERS
R	PUBLIC RELATIONS
N	CONSULTATION PROCESS
M	OPERATIONAL ENVIRONMENT OF THE HEADQUARTERS SITE
G	GOVERNANCE AND REGULATION
S	HEADQUARTERS SECURITY

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

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

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

An analysis of budget execution is provided at Annexes 5 to 10 for what concerns the NATO Civil Budget.

### Lapse Rates

The overall lapse rate at the end of 2014 was EUR 4,775,269 (EUR 10,935 million in 2013), of which lapsed credits related to the 2014 approved budget (excluding carried forward from previous budget years) amounted to EUR 1,933,993 (EUR 8.164 million in 2013). The following table puts the evolution of lapsed credits in context.

in EUR	Financial year 2009	Financial year 2010	Financial year 2011	Financial year 2012	Financial year 2013	Financial year 2014
Civil Budget	3,151,322.57	4,555,397.41	3,671,208.45	9,862,045.35	10,935,083.98	4,775,269.97
ANNEX IV: SPECIAL CAPITAL EXPENDITURE RELATED TO OUTREACH PROGRAMME - Lapsed credits	0.00	49,241.13	0.00	0.00	0.00	0.00
TOTAL LAPSED CREDITS	3,151,322.57	4,604,638.54	3,671,208.45	9,862,045.35	10,935,083.98	4,775,269.97
- as a % of the budget	1.4%	2.0%	1.60%	4.44%	4.92%	2.10%
miscellaneous receipts	601,332.69	589,529.79	410,770.61	346,570.05	315,268.95	628,252.09
net financial results	509,387.81	352,154.07	398,408.65	225,329.53	108,633.06	45,978.42
overall of contributions	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL SURPLUS TO BE DISTRIBUTED	4,262,043.07	5,546,322.40	4,480,387.71	10,433,944.93	11,358,985.99	5,449,500.48

For 2013, the high level of lapsed credits came from current year programme credits in the amount of EUR 5.029 million, essentially for projects that did not receive approval as opposed to being under spent. For previous years the comparable figures were EUR 4.043 million in 2012 (for similar reasons to 2013), EUR 0.308 million in 2011 and EUR 0.522 million in 2010.

### Reconciliation of the Budget Execution Statement and the Cash Flow Statement

The Civil Budget is prepared for the same period (1 January to 31 December) and encompasses the same entity (NATO International Staff) as these financial statements but the basis is different. Consequently, the reconciliation is done with the Cash Flow Statement, in accordance with IPSAS 24. In addition, NATO-IS manages a series of non-appropriated funds and acts as a service provider for other NATO bodies and Member Nations.

The budget and accounting bases differ. The NATO-IS Civil Budget is prepared and executed on a commitment basis; it is not prepared on an accrual basis. The main causes for differences are the following.

- 1) The commitment of credits is the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year. As a consequence credits are allocated, and commitments are approved, for goods and services to be delivered at a later stage. Commitments are settled when an invoice is presented for payment, and not when the service is rendered or goods delivered as is the case for expenses under accrual accounting. All invoices received after 31 December 2014, but relating to 2014, have been taken into account and allocated against the appropriate commitment.
- 2) In budget accounting, credits related to grants are committed when the grant is attributed and are carried-forward until the beneficiary has completed its mission and provided the necessary justifications (within the two year carry forward principle) and is paid. Advances paid to the grantee are directly imputed to the commitment; the remaining commitment of credits is carried forward. Under accrual accounting the expense would be taken into consideration when the beneficiary has fulfilled its obligation. Similarly under budget accounting, commitments for capital expenditures are made during the year the purchase order is issued, not when the related works (for instance) are completed.
- 3) Unliquidated commitments are carried forward and added to the budget of the following financial year in relation to an existing legal commitment or if a special agreement is given by the Budget Committee. Outstanding commitments can be carried forward for two years. As a consequence, the services or goods received may relate to a commitment of credits from previous years' budgets.
- 4) Commitments, because they are an advance acceptance, and because payments cannot be made above approved credit levels, typically include an estimation factor and are (if only slightly) higher than the actual amount eventually paid. This results in commitments being higher than the actual expenses and in credits eventually lapsing. The current year lapse rate (lapses/current year credits) for 2014 is 1.2%. The overall lapse rate (lapses/total credits including carry-forward) for 2014 is 2.2%. Overall lapse rates for Personnel, Operations and Maintenance or Capital (respectively 1.4%, 3.6% and 1.3%) tend to be smaller than for Programmes (4.0%) because they can be estimated more accurately.
- 5) Commitments are only made in respect of future payments relating to the initial purpose of the commitment. Commitments for capital expenditures are normally made in the year during which the purchase order is issued. In accrual accounting, the related costs would not appear in the Statement of Financial Performance but in the Balance Sheet and only upon reception of the works, goods or services. Conversely, there is no budgetary commitment of credits for non cash flow transactions such as capital depreciation or provisions which would normally appear in the Statement of Financial Performance under accrual accounting.
- 6) On an exceptional basis, the Budget Committee may approve the carry-forward of credits without any prior legal commitment, for instance for projects at their initiation stage or planned expenditures. In accrual accounting there would be no expense recorded.
- 7) The balance of unused budgetary credits (not committed) lapses and is returned to Nations at year-end. Lapses may include cases where a project was eventually not completed or started, and therefore lead to no expense.

It should be noted that new Financial Regulations have been approved and came into effect in 2015. Changes to certain definitions (e.g. commitments, carry-forward) may impact the ability to compare, next year, with 2014 figures.

As required by IPSAS 24, actual amounts as presented in the Budget Execution Statement are to be reconciled to the actual amounts in the financial statements with the Cash Flow Statement. Actual

amounts concerning the budget are the amounts of committed credits. The differences between the budget actual amounts and the Cash Flow Statement are due to the difference in bases.

### Initial Budget – Revised Budget

The initial Civil Budget for 2014 was approved in the amount of EUR 187,013,000 and revised to EUR 185,263,000 in October 2014 (a reduction of EUR 1,750,000). The amounts include costs related to the Provident Fund and Defined Contribution Pension Scheme contributions.

The Civil Budget is subject to a “zero nominal growth” budgetary policy which applies to the Core Budget (i.e. total excluding the pension contributions mentioned above). The amount approved for the Core Budget was EUR 181,996,000 for the initial budget and EUR 180,396,000 for the revised budget.

The Budget Committee also agreed that an amount of EUR 3,448,725 be taken from the 2012 reimbursable surplus and be allocated against specific activities.

The table below analyses the transfers approved by the Financial Controller.

ORIGIN OF THE CREDITS			CREDITS NEEDED		
RESOURCE POOLS	AMOUNTS	SUB - TOTAL	RESOURCE POOLS	AMOUNTS	SUB - TOTAL
RP1	5,183.25	5,183.25			
RP2	46,764.94				
RP4	434,637.00				
		434,637.00	RP3	486,585.19	486,585.19
<b>TOTAL</b>		<b>486,585.19</b>			<b>486,585.19</b>

### Reconciliation between budget execution and out-flows of cash:

The NATO-IS 2014 budget authorization (final revised) amounted to EUR 227,111,786.94 of which:

- 1) EUR 38,400,062.31 corresponded to the carry forward of credits from the previous financial years;
- 2) EUR 188,711,724.63 (including Provident Fund and Defined Contribution Pension Scheme contributions) related to the specific budget authorisation for the financial year 2014 revised budget;

The actual commitments in 2014 amounted to EUR 222,336,516 and, therefore, the difference with the final budget authorization, amounting to EUR 4,775,269 lapsed. As such the latter amount becomes part of the annual 2014 budget surplus and should be returned to the contributing Nations in the following year (with the last call issued in 2015) unless they should decide to re-use this surplus.

Based on the committed credits, an amount of EUR 177,453,227 was considered as expended; due to 2014 invoices paid in 2014 or received at the date of closure of the accounts. Of these, EUR 588,889 2014 related pending certification and were not yet paid (EUR 10,560,332.98 in 2013 – the decrease in the amount is due to procedures put in place to accelerate payments at year-end, in relation to the planned go-live of the ERP in early 2015). The difference with the committed credits amounted to EUR 44,883,289 and was carried-forward. As explained under Note 10, this included an amount of EUR 8,440,252 of special carry-forward for specific purposes, as agreed by the Budget Committee.

The out-flows of cash in 2014 amounted to EUR 231.552 million of which EUR 181,753 million related to budget operations and EUR 49,798 million related to non-appropriated funds and miscellaneous transactions. The difference of EUR 4.299 million between the expenditures in the budget execution statement and the cash flow statement is explained as follows.

- 1) Concerning Personnel Costs: The difference relates mainly to the increase in amounts due in relation to US and Netherlands' reimbursable staff. The corresponding expenses are credited to these nations' accounts. There is no related cash flow. They might be used as a contribution to the Civil Budget. There are also EUR 0.489 million in invoices relating to 2012.
- 2) Concerning Operating Costs: The difference relates mainly to the reduction in the value of supplier account invoices relating to 2014, received but not paid pending certification but considered spent from a budget perspective, and to the net NATO-IS contribution for offices it occupies in buildings used for Partner accommodation (Annex IV) which is treated as an internal transaction with no cash flow.
- 3) Concerning Capital Expenditure: The difference relates mainly to the reduction in the value of invoices relating to 2014, received but not paid pending certification but considered spent from a budget perspective.
- 4) Concerning Programme Costs: The main difference relates to advances to external offices (Kyiv, Moscow) to be regularized and to invoices relating to 2014, received but not paid pending certification but considered spent from a budget perspective.

#### Reconciliation between budget funding and in-flows of cash:

		BUDGET		ACTUALS			DIFFERENCE		DIFFERENCE		
		Initial	Final	Commitment	Expenses in Budget Statement	Cash Flow	Commitment minus exp in budget statement	Exp in budget statement minus cash flow	BASIS	TIMING	ENTITY
Use of funds	Personnel Costs	122,517,959	122,512,776	120,897,950	117,195,852	115,598,219	3,702,098	1,597,633	1,597,633		
	Operating Costs	34,907,302	34,860,537	33,773,922	27,605,835	29,802,764	6,168,087	-2,196,930	-2,196,930		
	Capital Costs	24,048,808	24,535,393	24,222,496	9,804,342	12,498,026	14,418,154	-2,693,685	-2,693,685		
	Programmes Costs	45,637,717	45,203,080	43,442,149	22,847,199	23,854,208	20,594,950	-1,007,008	-1,007,008		
	<b>SUBTOTAL Budgetary Operations</b>	<b>227,111,787</b>	<b>227,111,787</b>	<b>222,336,517</b>	<b>177,453,227</b>	<b>181,753,217</b>	<b>44,883,290</b>	<b>-4,299,990</b>	<b>-4,299,990</b>		
Funds	Non-budgetary Operations					49,798,941		-49,798,941			-49,798,941
	<b>SUBTOTAL Non-budgetary Operations</b>					<b>49,798,941</b>		<b>-49,798,941</b>	<b>0</b>	<b>0</b>	<b>-49,798,941</b>
	<b>SUBTOTAL</b>	<b>227,111,787</b>	<b>227,111,787</b>	<b>222,336,517</b>	<b>177,453,227</b>	<b>231,552,159</b>	<b>44,883,290</b>	<b>-54,098,931</b>	<b>-4,299,990</b>	<b>0</b>	<b>-49,798,941</b>

The following table analyses the funding mechanism of the Civil Budget for 2014.

BUDGET AUTHORIZATIONS	in EUR	
Current year credits	185,263,000.00	
Re-use of part of 2012 Lapsed credits	3,448,725.00	
Credits carried forward from previous years	38,400,062.31	
NET TOTAL		227,111,787.31
UNSPENT BALANCE OF THE YEAR 2013		49,759,048.30
Credits carried forward from previous years	38,400,062.31	
Lapsed credits from previous year	10,935,083.98	
Miscellaneous income previous year	315,268.95	
Net Interests previous year	108,633.06	
RE-USE OF 2012 LAPSED CREDITS		3,448,725.00
CONTRIBUTIONS CALLED		165,145,994.59
Advance	46,717,000.00	
1st instalment	96,991,475.00	
2nd instalment	21,437,519.59	
Rounding budget 2013	0.00	
OTHER INCOME FROM THE FINANCIAL YEAR		8,758,019.42
Common operating costs	2,781,177.77	
Administrative Support	5,976,841.65	
NET TOTAL		227,111,787.31

(there is a small difference of EURO 0.37 due to the fact that CBMS does not round figures)

Of the total 2014 NATO Civil Budget budget authorization, an amount of EUR 38,400,062.31 corresponded to credits carried-forward from previous financial years (EUR 35,280,633.83 in 2013). The related amounts were fully funded by contributions called before 1 January 2014.

The amount of EUR 185,623,000 related specifically to the final revised budget authorisation for financial year 2014. In order to fund this element, the net contributions due by Nations amounted to EUR 165,145,994.59. The difference corresponds to the surplus reimbursable to Nations amounting to EUR 11,358,985.99 which is broken down into lapsed credits, miscellaneous income and net interests of previous years as per the table above.

Due to an oversight, the amount of common operating costs deducted from the calls in 2014 was limited to that charged to member Nations, resulting in EUR 1,003,345.03 not being deducted. Conversely an amount of EUR 3,448,725, corresponding to funds lapsed end 2012 that the budget committee decided to re-use for 2014, originally deducted from the calls issued in 2013, as the decision by the budget committee was taken after the call was issued, was not readjusted with calls issued in 2014. Both (net) amounts which appear as a payable and a receivable respectively will be regularized in 2015.

Contributions called from Nations in 2014 amounted to EUR 163,928,994.59 of which EUR 45,500,000 was called in 2014 as an advance for 2015. EUR 46,717,000 was called in 2013 as an advance for 2014.

The total in-flow of cash related to contributions called amounted to EUR 180,578,289.24 (of which EUR 131,601,428 relates to the current year and EUR 19,671,205 to previous years' contributions due). EUR 24,559,762 was received in relation to the advance called for 2014 and in addition EUR 218,232.98 was received as voluntary advances for the 2014 budget. The differences with amounts called resulted in outstanding amounts receivable.

The in-flows of cash for administrative support, and common operating costs were respectively EUR 3,546,921.09 and EUR 5,750,679.60. The difference from the invoices raised is the outstanding amounts receivable (respectively EUR 176,905.45 and EUR 222,340.22).

The in-flows of cash related to non-appropriated fund operations amounted to EUR 15.047 million.

**Personnel Management Information System (PMIS)**

The PMIS budget for 2014 was approved by the Budget Committee in the amount of EUR 140,695 (BC-D(2014)0021-ADD1). Its funding is provided through contributions by the NATO bodies who are members of the PMIS in proportion to their staffing levels.

In 2014, EUR 6,235.40 lapsed and will be deducted from the amounts due by the NATO bodies participating in this system in 2015.

A budget execution report is provided at Annex 5.

**Office of Shared Services Budget**

An amount of MEUR 5.8 was made available for the pre-financing of the initial Agency Reform transition costs as part of the MTRP 2012-2016 (C-M(2011)0067). The Budget Committee agreed a framework mechanism for the management and control of the funds related to the initial transition costs and subsequently to the budget allocation of the pre-financed credits to allow full oversight (BC-D(2012)0202-REV1 and BC-D(2011)0209-ADD1). Council agreed this as part of the 2012 Military Budget Recommendations (C-M(2011)0099). The full implementation of OSS at NATO was estimated to cost between MEUR 24.2 and 28.3 as described in the Office of Shared Services Business Case (PO(2011)0239). In considering the Office of Shared Services (OSS) request for the 2013 budget, Nations requested that the Chairman BC inform the Chairman RPPB of the BC's intention to use the pre-financing agreed in 2012 to cover the 2013-2015 costs of the OSS within the agreed total pre-financing amount of EUR 5.8 million (OCB(2012)0039 and BC-DS(2012)0041).

The BC agreed to the 2013 pre-financed allocation of EUR 795,500 and that any unused funds from 2012 could be used in 2013 and onwards in 2014 and 2015 for the OSS.

The 2014 OSS budget was approved in tranches: EUR 195,125 for the first quarter, EUR 148,900 for the second quarter and EUR 366,000 for the remainder of the year, bringing the overall total for 2014 to an amount of EUR 710,025. None of these credits were frozen. No transfer of credits was required.

A budget execution statement is provided at Annex 5.

(in EUR)	
	Period 2012-2014
<b>Original Overall Allocation</b> (a)	5,800,000.00
<b>Approved Annual Tranches</b> (b)	1,746,925.00
<b>Unused Credits</b> (c)	524,049.75
<b>Remaining Resources</b> (d) = (a-b+c)	<b>4,577,124.75</b>

**NOTE 18: SEGMENTS**

The tables below provide segment information for financial performance, financial position and cash flow statements for 2014.

The Budget Committee agreed that the income generated through IBAN's audits of multinationally funded entities would not be considered as Miscellaneous Income to be returned to member Nations but would remain available in the International Staff accounts and could be used by IBAN for specific auditing purposes. In 2014, an amount of EUR 41,906.28 was charged in this context. No specific use of such funds has yet been made. This activity is not reported as a segment, for the moment, in consideration of the limited amounts involved.



NATO INTERNATIONAL SECRETARIAT STATEMENT OF FINANCIAL POSITION									
as at 31 December 2014									
(All amounts in Euro)									
	Notes	IS	PMIS	OSS	TRUST FUNDS	PARTNER ACCOMODATION	BUILDINGS	INTER ENTITY	Current Year
									31-Dec-14
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
<b>Cash and Cash Equivalents</b>	3								
Cash		4,592.85							4,592.85
Current bank accounts		61,207,020.44	7,666.69	735,602.67	2,676,216.21				64,626,506.01
Cash equivalents		0.00							0.00
Subtotal Cash & Equivalent		61,211,613.29	7,666.69	735,602.67	2,676,216.21	0.00	0.00	0.00	64,631,098.86
Cash Managed for Third Parties	4	0.00			12,714,431.84				12,714,431.84
<b>Total Cash and Cash Equivalents</b>		<b>61,211,613.29</b>	<b>7,666.69</b>	<b>735,602.67</b>	<b>15,390,648.05</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>77,345,530.70</b>
<b>Receivables</b>	5								
Contributions from Member Nations Receivables		36,639,407.52		0.00					36,639,407.52
Receivables from Nations, Partners and others		313,454.28				589,650.14		0.00	903,104.42
Budget undercall		3,448,725.00							3,448,725.00
Receivables from other NATO bodies		869,218.52	0.00			0.00		-146,459.36	722,759.16
Receivables from Staff Members		1,095,779.36		0.00					1,095,779.36
Receivables from Post Employment Benefit Schemes		147,569.16							147,569.16
Bank interest accrued		162,813.24	100.36	823.58					163,737.18
<b>Total Receivables</b>		<b>42,676,967.08</b>	<b>100.36</b>	<b>823.58</b>	<b>0.00</b>	<b>589,650.14</b>	<b>0.00</b>	<b>-146,459.36</b>	<b>43,121,081.80</b>
<b>Prepayments</b>	6								
Other receivables		3,908,080.84							3,908,080.84
<b>Total Prepayments</b>		<b>3,908,080.84</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>3,908,080.84</b>
<b>Inventories</b>	7								
Office supplies		205,105.58							205,105.58
Supplies/maintenance		272,932.27							272,932.27
Medicine and vaccines		344,215.92							344,215.92
Munitions		39,930.00							39,930.00
<b>Total Inventories</b>		<b>862,183.77</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>862,183.77</b>
<b>TOTAL CURRENT ASSETS</b>		<b>108,658,844.98</b>	<b>7,767.05</b>	<b>736,426.25</b>	<b>15,390,648.05</b>	<b>589,650.14</b>	<b>0.00</b>	<b>-146,459.36</b>	<b>125,236,877.11</b>
<b>NON CURRENT ASSETS</b>									
<b>Receivables</b>									
Infrastructure, plant and equipment	8	1,277,583.80							1,277,583.80
Land and buildings	8	0.00							0.00
Intangible assets	8	14,498,137.57							14,498,137.57
<b>TOTAL NON CURRENT ASSETS</b>		<b>15,775,721.37</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>15,775,721.37</b>
<b>TOTAL ASSETS</b>		<b>124,434,566.35</b>	<b>7,767.05</b>	<b>736,426.25</b>	<b>15,390,648.05</b>	<b>589,650.14</b>	<b>0.00</b>	<b>-146,459.36</b>	<b>141,012,598.48</b>

# NATO UNCLASSIFIED

Annex 9 to  
FC(2015)105

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NATO INTERNATIONAL SECRETARIAT STATEMENT OF FINANCIAL POSITION									
as at 31 December 2014									
(All amounts in Euro)									
	Notes	IS	PMIS	OSS	TRUST FUNDS	PARTNER ACCOMODATION	BUILDINGS	INTER ENTITY	Current Year
									31-Dec-14
<b>LIABILITIES</b>									
<b>CURRENT LIABILITIES</b>									
<b>Payables</b>	9								
<b>Payable to Nations</b>									
Interest		45,978.42	90.36	812.25					46,881.03
Lapsed credits		4,775,269.97	6,235.40	249,693.64					5,031,199.01
Miscellaneous receipts		628,252.09		4.66					628,256.75
US & NL reimbursables		6,829,250.43							6,829,250.43
Project accumulated surplus		0.00		275,910.70		362,431.98			638,342.68
Other payable to Nations		3,166,557.54							3,166,557.54
<b>Total Payable to Nations</b>		<b>15,445,308.45</b>	<b>6,325.76</b>	<b>526,421.25</b>	<b>0.00</b>	<b>362,431.98</b>	<b>0.00</b>	<b>0.00</b>	<b>16,340,487.44</b>
<b>Payable to Staff</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Payable to NATO Bodies</b>									
Stikker fund		95,774.61							95,774.61
Agencies		387,710.30	0.00			146,459.36		-146,459.36	387,710.30
Post Employment Benefit Schemes		0.00							0.00
<b>Total Payable to NATO Bodies</b>		<b>483,484.91</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>146,459.36</b>	<b>0.00</b>	<b>-146,459.36</b>	<b>483,484.91</b>
<b>Payable to Suppliers</b>									
Payable to Suppliers		588,889.72				0.00			588,889.72
Accrued expenses		297,497.88							297,497.88
<b>Total Payable to Suppliers</b>		<b>886,387.60</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>886,387.60</b>
<b>Payable to Others</b>									
Other Accounts Payable		895,688.33	5.00	5.00					895,698.33
Trust Funds		0.00			15,390,648.05				15,390,648.05
<b>Total Payable to Others</b>		<b>895,688.33</b>	<b>5.00</b>	<b>5.00</b>	<b>15,390,648.05</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>16,286,346.38</b>
<b>Total Accounts Payable</b>		<b>17,710,869.29</b>	<b>6,330.76</b>	<b>526,426.25</b>	<b>15,390,648.05</b>	<b>508,891.34</b>	<b>0.00</b>	<b>-146,459.36</b>	<b>33,996,706.33</b>
<b>Unearned Revenue and Advanced Contributions</b>	10								
Unearned revenue from budgetary credits		44,585,791.92	1,436.29	0.00					44,587,228.21
Unearned revenue from Annex IV - Partners' Accomodation		0.00				80,758.80			80,758.80
Unearned revenue from previous years surplus		0.00							0.00
Unearned revenue advance called for Y +1		45,500,000.00		210,000.00					45,710,000.00
Unearned revenue inventory		862,183.77							862,183.77
<b>Total Unearned Revenue and Advanced Contributions</b>		<b>90,947,975.69</b>	<b>1,436.29</b>	<b>210,000.00</b>	<b>0.00</b>	<b>80,758.80</b>	<b>0.00</b>	<b>0.00</b>	<b>91,240,170.78</b>
<b>TOTAL CURRENT LIABILITIES</b>		<b>108,658,844.98</b>	<b>7,767.05</b>	<b>736,426.25</b>	<b>15,390,648.05</b>	<b>589,650.14</b>	<b>0.00</b>	<b>-146,459.36</b>	<b>125,236,877.11</b>
<b>NON CURRENT LIABILITIES</b>	11								
Long-term unearned revenue from PPE		1,277,583.80							1,277,583.80
Long-term unearned revenue from intangible assets		14,498,137.57							14,498,137.57
<b>Provisions</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>15,775,721.37</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>15,775,721.37</b>
<b>TOTAL LIABILITIES</b>		<b>124,434,566.35</b>	<b>7,767.05</b>	<b>736,426.25</b>	<b>15,390,648.05</b>	<b>589,650.14</b>	<b>0.00</b>	<b>-146,459.36</b>	<b>141,012,598.48</b>

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NATO INTERNATIONAL SECRETARIAT STATEMENT OF FINANCIAL POSITION									
as at 31 December 2013									
(All amounts in Euro)									
	IS	PMIS	OSS	TRUST FUNDS	PARTNER ACCOMMODATION	BUILDINGS	INTER ENTITY	Current Year	
									31-Dec-13
<b>ASSETS</b>									
<b>CURRENT ASSETS</b>									
<b>Cash and Cash Equivalents</b>									
Cash	2,249.35								2,249.35
Current bank accounts	65,245,854.04	44,773.14	102,177.08	3,172,895.86					68,565,700.12
Cash equivalents	0.00								0.00
Subtotal Cash & Equivalent	65,248,103.39	44,773.14	102,177.08	3,172,895.86	0.00	0.00	0.00		68,567,949.47
Cash Managed for Third Parties				11,844,681.60					11,844,681.60
<b>Total Cash and Cash Equivalents</b>	<b>65,248,103.39</b>	<b>44,773.14</b>	<b>102,177.08</b>	<b>15,017,577.46</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>80,412,631.07</b>
<b>Receivables</b>									
Contributions from Member Nations Receivables	44,125,181.46		459,025.00						44,584,206.46
Receivables from Nations, Partners and others	851,979.18				302,883.67		-75,000.00		1,079,862.85
Budget undercall	0.00								0.00
Receivables from other NATO bodies		34,167.21			45,620.91		-45,620.91		34,167.21
Receivables from Staff Members	957,957.29		22.95						957,980.24
Receivables from Post Employment Benefit Schemes	90,827.26								90,827.26
Bank interest accrued	194,266.45		1,320.08						195,586.53
<b>Total Receivables</b>	<b>46,220,211.64</b>	<b>34,167.21</b>	<b>460,368.03</b>	<b>0.00</b>	<b>348,504.58</b>	<b>0.00</b>	<b>-120,620.91</b>		<b>46,942,630.55</b>
<b>Prepayments</b>									
Other receivables	3,220,709.36								3,220,709.36
<b>Total Prepayments</b>	<b>3,220,709.36</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>3,220,709.36</b>
<b>Inventories</b>									
Office supplies	169,477.42								169,477.42
Supplies/maintenance	319,380.16								319,380.16
Medicine and vaccines	343,582.17								343,582.17
Munitions	30,907.00								30,907.00
<b>Total Inventories</b>	<b>863,346.75</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>863,346.75</b>
<b>TOTAL CURRENT ASSETS</b>	<b>115,552,371.14</b>	<b>78,940.35</b>	<b>562,545.11</b>	<b>15,017,577.46</b>	<b>348,504.58</b>	<b>0.00</b>	<b>-120,620.91</b>		<b>131,439,317.73</b>
<b>NON CURRENT ASSETS</b>									
<b>Receivables</b>									-
Infrastructure, plant and equipment	1,035,768.68								1,035,768.68
Land and buildings	0.00								-
Intangible assets	9,041,200.87								9,041,200.87
<b>TOTAL NON CURRENT ASSETS</b>	<b>10,076,969.55</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		<b>10,076,969.55</b>
<b>TOTAL ASSETS</b>	<b>125,629,340.69</b>	<b>78,940.35</b>	<b>562,545.11</b>	<b>15,017,577.46</b>	<b>348,504.58</b>	<b>0.00</b>	<b>-120,620.91</b>		<b>141,516,287.28</b>

**NATO UNCLASSIFIED**

Annex 9 to  
FC(2015)105

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NATO INTERNATIONAL SECRETARIAT STATEMENT OF FINANCIAL POSITION									
as at 31 December 2013									
(All amounts in Euro)									
	IS	PMIS	OSS	TRUST FUNDS	PARTNER ACCOMODATION	BUILDINGS	INTER ENTITY	Current Year	
								31-Dec-13	
<b>LIABILITIES</b>									
<b>CURRENT LIABILITIES</b>									
<b>Payables</b>									
<b>Payable to Nations</b>									
Interest	108,633.06		1,315.08					109,948.14	
Lapsed credits	10,935,083.98	2,369.65						10,937,453.63	
Miscellaneous receipts	315,268.95							315,268.95	
US & NL reimbursables	5,022,398.28							5,022,398.28	
Project accumulated surplus	0.00		355,007.84		210,539.84			565,547.68	
Other payable to Nations	1,699,208.68		262.46					1,699,471.14	
<b>Total Payable to Nations</b>	<b>18,080,592.95</b>	<b>2,369.65</b>	<b>356,585.38</b>	<b>0.00</b>	<b>210,539.84</b>	<b>0.00</b>	<b>0.00</b>	<b>18,650,087.82</b>	
<b>Payable to Staff</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
<b>Payable to NATO Bodies</b>									
Stikker fund	95,535.77							95,535.77	
Agencies	45,620.91	76,570.70					-120,620.91	1,570.70	
Post Employment Benefit Schemes	0.00							0.00	
<b>Total Payable to NATO Bodies</b>	<b>141,156.68</b>	<b>76,570.70</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-120,620.91</b>	<b>97,106.47</b>	
<b>Payable to Suppliers</b>									
Payable to Suppliers	10,443,145.96				117,187.02			10,560,332.98	
Accrued expenses	0.00							0.00	
<b>Total Payable to Suppliers</b>	<b>10,443,145.96</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>117,187.02</b>	<b>0.00</b>	<b>0.00</b>	<b>10,560,332.98</b>	
<b>Payable to Others</b>									
Other Accounts Payable	907,066.49		221.81					907,288.30	
Trust Funds				15,017,577.46				15,017,577.46	
<b>Total Payable to Others</b>	<b>907,066.49</b>	<b>0.00</b>	<b>221.81</b>	<b>15,017,577.46</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>15,924,865.76</b>	
<b>Total Accounts Payable</b>	<b>29,571,962.08</b>	<b>78,940.35</b>	<b>356,807.19</b>	<b>15,017,577.46</b>	<b>327,726.86</b>	<b>0.00</b>	<b>-120,620.91</b>	<b>45,232,393.03</b>	
<b>Unearned Revenue and Advanced Contributions</b>									
Unearned revenue from budgetary credits	38,400,062.31		5,737.92					38,405,800.23	
Unearned revenue from Annex IV - Partners' Accommodation	0.00				20,777.72			20,777.72	
Unearned revenue from previous years surplus	0.00							0.00	
Unearned revenue advance called for Y +1	46,717,000.00		200,000.00					46,917,000.00	
Unearned revenue inventory	863,346.75							863,346.75	
<b>Total Unearned Revenue and Advanced Contributions</b>	<b>85,980,409.06</b>	<b>0.00</b>	<b>205,737.92</b>	<b>0.00</b>	<b>20,777.72</b>	<b>0.00</b>	<b>0.00</b>	<b>86,206,924.70</b>	
<b>TOTAL CURRENT LIABILITIES</b>	<b>115,552,371.14</b>	<b>78,940.35</b>	<b>562,545.11</b>	<b>15,017,577.46</b>	<b>348,504.58</b>	<b>0.00</b>	<b>-120,620.91</b>	<b>131,439,317.73</b>	
<b>NON CURRENT LIABILITIES</b>									
Long-term unearned revenue from PPE	1,035,768.68							1,035,768.68	
Long-term unearned revenue from intangible assets	9,041,200.87							9,041,200.87	
Provisions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>10,076,969.55</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>10,076,969.55</b>	
<b>TOTAL LIABILITIES</b>	<b>125,629,340.69</b>	<b>78,940.35</b>	<b>562,545.11</b>	<b>15,017,577.46</b>	<b>348,504.58</b>	<b>0.00</b>	<b>-120,620.91</b>	<b>141,516,287.28</b>	
<b>NET ASSETS</b>									
Surplus/Deficit of the period								0.00	
<b>Total Net Assets</b>								<b>0.00</b>	
<b>TOTAL NET ASSETS</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	

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CASH FLOW STATEMENT								
		Note	IS plus Partner Bldg. 2014	PMIS 2014	OSS 2014	TRUST FUNDS 2014	INTERNAL 2014	TOTAL 2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
RECEIPTS		15						
Contributions			180,578,289.24		969,050.00	1,268,085.12		182,815,424.36
Advances on Next Year Budget			218,232.98		210,000.00			428,232.98
Other operational revenue			9,353,811.95	170,921.86	0.00		(133,076.08)	9,391,657.73
Financial Revenues			197,655.27	0.00	1,320.08	15,252.94		214,228.29
Others			11,859,640.29	0.00	200,141.32	17,439.56	(275,000.00)	11,802,221.17
Partner Accommodation			1,649,772.01					1,649,772.01
Contributions paid to incorrect account			3,131,444.35					3,131,444.35
Net gain on foreign exchange transactions			127,239.14					127,239.14
<b>TOTAL</b>			<b>207,116,085.23</b>	<b>170,921.86</b>	<b>1,380,511.40</b>	<b>1,300,777.62</b>	<b>(408,076.08)</b>	<b>209,560,220.03</b>
<b>PAYMENTS</b>								
Personnel Costs (RP1)		16	(115,598,219.03)	(113,563.71)	(482,701.37)	(48,086.54)	30,979.50	(116,211,591.15)
Operating Costs (RP2)			(29,802,764.24)	(19,459.60)	(64,019.64)	(1,748,649.98)	102,096.58	(31,532,796.88)
Capital Costs (RP3)			-					-
Programmes (RP4)			(23,854,207.54)					(23,854,207.54)
Partner Accommodation			(933,841.64)					(933,841.64)
Correction of Contributions paid to incorrect account			(3,131,444.35)					(3,131,444.35)
Miscellaneous Payments			(25,098,281.91)	(75,000.00)	(200,358.47)		275,000.00	(25,098,640.38)
Financial Costs			(42,384.27)	(5.00)	(6.33)	(720.75)		(43,116.35)
Net loss on foreign exchange transactions			(193,405.98)					(193,405.98)
<b>TOTAL</b>			<b>(198,654,548.96)</b>	<b>(208,028.31)</b>	<b>(747,085.81)</b>	<b>(1,797,457.27)</b>	<b>408,076.08</b>	<b>(200,999,044.27)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>			<b>8,461,536.27</b>	<b>-37,106.45</b>	<b>633,425.59</b>	<b>(496,679.65)</b>	<b>0.00</b>	<b>8,561,175.76</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>								
PURCHASE OF NON CURRENT ASSETS		16						
RECEIPTS			0.00					0.00
PAYMENTS			0.00					0.00
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>								
RECEIPTS		16	0.00					0.00
PAYMENTS			(12,498,026.37)					(12,498,026.37)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>			<b>(12,498,026.37)</b>					<b>(12,498,026.37)</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS OF PERIOD</b>		16	<b>(4,036,490.10)</b>	<b>(37,106.45)</b>	<b>633,425.59</b>	<b>(496,679.65)</b>	<b>0.00</b>	<b>(3,936,850.61)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		16	<b>65,248,103.39</b>	<b>44,773.14</b>	<b>102,177.08</b>	<b>3,172,895.86</b>		<b>68,567,949.47</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>			<b>61,211,613.29</b>	<b>7,666.69</b>	<b>735,602.67</b>	<b>2,676,216.21</b>		<b>64,631,098.86</b>
<b>CASH FLOW FUNDS HELD FOR THIRD PARTIES</b>								
RECEIPTS		17	21,269,333.43					21,269,333.43
PAYMENTS			(20,399,583.19)					(20,399,583.19)
<b>NET INCREASE (DECREASE) FUNDS HELD FOR THIRD PARTIES</b>			<b>869,750.24</b>					<b>869,750.24</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD HELD FOR THIRD PARTIES</b>			<b>11,844,681.60</b>					<b>11,844,681.60</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD HELD FOR THIRD PARTIES</b>			<b>12,714,431.84</b>					<b>12,714,431.84</b>

CASH FLOW STATEMENT								
		Note	IS plus Partner Bldg. 2013	PMIS 2013	OSS 2013	TRUST FUNDS 2013	INTERNAL 2013	TOTAL 2013
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
RECEIPTS		15						
Contributions			177,007,257.63		777,875.00	1,483,383.59		179,268,516.22
Advances on Next Year Budget			640,000.00					640,000.00
Other operational revenue			9,603,203.31	99,877.18	22,122.61		-131,283.09	9,593,920.01
Financial Revenues			216,281.77	239.62	521.13	18,015.56		235,058.08
Others			15,803,466.93	75,000.00	200,000.00		-626,976.82	15,451,490.11
Partner Accommodation			1,935,899.29					1,935,899.29
Contributions paid to incorrect account			760,221.20					760,221.20
Net gain on foreign exchange transactions			64,176.76					64,176.76
<b>TOTAL</b>			<b>206,030,506.89</b>	<b>175,116.80</b>	<b>1,000,516.74</b>	<b>1,501,399.15</b>	<b>-758,259.91</b>	<b>207,949,281.67</b>
<b>PAYMENTS</b>								
Personnel Costs (RP1)		16	(119,139,594.84)	(115,837.54)	(424,043.87)			(119,679,476.25)
Operating Costs (RP2)			(20,030,848.30)	(18,892.81)	(133,078.03)	(1,854,982.68)	131,283.09	(21,906,518.73)
Capital Costs (RP3)			(5,286,455.55)					(5,286,455.55)
Programmes (RP4)			(16,685,069.15)					(16,685,069.15)
Partner Accommodation			(1,795,504.16)					(1,795,504.16)
Correction of Contributions paid to incorrect account			(760,221.20)					(760,221.20)
Miscellaneous Payments			(20,051,122.73)	(934.56)	(350,521.13)		626,976.82	(19,775,601.60)
Financial Costs			(37,743.74)	(5.00)	(5.00)	(5,041.52)		(42,795.26)
Net loss on foreign exchange transactions			(118,479.61)					(118,479.61)
<b>TOTAL</b>			<b>(183,905,039.28)</b>	<b>(135,669.91)</b>	<b>(907,648.03)</b>	<b>(1,860,024.20)</b>	<b>758,259.91</b>	<b>(186,050,121.51)</b>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>			<b>22,125,467.61</b>	<b>39,446.89</b>	<b>92,870.71</b>	<b>(358,625.05)</b>	<b>0.00</b>	<b>21,899,160.16</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>								
PURCHASE OF NON CURRENT ASSETS		16						
RECEIPTS			0.00					0.00
PAYMENTS			0.00					0.00
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>			<b>0.00</b>					<b>0.00</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>								
RECEIPTS		16	0.00					0.00
PAYMENTS			0.00					0.00
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>			<b>0.00</b>					<b>0.00</b>
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS OF PERIOD</b>		16	<b>22,125,467.61</b>	<b>39,446.89</b>	<b>92,870.71</b>	<b>(358,625.05)</b>	<b>0.00</b>	<b>21,899,160.16</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		16	<b>43,122,635.78</b>	<b>5,326.25</b>	<b>9,306.37</b>	<b>3,531,520.91</b>		<b>46,668,789.31</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>			<b>65,248,103.39</b>	<b>44,773.14</b>	<b>102,177.08</b>	<b>3,172,895.86</b>		<b>68,567,949.47</b>
<b>CASH FLOW FUNDS HELD FOR THIRD PARTIES</b>								
RECEIPTS		17	13,975,230.31					13,975,230.31
PAYMENTS			(13,605,398.57)					(13,605,398.57)
<b>NET INCREASE (DECREASE) FUNDS HELD FOR THIRD PARTIES</b>			<b>369,831.74</b>					<b>369,831.74</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD HELD FOR THIRD PARTIES</b>			<b>11,474,849.86</b>					<b>11,474,849.86</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD HELD FOR THIRD PARTIES</b>			<b>11,844,681.60</b>					<b>11,844,681.60</b>

With regard to the Partner Accommodation segment, the 2014 financial year resulted in a surplus of EUR 149,396.04 (EUR 202,363.22 in 2013). The commitments carried-forward from previous years resulted in a surplus of EUR 2,496.10 (deficit of EUR 513.20 in 2013) as the result of an over-estimation of amounts due to miscellaneous suppliers. The surplus from the previous year (i.e. end 2013) amounted to EUR 210,539.84. As a consequence, at the end of 2014, there was a surplus of EUR 362,431.98.

**NOTE 19: WRITE-OFFS**

	Year of purchase	Purchase value (EUR)	Reference
Electronic Equipment	1995-2012	116,806	EM(IFM)(2014)0053
Miscellaneous Equipment	1953-2012	94,253	EM(IFM)(2014)0053
Vehicles	2006	31,056	EM(IFM)(2014)0053
Vehicles	2006	62,112	EM(IFM)(2014)0053
Electronic Equipment	1986-2012	252,411	EM(IFM)(2014)0102
Miscellaneous Equipment	1960-2014	35,874	EM(IFM)(2014)0102

**NOTE 20: LEASES**

An analysis of lease contracts was conducted and it was considered that some of them had characteristics that could have led them to be considered as finance leases (in the IPSAS 13 sense) in particular as relates to the rent of portacabins for temporary accommodation (e.g. Buildings V, VA) and the Manfred Wörner building. However in consideration of the fact that NATO-IS will move to new premises in 2016, the rental period will be shorter than the remaining economic life of this equipment. As a consequence, all leases in NATO IS are classified as operating leases. Fees

payable under these lease agreements are accounted as expenses in the Statement of Financial Performance on a straight-line basis over the relevant lease term.

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

The operating leases at the reporting date can be classified into three categories: temporary building offices, transport equipment and photocopiers.

#### **NOTE 21: RESTRICTIONS ON FIXED ASSETS**

There are no restrictions on fixed assets.

#### **NOTE 22: CONTINGENT LIABILITIES**

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

However, it should be noted that in light of the current circumstances surrounding the operation of the NATO Staff Centre and its restructuring, Civil Budget resources may have to be used.

#### **NOTE 23: CONTINGENT ASSETS**

Nothing to report.

#### **NOTE 24: EMPLOYEE DISCLOSURE**

Accounting for employee benefits is accounting for any liability in relation to all forms of consideration given by an entity in exchange of service rendered by employees.

At 31 December 2014, NATO-IS had an approved Personnel Establishment of 1,110 positions (1,169 end 2013) funded by the Civil Budget of which 1033 were occupied as of December 2014 (1,084 end 2013). Also, NATO-IS receives "in kind" services provided by nationally funded personnel known as Voluntary National Contributions (VNCs). During 2014, 61 VNCs (97 in 2013) worked for the IS at HQ. Other civilian and military VNCs worked in the SCR's office in Kabul, in Georgia for PASP and DPP had VNCs located in Pristina, Kosovo, who man the NATO Advisory Team (NAT).

At 31 December 2014, NATO-IS had 4,672 days of untaken leave. The value of this is not recognised in the financial statements.

The NATO-IS manages centrally three pension schemes, namely the Defined Benefit Pension Scheme (DBPS), the Provident Fund and the Defined Contribution Pension Scheme (DCPS), as well as the Retirees Medical Claims Fund (RMCF), covering staff employed by all NATO bodies. NATO wide financial statements are issued by the NATO-IS Office of Financial Control for the three pension schemes and the RMCF; therefore, no related assets or liabilities are recognised in these financial statements.

Three staff are affiliates of the NATO Provident Fund (3 end 2013), which is a defined contribution pension scheme which provides retirement benefits to civilian staff recruited by NATO before 1 July 1974 and who decided not to join the Defined Benefit Pension Scheme set up at this date. Benefits are paid upon retirement as one lump sum, being the total of the individual right acquired. Monthly contributions, paid directly into the Fund, are made by staff and NATO, being 7% and 14% respectively of basic salary.

458 staff members (431 end 2013) participate in the Defined Contribution Pension Scheme (DCPS) administered by NATO. The DCPS provides that the NATO-IS budget makes a 12% monthly matching contribution to the staff members contributions for current service.

578 employess (644 end 2013) participate in NATO's Defined Benefit Pension Scheme (DBPS): a deduction of 9% of their salaries is made and contributed to the annual financing of this Scheme. These contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the entity. The funding mechanism of the DBPS provides that Nations contribute, in the course of a given year, for the difference between amounts due to pensioners and staff contributions received.

Also, 15 staff members are employed on reimbursable basis with an agreement between NATO-IS and the United States. Their salary is paid directly by the US using national salary scales and the US is reimbursed the costs corresponding to the grade of the post occupied by the staff member (see also Note 9). Those individuals are paid and accrue pension rights under a United States pension scheme. A similar agreement exists with the Netherlands and currently applies to 1 staff member. An agreement with Norway was signed in 2015.

The contributions for pensions paid are as follows:

		2014	2013
Provident Fund	Staff	7,832.16	7,855.80
	Employer	15,664.32	15,711.60
	Total	23,496.48	23,567.40
Co-ordinated Pension Scheme	Staff	3,849,143.32	4,111,835.86
	Employer		
	Total	3,849,143.32	4,111,835.86
Defined Contribution Pension Scheme	Staff	2,493,555.78	2,432,014.96
	Employer	3,562,238.35	3,522,959.25
	Total	6,055,794.13	5,954,974.21
TOTAL	Staff	6,350,531.26	6,551,706.62
	Employer	3,577,902.67	3,538,670.85
	Total	9,928,433.93	10,090,377.47

#### NOTE 25: KEY MANAGEMENT PERSONNEL

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

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

Aggregate remuneration: EUR 3,277,087  
Number of persons: 14

The Secretary General is provided with accommodation at no cost in premises belonging to the Organisation. The residence is serviced by three established posts. The cost of operating and maintenance of the residence and works are EUR 192,996.53 in 2014. The residence was assessed in November of 2013 as being worth EUR 10,300,000. The Deputy Secretary General is provided with an approved special allowance to contribute towards the lease of accommodation suitable for representation at the Ministerial and distinguished visitor level. The Secretary General is entitled



upon departure to a special leaving allowance, equal to one year's basic salary if a full four year term was served.

On 1 June, 2013, the NAC approved changes to the Representation Allowance system. A key element was that in lieu of monthly allowances being paid out and then reimbursed by the recipients if unused, recipients now submit receipts and are then reimbursed up to the allocated ceiling. The OFC is responsible for the day to day verification, with IBAN able to disallow expenses if deemed necessary.

A total of 13 senior staff are entitled to a Representation Allowance the use of which is subject to a specific control by the OFC. This includes the Secretary General, the Deputy Secretary General, the Director of the Private Office and the seven Assistant Secretary Generals. The gross amount paid was EUR 89,137.39 (EUR 119,611.50 in 2013). Unused funds and disallowed expenses are returned to the Organisation.

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

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

#### **NOTE 26: RELATED PARTIES**

There have been the following related party relations.

##### **Member Nations and NATO bodies**

NATO-IS performs certain administrative support and common operating services for which in 201 a total amount of, respectively EUR 5,927,585.04 (EUR 5,769,734 in 2013) and EUR 3,797,403.10 (EUR 4,036,825 in 2013) was charged to other NATO bodies and Member Nation delegations. These amounts come as a deduction to the budget contributions due from Nations to fund the Civil Budget.

Belgium provides military personnel in support of activities related to security (Delegation Militaire de la Sécurité Technique) for which EUR 490,431 (EUR 474,872.31 in 2013) were charged by the Belgian Ministry of Defence and paid by the Civil Budget. Staff in support of communications (Communications Branch of the Situation Centre) is no longer provided directly to the International Staff but via the NCIA (EUR 1,743,873.75 in 2013).

Fifteen NATO-IS staff members are employed on a reimbursable basis with an agreement between NATO-IS and the United States. Their salaries are paid directly by the US using national salary scales and the US is reimbursed the costs corresponding to the grade of the posts occupied by these staff members (see also Note 9). A similar arrangement exists for Netherlands staff and one individual benefits from it. An agreement was also signed with Norway in 2015.

##### **Member and Partner Nations**

The NATO-IS Office of Financial Control is the Treasurer for the operations related to 33 Trust Funds which were active in 2014 (32 in 2013). The Trust Funds were authorized under NATO's Partnership for Peace Programme, the Mediterranean Dialogue Programme, the NATO-Russia Council, the NATO-Ukraine Commission and the NATO-Georgia Commission. The OFC also received financial resources on a bilateral ad-hoc basis from nations in support of specific activities conducted by NATO-IS or as a complement to the Civil Budget funding for certain activities. For Trust Funds a Lead Nation (NATO member) is normally designated. Partner nations can also participate in such additional funding. No management fees are charged by the IS to cover the related costs.

The table below analyses the payments and receipts linked to trust funds:

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YEAR 2014							
	Opening balances	Contributions received	Disbursements	Interest/Gain on exchange	Bank charges/Loss on exchange	Refunds of closed accts	Closing balances
<b>TRUST FUNDS</b>							
NTF-GEO - PROF.DEV./PGR.	293,392.21	478,928.98	259,632.03	1,499.56	283.30	248,290.59	265,614.83
NTF - TAJIKISTAN II	445,788.64	0.00	150,000.00	1,671.57	5.00		297,455.21
NTF - MOLDOVA III	266,259.31	202,967.36	0.00	2,739.50	11.05		471,955.12
NTF - BOSNIA-HERZ. II	469,261.49	0.00	465,855.00	4,932.12	5.00	8,333.61	0.00
NTF - AZERBAIJAN JCP	951,729.12	593,376.87	900,000.00	3,320.67	5.00		648,421.66
NTF - UKRAINE II PH 2	530,204.41	338,847.80	0.00	1,050.76	11.05		870,091.92
NTF - NATO-UKRAINE RADACT DISP	84,995.00	0.00	0.00	355.18	5.00		85,345.18
NTF - GEORGIA IV	308,904.23	182,634.81	0.00	451.68	0.00		491,990.72
NTF - JORDAN III	20,000.00	355,671.36	0.00	1.66	0.00		375,673.02
NTF - SERBIA IV	814,916.91	85,494.52	0.00	1,375.76	5.00		901,782.19
NTF - UKRAINE C4	0.00	643,940.95	0.00	0.00	0.00		643,940.95
NTF - UKRAINE L & S	0.00	520,000.00	0.00	0.00	0.00		520,000.00
NTF - UKRAINE CYBER DEFENCE	0.00	30,000.00	0.00	0.00	0.00		30,000.00
NTF - BELARUS - APM	22,735.96	0.00	0.00	95.84	5.00		22,826.80
NTF - UKRAINE II - SALW	14,338.14	0.00	0.00	60.39	5.00		14,393.53
NTF - KMELNITSKY	2,514.77	0.00	0.00	168.64	5.00		2,678.41
NTF - MAURITANIA	670,385.16	0.00	0.00	2,651.17	5.00		673,031.33
NRC - CAI PHASE IV	289,788.75	259,267.15	412,275.06	799.39	5.00		137,575.23
NRC - HELICOPTER MAINTENANCE	2,002,336.18	180,000.00	1,258,000.00	14,905.79	11.05		939,230.92
NRC - HELICOPTER MAINTEN. (USD)	226,493.71	0.00	226,493.55		0.16		0.00
NRC - DISP EXCESS AMMUNITION	50,000.00	305,000.00	0.00	723.59	0.00	355,723.59	0.00
NRC - HELICO MAINTENANCE II	2,584,999.80	258,000.00	360,000.00	2,640.26	11.05		2,485,629.01
NRC - AFGHAN. & ASIA (USD)	73,275.40	409,076.21	0.00		-48,164.82		530,516.42
NRC - TMD III	25,047.81	0.00	0.00	105.61	5.00		25,148.42
NATO CNAD VNCF	373,653.63	800,000.00	426,000.00	1,544.17	0.00		749,197.80
<b>Sub-total</b>	<b>10,521,020.63</b>	<b>5,643,206.01</b>	<b>4,458,255.64</b>	<b>41,093.31</b>	<b>-47,782.16</b>	<b>612,347.79</b>	<b>11,182,498.67</b>
<b>NATO I.S. MANAGED TRUST FUNDS</b>							
CRISIS MGMT IN MAURITANIA	606,618.78	0.00	383,575.00	1,659.63	5.00		224,698.41
NTF - UKRAINE MEDICAL REHABIL	0.00	30,000.00	0.00	0.00	0.00		30,000.00
NTF - UKRAINE MCT	0.00	390,000.00	0.00	0.00	0.00		390,000.00
JWGDR	253,806.79	524,657.96	162,821.28	1,286.00	434.55		616,494.92
NTF BLDG INTEGRITY	1,160,361.55	123,594.90	324,909.71	4,401.68	271.20		963,177.22
NRC - WEB SITE	14,579.18	16,000.00	29,614.90	133.86	5.00		1,093.14
NATO EXPLOSIVES DET.	946,535.78	0.00	629,477.78	7,771.77	5.00		324,824.77
NATO SILK AFGHANISTAN (USD)	190,993.78	183,832.26	266,337.85		-17,439.56		125,927.75
<b>Sub-total</b>	<b>3,172,895.86</b>	<b>1,268,085.12</b>	<b>1,796,736.52</b>	<b>15,252.94</b>	<b>-16,718.81</b>	<b>0.00</b>	<b>2,676,216.21</b>
<b>TOTAL 2014</b>	<b>13,693,916.49</b>	<b>6,911,291.13</b>	<b>6,254,992.16</b>	<b>56,346.25</b>	<b>-64,500.97</b>	<b>612,347.79</b>	<b>13,858,714.88</b>

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	Opening balances	Contributions received	Disbursements	Interest/Gain on exchange	Bank charges/Loss on exchange	Refunds of closed accts	Closing balances
<b>TRUST FUNDS</b>							
NTF-GEO - PROF.DEV.PGR.	383,743.62	126,908.48	217,785.54	2,358.70	1,833.05		293,392.21
NTF - GEORGIA III	325,571.92	0.00	0.00	3,463.94	5.00	329,030.86	0.00
NTF - TAJIKISTAN II	232,219.34	212,280.89	0.00	1,293.41	5.00		445,788.64
NTF - MOLDOVA III	591,191.45	473,109.37	800,000.00	1,963.49	5.00		266,259.31
NTF - BOSNIA-HERZ. II	960,226.39	503,397.56	1,000,000.00	5,660.69	23.15		469,261.49
NTF - AZERBAIJAN JCP	514,039.88	833,353.60	400,000.00	4,358.79	23.15		951,729.12
NTF - UKRAINE II PH 2	246,388.58	296,440.76	14,236.58	1,628.75	17.10		530,204.41
NTF - NATO-UKRAINE RADACT DISP	0.00	85,000.00	0.00		5.00		84,995.00
NTF - GEORGIA IV	88,690.59	220,176.81	0.00	41.83	5.00		308,904.23
NTF - JORDAN III	0.00	20,000.00	0.00		0.00		20,000.00
NTF - SERBIA IV	0.00	814,929.01	0.00		12.10		814,916.91
NTF - BELARUS - APM	22,595.97	0.00	0.00	144.99	5.00		22,735.96
NTF - UKRAINE II - SALW	14,251.75	0.00	0.00	91.39	5.00		14,338.14
NTF - KMELNITSKY	56,989.70	100,000.00	155,000.00	584.52	59.45		2,514.77
NTF - JORDAN I	419,732.02	0.00	0.00	3,187.46	5.00	422,914.48	0.00
NTF - MAURITANIA	518,898.01	261,660.14	115,000.00	4,838.06	11.05		670,385.16
NTF - JORDAN III	198,821.45	10,000.00	190,305.04	3,254.61	11.05	21,759.97	0.00
NRC - CAI PHASE III	9,957.53	0.00	0.00	152.84	5.00	10,105.37	0.00
NRC - CAI PHASE IV	82,215.58	456,452.84	250,000.00	1,125.33	5.00		289,788.75
NRC - HELICOPTER MAINTENANCE	3,406,060.60	4,003,000.00	5,425,000.00	18,280.58	5.00		2,002,336.18
NRC - HELICOPTER MAINTEN. (USD)	316,800.77	0.00	85,988.88		4,318.18		226,493.71
NRC - DISP EXCESS AMMUNITION	0.00	50,000.00	0.00		0.00		50,000.00
NRC - HELICO MAINTENANCE II	0.00	4,085,000.00	1,500,000.00		0.20		2,584,999.80
NRC - AFGHAN. & ASIA (USD)	198,365.48	941,443.01	1,061,646.36		4,886.73		73,275.40
NRC - CAI PHASE II	48,570.39	0.00	0.00	383.31	5.00	48,948.70	0.00
NRC - TMD III	24,893.06	0.00	0.00	159.75	5.00		25,047.81
NATO CNAD VNCF	299,600.00	123,875.21	50,000.64	190.11	11.05		373,653.63
<b>Sub-total 2013</b>	<b>8,959,824.08</b>	<b>13,617,027.68</b>	<b>11,264,963.04</b>	<b>53,162.55</b>	<b>11,271.26</b>	<b>832,759.38</b>	<b>10,521,020.63</b>
<b>NATO MANAGED TRUST FUNDS</b>							
CRISIS MGMT IN MAURITANIA	0.00	606,618.78	0.00		0.00		606,618.78
JWGDR	309,877.57	74,792.81	132,696.86	2,213.37	380.10		253,806.79
NTF BLDG INTEGRITY	1,165,436.03	297,164.40	307,583.83	5,957.48	612.53		1,160,361.55
NRC - WEB SITE	55,840.49	3,500.00	44,998.32	242.01	5.00		14,579.18
NATO EXPLOSIVES DET.	1,853,738.74	0.00	916,800.66	9,602.70	5.00		946,535.78
NATO SILK AFGHANISTAN (USD)	146,628.08	501,307.60	452,903.00		4,038.89		190,993.78
<b>Sub-total 2013</b>	<b>3,531,520.91</b>	<b>1,483,383.59</b>	<b>1,854,982.67</b>	<b>18,015.56</b>	<b>5,041.52</b>	<b>0.00</b>	<b>3,172,895.86</b>
<b>TOTAL 2013</b>	<b>12,491,344.99</b>	<b>15,100,411.27</b>	<b>13,119,945.72</b>	<b>71,178.11</b>	<b>16,312.78</b>	<b>832,759.38</b>	<b>13,693,916.49</b>

## Employee Benefits

NATO-IS is responsible for the management at the NATO-wide level for the three pension systems (Provident Fund, Defined Benefit Pension Scheme, Defined Contribution Pension Scheme) and the Retirees Medical Claims Fund. Separate financial statements are issued by the NATO-IS Office of Financial Control. No management fees corresponding to the related costs incurred by NATO-IS are charged to these entities.

## Staff Centre

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

Appendix 1 Annex 1 of the C-M outlines under the heading of Category A, all activities that can receive Civil Budget funding. The total amount of expenditures paid by the Civil Budget in that respect amounted to EUR 927,232.10 in 2014 ( EUR 995,856 in 2013).

In addition, NATO-IS provided administrative support and common operating services to the Staff Centre in an estimated amount of respectively EUR 279,407 and EUR 552,310.91 (EUR 274,145 and EUR 643,107 in 2013).

With regard to the principle of consolidation of Morale and Welfare Activities, the recent decision by the Council (C-M(2013)0006) adopting a way-ahead on the implementation of IPSAS states that, "NATO entities should capture financial information in support of morale and welfare activities by way of a note disclosure to the financial statements and not consolidated in the Financial Statements". This Council decision applies as from reporting year 2013.

The Staff Centre has its own financial statement.