	NATO	NORTH ATLANTIC COUNCIL
	OTAN	CONSEIL DE L'ATLANTIQUE NORD

NATO UNCLASSIFIED
Releasable to Montenegro

7 December 2016

DOCUMENT
C-M(2016)0070-AS1 (INV)

IBAN AUDIT ON THE 2015 FINANCIAL STATEMENTS OF ALLIED COMMAND TRANSFORMATION

ACTION SHEET

On 6 December 2016, under the silence procedure, the Council noted the IBAN report attached to C-M(2016)0070 (INV) on the 2015 financial statements of ACT and agreed the RPPB recommendation regarding public disclosure.

(Signed) Rose E. Gottemoeller
Deputy Secretary General

NOTE: This Action Sheet is part of, and shall be attached to C-M(2016)0070 (INV).

NATO UNCLASSIFIED



NATO UNCLASSIFIED
Releasable to Montenegro

21 November 2016

DOCUMENT
C-M(2016)0070 (INV)
Silence Procedure ends:
6 Dec 2016 18:00

IBAN AUDIT ON THE 2015 FINANCIAL STATEMENTS OF ALLIED COMMAND TRANSFORMATION

Note by the Deputy Secretary General

1. I attach the International Board of Auditors for NATO (IBAN) report on the audit of the 2015 financial statements of Allied Command Transformation (ACT).
2. The IBAN report on ACT sets out an unqualified opinion on the financial statements and an unqualified opinion on compliance.
3. The IBAN report has been reviewed by the Resource Policy and Planning Board (RPPB) (see Annexes) which has concluded that the unqualified audit opinion on the 2015 financial statements of ACT reflects the hard work by management and staff to implement the range of measures approved by Council in recent years to improve financial and accounting regulations, governance, transparency and accountability.
4. I do not believe that this matter requires discussion in the Council. Consequently, **unless I hear to the contrary by 18:00 hours on Tuesday 6 December 2016**, I shall assume that the Council has noted the IBAN report on the 2015 financial statements of ACT and agreed the RPPB recommendation regarding public disclosure.

(Signed) Rose E. Gottemoeller

4 Annexes
1 Enclosure

Original: English

NATO UNCLASSIFIED

-1-



BLANK PAGE

**IBAN AUDIT OF THE 2015 FINANCIAL STATEMENTS OF ALLIED COMMAND
TRANSFORMATION (ACT)**

Report by the Resource Policy and Planning Board

References:

- a) IBA-A(2016)76 – IBAN report
- b) C-M(2015)0025 – NATO Financial Regulations (NFRs)
- c) 7000 TSC MBX 0010/FC-105-16 – Letter from the Financial Controller
- d) PO(2015)0052 – Wales Summit tasker on transparency and accountability

Introduction

1. This report contains the RPPB's observations and recommendations on the IBAN audit of the 2015 financial statements of ACT (reference a)).

Discussion

2. The Board is pleased to note that the IBAN have issued an unqualified opinion on the financial statements of ACT and an unqualified opinion on compliance for the 2015 financial year. The Board also notes that progress has been made in dealing with observations from previous years' audit; while four issues remain outstanding the Board notes that action is in hand to address these.

3. The Board welcomes the progress that the IBAN have observed towards complying with the articles on internal control, risk management and internal audit contained in the revised NFRs (reference b)). The Board understands 2015 to be a transition year and therefore expects ACT to make more progress in the near future. The Board invites the Head of Financial Reporting Policy to encourage the sharing of best practice across NATO entities in this area.

4. The Board is more concerned by the IBAN observation on the need to improve property safeguarding and accounting throughout ACT. The Board notes that ACT did not comment on the IBAN observation but expects ACT management to give further attention to strengthening property accounting processes and controls.

5. The Board notes the statement on disclosure from the ACT Financial Controller (reference c)) that there are no reasons why the 2015 financial statements should be withheld from public disclosure.

Conclusions

6. The Board is pleased with the unqualified audit opinion on ACT's financial statements which reflects the hard work by management and staff to implement the range of measures recommended by the Board and approved by Council in recent years to improve financial and accounting regulations, governance, transparency and accountability. The Board notes that further work needs to be done to fully implement these measures.

7. The RPPB concludes that the subject IBAN report and the related financial statements by ACT do not contain information which, according to the NATO Policy on Disclosure of NATO Information, should be withheld from public disclosure.

Recommendation

8. The RPPB recommends that Council:

- a) note the IBAN report on the 2015 financial statements of ACT together with this report by the Board;
- b) endorse the Board's conclusions at paragraphs 6-7;
- c) agree to the public disclosure of this report, the IBAN audit (reference a)) and the associated 2015 financial statements of ACT, in line with the policy set out at reference d).

**Summary Note for Council
by the International Board of Auditors for NATO (Board)
on the audit of the Consolidated Financial Statements of the
Allied Command Transformation (ACT)
for the year ended 31 December 2015**

The International Board of Auditors for NATO (Board) audited the the Allied Command Transformation (ACT) Consolidated Financial Statements for the year ended 31 December 2015, which consists of four main entities: ACT HQ, Joint Warfare Centre (JWC), Joint Force Training Centre (JFTC) and Joint Analysis and Lessons Learned Centre (JALLC). ACT is responsible to the NATO Military Committee for overall recommendations on NATO transformation. ACT explores concepts, promotes doctrine development, and conducts research experiments. It also supports Allied Command Operations (ACO) in developing and conducting exercises to train Allied and Partner forces in NATO combined and joint operations.

The total expenditure of ACT in 2015 amounted to approximately EUR 153 million.

The Board issued an unqualified opinion on the ACT Consolidated Financial Statements and on compliance for the year ended 31 December 2015.

During the audit, the Board identified 2 observations and the related recommendations (Annex 4). These observations and recommendations do not impact the audit opinion.

The main findings are:

1. Further steps are required to achieve full compliance with the revised NATO Financial Regulations, particularly those articles on Internal Control, Risk Management and Internal Audit.
2. Internal Control over Property Safeguarding and Accounting needs improvement.

The Board also followed up on the status of observations from previous years' audits and noted that 2 have been settled, 2 partially settled, 3 superseded by current year observations, and 4 remained outstanding.

BLANK PAGE

INTERNATIONAL BOARD OF AUDITORS FOR NATO

AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE

ALLIED COMMAND TRANSFORMATION

(ACT)

FOR THE YEAR ENDED 31 DECEMBER 2015

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

Report on the Financial Statements

The International Board of Auditors for NATO (Board) audited the accompanying consolidated financial statements of the Allied Command Transformation (ACT), which comprised the Statement of Financial Position as at 31 December 2015, and the Statement of Financial Performance, Statement of Net Assets & Equity and Cash Flow Statement for the year then ended, and Notes to the Financial Statements, including a Statement of Accounting Policies. The Board also audited the Budget Execution Statements for the year ended 31 December 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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 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 opinion.

Opinion on Financial Statements

In our opinion, the financial statements present fairly, in all material respects, the financial position of ACT as of 31 December 2015, 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, 28 July 2016

Lyn Sachs
Chairman

BLANK PAGE

INTERNATIONAL BOARD OF AUDITORS FOR NATO

**LETTER OF OBSERVATIONS AND RECOMMENDATIONS
FOR THE ALLIED COMMAND TRANSFORMATION
(ACT)**

FOR THE YEAR ENDED 31 DECEMBER 2015

Introduction

The International Board of Auditors for NATO (Board) audited the ACT Consolidated Financial Statements for the year ended 31 December 2015, and issued an unqualified opinion on the financial statements of ACT and on compliance for financial year 2015.

Observations and Recommendations

During the audit, the Board identified 2 observations and provided 7 recommendations. These observations and recommendations do not impact the audit opinion. They are summarised herein:

1. Further steps are required to achieve full compliance with the revised NATO Financial Regulations, particularly those articles on Internal Control, Risk Management and Internal Audit.
2. Internal Control over Property Safeguarding and Accounting needs improvement.

The Board also followed up on the status of observations from previous years' audits and noted that 2 have been settled, 2 partially settled, 3 superseded by current year observations, and 4 remained outstanding.

The Board also issued a Management Letter (reference IBA-AML(2016)03) to the Supreme Allied Commander Transformation (SACT) with observations for management's attention.

OBSERVATIONS AND RECOMMENDATIONS

1. FURTHER STEPS ARE REQUIRED TO ACHIEVE FULL COMPLIANCE WITH THE REVISED NATO FINANCIAL REGULATIONS, PARTICULARLY THOSE ARTICLES ON INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

Reasoning

1.1 The North Atlantic Council (Council) approved revised NATO Financial Regulations (NFRs) effective as from 4 May 2015. This was the first time in more than 30 years that the NFRs have been revised. While Article 36 of the revised NFRs states that *“the NFRs will take effect immediately (i.e. 4 May 2015)”*, Council also agreed that full implementation was only expected by the end of 2015. Furthermore, Article 4 of the revised NFRs states that *“the finance committee shall approve a set of Financial Rules and Procedures (FRPs) that provide additional guidance to ensure the effective implementation of the revised NFRs.”*

1.2 The revised NFRs are more explicit than the previous version in the areas of Risk Management (Article 11), Internal Control (Article 12), Internal Audit (Article 13) and the establishment of an Audit Advisory Panel (Article 16). They require the establishment of effective, efficient and economical risk management procedures, that there are necessary management functions in place to support effective internal control, and that NATO bodies have access to a permanent, adequately resourced, internal audit function that is compliant with internationally accepted Internal Auditing Standards. They also require the establishment of an Audit Advisory Panel. Furthermore, Article 3 requires, as a demonstration of responsibility and accountability, that both the annual Financial Statements and Statements of Internal Control be signed by both the NATO Head of Body and Financial Controller; and Article 25 authorizes the commitment of budgetary credits for goods and services to be rendered during the financial year.

1.3 These revised NFRs provide an opportunity for NATO bodies to solidify and codify their overall internal control framework, including risk management. They also provide internal audit functions, whether in-house or outsourced, with clear expectations that they must be in a position to fully evaluate the effectiveness and efficiency of operations and internal controls, including risk management. Finally, the Council will ensure that the detailed FRPs are consistent, to the maximum extent possible, across NATO.

Observations

1.4 The Board found that ACT has made some progress, but more steps are still needed, to achieve full compliance with all of the revised NFRs. This result, though, is not unexpected considering that the revised NFRs were only approved by Council in May 2015 and that the more detailed FRPs, which were required by Article 4 of the revised NFRs, were not approved by the Budget Committee until the end of February 2016.

1.5 Due to the lack of detailed regulations throughout 2015, the Board considers 2015 to be a transition year. It has chosen to report on the progress against certain of these revised Articles of the NFRs, and to make recommendations against that progress. The compliance audit opinion will not be impacted in 2015 as a result of these observations. This will begin as from 2016, though.

1.6 The Board reports the status of the following areas:

Article 3 Responsibility and Accountability

1.6.1 The Board found that only the ACT Financial Controller signed the financial statements.

Article 11 Risk Management

1.6.2 The Board found that ACT has developed a documented Risk Management policy and procedures. Such a policy is essential in order to ensure and to clearly demonstrate to others that efficient, effective and economic risk management procedures are in place and that risk management is aligned with ACT's overall operational and financial objectives.

1.6.3 However, the Board also found that such procedures and documentation have not yet been fully embedded throughout the ACT organisation. This means that ACT risk management is not yet mature or complete. For example, there is currently no financial risk register.

Article 12 Internal Control

1.6.4 The Board found that ACT has not yet adopted and demonstrated compliance with a specific Internal Control Framework. Also, no common NATO-wide Internal Control Framework has been chosen. Such a framework, with the appropriate supporting documentation and procedures, is essential in order to ensure and to clearly demonstrate to others that a complete system of internal financial and budgetary controls is in place.

1.6.5 The Board's audit of the ACT 2015 Financial Statements did not reveal significant weaknesses in internal control. However, until a specific Internal Control Framework is adopted and supported via a systematic documentation of internal control procedures, the Board will not be in a position to state that there is a full system of internal control in place that is in accordance with Article 12 of the revised NFRs.

Article 13 Internal Audit

1.6.6 The Board found that ACT Internal Audit has not performed evaluations of the organisations risk management. In addition, while ACT Internal Audit has performed various audits throughout the year that have touched upon different topics and areas of internal control, the Board believes that it cannot yet be demonstrated that ACT Internal

Audit has fully evaluated, throughout the organisation, the risk exposures and the effectiveness of internal controls in managing risk within the governance, operations and information systems as required by Article 13.

1.6.7 Furthermore, the Board found that ACT Internal Audit performed 'external' audits on some NATO Centres of Excellence. These entities are not part of ACT, nor are they even NATO bodies.

Article 16 Audit Advisory Panel

1.6.8 The Board found that ACT only established an Audit Advisory Panel as required by Article 16 in 2016.

Article 25 Commitments, Contract Authority and Carry Forward

1.6.9 The Board found that ACT continued to enter into some commitments for goods and services to be rendered during the following financial year, not the current financial year.

Recommendations

1.7 The Board recommends that:

- a) ACT ensures that it fully embeds its entity-wide risk management policy throughout the organisation and that risk registers are developed and employed throughout all ACT departments and operations. In the Board's opinion, this should be coordinated to ensure consistent treatment across NATO Bodies.
- b) ACT develop a specific, internationally accepted, Internal Control Framework, and that there be a systematic and detailed documentation of internal control procedures supporting the framework. In the Board's opinion, this should be coordinated to ensure consistent treatment across NATO Bodies.
- c) ACT ensure that ACT Internal Audit is fully evaluating risk management and internal control throughout ACT, and that this work is clearly documented so as to demonstrate compliance against ACT's chosen Internal Control Framework.
- d) ACT Internal Audit fully focus its limited resources on the internal auditing of ACT and not perform 'external' audits on non-NATO bodies such as the Centres of Excellence.
- e) ACT comply with Article 3 of the NFRs in that both the ACT Head of Body and Financial Controller sign the financial statements.

- f) ACT comply with Article 25 of the NFRs by entering into commitments for goods and services to be rendered during the financial year.

Comment of the Supreme Allied Commander Transformation (SACT)

Concur with the recommendation. ACT will address this issue through their Audit Advisory Panel, which will review the Programme of Work for the Command Auditor. The matter will also be addressed at the Management Board level to ensure significant progress is made. ACT will ensure that SACT countersigns the 2016 Consolidated Financial Statements rather than just the Statement of Internal Control. Additionally, processes are in place to ensure that ACT is in full compliance with Article 25 of the new NFRs, which relates to commitment policy.

2. INTERNAL CONTROL OVER PROPERTY SAFEGUARDING AND ACCOUNTING NEEDS IMPROVEMENT

Reasoning

2.1 Article 12 of the NFR's, Internal Control, places a responsibility on Commanders to ensure the necessary internal management functions are in place to support effective internal control, designed to provide reasonable assurance. One of the four objectives is safeguarding assets and the Financial Controller is charged to meet the desired internal control standards by establishing a system of internal control, including establishing and maintaining comprehensive records of all assets.

Observations

2.2 The Board found that ACT HQ lacks a complete and holistic asset register. Rather, individual sections maintain their own property databases, and there are not consistent controls on the assets and registers. In previous audits the Board commented on the need for a central register. With the advent of ACT taking control of the office space constructed as extensions to the North and South Wings at ACT HQ, and the efforts made to obtain the costs associated with the buildings, installed equipment and furniture and the costs of a generator that has been extensively modernised, it would be prudent to complete a register of the buildings, installed equipment and furniture and associated costs with the new wings as they currently value EUR 14.9 million.

2.3 The Board also found property management weaknesses at both JWC and JFTC. Particularly, it was found that property write-offs were necessary at both locations as a result of the Hand-Over/Take-Over process with NCIA. Also, the closing of the Ulsnes location at JWC in 2015 resulted in additional write-offs. While the total amounts written off were not material, they were significant and indicate that internal controls surrounding the safeguarding of property and maintenance of property accounting records need to be improved.

Recommendation

2.4 The Board recommends that ACT HQ implement standard property accounting operating procedures throughout ACT, and that a central register of such property be maintained at each location (ACT HQ, JWC, JFTC and JALLC) and be properly controlled at the appropriate level.

FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS

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

Comment of the Supreme Allied Commander Transformation (SACT)

ACT management is pleased to note that several of the prior years' observations were settled. In relation to those that remain outstanding, action has been taken as follows:

Status of previous years' observations

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
ACT FY 2014 IBA-AR(2015)15, section 1 Service Level Agreement needs to be established with the Joint Electronic Warfare Core Staff (JEWCS) Board's recommendation The Board recommends ACT to clearly define and set the requirements for the services needed from JEWCS in coordination with ACO and IMS. Based on the services needed, the Board recommends ACT to continue the work to establish and agree an SLA with the JEWCS.	The Board found that ACT had an SLA in place for 2015. The requirements for the 2016 SLA are developed, but the SLA is still not yet in place.	Observation Partially Settled.
ACT FY 2014 IBA-AR(2015)15, section 2 Timing of funding provided to the Centre for Maritime Research and Experimentation does not reflect the progress of services being received Board's recommendation The Board recommends that for 2016 CMRE funding, consideration should be given by ACT to adjusting the payment profile to more accurately reflect the progress of the services being received.	The Board found that funding for 2016 has been reduced due to budget constraints. However, the Board found that there continued to be a front-loading of funding to CMRE.	Observation Outstanding.
<i>Comment of the Supreme Allied Commander Transformation (SACT)</i> <i>Funding provided to CMRE has been adjusted in 2016 to account for the reduced Programme of Work (PoW). Since the milestone payments for the current year have already been put in place, ACT management will critically address the issue when reviewing the PoW for next year.</i>		

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
<p>ACT FY 2014 IBA-AR(2015)15, section 3</p> <p>Internal control weaknesses identified in Financial Accounting and Reporting Procedures</p> <p>Board's recommendation As in the prior year, the Board again recommends ACT to improve its verification procedures of the figures and other information in the financial statements. This should include identifying a person independent of the financial statement preparation process who can perform a review of the financial statements.</p>	<p>The Board found that the verification procedures had improved although the Board noted some mistakes in the financial and disclosure note information presented which were corrected.</p> <p>For example, in the disclosure note for Unearned Revenue, a description of a line used in reconciling opening and ending Unearned Revenue was incorrectly labelled as Accrual Adjustment, rather than due mainly to foreign exchange differences.</p>	<p>Observation Outstanding.</p>
<p><i>Comment of the Supreme Allied Commander Transformation (SACT)</i></p> <p><i>ACT management is pleased that IBAN recognised the improvements to the verification procedures and will endeavour to improve further for the 2016 process.</i></p>		
<p>ACT FY 2014 IBA-AR(2015)15, section 4</p> <p>Lack of Internal Audit Reporting</p> <p>Board's recommendation The Board recommends that from 1 January 2015, all results of all audit outputs should be communicated with a written report and at the end of the calendar year an Annual Report be produced for presentation to the Chief of Staff.</p>	<p>The Board found that Internal Audit produced audit reports for pieces of work performed and an annual activities report detailing all work performed. The next step is to ensure Internal Audit is fully evaluating ACT's risk management and internal controls as required by the revised NFRs.</p>	<p>Observation Superseded by current year observation 1.</p>
<p>ACT FY 2014 IBA-AR(2015)15, section 5</p> <p>Improvements needed to Property Accounting at ACT HQ</p> <p>Board's recommendation The Board recommends that a standard</p>	<p>The Board found that no centralized asset register has</p>	<p>Observation Superseded by</p>

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
operating procedure be implemented for all sections in order that they may provide the necessary information to support a system of property accounting throughout ACT.	been put in place.	current year observation 3.
ACT FY 2014 IBA-AR(2015)15, section 6 Lack of Compliance with new regulations on Representation Allowances Board's recommendation The Board recommends that ACT should ensure that it is fully complying with the new representation allowance regulations that came into effect in 2013. Specifically, it should ensure that unspent funds at year-end are returned to the nations.	The Board found that representation allowance funds remaining at the end of 2014 were reconciled with Nations and reused in 2015 in accordance with Nations wishes.	Observation Settled.
ACT FY 2013 IBA-AR(2014)16, section 2 ACT has retained financial and other risks related to the CMRE, despite its formal transfer to STO Board's recommendation The Board recommends that ACT, STO and their governing bodies should complete a thorough analysis of CMRE's activities with a view towards addressing the risks that ACT has retained related to CMRE. In particular, there should be a consideration of the outputs of the research, including its relevance to NATO's goals and other activities, as well as a further consideration of the operational model of the vessels, taking into account ownership, accountability, governance and costs of the maritime research.	The Board found that the transfer of the vessels occurred at the end of 2015. However, no analysis of CMRE's activities has been performed. Furthermore, after the current year audit, the Board was provided with information in respect to relevancy of the CMRE activities to NATO's goals.	Observation Settled.
ACT FY 2013 IBA-AR(2014)16, section 3 No process in place to identify related party relationships and transactions Board's recommendation The Board recommends that ACT and the subcommands initiate procedures whereby certain members of key management and staff are asked to sign declarations of	Last year, the Board noted ACT was in the process of identifying those individuals who have influence over procurement and contracting/ committing ACT to	Observation Outstanding.

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
interest attesting to the fact that they don't have any related party relationships or transactions, or reporting those that they do have.	<p>expenditure and will obtain declarations of interest from those staff attesting to the fact that they don't have any related party relations or transactions.</p> <p>However, there is still no request to have key management and staff provide declarations.</p> <p>During 2016, it is understood that these controls will be taken a step further by requiring all key management personnel to sign a related party disclosure document.</p>	
<p><i>Comment of the Supreme Allied Commander Transformation (SACT)</i></p> <p><i>Declarations by management and key staff will be in place for the 2016 audit.</i></p>		
<p>ACT FY 2013 IBA-AR(2014)16, section 5</p> <p>Confirmation of year-end assets and liabilities outstanding between NATO entities</p> <p>Board's recommendation The Board recommends ACT, 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.</p>	<p>The Board recognises that arrangements were improved during 2014 and 2015 and that there are unofficial channels and processes in place to ensure balances with ACO and NCIA at ACT HQ are agreed. However, this was not done at JWC, JFTC and JALLC. Furthermore, the Board believes it is important to formalize such processes and receive confirmations directly from the NATO bodies to confirm asset and liability balances.</p>	<p>Observation Outstanding.</p>
<p><i>Comment of the Supreme Allied Commander Transformation (SACT)</i></p> <p><i>ACT will formalise the approach with NCIA to confirm balances for the 2016 financial statements. Steps will also be taken to provide evidence that the same analysis has been performed at JWC, JFTC and JALLC.</i></p>		

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
<p>ACT FY 2013 IBA-AR(2014)16, section 6</p> <p>Non-compliance with IPSAS disclosure requirements</p> <p>Board's recommendation The Board recommends ACT to continue to improve the note disclosures to fully comply with IPSAS requirements.</p>	<p>The Board found that improvements in complying with the note disclosure requirements were still needed in some areas. Paragraph 52 of IPSAS 18, <i>Segment Reporting</i>, requires segment revenue for each segment to be separately reported for budget appropriations, revenue from external sources, and revenue from other segments. Also, paragraph 34 of IPSAS 20, <i>Related Party Disclosures</i>, requires an entity to disclose the aggregate remuneration of key management personnel and the number of individuals, determined on a full-time equivalent basis, receiving remuneration within this category, showing separately major classes of key management personnel and including a description of each class.</p>	<p>Observation Partially Settled.</p>
<p>ACT FY 2012 IBA-AR(2013)21, paragraph 5.3</p> <p>Long Outstanding Receivables from nations in ACT HQ</p> <p>Board's recommendation The Board recommends that ACT coordinates with the nations, and that nations co-operate to ensure the payment of the long outstanding receivables as soon as possible.</p>	<p>During 2015, ACT took action to collect the funds for less than 365 days, and put in place chasing arrangements for those balances outstanding for more than 365 days. The amount of receivables from nations that was outstanding for more than 365 days has reduced but the remaining low value debts are increasingly looking uncollectable.</p>	<p>Observation Superseded by current year observation 1.1.5 in Management Letter.</p>

NATO UNCLASSIFIED

ENCLOSURE 1 TO
7000 TSC MBX 0010/FC2716/NU0274
DATED 30 MAR 2016

TABLE OF CONTENTS

Financial Controller's Foreword and Report	1
Statement of Internal Control	4
ACT Consolidated Statement of Financial Position	6
ACT Consolidated Statement of Net Assets & Equity	7
ACT Consolidated Statement of Financial Performance	8
ACT Consolidated Cashflow Statement	9
ACT Budget Execution Statements	10
1 Statement of Accounting Policies	17
2 Cash and Cash Equivalents	24
3 Receivables	24
4 Prepayments	25
5 Advances to Non-Consolidated Entities	25
6 Accounts Payable	25
7 Unearned Revenue	26
8 Advance Contributions	26
9 Property, Plant & Equipment	26
10 Revenue	27
11 Reimbursable Revenue and Expenses	28
12 Chapter Expenses	29
13 Staff Resources	30
14 NSIP Overview	31
15 Financial Instruments	31
16 Related Party Transactions	32
17 Representation Allowance	33
18 Budget Execution Statements Overview	34
19 Statement of Budgetary Transfers	35
20 Statement of Credits Carried Forward	37
21 IPSAS Disclosures	37
22 Morale and Welfare Activities	37
23 Statement of Write Off	38
24 Statement of Performance and Position per Entity	38

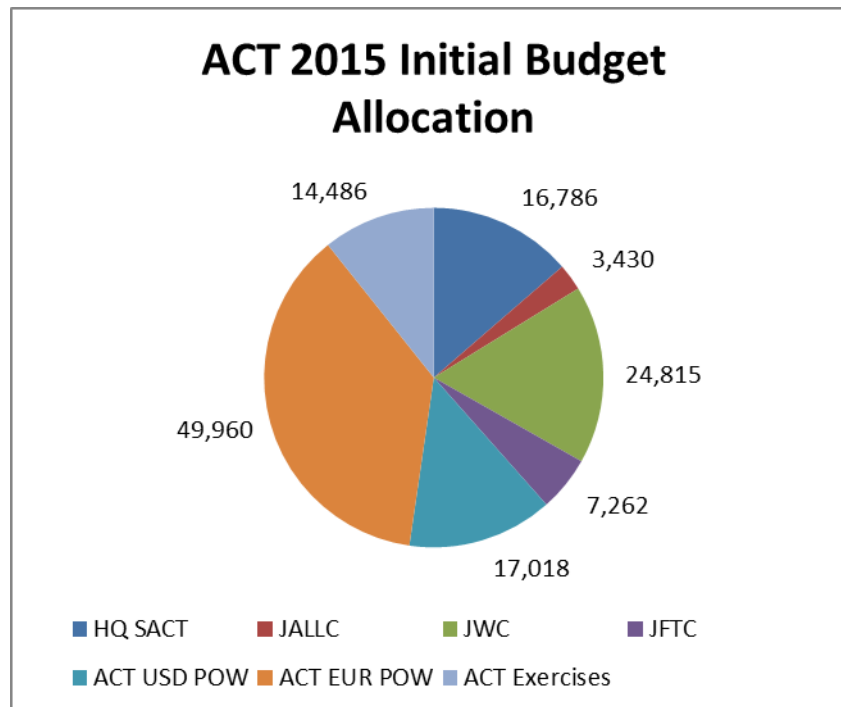
FINANCIAL CONTROLLER'S FOREWORD AND REPORT ON THE 2015 ACT FINANCIAL STATEMENTS

1. The Allied Command Transformation (ACT) Annual Financial Statements for the ACT Group of Budgets cover the period of 1 January 2015 to 31 December 2015 and have been prepared in accordance with the NATO Financial Regulations (NFRs), as well as International Public Sector Accounting Standards (IPSAS) as decided in 2002 by the North Atlantic Council (NAC) and subsequently modified by their decision to introduce the NATO Adapted Framework.

2. These Financial Statements should be read in conjunction with the ACT Annual Report and together, both documents provide visibility to the Nations on how ACT executed its 2015 programme, committed its resources, and contributed to Alliance Capabilities in accordance with the NATO Military Authorities (NMA) Strategic Priorities and Objectives (SPO) 2015 – 2018. The format follows Military Committee (MC) guidance and seeks to ensure that ACT's work is totally transparent.

FINANCIAL SUMMARY

3. On January 1, 2015, ACT was awarded a budget of €133.76M (based on January 2014 exchange rates). During the course of the year this was increased to €135.52M in order to support the costs associated with the delivery of the TRIDENT JUNCTURE High Visibility exercise. ACT also received an additional €8.35M in support of Readiness Action Plan activity from the ACO Reorganisation Budget Special Carry Forward. A total of €143.87M was therefore available to the ACT 2015 programmes.



4. As at 31 December 2015 ACT had committed €134.94M or 95% of the total budget. This results in ACT lapsing approximately €6.4M.

%	2013	2014	2015
ACT Budget Execution	97.4	98.0	95

Figure 12: ACT budget execution expressed in % of the total amount from 2013 to 2015

5. A significant element of the surplus funds could be attributable to manpower gapping and the reduced cost of contractor support (€1.56M). A further €2.36M was a direct result of Nations bearing additional costs to the exercise budget, with the remaining €2.15M resulting from programme milestone delays with industry and NCIA and lower travel costs in part due to the favourable USD to EUR exchange rate reducing the cost of travel to Europe.

6. ACT requested approval from the Budget Committee to carry forward these surplus funds into 2016 so that they could be applied against the anticipated cut to the ACT programme. This request was denied.

7. An examination of budget commitment and expenditure by input category indicates that 20.53% was expended on Chapter 71 (Personnel Costs); 79.35% was expended on Chapter 72 (Contractual Supplies and Services); and only 0.12% (was expended on Chapter 73 (Capital Investment). The commitment pattern is consistent with expenditure in previous years.

SIGNIFICANT ACTIVITY

8. The 2015 ACT Annual Report begins by highlighting the overarching elements of ACT's programme of work presented as Common Threads. It then provides a more detailed insight and a descriptive assessment of the progress made against ACT's programmes. However, this second part embraces a wide range of outputs and outcomes needed to deliver the Command's mission which are grouped under SACT's 6 focus areas, as follows:

- a. Capabilities.
- b. Command and Control.
- c. Logistics and Sustainability.
- d. Collective Training and Exercises.
- e. Human Capital.
- f. Partnerships.

9. The Annual Report describes significant transformational activities executed by ACT during 2015 against each of these objectives

WAY AHEAD

10. SACT's intent is to continue pursuing a dynamic transformational agenda that represents the best balance between the pressing need to enhance the Alliance's responsiveness and the strategic requirement to focus ACT's effort on safeguarding the long-term military relevance of the Alliance. This balance of effort is the key to ensure an effective and sustainable ACT role as a fundamental contributor to preserve NATO's ability to perform its core tasks now and in the future.

11. In the short to medium term, ACT will continue to implement the outcomes of the Wales Summit and to support the lines of adaptation leading up to and beyond the Warsaw Summit. It is evident that there will continue to be an urgency to accelerate the pace of the Transformation within the Alliance in order to regain the initiative using a more proactive approach to all the threats, whatever their origin.

NATO ADAPTED ACCOUNTING FRAMEWORK

12. The NATO Adapted Accounting Framework was endorsed by the NAC on 14 February 2013 and applies to all NATO Reporting Entities. This is an adapted version of IPSAS as issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants. The Accounting Framework for NATO was developed to provide minimum requirements for financial reporting for all NATO Reporting Entities. This Framework formed the basis of the 2013 and 2014 ACT financial statements and ACT achieved unqualified audit opinions from the IBAN. ACT continues to apply the NAC endorsed Accounting Framework to these 2015 Consolidated Financial Statements.

REPORT ON THE STATEMENTS

13. These financial statements incorporate the accounting records of the ACT Headquarters, as well as those of the subordinate Commands within the ACT Budget Group. They have been consolidated under my direction to provide a true and fair view of the financial activities of ACT during financial year 2015.



PETER E. DAHL
Financial Controller
Allied Command Transformation

STATEMENT ON INTERNAL CONTROL

The Scope of Responsibility

As Supreme Allied Commander Transformation, I am responsible for maintaining a sound system of internal control that supports the achievement of the Command's policies, aims and objectives. These are articulated in my Strategic Plan and my Strategic Direction and Guidance.

As ACT Financial Controller, I have responsibility for safeguarding the Nations' common funds and assets, in accordance with the responsibilities assigned to me in the NATO Financial Rules and Regulations.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk at a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The Command's system of internal control is based on an ongoing process to identify, and prioritise, the principle risks to the achievement of the Command's policies, aims and objectives, to evaluate the nature and extent of those risks being realized, and to manage them effectively, efficiently and economically.

A system of internal control has been in place, throughout the Command, during the year ended 31 December 2015 and up to the date of publication of these Consolidated Financial Statements; this accords with the Nations' guidance.

Capacity to Handle Risk

Management of risk is essential for the effective achievement of the Command's objectives, and to the way our business is conducted. Our risk mitigation process is strengthened through our comprehensive sets of Directives and Standard Operating Procedures which are available to all staff on the Command's intranet.

Review of Effectiveness

We are responsible for reviewing the effectiveness of the systems of internal control that support the achievement of the Command's policies, aims and objectives, as set out by the Nations.

Our review of the effectiveness of these systems is informed by the work of our Budget Holders and Fund Managers, and comments made by our external auditors.

We have a responsibility for the development and maintenance of the Command's internal control framework. In particular this includes ensuring that:

- governance processes are operating in an efficient and effective manner;
- comprehensive budget management systems exist, which are linked to NATO's resource management process; and

- there are regular reviews, by the Command's Management Board, which monitor and manage budget activity and financial performance.

In addition, the Command's Code of Conduct is specifically designed to ensure that all members of staff are conscious of their individual responsibilities

We are responsible for reviewing the effectiveness of the Command's systems of internal control.

As such, we are committed to a policy of continuous improvement, of our procedures, regulations and internal processes, so as to provide a comprehensive and relevant process of risk management, compliance and assurance.

A significant addition to our governance, accountability and oversight process is the creation, in 2016, of the ACT Audit Advisory Panel. One of the Panel's first tasks will be in assessing risk, regularity and propriety issues in our overarching areas of asset control, procurement, per diem and hospitality, and income. The COS, who chairs this Panel, will report, to the Command Group, on any risks identified and remedies proposed.

As in the past, we will continue to ensure that:

- qualified officials are assigned to the financial positions reflected in the Command's internal organistaion;
- the tasks and responsibilities of those officials are clearly reflected in the relevant job descriptions;
- formal delegation of authority for financial matters is in place; and
- effective controls are in place, areas of concern are being highlighted and where necessary, effective remedial action is undertaken.



Peter E Dahl
Financial Controller
Allied Command Transformation



Denis Mercier
General, French Air Force
Supreme Allied Commander Transformation

**ACT CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDING 31 DECEMBER 2015
(EUR)**

ASSETS	Notes	2015	2014
Current Assets			
Cash and Cash Equivalents			
<i>Cash and Cash Equivalents</i>	2	45,278,308	64,943,413
Receivables			
<i>Receivables</i>	3	13,787,668	6,062,665
<i>Receivables for cash contributions</i>	3/10	16,717,798	
Prepayments & Miscellaneous Assets			
<i>Prepayments</i>	4	905,474	452,848
<i>Advances to Non Consolidated Entities</i>	5	220,554	382,002
Total Current Assets		<u>76,909,802</u>	<u>71,840,928</u>
Non-Current Assets			
<i>Property, Plant & Equipment</i>	9	14,918,130	0
TOTAL ASSETS		<u>91,827,932</u>	<u>71,840,928</u>
LIABILITIES			
<i>Payables</i>	6	22,080,597	16,918,496
<i>BC Unearned Revenue</i>	7/10	25,291,111	16,311,310
<i>Other Unearned Revenue</i>	7	765,102	1,405,764
<i>Advance Contributions</i>	8	28,343,714	36,785,723
<i>Other Advances</i>		89,053	55,013
<i>Invoices to be Received</i>		340,225	364,622
Total Liabilities		<u>76,909,802</u>	<u>71,840,928</u>
NET ASSETS		<u>14,918,130</u>	<u>0</u>

**ACT CONSOLIDATED STATEMENT OF NET ASSETS & EQUITY
FOR THE YEAR ENDING 31 DECEMBER 2014
(EUR)**

NET ASSETS AND EQUITY	Notes	2015	2014
Net Capital Contributed by Nations		15,473,344	
Accumulated Surpluses/Defecits			
<i>Accumulated Surpluses/ Deficits as of 31 Dec prior year</i>		0	0
<i>Accumulated Surplus/Deficit for the Period</i>		<u>(555,214)</u>	0
<i>Net Surlus/(Deficit) For The Year</i>		(555,214)	0
Unrealised Gains & Losses			
<i>Unrealised Translation I-E Gain on consolidation</i>		<u>0</u>	<u>0</u>
		0	0
TOTAL NET ASSETS & EQUITY		<u><u>14,918,130</u></u>	<u><u>0</u></u>

ACT CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDING 31 DECEMBER 2015
(EUR)

	Notes	2015	2014
OPERATING REVENUE			
<i>Assessment Calls</i>	10	143,770,198	126,681,392
<i>Reimbursable Revenue</i>	11	8,313,016	5,919,307
<i>NSIP Revenue</i>	10	349,320	21,720
<i>Interest income</i>		146,592	254,604
<i>Other Income</i>	10	99,849	38,486
Total Operating Revenue		152,678,975	132,915,509
OPERATING EXPENSES			
<i>Personnel Costs</i>	12	29,188,481	26,211,959
<i>Contractual Supplies and Services</i>	12	114,221,984	100,436,712
<i>Capital and Investments</i>	12	147,375	44,599
<i>NSIP Expenditure</i>	14	286,235	21,792
<i>Reimbursable Expenditure</i>	11	8,313,016	5,919,306
<i>Depreciation charges</i>	9	555,214	
<i>Net Realised Exchange Rate Loss</i>		496,710	265,167
<i>Other Expenses</i>		25,176	15,974
Total Operating Expenses		153,234,189	132,915,509
NET SURPLUS/(DEFICIT) FOR THE YEAR		<u>(555,214)</u>	<u>0</u>

**ACT CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDING 31 DECEMBER 2015
(EUR)**

	2015	2014
Cash Flow from Operating Activities		
Surplus (deficit) from ordinary activities	(555,214)	0
Increase (decrease) in payables	5,137,704	(3,282,008)
Increase (decrease) in unearned revenue	8,339,140	(7,107,562)
Increase (decrease) in advance contributions	(8,442,009)	889,206
Increase (decrease) in other advances	34,040	(82,122)
Increase (decrease) in depreciation charges	555,214	
(Increase) decrease in Nation's Contribution receivable	(16,717,798)	-
(Increase) decrease in Receivables	(7,067,692)	487,205
(Increase)/decrease Reimbursable Receivables	(657,312)	7,795,857
(Increase)/decrease Advances / Prepayments	(291,177)	3,738,835
(Increase)/decrease in Inventories	0	-
	(19,109,890)	2,439,410
Extraordinary Item	0	-
Net cash flow from operating activities	(19,665,105)	2,439,410
Receipts from sale of investments	0	-
Purchase of PPE	0	-
Net cash flow from investing activities	0	-
Cash flows from financing activities		
Receipts from borrowings	0	-
Repayment of borrowings	0	-
Net cash flows from financing activities	0	-
Net increase (decrease) in cash and cash equivalents	(19,665,105)	2,439,410
Effect of exchange rate changes on cash and cash equivalents on translation		
Cash and cash equivalents at beginning of period	64,943,413	62,504,003
Cash and cash equivalents at end of period	45,278,308	64,943,413

NATO UNCLASSIFIED

ACT CONSOLIDATED BUDGET EXECUTION STATEMENT FOR
THE YEAR ENDING 31 DECEMBER 2015

ALL FIGURES SHOWN IN THE APPROVED BUDGET CURRENCY

Budgets presented in
approved Currency

	Initial Authorisation (BA1)	Movements	1st Mid Year Authorisation (BA2)	Movements	2nd Mid Year Authorisation (BA3)	Movements	Final Authorisation	Net Commitment	Actual Expenses	Total Commitment/Spend	Carry Forward	Lapse
201 Budget - SACT HQ												
2015	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Personnel	19,004,949	340	19,005,289	(240,000)	18,765,289	(235,000)	18,530,289	67,897	18,094,374	18,162,271	67,897	368,017
Contractual Supplies & Services	3,731,906	(115,005)	3,616,901	119,000	3,735,901	481,241	4,217,142	955,185	2,948,459	3,903,644	955,185	313,498
2015 Total	22,736,855	(114,665)	22,622,190	(121,000)	22,501,190	246,241	22,747,431	1,023,081	21,042,834	22,065,915	1,023,081	681,515
2014	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Personnel	56,759	0	56,759	0	56,759	0	56,759	6,250	15,152	21,402	6,250	35,356
Contractual Supplies & Services	1,456,545	0	1,456,545	0	1,456,545	0	1,456,545	251,786	1,167,617	1,419,403	251,786	37,141
2014 Total	1,513,303	0	1,513,303	0	1,513,303	0	1,513,303	258,036	1,182,770	1,440,806	258,036	72,497
2013	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Personnel	33,879	0	33,879	0	33,879	0	33,879	0	7,454	7,454	0	26,425
Contractual Supplies & Services	397,791	0	397,791	0	397,791	0	397,791	0	31,861	31,861	0	365,930
Capital Investments	49,995	0	49,995	0	49,995	0	49,995	0	0	0	0	49,995
2013 Total	481,665	0	481,665	0	481,665	0	481,665	0	39,316	39,316	0	442,350
Budget 201 Grand Total	24,731,823	(114,665)	24,617,158	(121,000)	24,496,158	246,241	24,742,399	1,281,117	22,264,919	23,546,037	1,281,117	1,196,363

Budgets presented in approved Currency	Initial Authorisation (BA1)	Movements	1st Mid Year Authorisation (BA2)	Movements	2nd Mid Year Authorisation (BA3)	Movements	Final Authorisation	Net Commitment	Actual Expenses	Total Commitment/Spend	Carry Forward	Lapse
257 Budget - ACT USD Programme of Work												
2015	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Personnel	762,799	(2,799)	760,000	(10,000)	750,000	(165,600)	584,400	54,795	523,917	578,712	54,795	5,688
Contractual Supplies & Services	22,287,901	(343,669)	21,944,232	313,923	22,258,155	350,129	22,608,284	4,057,991	16,195,382	20,253,373	4,057,991	2,354,911
2015 Total	23,050,700	(346,468)	22,704,232	303,923	23,008,155	184,529	23,192,684	4,112,786	16,719,300	20,832,085	4,112,786	2,360,599
2014	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Personnel	50,553	0	50,553	0	50,553	0	50,553	15,983	33,180	49,163	15,983	1,390
Contractual Supplies & Services	4,367,317	0	4,367,317	0	4,367,317	0	4,367,317	1,183,234	2,601,801	3,785,035	1,183,234	582,281
2014 Total	4,417,869	0	4,417,869	0	4,417,869	0	4,417,869	1,199,217	2,634,981	3,834,198	1,199,217	583,671
2013	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Personnel	7,461	0	7,461	0	7,461	0	7,461	0	0	0	0	7,461
Contractual Supplies & Services	880,377	0	880,377	0	880,377	0	880,377	0	313,003	313,003	0	567,374
2013 Total	887,838	0	887,838	0	887,838	0	887,838	0	313,003	313,003	0	574,835
Budget 257 Grand Total	28,356,407	(346,468)	28,009,939	303,923	28,313,862	184,529	28,498,391	5,312,003	19,667,284	24,979,286	5,312,003	3,519,104

Budgets presented in
approved Currency

	Initial Authorisation (BA1)	Movements	1st Mid Year Authorisation (BA2)	Movements	2nd Mid Year Authorisation (BA3)	Movements	Final Authorisation	Net Commitment	Actual Expenses	Total Commitment/Spend	Carry Forward	Lapse
252 Budget - Joint Analysis and Lessons Learned Centre												
2015	€	€	€	€	€	€	€	€	€	€	€	€
Personnel	2,053,752	(12,750)	2,041,002	(7,625)	2,033,377	(478,926)	1,554,451	12,551	1,471,378	1,483,929	12,551	70,522
Contractual Supplies & Services	1,376,553	12,750	1,389,303	7,625	1,396,928	1,434	1,398,362	38,059	1,333,876	1,371,935	38,059	26,427
2015 Total	3,430,305	0	3,430,305	0	3,430,305	(477,492)	2,952,813	50,610	2,805,254	2,855,864	50,610	96,949
2014	€	€	€	€	€	€	€	€	€	€	€	€
Personnel	3,210	0	3,210	0	3,210	0	3,210	0	2,875	2,875	0	335
Contractual Supplies & Services	91,676	0	91,676	0	91,676	0	91,676	0	86,537	86,537	0	5,138
2014 Total	94,886	0	94,886	0	94,886	0	94,886	0	89,413	89,413	0	5,473
Budget 252 Grand Total	3,525,191	0	3,525,191	0	3,525,191	(477,492)	3,047,699	50,610	2,894,667	2,945,277	50,610	102,422
258 Budget - ACT Euro Programme of Work												
2015	€	€	€	€	€	€	€	€	€	€	€	€
Personnel	0	2,066	2,066	0	2,066	(1,346)	720	20	600	620	20	100
Contractual Supplies & Services	49,960,090	3,509,258	53,469,348	(161,237)	53,308,111	161,532	53,469,643	3,767,614	49,065,622	52,833,236	3,767,614	636,407
2015 Total	49,960,090	3,511,324	53,471,414	(161,237)	53,310,177	160,186	53,470,363	3,767,634	49,066,222	52,833,856	3,767,634	636,507
2014	€	€	€	€	€	€	€	€	€	€	€	€
Contractual Supplies & Services	3,566,464	0	3,566,464	0	3,566,464	0	3,566,464	686,119	2,712,075	3,398,194	686,119	168,271
2014 Total	3,566,464	0	3,566,464	0	3,566,464	0	3,566,464	686,119	2,712,075	3,398,194	686,119	168,271
2013	€	€	€	€	€	€	€	€	€	€	€	€
Contractual Supplies & Services	1,027,852	0	1,027,852	0	1,027,852	0	1,027,852	0	756,814	756,814	0	271,038
2013 Total	1,027,852	0	1,027,852	0	1,027,852	0	1,027,852	0	756,814	756,814	0	271,038
Budget 258 Grand Total	54,554,407	3,511,324	58,065,731	(161,237)	57,904,494	160,186	58,064,680	4,453,752	52,535,111	56,988,863	4,453,752	1,075,816

Budgets presented in
approved Currency

259 Budget - ACT Exercise Budget

	Initial Authorisation (BA1)	Movements	1st Mid Year Authorisation (BA2)	Movements	2nd Mid Year Authorisation (BA3)	Movements	Final Authorisation	Net Commitment	Actual Expenses	Total Commitment/Spend	Carry Forward	Lapse
2015	€	€	€	€	€	€	€	€	€	€	€	€
Personnel	104,437	369,574	474,011	17,500	491,511	106,515	598,026	0	590,265	590,265	0	7,761
Contractual Supplies & Services	14,381,846	745,008	15,126,854	1,512,500	16,639,354	(106,515)	16,532,839	0	14,323,966	14,323,966	0	2,208,873
2015 Total	14,486,283	1,114,582	15,600,865	1,530,000	17,130,865	0	17,130,865	0	14,914,231	14,914,231	0	2,216,634
2014	€	€	€	€	€	€	€	€	€	€	€	€
Personnel	0	0	0	0	0	0	0	0	0	0	0	0
Contractual Supplies & Services	0	0	0	0	0	0	0	0	(191,791)	(191,791)	0	191,791
2014 Total	0	0	0	0	0	0	0	0	(191,791)	(191,791)	0	191,791
2013	€	€	€	€	€	€	€	€	€	€	€	€
Personnel	0	0	0	0	0	15,850	15,850	0	14,378	14,378	0	1,472
Contractual Supplies & Services	0	0	0	0	-	8,332,270	8,332,270	0	7,650,521	7,650,521	0	681,749
2013 Total	0	0	0	0	0	8,348,120	8,348,120	0	7,664,900	7,664,900	0	683,220
Budget 259 Grand Total	14,486,283	1,114,582	15,600,865	1,530,000	17,130,865	8,348,120	25,478,985	0	22,387,340	22,387,340	0	3,091,645

Budgets presented in approved Currency	Initial Authorisation (BA1)	Movements	1st Mid Year Authorisation (BA2)	Movements	2nd Mid Year Authorisation (BA3)	Movements	Final Authorisation	Net Commitment	Actual Expenses	Total Commitment/Spend	Carry Forward	Lapse
255 Budget - Joint Warfare Centre												
2015	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>
Personnel	83,409,687	(333,161)	83,076,526	(2,674,500)	80,402,026	(1,597,855)	78,804,171	1,422,690	77,157,462	78,580,152	1,422,690	224,019
Contractual Supplies & Services	123,325,799	(19,760,395)	103,565,404	2,686,950	106,252,354	1,357,855	107,610,209	10,990,014	96,231,800	107,221,814	10,990,014	388,395
Capital Investments	0	150,000	150,000	(12,450)	137,550	240,000	377,550	216,521	122,500	339,021	216,521	38,529
2015 Total	206,735,486	(19,943,556)	186,791,930	0	186,791,930	0	186,791,930	12,629,225	173,511,762	186,140,987	12,629,225	650,943
2014	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>
Personnel	4,608,686	0	4,608,686	0	4,608,686	0	4,608,686	0	4,346,667	4,346,667	0	262,019
Contractual Supplies & Services	16,900,429	0	16,900,429	0	16,900,429	(330,000)	16,570,429	247,039	14,611,277	14,858,317	247,039	1,712,113
Capital Investments	0	0	0	0	0	330,000	330,000	0	265,614	265,614	0	64,386
2014 Total	21,509,115	0	21,509,115	0	21,509,115	0	21,509,115	247,039	19,223,558	19,470,597	247,039	2,038,518
2013	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>	<i>NOK</i>
Personnel	0	0	0	0	0	0	0	0	(131,550)	(131,550)	0	131,550
Contractual Supplies & Services	2,647,968	0	2,647,968	0	2,647,968	0	2,647,968	0	2,535,100	2,535,100	0	112,867
2013 Total	2,647,968	0	2,647,968	0	2,647,968	0	2,647,968	0	2,403,551	2,403,551	0	244,417
Budget 255 Grand Total	230,892,569	(19,943,556)	210,949,013	0	210,949,013	0	210,949,013	12,876,264	195,138,871	208,015,135	12,876,264	2,933,878

Budgets presented in
approved Currency

	Initial Authorisation (BA1)	Movements	1st Mid Year Authorisation (BA2)	Movements	2nd Mid Year Authorisation (BA3)	Movements	Final Authorisation	Net Commitment	Actual Expenses	Total Commitment/Spend	Carry Forward	Lapse
256 Budget Joint Forces Training Centre												
2015	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>
Personnel	6,007,437	1	6,007,438	0	6,007,438	1,790,555	7,797,993	12,000	5,176,722	5,188,722	12,000	2,609,271
Contractual Supplies & Services	24,540,705	(6,914,171)	17,626,534	(431,000)	17,195,534	(1,784,880)	15,410,654	2,184,639	13,095,336	15,279,975	2,184,639	130,680
Capital Investments	0	35,000	35,000	431,000	466,000	(5,675)	460,325	431,000	29,325	460,325	431,000	0
2015 Total	30,548,142	(6,879,170)	23,668,972	0	23,668,972	0	23,668,972	2,627,639	18,301,383	20,929,021	2,627,639	2,739,951
2014	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>
Personnel	10,268	0	10,268	0	10,268	0	10,268	0	10,013	10,013	0	255
Contractual Supplies & Services	7,208,983	0	7,208,983	0	7,208,983	0	7,208,983	163,835	6,737,870	6,901,706	163,835	307,278
Capital Investments	429,285	0	429,285	0	429,285	0	429,285	0	406,560	406,560	0	22,725
2014 Total	7,648,536	0	7,648,536	0	7,648,536	0	7,648,536	163,835	7,154,444	7,318,279	163,835	330,257
2013	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>	<i>PLN</i>
Personnel	12,895	0	12,895	0	12,895	0	12,895	0	1,097	1,097	0	11,799
Contractual Supplies & Services	1,231,811	0	1,231,811	0	1,231,811	0	1,231,811	0	778,687	778,687	0	453,124
2013 Total	1,244,706	0	1,244,706	0	1,244,706	0	1,244,706	0	779,784	779,784	0	464,922
Budget 256 Grand Total	39,441,384	(6,879,170)	32,562,214	0	32,562,214	0	32,562,215	2,791,474	26,235,610	29,027,084	2,791,474	3,535,130

Allied Command Transformation
 Notes to the Financial Statements
 For the year ended 31 December 2015
 All amounts stated in Thousands of Euros (€'000), unless otherwise stated

NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation

The financial statements of Allied Command Transformation (ACT) have been prepared on the accrual basis of accounting in accordance with the NATO Accounting Framework issued by the North Atlantic Council (NAC), which modified certain International Public Sector Accounting Standards (IPSAS) as detailed below. The NAC took the decision to introduce IPSAS in 2002 and then approved the NATO Accounting Framework in 2013. These 2015 financial statements are also prepared in accordance with the accounting requirements of the new NATO Financial Regulations (NFRs), which were introduced on 01 May 2015, as well as the associated Financial Rules and Procedures (FRPs).

Measurement Base

The accounting principles recognized as appropriate for the measurement and reporting of the financial performance, cash flows, and financial position on an accrual basis using historical cost are followed in the preparation of the financial statements.

NATO Accounting Framework

The accounting framework for all NATO Reporting Entities is an adapted version of IPSAS as issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants. This Accounting Framework for NATO was developed to provide minimum requirements for financial reporting for all NATO Reporting Entities following endorsement by the NAC on 14 February 2013 of an IPSAS-adapted Accounting Framework for the Alliance.

This Accounting Framework is applicable for financial reporting periods beginning on 1 January 2013 and is the basis for the preparation of these accounts. Currently the Accounting Framework allows variation from four IPSAS:

- IPSAS 6 - Consolidated and Separate Financial Statements
- IPSAS 12 - Inventories
- IPSAS 17 - Property, Plant, and Equipment
- IPSAS 31 - Intangible Assets

The objective of the adaptation to IPSAS 6 is to allow for the non-consolidation of Morale and Welfare Activities (MWA) and/or Staff Association activities. The objective of the adaptations to IPSAS 12, 17 & 31 is in the main to allow entities to expense all items acquired prior to the implementation date of 01 January 2013. Note 1 (viii) below refers.

Currency

The financial statements are presented in Euros (€) rather than the currency in which ACT is domiciled.

Accounting Policies

The following specific accounting policies that materially affect the measurement of financial performance and the financial position are applied:

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Allied Command Transformation
 Notes to the Financial Statements
 For the year ended 31 December 2015
 All amounts stated in Thousands of Euros (€'000), unless otherwise stated

i) Basis for Consolidation

The consolidated financial statements, prepared in terms of IPSAS 6, *Consolidated and Separate Financial Statements*, include the financial results of ACT as the controlling entity exercising control over the controlled entities listed below. Inter-entity balances and transactions have been eliminated on consolidation.

- Joint Warfare Centre (JWC),
- Joint Force Training Centre (JFTC), and
- Joint Analysis and Lessons Learned Centre (JALLC),

MWA is not consolidated as per the NATO Accounting Framework, which ACT implemented from 01 January 2013.

ii) Consolidated Cash Flow Statement

The consolidated ACT Cash Flow Statement has been compiled using the indirect method.

The following are definitions of the terms used in the consolidated statement of cash flows:

- Cash and cash equivalents comprise cash on hand, current bank balances, and short-term deposits that can be converted to cash within two working days.
- Operating activities include all transactions and other events that are not investing or financing activities.
- Investing activities are those activities relating to the acquisition, holding, and disposal of fixed assets and investments. Investments can include securities not falling within the definition of cash.
- Financing activities are those activities that result in changes to the size and composition of ACT's capital structure. This includes both equity and debt not falling within the definition of cash.

iii) Segmental Reporting

The ACT consolidation group consists of a number of individual entities as detailed in Note 23. These entities are kept as separate segments for accounting purposes. The individual accounts of these segments are balanced in their functional currency and the inter-entity transactions are removed on consolidation within the ACT group of accounts.

iv) Foreign Currency Transactions

Foreign currency transactions have been recorded in the entity's budget currency by applying the declared NATO exchange rate between the budget currency and foreign currency at the date of the cash outflow/inflow. Realised gains and losses resulting from the settlement of such transactions are recognised as revenue and expenses in the Statement of Financial Performance. Monetary assets and liabilities at year-end which were denominated in foreign currencies were translated into Euro using the NATO rates of exchange applicable at 31 December 2015. Non-Monetary

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Allied Command Transformation

Notes to the Financial Statements

For the year ended 31 December 2015

All amounts stated in Thousands of Euros (€'000), unless otherwise stated

items use the NATO rates of exchange applicable at the date of the transaction.

On consolidation, unrealised translation gains and losses were recorded in the Statement of Financial Performance as a result of the application of weighted average rates of exchange throughout the year and in the Statement of Financial Position due to exchange rates applicable at 31 December 2015.

v) Cash and Cash Equivalents

Cash and cash equivalents are defined as current assets. They include cash on hand, deposits held with banks and other short-term (3 months), highly liquid investments, the carrying value of which approximate fair value due to their short maturities.

vi) Receivables

Receivables are stated at their estimated realisable value after providing for doubtful and uncollectible debts.

vii) Inventory

Inventories held across ACT are considered to be insignificant in terms of having a material impact on the financial statements. As such, ACT does not capitalise the limited inventory holdings but charges such costs to the Statement of Financial Performance when incurred.

Should an asset meet the definition of inventory as per IPSAS 12 (Inventories) and that individual item be considered material, such inventory shall be valued at the lower of historical cost or net realisable value. The Weighted Average Cost methodology is used to calculate the average historical cost held within inventory. Provision is made to reduce the carrying cost of inventory to the net realisable value where there is no expectation of consumption or sale in the ordinary course of business; such provision will be released to expenses on consumption, disposal and write off.

viii) Property, Plant & Equipment

ACT has adopted the NATO Accounting Framework to account for Property, Plant & Equipment (PP&E) and will use the minimum capitalisation thresholds detailed in that Framework. These capitalisation thresholds, together with the depreciation life and methodology are detailed in the table on the following page.

In addition to the standard assessment of “substance over form”, the ACT fixed assets policy to comply with PP&E accounting establishes the criteria to be used to assist in assessing the level of control that ACT has for reporting assets in its financial statements. Criteria that evidence the control of PP&E are detailed in that policy.

Allied Command Transformation

Notes to the Financial Statements

For the year ended 31 December 2015

All amounts stated in Thousands of Euros (€'000), unless otherwise stated

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	
Installed equipment	€30,000	10 years	
Machinery	€30,000	10 years	
Vehicles	€10,000	5 years	
Mission equipment	€50,000	3 years	
Furniture	€30,000	10 years	
Communications	€50,000	3 years	
Automated information systems (AIS)	€50,000	3 years	

In accordance with the NAC approved Accounting Framework and the ACT policy on accounting for PP&E, consolidated entities will consider PP&E acquired before 01 January 2013 as fully expensed. PP&E held prior to 01 January 2013, and not previously recognized as an asset, are disclosed in the table below:

PP&E category	Approximate number of items	Location of asset	comments
Buildings	1 geographical HQ location	HQ SACT, Norfolk, Virginia	Buildings were either provided free of charge or fully expensed prior to 01 January 2013. Includes installed equipment.
Buildings	1 geographical HQ location	JWC, Stavanger, Norway	
Buildings	1 geographical HQ location	JFTC, Bydgoszcz Poland	
Buildings	1 geographical HQ location	JALLC, Lisbon, Portugal	
Vehicles	9	HQ SACT, Norfolk, Virginia	All vehicles held at the HQs were purchased prior to 01 January 2013 and have been fully expensed in the year of purchase.
Vehicles	21	JWC, Stavanger, Norway	
Vehicles	7	JFTC, Bydgoszcz Poland	
Vehicles	4	JALLC, Lisbon, Portugal	
Ships	2	CMRE, La Spezia, Italy	Although located at CMRE, these vessels are under SACT control

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Allied Command Transformation
 Notes to the Financial Statements
 For the year ended 31 December 2015
 All amounts stated in Thousands of Euros (€'000), unless otherwise stated

The two research vessels referred to in the table above are solely used by the CMRE, located in La Spezia, Italy. As a result of the Command Structure Review and Agency Reform, on 01 July 2012 the NURC was integrated into the newly created NATO Science & Technology Organisation (STO) as the CMRE. Since 01 January 2013, the CMRE operates under a customer funded regime. SACT is currently the main customer to the CMRE, and maintained custody of the vessels until 31 December 2015. C-M(2013)0069 dated 11 December 2013, and signed by the Secretary General, refers. On 01 January 2016, responsibility for these two vessels transferred to the STO.

During 2015, ACT staff conducted a thorough analysis of all purchases made during the year to establish if any fell within the categories and capitalisation thresholds detailed in the table above.

In addition to the expenditure on the renovation of a generator, which has been capitalized, a major construction project to extend the main building at HQ SACT in Norfolk was completed in early 2015. This project was separately funded by NSIP with the United States acting as Host Nation. Upon completion the asset was handed over to ACT and so has been recorded as PP&E in these 2015 financial statements. A similar instance was recognised for the furniture that was installed in the new office accommodation.

ix) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to the Statement of Financial Performance on a straight-line basis over the term of the relevant lease as charges are paid annually. Additionally, due to the no-penalty release clause in these contracts, ACT had no outstanding commitments for operating leases at the end of this financial year.

x) Impairment

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price or its value in use. Gains and losses on disposal are determined by comparing proceeds with the carrying amounts, based on historic cost application, and are included in the Statement of Financial Performance in the year concerned.

Repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

xi) Unearned Revenue and Advance Calls for Contributions

Revenue is defined as the contributions of the member nations which for the purposes of the financial statements equate to the budgetary cash costs of ACT, net

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Allied Command Transformation

Notes to the Financial Statements

For the year ended 31 December 2015

All amounts stated in Thousands of Euros (€'000), unless otherwise stated

of earned interest and any revenue in respect of other NATO bodies. As contributions from nations are recognised as non-exchange transactions, revenue is recognised when it is earned.

Unearned revenue represents the contributions received from Nations and/or third parties that have been called for current or prior year budgets but that have not yet been recognised as revenue.

Advance calls for contributions are contributions received related to future years' budgets.

xii) Current Loans

Inter-entity loans provided at 0% interest have been eliminated upon consolidation.

xiii) Payables

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

xiv) Provisions

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

xv) Financial Instruments

ACT uses only non-derivative financial instruments as part of its normal operations. These financial instruments could include bank accounts, certificates of deposit, accounts receivable and accounts payable.

All financial instruments are recognized in the statement of financial position at their fair values.

xvi) Revenue

Revenue is the gross inflow of economic benefit or service potential during the reporting period when those inflows result in an increase in net assets/equity, other than increases relating to contributions from owners.

Revenue for Administrative Budgets – Contributions to the Budget is initially recorded as unearned revenue liabilities in the Statement of Financial Position. They are recognised as revenue in the Statement of Financial Performance when such contributions are used for their intended purpose as envisioned in the operational budget.

Allied Command Transformation

Notes to the Financial Statements

For the year ended 31 December 2015

All amounts stated in Thousands of Euros (€'000), unless otherwise stated

xvii) Employee Entitlements

Employee entitlements to salaries, wages, annual vacation, pension costs, and other benefits are recognized when they are earned. Annual vacation and other leave have been calculated on an actual entitlement basis at current rates of pay.

ACT contributes to an employee defined contribution retirement benefit plan. Payments to the defined contribution retirement benefit plan are recognized as expenses as they become due.

xviii) Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they occur unless they can be directly attributable to the acquisition, construction or production of a qualifying asset. In this case borrowing costs are capitalised as part of the cost of that asset.

xix) Taxation

Within the scope of its official activities, ACT's assets, property and income are exempt from all direct taxes and duties levied upon goods and services acquired or imported.

xx) Use of Estimates

In accordance with generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions made by management using the most reliable information available to them.

Estimates include accrued revenue and expenses and actual results may differ from those estimates. Changes in estimates are reflected in the period in which they become known.

xxi) Contingent Liabilities

A contingent liability is defined as a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events wholly within the control of ACT; or a present obligation that arises from past events but is not recognised because the amount of the obligation cannot be measured with sufficient reliability.

xxii) Trust Funds

ACT manages a number of trust funds on behalf of other entities and controls a number of specific Trust Funds. NATO recognises an asset when it controls access to the asset and gains economic benefit or service potential but matches this to an equal liability. The entity does not recognise any expenditure or revenue in relation to the Trust Funds in its statement of financial performance which it does not control

Allied Command Transformation
 Notes to the Financial Statements
 For the year ended 31 December 2015
 All amounts stated in Thousands of Euros (€'000), unless otherwise stated
 xxiii) Changes in Accounting Policies

There were no significant changes in accounting policies for these 2015 ACT consolidated financial statements.

xxiv) Reclassifications

There were no reclassifications necessary for the prior years' consolidated financial statements.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash held on deposit in financial institutions in instant access accounts.

	2015	2014
Total Euro Accounts	23,278	35,183
Total non-Euro Accounts	22,000	29,761
	<u>45,278</u>	<u>64,944</u>

All non-Euro denominated currencies were converted to Euros using the NATO spot exchange rate for applicable currencies in the Statement of Financial Position as at 31 December 2015. The Euro account includes an amount of €170k which represents the remainder of funds deposited by nations at the end of December 2014 contributing to a Voluntary National Contribution Fund (VNCF) operated by HQ SACT. The funds are being used to provide training during 2015 and 2016 for weapons inspector teams from NATO nations, as well as Partnership for Peace (PfP) countries. Deposits were also received by ACT during 2015 in relation to another VNCF for a Commander's Counter-Marauding Terrorist Course and these amounted to €35k. However, these funds were all expensed during 2015.

The cash holdings are significantly lower than the previous year, which is a result of two nations not paying their cash call contributions by the end of 2015. As a result, ACT carried a €16.7m receivable for cash call contributions in these financial statements (Note 3 refers).

3. RECEIVABLES

	2015	2014
Receivables	13,788	6,063
Receivables for cash calls from nations	16,718	0
	<u>30,506</u>	<u>6,063</u>

As at 31 December 2015, ACT had not received full settlement of the 2nd 2015 cash call. ACT was still awaiting funds from nations for significant parts of the Euro call, the Norwegian Kroner (NOK) call and the entire Polish Zloty (PLN) call. While the Euro and NOK calls were settled in January 2016, the PLN call was not deposited on the ACT bank account until March 2016.

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Allied Command Transformation
Notes to the Financial Statements

For the year ended 31 December 2015

All amounts stated in Thousands of Euros (€'000), unless otherwise stated

The significant increase in regular receivables is explained by a single transaction for over €7m. HQ SACT raised an invoice to ACO for cash that was to be transferred in relation to a budgetary transfer. Due to the nature of the transaction, the invoice was raised in the accounting system at year end and ACO had no opportunity to settle prior to 31 December 2015.

Towards the latter part of 2015, the Central European Bank imposed a 0.2% negative interest charge on non-European banks holding Euro currency. This rose to 0.3% by the year end. In order to minimize these charges ACT negotiated with their US bank on maximum Euro holdings that could be held on deposit with no charge. As a temporary measure Euro funds were transferred to a non-consolidated, European based NATO entity in January 2016 and ACO was asked not to settle this outstanding receivable in order to minimize Euro deposits held by ACT.

4. PREPAYMENTS

The following prepayments were recorded:

	2015	2014
Prepayments to 3rd Party Suppliers	905	453

Prepayments to third party suppliers relate to payments made in advance of goods or services rendered, which will reflect terms and conditions of a contract or agreement. Such prepayments are offset against final payments upon receipt of a final invoice.

5. ADVANCES TO NON CONSOLIDATED ENTITIES

The following advances were made:

	2015	2014
Advances to non-consolidated entities	221	382
Total advances	221	382

Advances to vendors are recovered from payments made during 2016.

6. ACCOUNTS PAYABLE

Accounts Payable is detailed below:

	2015	2014
Suppliers	8,891	9,254
Staff Members	108	107
Non-Consolidated NATO Entities	11,279	7,523
Governments	1,798	0
Other payables	5	34
	22,081	16,918

The Accounts Payable in relation to Non-Consolidated NATO entities has increased significantly but this is primarily because of end of year accruals. A number of

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Allied Command Transformation
 Notes to the Financial Statements
 For the year ended 31 December 2015
 All amounts stated in Thousands of Euros (€'000), unless otherwise stated

services were received for which ACT had yet to receive an invoice and so consequently these are reflected in the end of financial year payable position.

7. UNEARNED REVENUE

Unearned revenue consists of contributions and other transfers received or receivable, but for which corresponding charges will be incurred after the reporting date. For the financial year ending 31 December 2015, €25.3m was attributable to BC Unearned Revenue (See Note 10).

An additional €765k is attributable to Other Unearned Revenue and the majority of this (€551k) relates to NSIP, with the remaining balance (€214k) relating to the Trust Funds operated by HQ SACT (see Note 2 above).

8. ADVANCE CONTRIBUTIONS

Advance Contributions correspond to cash called from the Nations for the following financial year and represent approximately 25% of the total ACT budget allocation.

	2015	2014
Advance Contributions	28,344	36,786

As outlined in Note 3 above, at 31 December 2015, ACT had not received full settlement of the 2nd 2015 cash call and therefore the advance contributions received by nations for 2016 is significantly lower than the previous year.

9. Property, Plant & Equipment

In early 2015, HQ SACT took control of the office space constructed as an extension to the main HQ building in Norfolk, Virginia, USA. This construction work had been ongoing for a number of years and takes the form of 2 additional wings to the HQ building.

Although the revenues and expenses for this project did not go through the ACT accounting system, under the requirements of both IPSAS and the NATO Accounting Framework this construction is required to be capitalized. As such ACT reflects the asset value of the building extension, as well as the depreciation charges in these financial statements.

Additionally, the costs associated with the heating and air conditioning system that was installed specifically for the building extension has been capitalized under installed equipment. Finally, the furniture that was installed in the new office accommodation afforded has also been capitalized and is shown as a separate asset.

The figure detailed in the table below for installed equipment also includes the cost of a generator that was extensively modernised using NSIP funds held by HQ SACT. Since these latter costs, amounting to €370k, have been capitalized, the in-year expenses and matching revenues were removed at consolidation from the NSIP accounts in accordance with normal accounting procedure.

Overall totals for the assets that have been capitalized and the associated

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Allied Command Transformation
Notes to the Financial Statements

For the year ended 31 December 2015

All amounts stated in Thousands of Euros (€'000), unless otherwise stated

depreciation charges are shown in the Statement of Performance and Statement of Position. However, details of the individual categories of asset are shown in the table below.

	Buildings EUR	Installed Equipment EUR	Furniture EUR	Total EUR
Cost				
Balance at 1 January 2015				
Additions	12,236,574	1,998,667	1,238,103	15,473,344
Disposals				
Revaluation				
Balance at 31 December 2015	12,236,574	1,998,667	1,238,103	15,473,344
Accumulated depreciation				
Balance at 1 January 2015	0	0	0	0
Depreciation expense	280,421	161,300	113,493	555,214
Balance at 31 December 2015	280,421	161,300	113,493	555,214
Net book value				
Balance at 1 January 2015				
Balance at 31 December 2015	11,956,152	1,837,367	1,124,611	14,918,130

10. REVENUE

Revenue is recognised to the extent that it is probable that the economic benefit will flow to ACT and that such revenue can be measured reliably. Contributions, when called, are booked as an advance under unearned revenue and subsequently recognised as revenue when earned.

The following key revenue items are presented:

Recognised Revenue	2015	2014
Assessment Calls/Contributions	143,770	126,681
NSIP Revenue	349	22
Other income	100	38

An analysis of ACT's cash receipts from Nations' is as follows:

	Euro '000	USD '000	NOK '000	PLN '000
Cash Receipt by currency during 2015	61,076	39,962	147,573	15,864
Amount in Euros (for comparison only)	61,076	35,899	16,496	3,785

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Allied Command Transformation
Notes to the Financial Statements
For the year ended 31 December 2015
All amounts stated in Thousands of Euros (€'000), unless otherwise stated

Nations' contributions are set by the requirements of the Nations' cost shares, approved by the NAC. In this respect, the cash receipts in the table above represent the sums of money that Nations deposited on ACT bank accounts in relation to the two cash calls made by the NATO International Staff during 2015. ACT's end of year cash position reflects the fact that as per Note 3, the nations had not settled all cash calls by 31 December 2015.

Reconciliation of Revenue and Unearned Revenue:

Unearned Revenue - Opening Balance 1 January 2015 (31 December 2014 rate)		16,311
Advance Contributions from 2014	36,786	
<i>Translation Adjustment</i>	1,095	
Contributions called and Received in 2015	117,256	
<i>Translation Adjustment</i>	1,259	
Contributions still to be Received	16,718	
Transfer in from non-consolidated entity Budget	8,348	
Total Contributions		<u>181,462</u>
		197,773
Advance Contributions for 2016	-28,344	
Revenue recognised in 2015	-143,770	
<i>Translation Adjustment</i>	-368	
		<u>-172,482</u>
Unearned Revenue - Closing Balance at 31 December 2015		<u><u>25,291</u></u>

11.REIMBURSABLE REVENUE AND EXPENSES

Reimbursable activity within ACT is comprised of two elements: activity undertaken between entities within the ACT consolidation group (inter-entity) and activity undertaken between the ACT group and a 3rd party (reimbursable). The inter-entity activity has been eliminated from the ACT consolidated accounts. That is to say that Revenue and Expenditure has only been recorded once in the accounts and not by both consolidating entities. In addition, the end of year asset and liability position between consolidating entities has also been balanced and eliminated.

With regard to 3rd party reimbursable activity some €8.3m of activity has been undertaken during 2015.

The receivable in Note 3 includes €1.8m for invoices that still need to be prepared at the end of the financial year. For the majority of this amount, ACT has yet to receive and pay an invoice since the corresponding expenditure reflects accruals for goods and services provided. The receivable is necessary under the matching concept as the expense, although neither invoiced or paid, has been accrued due to the services already being delivered.

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Allied Command Transformation
Notes to the Financial Statements
For the year ended 31 December 2015
All amounts stated in Thousands of Euros (€'000), unless otherwise stated

12. CHAPTER EXPENSES

The expenditure shown in the Statement of Financial Performance has been calculated after charging the following main elements:

	2015	2014
Chapter 1		
Salaries & associated costs	26,611	23,993
Consultants	1,396	1,182
Training	820	663
Other	362	374
TOTAL	29,189	26,212

Chapter 2		
General support and Utility costs	8,906	4,945
Contractors	51,086	50,517
Travel and subsistence	18,493	11,742
ALS Support	28,658	27,683
Mission equipment costs	99	141
Communications	1,383	463
Training	5,597	4,901
R&D supplies	0	45
TOTAL	114,222	100,437

Chapter 3		
ALS Capital & Investment	66	19
Communications Capital Investment	27	19
Building Infrastructures	7	0
Land & Structures	24	0
Other	23	7
TOTAL	147	45

Expenses relating to contractors are reflected in Chapter 2 and reflects the Budget Committee guidance set out in paragraph 2.2.3 of MBC-M(2010)0039. A significant part of this category of expenditure is with the CMRE. In 2015, ACT incurred €26.7m of expenditure relating to contractor services provided by CMRE. The other significant amount expended by ACT in relation to contractor costs were payments made to NCIA for the Programme of Work. In 2015, these amounted to €9m. An additional €5.5m were payments for contractors supporting deliverables at JWC.

The increase in travel expenditure in 2015 is due to ACT recording expenditure for the participation in the LIVEX, Trident Juncture exercise; the participation of external HQs in TRIDENT Joust; in NOBLE JUMP and the deployment costs for 3 HQs in TRIDENT Jaguar. These are not standard travel costs as these cover expenditure for the transportation of multiple HQs to exercise locations.

Allied Command Transformation
Notes to the Financial Statements
For the year ended 31 December 2015
All amounts stated in Thousands of Euros (€'000), unless otherwise stated

13. STAFF RESOURCES

a) Analysis of staff costs - the aggregate staff costs, including grants and allowances paid, are detailed below.

	2015	2014
Salaries of Civilian Staff	17,239	15,573
Allowances of Civilian Staff	4,852	4,416
Contributions to Health Insurance (c)	3,128	2,732
Contributions to Pension Funds (d)	1,165	985
	<u>26,384</u>	<u>23,706</u>

b) Analysis of staff numbers - the number of full-time equivalent persons employed as at 31 December 2015 was:

	HQ SACT	JWC	JFTC	JALLC
Military	507	178	86	40
Civilian	109	56	15	9
Temporary Civilian	3	0	0	7
Local Wage Rate (LWR)	0	10	0	0
Total	<u>619</u>	<u>244</u>	<u>101</u>	<u>56</u>
Voluntary National Contributions	36	2	0	4
Partnership for Peace (PfP)	4	1	2	1
Overages in addition to VNC	2	2	0	0

c) Health Insurance - all civilian members of ACT are members of the NATO Health Insurance Scheme, providing sickness, maternity, accident, disablement and death benefits to staff members, their spouses and children. Staff members pay contributions of approximately 4% to 9% of gross salary, which are matched by contributions paid by SACT. For 2015 ACT contributions totalled €3.128m.

d) Contributions to Pension Funds

The NATO Defined Contribution Pension Scheme: came into effect on 1 July 2005 and provides for the communal investment of contributions in respect of civilian staff of ACT accorded international status under the NATO Charter. Staff pay contributions equivalent to 8% of their monthly basic salary, and ACT pays a 13% contribution. The assets and liabilities for this scheme are accounted for centrally at NATO Headquarters, located in Brussels, Belgium and are not recognised in these financial statements.

The NATO Provident Fund: is a scheme where contributions are invested in a managed account. Staff members make contributions representing 7% of their monthly basic salary, and ACT makes a contribution of 14% of the same monthly salary.

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Allied Command Transformation

Notes to the Financial Statements

For the year ended 31 December 2015

All amounts stated in Thousands of Euros (€'000), unless otherwise stated

The NATO Coordinated Pension Scheme: staff members make contributions representing 9.5% of their monthly salary.

Contributions are expensed during the year in which the services are rendered and represent the total pension obligation for ACT. Total pension contributions of ACT across the 3 schemes outlined above totalled €1,165k during 2015.

Untaken Leave

NATO regulations allow civilian staff to carry forward untaken leave days to the following year. The regulation stipulates that any days carried forward must be taken by 30 April of the following year or the leave days are forfeited. Carry forward beyond this date is only approved by the Human Resources Branch in exceptional circumstances. At the end of 2015, ACT civilian staff across all Headquarters carried forward 1,650 leave days. Although this represents a liability to the organisation, the number of days is broadly consistent with previous years and the vast majority of days are taken by 30 April of the following year. In view of this fact, ACT does not recognise a liability in these financial statements.

14. NATO SECURITY INVESTMENT PROGRAMME (NSIP) OVERVIEW

The following NSIP (being the source of funding for the construction assets) account values are contained in these financial statements as detailed in the table below:

	2015	2014
Cash and Cash Equivalents	600	1,078
Advances and Prepayments	0	0
Payable	(49)	(22)
NSIP Unearned Revenue	(551)	(1,056)
Total Net Assets	0	0

The activity for ACT during 2015 is limited to contributions from the Nations (€249k); payments of €656k; and revenue recognized (€349k). As stated in Note 9 above, for these ACT consolidated financial statements, expenditure of €370k was capitalized as PP&E. This related to the work that was completed on an electrical generator at HQ SACT. This work went beyond ongoing maintenance and involved a complete rebuild and modernisation of the asset. As a consequence NSIP expenditure is reported as €286k i.e. expenditure of €656k less capitalized amount of €370k.

15. FINANCIAL INSTRUMENTS

All financial instruments to which ACT is a party are recognized in the financial statements.

Credit risk

In the normal course of business, ACT incurs credit risk from trade accounts receivable and transactions with banking institutions. ACT manages its exposure to credit risk by:

- holding bank balances and short-term deposits with registered banking institutions; and

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Allied Command Transformation

Notes to the Financial Statements

For the year ended 31 December 2015

All amounts stated in Thousands of Euros (€'000), unless otherwise stated

- maintaining credit control procedures over receivables

The maximum exposure as at 31 December 2015 is equal to the total amount of bank balances, short-term deposits, and receivables disclosed in the Statement of Financial Position. Receivables considered uncollectible have been adequately provided for. ACT does not require any collateral or security to support financial instruments and other receivables it holds due to the low risk associated with the realization of these instruments.

Currency risk

ACT operates separate bank accounts in US dollars (USD), Norwegian krone (NOK), Polish zloty (PLN) and Euros. ACT incurs currency risk as a result of the conversion of foreign currency balances held in these bank accounts to Euros as at 31 December 2015. The currency risk associated with this balance is considered minimal and therefore ACT does not hedge its foreign currency exposure. Foreign currency transactions are translated to Euro currency at exchange rates at the date of the transactions.

Interest rate risk

As ACT has no encumbered debt; no interest rate risk is identified.

Fair values

As at 31 December 2015, the carrying amounts approximate the fair values for all financial instruments held by ACT.

16. RELATED PARTY TRANSACTIONS

Controlled Entities:

ACT controls the following reporting entities:

- Joint Warfare Centre (JWC)
- Joint Force Training Centre (JFTC)
- Joint Analysis and Lessons Learned Centre (JALLC)

NATO is an organisation set up under the 1948 Washington Treaty. Those countries that were or have become parties to the Convention, the Member Nations, are regarded as related parties. ACT, as one of the two NATO Strategic Commands, has, during the year, had various material transactions with these Member Nations.

Key Management Personnel

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

No related party disclosure is made in these financial statements as key management personnel have no significant party relationships that could affect the

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Allied Command Transformation
Notes to the Financial Statements

For the year ended 31 December 2015

All amounts stated in Thousands of Euros (€'000), unless otherwise stated

operation of this reporting entity. The Key Management Personnel are defined as senior members of the Command Group, who together constitute the Management Board of ACT. Remuneration received by individuals has been in accordance with an individual's national military pay scale or in accordance NATO published salary scales. During the period, no key managerial staff or other related parties has undertaken any material transactions with ACT during the year.

In addition to the key management personnel of the Command Group, ACT has implemented several controls on staff who are involved in the contract award process to ensure that no related party factors could influence this procedure. During 2016 it is intended to take these controls a step further by requiring all key management personnel to sign a related party disclosure document. This is currently at the staffing stage and will be in place prior to publication of the 2016 ACT Consolidated Financial Statements.

17. REPRESENTATION ALLOWANCE

Representation Funds are provided to SACT by the Nations' Permanent Representatives to NATO for use at his discretion. These funds are allocated in USD to the HQ SACT 257 budget but all numbers have been converted to Euro for the purpose of these financial statements.

SACT allocates these funds to his subordinate Commanders, as he considers reasonable. For 2015 the Representation Funds allocated to SACT, and subsequently delegated, where as follows:

Entity	2015 Allocation (Eur)
HQ SACT	33,016
JWC	3,765
JFTC	1,064
JALLC	640
TOTAL	38,485

For 2015, ACT published a revised Directive governing the revised processes to cover the operation of Representation Funds. The use of these funds is monitored on a monthly basis through the office of the Financial Controller and they are also subject to annual audit by the IBAN.

During the course of 2015 an exact total of €31,156 was expended across ACT. At the end of 2015, unused Representation Funds amounting to exactly €7,329 were lapsed and returned to the nations through the normal cash call process.

Allied Command Transformation

Notes to the Financial Statements

For the year ended 31 December 2015

All amounts stated in Thousands of Euros (€'000), unless otherwise stated

18. BUDGET EXECUTION STATEMENTS OVERVIEW

Exchange Rates applicable to Budget Execution Statement:

Year	Initial Authorisation	Mid-Yr Authorisation	Final Authorisation	Net Commitment	Actual Expenses	Carry Forward
2015	Jan 14 ¹	Jan 14	Jan 14	Dec 15 ²	Ave 15 ³	Dec 15
2014/13	Dec 13 ⁴	Dec 13	Dec 14	Dec 15 ²	Ave 15 ³	Dec 15
¹ Rate used in 2015 Budget authorisation						
² Rate used to revalue outstanding commitments at year end prior to rolling forward to 2016						
³ Rate used in determining expenditure throughout the year						
⁴ Rate used to bring forward commitments remaining at year end 2014						

Expenditure Reconciliation: Budget Execution Statement / Statement of Financial Performance. IPSAS 24 requires a reconciliation of Budget Execution Statement data with the expenses recorded in the Statement of Financial Performance. The expenditure data is in the currency of the budget and then translated using an average exchange rate for the year.

Expenditure recorded in Statement of Financial Performance:

Chapter 71	29,189	
Chapter 72	114,222	
Chapter 73	147	
Total Expenditure		143,558

Financial Expenditure recorded in Budget Execution Statements:

Budget 201	20,001	
Budget 252	2,895	
Budget 255	21,814	
Budget 256	6,259	
Budget 257	17,667	
Budget 258	52,535	
Budget 259	22,387	
		143,558

IPSAS 24. This Standard requires reconciliation between Budget Execution Statements and actual amounts presented in the financial statements where the financial statement and budget are not prepared on a comparable basis. Whilst the table above reconciles the actual expenses recorded in ACT's Budget Execution Statements and the Statement of Financial Performance, the remainder of the Budget Execution Statements is prepared using a different basis.

The Statements of Financial Position, Financial Performance, Changes in Net Assets

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Allied Command Transformation
Notes to the Financial Statements

For the year ended 31 December 2015

All amounts stated in Thousands of Euros (€'000), unless otherwise stated

and Statement of Cash Flow are prepared on a full accrual basis, whereas the Budget Execution Statements, apart from "actual expenses," are prepared on a commitment accounting basis. Significant budgetary transfers are detailed in the table below.

Budgetary Lapses

Lapses recorded on the Budget Execution Statement have a value of €9.677m. This figure is generated as a direct result of the exchange rates. Lapses occur in the original currency in which the budget was approved by the BC.

Budget Code	Budget Currency	Value of Lapse in Budget Currency				Value of Lapse in Euro (Average Rate of Exchange)
		(figures shown as complete amounts)				
		2013	2014	2015	Total	
201	USD	442	73	682	1,197	1,075
252	EUR	0	5	97	102	102
255	NOK	244	2,039	651	2,934	328
256	PLN	465	330	2,740	3,535	843
257	USD	575	583	2,361	3,519	3,161
258	EUR	271	168	637	1,076	1,076
259	EUR	683	192	2,216	3,091	3,091
						9,677

19. STATEMENT OF BUDGETARY TRANSFERS

In accordance with the NATO Financial Regulations (NFR II Article 10 – FRP X c 3) budgetary transfers are recorded on the face of the accounts. All transfers were executed between budgets at the January 2014 rate of exchange. The totality of transfers undertaken in 2015 do not breach the authorised Budget Authority outlined in in BC-BA(2015)003 dated 19 October 2015..

In order to comply with the requirements of IPSAS 24 the significant budgetary transfers are detailed in the table below:

Budget Code	Currency	Initial Budget	Final Budget	Gross Transfer	Individual Transfers	% of total transfers	Comment
201 -HQ SACT	USD	22,736	22,747	10	(115)	24%	Transfer of STRE overhead costs to euro BC258
					(121)	25%	Transfer to BC 257 from overhead to HQ SACT Mission Support
					246	51%	Transfer from BC 252 ahead of unsuccessful carry forward request -surplus to requirement
					10	99%	

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Allied Command Transformation

Notes to the Financial Statements

For the year ended 31 December 2015

All amounts stated in Thousands of Euros (€'000), unless otherwise stated

252 - JALLC	EUR	3,430	2,953	(477,494)	(181,796)	38.1%	Transfer to BC 201 ahead of unsuccessful carry forward request -surplus to requirement
					(136,232)	28.5%	Transfer to BC 257 ahead of unsuccessful carry forward request -surplus to requirement
					(159,466)	33.4%	Transfer to BC 258 ahead of unsuccessful carry forward request -surplus to requirement
					<u>(477,494)</u>	<u>100.0%</u>	
255 - JWC	NOK	206,735	186,792	(19,944)	(15,797)	79.2%	Transfer to BC 258 to support ACT Enterprise SLA with NCI Agency
					(4,147)	20.8%	Transfer to BC 259 as TRIDENT JOUST exercise funding to be incurred by JFC Naples
					<u>(19,944)</u>	<u>100.0%</u>	
256 - JFTC	PLN	30,548	23,669	(6,879)	(5,466)	79.5%	Transfer to BC 258 to support ACT Enterprise SLA with NCI Agency
					(1,273)	18.5%	Transfer to BC 259 as TRIDENT JOUST exercise funding to be incurred by JFC Naples
					<u>(6,739)</u>	<u>98.0%</u>	
257 - HQ SACT POW	USD	23,051	23,193	142	(269)	35%	Transfer of STRE and SEE travel costs to the euro BC 258
					121	16%	Transfer from BC 201 from Overhead to HQ SACT Mission Support
					147	19%	Transfer from BC 258 following reallocation of frozen funds to support Unified Vision
					185	24%	Transfer from BC 252 ahead of unsuccessful carry forward request -surplus to requirement
					<u>184</u>	<u>94%</u>	
258 - HQ SACT POW	EUR	49,960	53,470	3,510	3,196	82%	Transfer from BC 255 & 256 to support Enterprise SLA with NCI Agency
					284	7%	Transfer from BC 201 and 257 for STRE and SEE costs
					(25)	1%	Return of Surplus funds to the Nations
					(28)	1%	Transfer to SHAPE BC 101 to support Federated Mission Network Conference
					(135)	3%	Transfer to BC 257 following reallocation of frozen funds to support Unified Vision
					159	4%	Transfer from BC 252 ahead of unsuccessful carry forward request -surplus to requirement
					<u>3,451</u>	<u>98%</u>	
259 - Exercis es	EUR	14,486	17,131	2,644	800	30.3%	Transfer from BC 255 & 256 to TRIDENT JOUST costs incurred by JFC Naples
					281	10.6%	Transfer from ACO to support reallocation of Joint Electronic Warfare Core Staff reallocation
					1,530	57.9%	Additional funds received from the Nations to Support TRIDENT JUNCTURE
					<u>2,611</u>	<u>99%</u>	

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Allied Command Transformation
 Notes to the Financial Statements
 For the year ended 31 December 2015
 All amounts stated in Thousands of Euros (€'000), unless otherwise stated

20. STATEMENT OF CREDITS CARRIED FORWARD

As required by the NATO Financial Regulations, credits committed and carried forward are separately disclosed by budget and by year in the Budget Execution Statements.

ACT reported in the second Trimester report that it had received €6.673m from the ACO 2013 Reorganisation Budget to support Readiness Action Plan (RAP) related exercise activity. A further €1.675 was then requested and received, making a total of €8.348m. The details of these transfers, by Exercise and BC Decision Sheet are as follows:

- Trident Joust - €1m (BC-DS(2105)0036)
- Ramstein Guard - €135k (BC-DS(2105)0036)
- Trident Juncture - €5.021m (BC-DS(2105)0045)
- Noble Jump - €518k (BC-DS(2105)0047)
- MoD ESP Trident Juncture works - €629k (BC-DS(2105)0052)
- Noble Jump transportation - €1.045m (BC-DS(2105)0065)

This is the reason for the 2013, 259 budget in the Budget Execution Statement having no opening budget, then a significant increase at mid-year. Funds that had not been expended or accrued as at 31 December 2015 were lapsed.

21. IPSAS DISCLOSURES

Five new IPSAS pronouncements were issued in 2015 covering:

IPSAS 34 Separate Financial Statements;

IPSAS 35 - Consolidated Financial Statements;

IPSAS 36 - Investments in Associates and Joint Ventures;

IPSAS 37 - Joint Arrangements; and IPSAS 38 - Disclosure of Interests in Other Entities.

The standards are effective for annual financial statements covering periods beginning on or after 1 January 2017. They have not been applied by ACT in the preparation of these 2015 Financial Statements and the new standards are not expected to have a material impact on the presentation of ACT Financial Statements

22. MORALE & WELFARE ACTIVITIES

Under the NAC approved NATO Accounting Accounting Framework implemented with effect from 01 January 2013, 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.

Allied Command Transformation
Notes to the Financial Statements
For the year ended 31 December 2015
All amounts stated in Thousands of Euros (€'000), unless otherwise stated

In accordance with NATO reference documents PO(97)98 and MBC-DS(97)23, the consolidated 2015 Annual Report on MWA activity within the ACT Budget Group, has been submitted to the Budget Committee.

23. STATEMENT OF WRITE-OFF

A summary table of write off is attached at Annex A to these financial statements. A full statement will be sent under separate cover to the Budget Committee.

24. STATEMENT OF PERFORMANCE AND POSITION PER ENTITY

The tables on the following pages show the Statements of Position and Performance of the ACT Headquarters that are part of the consolidated group. There is also a table showing the entries made on consolidation.

For the year ended 31 December 2015
Amounts in EUR

STATEMENT OF FINANCIAL POSITION PER HEADQUARTER

	HQ SACT			JWC			JFTC		
	2015	2014	Difference	2015	2014	Difference	2015	2014	Difference
Current Assets									
Total Cash & Cash Equivalents	39,629,323	51,274,657	(11,645,334)	2,503,264	7,899,377	(5,396,113)	1,986,915	3,923,144	(1,936,229)
Receivables	12,863,321	4,594,519	8,268,802	642,226	1,471,349	(829,123)	195,768	217,770	(22,003)
BC Contributions Receivable	16,717,798		16,717,798						
Total Advances & Prepayments	872,443	399,471	472,972	14,199	7,011	7,188	1,674	7,289	(5,615)
Advance to Consolidated Entity	150,000	150,000	0						
Advances to Non Consolidated Entities				211,032	325,081	(114,049)	9,522	56,922	(47,400)
Total Current Assets	<u>70,232,884</u>	<u>56,418,646</u>	<u>13,814,238</u>	<u>3,370,721</u>	<u>9,702,818</u>	<u>(6,332,097)</u>	<u>2,193,879</u>	<u>4,205,125</u>	<u>(2,011,246)</u>
Non-Current Assets	14,918,130	0	14,918,130	0	0	0	0	0	0
Total Assets	<u>85,151,014</u>	<u>56,418,646</u>	<u>28,732,368</u>	<u>3,370,721</u>	<u>9,702,818</u>	<u>(6,332,097)</u>	<u>2,193,879</u>	<u>4,205,125</u>	<u>(2,011,246)</u>
Liabilities									
Payables	19,911,943	14,148,537	5,763,406	1,453,060	2,356,847	(903,787)	918,743	565,993	352,750
Unearned Revenue	22,112,827	11,423,181	10,689,646	1,568,341	2,682,413	(1,114,072)	1,275,136	2,014,173	(739,037)
Other Unearned Revenue	213,721	349,723	(136,002)						
Advance Contributions	27,994,393	30,497,206	(2,502,813)	349,320	4,663,558	(4,314,238)		1,624,959	(1,624,959)
Other Advances	0	0	0	0	0	0		0	0
Total Liabilities	<u>70,232,884</u>	<u>56,418,647</u>	<u>13,814,237</u>	<u>3,370,721</u>	<u>9,702,818</u>	<u>(6,332,097)</u>	<u>2,193,879</u>	<u>4,205,125</u>	<u>(2,011,246)</u>
Net Assets									
Capital Contributed by Nations	15,473,344	0	15,473,344	0	0	0	0	0	0
Surplus (deficit) for the Period	(555,214)	0	(555,214)	0	0	0	0	0	0
Accumulated Surplus Bf	0	0	0	0	0	0	0	0	0
Total Net Assets	<u>14,918,130</u>	<u>0</u>	<u>14,918,130</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Net Assets and Liabilities	<u>85,151,014</u>	<u>56,418,647</u>	<u>28,732,367</u>	<u>3,370,721</u>	<u>9,702,818</u>	<u>(6,332,097)</u>	<u>2,193,879</u>	<u>4,205,125</u>	<u>(2,011,246)</u>

For the year ended 31 December 2015
Amounts in EUR

STATEMENT OF FINANCIAL POSITION PER HEADQUARTER

	JALLC			NSIP			Total 2015	Consolidation Postings	Published 2015
	2015	2014	Difference	2015	2014	Difference			
Current Assets									
Total Cash & Cash Equivalents	495,164	726,691	(231,527)	600,188	1,077,833	(477,644)	45,214,854	63,454	45,278,308
Receivables	139,567	71,968	67,599				13,840,881	(53,213)	13,787,668
BC Contributions Receivable							16,717,798		16,717,798
Total Advances & Prepayments	17,157	39,077	(21,920)				905,474		905,474
Advance to Consolidated Entity							150,000	(150,000)	0
Advances to Non Consolidated Entities							220,554		220,554
Total Current Assets	651,888	837,737	(185,848)	600,188	1,077,833	(477,644)	77,049,561	(139,759)	76,909,802
Non-Current Assets	0	0	0	0	0	0	14,918,130	0	14,918,130
Total Assets	651,888	837,737	(185,848)	600,188	1,077,833	(477,644)	91,967,691	(139,759)	91,827,932
Liabilities									
Payables	174,815	591,181	(416,366)	48,807	21,792	27,015	22,507,368	(86,546)	22,420,822
Unearned Revenue	388,021	191,543	196,478				25,344,324	(53,213)	25,291,111
Other Unearned Revenue				551,381	1,056,041	(504,660)	765,102		765,102
Advance by Consolidated Entity									
Advance Contributions							28,343,714		28,343,714
Other Advances	89,053	55,013	34,040				89,053		89,053
Miscellaneous Liabilities									
Total Liabilities	651,888	837,737	(185,849)	600,188	1,077,833	(477,645)	77,049,560	(139,759)	76,909,802
Net Assets									
Capital Contributed by Nations							15,473,344	0	15,473,344
Surplus for the Period	0	0	0	0	0	0	(555,214)	0	(555,214)
Accumulated Surplus Bf	0	0	0	0	0	0	0	0	0
Total Net Assets	0	0	0	0	0	0	14,918,130	0	14,918,130
Total Net Assets and Liabilities	651,888	837,737	(185,849)	600,188	1,077,833	(477,645)	91,967,690	(139,759)	91,827,932

For the year ended 31 December 2015
Amounts in EUR

STATEMENT OF FINANCIAL PERFORMANCE PER HEADQUARTER

	HQ SACT			JWC			JFTC		
	2015	2014	Difference	2015	2014	Difference	2015	2014	Difference
Total Revenue	119,520,049	98,864,498	20,655,551	23,174,681	21,531,583	1,643,098	8,789,270	8,478,082	311,188
Total Expenses	120,075,263	98,864,498	21,210,765	23,174,681	21,531,583	1,643,098	8,789,270	8,478,082	311,188
End of Year Result	<u>(555,214)</u>	<u>0</u>	<u>(555,214)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

	JALLC			NSIP			Consolidation Eliminations	Published 2015
	2015	2014	Difference	2015	2014	Difference		
Total Revenue	3,289,991	4,019,554	(729,563)	21,792	21,792	0	132,915,509	154,795,783
Total Expenses	3,289,991	4,019,554	(729,563)	21,792	21,792	0	132,915,509	155,350,997
End of Year Result	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(555,214)</u>

Note: Inter entity revenue and expenses have been removed from the originating entity (mainly HQ SACT) and are shown at the subordinate level. IPSAS 18 applies.

Statement of Position

Statement of Performance

	Inter-Entity Eliminations		Inter Entity Eliminations
Assets		Revenue	
Current Assets			
Cash and Cash Equivalents	63,454	Operating revenue	6,861,056
Receivables	(53,213)	Inter Entity Revenue	733,344
Advance to Consolated Entity	(150,000)	Reimbursable Revenue	1,753,690
Total Current Assets	<u>(139,759)</u>	Total Revenue	<u>7,594,400</u>
Liabilities		Expenses	
Payables	86,546	Inter Entity Expenses	(7,594,400)
Unearned Revenue	53,213	Reimbursable Expenses	(1,753,690)
Total Liabilities	<u>139,759</u>	Total Expenses	<u>(7,594,400)</u>
Net Assets	<u><u>0</u></u>		

Annex A

ACT Write off Report of International Property 2015

Command	Headquarters property	Original cost (in currency)	Number of RoS	comments
HQ SACT	Equipment	\$641,829	11	ADP and communication equipment; ADP equipment surveyed as part of HOTO with NCIA
JFTC	Furniture	PLN 54,711	28	beyond economical repair
JFTC	Equipment	PLN11,354	10	beyond economical repair
JFTC	Miscellaneous	PLN42,266	16	beyond economical repair
JWC	Furniture	NOK389,897	2	beyond economical repair
JWC	Equipment	NOK5,720,844	7	beyond economical repair
JWC	Miscellaneous	NOK22,775	8	beyond economical repair
JALLC	Vehicles	€25,308	1	1 vehicle past useful life. Originally purchased in 2002 and sold for €2k
JALLC	Equipment	€1,250	1	beyond economical repair