	NATO	NORTH ATLANTIC COUNCIL
	OTAN	CONSEIL DE L'ATLANTIQUE NORD

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6 December 2017

DOCUMENT
C-M(2017)0060-AS1

**IBAN AUDIT ON THE 2016 FINANCIAL STATEMENTS OF THE NATO AIRBORNE
EARLY WARNING & CONTROL PROGRAMME MANAGEMENT AGENCY**

ACTION SHEET

On 5 December 2017, under the silence procedure, the Council noted the IBAN report on the 2016 financial statements of NAPMA and the conclusions of the RPPB attached to C-M(2017)0060 and approved the public disclosure of the financial statements and the associated audit report.

(Signed) Jens Stoltenberg
Secretary General

NOTE: This Action Sheet is part of, and shall be attached to C-M(2017)0060.

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27 November 2017

DOCUMENT
C-M(2017)0060
Silence Procedure ends:
5 Dec 2017 17:30

**IBAN AUDIT ON THE 2016 FINANCIAL STATEMENTS OF THE NATO AIRBORNE
EARLY WARNING & CONTROL PROGRAMME MANAGEMENT AGENCY**

Note by the Secretary General

1. I attach the International Board of Auditors for NATO (IBAN) report on the audit of the 2016 financial statements of the NATO Airborne Early Warning & Control Programme Management Agency (NAPMA).
2. The IBAN report on NAPMA sets out an unqualified opinion on the financial statements and a qualified opinion on compliance for 2016. The IBAN report has been reviewed by the Resource Policy and Planning Board (RPPB) (see Annex).
3. I do not believe that this matter requires discussion in the Council. Consequently, **unless I hear to the contrary by 17:30 hrs on Tuesday, 5 December 2017**, I shall assume that the Council has noted the IBAN report on the 2016 financial statements of NAPMA and the conclusions of the RPPB and approved the public disclosure of the financial statements and the associated audit report.

(Signed) Jens Stoltenberg

Annex 1: RPPB report
Enclosure 1: IBAN report
Enclosure 2: NAPMA financial statements 2016

1 Annex
2 Enclosures

Original: English

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**IBAN AUDIT ON THE 2016 FINANCIAL STATEMENTS OF THE NATO AIRBORNE
EARLY WARNING & CONTROL MANAGEMENT AGENCY (NAPMA)**

Report by the Resource Policy and Planning Board (RPPB)

Reference:

- A. IBA-AR(2017)17 - IBAN audit report
- B. PO(2015)0751 - NAPMO Financial Regulations
- C. C-M(2016)0056 - IBAN audit on the 2015 financial statements of NAPMA

Introduction

1. This report contains the RPPB's observations and recommendations on the IBAN audit of the 2016 financial statements of NAPMA (reference A).

Discussion

2. The IBAN issued an unqualified opinion on the financial statements and a qualified opinion on compliance for the 2016 financial year. NAPMA did not comply with Article 25 of the NFRs since it entered into commitments for goods and services to be rendered beyond the financial year. The other observation, which did not affect the audit opinion, was connected to implementation of the NATO Financial Regulations, particularly those articles on internal control, risk management and internal audit.

3. Observation 1 – Non-compliance with the NFRs: The IBAN found that NAPMA entered into commitments for goods and services to be rendered during future financial years, not only the current financial year as required by Article 25.1 of the NFRs. A significant part of these commitments are related to contracts provided under Foreign Military Sales (FMS) agreements with the United States. The IBAN found that NAPMA was not able to comply with the NFRs in this matter given the specific nature of the FMS contracts (the full contract value is committed when a case is established) and the multi-year nature of the NAPMA programme. The IBAN recommended that NAPMA assess and decide either to amend its current budget and procurement processes to comply with Article 25 or to seek a deviation from Council to better reflect its specific needs. The RPPB notes that NAPMA has submitted a formal request to amend Article 25 in its financial regulations (reference B) and this will be subject to separate consideration.

4. The Board notes that the 2015 financial statements of NAPMA received an unqualified audit opinion (reference C) and observes that its commitment practices, especially those related to FMS contracts and the multi-year nature of the NAPMA programme, have not significantly changed since.

5. Observation 2 – implementation of the NFRs: The IBAN found that NAPMA has continued to make progress to implement the NFRs, particularly with regards those articles relating to internal control, risk management and internal audit. The IBAN found that NAPMA

has adopted COSO as its Internal Control Framework and has put in place an implementation plan with a target date of January 2019. The RPPB notes that the issue of an internal control framework has been raised as part of the broader lessons learned from NFR implementation and that discussions in this regard are continuing in the Budget Committee and advice will be submitted to Council in due course.

6. Status of prior year observations: The IBAN followed up on the status of the two observations from previous years' audits and found that one had been superseded by current year observation and that one had been settled.

Conclusions

7. The IBAN issued an unqualified opinion on the financial statements and a qualified opinion on compliance for the 2016 financial year. Although its commitment practices had not changed since it received an unqualified opinion on its 2015 financial statements the IBAN found that NAPMA did not comply with Article 25 of the NFRs since it entered into commitments for goods and services to be rendered beyond the financial year. The RPPB will prepare separate advice for Council consideration on the requested deviation to Article 25 of the NAPMO Financial Regulations that has been submitted by the NAPMO Board of Directors.

Recommendations

8. The RPPB recommends that Council:
- a. Note the IBAN report on the 2016 financial statements of NAPMA;
 - b. Note the conclusions at paragraph 7; and,
 - c. Agree to the public disclosure of this report, the IBAN audit and the associated 2016 financial statements of NAPMA.

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ANNEX 1

**Summary Note for Council
by the International Board of Auditors for NATO (Board)
on the audit of the Financial Statements of the
NATO Airborne Early Warning & Control Programme Management Agency
(NAPMA)
for the year ended 31 December 2016**

The NATO Airborne Early Warning & Control Programme Management Organisation (NAPMO), including the NATO Airborne Early Warning & Control Programme Management Agency (NAPMA) was established to assume the direction, co-ordination, and the execution of the coordinated acquisition programme of the NATO Airborne Early Warning and Control (NAEW&C) system. The management of the program consists of overseeing the acquisition of the operating assets needed to establish NAEW&C capability and subsequent acquisitions of enhancements thereof. NAPMA expenditure in 2016 – including additions to modernisation assets – was approximately USD 123 million.

During the audit the Board identified two observations, and issued an unqualified opinion on the NAPMO Financial Statements and a qualified opinion on compliance for the year ended 31 December 2016 due to the following reasons:

Observation 1 impacts the audit opinion on compliance:

1. Commitments and carry forwards for purchases through the United States Government and direct contracting do not comply with NATO Financial Regulations.

Observation 2 does not impact the audit opinion:

2. Some progress being made to achieve compliance with the NATO Financial Regulations, particularly those articles on internal control, risk management and internal audit.

These observations are summarised in the Letter of Observations and Recommendations (Annex 3). The Board also followed up on the status of observations from its previous years' audits and noted that one was settled and one was superseded by current year's observation number 2.

The Auditor's Report (Annex 2) and the Letter of Observations and Recommendations (Annex 3) were issued to NAPMO, whose comments have been included.

The Board issued a Management Letter (reference IBA-AML(2017)10) to the NAPMA General Manager with three observations for management's attention.

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We draw attention to the accounting treatment of purchases from the United States Foreign Military Sales (FMS) programme which are presented on a modified cash basis of accounting rather than the accrual basis of accounting. Also, values related to indirect contracting by Agent Contracts under U.S. Government Acquisition Agreement are accounted using data/billing reports as provided by the U.S. Government. This is in accordance with the revised NATO Accounting Framework approved by the North Atlantic Council on 29 April 2016. Our audit opinion is not qualified in respect to this matter.

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**ANNEX 2
IBA-AR(2017)17**

22 August 2017

INTERNATIONAL BOARD OF AUDITORS FOR NATO

AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE

**NATO AIRBORNE EARLY WARNING AND CONTROL
PROGRAMME MANAGEMENT AGENCY**

(NAPMA)

FOR THE YEAR ENDED 31 DECEMBER 2016

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

Report on the Financial Statements

The International Board of Auditors for NATO (Board) audited the accompanying Financial Statements of the NATO Airborne Early Warning and Control Programme Management Agency (NAPMA), which comprised the Statement of Financial Position as at 31 December 2016, the Statement of Financial Performance, the Statement of Changes in Net Assets / Equity, the 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 Statement of Budget Execution for the year ended 31 December 2016.

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. 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 NAPMA as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the NATO Accounting Framework.

Emphasis of Matter

We draw attention to the accounting treatment of purchases from the United States Foreign Military Sales (FMS) programme which are presented on a modified cash basis of accounting rather than the accrual basis of accounting. Also, values related to indirect contracting by Agent Contracts under U.S. Government Acquisition Agreement are accounted using data/billing reports as provided by the U.S. Government. This is in accordance with the revised NATO Accounting Framework approved by the North Atlantic Council on 29 April 2016. Our audit opinion is not qualified in respect to this matter.

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.

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.

Basis for Qualified Opinion on Compliance

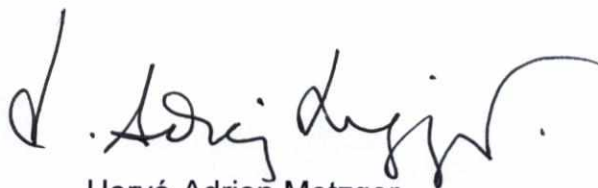
NAPMA did not comply with Article 25.1 of the NATO Financial Regulations, since it entered into commitments for goods and services to be rendered beyond the financial year. A significant part of these commitments are related to indirect contracting by Agent Contracts under U.S. Government Acquisition Agreement.

NAPMA was not able to comply with the NFRs in this matter, given the specific nature of the above Acquisition Agreement (the full contract value is committed when a case is established), and the multi-year nature of the NAPMA Programme.

Qualified Opinion on Compliance

In our opinion, except for the effects of the matters described above in the *Basis for Qualified Opinion on Compliance* paragraph, 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, 22 August 2017

A handwritten signature in black ink, appearing to read 'Hervé-Adrien Metzger', with a stylized flourish at the end.

Hervé-Adrien Metzger
Chairman

22 August 2017

INTERNATIONAL BOARD OF AUDITORS FOR NATO

**LETTER OF OBSERVATIONS AND RECOMMENDATIONS
FOR THE NATO AIRBORNE EARLY WARNING AND CONTROL
PROGRAMME MANAGEMENT AGENCY**

(NAPMA)

FOR THE YEAR ENDED 31 DECEMBER 2016

Introduction

The International Board of Auditors for NATO (Board) audited the NATO Airborne Early Warning and Control Programme Management Agency (NAPMA) Financial Statements for the year ended 31 December 2016, and issued an unqualified opinion on the financial statements and a qualified opinion on compliance.

Observations and Recommendations

During the audit, the Board identified the following two observations and provided recommendations:

1. Commitments and carry forwards for purchases through the United States Government and direct contracting do not comply with NATO Financial Regulations.
2. Some progress being made to achieve compliance with the NATO Financial Regulations, particularly those articles on internal control, risk management and internal audit.

The first observation impacts the audit opinion on compliance. The second observation does not impact the audit opinion.

The Board followed up on the status of observations from the previous years' audit and noticed that one was settled and one was superseded by current year observation.

The Board also issued a Management Letter (reference IBA-AML(2017)10) to the NAPMA General Manager.

OBSERVATIONS AND RECOMMENDATIONS**1. COMMITMENTS AND CARRY FORWARDS FOR PURCHASES THROUGH THE UNITED STATES GOVERNMENT AND DIRECT CONTRACTING DO NOT COMPLY WITH NATO FINANCIAL REGULATIONS****Reasoning**

1.1 According to Article 25.1 of NATO Financial Regulations, on approval of their annual and supplementary budget, the Heads of NATO Bodies, subject to the concurrence of the Financial Controller, are authorized to enter into commitments for goods and services to be rendered during the financial year.

1.2 The NAPMO Financial Regulations reflect, also in Article 25.1, the same authorization to the NAPMA General Manager.

1.3 According to Article 34.1 the NFRs, NATO bodies shall adhere to the accounting requirements and reporting standards consistent with the NATO Accounting Framework. The financial statements shall be prepared on an accruals basis of accounting.

Observation

1.4 The Board found that NAPMA enters into commitments for goods and services to be rendered during future financial years, not only the current financial year as required by Article 25.1 of the NFRs. These commitments are material considering the multi-year nature of the NAPMA programme. A significant part of these commitments are related to indirect contracting by Agent Contracts under a US Government Acquisition Agreement, whereas some others are also related to direct contracts. Also, the precise timing of when the goods or services will be received through the indirect contracting is not always known.

1.5 Uncertainties in the timing of the receipt of goods and services from such indirect contracting and the subsequent US billing led to adaptations to the NATO Accounting Framework. However, there are no similar adaptations to the revised NFRs, which continue to promote that budget credits should be committed and budget expenses recorded for goods and services to be received during the year. The fact that NAPMA budget credits are being committed when the indirect contracting cases are established and are being carried forward even though it is not always certain when the goods or services will actually be delivered is not in compliance with the revised NFRs.

1.6 Furthermore, regarding commitments related to direct contracts' execution, NAPMA has entered into the commitments within the limits of the Contract Authority approved by the NAPMO Board of Directors, for the full value of the contract and not limited to just one year. At year-end, available funds not expended have been carried forward to the following year with Board of Directors approval in line with the NAPMO Financial Regulations.

Recommendations

1.7 The Board recommends NAPMA to assess and decide either to amend the current procurement and budget process to comply with Article 25.1 of NFRs, or to request a deviation to the NFRs to better reflect NAPMA's procurement and budget specific needs.

1.8 The Board notes the proposal raised by the NATO Financial Controllers in the revised NFRs lessons learned exercise to be completed in 2017, to determine whether, for budget purposes relating to indirect contracting by Agent Contracts under U.S. Government Acquisition Agreements and to direct contracting for multi-nationally funded NATO Agencies, adaptations to the NFRs are needed.

NAPMO's Formal Comments

NAPMO concurs with the IBAN recommendation under section 1.7. of its Letter of Observations and Recommendations. IBAN recommendation under section 1.8 can be seen as a long-term solution, however, due to no available timelines is not considered to be a viable short-term alternative.

Modernisation programmes are by nature multiyear efforts and are based on multiyear indirect and direct contracts. Consequently NAPMA is unable to comply with the requirement for goods and services to be rendered in the financial year as outlined in the NAPMO Financial Regulations Article 25.1. In order to ensure compliance, NAPMO, following the IBAN's recommendation under section 1.7, requests approval of a deviation for Article 25.1 and 25.3 from the NATO Financial Regulations. The new text shall read:

25.1 On approval of NAPMA's annual and supplementary budget, the General Manager, subject to the concurrence of the Financial Controller, is:

(a) Authorized to enter into commitments in the Administrative Budget for goods and services to be rendered during the financial year; and to enter into multi-year commitments for goods and services within the total amount of the approved contract authority for the acquisition budgets.

25.3 Appropriated funds from acquisition budgets which have been committed, supported by a legal obligation, and for which goods and services have not yet been rendered by the end of the financial year shall be automatically carried forward. Appropriated funds committed and carried forward shall be used only for the requirement, supported by a legal obligation, for which they were originally approved.

NAPMA also recognizes that the financial transactions and information reflected in the Financial Statements are in compliance with the NAPMO Financial Regulations and the NATO Civilian Personnel Regulations, and that the financial statements have been presented fairly in all material aspects.

2. SOME PROGRESS BEING MADE TO ACHIEVE COMPLIANCE WITH THE NATO FINANCIAL REGULATIONS, PARTICULARLY THOSE ARTICLES ON INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

Reasoning

2.1 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."*

2.2 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.

2.3 The revised NFRs provide an opportunity for NATO bodies to solidify and codify their overall internal control frameworks, including risk management. They also provide internal audit functions 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. Importantly they also required a robust control environment in place around the preparation of Financial Statements to ensure the quality and accuracy of the financial information is of the highest standard as it is now publicly available.

Observation

2.4 The Board found that NAPMA has continued to make some progress towards achieving full compliance with all of the revised NFRs, but that more steps are still needed. This result, though, is not unexpected considering that the more detailed FRPs, which were required by Article 4 of the revised NFRs, were not approved until April 2016. Furthermore, these changes to the NFRs are significant, and the Board understands that some time is needed to implement them properly. It is expected that doing so will increase the likelihood that the benefits accruing to NAPMA will be real, rather than it just being an exercise to demonstrate compliance with the revised NFRs.

2.5 As a result, 2016 continues to be a transition year for NAPMA. The Board expects compliance to be achieved in 2017. The Board has again 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 2016 as a result of these observations.

2.6 The Board reports the status of the following areas:

Article 11 Risk Management and Article 12 Internal Control

2.7 The Board found that NAPMA recently formally adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework as their Internal Control Framework. COSO includes a risk management element. A number of other NATO bodies, including the Allied Command Operations, the NATO Communications and Information Organisation and the NATO EF 2000 and Tornado Development, Production and Logistics Management Agency, have also adopted COSO. The adoption of a specific and internationally recognised framework, one that is also being adopted by other NATO bodies, is an important step forward.

2.8 NAPMA put in place a "COSO Implementation Plan" with a target date of January 2019, subject to the NAPMA Final Lifetime Extension Programme Peacetime Establishment approval. In this line, NAPMA's Division Heads, Office Chiefs and key Branch Chiefs have performed an initial mapping exercise to provide a first view into what currently NAPMA has implemented in terms of Risk Management and Internal Controls that would be in line with the COSO framework requirements. However, since COSO has only recently been adopted by NAPMA, the important work of assessing and documenting specific internal control procedures, including risk management procedures, remains to be completed. Such documentation is essential in order to ensure and to clearly demonstrate to others that a complete system of internal control and risk management is in place. Until this assessment and documentation is completed, the Board will not be in a position to state that there is a full system of internal control, including risk management, in place that is in accordance with Articles 11 and 12 of the revised NFRs.

Article 13 Internal Audit

2.9 The Board found that NAPMA Internal Audit has been intensively involved in assessing internal control and risk management implementation. For example, Internal Audit has provided independent advice on how NAPMA Management should plan the adoption of a NAPMA tailored COSO framework in a cost-effective way.

2.10 However, NAPMA Internal Audit has not yet 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. Part of the reason for this is that NAPMA, as already stated earlier, has not yet fully documented their internal control and risk management procedures.

Article 16 Audit Advisory Panel

2.11 The Board found that NAPMA established an Audit Advisory Panel as required by Article 16 in 2016. It has been convened three times as of the date of our audit.

Recommendations

2.12 The Board recommends NAPMA to perform a systematic and detailed assessment and documentation of its internal control and risk management procedures to support compliance with its approved internal control framework, COSO. This will be in line with the "COSO Implementation Plan" put in place by the Agency.

2.13 The Board also recommends NAPMA Internal Audit to fully evaluate internal control and risk management throughout NAPMA, and that this work be clearly documented so as to be able to conclude as to NAPMA's compliance against COSO.

NAPMO's Formal Comments

NAPMO notes the recommendation.

NAPMA is working on the implementation of the COSO Framework as outlined. The implementation will be tailored to the needs of the Final Lifetime Extension Program (FLEP) in order to best safeguard the interests of NAPMO nations during FLEP execution. The implementation is scheduled to be completed by the end of 2018 to leave NAPMA senior management enough time for the detailed assessment of implemented internal controls and risk management procedures before planned contract award in July 2019. The Internal Auditor (IA) will accordingly audit NAPMA compliance to the COSO Framework in due course.

In a small entity like NAPMA, Senior Management is actively involved in all NAPMA processes and is aware of potential weak areas throughout the agency. Consequently it is more efficient to focus the work of the Internal Auditors on identified risk areas rather than doing routine checks throughout the agency on an annual basis.

FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS

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

Status of previous years' observations

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
<p>1. Audit Report FY 2015. IBA-AR(2016)13. Incomplete disclosure of NATO Accounting Framework requirements for indirect contracts/FMS cases.</p> <p>Observation The Board found that NAPMO Financial Statements do not fully comply with the disclosure requirements set in the NATO Accounting Framework as stated above. The Board highlights the importance to meet the objective of the adaption of IPSAS 1 in terms of clarity and disclosure requirements.</p> <p>Board's recommendation The Board recommends NAPMA to:</p> <ul style="list-style-type: none"> -disclose in the Accounting Policies Section of its Financial Statements that the data related to FMS cases is presented on a modified cash basis. -present as a separate line item on the Statement of Financial Performance for expenses (specifying they relate to indirect contracts) with a footnote directly under the statement to reflect the fact that the figure is on a cash rather than accrual basis, with an appropriate reference to the Accounting Policy section. -present in the Statement of Financial Position as a footnote stating that not all balances provided are based on an accrual basis, with a reference to the line items impacted -perform a reconciliation of the total physical delivery of goods and services against the total amount of expenditures after completion of a purchase case. 	<p>NAPMA included in the 2016 Financial Statements all of the disclosures recommended by the Board.</p>	<p>Observation Settled.</p>

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
<p>2. Audit Report FY 2015. IBA-AR(2016)13 . 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.</p> <p>Observation The Board found that NAPMA has made significant progress, but more steps are still needed, to achieve full compliance with all of the revised NFRs.</p> <p>Board's recommendation The Board recommends that: -NAPMA continue to develop an entity-wide risk management policy. In the Board's opinion, this should be coordinated to ensure consistent treatment across NATO Bodies. -NAPMA adopt an Internal Control Framework, based on internationally accepted standards, 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.</p>	See current year observation 2 for detailed information.	Observation Superseded by current year observation 2.

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NAPMA

FINANCIAL STATEMENTS 2016

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OVERVIEW

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

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

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

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

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

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

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

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

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

NAPMA is a program management and budgetary organization funded through contributions made by the Member Nations.

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NAPMA's Peacetime Establishment (PE) is 116 posts, manned by seconded military officers and civilian personnel drawn from all of the Nations participating in the Program. While most are located in Brunssum, The Netherlands, a small number perform their duties in Manching and in Geilenkirchen, Germany. The legal status of NAPMA, as an integral part of the North Atlantic Treaty Organisation, is laid down in the Ottawa Agreement as of 20 September 1951. Based on this agreement, NAPMA is, inter alia, exempt from all taxes and customs duties. The NAPMA General Manager (GM) is responsible for the Technical Airworthiness of the NAEW&C Fleet.

How NAPMA's operating environment affects its Financial Statements

NAPMA's overall activities are funded by Member Nations through projects and related Administrative Budgets; "separate and distinct from the International Staff, other NPLSOs or other NATO Organs" and through other generated income. The budgets are approved annually by the NAPMO BOD. The Nations contributions are to remain within the overall Program ceiling as agreed in the respective MMoU. The Administrative Budget covers all expenditures for the internal functioning of the Agency. The Project Budgets contain the credits for the modification of the NAEW&C fleet. Aside from its own budgeted activities, NAPMA also supports other NATO entities such as NAEW&C Force Command, NATO E-3A Component and NATO Support and Procurement Agency.

NAPMO has an agreement with the US Government (USG) that they can act as an exclusive general agent which has responsibility and authority to procure and manage the aircraft modernisation efforts. This gives NAPMO also a special arrangement in the Foreign Military Sales (FMS) process but more specifically the USG acts as the Agent for NAPMO resulting in Agent Contracts between NAPMO and US industry. The System Program Office (SPO) at Hanscom Airforce Base, Massachusetts is performing the day-to-day support functions for the US Agent.

Compliance with Financial Regulations

NAPMA Financial Statements have been prepared in accordance with the accounting requirements of the NAPMO Financial Regulations (NFRs) approved by the NAC on 08 January 2016, and the Financial Rules and Procedures (FRP).

The NAPMA Financial Statements have also been prepared on the accrual basis of accounting in accordance with the NATO Accounting Framework (NAF) as adopted by the North Atlantic Council (NAC). The NATO Accounting Framework is based upon the International Public Sector Accounting Standards (IPSAS).

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

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

In relation to the financial position NAPMA has several separate multi-year projects, both direct and indirect (administered by the US agent), which require maintaining high annual cash levels to satisfy requirements which may be required for the support of the procurement effort.

Analysis of NAPMA's Financial Statements

Key points to note in respect of the Financial Statements are:

- NAPMA's functional and reporting currency used throughout these Financial Statements is stated in USD (\$) equivalent. Therefore realised and unrealised gains and losses resulting from the translation into USD equivalent and from the revaluation at the reporting dates of monetary assets and liabilities in currencies other than USD are recognized in the Statement of Financial Performance.
- Existing funds (revenue recognized in previous years) are used to cover dedicated project expenditures which are recognized in the Statement of Financial Performance.

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

Currently there are no specific risks that affect NAPMA's financial position and performance.

As stated in paragraph 77 of the Warsaw Summit Communiqué, issued by the Heads of State and Government participating in the meeting of the North Atlantic Council in Warsaw 8-9 July 2016:

"77. NATO's Airborne Early Warning and Control Force (AWACS) continues to prove itself instrumental not only to monitoring our airspace, but also as a critical part of NATO's command and control capabilities. NATO AWACS will continue to be modernised and extended in service until 2035. By 2035, the Alliance needs to have a follow-on capability to the E-3 AWACS. Based on high-level military requirements, we have decided to collectively start the process of defining options for future NATO surveillance and control capabilities."

Public disclosure of NAPMA's Financial Statements

The NAPMO BOD has approved that these Financial Statements, in accordance with PO(2015)0052, can be publicly disclosed.

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Statement of Internal Control

Scope of responsibility

As General Manager of NAPMA I am responsible and accountable to the Agency's Supervisory Board for maintaining a sound system of internal control that supports the achievement of NAPMA's objectives, designed to provide reasonable assurance that the Agency will achieve its objectives using the Agency's resources in an efficient and effective manner.

As stated in Article 12 of the NAPMO Financial Regulations (NAPMO FR) I am in particular responsible for ensuring that the necessary internal management functions are in place to support effective internal control, designed to provide reasonable assurance that NAPMA will achieve its objectives regarding the safeguarding of assets, the verification of the accuracy and reliability of accounting data and records; the promotion of operational efficiency and the compliance with established managerial and command policies.

As NAPMA Financial Controller I am responsible to the General Manager and accountable to the NAPMO Policy and Finance Committee (PFC) for the correct use of funds made available to the Agency. I am responsible and accountable for establishing a system of internal financial and budgetary control, embracing all aspects of financial management including transactions for which appropriations have been approved, designating and formally delegating authority to officials who disburse and receive funds on my behalf and establishing and maintaining comprehensive accounting records of all assets and liabilities.

Risk and control framework

Elements in place within the Agency to achieve internal control are:

- The Agency is governed by a Board of Directors with two subordinate Committees and one review board (on Airworthiness) that closely monitor progress and compliance.
- A multi-year Strategic Plan with long-term goals and objectives. In addition, NAPMA has a multi-year and annual plan which identifies NAPMA internal goals and objectives. These plans are based on the business procedures necessary for achieving the objectives in an economic and effective way. This is a dynamic process and is under continuous review.
- A Corporate Governance Policy, approved by the Board of Directors (BOD). The NAPMO BOD tasked the Policy and Finance Committee (PFC) with the responsibility to review performance of Corporate Governance and report to the BOD.
- A NAPMA Management Directive prescribes Standards of Behavior which are in line with the NATO Code of Conduct.
- Annually, NAPMA conducts an overall assessment of the Agency's organization and a review of the business processes. It also maintains a risk management plan for all Divisions and Offices which is reviewed periodically. This risk management plan identifies the key organizational business risks and performance measurement criteria.

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This plan includes the risk register and mitigation plan. Program risk concerns, such as cost, schedule and performance are maintained by the PM division and briefed at each Board of Directors (BOD) cycle.

- An annual internal audit plan which includes reviews on functioning of the internal control process and procedures in high interest areas such as Finance, Human Resources and Contracting.
- Access to a permanent, adequately resourced, internal audit function
- Management checks are undertaken on periodical basis to ensure compliance with regulations and procedures.
- The use of an asset register to safeguard the assets retaining to the Agency.

In order to meet the desired internal control standards the Financial Controller has established a system of internal financial and budgetary control, embracing all aspects of financial management including transactions for which appropriations have been approved. This system includes the segregation of duties, the use of an audited IT-system, the use of the 4-eyes principle, written recording of activities (for instance regarding the monthly peer-review of bank accounts) and a formal approval process and authorization for transactions. The avoidance of conflict of interest is furthermore secured by a declaration signed by all NAPMA Staff in accepting appointment, which refer to the NAPMA Standards of Behavior (in particular paragraph 11 of these Standards). Cash management and issues regarding the financial institutions which are responsible for the deposits are periodically presented and reviewed by the Treasury Policy Group chaired by the Financial Controller with the minutes being shared with Senior Management and the decisions when impacting liquidity presented to the PFC. All the activities related to internal financial control and risk assessment are overseen by the Financial Controller on a daily basis and periodically reviewed by the Internal Auditor.

Statement

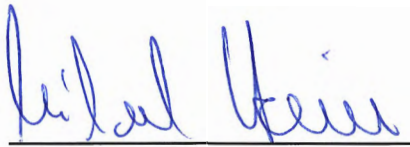
The mechanisms in place, as described above, are actively maintained and operated by NAPMA and provide reasonable assurance regarding the effective and efficient use of resources, the reliability of financial information and compliance with applicable rules and regulations. This confirmation is based upon daily interactions, reviews and responses from the internal auditor and the reports received from external auditors.

Notwithstanding the above, as potential area for improvement of internal control in 2017, NAPMA pursues a major effort to continuously optimize the integrated management system. The streamlining, simplifying and reviewing of underlying processes in the current ERP-system will add to an even more reliable assurance of internal control mechanisms.

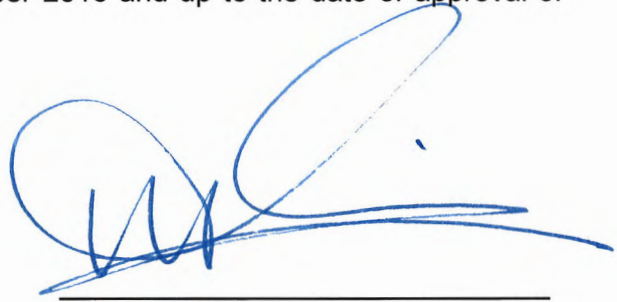
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Based on the above, we consider to the best of our knowledge and information, within the scope of our respective responsibilities that the Agency operated satisfactory systems of internal control for the year ended 31 December 2016 and up to the date of approval of the Financial Statements.



BrigGen M. Hain
NAPMA General Manager



Mr. R. Thuls
NAPMA Financial Controller

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NAPMA Statement of Financial Position

as at 31 December 2016

(in USD equivalent)

Original figures are those which were published in the NAPMA Financial Statements for 2015. Restated column presents the new adjusted figures for 2015 after taking into account the corrections.

	Note	2016	Restated 2015	Original 2015
ASSETS				
Current assets				
Cash and cash equivalents	1	462,256,545	377,301,476	377,301,476
Receivables	2	38,458,750	5,898,181	5,898,181
Prepayments	3	3,811,167	1,257,048	1,257,048
		<u>504,526,463</u>	<u>384,456,705</u>	<u>384,456,705</u>
Non-current assets				
Prepayments >12 Months	4	15,656	0	0
Property, plant & equipment	5	628,835	748,494	748,494
Other non-current assets*	6	293,497,664	196,692,528	196,692,528
		<u>294,142,155</u>	<u>197,441,021</u>	<u>197,441,021</u>
TOTAL ASSETS		<u>798,668,618</u>	<u>581,897,726</u>	<u>581,897,726</u>
LIABILITIES				
Current liabilities				
Payables and Accruals	7	36,007,177	4,489,238	4,489,238
Unearned Contributions**	8	338,664,197	332,886,708	338,191,468
		<u>374,671,374</u>	<u>337,375,947</u>	<u>342,680,707</u>
Non-current liabilities				
Advances	9	122,862,881	40,381,734	40,381,734
Reimbursables NATO Entities	9	2,318,373	1,150,749	1,150,749
Other non-current liabilities*	10	293,497,664	196,692,528	196,692,528
		<u>418,678,918</u>	<u>238,225,011</u>	<u>238,225,011</u>
TOTAL LIABILITIES		<u>793,350,292</u>	<u>575,600,957</u>	<u>580,905,717</u>
Net assets/equity**	11	5,318,326	6,296,769	992,009
TOTAL LIABILITIES AND NET ASSETS		<u>798,668,618</u>	<u>581,897,726</u>	<u>581,897,726</u>

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

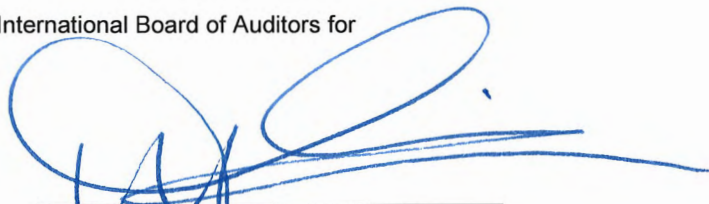
** Restated figures adjust the amounts for the correction of prior period errors.

Further details on the 2015 comparative figure restatements can be found in Note 11 (pages 25+26).

The Financial Statements on pages 8 to 32 were issued to the International Board of Auditors for NATO on 31 March 2017.



BrigGen M. Hain
NAPMA General Manager



Mr. R. Thuis
NAPMA Financial Controller

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NAPMA Statement of Financial Performance

for the year ended 31 December 2016

(in USD equivalent)

	Note	2016	Restated 2015	Original 2015
Revenue				
Revenue from Contributions	11	22,592,419	26,380,041	26,380,041
Financial Revenue*	11	0	1,026,768	3,721,979
Other Revenue	11	9,405	297,072	297,072
Total Revenue		22,601,823	27,703,880	30,399,091
Expenses				
Projects - direct	12	4,512,233	5,376,610	8,977,187
Projects - indirect via SPO**	12	803,015	3,600,577	0
Administrative	12	17,807,340	18,128,910	18,128,910
Depreciation	12	119,659	131,234	131,234
Finance Expenses	12	222,668	0	0
Total expenses		23,464,915	27,237,330	27,237,331
Surplus/(Deficit) for the period*	13	-863,091	466,549	3,161,760

* Restated figures adjust the amounts for the correction of prior period errors.

Further details on the 2015 comparative figure restatements can be found in Note 11 (pages 25+26).

** The figures given in respect of indirect contracting via SPO are presented on a modified cash basis.

Original figures are those which were published in the NAPMA Financial Statements for 2015. Restated column presents the new adjusted figures for 2015 after taking into account the corrections.

NAPMA Statement of Changes in Net Assets/Equity

for the year ended 31 December 2016

(in USD equivalent)

	Capital assets	Cash Reserves	Accumulated surplus/deficit	Accumulated curr Transactions	Total
Balance at the beginning of the period 2015	729,165	8,388,653	-6,651,170	-2,438,502	28,146
Changes in accounting policy/prior period errors	0	0	5,304,760	0	5,304,760
Restated balance	729,165	8,388,653	-1,346,410	-2,438,502	5,332,906
Net gains/(losses) recognised directly in net assets/equity	0	0	0	0	0
Use of cash reserves	0	-579,547	0	0	-579,547
Net increase-decrease capital assets	19,328	0	0	0	19,328
Exchange difference on translating foreign operations	0	0	0	497,313	497,313
Net unrealised foreign exchange gains and losses	0	0	1,026,768	0	1,026,768
Surplus/(deficit) for the period	0	0	0	0	0
Change in net assets/equity for the year ended 2015	19,328	-579,547	1,026,768	497,313	963,862
Balance at the end of the period 2015	748,493	7,809,106	-319,642	-1,941,189	6,296,769
Changes in accounting policy/correction prior period errors					
Restated balance	748,493	7,809,106	-319,642	-1,941,189	6,296,769
Net gains/(losses) recognised directly in net assets/equity	0	0	0	0	0
Use of cash reserves	0	-520,768	0	0	-520,768
Net increase-decrease capital assets	-119,659	0	0	0	-119,659
Exchange difference on translating foreign operations	0	0	0	0	0
Net unrealised foreign exchange gains and losses	0	0	-222,668	-115,348	-338,016
Surplus/(deficit) for the period	0	0	0	0	0
Change in net assets/equity for the year ended 2016	-119,659	-520,768	-222,668	-115,348	-978,443
Balance at the end of the period 2016	628,834	7,288,338	-542,310	-2,056,537	5,318,326

Further details can be found in the accounting policies on the change in the presentation layout of the statement of changes in net assets/equity (pages 13-14).

NAPMA Statement of Cash Flow

for the year ended 31 December 2016

(in USD equivalent)

	2016	Restated 2015	Original 2015
Cash Flow from Operating Activities			
Surplus/(Deficit) from Operating Activities	(863,091)	466,549	3,161,761
Change in net assets/correction*	0	5,304,760	0
Add: Non-Cash Movements			
Depreciation	119,659	131,234	131,234
Increase in Receivables	(32,560,569)	40,441,572	40,441,572
Decrease in Advance Payments	(2,569,775)	5,062,751	5,062,751
Decrease in Accruals/Deferrals	451	417	417
Increase in Payables	25,362,048	738,420	738,420
Increase in Unearned Contributions	5,777,489	40,084,094	45,388,854
Decrease in Advances Received	83,648,771	(43,087,075)	(43,087,075)
Change of Value in Asset Deliverable	96,769,108	66,008,483	66,008,483
Decrease in Goods Receipt	6,155,440	648,460	648,460
Net Cash Flow from Operating Activities	181,839,530	115,799,664	118,494,876
Cash Flow from Investing Activities			
Purchase of Assets	0	(150,562)	(150,562)
Correction to Assets	0	0	0
Purchase of Assets in Progress	(96,769,108)	(66,008,483)	(66,008,483)
Net Cash Flow from Investing Activities	(96,769,108)	(66,159,045)	(66,159,045)
Cash Flow from Financing Activities			
Fund Transfer from Net Assets	0	0	0
Effect of Currency Valuations			
Currency Valuation Operating Activities	0	0	0
Currency Valuation Financing Activities	(115,352)	497,314	(2,197,898)
Total Currency Valuations	(115,352)	497,314	(2,197,898)
Net Increase (Decrease) in Cash/Cash Equival.	84,955,070	50,137,933	50,137,933
Cash and Cash Equiv. Beginning of Period	377,301,476	327,163,543	327,163,543
Cash and Cash Equiv. End of Period	462,256,545	377,301,476	377,301,476

* Restated figures adjust the amounts for the correction of prior period errors. Further details on the 2015 comparative figure restatements can be found in Note 11 (pages 25+26).

Original figures are those which were published in the NAPMA Financial Statements for 2015. Restated column presents the new adjusted figures for 2015 after taking into account the corrections.

ACCOUNTING POLICIES

Basis of Preparation

NAPMA Financial Statements have been prepared in accordance with the accounting requirements of the NAPMO Financial Regulations (NFR) and the Financial Rules and Procedures (FRP). NAPMA uses an Enterprise Resource Planning (ERP) System based on SAP to record and report financial information.

The NAPMA Financial Statements have been prepared on the accrual basis of accounting in accordance with the NATO Accounting Framework (NAF) which is based on the International Public Sector Accounting Standards (IPSAS) issued by the IPSAS Board (IPSASB) and relevant to NAPMA as decided by the North Atlantic Council in 2002. The IPSAS standards are applied whereas the NAF has not yet adopted variations from the standard in coherence with policies specific to NATO.

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

For the accounting of the expenditures related to indirect contracts, NAPMA records the amounts in the Financial Statements based on data/billing reports as provided by the US Government.

A slight difference in summation may occur due to the fact that all the figures have been rounded to the nearest dollar.

The Financial Statements have been prepared on a going-concern basis.

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

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

Accounting Period

The 2016 Financial Statements are based on the accounting records of NAPMA as of 31 December 2016. In accordance with the NAPMO Financial Regulations (NFR), the financial year at NAPMA begins on 1 January and ends on 31 December.

Reporting Currency

The functional and reporting currency used throughout these Financial Statements is the USD (\$) equivalent. The Financial Statements are prepared using data based on the actual multi-currency execution of the approved budget credits. The non USD expenditures are converted to the USD equivalent using the weekly posted NATO exchange rates for booking of transactions during the year, and to the NATO rate in effect at the end of the year to report the Statement of Financial Position.

Cash Flow Statement

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

Revenue and Expense Recognition

Revenue is recognized from various sources including nations' contributions and currency gains. Effective 1 January 2007, all interest and other miscellaneous income is returned or credited to the Nations unless otherwise instructed by the NAPMO BOD.

Expenses are recognized as incurred to satisfy both miscellaneous project requirements and administrative related activities. Disbursements made for the acquisition of assets are not considered to be expenses; however, they are capitalized under Property, Plant & Equipment (PP&E).

Changes in Accounting Policies and corrections

The same accounting policies are applied within each period and from one period to the next, unless a change in accounting policy meets one of the criteria set in IPSAS 3. For the 2016 Financial Statements, the accounting policies have been applied consistently throughout the reporting period.

The following changes represent the correction resulting from the audit of the 2015 Financial Statements and an error which was discovered during the preparation of the FS 2016. These corrections have been applied to the comparative figures for 2015 which are being restated:

1. Change in the presentation layout of Financial Statements

In 2016 there has been a presentation change to the layout of the statement of changes in net assets/equity, which results from a recommendation made by the IBAN to apply the

layout recommended by the NATO Resource and Policy Board to ensure consistency of reporting amongst all NATO entities.

There has also been a revision of the nomenclature used for the Budget Execution Statement (BES).

2. Correction of errors and restatement of 2015 comparative figures

A prior period error was discovered during the preparation of the FS 2016 and therefore retrospectively corrected. Furthermore a correction to the revaluation within net assets was executed.

Foreign Currency Transactions

Transactions in currencies, other than the functional currency, are translated into USD at the NATO exchange rates prevailing at the time of the transaction. Monetary assets and liabilities at year-end, which are in currencies other than USD, were translated into USD using the NATO exchange rates that were applicable on 31 December 2016.

Realised and unrealised gains and losses resulting from the translation into USD and from the revaluation at the reporting dates of monetary assets and liabilities in currencies other than USD are recognized in the Statement of Financial Performance.

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Assets – Current Assets

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

Cash and Cash Equivalents

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

Receivables

Receivables are reported at fair value in the Statement of Financial Position. No provisions are made against national debts as they are deemed to be collectable.

In accordance with IPSAS, receivables are broken down into amounts from Nations, NATO Entities, Non-NATO Entities, Staff Members and other receivables, receivables from bank interest and long outstanding receivables.

Receivables from Nations are recognized when a call for contribution has been issued to the Member Nations. No allowance for loss is recorded with respect to Member Nations' assessed contributions receivable except for exceptional and agreed technical reasons.

Prepayments and Accrued Interest

Prepayments made to suppliers and to other NATO entities are reflected in the Statement of Financial Position. The same applies for bank interest accrued in one year but received only in the following year and not distributed to Nations.

Assets – Non - Current Assets

In this category, NAPMA is reporting all assets invested for more than 12 months.

Property, Plant and Equipment

In accordance with the NAF, the PP&E accounts have been established to capitalize expenditures on administrative assets and show the amortization accumulated against those assets. Administrative assets include those used specifically by the Agency itself in supporting its program management activities. The building and the land that NAPMA occupies are provided by the Host Nation as a "right of use".

All property, plant and equipment are stated at historical acquisition value less accumulated depreciation.

PP&E categorizations for purposes of determining the appropriate depreciable life of the assets is listed in the table below as well as the associated capitalisation thresholds per item.

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

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The table for purchases in 2016 were as follows:

PPE Category	Description	Threshold per item	useful life
Buildings	Building	200,000	40
Installed Equipment	Equipment/building improvements as part of the building such as heating & cooling systems, security systems, renovation, replacements and fixtures	30,000	10
Vehicles	Transportation equipment	10,000	5
Furniture	Desks, Chairs, Cabinets, Safes, etc.	5,000	10
Automated Information Systems	NIMS, major Hardware and Software	20,000	5
Communication and IT Equipment	Equipment/Tools required for daily office operations such as PC's, Laptops, Software, etc.	5,000	3
Government Furnished Equipment	Miscellaneous Equipment provided to Contractors	50,000	10

Leases

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

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

Work in Progress (other non-current assets)

The value of work in progress for an acquisition project will be transferred to the NAEW&CF E3A Component based on the declaration of Initial Operational Capability (IOC)/Full Operational Capability (FOC) and the final amount upon completion. That amount is valued at its historical acquisition value at the exchange rate in effect on the date of the expenditure transactions. For the accounting of the expenditures related to indirect contracts, NAPMA records the amounts in the Financial Statements based on data/billing reports as provided by the US Government. This data is presented on a modified cash basis.

Current Liabilities

Payables and Accruals

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

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Unearned Contributions

Unearned revenue represents contributions from Nations and/or third parties that have been called for current or previous years' budgets but that have not yet been recognized as revenue.

Liabilities – Non - Current Liabilities

Advance Contributions

Advances on contributions represent the amounts of funds held on behalf of the Contributing Nations, which arise from a variety of sources including advances from some nations on calls for the following fiscal year, interest earned on Nations' cash balances, sales of residual assets and R&D recoupment.

Reimbursables NATO Entities

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

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

These amounts represent the cumulative amount of work in progress that is still to be transferred to NAEW&CF E3A Component based on the declaration of IOC/FOC and the final amount upon completion. For the accounting of the expenditures related to indirect contracts, NAPMA records the amounts in the Financial Statements based on data/billing reports as provided by the US Government. This data is presented on a modified cash basis.

Provisions and Contingent Liabilities

Provisions are recognized for liabilities of uncertain timing or amount. It's a present obligation at the reporting date as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured at the General Manager's best estimate and the amounts can be measured reliably.

NAPMA discloses in the notes to the financial statements contingent liabilities where:

- NAPMA is exposed to possible financial liabilities that arose from events which occurred before the year-end, and where the confirmation of the existence of the liability will only be known through the occurrence or non-occurrence of one or more uncertain future events not wholly within the organisations control, or,
- NAPMA is exposed to a current financial liability which arose from events which occurred before the year-end where NAPMA does not believe it will be required to pay for the financial liability, or, the amount of the financial liability cannot be measured with sufficient reliability.

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Net Assets

Net assets represent the net result of revenues and expenditures, and the accumulation of inventory, capital and retained earnings over the life-time of the NAPMA Program.

The cash reserves are due to the recognition of non-contributing funds which have already been reported as revenue when it was earned in previous years (including additional contributions subsequently received from new joiners to the program).

Capital assets are the accumulated amount of fixed admin assets. This includes all purchases less disposals and depreciation.

Revenue and Expense Recognition

Revenue

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

Revenue comprises contributions from Member Nations and other customers to fund NAPMA budgets. It is recognized as revenue in the statement of financial performance when such contributions are used for their intended purpose as envisioned by operational and administrative budgets. The balance of unspent contributions and other revenues that relate to future periods are deferred accordingly.

Exchange rate revenue due to transactions in foreign currency (unrealised – changes in valuations only) and realized exchange rate revenue in accordance with IPSAS 4 – Effect of the foreign exchange rate, are recognized as financial revenue.

Expenses

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

Exchange rate losses due to transaction in foreign currency (unrealised – changes in valuations only) and realized exchange rate losses in accordance with IPSAS 4 – Effect of the foreign exchange rate, are recognized as financial expenses.

Surplus or Deficit for the Period

Accounting surpluses or deficits can occur when using existing funds to cover project expenditures and currency translation adjustments at year-end in accordance with IPSAS 4. Surpluses and deficits can also result from purchases of administrative assets minus the depreciation expenses.

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NOTES TO THE STATEMENT OF FINANCIAL POSITION

Assets – Current Assets

1. Cash and Cash Equivalents

		Restated	Original
<u>Cash and cash equivalents</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Current Accounts	1,256,214	57,303	57,303
Saving Accounts	191,000,331	377,244,173	377,244,173
Fixed-Term Deposits	270,000,000	0	0
Total	462,256,545	377,301,476	377,301,476

Cash balances are held in current and deposit accounts spread between various reliable financial institutions. Multiple currencies are held in separate accounts. As of the 31st of December 2016 NAMPA invested a part of the cash holding in short fixed-term deposits.

Fixed-Term Deposits held:

Bank	Duration	Currency	Total amount
WELLS FARGO	6 Months	USD	150,000,000
WELLS FARGO	3 Months	USD	20,000,000
DNB Bank	6 Months	USD	100,000,000
	Grand Total	USD	270,000,000

The calls for contributions to the Member Nations are issued according to the 2016 approved budget based on the Medium Term Financial Plan (MTFP) approved by the BOD and according to Art. 29 of the NAPMO Financial Regulations (NFRs) and Financial Rules and Procedures (FRPs). The increase in cash holdings in 2016 is due to cash requirements approved by nations, a change in the call for contribution schedule, as well as a delay in invoicing from the prime contractor.

2. Accounts Receivable

		Restated	Original
<u>Accounts receivable</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Receivables from Nations	37,381,717	5,502,311	5,502,311
Receivables from NATO Entities	0	0	0
Receivables from Staff Members	0	2,681	2,681
Other Receivables/Recoverable	0	802	802
Receivables from Bank interest	704,131	730	730
Long outstanding Receivables	372,902	391,657	391,657
Total	38,458,750	5,898.181	5,898,181

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Most receivables are due from the Member Nations. It is deemed that all accounts receivable activities will be closed within 12 months from the end of the reporting period. No provisions are made against debts as they are deemed to be collectible. The increase in receivables in 2016 is due to the change in the frequency and scheduled issuance of the calls as per Art. 29 of the NAPMO FRs. Due to a decision, in concurrence with the NAPMO BOD, to postpone the issuance of 2016 first call for contribution to January 2016 and the issuance of the first call for contribution for 2017 in November 2016, there is a significant variance in the comparative figures between the two fiscal years.

Long outstanding receivables represent an amount from FY 2012 not yet received from Germany.

3. Prepayments		Restated	Original
<u>Prepayments</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
NATO Entities	596,992	120,313	120,313
DFAS	3,021,417	1,136,735	1,136,735
ADMIN NON-NATO Entities	192,758	0	0
Total	3,811,167	1,257,048	1,257,048

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

Admin Non-NATO Entities cover administrative prepayments executed in 2016 related to personnel and operations.

Assets – Non-Current Assets

4. Prepayments >12 Months		Restated	Original
<u>Prepayments</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
ADMIN NON-NATO Entities >12 Months	15,656	0	0
Total	15,656	0	0

Administrative prepayments executed in 2016 related to licenses with validity through 2018.

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5. Property, Plant and Equipment

During 2016, there were no additions to PP&E.

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

	Automated Inf. System (NIMS)	Office Furniture	Vehicles	Property / Structure	Installed and misc. Equipment	Gov. Furnished Equipment	Totals
Opening Balance (01 January 2016)	240,957	67,778	0	433,097	6,663	0	748,495
Additions	0	0	0	0	0	0	0
Disposals/Corrections	0	0	0	0	0	0	0
Depreciation	90,501	12,846	0	15,097	1,215	0	119,659
Closing Balance (31 December 2016)	150,456	54,932	0	417,999	5,448	0	628,835
Gross Carrying Amount	7,505,412	668,851	63,137	603,899	12,149	79,974	9,391,995
Accumulated Depreciation	7,354,956	613,919	63,137	185,900	6,701	79,974	8,763,161
Net Carrying Amount	150,456	54,932	0	417,999	5,448	0	628,835

In 2016 NAPMA disposed assets with a residual value of USD 0.00 and a historical value of USD 458,574.36.

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6. Work in Progress (WIP) (other non-current assets)		Restated	Original
<u>Work in Progress</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Work in Progress (WIP)	293,497,664	196,692,528	196,692,528
Total	293,497,664	196,692,528	196,692,528

WIP - The value of work in progress for an acquisition project will be transferred to the NAEW&C Force based on the declaration of IOC/FOC and the final amount upon completion. That amount is valued at its historical acquisition value at the exchange rate in effect on the date of the expenditure transactions. NAPMA records the amounts of the expenditures related to indirect contracts in the Financial Statements based on data/billing reports as provided by the US Government. The amount of USD 112,189,817 is presented on a modified cash basis.

Changes in Work in Progress for the year were as follows:

	Work in Progress (WIP)	Totals
Opening Balance (01 January 2016)	196,692,528	196,692,528
Additions	96,769,108	96,769,108
Transferred to NAEW&C	36,028	36,028
Disposals/Corrections	0	0
Closing Balance (31 December 2016)	293,497,664	293,497,664
Gross Carrying Amount	2,054,475,904	2,054,475,904
Accumulated Transfers	1,760,978,239	1,760,978,239
Net Carrying Amount	293,497,664	293,497,664

Liabilities – Current Liabilities

7. Accounts Payable and Accruals		Restated	Original
<u>Accounts Payable</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Payables to NATO Entities	71,175	2,889	2,889
Payables to Non-NATO Entities	285,662	282,471	282,471
Payables to Suppliers	26,655,207	1,344,815	1,344,815
Payables to Staff	3,390	23,211	23,211
Total	27,015,434	1,653,386	1,653,386

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Payables to NATO Entities

Payables to NATO Entities include primarily an invoice received from NATO Support Agency that was not settled at year-end.

Payables to Non-NATO Entities

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

Payables to Supplier

Payables to suppliers include invoices received from commercial vendors not settled at year-end. The variance between the comparative figures is explained by the delay in invoicing from the prime contractor.

Payables to staff members

Amounts due to staff members such as travel expenses and education allowances.

		Restated	Original
<u>Accruals</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Accrued Bank charges	805	354	354
Goods receipt – Invoices to be received	8,990,938	2,835,498	2,835,498
Total	8,991,743	2,835,852	2,835,852

Accrued bank charges are the amounts to be paid in 2016 but not yet debited to the bank accounts.

Goods receipt – Invoices to be received are the amounts based on estimates and assumptions made for goods/services that were delivered/performed during fiscal year 2016 but not invoiced by the 31 December 2016.

8. Unearned Contributions

		Original	Restated
<u>Unearned Contributions</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Unearned Contribution - Current	335,501,270	332,886,708	338,191,468
Unearned Contribution - SESAR	3,162,927	0	0
Total	338,664,197	332,886,708	338,191,468

Unearned Contributions – Current represent the balance of Nations' contributions associated to the various programs, inclusive of administrative support, that have not yet been

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recognized as revenue. The budgets and associated call for contributions are based on the Medium Term Financial Plan (MTFP) approved by the BOD.

The NAPMO-USAF cooperatively developed CNS/ATM project received funding from the Single European Sky Air Traffic Management Research (SESAR) for the efforts in defining, developing and delivering new or improved technologies and procedures (SESAR Solutions). The evaluation performed by SESAR awarded the funding to NAPMO in two grants. A first payment was received in the amount of USD equivalent 3,162,927, and has been accounted for separately in 2016.

Liabilities – Non-Current Liabilities

9. Advanced Contributions and Reimbursables NATO Entities

		Restated	Original
<u>Advances on Nations' Contributions</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Advance Nation accounts	122,862,881	40,381,734	40,381,734
Total	122,862,881	40,381,734	40,381,734

Advances on Nations' contributions are funds held on behalf of the Member Nations which arise from a variety of funding sources including calls for future year's budgets as stated in the NAPMO FR Art. 29.5, interest earned on Nations' cash balances, sales of residual assets, R&D recoupment for the Radar System Improvement Project (RSIP).

In November 2016 as per Art. 29 of the NAPMO FRs NAPMA issued the first call for contribution for 2017. Another reason for the variance between the comparative years is due to the fact that the first call for 2016 was not issued in 2015, but in January 2016 instead.

		Restated	Original
<u>Reimbursables</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Reimbursables NATO Entities	2,318,373	1,150,749	1,150,749
Total	2,318,373	1,150,749	1,150,749

This account tracks the financial activities to support Third Party NATO Entities. Funds are received and expended on behalf of other NATO entities predominantly the NAEW&C Force for execution of projects and activities for Operations and Support.

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10. Other non-current liabilities (Deliverables)

		Original	Restated
<u>Deliverable to NAEW&C Force</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Deliverables	293,497,664	196,692,528	196,692,528
Total	293,497,664	196,692,528	196,692,528

Deliverables to NAEW&C Force represent the cumulative amount of work in progress that is still to be transferred on the declaration of IOC/FOC and the remaining amount on completion. For the accounting of the expenditures related to indirect contracts. NAPMA records the expenditures related to indirect contracts in the Financial Statements based on data/billing reports as provided by the US Government. The amount of USD 112,189,817 is presented on a modified cash basis.

Changes in Deliverables for the year were as follows:

	Deliverables	Totals
Opening Balance (01 January 2016)	196,692,528	196,692,528
Additions	96,769,108	96,769,108
Transferred to NAEW&C	36,028	36,028
Disposals/Corrections	0	0
Closing Balance (31 December 2016)	293,497,664	293,497,664
Gross Carrying Amount	2,054,475,904	2,054,475,904
Accumulated Transfers	1,760,978,239	1,760,978,239
Net Carrying Amount	293,497,664	293,497,664

11. Net Assets

The circumstances that have led NAPMA to have to disclose prior period errors is the result of an extensive investigation and review of NAPMA's Financial Statements and corresponding audit reports since 2008. NAPMA has resolved that there are two errors in the reporting of Net Assets: the revaluation of some of the liabilities and a correction which led to a restatement executed in the FS 2010.

The correction in the amount of USD 2,695,211 affected the Net Assets that should have not been subject to the end of year 2015 revaluation. IPSAS Art. 3. Para 47b states that "If the error occurred before the earliest prior period presented, reinstating the opening balances, of assets, liabilities and net assets/equity for the earliest prior period presented."

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During the review of the NAPMA's Net Assets a careful analysis of the corrections executed in 2010 found that what resulted from the change in accounting policy caused a reduction in the Net Assets for USD 5,304,760.

The correction had a direct effect on the interpretation of the expenditures executed towards the SPO (net effect was an decrease in prepayments and an increase in expenditures). Under generally accepted accounting principles, IPSAS, the "use" of Net Assets to fund current period operations is accomplished by running a net deficit in the current period.

The expenditures were erroneously funded from Program Generated Income (PGI) and this lead to the resulting difference/reduction in Net Assets. However these expenditures should have been funded out of Unearned Contributions (Mid-Term) instead of PGI (Net Assets).

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NOTES TO STATEMENT OF FINANCIAL PERFORMANCE

11. Revenue

The revenue recognition is matched with the recognition of expenses against NAPMA budgets. Contributions when called are booked as unearned revenue and recognized when earned. The table below shows the breakdown of the operating revenue.

		Restated	Original
<u>Revenue</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Revenue from Contributions	22,592,419	26,380,041	26,380,041
Financial Revenue	0	1,026,768	3,721,979
Other Revenue	9,405	297,072	297,072
Total	22,601,823	27,703,880	30,399,091

Revenue from Contributions was used to pay expenses related to project and administrative activities.

Financial revenue represents the accumulated exchange rate gains and losses due to transactions recorded in foreign currencies during the year, which only reflect an unrealised gain or loss required for reporting purposes.

Other revenue from "Advances on Nations contribution" was used to pay for the "Canadian Sources of Repair Relocation" (CANSORREL) requirement.

12. Expenses

Expenses are recognized by nature within the following groups.

		Restated	Original
<u>Project Expenses</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Projects direct	4,512,233	5,376,610	8,977,197
Projects indirect (via SPO)	803,015	3,600,577	0
Total	5,315,248	8,977,187	8,977,197

Project expenses are divided into direct and indirect and are not capitalized under WIP. Indirect expenses are incurred under the US agreement and are presented on a modified cash basis.

		Restated	Original
<u>Administrative Expenses</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Personnel	15,601,188	15,826,081	15,826,081
Operational	2,206,152	2,302,829	2,302,829
Total	17,807,340	18,128,910	18,128,910

The majority of the administrative expenses relate to personnel support activities. The amounts include expenses for salaries and emoluments for NATO civilian positions and

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temporary personnel, for other salary related and non-related allowances including overtime, medical examinations, recruitment, installation, removal and training.

The General Manager is entitled to receive a representation allowance as per PO(2013) 0154. The amount spent in 2016 was USD equivalent 10,636. Expenditures made against this allowance are supported by invoices.

The remaining part of the administrative expenses relate to operational activities such as maintenance costs, travel expenses, communication and information systems. These expenses are needed to meet NAPMA's operational requirements.

The lease for three staff cars and photocopiers have been qualified as operating leases and are therefore also included in the administrative costs.

		Restated	Original
<u>Depreciation Expenses</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Depreciation Expenses	119,659	131,234	131,234
Total	119,659	131,234	131,234

Assets of PP&E are depreciated over their useful life (see also Note 5).

		Restated	Original
<u>Finance Expenses</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Finance Expenses	222.668	0	0
Total	222,668	0	0

Finance expenses represent the accumulated exchange rate gains and losses due to transactions recorded in foreign currencies during the year which reflect an unrealised loss required for reporting purposes.

13. Deficit for the Period

The 2016 deficit results from: the usage of existing funds to cover project expenditures; the currency translation adjustments at the end of the year in accordance with IPSAS 4; and the depreciation expenses for the year of the administrative assets purchased in prior years.

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EVENTS AFTER THE REPORTING DATE

NAPMA's reporting date is 31 December 2016 and the Financial Statements were authorized for issue by the General Manager on 31 March 2017. No material events, favorable or unfavorable, which would have an impact on the statements have occurred between the reporting date and the date on which the Financial Statements were authorized for issue.

RELATED PARTIES DISCLOSURE

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

The BOD members receive no remuneration and do not receive loans from the entity. Based on the BOD annual declarations for 2016, received from all the BOD Members, no significant related party relationships could be identified which could affect the operation of NAPMA.

Based on the annual declaration for 2016 received from the key management personnel of NAPMA, there were no significant related party relationships identified which could affect the operation of NAPMA.

Senior management is remunerated in accordance with the published NATO pay scales. They do not receive loans that are not available to all staff members.

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

Remuneration of Key Management Personnel For Period ended December 31, 2016			
Number	Grade	Gross Salary (Euro)	USD Equiv. (At End Year Rate)
1	A7	179,891	187,429
3	A6	466,890	486,452
4	A5	623,959	650,103
7	A4	902,233	940,037
15		2,172,973	2,264,021

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BUDGET EXECUTION REPORT

The execution of the budget during fiscal year 2016 is shown in annex A.

The budget and accounting bases differ for NAPMA. The Financial Statements for NAPMA are prepared on an accrual basis, based on the nature of expenses in the Financial Statements whereas the Budgets are prepared on a commitment basis. Budgets are approved annually by program/project, but cover multi-year requirements. All budgets are approved in USD equivalent at an established rate at the beginning of each project. Execution of the approved budgets is in multi-currencies and is expressed in USD equivalent at the established program rate.

The BOD approves the budgets based on program/projects including administrative costs. Budgets may be subsequently amended by the Board.

As previously stated, the budget and accounting bases differ due to different methodologies. Differences between budget expenses (commitment basis) and actual expenses (accrual accounting basis and restated at a program rate) are driven primarily by Clearing House timing differences and accruals.

In the Clearing House process, actual expenditures are recognized when USD equivalent payments are made through DFAS, while the Budgeted Expenditures are recognized when payments are made to subcontractors, in multi-currencies, by NAPMA.

Actual expenditures are recorded on an accrual basis. Budgeted expenditures are recognized when the Goods Receipt is posted and the budget is consumed by an individual project.

Reconciliation between budget expenditures and expenditures reported in the statement of financial performance:

The following reconciliation shows a minor difference between the budgetary results and the Financial Statements due to rounding in the execution of Clearing House throughout the year.

Comparison of Budget Execution and Statement of Financial Performance:

2016 Expenditure Reconciliation							
	Expenditure Comparison		Difference	Explanation			Net
	BES Expense at Program Rate (\$EQ)	Financial Stmt Expense at Market Rate (LC)	BES Expense @ Program Rate less Fin Stmt Expense @ Mkt Rate	Exchange Difference Program Rate to Mkt Rate	Currency Clearing House Difference	Accrual Difference	Net Difference
PROJECTS	103,437,919.82	102,084,356.00	1,353,563.82	(1,297,522.66)	(367,396.76)	311,353.89	(1.71)
ADMIN	19,801,339.56	17,807,339.90	1,993,999.66	(1,970,400.34)	-	(23,599.32)	(0.00)
TOTAL	123,239,259.38	119,891,695.90	3,347,563.48	(3,267,923.00)	(367,396.76)	287,754.57	(1.71)

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WRITE OFF

Assets which are currently providing operational service potential are deemed to be the reporting responsibility of NAEW&C FC. NAPMA does only report write-offs of NAPMA fixed admin assets and inventory. This results from the implementation of the NAF.

The NAPMO Financial Regulations require NAPMA to disclose any amounts written-off in the year. In 2016 NAPMA wrote-off assets with a current value of USD 0.00 and a historical value of USD 458,574.36.

FINANCIAL INSTRUMENTS DISCLOSURE

NAPMA's financial requirements are met from its Member Nations. NAPMA does not borrow money or invest surplus funds. Other than financial assets and liabilities which are generated by day-to-day operational activities, no financial instruments are held.

Liquidity risk

NAPMA's financial requirements and capital expenditures are met by its Member Nations and are typically funded in advance. NAPMA is therefore not exposed to material liquidity risks.

Credit risk

NAPMO nations are member and partner Nations of NATO and hence NAPMA is therefore not exposed to material credit risks.

Foreign currency risk

NAPMA has limited exposure to foreign currency because some of its work is denominated in currencies other than the USD. However, risk related to foreign currency transactions is ultimately born by NAPMO Nations.

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NAPMA Budget Execution Report as at 31 December 2016 (Annex as per NFR Article 34, para 34.4)
(in USD equivalent)

2016 Budget Execution Report											
	Appropriations current Budget Year(\$EQ)	Total Changes to Previous Appropriations (\$EQ)	Uncommitted Appropriations Carried Forward from Previous FY(\$EQ)	(TOTAL) Commitments Carried Forward from Previous FY(\$EQ)	Lapse in current FY (\$EQ)	Total Appropriations Available FY (\$EQ)	Expense Program Rate (\$EQ)	Uncommitted Appropriations Carried Forward (\$EQ)	(TOTAL) Commitments Carried Forward into Following FY(\$EQ)	Total Appropriations Used FY (\$EQ)	Difference Total Appropriations Available -Total Appropriations Used(\$EQ)
Funds Center	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
PROJECTS	121,793,956.40	(12,229,638.27)	124,847,192.76	209,280,323.42	(587,359.40)	443,104,474.90	103,437,919.82	(129,796,697.08)	(209,871,356.72)	(443,105,973.62)	(1,498.72)
ADMIN	22,253,765.18	-	0.30	59,770.64	(2,309,897.04)	20,003,639.09	19,801,339.56	-	(201,617.92)	(20,002,957.48)	681.61
TOTAL	144,047,721.58	(12,229,638.27)	124,847,193.06	209,340,094.06	(2,897,256.44)	463,108,113.99	123,239,259.38	(129,796,697.08)	(210,072,974.64)	(463,108,931.10)	(817.11)

Deltas are caused by NAPMA ERP System Standard settings.

Projects - Delta is caused due to a Goods Receipt CF from past years with Purchase Order closure in 2016.

Admin - Delta results from Personnel Expenditures in USD being charged to a EUR account.

New Report of Budget Execution Column Headings for 2016

The Column Headings in 2016 reflect the application of NFR terminology as follows:

Previous	New
Authorizations	Appropriations
Commitments	Uncommitted Appropriations
Obligations	Commitments