

NATO SANS CLASSIFICATION

22 septembre 2020

DOCUMENT
C-M(2020)0032-AS1

**RAPPORT DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN
SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2018 DE L'ORGANISATION OTAN
DE GESTION DE L'AGS (NAGSMO),
DE L'ORGANISATION DE GESTION OTAN POUR LA CONCEPTION, LE DÉVELOPPEMENT,
LA PRODUCTION ET LA LOGISTIQUE DE L'HÉLICOPTÈRE OTAN (NAHEMO),
DE L'ORGANISATION DE GESTION POUR LA CONCEPTION, LE DÉVELOPPEMENT,
LA PRODUCTION ET LA LOGISTIQUE DU SYSTÈME DE DÉFENSE AÉRIENNE ÉLARGIE
À MOYENNE PORTÉE DE L'OTAN (NAMEADSMO),
ET DE L'AGENCE DE GESTION DU PROGRAMME DU SYSTÈME AÉROPORTÉ
DE DÉTECTION LOINTAINE ET DE CONTRÔLE DE L'OTAN (NAPMA)**

NOTE SUR LA SUITE DONNÉE

Le 21 septembre 2020, au terme d'une procédure d'accord tacite, le Conseil a pris note du rapport du RPPB, approuvé les conclusions et les recommandations qu'il contient et marqué son accord pour que ce rapport du RPPB, les rapports de l'IBAN, les états financiers 2018 de la NAGSMO, de la NAMEADSMO et de la NAPMA ainsi que la version des états financiers 2018 de la NAHEMO qui contient des passages masqués soient rendus publics. Ces documents sont joints au C-M(2020)0032.

(signé) Jens Stoltenberg
Secrétaire général

NB : La présente note fait partie du C-M(2020)0032 et doit être placée en tête de ce document.

Original : anglais

NATO SANS CLASSIFICATION



NATO SANS CLASSIFICATION

7 septembre 2020

DOCUMENT

C-M(2020)0032

Procédure d'accord tacite :

21 sept 2020 17:30

**RAPPORT DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN
SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2018 DE L'ORGANISATION OTAN
DE GESTION DE L'AGS (NAGSMO),
DE L'ORGANISATION DE GESTION OTAN POUR LA CONCEPTION, LE
DÉVELOPPEMENT, LA PRODUCTION ET LA LOGISTIQUE
DE L'HÉLICOPTÈRE OTAN (NAHEMO),
DE L'ORGANISATION DE GESTION POUR LA CONCEPTION, LE DÉVELOPPEMENT,
LA PRODUCTION ET LA LOGISTIQUE DU SYSTÈME DE DÉFENSE AÉRIENNE
ÉLARGIE À MOYENNE PORTÉE DE L'OTAN (NAMEADSMO),
ET DE L'AGENCE DE GESTION DU PROGRAMME DU SYSTÈME AÉROPORTÉ DE
 DÉTECTION LOINTAINE ET DE CONTRÔLE DE L'OTAN (NAPMA)**

Note du secrétaire général

1. On trouvera ci-joint les rapports du Collège international des auditeurs externes de l'OTAN (IBAN) sur la vérification des états financiers 2018 de la NAGSMO, de la NAHEMO, de la NAMEADSMO et de la NAPMA. Pour ces quatre entités, l'IBAN a émis une opinion sans réserve à la fois sur les états financiers et sur la conformité.
2. Les rapports de l'IBAN ont été examinés par le Bureau de la planification et de la politique générale des ressources (RPPB) (annexe 1).
3. Je ne pense pas que cette question doive être examinée plus avant. Par conséquent, **sauf avis contraire me parvenant d'ici au lundi 21 septembre 2020 à 17h30**, je considérerai que le Conseil aura pris note du rapport du RPPB, approuvé les conclusions et les recommandations qu'il contient et marqué son accord pour que le rapport du RPPB, les rapports de l'IBAN, les états financiers 2018 de la NAGSMO, de la NAMEADSMO et de la NAPMA ainsi que la version des états financiers 2018 de la NAHEMO qui contient des passages masqués soient rendus publics.

(signé) Jens Stoltenberg

Annexe 1 : Rapport du RPPB
Pièce jointe 1 : Rapports d'audit de l'IBAN + états financiers (NAGSMO, NAHEMO, NAMEADSMO, NAPMA)

Original : anglais

NATO SANS CLASSIFICATION



RAPPORTS
DU COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN
SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2018
DE L'ORGANISATION OTAN DE GESTION DE L'AGS (NAGSMO),
DE L'ORGANISATION DE GESTION OTAN POUR LA CONCEPTION, LE
DÉVELOPPEMENT, LA PRODUCTION ET LA LOGISTIQUE
DE L'HÉLICOPTÈRE OTAN (NAHEMO),
DE L'ORGANISATION DE GESTION POUR LA CONCEPTION, LE DÉVELOPPEMENT,
LA PRODUCTION ET LA LOGISTIQUE DU SYSTÈME DE DÉFENSE AÉRIENNE
ÉLARGIE À MOYENNE PORTÉE DE L'OTAN (NAMEADSMO),
ET DE L'AGENCE DE GESTION DU PROGRAMME DU SYSTÈME AÉROPORTÉ DE
DÉTECTION LOINTAINE ET DE CONTRÔLE DE L'OTAN (NAPMA)

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

Références :

- A. IBA-A(2019)0110 – Rapport de l'IBAN sur la vérification des états financiers 2018 de l'Organisation OTAN de gestion de l'AGS (NAGSMO)
- B. IBA-A(2019)0092 – Rapport de l'IBAN sur la vérification des états financiers 2018 de l'Organisation de gestion OTAN pour la conception, le développement, la production et la logistique de l'hélicoptère OTAN (NAHEMO)
- C. IBA-A(2019)0057 – Rapport de l'IBAN sur la vérification des états financiers 2018 de l'Organisation de gestion pour la conception, le développement, la production et la logistique du système de défense aérienne élargie à moyenne portée de l'OTAN (NAMEADSMO), en liquidation
- D. IBA-A(2019)0108 – Rapport de l'IBAN sur la vérification des états financiers 2018 de l'Agence de gestion du programme du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAPMA)
- E. C-M(2015)0025 – Règlement financier de l'OTAN (NFR)
- F. PO(2015)0052 – Mandat issu du sommet du pays de Galles concernant la transparence et l'obligation de rendre compte

INTRODUCTION

1. Le présent rapport du RPPB concerne les rapports du Collège international des auditeurs externes de l'OTAN (IBAN) sur la vérification des états financiers 2018 de la NAGSMO, de la NAHEMO, de la NAMEADSMO et de la NAPMA. Pour ces quatre entités, l'IBAN a émis une opinion sans réserve tant sur les états financiers que sur la conformité (références A, B, C et D).

OBJET

2. Le présent rapport fait le point sur les rapports de l'IBAN afin de permettre au RPPB de réfléchir aux questions ou préoccupations d'ordre stratégique découlant de la vérification des états financiers des entités concernées et, s'il y a lieu, de recommander une ligne de conduite au Conseil, dans le cadre d'une démarche propre à accroître la transparence, à améliorer le compte rendu et à renforcer la cohérence.

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

EXAMEN DE LA QUESTION

4. L'IBAN n'a formulé aucune nouvelle observation ou recommandation à l'issue de la vérification des états financiers 2018 de la NAMEADSMO, qui est en liquidation, et de la NAPMA. En revanche, il a formulé quatre nouvelles observations pour les deux autres entités, deux pour la NAGSMO et deux pour la NAHEMO. À la date de l'établissement des différents rapports de l'IBAN, huit questions ayant fait l'objet d'observations lors des audits précédents étaient en cours de traitement ou à traiter et deux avaient été traitées. Aucune observation n'a eu d'incidence sur les opinions émises pour 2018. Les quatre rapports d'audit mettent en évidence la nécessité pour les entités concernées d'améliorer la présentation des états financiers et de l'état de l'exécution des budgets.

5. La NAMEADSMO est en liquidation et sa dissolution complète est prévue d'ici à la fin décembre 2020 ; cette nouvelle échéance devra toutefois être approuvée par le Comité de direction de l'organisme à sa prochaine réunion. L'IBAN n'a pas formulé d'observation à l'issue de la vérification des états financiers 2018 de l'entité, et il a constaté que toutes les questions ayant fait l'objet d'observations lors de précédents audits avaient été traitées. Par conséquent, les paragraphes suivants portent uniquement sur les observations et recommandations relatives aux trois autres organismes faisant l'objet du présent rapport, c'est-à-dire la NAGMSO, la NAHEMO et la NAPMA.

5.1. NAGSMO – Observation n° 1 – L'IBAN a constaté l'absence de documents justificatifs concernant une demande de crédits pour engagement faisant suite à une modification du calendrier contractuel. D'après ce calendrier, des rechanges devaient être livrés en août 2019 mais, à la suite de discussions avec des acteurs de l'industrie, l'équipe opérationnelle de la NAGSMA a estimé que la livraison interviendrait en 2018, et des crédits ont été engagés en conséquence. Or les pièces en question n'ont finalement pas été livrées en 2018. La NAGSMO n'a pas été en mesure de présenter un document confirmant une modification du calendrier.

5.2. La NAGSMO n'a formulé, en réaction à cette observation, aucun commentaire officiel à intégrer dans le rapport d'audit. Le RPPB souscrit à la recommandation de l'IBAN,

qui demande à la NAGSMO de veiller à ce que les modifications du calendrier contractuel soient dûment étayées par des documents émanant de l'industrie.

5.3. NAGSMO – Observation n° 2 – L'IBAN a constaté que l'état de l'exécution du budget de la NAGSMO et la note qui y est jointe ne contenaient pas d'informations sur les obligations juridiques contractées pendant l'exercice 2018 pour l'acquisition de biens et de services pendant les exercices à venir. Il a également constaté que la terminologie utilisée dans cet état financier ne correspondait pas à celle des normes internationales.

5.4. La NAGSMO n'a formulé, en réaction à cette observation, aucun commentaire officiel à intégrer dans le rapport d'audit. Le RPPB souscrit aux recommandations de l'IBAN, qui demande à la NAGSMO d'utiliser la bonne terminologie et de faire apparaître, dans la note jointe à l'état de l'exécution du budget, des informations complémentaires sur les obligations juridiques contractées pendant l'exercice en cours pour l'acquisition de biens et de services pendant des exercices ultérieurs.

5.5. Enfin, l'IBAN a constaté que la question ayant trait à la nécessité d'améliorer le processus de compte rendu financier, qui avait fait l'objet d'observations à la suite du précédent audit, était en cours de traitement.

6. NAHEMO – À l'issue de la vérification des états financiers 2018 de la NAHEMO, l'IBAN a formulé deux nouvelles observations, qui n'ont pas eu d'incidence sur les opinions émises.

6.1. NAHEMO – Observation n° 1 : Nécessité d'ajuster les appels de fonds de manière à éviter les excédents de liquidités – L'IBAN a constaté que les liquidités détenues par la NAHEMA équivalaient au montant dont l'Agence a besoin pour couvrir ses dépenses pendant sept mois, que cela ne correspondait pas à des besoins financiers résultant d'engagements passés ou futurs, et que cela n'était donc pas conforme à l'article 29.3 du NFR (référence E). Le problème est d'autant plus sérieux que la NAHEMA a surévalué les contributions à appeler de 15 % par rapport à ses besoins opérationnels. L'IBAN a fait observer que, si les choses étaient laissées en l'état, le niveau de la trésorerie pourrait devenir excessif (685 millions d'euros).

6.2. Dans ses commentaires, la NAHEMO a fait valoir que cette situation était en partie le résultat des exigences des pays et que la question allait être examinée par le Comité directeur de l'organisme à sa prochaine réunion. L'IBAN a cependant maintenu sa position. Le RPPB se réjouit que la NAHEMA ait saisi son comité directeur pour ramener la trésorerie au niveau requis par le NFR ou décider de demander une dérogation.

6.3. NAHEMO – Observation n° 2 : Nécessité d'améliorer le processus d'établissement du budget opérationnel – L'IBAN a constaté qu'en 2018, la NAHEMA avait surévalué son budget opérationnel de 320 millions d'euros. Le problème est aggravé par l'ampleur des crédits tombés en annulation en 2018 (534,92 millions d'euros), qui découle directement de la surévaluation du budget opérationnel et du caractère excessif du niveau de trésorerie de l'Agence (voir paragraphe 6.1).

6.4. Le RPPB note que la NAHEMO a accepté de faire en sorte que son budget corresponde davantage à ses engagements et d'informer les pays en conséquence. Il se félicite que l'IBAN recommande à l'organisme de procéder, à l'occasion de l'examen de mi-exercice de son budget opérationnel, aux ajustements nécessaires pour en corriger la surévaluation et en assurer la correspondance avec les engagements et paiements prévus dans le courant de l'exercice. Dans ce même contexte, l'IBAN a recommandé à la NAHEMA de donner suite à l'observation formulée à la suite du précédent audit, de façon à pouvoir déterminer si des crédits engagés doivent être reportés ou annulés.

6.5. L'IBAN a constaté que les questions ayant fait l'objet d'observations à la suite des audits précédents – notamment celle qui a trait à la nécessité de renforcer le contrôle interne du compte rendu financier et de réduire ainsi le risque de commettre des erreurs dans le cadre de la préparation de l'état de l'exécution du budget – étaient en cours de traitement. Cependant, il faut encore faire mieux en ce qui concerne l'audit interne, fonction qui doit être plus indépendante, et les processus financiers, la séparation des tâches étant insuffisante. S'agissant de l'audit interne, le directeur général adjoint et deux agents ont exercé des activités d'audit interne en 2018, ce qui n'est pas conforme aux principes d'audit interne généralement admis. Depuis lors, la NAHEMO a créé un poste consacré à l'audit interne et à la gestion des risques, qui est indépendant sur le plan organisationnel et hiérarchique. Elle a également créé un poste d'administrateur (décaissements et gestion des liquidités), qui sera pourvu en 2020, avec à la clé une séparation adéquate des responsabilités en matière de paiement et de comptabilité.

7. NAPMA – En ce qui concerne la NAPMA, l'IBAN n'a formulé aucune observation pour l'exercice 2018 et il a constaté des améliorations notables en matière de gestion des risques et de contrôle interne, bien que l'évaluation formelle du système de contrôle interne n'ait pas encore été réalisée.

CONCLUSIONS

8. Le RPPB note que la NAMEADSMO est en liquidation, que l'achèvement du processus de dissolution est prévu pour la fin décembre 2020 et que cette nouvelle échéance devra être approuvée par le Comité de direction de l'organisme à sa prochaine réunion.

9. La NAGSMO, sur la base d'informations reçues d'acteurs de l'industrie, a modifié son calendrier contractuel : elle a avancé de 2019 à 2018 la date prévue pour la livraison de rechanges puis demandé et engagé des crédits en conséquence, sans toutefois disposer de documents justificatifs. Le RPPB prend note avec satisfaction de la recommandation de l'IBAN, qui demande à la NAGSMO de veiller à ce que les modifications du calendrier contractuel soient dûment étayées par des documents émanant de l'industrie.

10. Les informations fournies au sujet des obligations dans l'état de l'exécution du budget de la NAGSMO ne couvrent que l'exercice considéré ; la valeur totale des obligations juridiques contractées pour les exercices ultérieurs n'est donc pas mentionnée. Le RPPB

souscrit aux recommandations de l'IBAN, qui demande à la NAGSMO de faire apparaître, dans la note jointe à l'état de l'exécution du budget, des informations complémentaires sur les obligations juridiques contractées pendant l'exercice en cours pour l'acquisition de biens et de services pendant des exercices à venir. Il note que la NAGSMO est en train de donner suite aux observations formulées à l'issue de précédents audits, ce qui est positif.

11. La NAHEMA détient d'importantes liquidités, ce qui n'est pas conforme au NFR. C'est le résultat d'une conjonction de facteurs : les contributions à appeler ont été surévaluées, et les engagements reportés n'ont fait l'objet ni d'une vérification ni d'une justification écrite, si bien que le montant des engagements tombés en annulation n'a pas été déduit du montant appelé par la suite au titre du budget opérationnel. La NAHEMO a accepté de faire en sorte que son budget corresponde davantage à ses engagements et d'informer les pays en conséquence. Le RPPB prend bonne note du fait que le problème est lié aux exigences des pays et se réjouit que la NAHEMA ait saisi son comité directeur pour ramener la trésorerie au niveau requis par le NFR ou décider de demander une dérogation.

12. Le RPPB note que la NAHEMA est en train de donner suite aux observations formulées à l'issue de précédents audits, et il se félicite de constater que les responsabilités relatives aux processus financiers seront bientôt adéquatement séparées et que l'audit interne bénéficie désormais d'une indépendance suffisante.

13. Le RPPB est encouragé par les progrès notables réalisés par la NAPMA en matière de gestion des risques et de contrôle interne, et il attend avec intérêt les résultats de l'évaluation de son système de contrôle interne.

RECOMMANDATIONS

14. Le RPPB recommande au Conseil :

14.1. de prendre note des rapports de l'IBAN cités en référence A, B, C et D ;

14.2. de prendre note du présent rapport, et en particulier des conclusions énoncées aux paragraphes 8 à 13 ;

14.3. d'approuver la communication au public du présent rapport, des états financiers 2018 de la NAGSMO, de la NAMEADSMO et de la NAPMA, de la version avec passages masqués des états financiers 2018 de la NAHEMO, ainsi que des rapports de l'IBAN correspondants, en application de la politique agréée dans le document de référence F.



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD

INTERNATIONAL BOARD OF AUDITORS FOR NATO
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN



NATO SANS CLASSIFICATION

IBA-A(2019)0110
28 août 2019

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

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

Objet : ***Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) concernant la vérification des états financiers de l'Organisation OTAN de gestion de la capacité alliée de surveillance terrestre (NAGSMO) pour l'exercice clos le 31 décembre 2018 – IBA-AR(2019)0024***

Messieurs,

Vous trouverez ci-joint l'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) de l'IBAN, ainsi qu'une note succincte à l'intention du Conseil (annexe 1).

L'IBAN a émis une opinion sans réserve sur les états financiers de la NAGSMO ainsi que sur la conformité pour l'exercice 2018.

Veuillez agréer, Messieurs, l'assurance de ma haute considération.

Hans Leijtens
Président

Pièce jointe : voir ci-dessus



**Note succincte
du Collège international des auditeurs externes de l'OTAN (IBAN)
sur la vérification des états financiers
de l'Organisation OTAN de gestion de la capacité alliée de surveillance terrestre
(NAGSMO)
pour l'exercice clos le 31 décembre 2018**

L'IBAN a procédé à la vérification des états financiers de l'Organisation OTAN de gestion de la capacité alliée de surveillance terrestre (NAGSMO) pour l'exercice clos le 31 décembre 2018. La NAGSMO a été créée au sein de l'OTAN pour l'acquisition du système central de la capacité alliée de surveillance terrestre (AGS). Elle est chargée de la gestion globale du programme AGS. Elle se compose d'un comité de direction, où sont représentés les pays participants, de divers sous-comités, et d'une agence de gestion OTAN, placée sous la responsabilité d'un directeur général.

En 2018, les dépenses relevant du budget administratif se sont élevées à 8,5 millions d'euros et les dépenses relevant du budget opérationnel à 16,3 millions d'euros et 55,2 millions de dollars des États-Unis.

L'IBAN a émis une opinion sans réserve sur les états financiers ainsi que sur la conformité pour l'exercice clos le 31 décembre 2018.

À l'issue de l'audit, l'IBAN a formulé deux observations, qui n'ont pas eu d'incidence sur l'opinion émise. Ses constatations sont présentées dans la lettre d'observations et de recommandations (annexe 3).

Elles peuvent être récapitulées comme suit :

1. Absence de documents justificatifs concernant une demande de crédits pour engagement faisant suite à une modification du calendrier contractuel
2. Nécessité d'améliorer la présentation et les informations concernant les engagements dans la note jointe à l'état de l'exécution des budgets opérationnels de la NAGSMO

L'IBAN a par ailleurs fait le point sur la suite donnée à l'observation formulée lors de l'audit précédent, et il a constaté que la question était en cours de traitement.

L'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) ont été transmises à la NAGSMO, qui n'a pas eu de commentaire à formuler.

28 août 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

OPINION SUR LES ÉTATS FINANCIERS

**DE L'ORGANISATION OTAN DE GESTION
DE LA CAPACITÉ ALLIÉE DE SURVEILLANCE TERRESTRE**

(NAGSMO)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018

**OPINION DU COMMISSAIRE AUX COMPTES
À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD**

Vérification des états financiers

Opinion sur les états financiers

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers de l'Organisation OTAN de gestion de la capacité alliée de surveillance terrestre (NAGSMO) portant sur la période de 12 mois ayant pris fin le 31 décembre 2018. Diffusés sous la cote NAGSMA/FC/L/(2019)003907 et soumis à l'IBAN le 12 avril 2019 puis révisés le 21 mai 2019, ces états financiers se composent de l'état de la situation financière au 31 décembre 2018, de l'état de la performance financière, de l'état des variations de l'actif net/situation nette et du tableau des flux de trésorerie pour la période de 12 mois ayant pris fin le 31 décembre 2018, ainsi que d'un résumé des méthodes comptables importantes et d'autres notes explicatives. Ils contiennent en outre un rapport sur l'exécution du budget pour la période de 12 mois ayant pris fin le 31 décembre 2018.

L'opinion de l'IBAN est que les états financiers donnent une image fidèle et exacte de la situation financière de la NAGSMO au 31 décembre 2018 ainsi que de sa performance financière, de ses flux de trésorerie et de l'exécution du budget pour la période de 12 mois ayant pris fin le 31 décembre 2018, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN.

Justification de l'opinion émise sur les états financiers

Le Règlement financier de l'OTAN (NFR) prévoit que l'audit externe des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par l'IBAN.

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 1000-1810), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

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

Responsabilité de la direction concernant les états financiers

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

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

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

Responsabilités de l'IBAN concernant la vérification des états financiers

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

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

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

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

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

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

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

Vérification de la conformité

Opinion sur la conformité

Sur la base des procédures qu'il a appliquées, l'IBAN estime que rien, dans son audit des états financiers, ne lui donne de raison de penser que les fonds n'ont pas été régulièrement employés à l'acquittement de dépenses autorisées ou qu'ils ne sont pas conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Justification de l'opinion émise sur la conformité

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

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

Responsabilité de la direction concernant la conformité

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

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

Responsabilité de l'IBAN concernant la conformité

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

Il incombe ainsi à l'IBAN d'appliquer des procédures lui permettant d'obtenir en toute indépendance une assurance sur le point de savoir si les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur. De telles procédures prévoient notamment la prise en compte des risques de non-conformité significative.

Bruxelles, le 28 août 2019



Hans Leijtens
Président

28 août 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS

**CONCERNANT L'ORGANISATION OTAN DE GESTION
DE LA CAPACITÉ ALLIÉE DE SURVEILLANCE TERRESTRE**

(NAGSMO)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018

Introduction

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers de l'Organisation OTAN de gestion de la capacité alliée de surveillance terrestre (NAGSMO) pour l'exercice clos le 31 décembre 2018, et il a émis une opinion sans réserve à leur sujet ainsi qu'au sujet de la conformité.

Observations et recommandations

À l'issue de l'audit, l'IBAN a formulé deux observations, qui n'ont pas eu d'incidence sur l'opinion émise :

1. Absence de documents justificatifs concernant une demande de crédits pour engagement faisant suite à une modification du calendrier contractuel
2. Nécessité d'améliorer la présentation et les informations concernant les engagements dans la note jointe à l'état de l'exécution des budgets opérationnels de la NAGSMO

L'IBAN a par ailleurs fait le point sur la suite donnée à l'observation formulée lors de l'audit précédent et il a constaté que la question était en cours de traitement.

L'IBAN a aussi adressé à la direction de la NAGSMA une lettre (IBA-AML(2019)0017) faisant le point sur la suite donnée à trois observations formulées lors de précédents audits.

1. ABSENCE DE DOCUMENTS JUSTIFICATIFS CONCERNANT UNE DEMANDE DE CRÉDITS POUR ENGAGEMENT FAISANT SUITE À UNE MODIFICATION DU CALENDRIER CONTRACTUEL

Contexte

1.1 Le règlement financier de la NAGSMO stipule, à l'article 24.1 (Principes régissant l'annualité des budgets), que « [l]es autorisations ne sont disponibles pour engagement que pendant l'exercice au titre duquel elles ont été ouvertes. »

1.2 Par ailleurs, l'article 25.1 (Engagements) prévoit que « le directeur général de la NAGSMA peut, avec l'assentiment du contrôleur des finances de la NAGSMA :

- engager les dépenses correspondant aux biens et services à fournir pendant l'exercice ;
- ouvrir des autorisations de programme afin de pouvoir contracter des obligations juridiques pendant l'exercice en cours pour l'acquisition de biens et de services pendant les exercices à venir ; de telles obligations juridiques apparaîtront comme des engagements pour les exercices à venir et non comme des autorisations accordées pour l'exercice en cours. »

1.3 Dans l'état de l'exécution du budget opérationnel 2018 de la NAGSMO (partie libellée en dollars des États-Unis (USD)) figure un montant de 10 millions USD correspondant aux crédits engagés au titre de la phase initiale de maintien en condition opérationnelle (I-ISS) pour la fourniture de services et de rechanges. Ces engagements reposent principalement sur le calendrier contractuel des biens et des services, lequel comprend un calendrier des paiements à différents stades (NAGSMA-CON-0001 – amendement 0025).

Constatations

1.4 L'IBAN a constaté qu'en 2018, la NAGSMA avait engagé un montant de 4,6 millions USD en lien avec la fourniture de rechanges pour l'I-ISS alors que, d'après le calendrier contractuel, les pièces en question devaient être livrées en août 2019. Et ces pièces n'ont effectivement pas été livrées en 2018.

1.5 Cette situation s'explique par le fait que, se fondant sur des discussions entre acteurs de l'industrie, l'équipe opérationnelle de la NAGSMA a estimé que la livraison des pièces en question aurait en fait lieu au cours de l'exercice 2018. La NAGSMO n'a toutefois pas été en mesure de présenter un document confirmant une modification du calendrier. La date estimative de livraison ayant été avancée à 2018, la NAGSMO a demandé les crédits correspondants en vue de leur engagement.

Recommandations

1.6 L'IBAN recommande à la NAGSMO de veiller à ce que les modifications du calendrier contractuel soient dûment étayées par des documents émanant de l'industrie, l'idée étant de pouvoir justifier les demandes de crédits qui sont soumises aux pays pour engagement sur l'exercice en cours.

2. NÉCESSITÉ D'AMÉLIORER LA PRÉSENTATION ET LES INFORMATIONS CONCERNANT LES ENGAGEMENTS DANS LA NOTE JOINTE À L'ÉTAT DE L'EXÉCUTION DES BUDGETS OPERATIONNELS DE LA NAGSMO

Contexte

2.1 Les rapports financiers des entités du secteur public visent à fournir aux utilisateurs des informations sur ces entités, au service de la transparence et de la prise de décisions. D'après la norme comptable internationale du secteur public (IPSAS) 1, les états financiers à usage général sont destinés à fournir des informations devant satisfaire les besoins des utilisateurs qui ne sont pas en mesure d'exiger des rapports financiers adaptés à leurs besoins. Comme les états financiers de la NAGSMO vont être rendus publics, ces utilisateurs correspondent à l'ensemble des lecteurs potentiels.

2.2 L'état de l'exécution du budget doit présenter une comparaison claire du budget autorisé, des ajustements budgétaires, des fonds engagés, des dépenses réelles et des crédits tombés en annulation. L'IPSAS 24 précise que « [l]a comparaison des montants inscrits au budget et des montants réels doit être présentée séparément pour [...] : (a) les montants budgétaires initiaux et définitifs ; (b) les montants réels sur une base comparable [...]. En outre, les budgets peuvent se concentrer sur ou inclure des informations sur les engagements de dépenser des fonds à l'avenir et sur les variations de ces engagements. »

2.3 L'article 18.3 du règlement financier de la NAGSMO stipule que les états financiers annuels de l'entité doivent contenir un état de l'exécution du budget. Par ailleurs, le contrôleur des finances doit établir chaque année, à l'intention du Comité de direction de la NAGSMO, les documents suivants :

- (a) le budget administratif et le budget opérationnel portant sur l'exercice suivant ;
- (b) un rapport sur l'exécution du budget à mi-exercice ;
- (c) les plans financiers à moyen terme pour les trois à cinq années suivantes.

2.4 Selon l'article 25.1 du règlement financier de la NAGSMO (Engagements), « dès que ses budgets annuels et supplémentaires sont approuvés, le directeur général de la NAGSMA peut, avec l'assentiment du contrôleur des finances de la NAGSMA, ouvrir des autorisations de programme afin de pouvoir contracter des obligations juridiques pendant l'exercice en cours pour l'acquisition de biens et de services pendant les exercices à

venir ; de telles obligations juridiques apparaîtront comme des engagements pour les exercices à venir et non comme des autorisations accordées pour l'exercice en cours. »

2.5 En juin 2017, le Comité de direction de la NAGSMO a approuvé le budget opérationnel 2018 de la NAGSMA. Ce budget devait couvrir les dépenses à engager en 2018 au titre du contrat relatif à l'acquisition du système central de l'AGS. Une fois finalisés l'ordre de modification du contrat (CCO-0023), signé en décembre 2017, et l'amendement contractuel correspondant (CA-0024), signé en mai 2018, la NAGSMA a redéfini le contrat relatif à l'acquisition du système central de l'AGS (redéfinir un contrat consiste à actualiser ou à modifier le calendrier, le coût ou le périmètre du programme correspondant). La phase de développement et de production s'est ainsi vu allongée de quelque 24 mois, avec une date d'achèvement désormais prévue pour juillet 2020. L'entrée en vigueur du CCO-0023 et du CA-0024 nécessitait une augmentation de 100 millions USD pour la phase de développement et de production et de 60 millions USD pour l'I-ISS. Par ailleurs, un montant supplémentaire de 50 millions USD devait être versé par un pays à l'appui de la navigabilité. La redéfinition du contrat représentait ainsi un surcoût total de 210 millions USD.

2.6 En milieu d'exercice, le budget opérationnel 2018 de la NAGSMO a été augmenté en conséquence, sur la base des nouvelles étapes-clé et des nouvelles échéances qui y étaient associées.

Constatations

2.7 Étant donné que le programme mené sous l'égide de la NAGSMO s'appuie sur des contrats entraînant la création d'obligations juridiques portant sur plusieurs années, le budget opérationnel est établi sur la base des prévisions de dépenses qui sont fournies par l'industrie pour les années couvertes par ces contrats. L'industrie communique ainsi des prévisions à moyen et long terme et, sur la base de ces chiffres, des plans financiers à moyen terme sont établis chaque année pour les trois à cinq années suivantes et soumis au Comité de direction de la NAGSMO. Ainsi, il faudrait que les informations figurant dans la note jointe à l'état de l'exécution du budget reflètent correctement ces besoins pluriannuels et que les informations fournies au sujet des engagements couvrent une période plus étendue que le seul exercice considéré.

2.8 L'IBAN a constaté que l'état de l'exécution du budget de la NAGSMO et la note qui y est jointe ne contiennent pas d'informations sur les obligations juridiques contractées pendant l'exercice en cours pour l'acquisition de biens et de services pendant les exercices à venir.

2.9 L'IBAN a aussi remarqué que, dans le rapport sur l'exécution du budget, la NAGSMO a utilisé le terme « charges » au lieu du terme « dépenses », qui aurait mieux convenu. En effet, le terme « charges » se rapporte au coût des biens et des services fournis tandis que le terme « dépenses » fait référence aux paiements/décaissements.

Dans le rapport sur l'exécution du budget, le montants indiqués correspondent à des paiements/décaissements, et il est donc incorrect de les qualifier de « charges ».

Recommandations

2.10 Afin de faciliter la compréhension des états financiers de la NAGSMO par ses lecteurs et utilisateurs, en particulier dans la perspective de l'achèvement du programme, l'IBAN recommande de faire apparaître, dans la note jointe à l'état de l'exécution du budget, des informations concernant les obligations juridiques contractées pendant l'exercice en cours pour l'acquisition de biens et de services pendant les exercices à venir. Par ailleurs, l'IBAN recommande d'utiliser le terme « dépenses » au lieu du terme « charges » dans le contexte de l'exécution du budget.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits. On trouvera dans le tableau ci-après un récapitulatif de ces observations et des mesures prises par l'entité ainsi qu'un état de la question.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
(1) NAGSMO – Exercice 2017 IBA-AR(2018)0036 NÉCESSITÉ D'AMÉLIORER LE PROCESSUS DE COMPTE RENDU FINANCIER ET DE PRÉPARATION À L'AUDIT Recommandations de l'IBAN Le Collège recommande à la NAGSMA : a) d'améliorer son processus de compte rendu financier et de préparation à l'audit. Pour ce faire, la NAGSMA doit veiller à présenter, dans les délais impartis, des états financiers auditables, et faire en sorte que l'ensemble des soldes et des informations présentés dans les états financiers aient fait l'objet, avant le début des travaux d'audit, de rapprochements complets et soient étayés par les justificatifs voulus.	La NAGSMA a fait des progrès depuis la vérification des états financiers de 2017. Toutefois, une rectification a été apportée aux états financiers de 2018 après leur publication, ce qui a contraint la NAGSMO à en publier une version révisée avant que débutent les travaux d'audit sur le terrain. La NAGSMA doit continuer d'améliorer le processus de compte rendu financier dans le respect de ses procédures de contrôle interne et de son cadre de contrôle interne, de manière à ce que les informations financières inscrites dans le système comptable soient régulièrement actualisées, en amont de la publication des états financiers.	Question en cours de traitement.

Une question est considérée comme étant « à traiter » lorsqu'aucun progrès notable n'a encore été réalisé en vue de son règlement. Une question est considérée comme étant « en cours de traitement » lorsque l'organisme OTAN visé a commencé à mettre en œuvre la recommandation correspondante ou lorsque certains éléments de la recommandation (mais pas tous) ont été suivis d'effets. Une question est considérée comme étant « traitée » lorsque la recommandation correspondante a été mise en œuvre ou qu'elle a été rendue ou est devenue caduque.

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NATO ALLIANCE GROUND SURVEILLANCE MANAGEMENT

NAGSMA



NAGSMA/FC/L/(2019)00 3907
07 May 2019

International Board of Auditors for NATO
Attention: Chairman Mr Adrien-Herve Metzger
Senior Auditor Mr Patrick Alix

Copy: NAGSMO Finance committee

Subject: **NAGSMO Financial Statements - Year ending 31 December 2018**

Ref. A. NAGSMO Financial Management Procedures Document - Financial Rules
and Procedures

Ref. B. NAGSMA/FC/L/(2019)003852 dated 29 March 2019

In compliance with Ref A., NAGSMA submitted the NAGSMO Financial Statements to the International Board of Auditors (IBAN) on 29 March 2019 (Ref. B). Due to additional adjustments to be performed, NAGSMA is hereby submitting a revised version of the NAGSMO 2018 Financial Statements for auditing by the IBAN. Please find enclosed the revised NAGSMO 2018 Financial Statements that supersede the version at Ref. B.

For the General Manager


Grazia M. D'Arcangelo
NAGSMA Financial Controller

Encl.: NAGSMO Financial Statements for the year ending 31 December 2018

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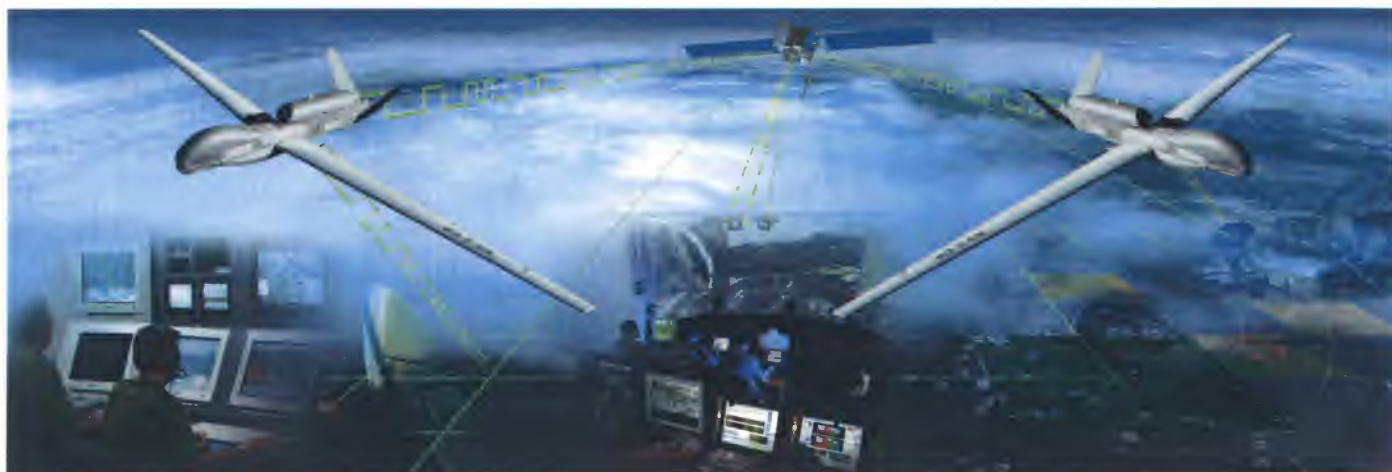
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NAGSMO

2018

FINANCIAL STATEMENTS



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

THE NATO ALLIANCE GROUND SURVEILLANCE PROGRAMME

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

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

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

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

THE AGS CORE

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

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

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

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

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

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

NATO ALLIANCE GROUND SURVEILLANCE MANAGEMENT ORGANISATION

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

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

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



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

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

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

The diagram below depicts the NAGSMO and NAGSMA organizational structure in 2018. On 1 October 2018, the NAGSMO BoD approved the new 2019-2020 NAGSMO Organisational Structure – Reorganisation and Staffing Table (NAGSMO/BOD/D/2018/0009FINAL) which focused on a liner organisation able to cope with the new challenges and workload generated by the re-baselined Core and by the new IP Contracts.



NAGSMA and Service Support/Level Agreement

NAGSMA has signed service support agreements with the NATO IS and the NCI Agency in a number of areas necessary for the day-to-day operations of the Agency. In all respects of NAGSMA related activities, the GM and his staff remain fully accountable for the responsibilities assigned to them and make the final decisions on all matters related to the execution of NAGSMA's mandate. The SSA with the NCI Agency includes support services in the area of accounting and financial support in accordance with the NATO Financial Regulations (NFRs). With the NATO IS, NAGSMA signed in 2018 a Memorandum of Understanding and a Service Level Agreement for the provision of common Human Resources services.

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

The NAGSMO FMPD-FRP conforms to the provision of the NATO Financial Regulations. The NAGSMO BoD approved the latest revised NAGSMO FMPD-FRP in March 2018 to comply with the revised NATO Financial Regulations. The NAGSMO FMPD-FRP recognises the withdrawal of Canada and the re-entry of Denmark, the conversion parameters from Then-Year to Base-Year, the call for contribution structure and the proposed structure of the Operational Budget.

NAGSMA 2018 Administrative Budget

In June 2017 the NAGSMO BoD approved the 2018 NAGSMA Administrative Budget. The 2018 Administrative Budget funded NAGSMA's expenditures from 1 January to 31 December 2018. In 2018 NAGSMA continued finding cost-effective manpower and increased performance solutions. In accordance with the extension of the NAGSMA Administrative Budget into 2019 and 2020 and NAGSMA Staffing Plan for 2019 and 2020, NAGSMA extended staff contracts through 2019 and 2020 in order to retain personnel and maintain needed support for the execution of the programme. Notwithstanding the efforts of the Agency, it has been challenging to recruit new and to keep current staff members in the Agency.

In 2018 NAGSMA's administrative expenditures were considerably lower than what had been anticipated. 57% of the total savings were in Chapter I. The majority of savings were generated in basic salary, consultancy, and education allowance. Savings in basic salary resulted from early departures of staff as well as delays in filling the vacancies.

In Chapter II, Operations and Maintenance, the Agency successfully negotiated two amendments for the Service Support Agreement and an annual Service Support Package with the NCI Agency for external administrative and IT support. It also received administrative and operational support from the NATO IS under the Memorandum of Agreement. 30% of savings in Chapter II were primarily related to a delayed move to the New NATO HQ and lower

administrative cost allocations after the move as well as less travel on duty. The remaining 13% of administrative savings were in risk management.

NAGSMA 2018 Operational Budget

In June 2017, the NAGSMO BoD approved the 2018 NAGSMA Operational Budget. The budget was approved to fund prime contract related AGS Core acquisition expenditures in 2018.

With the definitisation of the Contract Change Order (CCO-0023) which had been signed in December, 2017 and the subsequent Contract Amendment 0024 (CA-0024) that was signed in May 2018, NAGSMA completed the rebaseline of the AGS Core Contract. The rebaseline added an estimated 24 additional months to the Development and Production effort, and with the inclusion of the Initial In-Service Support (I-ISS) segment (Services & Spare procurement) as Part 6 into Core, extended the Core Contract to an estimated completion on July, 2020. CCO-0023 and CA-0024 combined added 100 MUSD for Development and Production and 60 MUSD for I-ISS. An additional 50 MUSD was to be contributed by one Nation to support Airworthiness, bringing the rebaseline total to 210 MUSD.

At MYR 2018 the 2018 Operational Budget was increased to reflect the rebaseline, the updated milestones and their planned achievement dates. The NAGSMO BoD approved the 2018 Operational Budget increase on 15 October 2018.

In the last quarter of the year, NAGSMA presented to the NAGSMO Nations an overview of the updated Mid-Point Factor (MPF) resulting from the extension of the contractual Period of Performance. The MPF calculation mechanism was approved by the NAGSMO BoD in November 2018 with the understanding that it was built on a Period of Performance of the re-baselined AGS Core Contract including the Initial In-Service Support (I-ISS) with an estimated end date of July 2020.

Major Achievements FY 2018:

In 2018, the AGS Programme achieved the following important milestones:

- AGS Programme Schedule was officially re-baselined through the AGS Core Acquisition Contract Amendment 0024, signed in May 2018;
- Air Vehicle component manufacturing production complete;
- All aircraft are now in final assembly or test at Palmdale or Edwards Air Force Base;
- Radar production complete, MP-RTIP radars 1-5 delivered. Two of them are currently installed and integrated on the aircrafts NA-01 and NA-02;
- Contractor Development Test Flights through Flight #9. With a total flight time of 12.9 hours for NA-01 aircraft and 4.6 hours for NA-2, Flight #9 demonstrated multi-UAV command & control (C2) of two airborne aircrafts from one ground station, completed more required sensor characterization and software regression testing and generated artefacts to support airworthiness certification;

- AVMC2, MOS, MGGS and TGGs installation and integration testing, including system-level activities has continued. Furthermore, the Trainer Entity installation and integration at MOB Sigonella;
- Test and Verification made significant progress. As of the end of 2018, percent (%) complete as follows:

<i>Element</i>	<i>% Complete</i>
AVMC2	59%
MGGS	77%
MOS	87%
TGGs	75%
Trainer	0%
UAV	48%
Entity-Level	66%
System-Level	0%
Overall	61%

- Warehouse was setup in MOB Sigonella and officially handed over to NAGSF in May 2018;
- Initiated procurement of 21 Connex containers to be used as Office and Lab space (CAFX). Delivery was completed in June, 2018;
- Conex Facility for Air Vehicles Maintenance to comply with CAFX contractual obligation was completed and officially handed over to NAGSF in August 2018;
- All Work Orders to procure the SLPV Spares have been issued;
- Delivery and testing of TGGs 2 was completed;
- Contract for permanent facilities in MOB Sigonella was signed in July 2018. Estimated time for permanent facilities completion is July 2021;
- The Combined Validation and Verification (CVV) of the Air Segment Technical Publications has been completed for the "Flight Manual" and almost completed for the "UAV Operation and Maintenance Manual";
- The Integrated Logistic Support (ILS) team completed its activity for the tailoring of the DAAA norms for the NATO AGS Continued and Continuing Airworthiness;
- The NATO AGS Logistic Information System (ALIS) is in the design and development phase, the CDR for Phase 1 (IOC) and Phase 2 System Integration & Interoperability (SI&I) have been completed;
- Redesigned and re-tested trailers to meet environmental requirements have completed the production cycle and have been delivered to the MOB. In support of the AGS Core System acquisition contract re-baselining activities, NAGSMA reduced T&V individual event execution by 90 calendar days, eliminating redundant contract information reporting requirements, streamlining event preparation and documentation reviews, and leveraging contractor development testing;

- Phase I of Danish company TERMA contract is nearing completion. ATR/ATID hardware and software was delivered and installed in the MOB Sigonella. TERMA completed TRR, and 3 CMRs in 2018. ATR/ATID stand-alone installation is planned to receive its security accreditation in 1st quarter 2019. Phase 2 of ATR/ATID is under negotiation and it is expected to be completed by 1st quarter 2019;
- A contract with the Polish company EXENCE S.A. was signed on 6 December 2016 to design/develop/qualify/produce the Phase I of NATO AGS Test System Environment Capability (TSEC). Phase I Critical Design Review (CDR) In 2018 TSEC Phase I was successfully tested as well as Phase I incremental FCA and PCA have been successfully conducted. Contract for Phase II has been negotiated and ATP for the first two milestones have been approved by the NAGSMO BoD;
- A contract with the Polish company PIT-RADWAR was signed in October 2017 to design/develop/qualify/produce the NATO AGS Core Software Only Package (CSOP). Various technical requirements meetings took place in 2018 as well as the first Contract Management Review (CMR). A site survey at Joint Force Training Command (JFTC) in Bydgoszcz was also conducted;
- A contract with the Polish company ITWL was signed on 17 October 2017 to design/develop/qualify/produce the Battle-Laboratory. In 2018 the company completed 2 management reviews, a Contract Risk Review, a site survey of the MOB, and a System Requirements Review (SRR). ITWL has commenced the preparation and activation of the Systems Integration Laboratory supporting battle lab development. ITWL is scheduled to conduct and successfully exit SDR and formally declare the Draft Allocated Product Baseline in 1st quarter 2019. Critical Design Review (CDR) is tentatively scheduled for 3rd quarter of 2019;
- Norwegian company Kongsberg is providing support to the SMARF performing activities like the SMARF Mediation Service and BiSC AIS Integration CSD to SMARF testing activity

NAGSMA Assets

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

NAGSMO & NAGSMA Acting as a Procurement Agent

The North Atlantic Council (NAC) established NAGSMO by approving its Charter. The Charter clearly establishes that NAGSMO is a subsidiary body of NATO and states that the objective is to procure the AGS Core which will be owned, controlled and operated by NATO. NAGSMA is an entity acting as an agent with no control over the assets procured. The AGS Participating Nations reiterated the specific nature of the AGS Programme: temporary existence of the Agency and that the Agency will not own any asset. In order to comply with the NATO Accounting Framework, the end-user of AGS system will account for all NAGSMA procured assets in the future. NAGSMA will fully disclose and provide at the end of each reporting period to relevant end-user NATO entity all financial data regarding the assets procured. In accordance with the NATO Accounting Framework and the NATO Accounting Policy for

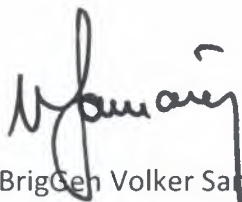


Property, Plant and Equipment, NAGSMA provided the relevant 2018 financial information to ACO to account for one infrastructure and refurbishment, respectively of Warehouse 217 and CONEX storage.



CERTIFICATION

1. The NAGSMO 2018 Financial Statements are submitted to the International Board of Auditors for NATO.
2. The Financial Statements will be audited in accordance with the following reference documents:
 - a. The NAGSMO FMPD-FRP conform to the NFRs, Part II as approved by the North Atlantic Council (NAC) in C-M(2015)0025.
 - b. PO(2002)109, dated 23 July 2002: the document from the NAC adopting IPSAS, including the accrual and going concern assumptions, as the applicable accounting standards for all NATO entities effective for the financial year of 2006.
 - c. The NATO Accounting Framework has been developed to provide minimum requirements for financial reporting for all NATO Reporting Entities following approval of C-M(2016)0023 by the North Atlantic Council on 29 April 2016 of an IPSAS-adapted accounting framework for the Alliance.
3. The NAGSMO Financial Statements are certified by the NAGSMA Financial Controller to the best of her knowledge and according to the applicable accounting standards to give a true and fair view of the assets, liabilities, financial position and financial performance of NAGSMO and to be in accordance with the books and records maintained by the NCI Agency and NAGSMA.
4. The NAGSMO Financial Statements may be disclosed to the general public.



BrigGen Volker Samanns
NAGSMA General Manager



Grazia M. D'Arcangelo
NAGSMA Financial Controller

STATEMENT ON INTERNAL CONTROL

This statement of internal control applies to the Financial Statements of NAGSMA, as the executive body of NAGSMO, for the year ended 31 December 2018.

Scope of responsibility

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

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

Purpose of the System of Internal Control

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

The process within NAGSMA accords with the NAGSMO FMPD-FRP and has been in place for the year ending 31 December 2018 and up to the date of approval of the Financial Statements.

Risk and Control Framework

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

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

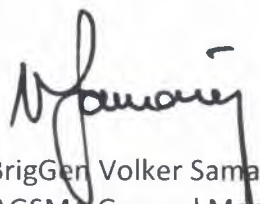
Since the NCI Agency carries out transactions on behalf of NAGSMA under the Service Support Agreement, NAGSMA's processes need to be compatible to the NCI Agency financial management system.

Review of Effectiveness

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

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

Appropriate action is in place to address any weaknesses identified and to ensure the continuous improvement of the system. During 2018, no material instances of failure to the internal control system were reported that should be brought to your attention.



BrigGen Volker Samanns
NAGSMA General Manager



for Grazia M. D'Arcangelo
NAGSMA Financial Controller

NAGSMO – Statement of Financial Position
as at 31 December 2018
(all amounts in Euro)

	Notes	Current Year	Prior Year
	ANNEX B	31-Dec-18	31-Dec-17
ASSETS			
Cash and cash equivalents	B01	276,334,169	326,482,728
Short-term investments	B02	0	0
Receivables	B03	54,817,049	10,970,437
Other current assets and prepayments	B04	162,007	144,398
Current assets		331,313,226	337,597,563
TOTAL ASSETS		331,313,226	337,597,563
LIABILITIES			
Payables	B05	2,007,272	1,395,944
Advances and deferred revenue	B06	309,034,587	174,051,593
Short term provisions	B07	162,007	139,211
Other current liabilities	B08	20,109,360	162,010,815
Current liabilities		331,313,226	337,597,563
NET ASSETS/EQUITY			
Accumulated surpluses/(deficits)		0	0
Net Assets/Equity		0	0
TOTAL LIABILITIES		331,313,226	337,597,563

NAGSMO – Statement of Financial Performance
for the year ended 31 December 2018
 (all amounts in Euro)

	Notes	Current Year	Prior Year
	ANNEX C	2018	2017
REVENUE			
Revenue from non-exchange transactions	C01	8,559,856	9,275,725
Revenue		8,559,856	9,275,725
EXPENSES			
Personnel	C02	6,510,239	6,743,211
Contractual supplies and services	C03	2,049,617	2,532,514
Expenses		8,559,856	9,275,725
NET SURPLUS/(DEFICIT)		0	0
NET SURPLUS/(DEFICIT) ALLOCATION			
Reserves		0	0
Accumulated surpluses/(deficits)		0	0
Net surplus/(deficit) allocation		0	0

NAGSMO – Cash Flow Statement (Indirect Method)
for the year ended 31 December 2018
(all amounts in Euro)

	Notes	Current Year	Prior Year
	ANNEX D	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES			
Cash flow from operating and other activities			
Net surplus/(deficit)		0	0
Total cash flow from operating and other activities		0	0
Decrease/(increase) Current assets			
Decr./ (incr.) Other current assets and prepayments		(17,609)	(5,734)
Decr./ (incr.) Receivables		(43,846,613)	25,408,508
Total decrease/(increase) Current assets		(43,864,221)	25,402,774
Increase/(decrease) Current liabilities			
Incr./ (decr.) Short term provisions		22,797	546
Incr./ (decr.) Other current liabilities		(141,901,456)	17,085,528
Incr./ (decr.) Payables		611,327	(2,274,729)
Incr./ (decr.) Advances and deferred revenue		134,982,994	(72,016,034)
Total increase/(decrease) Current liabilities		(6,284,337)	(57,204,689)
		(50,148,559)	(31,801,915)
NET CASH FLOW FROM OPERATING ACTIVITIES			
NET CASH FLOW FROM INVESTING ACTIVITIES		0	0
NET CASH FLOW FROM FINANCING ACTIVITIES		0	0
NET INCREASE/(DECREASE) CASH AND CASH EQUIVALENTS		(50,148,559)	(31,801,915)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		326,482,728	358,284,643
CASH AND CASH EQUIVALENTS AT END OF PERIOD		276,334,169	326,482,728

**NAGSMO – Statement of Changes in Net Assets/Equity
for the year ended 31 December 2018
(all amounts in Euro)**

BALANCE AT 31-DECEMBER-2017	0
Net surplus for the period	0
BALANCE AT 31-DECEMBER-2018	0
NET CHANGE IN ASSETS/EQUITY (OPERATING FUND) FOR THE YEAR ENDED 31-DECEMBER-2018	0

NAGSMO Budget Execution Statement - Administrative Budget
for the year ended 31 December 2018
(All amounts in Euro)

Notes	ANNEX E	Initial	Mid-year Review	Final Approval -	Transfers	Final	Net Commitment	Actual Expenses	Total	Carry Forward	Lapsed
		Authorisation	(MYR)	MYR		Authorisation					
				MYR		FA					
Personnel											
2016 - Personnel		0	0	0	0	0	0	-2 000	-2 000	0	2 000
2017 - Personnel	E01	0	0	0	0	0	0	-2 500	-2 500	0	2 500
2018 - Personnel	E02	8 534 500	0	8 534 500	0	8 534 500	0	6 491 942	6 491 942	0	2 042 558
Total Personnel		8 534 500	0	8 534 500	0	8 534 500	0	6 487 442	6 487 442	0	2 047 058
Contractual supplies and services											
2017 - Contractual supplies and	E03	0	0	0	0	0	0	-6 734	-6 734	0	6 734
2018 - Contractual supplies and	E04	3 138 925	0	3 138 925	0	3 138 925	0	2 056 121	2 056 121	0	1 082 804
Total Contractual supplies and services		3 138 925	0	3 138 925	0	3 138 925	0	2 049 387	2 049 387	0	1 089 538
Capital and investment budgeting											
2017 - Capital and investment		0	0	0	0	0	0	0	0	0	0
2018 - Capital and investment	E05	5 000	0	5 000		5 000	0	230	230	0	4 770
Total Capital and investment budgeting		5 000	0	5 000	0	5 000	0	230	230	0	4 770
Budget contingencies											
2017 - Budget contingencies		0	0	0	0	0	0	0	0	0	0
2018 - Budget contingencies	E06	458 140	0	458 140		458 140	0	0	0	0	458 140
Total Budget contingencies		458 140	0	458 140	0	458 140	0	0	0	0	458 140
TOTAL BUDGET EXECUTION		12 136 565	0	12 136 565	0	12 136 565	0	8 537 060	8 537 060	0	3 599 505

NAGSMO Budget Execution Statement - Operational Budget Total
for the year ended 31 December 2018
(All amounts in Euro equivalent)

Notes	Initial Authorisation	Mid Year - Review (MYR)	Final Approval - MYR	Budget increase approved by BoD	Final Authorisation	Net Commitment	Actual Expenses	Total Spend	Carry Forward	Lapsed
Annex F										
	MYR				FA					
AGS Core System Procurement										
2014 - AGS Core System Procurement	1,024,447	0	1,024,447	0	1,024,447	1,024,447	0	1,024,447	1,024,447	0
2015 - AGS Core System Procurement	1,054,635	0	1,054,635	0	1,054,635	1,000,908	45,060	1,045,968	1,000,908	8,667
2016 - AGS Core System Procurement	9,085,561	0	9,085,561	0	9,085,561	382,435	544,313	926,747	382,435	8,158,814
2017 - AGS Core System Procurement	3,390,208	0	3,390,208	0	3,390,208	1,662,189	1,480,008	3,142,197	1,662,189	248,010
2018 - AGS Core System Procurement	84,028,428	57,259,888	141,288,316	37,168,053	178,456,370	109,711,315	62,081,973	171,793,287	109,711,315	6,663,082
TOTAL AGS Core System Procurement	98,583,279	57,259,888	155,843,166	37,168,053	193,011,220	113,781,292	64,151,354	177,932,646	113,781,292	15,078,574

NAGSMO Budget Execution Statement - Operational Budget (EUR part)
for the year ended 31 December 2018
All amounts in Euro

Notes	Initial Authorisation	Mid Year - Review (MYR)	Final Approval - MYR	Budget Increase approved by BoD	Transfers	Final Authorisation	Net Commitment	Expenses	Total Spend	Carry Forward	Lapsed*
Annex F											
BL 6604011	MYR					FA					
System Design, Development and Qualification											
2015 - System Design, Development and Qualification	1,000,000	0	1,000,000	0	0	1,000,000	1,000,000	0	1,000,000	1,000,000	0
2016 - System Design, Development and Qualification	2,000,000	0	2,000,000	0	0	2,000,000	0	0	0	0	2,000,000
2017 - System Design, Development and Qualification	137,173	0	137,173	0	0	137,173	0	0	0	0	137,173
2018 - System Design, Development and Qualification	0	2,640,000	2,640,000	0	0	2,640,000	2,640,000	0	2,640,000	2,640,000	0
Total System Design, Development and Qualification	3,137,173	2,640,000	5,777,173	0	0	5,777,173	3,640,000	0	3,640,000	3,640,000	2,137,173
Production											
2018 - Production	0	5,743,020	5,743,020	0	0	5,743,020	5,743,020	0	5,743,020	5,743,020	0
Total Production	0	5,743,020	5,743,020	0	0	5,743,020	5,743,020	0	5,743,020	5,743,020	0
Management Reserve											
2016 - Management Reserve	219,370	0	219,370	0	0	219,370	169,853	49,517	219,370	169,853	0
2017 - Management Reserve	746,486	0	746,486	0	0	746,486	660,829	85,657	746,486	660,829	0
2018 - Management Reserve	13,405,093	-892,226	12,512,867	0	-11,934,433	578,434	361,528	0	361,528	361,528	216,906
Total Management Reserve	14,370,949	-892,226	13,478,723	0	-11,934,433	1,544,290	1,192,210	135,174	1,327,384	1,192,210	216,905
CAFX											
2016 - CAFX	1,156	0	1,156	0	0	1,156	1,156	0	1,156	1,156	0
2017 - CAFX	47,833	0	47,833	0	0	47,833	23,634	24,199	47,833	23,634	0
2018 - CAFX	450,714	1,909,523	2,360,237	0	1,194,210	3,554,447	148,522	3,045,126	3,193,648	148,522	360,799
Total CAFX	499,703	1,909,523	2,409,226	0	1,194,210	3,603,436	173,312	3,069,325	3,242,637	173,312	360,799
IISS											
2017 - IISS	271,992	0	271,992	0	0	271,992	0	271,992	271,992	0	0
2018 - IISS	4,800,900	-3,511,515	1,089,385	0	6,700,000	7,789,385	7,680,152	109,233	7,789,385	7,680,152	0
Total IISS	4,872,892	-3,511,515	1,361,377	0	6,700,000	8,061,377	7,680,152	381,225	8,061,377	7,680,152	0
ATR / ATID											
2018 - ATR / ATID	0	1,490,000	1,490,000	2,500,000		3,990,000	0	3,990,000	3,990,000	0	0
Total ATR / ATID	0	1,490,000	1,490,000	2,500,000	0	3,990,000	0	3,990,000	3,990,000	0	0
TCB											
2017 - TSEC, CSOP & Battle Lab. Capability	1,169,409	0	1,169,409	0	0	1,169,409	153,542	1,015,867	1,169,409	153,542	0
2018 - TSEC, CSOP & Battle Lab. Capability	290,591	13,511,843	13,802,434	0	4,040,223	17,842,657	7,117,645	7,725,011	14,842,656	7,117,645	3,000,001
Total TCB	1,460,000	13,511,843	14,971,843	0	4,040,223	19,012,066	7,271,187	8,740,878	16,012,065	7,271,187	3,000,001
Total	24,340,717	20,890,645	45,231,362	2,500,000	0	47,731,362	25,699,881	16,316,602	42,016,484	25,699,881	5,714,878

NAGSMO Budget Execution Statement - Operational Budget (USD part)
for the year ended 31 December 2018
All amounts in USD

Notes	Initial	Mid Year - Review	Final Approval -	Budget Increase	Transfers	Final	Net Commitment	Expenses	Total Spend	Carry Forward	Lapsed*
	Authorisation	(MYR)	MYR	approved by BoD		Authorisation					
Annex F											
BL 6604010		MYR				FA					
System Design, Development and Qualification											
2014 - System Design, Development and Qualification	1,182,006	0	1,182,006	0	0	1,182,006	1,182,006	0	1,182,006	1,182,006	0
2016 - System Design, Development and Qualification	6,845,552	0	6,845,552	0	0	6,845,552	0	0	0	0	6,845,552
2017 - System Design, Development and Qualification	98,941	0	98,941	0	0	98,941	0	0	0	0	98,941
2018 - System Design, Development and Qualification	0	59,562,561	59,562,561	40,000,000	0	99,562,562	59,909,581	39,652,981	99,562,562	59,909,581	0
Total System Design, Development and Qualification	8,126,499	59,562,561	67,689,061	40,000,000	0	107,689,061	61,091,587	39,652,981	100,744,568	61,091,587	6,944,493
Production											
2015 - Production	10,000	0	10,000	0	0	10,000	0	0	0	0	10,000
2016 - Production	260,488	0	260,488	0	0	260,488	0	0	0	0	260,488
2017 - Production	120,393	0	120,393	0	0	120,393	0	91,450 ³	91,450	0	28,943
2018 - Production	0	19,584,187	19,584,187	0	0	19,584,187	19,492,737	91,450 ³	19,584,187	19,492,737	0
Total Production	390,881	19,584,187	19,975,068	0	0	19,975,068	19,492,737	182,900	19,675,637	19,492,737	299,431
Management Reserve											
2017 - Management Reserve	950,943	0	950,943	0	0	950,943	950,943	0	950,943	950,943	0
2018 - Management Reserve	20,079,900	-11,329,865	8,750,035	0	-4,000,000	4,750,035	1,220,127	0	1,220,127	1,220,127	3,529,908
Total Management Reserve	21,030,843	-11,329,865	9,700,978	0	-4,000,000	5,700,978	2,171,070	0	2,171,070	2,171,070	3,529,908
CAFX											
2015 - CAFX	53,038	0	53,038	0	0	53,038	1,048	51,990	53,038	1,048	0
2016 - CAFX	814,838	0	814,838	0	0	814,838	243,943	570,895	814,838	243,943	0
2017 - CAFX	3,500	0	3,500	0	0	3,500	0	3,500	3,500	0	0
2018 - CAFX	200,000	4,330,000	4,530,000	0	4,000,000	8,530,000	8,500,000	0	8,500,000	8,500,000	30,000
Total CAFX	1,071,376	4,330,000	5,401,376	0	4,000,000	9,401,376	8,744,991	626,385	9,371,376	8,744,991	30,000
IISS											
2018 - IISS	55,041,468	-30,184,051	24,857,417	0	0	24,857,417	10,127,947	14,729,470	24,857,417	10,127,947	0
Total IISS	55,041,468	-30,184,051	24,857,417	0	0	24,857,417	10,127,947	14,729,470	24,857,417	10,127,947	0
TOTAL BUDGET EXECUTION	85,661,067	41,962,832	127,623,900	40,000,000	0	167,623,900	101,628,332	55,191,735	156,820,068	101,628,332	10,803,832

Notes to the Financial Statements for the year ending 31 December 2018

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- B. Notes to the Statement of Financial Position
- C. Notes to the Statement of Financial Performance
- D. Notes to the Cash Flow Statement
- E. Notes to the Budget Execution Statement – Administrative Budget
- F. Notes to the Budget Execution Statement – Operational Budget
- G. General Notes to the Financial Statements

ANNEX A Basis of Preparation and Accounting Policies

A01 Basis of preparation

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

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

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

The NAGSMO financial statements have been prepared on a going concern basis. During the Lisbon Summit in 2010 the Heads of State and Government approved the consolidation and rationalisation of the functions and programmes of the 14 NATO agencies into three agencies and the reorganisation of the military commands. NAGSMA is recognized as the NATO Procurement, Logistics and Support Organisation (NPLSO) in the framework of NATO Agencies' Reform initiative.

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

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

A02 Use of estimates

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

A03 Significant Accounting Policies

Accounting as a Procurement Agent

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

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

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

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

NAGSMA provides contract administration function to NAGSMO. NAGSMA acts as an agent in accordance with a mandate set by the NAGSMO Participating Nations in the PMOU, which defines the role of the Agency in the procurement of a NATO owned and operated core AGS capability. NAGSMO is as well considered an Agent in respect of its operations, as a subsidiary body of NATO, with the sole objective to procure the AGS Core which will be owned, controlled and operated by the 29 Nations of NATO. NAGSMO and its executive body NAGSMA do not have and will not have control in the future of the assets procured as per the criteria in the NATO Accounting Framework. Transactions are treated accordingly in the NAGSMO Financial Statements.

Foreign Currency Translation

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

Financial Instruments

Financial instruments are recognised at the contract date and initially measured at fair value. Their subsequent measurement depends on their classification. Loans and receivables and other liabilities are not re-valued (except for changes in exchange rates which are included in

the Statement of Financial Performance). Financial instruments are not recognised on expiry or when all contractual rights and obligations are transferred.

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

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

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

Credit Risk: There is a very limited credit risk as the contributing Nations generally have a high credit rating. NAGSMA uses two banks to deposit its cash holdings. Credit ratings of those banks are as following:

DNB Bank ASA: AA- (S&P)

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

Cash and Cash Equivalents

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

Receivables

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

Other Current Assets and Prepayments

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



Payables

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

Advances and Unearned Revenue

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

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

Provisions and Contingent Liabilities

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

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

Budget Execution Statement

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

Revenue and Expense Recognition

Revenue comprises contributions from Participating Nations to fund the entity's budgets. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably. Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, NAGSMA recognises a liability until the condition is fulfilled.

Revenue for the Administrative Budget

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

Interest

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

Representation Allowance

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

*Post-employment benefits**Defined Contribution Plans*

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

Defined Benefit Plans

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

ANNEX B Notes to the Statement of Financial Position

Notes Reference	Current Year	Prior Year
	31-Dec-18	31-Dec-17
The Statement of Financial Position details the assets and liabilities of NAGSMA as of 31 December.		
B01 Cash and cash equivalents	276,334,169	326,482,728
Cash and Cash equivalents are short-term liquid assets. NAGSMA operates highly reliable and interest bearing bank accounts: an administrative and an operational account that have EUR and USD currency sub-accounts.		
B02 Short-term investments	0	0
Short-term investments are bank deposits maturing in less than 3 months.		
B03 Receivables	54,817,049	10,970,437
Accounts receivable are kept in separate sub-ledgers that provide detailed insight into the outstanding calls for contribution and provide accurate and up-to-date cash forecast information. The receivables as of 31 December 2018 are primarily outstanding calls for contributions towards the Administrative Budget 2019 and the Operational Budget 2019 which have not yet past their due date.		
B04 Other current assets and prepayments	162,007	144,398
Other current assets match provisions for annual leave entitlements accrued but untaken at year-end.		
B05 Payables	2,007,272	1,395,944
These short-term payables are open liabilities for goods and services received in 2018 such as consulting contracts, communication, travel and personnel related invoices.		

B06	Advances and deferred revenue	309,034,587	174,051,593
	Advances from NATO entities	1,319,696	1,785,268
	Advances from Nations	151,905,272	77,330,631
	Deferred revenue	155,809,619	94,935,693

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

Advances from Nations are funds called and/or received from Nations in respect of 2019 Administrative and Operational Budgets and unrealised exchange rate gains and losses. Advances include future budget funding as well as the cumulative effect of unrealised foreign exchange impact over the periods.

Deferred revenue comprises unspent funding from prior periods.

B07	Short-term provisions	162,007	139,211
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The provision includes annual leave entitlements accrued matched with Other current assets and prepayments.

Balance at 1 January 2018	139,211
Provision increase	22,796
Balance at 31 December 2018	162,007

B08	Other current liabilities	20,109,360	162,010,815
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Other payables mainly include lapsed credits 2018 and the 2018 financial result that will have to be refunded upon national decision. The important decrease is primarily caused by a significant decrease in lapses of the 2018 Operational Budget funds as compared to 2017.

B09	Contingent Liabilities		
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On 20 November 2018, NAGSMA received a notification from Northrup Grumman of its intention to submit the following issues for mediation: (a) Unreasonable Withholding of Milestone Based Payments (MBPs) and (b) Required adjustments to the MBP schedule. After several subsequent reiterations between the Parties, NAGSMA deems this issue closed due to the failure to meet contractual requirements on disputed issues' value in order to be able to be submitted for mediation.

There is a high probability that these issue will be solved on the basis of mutual agreement. However, in case of no agreement and should Northrup Grumman decides to opt for mediation, the liabilities will concern coverage for services of an independent mediator. The costs in case of materialization of contingent liability will be borne by NAGSMO Nations.

ANNEX C Notes to the Statement of Financial Performance

Notes Reference	Current Year	Prior Year	
	2018	2017	
The Statement of Financial Performance details the revenue and expenses that NAGSMA incurred during the year ending 31 December.			
C01	Revenue from non-exchange transactions	8,559,856	9,275,725
Revenue represents funding from Nations for expenses incurred during the financial year.			
C02	Personnel	6,510,239	6,743,211
Personnel costs are for staff members hired under the NATO Civilian Personnel Regulations as well as for consultants and contractors.			
The figures represent the costs of personnel including basic salary, allowances, insurance and pension plan contributions.			
Further to an analysis covering the last years of the history of death in service risks in relation to premiums paid by the Organisation during 2012-2015, a compensation of EUR 6 million at the NATO-wide level was agreed by the insurance company. At 2018 year-end, the NATO Secretary General decided that a fraction of this amount (circa EUR 1,7 million) should be paid to NATO staff who were members of the DCPS during the period 2012-2015 in proportion to the contributions they made to the DCPS. Staff employed by NAGSMA during the period 2012-2015 and affiliated to the DCPS are therefore entitled to a payment to be made from the NATO DCPS accounts. A decision still has to be taken concerning the remaining amount of the compensation, which may result in a proportional payment to NAGSMA.			
NAGSMA had 38 staff members at the year-end 2018 (2017: 40 staff members).			
The breakdown of wages, salaries and employee benefits is as follows:			
	Year ended 31/12/18	Year ended 31/12/17	
	EUR	EUR	
Employee benefits expense, consultants and contractors			6,231,547
Post-employment benefits	6,032,595		
for defined contribution pension scheme	454,847		511,118
for defined benefit pension scheme	0		0
Termination benefits	0		0
Provision for annual leave entitlements accrued	22,796		546
Total employee benefits expense	6,510,239		6,743,211
C03	Contractual supplies and services	2,049,617	2,532,514
Supplies and consumables are costs of goods and services used by NAGSMA associated with the general management and administrative activities under the SSA and SLA, such as information management, finance, human resources, building and facilities, security, travel expenses, etc. These costs are linked to the approved NAGSMA Staffing Plan. It also includes hospitality funds, communications services (i.e. telephones), and NATO Headquarters support (MOA).			

ANNEX D Notes to the Cash Flow Statement

The Cash Flow Statement is prepared using the indirect method.

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

ANNEX E Notes to the Budget Execution Statement – Administrative Budget

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

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

The actual expenses presented in the budget execution statement include accruals (expenses for goods and services delivered before the year-end but not yet invoiced) and therefore reconcile to the expenses in the statement of financial performance after deducting the provision for annual entitlement of 22,796 EUR. The net commitments are those commitments for which a contractual obligation has been created before the year-end without the goods and services delivered before the year-end.

Personnel, E01 – E02

The expenses with regard to Personnel mainly covered basic salary, allowances, contributions to the employees' pension scheme and consultancy. Lapses are due to savings that were generated in basic salary and education allowance, following the lower personnel strength than what was approved in the NAGSMA staffing plan 2018.

Contractual supplies and services, E03 – E04

The commitments and expenditures as regards Contractual Supplies and Services were mainly related to travel for duty and telecommunication services.

Capital and investment budgeting, E05

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

Budget contingencies, E06

Lapses are due to unused budget contingencies.

ANNEX F Notes to the Budget Execution Statement – Operational Budget

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

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

The exchange rate used to translate the USD portion of expenditure to the presentation currency EUR in the Operational Budget Total table is the official NATO rate in 2018 of 1.1538.

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

System Design, Development and Qualification

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

Production

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

Management Reserve

With the definitisation of the Contract Change Order (CCO-0023) which had been signed in December 2017 and the subsequent Contract Amendment 0024 (CA-0024) that was signed in May 2018, NAGSMA completed the rebaseline of the AGS Core Contract. As a consequence, the 2018 Operational Budget was increased to reflect the rebaseline, the updated milestones and their planned achievement dates. The NAGSMO BoD approved the 2018 Operational Budget increase on 15 October 2018.

CAFX

Funds to provide items for the Prime Contractor in accordance with Contracting Authority Furnished Property. Commitments and expenditures for the NCI Agency were for the AGS Implementation Support and NATO CIS support to the AGS programme. The services included inspections and certifications of the Main Operating Base facilities and accreditation activities. CAFX funds were also used to procure equipment, support, and training, agreed in the Prime Contract through the TEMPEST testing of the UAV by the U.S. Navy's Certified TEMPEST Authority, and transportation of CAFX equipment already purchased through various FMS cases.

ATR/ATID

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

NCB

Expenditures comprise one contractual milestone was expensed for the acquisition of the NATO AGS Test System Environment Capability Phase I.

The Table below represents the cumulative NAGSMA Operational budget per year from 2012 to 2018 expended, carried forward and lapsed in two currencies EUR and USD.

In 2018, milestones have been re-planned as part of the programme restructure that created a new baseline to complete the remainder of the program. The rebaseline has impacted all areas across SDDQ, Production, IISS and MR.

The Budgets are presented below by currency showing the actual expenditures, carry forwards and lapses as of the 31.12.2018.

NAGSMA Operational Budget EUR

	Budget	Actual Expenses	Carry Forward	Lapsed
2012	107,086,412	107,086,412	0	0
2013	137,794,865	137,794,865	0	0
2014	122,977,865	117,257,630	0	5,720,236
2015	109,014,294	90,671,063	1,000,000	17,343,231
2016	63,924,048	12,591,138	2,171,009	51,161,902
2017	34,822,414	8,642,595	975,178	25,341,813
2018	42,137,943	14,869,370	23,690,868	3,577,705
Total	617,757,841	488,913,073	27,837,054	103,144,887

NAGSMA Operational Budget USD

	Budget	Actual Expenses	Carry Forward	Lapsed
2012	204,865,340	204,865,340	0	0
2013	238,445,262	238,445,262	0	0
2014	373,468,465	364,507,386	1,182,006	7,779,073
2015	169,456,878	104,644,347	11,048	64,811,483
2016	193,990,813	51,246,428	7,349,983	142,500,442
2017	103,520,795	85,352,903	1,078,827	17,216,949
2018	157,284,201	54,473,901	99,250,392	3,559,908
Total	1,441,031,754	1,103,535,566	108,872,256	235,867,856

Note to the table:

The Carry Forwards from the Financial Statements 2015-2017 which have been expended in 2018 have been added to the Actual Expenses of 2015, 2016 and 2017 respectively.

ANNEX G General Notes to the Financial Statements

G01 Related Party Disclosures

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

Transactions with NATO bodies

	Current Year 2018	Prior Year 2017
	EUR	EUR
NATO Communications and Information Agency	2,148,977	1,619,061
NATO Support Agency	8,172	8,093
NATO International Staff	279,892	176,148
SHAPE	0	1,300
NATO School	0	1,800
	2,437,041	1,806,402

In 2018, the NCI Agency provided administrative services for NAGSMA under the Support Services and Service Level Agreements as well as services related to Procurement and management of one UHF SATCOM Channel.

NSPA provided logistics support services.

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

SHAPE, the NATO School and NATO IS provided NAGSMA with training support in 2018.

Compensation of key management personnel

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

	Current Year	Prior Year
	2018	2017
	EUR	EUR
Basic salaries	642,942	635,040
Allowances	111,494	145,042
Post-employment benefits	86,313	59,182
Employer's contribution to Insurance	77,057	77,085
	917,806	916,349

The compensation of key management personnel in 2018 remained in line with the previous year.

	Current Year	Prior Year
	2018	2017
Number of individuals at year-end on a full time equivalent basis		
General Manager	1	1
Programme Manager	1	1
Key management personnel	3	3
	5	5

G02 Representation Allowance

The purpose of the Representation Allowance is to help meet the reasonable representational expenses of certain designated high officials of the Organisation whose positions entail responsibility for establishing and maintaining relationships of value to NATO.

As from 1 June 2013, a new procedure is in place in respect of Representation Allowance; as all recipients are now reimbursed permitted expenses within the limits of their individual Representation Allowance allocation. All representation allowance disbursements for the 2018 reporting period were administered by the Agency.

Expenditures	EUR
Rental Supplement	2,228
Functions	0
Total	2,228
Entitlements	EUR
Representation Allowance annual entitlement	10,692
<i>of which: Rental Supplement annual entitlement</i>	2,228
Transactions	EUR
Rental Supplement January-December	2,228
Dinners and Luncheons	0
Total	2,228

G03 Approval of Financial Statements

The financial statements were approved by the Financial Controller and authorised to be issued on 29 March 2019.

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NATO Alliance Ground Surveillance
Management Organisation
(NAGSMO)

NAGSMO
NATO Headquarters
1110 Brussels
Belgium

NATO SANS CLASSIFICATION

IBA-A(2019)0092

28 août 2019

- À : Secrétaire général
(à l'attention du directeur du Cabinet)
- Cc : Président du Comité directeur de l'Organisation de gestion OTAN pour la conception, le développement, la production et la logistique de l'hélicoptère OTAN (NAHEMO)
Directeur général de l'Agence de gestion OTAN pour la conception, le développement, la production et la logistique de l'hélicoptère OTAN (NAHEMA)
Chef de la Division administrative de la NAHEMA
Président du Bureau de la planification et de la politique générale des ressources (RPPB)
Chef de la Branche Secrétariat et finances du Bureau OTAN des ressources (NOR)
Bureau d'ordre du Cabinet
- Objet : ***Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) concernant la vérification des états financiers de l'Organisation de gestion OTAN pour le développement, la production et la logistique de l'hélicoptère OTAN (NAHEMO) pour l'exercice clos le 31 décembre 2018 – IBA-AR(2019)0011***

Messieurs,

Vous trouverez ci-joint l'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) de l'IBAN, ainsi qu'une note succincte à l'intention du Conseil (annexe 1).

L'IBAN a émis une opinion sans réserve sur les états financiers de la NAHEMO ainsi que sur la conformité pour l'exercice clos le 31 décembre 2018.

Veuillez agréer, Messieurs,
l'assurance de ma haute
considération.



Hans Leijtens
Président

Pièces jointes : voir ci-dessus.

NATO SANS CLASSIFICATION

**Note succincte
du Collège international des auditeurs externes de l'OTAN (IBAN)
à l'intention du Conseil
sur la vérification des états financiers
de l'Organisation de gestion de l'hélicoptère OTAN (NAHEMO)
pour l'exercice clos le 31 décembre 2018**

L'IBAN a procédé à la vérification des états financiers de la NAHEMO pour l'exercice clos le 31 décembre 2018. La NAHEMO est un organisme subsidiaire de l'OTAN créé en vue de répondre aux besoins en hélicoptères de la France, de l'Allemagne, de l'Italie, des Pays-Bas, et de la Belgique. La NAHEMO est chapeautée par un comité directeur, composé des représentants des pays participants et chargé de la gestion globale du programme et de l'Agence (NAHEMA). L'Agence se trouve à Aix-en-Provence (France).

Pour 2018, les budgets opérationnel et administratif de la NAHEMO se sont élevés respectivement à 1,049 milliard et à 11,237 millions d'euros.

L'IBAN a émis une opinion sans réserve sur les états financiers de la NAHEMO ainsi que sur la conformité pour l'exercice clos le 31 décembre 2018.

Au cours de l'audit, l'IBAN a formulé deux observations assorties de recommandations. Ses constatations sont présentées dans la lettre d'observations et de recommandations (annexe 3).

On trouvera ci-après un relevé des principales constatations, qui n'ont pas d'incidence sur l'opinion émise par l'IBAN au sujet des états financiers et de la conformité.

1. nécessité d'ajuster les appels de fonds de manière à éviter les excédents de liquidités ;
2. nécessité d'améliorer l'établissement du budget opérationnel.

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors d'audits précédents et il a constaté qu'une question était à traiter, que quatre autres étaient en cours de traitement et qu'une question était de facto traitée, car rendue caduque par l'observation formulée pour l'exercice 2018.

L'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) ont été transmises à la NAHEMO, dont les commentaires ont ensuite été intégrés dans la lettre ainsi que, le cas échéant, la position de l'IBAN à leur sujet (appendice à l'annexe 3).

28 août 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**OPINION SUR LES ÉTATS FINANCIERS
DE L'ORGANISATION DE GESTION DE L'HÉLICOPTÈRE OTAN**

(NAHEMO)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018

**OPINION DE L'AUDITEUR EXTERNE
À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD**

Vérification des états financiers

Opinion sur les états financiers

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers de l'Organisation de gestion de l'hélicoptère OTAN (NAHEMO) portant sur la période de 12 mois ayant pris fin le 31 décembre 2018. Diffusés sous la cote NH/ADM/ACC-1/01649/2019 et soumis à l'IBAN le 28 mars 2019, ces états financiers se composent de l'état de la situation financière au 31 décembre 2018, de l'état de la performance financière, de l'état des variations de l'actif net/situation nette et du tableau des flux de trésorerie pour la période de 12 mois ayant pris fin le 31 décembre 2018, ainsi que d'un résumé des méthodes comptables importantes et d'autres notes explicatives. Ils contiennent en outre un rapport sur l'exécution du budget portant sur la période de 12 mois ayant pris fin le 31 décembre 2018.

L'opinion de l'IBAN est que les états financiers donnent une image fidèle et exacte de la situation financière de la NAHEMO au 31 décembre 2018 ainsi que de sa performance financière, de ses flux de trésorerie et de l'exécution du budget pour la période de 12 mois ayant pris fin le 31 décembre 2018, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN.

Justification de l'opinion émise sur les états financiers

Le Règlement financier de l'OTAN (NFR) prévoit que l'audit externe des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par un collège d'auditeurs externes nommés par le Conseil de l'Atlantique Nord.

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 1000-1810), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

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

Responsabilité de la direction concernant les états financiers

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

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

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

Responsabilités de l'IBAN concernant la vérification des états financiers

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

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

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

par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion ; le risque de non-détection d'une inexactitude significative relevant d'une fraude est plus élevé que le risque de non-détection d'une inexactitude significative relevant d'une erreur, car la fraude peut résulter d'une collusion, d'une falsification, d'omissions intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;

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

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

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

Vérification de la conformité

Opinion sur la conformité

Sur la base des procédures qu'il a appliquées, l'IBAN estime que rien, dans son audit des états financiers, ne lui donne de raison de penser que les fonds n'ont pas été régulièrement employés à l'acquittement de dépenses autorisées ou qu'ils ne sont pas conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Justification de l'opinion émise sur la conformité

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

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

Responsabilité de la direction concernant la conformité

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

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

Responsabilité de l'IBAN concernant la conformité

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

Il incombe ainsi à l'OTAN d'appliquer des procédures lui permettant d'obtenir en toute indépendance une assurance sur le point de savoir si les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur. De telles procédures prévoient notamment la prise en compte des risques de non-conformité significative.

Bruxelles, le 28 août 2019



Hans Leijtens
Président

28 août 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS CONCERNANT
L'ORGANISATION DE GESTION DE L'HÉLICOPTÈRE OTAN**

(NAHEMO)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018

Introduction

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers de la NAHEMO pour l'exercice clos le 31 décembre 2018 et a émis une opinion sans réserve à leur sujet ainsi qu'au sujet de la conformité.

Observations et recommandations

À l'issue de l'audit, l'IBAN a formulé deux observations, qui n'ont pas eu d'incidence sur l'opinion émise au sujet des états financiers et de la conformité :

1. nécessité d'ajuster les appels de fonds de manière à éviter les excédents de liquidités ;
2. nécessité d'améliorer l'établissement du budget opérationnel.

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors d'audits précédents et il a constaté qu'une question était à traiter, que quatre autres étaient en cours de traitement et qu'une question était de facto traitée, car rendue caduque par l'observation formulée pour l'exercice 2018.

L'IBAN a aussi adressé au directeur général de l'Agence de gestion de l'hélicoptère OTAN (NAHEMA) une lettre (IBA-AML(2019)0008) contenant deux observations à l'intention de la direction au sujet de l'exercice à l'étude et de la suite donnée aux observations formulées lors de précédents audits.

OBSERVATIONS ET RECOMMANDATIONS

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

Contexte

1.1 L'article 29.3 du Règlement financier de l'OTAN (NFR) stipule que le montant de chaque tranche doit être calculé de façon à limiter le total des avoirs en devises au minimum nécessaire pour couvrir les dépenses prévues jusqu'à la réception de la tranche suivante.

1.2 L'article 28.1 des règles et procédures financières de la NAHEMA prévoit que les pays doivent verser à la NAHEMA les fonds dont elle a besoin pour effectuer les paiements en cours d'exercice. En outre, lorsqu'elle effectue, en début d'exercice, sa première évaluation des contributions dues par les pays, la NAHEMA doit tenir compte :

- des liquidités issues des appels de fonds antérieurs encore disponibles sur les comptes des pays établis à cette fin ;
- des crédits reportés de l'exercice précédent ;
- des recettes diverses obtenues au cours de l'exercice précédent.

Constatations

1.3 Fin 2018, la situation de trésorerie de la NAHEMA était de 675 MEUR (millions d'euros). Les entrées nettes de trésorerie de 189 MEUR en 2018 ont fait augmenter la dette des contributions non dépensées d'un montant presque équivalent, après déduction d'un montant de 70 MEUR correspondant au premier appel de fonds de 2019 au titre du budget opérationnel adressé fin 2018 à un pays. Les liquidités détenues ne correspondent pas à des besoins de financement passés ou futurs (elles équivalent à présent à sept mois de dépenses), ce qui n'est pas conforme au Règlement financier de l'OTAN.

1.4 Par ailleurs, les appels de fonds lancés en 2018 pour le budget opérationnel ont atteint un total de 1,211 milliard d'euros, tandis que les dépenses se sont élevées à 1,048 milliard. Il y a donc une différence de 163 MEUR, montant presque équivalent aux entrées nettes de trésorerie pour l'année. Les appels de fonds lancés pour les besoins opérationnels sont surestimés de 15 %. Aucun ajustement important visant à réduire le dernier appel de fonds de sorte qu'il soit tenu compte des avoirs en caisse et des prévisions de dépenses restantes n'a été effectué en fin d'année.

1.5 Si cette situation devait perdurer, on assisterait à une augmentation mécanique et continue de la trésorerie et des équivalents de trésorerie ainsi que des engagements de contributions inutilisés dont on ignore les échéances (685 MEUR fin 2018, après la correction indiquée plus haut).

Recommandations

1.6 L'IBAN recommande que la NAHEMA fasse en sorte que les appels de contributions couvrent uniquement les paiements à effectuer au cours de l'exercice financier concerné, conformément aux règles et procédures financières de la NAHEMO. Par ailleurs, la NAHEMA devrait aussi réduire ses avoirs en devises au minimum nécessaire pour couvrir les paiements prévus jusqu'à la réception de la tranche suivante et liquider les contributions inutilisées dans la même mesure.

2. NÉCESSITÉ D'AMÉLIORER L'ÉTABLISSEMENT DU BUDGET OPÉRATIONNEL

Contexte

2.1 D'après l'IPSAS 24 « Présentation de l'information budgétaire dans les états financiers », la présentation dans les états financiers des montants du budget initial et du budget définitif et des montants réels sur une base comparable à celle du budget qui est rendu public complétera le cycle de reddition de comptes en permettant aux utilisateurs des états financiers d'identifier si les ressources ont été obtenues.

2.2 Selon l'article 15.1 des règles et procédures financières de la NAHEMO, chaque chapitre du budget opérationnel doit indiquer le montant total des dépenses devant être autorisées par le Comité directeur et par le Comité directeur de la communauté au cours de l'exercice suivant, sur la base des prévisions détaillées des paiements qui vont effectivement arriver à échéance (budgétisation basées sur les réalisations), ainsi que l'estimation des contributions dues par chaque pays.

2.3 L'article 18.1 dispose qu'aux réunions du Comité directeur et du Comité directeur pour la communauté qui se tiennent en juin, pour chaque année budgétaire, la NAHEMA soumettra aux pays, par l'intermédiaire du Comité exécutif conjoint (JEC) et du Comité exécutif conjoint pour la communauté (CJEC), un rapport intermédiaire sur l'état de l'exécution du budget de l'exercice en cours ainsi qu'une proposition contenant les adaptations jugées nécessaires ou expressément demandées par les pays. La NAHEMA adaptera ensuite le budget de l'année en cours en fonction des décisions des pays, et tiendra compte des incidences que cela aura sur l'année budgétaire suivante.

2.4 L'article 19.2 relatif au budget opérationnel prévoit qu'en fin d'exercice, les crédits nécessaires pour le paiement de travaux ou de services non achevés au cours de l'exercice et pour lesquels aucun paiement n'a encore été effectué seront automatiquement ajoutés à la ligne correspondante du budget de l'année suivante du pays concerné. Ces reports devront être notifiés au JEC et/ou au CJEC s'il y a lieu.

Constatations

2.5 Le budget opérationnel initial 2018 est de 1,185 milliard d'euros, tandis que le budget opérationnel final s'élève à 1,531 milliard. Les appels de fonds lancés en 2018 au titre du budget opérationnel se chiffrent à 1,211 milliard, soit une différence de 320 MEUR par rapport au budget opérationnel final. Le budget opérationnel est donc surestimé de 320 MEUR.

2.6 En outre, les engagements de 2017 reportés sur 2018 s'élèvent à 738,73 MEUR, et ceux de 2018 reportés sur 2019 atteignent 686,40 MEUR. Les engagements des exercices précédents reportés sur l'exercice à l'étude ont été utilisés seulement à hauteur de 203,81 MEUR, d'où le montant très élevé de crédits 2018 annulables (534,92 MEUR). Le montant élevé de crédits annulables est directement lié à la surestimation du budget opérationnel ainsi qu'à l'excédent de trésorerie détenu par l'Agence.

2.7 L'IBAN a également constaté que la NAHEMA n'avait pas communiqué au JEC et au CJEC le montant des engagements reportés de 2017 sur 2018 et de 2018 sur 2019.

Recommandations

L'IBAN recommande que la NAHEMA :

2.8 procède aux ajustements budgétaires nécessaires lors de l'examen de mi-exercice afin de corriger la surévaluation du budget opérationnel et d'aligner celui-ci sur les engagements et les paiements prévus dans le courant de l'année ;

2.9 passe en revue tous les engagements reportés des exercices précédents et justifie chacun d'eux, et qu'elle veille à déduire les crédits annulables des appels de fonds qui seront lancés au titre du budget opérationnel ;
en outre, l'IBAN réitère l'observation qu'il a formulée lors d'un précédent audit, à savoir qu'aucune analyse n'a été réalisée pour déterminer si les crédits engagés devaient être reportés ou annulés ;

2.10 communique au Comité directeur toutes les informations utiles sur les engagements reportés afin que les pays soient informés des crédits budgétaires disponibles pour l'année suivante.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits. On trouvera dans le tableau ci-après un récapitulatif de ces observations et des mesures prises par l'entité ainsi qu'un état de la question.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
(1) NAHEMO – Exercice 2017 IBA-AR(2018)23, paragraphe 1 ERREURS SIGNIFICATIVES DANS LA PRÉSENTATION DE L'ÉTAT DE L'EXÉCUTION DU BUDGET OPÉRATIONNEL Recommandation du Collège 1.9 Le Collège recommande à la NAHEMA de procéder aux calculs, vérifications, rapprochements et examens nécessaires afin que l'état de l'exécution du budget présente les montants corrects pour chaque poste budgétaire et que les pays puissent s'y fier pour prendre des décisions.	Dans ses états financiers 2018, la NAHEMA a amélioré l'exactitude des données présentée dans l'état de l'exécution du budget opérationnel. Dans les notes jointes aux états financiers, la NAHEMA explique que l'état de l'exécution du budget opérationnel est établi suivant la méthode de la comptabilité de caisse. Toutefois, l'état de l'exécution du budget opérationnel et l'état de l'exécution du budget administratif sont présentés suivant la méthode de comptabilité de caisse modifiée : les charges font état de la variation des montants dus et des charges sans décaissement (compensations). Il y a donc une différence de 63 219 157 EUR entre les charges présentées dans l'état de l'exécution du budget opérationnel et celles présentées dans le rapprochement entre l'état de l'exécution du budget opérationnel et le tableau des flux de trésorerie. Pour le budget administratif, la différence est de 149 854 EUR, ce qui peut induire en erreur les utilisateurs des états financiers. L'IBAN relève aussi que, dans le rapport sur l'exécution du budget, la NAHEMA a utilisé le terme « charges » au lieu du terme « dépenses », qui est plus approprié. En effet, le terme « charges » se rapporte au coût des biens et des	Question en cours de traitement.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
1.10 Le Collège recommande par ailleurs à la NAHEMA de renforcer le contrôle interne du compte rendu financier, notamment l'examen des états financiers effectué par la direction, de manière à ce que les lacunes dans la présentation des états financiers puissent être évitées ou détectées avant la publication des états financiers.	services fournis tandis que le terme « dépenses » fait référence aux paiements/décaissements. Dans le rapport sur l'exécution du budget, les montants indiqués correspondent à des paiements/décaissements, et il est donc incorrect de les qualifier de « charges ». En outre, le solde des crédits « Oracle » reportés de 2017 ne correspond pas au solde présenté dans l'état de l'exécution du budget opérationnel 2018 (différence de 3 347 720 EUR). Les crédits 2018 reportés s'élèvent à 686 400 334 EUR, ce qui correspond à la différence entre les engagements et les dépenses. Il n'y a toujours pas eu d'analyse pour savoir s'il faut reporter ou annuler les crédits engagés. État de la question 1.9 : en cours de traitement. Dans ses états financiers 2018, la NAHEMA avait fait des progrès dans le contrôle interne du compte rendu financier, notamment pour ce qui est de l'examen par la direction. Toutefois, rien ne permet d'affirmer à ce stade que le contrôle interne s'exerce par des vérifications croisées, à tous les niveaux de l'Agence. État de la question 1.10 : en cours de traitement.	
(2) NAHEMO – Exercice 2017 IBA-AR(2018)23, paragraphe 2 INEXACTITUDES, ERREURS ET PRÉSENTATION INCORRECTE D'INFORMATIONS DANS LES ÉTATS FINANCIERS, DUES À DES LACUNES DANS LE CONTRÔLE INTERNE DU COMPTE RENDU FINANCIER Recommandations du Collège 2.22 Le Collège recommande à la NAHEMA de renforcer son système de contrôle interne en améliorant l'établissement et l'examen des états financiers ainsi que le processus de	<i>Erreurs ayant un impact sur le budget opérationnel :</i> <u>Présentation des phases achevées et certifiées en fin d'exercice</u> Dans la note 13 jointe aux états	Question en cours de traitement.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
compte rendu les concernant. Il rappelle également que la direction est responsable de l'établissement et de la présentation des états financiers de l'entité. Le processus d'examen des états financiers est nécessaire pour obtenir l'assurance raisonnable que les états financiers ont bien été établis conformément au cadre de compte rendu financier applicable, ainsi que pour éviter et détecter les erreurs avant leur publication.	financiers 2018, le montant communiqué pour les phases achevées et certifiées en fin d'exercice est sous-évalué d'au moins 51 591 118 EUR. Ce montant correspond aux phases achevées fin décembre 2018 pour lesquelles des factures ont été reçues début 2019 et après la date butoir (28 janvier 2019). L'attention de la NAHEMA est appelée sur le fait que son analyse ne porte que sur les phases certifiées en décembre 2018, alors qu'il pourrait aussi y avoir des phases achevées dans le courant de 2018 pour lesquelles des factures n'ont pas encore été reçues et qui devraient aussi être mentionnées dans la note 13. <u>Sous-évaluation des montants dus aux fournisseurs</u> Les montants dus aux fournisseurs sont sous-évalués de 13 013 178 EUR dans le budget opérationnel. Cela s'explique principalement par le fait que les factures sont introduites dans le système Oracle seulement après vérification par la division Budget et par les responsables Achats et marchés. <i>Erreurs ayant un impact sur le budget administratif :</i> <u>Valeur nette des immobilisations corporelles</u> Les charges à payer pour l'exercice 2018 concernent notamment l'acquisition d'un serveur et d'un logiciel de gestion des risques pour un montant de 105 065 EUR, hors taxes. Ces éléments ont été mis en service fin 2018, mais n'ont pas été inscrits à l'actif. <u>Charges à payer déjà comptabilisées dans les montants dus aux fournisseurs</u> Des charges à payer pour l'exercice 2018 ont déjà été comptabilisées dans les montants dus aux fournisseurs pour un montant de 150 010 EUR (hors taxes). Ce montant correspond à la sous-évaluation des éléments évoqués plus haut qui n'ont	

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
2.23 Le Collège recommande à la NAHEMA de s'assurer que la présentation et la classement des éléments dans les états financiers sont conservés d'une période à l'autre. Lorsque la présentation ou le classement des éléments dans les états financiers est modifié, les montants fournis pour comparaison doivent être reclassés et des informations sur la nature du reclassement, le solde de chaque élément ou groupe d'éléments reclassés, et la raison du reclassement doivent être communiquées.	pas été inscrits à l'actif. <u>Présentation du tableau des flux de trésorerie</u> Une distinction devrait être faite entre les montants dus aux fournisseurs et les montants dus aux pays vu que les échéances ne sont pas les mêmes. Cela permettrait de mieux comprendre les flux de trésorerie. <u>Erreurs dans le solde d'ouverture du compte TVA</u> Le solde d'ouverture du compte TVA présente une erreur de 184 139 EUR, qui n'a pas pu être expliquée. Cela a un impact sur chaque compte dans la balance des comptes, mais pas sur les soldes indiqués dans les états financiers 2018. État de la question 2.22 : en cours de traitement. Aucun problème n'a été constaté dans le tableau comparatif et dans le classement des éléments dans les états financiers 2018. État de la question 2.23 : traitée	
(3) NAHEMO – Exercice 2017 IBA-AR(2018)23, paragraphe 3 NÉCESSITÉ D'APPORTER DES AMÉLIORATIONS DANS LES DOMAINES DE LA GESTION DES RISQUES, DU CONTRÔLE INTERNE ET DE L'AUDIT INTERNE Recommandations du Collège Le Collège recommande à la NAHEMA :	La NAHEMA continue de donner suite à la recommandation de l'IBAN.	Question en cours de traitement.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
a) de faire en sorte que le plan de gestion des risques soit approuvé et mis en œuvre ; b) de fixer la propension au risque en trois étapes : 1) définir la propension au risque 2) faire connaître la propension au risque 3) assurer le suivi et la mise à jour de la propension au risque sur une base régulière ; la NAHEMA devra veiller à ce que l'organe de gouvernance de la NAHEMO supervise et valide son travail à cet égard ; c) de procéder, de manière systématique et détaillée, à l'évaluation de ses procédures de contrôle interne et de gestion des risques et à leur consignation par écrit, en vue d'une mise en conformité avec le cadre de contrôle interne qu'elle a approuvé ; d) d'évaluer pleinement le contrôle interne et la gestion des risques dans l'ensemble de l'organisme, et de veiller à ce que ce travail soit clairement documenté, de manière à ce que l'on puisse aboutir à la conclusion que la NAHEMA respecte le cadre de contrôle interne ; e) de décharger le directeur général adjoint de la fonction de chef de l'audit interne et d'assurer la mise en place d'une fonction d'audit interne efficace en externalisant les services d'audit interne ou en partageant la fonction d'audit	Gestion des risques En décembre 2018, les logiciels Active Risk Manager (ARM) et ARM Risk Express destinés à aider la NAHEMA à créer un registre des risques à l'échelle de l'entité et à consigner l'évaluation des risques, le plan d'atténuation, les mesures à prendre et les propriétaires de risques ont été installés à l'Agence. Plusieurs formations consacrées à la gestion des risques et à l'utilisation des outils ARM ont été organisées entre novembre 2018 et février 2019. État de la question 3.13 a) : traitée. Le registre des risques, dont la version la plus récente date de juin 2019, est en cours de mise à jour avec le logiciel ARM. État de la question 3.13 b) : traitée. Contrôle interne En janvier 2019, la NAHEMA a réalisé un état des lieux du contrôle interne basé sur les 17 grands principes du système de contrôle interne COSO. Les grands principes ont été comparés avec la directive relative au dispositif de contrôle interne ainsi qu'avec la charte, le memorandum d'entente, les directives et les notes existants. Toutefois, l'Agence n'a pas consigné par écrit ses processus, les contrôles internes spécifiques qu'elle effectue ni les risques qui y sont associés afin de montrer clairement à tous qu'un système complet de contrôle interne est bien en place. État de la question 3.13 c) - d) : en cours de traitement. Audit interne En 2018, le directeur général adjoint a continué d'exercer ses fonctions de chef de l'audit interne. Les activités d'audit interne, encore limitées en termes de volume (trois audits internes), ont été	

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
interne avec d'autres entités OTAN, solutions qui garantissent l'indépendance de la fonction, dans les faits et en apparence, ainsi que le respect des normes professionnelles communément admises pour l'audit interne.	menées par une équipe d'audit composée du directeur général adjoint et d'un haut responsable chargé des questions de personnel ou du spécialiste de la gestion des risques liés au programme. Les normes communément admises en matière de contrôle interne concernant l'indépendance, le professionnalisme et l'expérience n'ont pas été respectées. En 2019, la création d'un poste de spécialiste de la gestion des risques liés au programme et d'auditeur interne a été approuvée. Toutefois, cette création de poste dépend de l'approbation des fonds nécessaires par le Comité directeur, qui se réunira en juin 2019. L'attention de la NAHEMA est appelée sur le fait qu'en application des normes internationales pour la pratique professionnelle de l'audit interne, en particulier la norme 1100 « Indépendance et objectivité », un double rattachement doit être assuré pour la fonction d'audit interne. En outre, selon la norme 1112 « Rôles du responsable de l'audit interne en dehors du cadre de l'audit interne », lorsque le responsable de l'audit interne se voit confier des rôles et/ou des responsabilités qui ne relèvent pas de l'audit interne (par exemple, la gestion des risques), des précautions doivent être prises pour limiter les atteintes à l'indépendance ou à l'objectivité. État de la question 3.13 e) : à traiter.	
(4) NAHEMO – Exercice 2016 IBA-AR(2017)29, paragraphe 2 ABSENCE DE PROCÉDURES FIABLES ET COORDONNÉES POUR L'INSCRIPTION DES IMMOBILISATIONS À L'ACTIF ET LA TENUE DES REGISTRES DES ACTIFS Recommandation du Collège 2.7 Le Collège recommande à la NAHEMA de tenir à jour des registres complets et exacts répertoriant tous les	La NAHEMA a approuvé en juin 2018 une directive relative à la comptabilisation et au contrôle des	Question en cours de traitement.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
actifs, conformément à l'article 12 du NFR. Il y a lieu de contrôler ces registres comme il se doit au niveau approprié, et il convient de dresser régulièrement l'inventaire des biens pour que les registres demeurent exacts et fiables.	immobilisations, qui décrit notamment certains processus liés à la gestion des actifs, dont l'inscription des immobilisations à l'actif et la tenue des registres des actifs. Cependant, l'IBAN constate que les registres des actifs ne sont pas encore tout-à-fait complets et exacts. État de la question 2.7 : en cours de traitement.	
2.8 Le Collège recommande également à la NAHEMA de mettre en place des procédures fiables et coordonnées visant à assurer que les nouvelles acquisitions soient inscrites à l'actif dans les immobilisations corporelles ou dans les immobilisations incorporelles.	Le processus de repérage dans les charges des acquisitions à inscrire à l'actif ne fait toujours pas l'objet d'un contrôle suffisant. État de la question 2.8 : à traiter.	
(5) NAHEMO – Exercice 2016 IBA-AR(2017)29, paragraphe 3 SÉPARATION DES TÂCHES INAPPROPRIÉE POUR CERTAINS PROCESSUS FINANCIERS Recommandation du Collège 3.6 Le Collège recommande à la NAHEMA d'assurer une séparation des tâches appropriée en confiant à des personnes différentes la responsabilité des paiements et la responsabilité de la comptabilité.	En 2018, les paiements étaient toujours exécutés par les mêmes membres du personnel, qui ont aussi la responsabilité de la comptabilité. En conséquence, la séparation des tâches n'a pas été assurée comme il se doit. En 2019, un poste de responsable payeur et de responsable trésorier a été approuvé. Toutefois, la création de ce poste dépend de l'approbation des fonds nécessaires par le Comité directeur, qui se réunira en juin 2019.	Question à traiter.
(6) NAHEMO – Exercice 2011 IBA-AR(2013)15, paragraphe 6 NIVEAU DES LIQUIDITES Recommandation du Collège 6.3.4 Le Collège recommande à la NAHEMA de ne procéder à des appels de fonds que lorsque les besoins de financement ne peuvent être couverts par les liquidités déjà mises à disposition par	Cette question est rendue caduque par l'observation 1 formulée pour l'exercice 2018.	Question question traitée.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT D'AVANCEMENT
les divers pays membres, comme prévu dans le Règlement financier de l'OTAN et dans celui de la NAHEMO.		

Une question est considérée comme étant « à traiter » lorsqu'aucun progrès notable n'a encore été réalisé en vue de son règlement. Une question est considérée comme étant « en cours de traitement » lorsque l'organisme OTAN visé a commencé à mettre en œuvre la recommandation correspondante ou lorsque certains éléments de la recommandation (mais pas tous) ont été suivis d'effets. Une question est considérée comme étant « traitée » lorsque la recommandation correspondante a été mise en œuvre ou qu'elle a été rendue ou est devenue caduque.

**COMMENTAIRES OFFICIELS
DE L'ORGANISATION DE GESTION DE L'HÉLICOPTÈRE OTAN (NAHEMO)
CONCERNANT LA LETTRE D'OBSERVATIONS
ET DE RECOMMANDATIONS ET POSITION DU COLLÈGE INTERNATIONAL
DES AUDITEURS EXTERNES DE L'OTAN**

**OBSERVATION 1 :
NÉCESSITÉ D'AJUSTER LES APPELS DE FONDS DE MANIÈRE À ÉVITER LES
EXCÉDENTS DE LIQUIDITÉS**

Commentaires officiels de la NAHEMO

La NAHEMO souscrit à l'observation, même si elle est parfois en contradiction avec les besoins actuels des pays. Les appels de fonds sont lancés pour couvrir les paiements prévus, dans le respect des intérêts des pays. Quoi qu'il en soit, la problématique des excédents de liquidités ainsi que les améliorations possibles seront étudiées à la prochaine réunion du Comité directeur.

Position de l'IBAN

L'IBAN maintient sa position au sujet de la nécessité d'ajuster les appels de fonds de manière à réduire les excédents de liquidités. La NAHEMA devrait par conséquent réduire ses avoirs en devises au minimum nécessaire pour couvrir les paiements prévus jusqu'à la réception de la tranche suivante et liquider les contributions inutilisées dans la même mesure.

**OBSERVATION 2 :
NÉCESSITÉ D'AMÉLIORER L'ÉTABLISSEMENT DU BUDGET OPÉRATIONNEL**

Commentaires officiels de la NAHEMO

La NAHEMO souscrit à l'observation. Le budget sera mieux ajusté sur les engagements et les paiements planifiés grâce à une analyse des phases en cours. Le JEC et le CJEC seront informés en conséquence et les pays seront tenus au courant des crédits disponibles et des crédits reportés.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

(1) NAHEMO – Exercice 2017

IBA-AR(2018)23, paragraphe 1

ERREURS SIGNIFICATIVES DANS LA PRÉSENTATION DE L'ÉTAT DE L'EXÉCUTION DU BUDGET OPÉRATIONNEL

La NAHEMO souscrit à l'observation.

(2) NAHEMO – Exercice 2017

IBA-AR(2018)23, paragraphe 2

INEXACTITUDES, ERREURS ET PRÉSENTATION INCORRECTE D'INFORMATIONS DANS LES ÉTATS FINANCIERS, DUES À DES LACUNES DANS LE CONTRÔLE INTERNE DU COMPTE RENDU FINANCIER

Erreurs ayant un impact sur le budget opérationnel :

L'utilisation systématique de la suite Oracle E-Business limitera les risques d'erreurs.

Erreurs ayant un impact sur le budget administratif :

L'utilisation systématique de la suite Oracle E-Business limitera les risques d'erreurs.

(3) NAHEMO – Exercice 2017

IBA-AR(2018)23, paragraphe 3

NÉCESSITÉ D'APPORTER DES AMÉLIORATIONS DANS LES DOMAINES DE LA GESTION DES RISQUES, DU CONTRÔLE INTERNE ET DE L'AUDIT INTERNE

Contrôle interne

Suite à l'état des lieux du contrôle interne qu'elle a réalisé en janvier 2019, la NAHEMA va analyser les processus financiers/contractuels et les contrôles internes/risques qui y sont associés.

Audit interne

En fonction de la décision que prendront les chefs de division à la 82^e réunion du Comité directeur, le nouveau poste d'auditeur interne et de spécialiste de la gestion des risques liés au programme sera pourvu à compter du 3 septembre 2019. Après que le/la titulaire du poste aura pris ses fonctions, la procédure d'audit interne de la NAHEMA sera mise en conformité avec les normes d'audit internationales (ISA) 1100 et 1112 afin que l'indépendance du/de la titulaire au sein de l'organisation et son rattachement hiérarchique soient dûment établis.

(4) NAHEMO – Exercice 2016

IBA-AR(2017)29, paragraphe 2

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

La NAHEMA souscrit à l'observation et utilisera un module dédié de la suite Oracle E-Business pour l'inscription des immobilisations à l'actif et la tenue des registres des actifs.

(5) NAHEMO – Exercice 2016

IBA-AR(2017)29, paragraphe 3

**SÉPARATION DES TÂCHES INAPPROPRIÉE POUR CERTAINS PROCESSUS
FINANCIERS**

En fonction de la décision que prendront les chefs de division à la 82^e réunion du Comité directeur, le nouveau poste, une fois pourvu, permettra d'assurer la séparation des tâches appropriée.



NAHEMA

"UNITE TO SUCCEED"

**NATO HELICOPTER D&D PRODUCTION AND LOGISTICS
MANAGEMENT AGENCY**



NAHEMO FINANCIAL STATEMENTS FOR
FINANCIAL YEAR 2018

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NAHEMO Financial Statements 2018

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ANNEX Statement of Budget Execution

GENERAL INFORMATION

The "NATO Helicopter for the 1990s Design and Development, Production and Logistics Management Organisation" (NAHEMO) is a NATO subsidiary body established with a view to meet the requirements of the French Republic, the Federal Republic of Germany, the Republic of Italy and the Kingdom of The Netherlands for the Design and Development, Production and In-Service Support of a NATO Helicopter for the 1990s (NH90). The NATO Council approved the NAHEMO Charter on 7th February 1992.

NAHEMO consists of the *Steering Committee* (SC), composed of representatives of the Participants, and the Agency called NAHEMA.

On 8th June 2000 the Memorandum of Understanding (MOU) for the Production (P) Phase of the NH90 including Production Investment (PI) and Initial In-Service Support (IISS) was signed.

With the signature of the Addendum No. 1 to the MOU on 21st June 2001 Portugal joined the Programme.

On 17th July 2004 the NH90 Community MOU (CMOU) between NAHEMO Nations and Nordics Standard Helicopter Programme (NSHP) Nations (Finland, Norway and Sweden) has been signed with the aim that NAHEMA provides support in standardisation, qualification and interoperability to the Nordics. Australia and Belgium were admitted to the CMOU in 2008/2009.

With the signature of the NH90 Belgian Production MOU on 12th June 2007 Belgium joined the Programme.

On 23rd December 2004 the NH 90 ISS (In-Service Support) MOU between NAHEMO Nations has been signed to set out the framework for the In-Service Support Phase of the NH90. With the signature of the amendment No. 1 Belgium on 25th October 2006 was admitted to the ISS MOU.

On 29th May 2013 the amendment No. 4 to the CMOU has been signed concerning the admission of the Kingdom of Spain and New Zealand.

In the year 2014 Portugal decided to withdraw from the NH90 programme. The Addendum 6 to the NAHEMO Charter dealing with Portugal withdrawal from the NH90 programme was brought in force on 16th January 2015. The modification to the General MOU dealing with the same issue was brought in force on October 2017.

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

The main goals of NAHEMO for years 2018 and after are:

- To ensure the delivery of serviceable and sustainable H/C (production and retrofits);
- To put into service the contracted capacities and to develop new operational capabilities;
- To put in place an effective and efficient in-service support;
- To develop the affordability and cost efficiency of the programme;
- To develop the efficiency of the NH90 Programme Organization.

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In 2018, in order to support the above mentioned goals, the following main operational activities have been performed:

- Preparation and signature of international agreements (MoU,...) amongst Nations;
- Preparation of budgets;
- Preparation of Statements of Work, negotiation and awarding of contracts;
- Assessment of the achievement of the technical Milestones of the awarded contracts;
- Assessment of invoices and execution of payments;
- Development of internal directives and guidance to streamline and improve procedures;
- Management of the execution of the NH90 programme, including qualification of the NH90 variants, configuration management, quality assurance, production of helicopters, logistic support, risks management;
- Preparation of the Risk Management document and definition of the internal process to manage Programme risks;
- Preparation of the Contract & Procurement Principle aiming at describing NAHEMA Contract & Procurement processes and the involvement of Nations in the contractual procedure.

On a financial point of view, NAHEMA is maintaining two different budget types:

- The Administrative Budget (AB) for the administrative costs of NAHEMA;
- The Operational Budget (OB), composed of the following three chapters:
 - Chapter 1: expenditures related to Design and Development activities for FRA, DEU, ITA, and NLD, under the legal framework of the D&D MOU;
 - Chapter 2: expenditures related to Production Investment, Production, Integrated Logistics Support and Initial In-Service Support for FRA, DEU, ITA, NLD under the legal framework of the PI/P MOU and for BEL under the BEL Prod MOU;
 - Chapter 3: expenditures related to In-Service Support activities for all NH90 Community Nations (NAHEMO and non-NAHEMO) under the legal framework of the CMOU.

The Financial Statements on pages 1 to 29 and the Annex hereto were issued to the International Board of Auditors for NATO on 31 March 2019.



Uwe Fialkowski
General Manager



Adrianus van de Geijn
Financial Controller

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NAHEMO			
Statement of Financial Position			
As of 31 December 2018			
(in € '000)			
	2018	2017	Note
Assets			
Current assets			
Cash and cash equivalents	675,035	485,578	1
Short term investments (over 3 month)	0	0	
Receivables	127,353	22,261	2
Prepayments	0	0	3
Other current assets	0	0	
Inventories	0	0	
	802,388	507,839	
Non-current assets			
Receivables	0	0	
Property, plant & equipment	171	166	4
Intangible assets	104	138	5
Other non-current assets	0	0	
	275	304	
Total assets	802,663	508,143	
Liabilities			
Current liabilities			
Payables to suppliers	35,649	572	6
Payables to nations in respect of AB	2,489	3,152	6
Payables to nations in respect of OB	763,296	503,088	6
Unearned revenue	(42)	139	7
Advances	992	887	7
Short term provisions	0	1	
Other current liabilities:	4	0	7
	802,388	507,839	
Non-current liabilities			
Payables	0	0	
Long term provisions	0	0	
Deferred revenue	0	0	
Other non-current liabilities	0	0	
Total liabilities	802,388	507,839	
Net assets			
PP&E intangible assets reserves	304	268	8
Acquisition of PP&E and Intangible Assets	82	135	8
Surplus/(Deficit) for the Period	(111)	(99)	11
Total net assets / equity	275	304	

NAHEMO

Statement of Financial Performance

For the year ended 31 December 2018

(in € '000)

	2018	2017	Note
Revenue			9
Other revenue	11,621	11,138	
Financial revenue			
Total revenue	11,621	11,138	
Expenses			10
Personnel	(9,818)	(9,585)	
Operating	(1,217)	(1,102)	
Capital not capitalized	(202)	(152)	
Depreciation PP&E	(51)	(36)	
Amortisation Intangible Assets	(60)	(63)	
Provisions	(0)	(0)	
Value Added Tax	(205)	(185)	
Finance costs	(0)	(0)	
Accrued expenses	(179)	(113)	
Total expenses	(11,732)	(11,237)	
Surplus (Deficit) for the period	(111)	(99)	11

NAHEMO

Statement of Changes in Net Assets/Equity

For the year ended 31 December
2018

(in € '000)

	Reserves	Accumulated surplus / (deficit)	Total
Balance at the beginning of the period 2017	268	0	268
Changes in accounting policy			
Restated balance			
Exchange difference on translating foreign operations			
Gain / (losses) on property revaluation			
Acquisition of property	135		135
Surplus / (deficit) for the period		(99)	(99)
Change in net assets/equity for the year ended 2017	(99)	99	0
Balance at the end of the period 2017	304	0	304
Changes in accounting policy			
Restated balance			
Exchange difference on translating foreign operations			
Gain / (losses) on property revaluation			
Acquisition of property	82		82
Surplus / (deficit) for the period		(111)	(111)
Change in net assets/equity for the year ended 2018	(111)	111	0
Balance at the end of the period 2018	275	0	275

NAHEMO Statement of Cash Flow

For the year ended 31 December 2018

(in € '000)

	2018	as restated 2017	Comments
Cash flow from operating activities			
Surplus / (Deficit)	(111)	(99)	
Non cash movements			
Depreciation/amortisation	111	99	N.B.1
Impairment	0	0	
Increase / (decrease) in payables	294,622	(330,187)	
Increase / (decrease) in unearned revenue	(182)	41	
Increase / (decrease) in provisions	0	0	
(Gains) / losses on sale of property, plant and equipment	0	0	
Decrease / (Increase) in net assets	82	135	N.B.2
Decrease / (Increase) in receivables	(105,092)	207,723	
Increase / (decrease) in advances	105	(1,752)	
Increase / (decrease) in other current liabilities	4		
Net cash flow from operating activities	189,539	(124,040)	
Cash flow from investing activities			
Purchase of property plant and equipment / Intangible assets	(82)	(135)	N.B.3
Proceeds from sale of property plant and equipment	0	0	
Net cash flow from investing activities	(82)	(135)	
Cash flow from financing activities	0	0	
	0	0	
Net cash flow from financing activities	0	0	
Net increase / (decrease) in cash and cash equivalents	189,457	(124,175)	
Cash and cash equivalent at the beginning of the period	485,578	609,753	
Cash and cash equivalent at the end of the period	675,035	485,578	

N.B.1: Due to an error depreciation/amortisation was not presented in the Cash Flow Statement of the Financial Statements 2017.

N.B.2: The increase in net assets (PP&E additions – financing of depreciation) was incorrectly presented as a cash outflow in 2017.

N.B.3: The purchase of PP&E was incorrectly presented as a cash inflow in 2017.

A. Accounting Policies

Accounting Period

These 2018 Financial Statements are based on the accounting records of NAHEMO as of 31 December 2018. In accordance with Article 2 of the NFR, the financial year at NAHEMO begins on 1 January and ends on 31 December of the year.

Reporting Currency

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

Basis of preparation

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

The accounting principles recognized as appropriate for the recognition, measurement and reporting of the financial position, performance and cash flows on an accrual based accounting using historical costs have been applied consistently throughout the reporting period to ensure that the financial statements provide information that is relevant to the decision-making and reliable, comparable, and understandable in light of the qualitative characteristics of financial reporting as well as of the principle of the right balance between the benefits derived from the information and the costs of providing it.

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

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

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NAHEMO considers that it is acting as an agent for its member states in relation to managing the NH90 programme. As NAHEMO is not exposed to the risks or rewards of the programme and is paying Industry on behalf of NAHEMO member states it considers that it should show the net consideration received from member states for running the programme and match this to expenditures; this revenue and expenditure is equivalent to NAHEMO's AB. NAHEMO's management considers that this information provides more reliable and transparent financial reporting to users of the financial statements. The change in accounting policy is in accordance with IPSAS 9: Revenue from Non-Exchange Transactions.

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

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

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

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

Changes in accounting policy

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 2018 Financial Statements the accounting policies have been applied consistently throughout the reporting period.

The impacts of any other change to the entity accounting policy have been identified in the notes under the appropriate headings.

Assets – Current Assets

The entity holds the following types of current assets:

a. Cash and cash equivalents

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

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b. Receivables

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

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

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

c. Inventories

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

d. Prepayments

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

Assets – Non - Current Assets

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

a. Property, Plant and Equipment

Basic Principles

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

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

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

Category	Capitalisation Threshold	Useful life	Depreciation method
Land	€200,000	N/A	N/A
Buildings	€200,000	40 years	Straight line
Other infrastructure	€200,000	40 years	Straight line
Installed equipment	€30,000	10 years	Straight line
Machinery	€30,000	10 years	Straight line
Vehicles	€10,000	5 years	Straight line
Aircraft	€200,000	Dependent on type	Straight line
Vessels	€200,000	Dependent on type	Straight line
Mission equipment (e.g. deployable assets)	€50,000	3 years	Straight line
Furniture	€30,000	10 years	Straight line
Communication systems	€1,000	3 to 5 years	Straight line
Automated information systems	€1,000	3 to 5 years	Straight line

Impairment of tangible assets

The carrying values of fixed assets are reviewed for impairment if events or changes in circumstances indicate that they may be not recoverable. In 2016 no indication existed to review the values of fixed assets for impairment.

b. Intangible assets

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

Current liabilities

a. Payables

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

b. Unearned revenue, advances and amounts owing to nations

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

Advances are contributions received related to future years' ABs.

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

c. Employee benefits

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

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

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

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

Non-Current liabilities

Provisions

Provisions are recognised when the entity has a legal or constructive obligation as a result of past event, and where it is probable that an outflow of resources will be required to settle the obligation, and where a reliable estimate of the amount of the obligation can be made. In 2018 NAHEMO has no provisions.

Net Assets

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

Revenue and expense recognition

a. Revenue

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

Revenue comprises contributions from Member Nations to fund the NAHEMO AB. It is recognized as revenue in the statement of financial performance when such contributions are used for their intended purpose as envisioned by the AB. Revenue is recognized to the extent that it is probable that the economic benefits will flow to NAHEMO and the revenue can be measured reliably. The balance of unspent contributions and other revenues that relate to future periods are deferred accordingly.

Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, NAHEMO recognizes a liability until the condition is fulfilled.

b. Expenses

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

Surplus or Deficit for the Period

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

Cash Flow Statement

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

B. Significant Accounting Judgements and Estimates

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

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

C. Notes to Statement of Financial Position

Assets – Current Assets

1. Cash and cash equivalents

	December 31, 2018	December 31, 2017
	€ '000	€ '000
Petty Cash	1	1
Current Bank Accounts	395,044	344,792
Cash equivalents	279,991	140,785
Total Cash and cash equivalents	675,035	485,578

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

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

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

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

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2. Accounts receivable

	December 31, 2018	December 31, 2017
	€ '000	€ '000
Contributions from Member Nations		
Receivable from Nations related to AB	(35)	851
Receivable from Nations related to OB	127,139	21,206
Other receivables		
Receivables VAT reimbursement 2017	25	187
Receivables VAT reimbursement 2018	205	-
Receivable accrued interest	19	17
Total Receivables	127,353	22,261

Contributions from Member Nations

Contributions receivables from Member Nations are recognised when called.

Receivables from Nations related to the AB funding

The accounts receivable from Nations related to the NAHEMO AB are related to the NAHEMO Nations (France, Germany, Italy, The Netherlands and Belgium), and the Non-NH90-Programme Contributing Participants Finland, Norway and Sweden (the so called NORDIC Nations) and Australia, Spain and New Zealand.

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

With Programme Arrangement No. 1 to the NH90 Community MOU an additional ceiling amount of EUR 750,000 on economic conditions of 01/01/1999 has been fixed for the NAHEMA activities in favour of the NORDIC Nations depending on the agreed scope of work. The NORDIC Nations contribute to the AB starting from the financial year 2005.

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

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

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

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

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In 2018, the NAHEMO Nations were invited to pay EUR 9,921,485.00 the NORDIC Nations share was EUR 1,366,120.00 and the share for Australia, New Zealand and the Kingdom of Spain was EUR 780,640.00.

Lapsed funds 2016 in the amount of EUR 82,334.68 were to be offset from call for funds in 2018 as per decision 34th Financial Administrative Committee Meeting 18 - 20 October 2017. Respective credit memos were created and credited against the 2nd call for funds 2018.

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

Receivables from Nations related to OB funding

At the end of Budget Year 2018, a total OB receivables of EUR 127,139,797.42 was recorded, of which EUR 70,000,000.00 had been called on request of one Nation for the 2019 Budget.

Receivables VAT reimbursement

These are receivables for outstanding VAT reimbursements from 2017 in the amount of EUR 24,535.68 and from 2018 in the amount of 204,650.32 from the French Minister of Finance for a total of EUR 229,186.00.

According to the MOUs, VAT is payable by the country levying it, which is France in the case of the NH90 Programme. The Finance and Administrative Committee (FAC) decided that the AB is to be submitted exclusive of VAT. VAT payments are kept in a specific expense account and will be reimbursed by the French Ministry of Finance (MoF).

VAT payments not reimbursed by MoF due to French internal regulations will be compensated by the French Ministry of Defence (MoD). This practise was confirmed per decision 34th Financial Administrative Committee Meeting 18-20 October 2017.

3. Prepayments

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

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

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

	Vehicle	Automated Information Systems	Total
	EUR	EUR	EUR
Cost			
Net book value			
Balance at 31 December 2017	N/A	165,783.85	165,783.85
Additions	32,157.00	24,070.60	56,227.60
Disposals	-	-	-
Revaluation	-	-	-
Balance at 31 December 2018	32,157.00	24,070.60	56,227.60
Accumulated depreciation			
Depreciation expense	2,679.75	47,865.72	50,545.47
Balance at 31 December 2018	2,679.75	47,865.72	50,545.47
Net book value			
Balance at 31 December 2018	29,477.25	141,988.73	171,465.98

In 2018 NAHEMA purchased a vehicle and automated information systems for EUR 56,227.60 that are capitalized on NAHEMO's Statement of Financial Position. The total depreciation charge for the year 2018 was EUR 50,545.47 and results in a total net book value of EUR 171,465.98 for property, plant and equipment.

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5. Intangible assets

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

	Computer Software (off the shelf)	Computer Software (bespoke)	Total
	EUR	EUR	EUR
Cost			
Net book value			
Balance at 31 December 2017	138,184.09	N/A	138,184.09
Additions	15,923.65	9,820.00	25,743.65
Disposals	-	-	-
Revaluation	-	-	-
Balance at 31 December 2018	15,923.65	9,820.00	25,743.65
Accumulated amortisation			
Amortisation expense	60,037.81	272.78	60,310.59
Balance at 31 December 2018	60,037.81	272.78	60,310.59
Net book value			
Balance at 31 December 2018	94,069.93	9,547.22	103,617.15

In 2018 NAHEMA purchased computer software for EUR 25,746.65 that are capitalized on NAHEMO's Statement of Financial Position. The total amortisation charge for the year 2018 was EUR 60,310.59 and results in a total net book value of EUR 103,617.15 intangible assets.

Liabilities – Current Liabilities**6. Payables**

	December 31, 2018	December 31, 2017
	€ '000	€ '000
Payables AB suppliers	370	129
Payables OB suppliers	35,278	443
Payables to suppliers	35,649	572
Payables to Nations in respect of AB	2,489	3,152
Payables to Nations in respect of OB	763,296	503,088
Payables to Nations	765,786	506,240
Other Payables	0	0
Total Payables	801,434	506,812

Payables to AB Suppliers

In 2018 there are payables to AB suppliers for the purchase of goods and services of EUR 188,221.21 and to staff members for duty trips done in 2018 of EUR 2,524.83. Payables also contain liabilities for accrued expenses in the amount of EUR 179,465.72.

Payables to OB Suppliers

For 2018 there are payables to OB suppliers in the amount of EUR 35,278,291.21.

Payables to AB funding nations in respect of AB

This represents the net revenue containing interest, bank charges, lapses, and over/under call in 2018. The net result in the amount of EUR 2,489,330.05 has to be reimbursed to the nations following the MOU cost sharing agreement and NAHEMO SC decisions towards the NAHEMO AB funding.

Lapsed funds 2017 in the amount of EUR 1,631,892.94 will be offset from call for funds in 2019. Respective credit memos will be created and credited against the 2nd call for funds 2019.

Lapsed funds 2018 in the amount of EUR 849,766.39 will be offset from call for funds in 2020. Respective credit memos will be created and credited against the 2nd call for funds 2020.

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Payables to OB funding nations in respect of OB

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

The amount of EUR 763,296,494.06 represents balances held by NAHEMO or owed from member Nations which are in turn owed to nations until they are expensed on the OB. Due to a change in accounting policy in 2013, contributions for next year's OB are shown as payables to Nations. The amount of unused contributions (OB) includes FRA contributions in the amount of EUR 70,000,000.00 for next year's OB.

In the table below, the details of the total payables to Nations of EUR 2,489,330.05 (AB) and EUR 763,296,494.06 (OB) are explained.

Interest held on operational bank accounts have accumulated since 2007 to EUR 1,909,344.09.

Payables to Nations at the end of 2018	
Payables to Nations in respect of AB	
	EURO € '000
Misc. Payables	7
Lapsed Funds related to Budget Year 2017	1,632
Lapsed Funds related to Budget Year 2018	850
	2,489
Payables to Nations in respect of OB	
	EURO € '000
Interest	1,909
Lapsed Funds NSPA related to Budget Year 2011	105
Unallocated Contributions	5,900
Unused Contributions	755,381
Misc. Payables	1
Total OB Related	763,296

Other Payables

In 2018 there are no other payables.

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7. Unearned Revenue and Advances

	December 31, 2018	December 31, 2017
	€ '000	€ '000
Unearned Revenue AB	(42)	139
Advances AB	992	887
Total	950	1,026

Unearned Revenue AB

Unearned revenue AB consists of contributions and other transfers received or receivable, but for which corresponding charges will be incurred after the reporting date. The unearned revenue liability as of 31 December 2018 was EUR (42,095.71). This negative amount is connected to the VAT Reimbursement 2017. Due to the new online procedure ESCALE VAT reimbursement for 2017 was requested in 2018 and will be reimbursed by Service de Remboursement de la TVA in 2018 and 2019.

In note 9, it is explained how the unearned revenue 2017, contributions and revenue recognition in 2018 result in the unearned revenue 2018.

Advances AB

Advances related to the AB are contributions called in advance relating to the 2018 Budget. EUR 991,922.53 was an advanced contribution from Germany.

Other current liabilities

The amount of EUR 3,917.74 is connected to an error in the ORACLE system at the fiscal year change and a wrong booking of interest in the 1st quarter of 2018. Together with ORACLE consultants NAHEMA is working on a solution.

Net Assets

8. PP&E and Intangible Asset Reserve

Net assets of EUR 275,083.13 are represented by PP&E and intangible asset reserve of EUR 303,967.91, plus acquisition for 2018 of 81,971.25 EUR minus the depreciation/amortisation for 2018 of EUR 110,856.06.

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Reconciliation of Unearned Revenue AB 2017 with 2018	
	EURO € '000
Unearned Revenue 31 December 2017	1,026
Reversal accruals 2017	113
Call for Funds 2018	11,182
Call for Funds 2019	992
VAT paid 2017 to be reimbursed in 2018	185
VAT paid 2018 to be reimbursed in 2019	205
Accrued Expenses 2018	(179)
Revenue earned 2018	(11,237)
Bank Charges	(1)
Revenue earned in 2018 for VAT 2018	(205)
Payable to Governments 31 December 2018	(946)
VAT 2017 reimbursed 2018	(160)
VAT 2017 reimbursed 2019	(25)
Total unearned revenue 31 December 2018	950

10. Expenses

Expense recognition for the 2018 AB and previous years carried forward budgets activities are based upon actual payments made together with accrued expenses which are based on value of work completed by contractors or duty trips performed where invoices are not yet received. Depreciation for PP&E and Intangible Assets for 2018 is reflected as expense.

AB Expenses are recognized by nature within the following groups.

Personnel

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

Contractual Supplies and Services

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

D. Notes to Statement of Financial Performance

9. Revenue

The revenue recognition is matched with the recognition of expenses against the NAHEMO AB. Contributions when called are booked as an advance under unearned revenue and subsequently recognised as revenue when it is earned.

The table below shows the revenue from exchange transactions for the AB 2017 and 2018.

	December 31, 2018	December 31, 2017
	€ '000	€ '000
<i>Revenue AB</i>		
Contributions	11,417	10,954
Revenue	11,417	10,954

The revenue recognition is matched with the recognition of expenses.

Reconciliation between Revenue and Unearned Revenue

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

The starting balance of the unearned revenue at the beginning of 2018 is EUR 1,026,038.45. The reversal for accrued expenses is EUR 113,273.77, the total amount called in 2018 reads EUR 12,068,242.00. EUR 184,539.81 was recorded for the VAT paid in 2017 to be reimbursed in 2018. EUR 204,650.32 was recorded for the VAT paid in 2018 to be reimbursed in 2019. The revenue recognized in 2018 is EUR 11,416,760.74 for expenses and EUR 389,190.13 for VAT expenses; lapsed funds to be returned to Nations are for an amount of EUR 946,266.59. This results in unearned revenue of EUR 949,826.82 at the end of 2018.

Reconciliation between Revenue and Expenses

The Revenue related to the AB that has been recognized in 2018 relates directly to the expenses that can be attributed to the AB. For the AB the total revenue incurred is matched with the total expenses recognized in 2018 for a total of EUR 11,732,267.62.

The depreciation for PP&E and amortisation for intangible assets are reflected as expense and cannot be matched with the Revenue and therefore result in a net surplus/deficit for the year 2018 of EUR 110,856.06.

11. Surplus or Deficit for the Period

In the Statement of Financial Performance the surplus/deficit of the period of EUR 110,856.06 represent the annual depreciation expense for PP&E and annual amortisation expense for intangible assets.

12. Bank Charges / Negative Interest

In 2018 bank charges exceeded the interest earned.

For the AB, charges were expensed and recognized as revenue in accordance with 76th NH90 Steering Committee decision.

For the OB, charges were offset from payable interest previous years in accordance with respective Nations' requests.

In 2018 one NAHEMO Nation was charged with negative interest on its operational bank accounts.

For this Nation, negative interest in the amount of EUR 7,313.45 was offset from payable interest of previous years in accordance with respective Nation's request.

13. OB Milestones achieved 2018

As of 31 December 2018 milestones in the amount of EUR 36,852,849.08 had been declared achieved but were not invoiced before closing of F.Y. 2018. Hence, they were not recognized as payables in F.Y. 2018.

E. Events after Reporting Date

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

At the end of 2018, one OB Call for Funds (CFF) out of 2018 for Chapter 11 was still unpaid. This CFF with the amount of EUR 957,072.16 was cancelled and adjusted to 0 in March 2019 in accordance with respective Nations' request.

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

Operating Leases

NAHEMA rents premises on an operating lease. The annual rent for the premises is EUR 474,407.01 inclusive accessory charges. The lease for buildings A and B will terminate in 2020. NAHEMA rented photocopiers on an operating lease until 31st August 2018. The rent for the photocopiers was EUR 32,715.00. From September 2018 on NAHEMA used purchased photocopiers.

Capital & Investment

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

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

	December 31, 2018	December 31, 2017
	€ '000	€ '000
Personnel	9,818	9,585
Operating	1,217	1,102
Capital	202	152
VAT	205	185
Depreciation PP&E	51	36
Depreciation Intangible Assets	60	63
Accrued Expenses	179	113
Finance Costs	0	0
Total Expenses AB	11,732	11,237

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

Personnel	57,878.00 EUR
Operating	42,291.95 EUR
Capital	79,295.77 EUR
Total	179,465.72 EUR

F. Related Parties Disclosure

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

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

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

Key Management Personnel

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

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

	December 31, 2018	December 31, 2017
	€ '000	€ '000
Basic salaries	740	765
Allowances	133	129
Post-employment benefits	74	92
Employer's contribution to Insurance	75	82
TOTAL	1.022	1.068

The Salary adjustment was +1.4% in 2018.

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Number of individuals on a full time equivalent basis	December 31, 2018	December 31, 2017
General Manager	1	1
Deputy General Manager	1	1
Other key management personnel (Division Leaders)	3	3
TOTAL	5	5

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

G. Employee Disclosure

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

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

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

	December 31, 2018	December 31, 2017
	€ '000	€ '000
Employee benefits expense	9,311	9,027
Post-employment benefits		
for defined benefit pension scheme	0	0
for defined contribution pension scheme	763	742
Total employee benefits expense	10,074	9,769

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

Further to an analysis covering the last years of the history of death in service risks in relation to premiums paid by the Organisation during 2012-2015, a compensation of EUR 6 million at the NATO-wide level was agreed by the insurance company. End 2018, the NATO Secretary General decided that a fraction of this amount (circa EUR 1,7 million) should be paid to NATO staff who were members of the DCPS during the period 2012-2015 in proportion to the contributions they made to the DCPS. Staff employed by "NATO body" during the period 2012-2015 and affiliated to the DCPS are therefore entitled to a payment to be made from the NATO DCPS accounts. A decision still has to be taken concerning the remaining amount of the compensation, which may result in a proportional payment to "NATO body".

H. Financial Instruments Disclosure/Presentation

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

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

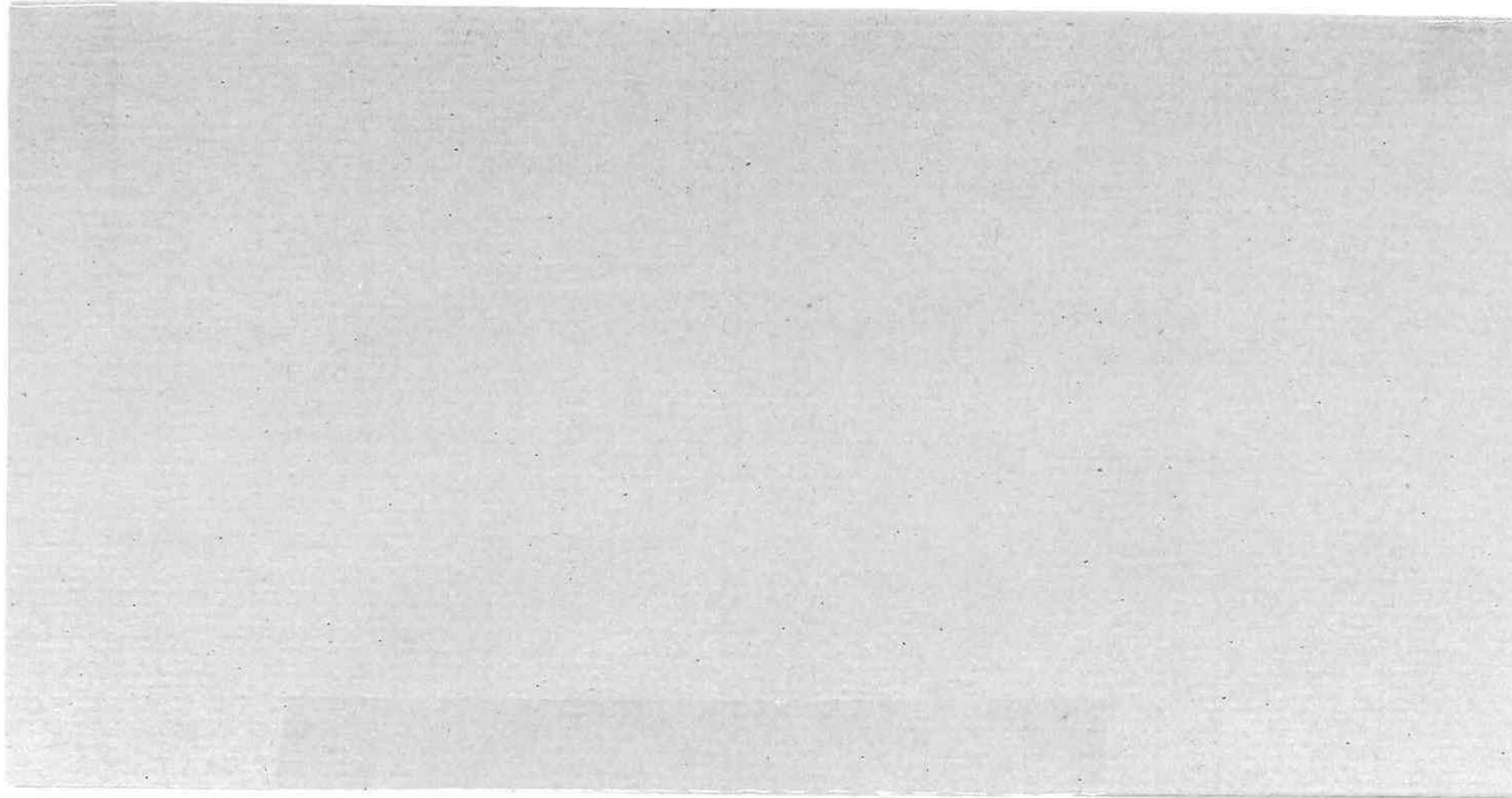
- Foreign currency exchange risk: NAHEMA is not exposed to foreign currency exchange risk because all contributions and payments are made in EURO
- Liquidity risk: The liquidity risk is based on the assessment whether the organisation will encounter difficulties in meeting its obligation associated with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

I. Bank Guarantees

NAHEMA's building rental contracts include two bank guarantees ("cautionnement bancaire") with Credit Agricole Bank in favour of société GENEPIERRE for EUR 258,805.00 and in favour of société ATLANTIQUE MUR REGIONS S.C.P.I. of EUR 19,308.58.

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

Statement of budget execution as at 31 December 2018 and for the year ended (Annex as per the NFRs para. 34)



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ANNEX NAHEMO FINANCIAL STATEMENTS 2018

Statement of Budget Execution as of 31 December 2018 in EUR (Annex as per the NFRs para. 34)

ADM Bud 2018	Initial budget	budget adjustment	Final budget	Carry forward 2017 (Open Commitment)	Commitments	Expenses	Carry forward (Open Commitment)	Lapsed (Open Credit)
Chapter 1	10,273,850.00		10,273,850.00		9,839,783.71	9,817,534.42	22,249.29	434,066.29
Chapter 2	1,583,745.00		1,583,745.00		1,272,867.89	1,217,433.39	55,434.50	310,877.11
Chapter 3	210,650.00		210,650.00		202,072.21	202,072.21	0.00	8,577.79
Total FY 2018	12,068,245.00	0.00	12,068,245.00	0.00	11,314,723.81	11,237,040.02	77,683.79	753,521.19

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NAHEMO FINANCIAL STATEMENTS 2018

Notes to the Statement of Budget Execution

Comparison of Budget Execution and Statement of Financial Performance

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

The difference between the Budget Execution Statement for the AB and the accrual based inputs in the Statement of Financial Performance is based on the payables accrued expenses amount of EUR 179,465.72, the depreciation amount of EUR 110,856.063 and the VAT paid amount of EUR 204,650.32.

The following table represents this reconciliation.

BUDGET	EXPENSE IN BUDGET EXECUTION STATEMENT (including bank charges) € '000	Adjustments for Payables accrued Expenses € '000	Adjustments for VAT paid € '000	Adjustments for Depreciation € '000	EXPENSE IN STATEMENT OF FINANCIAL PERFORMANCE € '000
ADMINISTRATIVE BUDGET 2018	11,237	179	205	111	11,732
TOTAL	11,237	179	205	111	11,732

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

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

The ORIGINAL AB is based on estimates and has been approved by the NAHEMO Steering Committee during the 30 CSC meeting held on the 28th and 29th of November 2017.

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The AB COMMITMENTS 2018 are mainly based on personal cost for the NAHEMA employees and purchase and service contracts signed in order to run the agency. In the "Statement of Budget Execution", the column "Carry forward" shows the remaining commitments at year end to be carried forward to the next year. Committed credits carried forward are allowed to be carried forward for two years. At the end of the third year, they will be finally cancelled. The column "Expenses" shows the total amount expensed during the year. The column "Lapsed" shows the difference between the total amount of credits minus the total amount committed, lapsed at year end and to be given back to Nations.

At the end of 2018, EUR 946,266.59 were lapsed, and will be given back to Nations. Hence, payable lapses to Nations add up as follows: Coming from Budget 2017: EUR 96,500.20 and coming from Budget 2018: EUR 849,766.39.

RECONCILIATION OF ADM BUDGET EXECUTION TO CASH FLOW STATEMENT

Expense (cash based) on AB	(11,266,025.12)
Cash received on AB	11,566,912.12
Net outflow on AB	(300,887.00)
Net cash flow as per cash flow statement	347,990.88
Difference	(47,103.88)

Represented by:

(255.00)	Bank Charges
(112,645.25)	Misc. Payments
160,004.13	VAT reimbursed

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

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

The OB 2018 has been approved during the 30 CSC meeting held on the 28th and 29th of November 2017, except for France and Italy, which approved ex-committee in December 2017 and January 2018 respectively.

NAHEMO FINANCIAL STATEMENTS 2018

RECONCILIATION OF OP BUDGET EXECUTION TO CASH FLOW STATEMENT

Expense (cash based) on OB	(985,641,876.71)
Cash received on OB	1,174,756,087.10
Net outflow on OB	189,114,210.39
Net cash flow as per cash flow statement	189,109,309.40
Difference	4,900.99

Represented by:

15,342.90 Interest paid to Treasuries

1,254.10 Bank Charges

9,627.18 Negative Interest

(21,323.19) Interest earned

Statement of Credits carried forward

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

NAHEMA AB 2018		
(EUR)	STATEMENT OF CREDITS CARRIED FORWARD TO 2018	
CHAPTER		REMARKS
01 Personnel	22,249.29	Education allowances, overtime, removal, recruitment, home leave, medical examinations CEPMA costs to be finalized
02 SUPPLIES	55,434.50	Maintenance, travel missions, computerization technical assistance, leasing costs to be finalized
03 CAPITAL	0.00	Software, security costs to be finalized
TOTAL	77,683.79	

NAHEMO FINANCIAL STATEMENTS 2018

Statement of transfers

In accordance with the Section I art. 12 of the NAHEMO FINANCIAL RULES AND PROCEDURES (approved on 20/10/2017), a statement of budgetary transfers recorded in 2018 is presented in the following table:

NAHEMA ADMINISTRATIVE BUDGET 2018 TRANSFERS AUTHORISED IN ACCORDANCE WITH ARTICLE 12 OF NAHEMO FINANCIAL RULES AND PROCEDURES
--

ORIGIN OF THE CREDITS			CREDITS NEEDED			GRAND TOTAL
BUDGET ITEM LINE	AMOUNT	TOTAL	BUDGET ITEM LINE	AMOUNT	TOTAL	
1110ADM	10,000.00 €	10,000.00 €	1116ADM	10,000.00 €	10,000.00 €	0.00 €
1111ADM	30,000.00 €	30,000.00 €	1110ADM	30,000.00 €	30,000.00 €	0.00 €
1115ADM	80,000.00 €	80,000.00 €	1110ADM	80,000.00 €	80,000.00 €	0.00 €
1211ADM	31,000.00 €	31,000.00 €	1110ADM	31,000.00 €	31,000.00 €	0.00 €
1211ADM	18,000.00 €	18,000.00 €	1215ADM	18,000.00 €	18,000.00 €	0.00 €
1211ADM	10,000.00 €	10,000.00 €	1513ADM	10,000.00 €	10,000.00 €	0.00 €
1211ADM	1,000.00 €	1,000.00 €	1712ADM	1,000.00 €	1,000.00 €	0.00 €
1410ADM	45,000.00 €	45,000.00 €	1110ADM	45,000.00 €	45,000.00 €	0.00 €
1411ADM	30,000.00 €	30,000.00 €	1513ADM	30,000.00 €	30,000.00 €	0.00 €
2110ADM	20,000.00 €	20,000.00 €	2510ADM	20,000.00 €	20,000.00 €	0.00 €
2110ADM	25,000.00 €	25,000.00 €	2510ADM	25,000.00 €	25,000.00 €	0.00 €
2110ADM	2,800.00 €	2,800.00 €	2610ADM	2,800.00 €	2,800.00 €	0.00 €
2110ADM	8,000.00 €	8,000.00 €	2610ADM	8,000.00 €	8,000.00 €	0.00 €
2112ADM	300.00 €	300.00 €	2111ADM	300.00 €	300.00 €	0.00 €

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NAHEMO FINANCIAL STATEMENTS 2018

2117ADM	10,000.00 €	10,000.00 €	2111ADM	10,000.00 €	10,000.00 €	0.00 €
2412ADM	101.00 €	101.00 €	2413ADM	101.00 €	101.00 €	0.00 €
2412ADM	35.00 €	35.00 €	2913ADM	35.00 €	35.00 €	0.00 €
2413ADM	31.00 €	31.00 €	2911ADM	31.00 €	31.00 €	0.00 €
3211ADM	17,107.00 €	17,107.00 €	3111ADM	17,107.00 €	17,107.00 €	0.00 €
3211ADM	32,893.00 €	32,893.00 €	3215ADM	32,893.00 €	32,893.00 €	0.00 €
3214ADM	9,000.00 €	9,000.00 €	3211ADM	9,000.00 €	9,000.00 €	0.00 €
GRAND TOTAL		380,267.00 €			380,267.00 €	0.00 €

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NAHEMA FINANCIAL STATEMENTS 2018

Representation allowance

The NAHEMA General Manager is entitled to representation allowance to cover expenses associated with establishing and maintaining business relationships of value to NATO (e.g. hosting of functions such as dinners, luncheons and receptions). As per EM-HR(PSC)(2014)0008 dated 5 March 2014, including PO(2013)0154, the total entitlement to representation allowance for 2018 was EUR 9,700.00 of which EUR 808.40 were expensed. Remaining commitments were closed and credits were lapsed. Expenses 2018 were as follows:

	December 31, 2018	December 31, 2017
	€	€
Rental supplement expenses	0.00	0.00
Hospitality expenses	808.40	716.27
Total	808.40	716.27



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD

INTERNATIONAL BOARD OF AUDITORS FOR NATO
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN



NATO SANS CLASSIFICATION

IBA-A(2019)0057
4 juillet 2019

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

Cc : Président du Comité de direction de la NAMEADSMO en liquidation
Chef du bureau du liquidateur de la NAMEADSMO en liquidation
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Secrétariat et finances du Bureau OTAN des ressources
Bureau d'ordre du Cabinet

Objet : ***Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) sur la vérification des états financiers de l'Organisation de gestion du système de défense aérienne élargie à moyenne portée de l'OTAN (NAMEADSMO) en liquidation pour l'exercice clos le 31 décembre 2018 – IBA-AR(2019)0005***

Messieurs,

Vous trouverez ci-joint l'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) de l'IBAN, ainsi qu'une note succincte à l'intention du Conseil (annexe 1).

L'IBAN a émis une opinion sans réserve sur les états financiers de la NAMEADSMO en liquidation ainsi que sur la conformité pour l'exercice clos le 31 décembre 2018.

Veuillez agréer, Messieurs, l'assurance de ma haute considération.

Hervé-Adrien Metzger
Président

Pièces jointes : voir ci-dessus.



**Note succincte
du Collège international des auditeurs externes de l'OTAN
à l'intention du Conseil
sur la vérification des états financiers de l'Organisation de gestion du système
de défense aérienne élargie à moyenne portée de l'OTAN en liquidation
(NAMEADSMO en liquidation)
pour l'exercice clos le 31 décembre 2018**

L'IBAN a procédé à la vérification des états financiers de la NAMEADSMO en liquidation, organisation qui a pour objectif de diriger, de coordonner et d'exécuter le programme du système de défense aérienne élargie à moyenne portée (MEADS). Le MEADS est un système tactique de défense aérienne et de défense antimissile mobile et transportable capable de neutraliser toute une série de menaces aériennes, comme les attaques par missiles de croisière et par missiles balistiques tactiques.

Pour l'exercice clos le 31 décembre 2018, les dépenses de la NAMEADSMO en liquidation se sont établies à 1,45 million de dollars des États-Unis (MUSD), soit 0,79 MUSD au titre du budget administratif et 0,66 MUSD au titre du budget opérationnel.

L'IBAN n'a pas formulé d'observations à l'issue de l'audit. Il a émis une opinion sans réserve sur les états financiers ainsi que sur la conformité pour l'exercice clos le 31 décembre 2018. L'IBAN a par ailleurs examiné la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits et il a noté qu'elles avaient toutes été traitées.

L'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) ont été transmises à la NAMEADSMO, dont les commentaires ont ensuite été intégrés dans la lettre (appendice de l'annexe 3).

L'IBAN a adressé une lettre (IBA-AML(2019)0002) au bureau du liquidateur, sans pour autant formuler d'observations à l'intention de la direction de la NAMEADSMO en liquidation.

L'IBAN appelle l'attention sur la note 15 des états financiers, qui décrit le processus de cessation d'activité. En août 2018, le bureau du liquidateur a estimé que la NAMEADSMO devrait être complètement dissoute d'ici fin août 2020. Le degré de risque associé à cette estimation est « moyen ». Les crédits non engagés continueront d'être utilisés au service du développement du MEADS et/ou seront reversés aux pays. L'IBAN n'a pas été amené à modifier son opinion du fait de cette situation.

21 juin 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**OPINION SUR LES ÉTATS FINANCIERS
DE L'ORGANISATION DE GESTION DU SYSTÈME DE DÉFENSE AÉRIENNE
ÉLARGIE À MOYENNE PORTÉE DE L'OTAN EN LIQUIDATION
(NAMEADSMO EN LIQUIDATION)
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018**

**OPINION DU COMMISSAIRE AUX COMPTES
À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD**

Vérification des états financiers

Opinion sur les états financiers

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers de la NAMEADSMO en liquidation portant sur la période de 12 mois ayant pris fin le 31 décembre 2018. Soumis à l'IBAN le 29 mars 2019, ces états financiers se composent de l'état de la situation financière au 31 décembre 2018, de l'état de la performance financière, de l'état des variations de l'actif net/situation nette et du tableau des flux de trésorerie pour la période de 12 mois ayant pris fin le 31 décembre 2018, ainsi que d'un résumé des méthodes comptables importantes et d'autres notes explicatives. Ils contiennent en outre un rapport sur l'exécution du budget pour la période de 12 mois ayant pris fin le 31 décembre 2018.

L'opinion de l'IBAN est que les états financiers donnent une image fidèle et exacte de la situation financière de la NAMEADSMO en liquidation au 31 décembre 2018 ainsi que de sa performance financière, de ses flux de trésorerie et de l'exécution du budget pour la période de 12 mois ayant pris fin le 31 décembre 2018, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN.

Justification de l'opinion émise sur les états financiers

Le Règlement financier de l'OTAN (NFR) prévoit que l'audit externe des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par l'IBAN.

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 1000-1810), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

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

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

Observation particulière sur la cessation d'activité

L'IBAN appelle l'attention sur la note 15 des états financiers, qui décrit le processus de cessation d'activité. En août 2018, le bureau du liquidateur a estimé que la NAMEADSMO devrait être complètement dissoute d'ici fin août 2020. Le degré de risque associé à cette estimation est « moyen ». Les crédits non engagés continueront d'être utilisés au service du développement du MEADS et/ou seront reversés aux pays. L'IBAN n'a pas été amené à modifier son opinion du fait de cette situation.

Responsabilité de la direction concernant les états financiers

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

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

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

Responsabilités de l'IBAN concernant la vérification des états financiers

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

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

- à recenser et à évaluer les risques d'inexactitudes significatives dans les états financiers, que celles-ci relèvent d'une fraude ou d'une erreur, à concevoir et à mettre en œuvre des procédures d'audit sensibles à ces risques ainsi qu'à obtenir par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion ; le risque de non-détection d'une inexactitude significative relevant d'une fraude est plus élevé que le risque de non-détection d'une inexactitude significative relevant d'une erreur car la fraude peut résulter d'une collusion, d'une falsification, d'omissions intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;
- à acquérir une connaissance du contrôle interne qui soit pertinente pour l'audit, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne de l'entité ;
- à déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables et les informations connexes fournies par la direction sont raisonnables ;
- à se prononcer sur le caractère approprié ou non de l'utilisation du principe comptable de la continuité d'activité et à déterminer, à partir des éléments probants obtenus par l'audit, s'il existe une incertitude significative du fait d'événements ou de circonstances susceptibles de remettre fondamentalement en cause la capacité de l'entité à poursuivre son activité ; si l'IBAN juge qu'une telle incertitude existe, il est tenu d'appeler l'attention, dans son opinion, sur les informations correspondantes figurant dans les états financiers ou, si ces informations sont incomplètes, de formuler une opinion modifiée ; les conclusions de l'IBAN sont fondées sur les éléments probants en sa possession à la date d'établissement de son rapport d'audit ; il n'est toutefois pas exclu que l'entité soit amenée à cesser son activité en raison d'événements ou de circonstances futurs ;
- à évaluer la présentation générale, la structure et le contenu des états financiers, y compris les informations fournies, et à déterminer si les états financiers rendent compte fidèlement des opérations et des événements qui en font l'objet.

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

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

Vérification de la conformité

Opinion sur la conformité

Sur la base des procédures qu'il a appliquées, l'IBAN estime que rien, dans son audit des états financiers, ne lui donne de raison de penser que les fonds n'ont pas été régulièrement employés à l'acquittement de dépenses autorisées ou qu'ils ne sont pas conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Justification de l'opinion émise

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

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

Responsabilité de la direction concernant la conformité

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

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

Responsabilité de l'IBAN concernant la conformité

Selon sa charte, en plus d'être responsable de fournir une assurance raisonnable quant à la question de savoir si les états financiers considérés dans leur ensemble sont exempts d'inexactitudes significatives, l'IBAN doit chaque année rendre au Conseil un avis indépendant lui assurant que les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées (adéquation) et qu'ils sont conformes aux règles en vigueur (régularité). Par « adéquation », on entend le respect des principes généraux régissant

une gestion financière saine ainsi que la conduite des membres de l'administration. Par « régularité », on entend le respect de critères officiels tels que les règlements, règles et procédures applicables.

Il incombe ainsi à l'IBAN d'appliquer des procédures lui permettant d'obtenir en toute indépendance une assurance sur le point de savoir si les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur. De telles procédures prévoient notamment la prise en compte des risques de non-conformité significative.

Bruxelles, le 21 juin 2019



Hervé-Adrien Metzger
Président

21 juin 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

**LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
CONCERNANT L'ORGANISATION DE GESTION DU SYSTÈME DE DÉFENSE
AÉRIENNE ÉLARGIE À MOYENNE PORTÉE DE L'OTAN EN LIQUIDATION
(NAMEADSMO EN LIQUIDATION)
POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018**

Introduction

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers de la NAMEADSMO en liquidation pour l'exercice clos le 31 décembre 2018. Il a émis une opinion sans réserve à leur sujet, ainsi qu'une opinion sans réserve sur la conformité.

Observations et recommandations

L'IBAN n'a pas formulé d'observations à l'issue de l'audit.

L'IBAN a examiné la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits et il a noté qu'elles avaient toutes été traitées.

L'IBAN a par ailleurs adressé au chef du bureau du liquidateur de la NAMEADSMO en liquidation une lettre à l'intention de la direction (IBA-AML(2019)0002) dans laquelle il a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

L'IBAN a examiné la suite donnée aux questions ayant fait l'objet d'observations et de recommandations lors de précédents audits. On en trouvera un récapitulatif dans le tableau ci-dessous.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
(1) NAMEADSMO – Exercice 2015 IBA-AR(2016)07, paragraphe 1 NÉCESSITÉ D'AMÉLIORER CERTAINS CONTRÔLES INTERNES POUR FAIRE FACE AUX RISQUES AUXQUELS LA NAMEADSMO EST EXPOSÉE À L'APPROCHE DE LA PHASE DE LIQUIDATION L'IBAN recommande au Comité de direction de la NAMEADSMO : 1) de se conformer au Règlement financier de la NAMEADSMO pour ce qui est de l'approbation et de la modification du budget, en évitant autant que possible de recourir à la procédure d'accord tacite ; cela garantira une plus grande clarté quant à ce qui est approuvé, en particulier à l'heure où la NAMEADSMO entre en liquidation ; 2) de veiller à ce que les activités du liquidateur soient régies par des règles détaillées et à ce que ses pouvoirs soient bien délimités ; cela permettra d'établir précisément ce qui est attendu du liquidateur et quelle est l'étendue de ses pouvoirs ; 3) de clarifier l'utilisation à faire des crédits restants escomptés ; en situation de liquidation, la règle générale veut qu'il ne soit pas alloué de dotation supplémentaire, qu'il ne soit pas conclu de nouveaux contrats et que les contrats existants ne soient pas modifiés.	1) Le Comité de direction n'a plus recours à la procédure d'accord tacite pour l'approbation du budget. État de la question : Question traitée. 2) Le bureau du liquidateur de la NAMEADSMO se conforme au Règlement financier de l'OTAN depuis le 1^{er} juillet 2016. État de la question : Question traitée. 3) S'agissant de l'utilisation à faire des crédits restants escomptés, il a été décidé que les liquidités restantes relevant du budget administratif et du budget opérationnel seraient reversées dans les budgets nationaux à moins que les pays n'en décident autrement. État de la question : Question traitée.	Question traitée.

Une question est considérée comme étant « à traiter » lorsqu'aucun progrès notable n'a encore été réalisé en vue de son règlement. Une question est considérée comme étant « en cours de traitement » lorsque l'organisme OTAN visé a commencé à mettre en œuvre la recommandation correspondante ou lorsque certains éléments de la recommandation (mais pas tous) ont été suivis d'effets. Une question est considérée comme étant « traitée » lorsque la recommandation correspondante a été mise en œuvre ou qu'elle a été rendue ou est devenue caduque.

**COMMENTAIRES OFFICIELS
DE L'ORGANISATION DE GESTION DU SYSTÈME DE DÉFENSE AÉRIENNE
ÉLARGIE À MOYENNE PORTÉE DE L'OTAN EN LIQUIDATION
(NAMEADSMO EN LIQUIDATION)
CONCERNANT LA LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
ET POSITION DU COLLÈGE INTERNATIONAL
DES AUDITEURS EXTERNES DE L'OTAN**

Commentaires officiels de la NAMEADSMO en liquidation

Je suis ravi que la NAMEADSMO en liquidation et le bureau du liquidateur aient bénéficié d'une opinion sans réserve sur les états financiers ainsi que sur la conformité pour l'exercice clos au 31 décembre 2018, qu'aucune observation n'ait été formulée à l'issue de l'audit et que toutes les questions ayant fait l'objet d'observations lors de précédents audits aient été traitées.

J'ai examiné le rapport de l'IBAN sur le fond et sur la forme et je n'ai pas de commentaires à formuler sur l'audit effectué.

North Atlantic Treaty Organization



NATO Medium Extended Air Defense System Management Organization in Liquidation



Financial Statements

For the year ended

31 December 2018

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A. Overview of NATO MEADS Management Organization's in Liquidation Operations and Environment

General description of the NATO MEADS Management Organization in Liquidation

The North Atlantic Treaty Organization (NATO) Medium Extended Air Defense System Management Organization (NAMEADSMO) is a NATO Development, Production and Logistics Organization (NPLO), a subsidiary body of NATO created by the North Atlantic Council with the "Charter of NAMEADSMO", documented at C-M(2005)0044-ADD1. Per virtue of the Section VII of the Charter, the organization comprises a Steering Committee (now called Board of Directors), and a NATO Agency whose headquarter is located in the United States of America.

NAMEADSMO shares the international characteristics of NATO and the jurisdictional autonomy by virtue of Article 4 of the Ottawa Agreement. NAMEADSMO was created to provide direction, coordination and execution of all phases of the MEADS program as delineated by the participating Nations. The participating Nations (Participants) are Germany, Italy and the United States.

On 4 April 2016, the Board of Directors (BoD) submitted a formal request to the North Atlantic Council (NAC) to place NAMEADSMO into Liquidation (NAMEADSMO i.L.). This request was approved and became effective on 1 July 2016.

NAMEADSMO i.L. is comprised of a BoD, composed of one representative from each of the Participants, and the Office of the Liquidator which replaced the former NATO MEADS Management Agency (NAMEADSMA).

Consequently, NAMEADSMO i.L. and its staff are under the governance of the NATO Document C-M(66)9 which states in Article 1.b)

"Until the liquidation is completed, the provision of the Charter of the Production Organization will continue to apply to the Production Organization in Liquidation and its staff, insofar as nothing to the contrary results from the provisions of this document or from the purpose of the liquidation."

The liquidation phase for the MEADS program is financed with the "inherited" contributions received prior to the liquidation phase from participating Governments in accordance with the Financial Management Policy Document (FMPD) in accordance with the terms stipulated in the Design and Development (D&D) Memorandum of Understanding (MoU). While some parts of the MoU expired on 22 April 2017, Section 19.7 provides an indefinite application of the Sections "Equipment", "Disclosure and Use of Project Information", "Controlled unclassified Information, "Security", "Third Party Sales and transfers", "Liability and Claims" and "Amendment, Termination, Entry into Effect, and Duration".

The FMPD specifies the financial management policies and the funding schedule set for the MEADS D&D phase also applicable for the liquidation phase. It delineates the Participants' annual cumulative financial ceilings which are the basis for the NAMEADSMO i.L. annual budgets. The budgets consist of the Administrative and Operational Budgets. Germany, Italy and the US (GE/IT/US) percentage shares of the total contribution ceiling are 25.2%, 16.7% and 58.1%, respectively, including a portion of non-financial contributions as defined in the FMPD. No further contribution by each Nation will occur during the liquidation phase. The total contribution ceilings for Germany and Italy for the Operational Budget (OB) were reached in 2013 and for the Administrative Budget (AB) in 2014. The US will not reach their contribution ceilings for either budget as it was noted with BoD decision D14/08 that "no additional US funds will be provided for the remainder of the MEADS program."

The cumulative D&D costs incurred until 31 December 2018 reached a total of 2,607 M US Dollars and 1,420 M Euros.

In 2018, the Office of the Liquidator is comprised of a Liquidator (GE), a Contract Specialist/Financial Controller (IT) and a Business Financial Manager (GE).

NAMEADSMO i.L. has no liens or encumbrances on the agency's assets.

NAMEADSMO i.L. has given no guarantees to third parties.

NAMEADSMO i.L. is located in Huntsville, Alabama, USA.

Role of the Office of the Liquidator

Beginning 01 July 2016, the Office of the Liquidator (OotL) is the successor of NAMEADSMA. OotL is responsible for the planning, execution and overall management of the liquidation of the program with the goal to complete the ongoing effort, safeguard the development results and accomplish a successful close-out.

The OotL inherited all existing contracts awarded by the (former) NATO Agency NAMEADSMA throughout the D&D phase.

Contract legacy with NAMEADSMA can be explained as follows:

- The Prime Contract with MEADS International (MI), the prime contractor was definitized on 31 May 2005. The main D&D phase and MI main contract effort were completed on 31 December 2014 while "Data Archival" of all development documentation (drawings, reports, test results, etc.) and the distribution of the development residual material lasted throughout 2016-2017. It is now completed. Remaining contractual and administrative close-out activities will be carried out until final settlement.
- Ancillary contracts were also part of business transferred to the OotL. Lockheed Martin was engaged in a cooperative agreement for the realization of a Low Frequency Sensor. EuroMEADS (a sub-contractor of MEADS International) was retrofitting one of the two Multifunction Fire Control Radars (MFCR). MBDA-GE received a contract to fulfill a non-common requirement regarding German Maturation Activities funded by Germany only. MEADS LLC had been providing support services for the D&D effort to the Agency by conducting independent technical analyses of the MEADS Program system level performance, systems engineering activities, design, development, integration, fabrication, test, producibility, logistic, and programmatic activities.
- Bailment agreements: preservation of German and Italian hardware in the US and in Italy. Items are made available to be used as Government Furnished Equipment in a future contract or might be abandoned in place.

Compliance with Financial Regulations

NAMEADSMO i.L. follows standardized rules and regulations approved by the NAC. Specifically, NAMEADSMO i.L. adheres to the NATO Financial Regulations (NFRs) and Financial Rules and Procedures (FRPs) and to the NATO Civilian Personnel Regulations (CPRs). Since the financial management of NAMEADSMO i.L. is separate and distinct from those of the International Staff or other NATO entities, NAMEADSMO i.L. also follows the NAMEADSMO Financial Rules and Regulations (FRRs), as approved by the NAMEADSMO BoD. If a conflict between the NFR/FRP and NAMEADSMO FRRs arises, the most recent NATO NFR/FRP will prevail.

Note that the BoD decided with decision D22/03 that the Liquidator has the discretion to modify processes and regulations of the NAMEADSMO FRR and Operating Instructions (OIs) to accommodate the OotL organization and requirements as long as these modifications are compliant with the NFR.

NAMEADSMO i.L.'s mission, strategies and how they relate to its Financial Position, Financial Performance and Cash Flows

NAMEADSMO i.L. does not have any objectives and strategies in relation to its financial position, performance and cash flows other than to have enough funding available to cover its administrative and operational costs. This is done while acting in the best interest of the three participating Nations within the mission established by the NAMEADSMO Charter and the D&D MoU objectives, in accordance with guidance received from the BoD.

Risks and Uncertainties that affect NAMEADSMO i.L.'s Financial Position and Performance

NAMEADSMO i.L.'s performance is based on the MEADS program results and deliveries that can be achieved with the resources spent. The financial position of NAMEADSMO i.L. is not affected by any significant risk as the MEADS program comes to an end.

Assets/Liabilities in regard of other NATO bodies

NAMEADSMO i.L. does not have any assets or liabilities in respect of other NATO entities.

B. Statement of Financial Position

as at 31 December 2018
(in US Dollars)

	Notes	2018	2017
Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	2	10,391,104	11,985,837
Receivables	3	-	19
Prepayments	4	-	-
		<u>10,391,104</u>	<u>11,985,856</u>
<i>Non-Current Assets</i>			
Property, Plant and Equipment	5	-	-
Total Assets		<u>10,391,104</u>	<u>11,985,856</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable and Accruals	6	168,765	282,453
Deferred Revenue and Advances	7	10,222,339	11,703,403
		<u>10,391,104</u>	<u>11,985,856</u>
Total Liabilities		<u>10,391,104</u>	<u>11,985,856</u>

C. Statement of Financial Performance

for the year ended 31 December 2018
(in US Dollars)

	Notes	<u>2018</u>	<u>2017</u>
Revenue	10		
Operational		660,827	4,455,494
Administrative		789,192	854,889
Total Revenue		<u>1,450,019</u>	<u>5,310,383</u>
Expense	11, 12, 13, 14		
Operational		660,827	4,455,494
Administrative		789,192	854,889
Total Expense		<u>1,450,019</u>	<u>5,310,383</u>
Net Result for the Year		<u>-</u>	<u>-</u>

D. Statement of Cash Flows

for the year ended 31 December 2018
(in US Dollars)

	<u>2018</u>	<u>2017</u>
<i>Operational Budget</i>		
Cash Paid to Contractors	(770,157)	(5,740,568)
Other Cash Receipts	70,000	766,966
Other Cash Payments	(70,000)	(766,966)
Total Operational Budget	(770,157)	(5,740,568)
<i>Administrative Budget</i>		
Other Cash Receipts	19	11,405
Cash Paid to Suppliers and Employees	(793,550)	(861,034)
Transfers between Budgets	-	-
Total Administrative Budget	(793,532)	(849,629)
Total Cash Flows from Operating Activities	(1,563,689)	(6,590,197)
Total Cash Flows from Investing Activities	-	-
Total Cash Flows from Financing Activities	-	-
Net Increase/Decrease in Cash	(1,563,689)	(6,590,197)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(31,044)	349,845
Cash at Beginning of Period	11,985,837	18,226,189
Cash at End of Period	10,391,104	11,985,837

E. Statement of Changes to Net Assets/Equity

for the year ended 31 December 2018
(in US Dollars)

	Capital assets	Reserves	Accumulated surplus/deficit	Total
Balance at the end of the period 1 Jul - 31 Dec 2016	-	-	-	-
Net gains/(losses) recognised directly in net assets/equity	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Change in net assets/equity for the year ended 31 Dec 2017	-	-	-	-
Balance at the end of the period 1 Jan - 31 Dec 2017	-	-	-	-
Net gains/(losses) recognised directly in net assets/equity	-	-	-	-
Surplus/(deficit) for the period	-	-	-	-
Change in net assets/equity for the year ended 2018	-	-	-	-
Balance at 31 December 2018	-	-	-	-

F. Notes to the Financial Statements

Note 1. Significant Accounting Policies

Basis of preparation

The financial statements of NAMEADSMO i.L. have been prepared on the accrual basis of accounting in accordance with the NATO Accounting Framework (NAF) as adopted by the NATO Council (NAC). The NAF is an adaptation of the International Public Sector Accounting Standards (IPSAS). The application of the NATO accounting framework has had no material impact on the disclosures or on the amounts recognised in the NAMEADSMO i.L. financial statements. The financial statements comply with the accounting requirements of the NFR and FRP and the relevant NAMEADSMO FRR. They are prepared on a non-going concern basis in consideration of the decisions taken by the Participants.

As a legacy recap, in 2010 the United States decided to continue funding the MEADS program only through the D&D phase of the current MoU hence no agreement could be reached for a subsequent procurement phase. In 2011 the scope of work was revised to maintain the total cost within the MoU limits while still yielding meaningful results for Germany and Italy and a possible future option for the US.

Based on this situation, in 2012 the NAMEADSMO BoD requested a plan for the orderly transition to close-out the Agency by mid-2014. Subsequently, in June 2014 the BoD approved a new plan to initiate the liquidation of the entity on 1 February 2015. In the end, the BoD submitted a formal request to the NAC to place NAMEADSMO into Liquidation on 4 April 2016. This request was approved and became effective on 1 July 2016. Consequently, NAMEADSMO became “NAMEADSMO in Liquidation”, operating through a small “Office of the Liquidator”.

Accounting estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. These estimates and assumptions affect the amounts of assets, liabilities, revenue and expenses reported. By their nature, these estimates are subject to measurement uncertainty. The effect of changes to such estimates and assumptions in future periods are not likely to be significant to the financial statements.

Changes in accounting policy

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 NAF/IPSAS 3. For the 31 December 2018 financial statements, the accounting policies have been applied consistently throughout the reporting period.

Restatements

NAMEADSMO i.L. has not restated any balances.

Changes in pronouncements

Some new standards, alignments of standards and interpretations were issued.

IPSAS	Name	Effective date for periods beginning on or after
IPSAS 39	Employee Benefits	01 January 2018
IPSAS 40	Public Sector Combinations	01 January 2019
Cash Basis IPSAS	Financial Reporting under the Cash Basis of Accounting	01 January 2019
IPSAS 41	Financial Instruments	01 January 2022
IPSAS 42	Social Benefits	01 January 2022

The above-mentioned standards have no material impact on the financial statements of NAMEADSMO i.L.

Foreign Currency

These financial statements are presented in US Dollars (USD), which is NAMEADSMO i.L.'s reporting currency. EURO (€) currency transactions are translated into USD at the average monthly NATO exchange rates, with the exception of foreign exchange transactions, which are converted at the daily exchange rate. Monetary assets and liabilities denominated in EURO at period-end are translated into USD using the NATO exchange rates applicable at 31 December 2018.

All EURO transactions related to the budget are converted into equivalent USD (EUSD) at the MoU exchange rate of 1.19.

For transparency, Note 14 explains in more detail the Effect of Exchange Rate Changes on Cash and cash Equivalents.

Financial Instruments disclosure/presentation

NAMEADSMO i.L. uses only non-derivative financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, accounts receivable, provisions and liabilities. Financial instruments are recognized in the Statement of Financial Position at fair value.

Financial risk factors

NAMEADSMO i.L. is minimally exposed to a variety of financial risks, including credit, liquidity and currency risks.

a. Credit risk

The OotL holds current bank account balances with registered banking institutions in the USA and Germany. Wells Fargo (US) and Sparkasse (Germany) have a very low long-term credit risk rating. In accordance with Fitch, the following are the latest bank deposit ratings assigned:

- Wells Fargo Bank: A+/F1
- Sparkasse Koblenz: A+

b. Liquidity risk

The OotL does not expect to encounter any difficulty in meeting obligations associated with financial liabilities. There is limited exposure to liquidity risk because of the budget mechanism that guarantees funds for the total approved budget.

c. Currency risk

The OotL continues to operate on the contributions received from the Participants in USD (\$) and EURO (€), based on the FMPD in prior years. Generally, expenses are paid in the same currency as the receipts. For the Operational Budget, total obligations for each currency may not match the available resources in the same currency, yielding some foreign exchange risk from fluctuations in currency rates. However, the BoD authorized foreign exchange money market operations, if necessary, to maintain adequate funding level in each currency to hedge this risk (decision D15/09). The exposure of financial instruments to foreign currency exchange risk associated with the Administrative Budget is insignificant as contributions and expenditure are made in USD only.

Revenue and Expense Recognition

Revenue comprises contributions from Participants to fund the entity's budgets. 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. The revenue recognition is matched with the recognition of expenses. The different types of revenue within the entity are:

Administrative Budget

Administrative Budget contributions fund the costs of NATO contract personnel and the goods and services to be rendered toward the performance of tasks to be executed by NAMEADSMO i.L. over an agreed period of time. Contributions are initially recorded as unearned revenue liabilities. They are recognized as revenue in the statement of financial performance when such contributions are used for their intended purpose as estimated in the Administrative Budget.

Operational Budget

NAMEADSMO i.L. considers itself to be the “construction manager” of a project which was the design and development of the MEADS system. Contract costs are recognized as incurred. The entity's construction activities and technical supervision have been contracted to the private sector utilizing a cost plus fixed fee contract. Revenue related to cost reimbursement contracts is recognized by reference to the allowable costs incurred during the period. Contracts for the project are considered to be full cost recovery as funding of the authorized project is provided by the Participants in advance.

Budget Execution

Total budgetary resources are comprised of assessed contributions from the Participants.

The budgets are Administrative (costs for agency personnel, supplies and services, furnishings and equipment), and Operational (costs associated with the MEADS system development and ancillary contracts). Costs are further categorized by chapters, items and sub-items within the separate budgets. In accordance with NFR Art. 34.4, a Budget Execution Statement (BES) is presented in Annex I.

There is no change in the execution of the BES compared to the previous accounting period (01Jan – 31Dec2017). The BES is prepared on an accrual basis of accounting.

Cash Flow Statements

NAMEADSMO i.L. has elected to use the direct method of presentation in these financial statements, in accordance with NAF.

Financial Assets

The financial assets are cash and cash equivalents, accounts receivable and prepayments. They are measured at fair value. Bank deposits denominated in foreign currencies are translated to reporting currency at the closing date NATO exchange rate. Changes in fair value are recognized in the Statement of Financial Performance

Financial Liabilities

The financial liabilities are accounts payable and accruals, and advances and unearned revenue from Participants. They are measured at fair value. Changes in fair value are recognized in the Statement of Financial Performance. As consequence of the 1 July 2016 transition into liquidation, all NAMEADSMO assets and liabilities were subsumed into NAMEADSMO i.L. assets and liabilities.

Receivables

Amounts receivable are stated at fair value in the Statement of Financial Position. No provision for doubtful debts is necessary as all receivables are deemed to be collectible.

Prepayments

Advance payments to vendors are reflected as prepayments in the Statement of Financial Position.

Accounts Payable and Accruals

Accounts Payable represent amounts for which goods and/or services, supported by an invoice, have been received by period-end but which remain unpaid. Accruals represent amounts for goods and/or services rendered by period-end but are not yet supported by an invoice at period-end.

Deferred Revenue

Deferred revenue represents contributions from Participants and/or third parties that have been called for, in prior years' budgets but that have not yet been recognized as revenue.

Property, Plant and Equipment (PP&E)

PP&E is reported in the financial statements in accordance with internal policy guidance for Property, Plant and Equipment for the Administrative Budget. No changes occurred with the criterion adopted by former NAMEADSMO's internal policy guidances. PP&E is recognized in accordance with the criteria relating to control outlined in the NATO Accounting Framework.

After recognition as an asset, an item of PP&E is carried at its historical cost less any accumulated depreciation. Total cost consists of the asset purchase price plus any installation costs for bringing the asset to working condition for its intended use.

As allowed under the NATO Accounting Framework, NAMEADSMO i.L. uses capitalization thresholds based on its activities and size. These thresholds are lower than the agreed NATO thresholds in the framework.

NAMEADSMO i.L. uses the straight-line method of depreciation (calculated by dividing the cost equally over the asset's useful life) with a half-year rule to recognize assets with six months depreciation in the first year regardless of the date the asset was received. The half-year rule treats all property acquired during the year as being acquired exactly in the middle of the year. This means that only half of the full-year depreciation is allowed in the first year, with the remaining balance being deducted in the final year of the depreciation schedule, or the year that the property is disposed.

The estimated useful lives for asset classes applicable to NAMEADSMO i.L. are listed in the table below:

Asset Class	Depreciation Method	Useful Life Years	Capitalization Threshold Dollars (\$)	Notes
Leasehold Improvements	Straight-Line	40	65,000	Major Building Renovations
Furniture & Fixtures	Straight-Line	10	1,000	Per item cost
Communication Systems	Straight-Line	3	1,000	Per item cost
Automated Information Systems	Straight-Line	3	1,000	Per item cost
Major Software	Straight-Line	3	65,000	Acquired Externally

Note that for some items the useful life is longer than the estimated life of the Agency. The depreciation expense was adjusted in 2012 and again in 2013 to the estimated expected end of the life of the Agency. The final year of depreciation for all remaining NAMEADSMO assets was 2015.

Consequently, everything received by the NAMEADSMO i.L. - OotL, on 01 July 2016, is already fully depreciated to zero book value.

Intangible Assets

NAMEADSMO i.L. does not have any intangible assets.

Retirement benefit plans: NATO Defined Contribution Pension Scheme (DCPS)

Contributions to the NATO defined contribution pension scheme are charged to the Statement of Financial Performance in the year to which they relate. NAMEADSMO i.L. is not directly exposed to any liabilities that may arise on the scheme and has no control over the assets of the scheme. The assets and liabilities for the NATO Pension Schemes are accounted for centrally by NATO International Staff (IS).

Retirement benefit plans: NATO Defined Benefit Scheme

Contributions to the NATO defined benefit scheme are charged to the Statement of Financial Performance in the year to which they relate. NAMEADSMO i.L. is not directly exposed to any liabilities that may arise on the scheme and has no control over the assets of the scheme. The assets and liabilities for the NATO Pension Schemes are accounted for centrally by NATO IS.

Provisions

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

Contingent Liabilities

Contingent liabilities are possible obligations arising from past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of NAMEADSMO i.L..

Reserves and Net Assets

NAMEADSMO i.L. operates on a “no profit, no loss” basis. As such, it does not have net assets; any surplus gained in the year becomes payable to the Participants while any deficit becomes a receivable from the Participants.

Comparative Figures

The end-year 2018 balances are disclosed. The reporting period for the current financial statements (FS) (12 months), is the same as the reporting period for the previous financial statements 01 Jan -31 Dec 2017. Comparative amounts for related notes are therefore comparable.

Note 2. Cash and Cash Equivalents**2018:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	986,521				4,692,808	5,831,056
Administrative		27,893		5,665	4,526,490	4,560,048
TOTAL	986,521	27,893	-	5,665	9,219,298	10,391,104

2017:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	1,302,330				5,087,693	6,632,257
Administrative		33,007		6,376	5,314,197	5,353,580
TOTAL	1,302,330	33,007	-	6,376	10,401,891	11,985,837

The agency's cash includes deposits which are held in non-interest-bearing current bank accounts in immediately available funds. Current bank accounts are held in USD (\$) and Euro (€) currencies.

Note 3. Receivables**2018:**

There were no receivables as at 31 December 2018.

2017:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Contract Receivables		-		-		-
Total Operational	-	-	-	-	-	-
Administrative						
Miscellaneous					19	19
Total Administrative		-		-	19	19
TOTAL	-	-	-	-	19	19

Administrative Budget includes a receivable for bank fee to be reimbursed to the Agency.

Note 4. Prepayments**2018:**

There are no prepayments as at 31 December 2018.

2017:

There were no prepayments as at 31 December 2017.

Note 5. Property, Plant and Equipment

The gross carrying amount and the accumulated depreciation at the beginning and end of the period can be seen in the table below. A reconciliation of the carrying amount at the beginning and end of the period is also displayed.

	Furniture & Fixtures		Communication Systems		Automated Information Systems		Major Software		Total	
Reporting Period	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Gross Carrying Amount, opening	6,395	6,395	-	-	13,274	13,274	-	-	19,669	19,669
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Loss on Disposals	-	-	-	-	-	-	-	-	-	-
Gross Carrying Amount, closing	6,395	6,395	-	-	13,274	13,274	-	-	19,669	19,669
Accumulated Depreciation, opening	6,395	6,395	-	-	13,274	13,274	-	-	19,669	19,669
Depreciation	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation, closing	6,395	6,395	-	-	13,274	13,274	-	-	19,669	19,669
Net Carrying Amount	-	-	-	-	-	-	-	-	-	-

Additionally, the entity has several non-capitalized items of Property, Plant and Equipment, acquired before 2013. These are maintained in the disposition of the Entity. In accordance with the NATO Accounting Framework (C-M(2016)0023), which requires for these items to provide the type of inventories, locations and approximate number of these items held per asset category, the table below is disclosed:

Furniture & Fixtures	Automated Information System	Communication Systems	Leasehold Improvements	Major Software	Total
48	6	0	0	0	54

These items are located at the Office site – 620 Discovery Dr. – BLDG 1 – Suite 110 – Huntsville (AL).

Note 6. Accounts Payable and Accruals**2018:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Accounts Payable	17,935	-	-	-	-	20,694
Accrued Expenses	60,778	-	-	-	63,702	133,827
Total Operational	78,713	-	-	-	63,702	154,521
Administrative						
Accounts Payable	-					-
Accrued Expenses	-	143	-	115	13,985	14,244
Total Administrative	-	143	-	115	13,985	14,244
TOTAL	78,713	143	-	115	77,687	168,765

2017:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Accounts Payable	-	-		-	-	-
Accrued Expenses	210,192	-		-	14,563	263,851
Total Operational	210,192	-	-	-	14,563	263,851
Administrative						
Accounts Payable						-
Accrued Expenses		137		137	18,328	18,602
Total Administrative		137		137	18,328	18,602
TOTAL	210,192	137	-	137	32,891	282,453

Payables to contractors and suppliers include invoices received from suppliers but not yet paid and estimated accrued expenses. The continued decrease is due to the winding down of the program.

Note 7. Deferred Revenue and Advances**2018:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Deferred Revenue/Advances	907,808	-	-	-	4,629,105	5,676,534
Total Operational	907,808	-	-	-	4,629,105	5,676,534
Administrative						
Deferred Revenue/Advances	-	27,750	-	5,551	4,512,503	4,545,805
Total Administrative	-	27,750		5,551	4,512,503	4,545,805
TOTAL	907,808	27,750	-	5,551	9,141,608	10,222,339

2017:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Deferred Revenue/Advances	1,092,138	-	-	-	5,073,130	6,368,406
Total Operational	1,092,138	-	-	-	5,073,130	6,368,406
Administrative						
Deferred Revenue/Advances		32,871		6,239	5,295,887	5,334,997
Total Administrative		32,871		6,239	5,295,887	5,334,997
TOTAL	1,092,138	32,871	-	6,239	10,369,016	11,703,403

Deferred revenue/advances include uncommitted funds and lapses. All remaining funds, if any, will be returned to the respective national treasuries at the dissolution of the agency unless Nation decide otherwise.

Note 8. Other Current Liabilities**2018:**

There are no other current liabilities as the banks ceased to yield interest on the cash balances for the period 01 Jan – 31 Dec 2018.

2017:

There are no other current liabilities as the banks ceased to yield interest on the cash balances for the period 01 Jan – 31 Dec 2017.

Note 9. Provisions and Contingent Liabilities

The OotL does not have any provisions or contingent liabilities to report.

Note 10. Revenue**2018:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	127,159	-	-	-	514,024	660,827
Administrative	-	5,121	-	687	783,383	789,192
TOTAL	127,159	5,121	-	687	1,297,408	1,450,019

2017:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational	856,917	-	-	-	3,449,517	4,455,494
Administrative	-	3,078	-	756	851,055	854,889
TOTAL	856,917	3,078	-	756	4,300,572	5,310,383

Note 11. Expenses**2018:**

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Prime Contract (MI)	-	-	-	-	400,455	400,455
LFS Cooperative Agreement	-	-	-	-	105,748	105,748
MFCR#1 / MFCR#2 / LLC	-	-	-	-	7,821	6,599
GE only items (GE ACO)	126,678	-	-	-	-	147,442
Other OB Related Expenses	481	-	-	-	-	583
Total Operational	127,159	-	-	-	514,024	660,827
Administrative						
Personnel	-	-	-	-	654,296	654,296
Operating	-	5,121	-	687	129,088	134,896
Total Administrative	-	5,121	-	687	783,384	789,192
TOTAL	127,159	5,121	-	687	1,297,408	1,450,019

2017:

	GE EURO	GE USD	IT EURO	IT USD	US USD	TOTAL
Operational						
Prime Contract (MI)	-	-	-	-	3,119,813	3,119,813
LFS Cooperative Agreement	-	-	-	-	330,008	330,008
Test and Target	-	-	-	-	-	-
MFCR#1 / MFCR#2 / LLC	325,094	-	-	-	(304)	401,960
GE only items (GE ACO)	529,153	-	-	-	-	600,647
Other OB Related Expenses	2,670	-	-	-	-	3,067
Total Operational	856,917	-	-	-	3,449,517	4,455,494
Administrative						
Personnel	-	-	-	-	724,810	724,810
Operating	-	3,078	-	756	126,245	130,079
Total Administrative	-	3,078	-	756	851,055	854,889
TOTAL	856,917	3,078	-	756	4,300,572	5,310,383

Note 12. Personnel Expenses

The figures disclosed below represent the costs of NATO personnel including salary, allowances, complementary insurance, and pension plan contributions. The amount for Personnel Expense in Note 11 is greater than the employee benefits expense defined in this note because Note 11 includes all Chapter 1 budget Personnel items such as recruitment/separation, home leave, contractor personnel expense, etc.

	31 Dec 2018 (3 people for 12 months)	31 Dec 2017 (4 people for 12 months)
Employee Benefits Expenses	564,904	650,161
Post Employment Benefits	25,705	31,830

The OotL does not accrue untaken leave. In accordance with CPR Article 42.3, untaken leave must be taken within the allowed time period or will be forfeited.

The OotL does not have any termination benefits because the Agency expects to honour all existing NATO personnel contracts.

NATO Pension Schemes are accounted for centrally at NATO Headquarters and therefore are not recognized in these financial statements. NATO IS manages these systems centrally on behalf of the other NATO entities.

Note 13. Leases

The OotL has an operational lease for a small office space with the BR Cumming Research Park Portfolio III, TIC 1, LLC, which terminates on 31 August 2020. The obligated base lease payments from 01 January 2018 through 31 August 2020 will total USD 100,775. In addition, the OotL pays operating expenses in the amount of USD 408 per month. The OotL does not have any financial leases.

Note 14. Effect of Foreign Exchange Rates Changes on Cash and Cash Equivalents

Realized and unrealized gains and losses are recognized in the Statement of Financial Performance as they are included in the revenue and expense accounts of the Operational Budget.

The total effect is separately disclosed in the Statement of Cash Flow. The nature of exchange differences and how they are calculated is shown in the table below:

	Euro	Year-end Rate 2017 (1.1860)	Avg monthly NATO ER	Bank Rate (1.2240)	Year-end Rate 2018 (1.15380)	Effect of FX Rate in USD
<i>Opening Balance</i>	1,302,330	1,544,564			1,502,629	(41,935)
<i>Contractors Exp.</i>	(258,638)		(305,271)		(298,417)	6,855
<i>Transfer</i>	(57,171)			(70,000)	(65,964)	4,036
<i>Total Balance</i>	986,521					
<i>Effect on FX</i>						(31,044)

Note 15. Draw Down of Operations

As a result of the Participants' decisions, the OotL continues to close down contracts which have reached the end of their period of performance and continues to support active contracts/CLINs.

No additional assets were disposed in the period of 01 January 2018 through 31 December 2018.

In October 2016, NAMEADSMO i.L. – OotL on behalf of the German government awarded a bailment agreement with Lockheed Martin Syracuse.

A bailment agreement is an agreement whereby one agrees to take physical possession of another one's property for safekeeping or other purposes, but does not take ownership of it, with the understanding it will be returned at a later date or abandoned in place.

Under this agreement, industry is in possession of the property and responsible for all loss or damage of it during the bailment and until the end of the agreement. The value of the assets is approximately USD 2.642M. In April 2018, this Bailment was subsumed under CLIN006 of the LFS Cooperative Agreement.

In March 2017, NAMEADSMO i.L. – OotL on behalf of the Italian government entered into another bailment agreement with Leonardo SpA. This agreement follows the same provisions as for the one for Germany mentioned above. The value of the assets is approximately €2.658M (USD 3.067M at year-end rate 2018).

Germany and Italy have chosen this form of agreement to maintain and have their hardware ready as government furnished equipment for future pending programs, or to be abandoned in place.

The OotL projected an estimated path toward complete dissolution of OotL. The projected time frame is the end of August 2020. This projection, made during August 2018, contains a medium risk. Currently un-obligated funds could be continued to be used for safeguarding the MEADS development result and/or returned to Nations.

Note 16. Write-Off

No capitalized item was written off in 2018.

Note 17. Employee Disclosure

During 2018, there was no US government personnel detailed to the agency.

Note 18. Related Parties

The OotL is under direct control of NAMEADSMO i.L.'s Board of Directors.

The key management personnel of the OotL and the BoD have no significant related party relationships that could affect the operation of this reporting entity. Board members receive no remuneration and the Liquidator is remunerated in accordance with the published NATO pay scales. Neither receives loans that are not available to all staff.

NATO IS, who deals with NATO pensions on behalf of other NATO entities, is a related party due to the OotL's pension plans being handled centrally at NATO HQ. NATO IS performed administrative support services for the OotL in 2018 however, no fees were charged to OotL for the period ending 31 December 2018.

During 2018, there is one key management personnel - the Liquidator. The aggregate remuneration of key management personnel includes salary, allowances, and complementary insurances and was as follows for the period 01 Jan – 31 Dec 2018:

	31 Dec 2018 (1 person 12 months)	31 Dec 2017 (1 person 12 months)
Aggregate Remuneration	245,688	246,868

Note 19. Representation Allowance

There were no qualifying officials to receive Representation Allowance in 2018.

Note 20. Events after the Reporting Date

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

G. Report of Management

The North Atlantic Treaty Organization (NATO) Medium Extended Air Defense Missile System Management Organization in Liquidation's (NAMEADSMO i.L.) Financial Statements have been prepared in accordance with the NAF as adopted by the NAC. The NAF is an adaptation of the IPSAS. The Agency's system of internal financial control is designed to provide reasonable assurance regarding the reliability of financial reports and the preparation of financial statements.

The NAMEADSMO i.L. Financial Statements are approved and certified by the Liquidator and the Financial Controller respectively to the best of their knowledge and according to the applicable accounting standards to give a true and fair view, in all material respect, of the assets, liabilities, financial position and financial performance of NAMEADSMO i.L. and to be in accordance with the books and records maintained.



Nils Kusserow
Liquidator



Gianvito Greco
Financial Controller

Annex I – Budget Execution

The Budget Execution Statement (BES) for the current reporting period 01 January 2018 through 31 December 2018 is presented on the accrual basis of accounting.

“Accrual Basis” provides full visibility of revenues and expenses recorded in the period when they are earned, irrespective of the actual cash flows (according to NAF).

The funds shown for the Operational Budget 2018 reflect the maximum amount that is being authorized to be committed and spent. The remaining cash holdings are expected to be returned to the respective national treasuries unless Nations decide otherwise.

The funds shown for the Administrative Budget 2018 reflect only the current year authorizations. Remaining funds are available for future years until dissolution. The remaining cash holdings are expected to be returned to the respective national treasuries unless Nations decide otherwise.

Statement of Budget Execution as at 31 December 2018

Equivalent USD	Original estimated budget for 2018	Carry Forward 2017-2018	1st Budget Amendment	Final budget 2018/ Appropriations	Commitments	2018 Expenses	Special CFw for Uncommitted Appropriations 2018 - 2019	CFw for Committed Appropriations 2018 - 2019	Lapses
Budget 2018 Operational									
Chapter 3	5,648,689	-	(1,663,738)	3,984,951	539,947	440,403	3,253,837	99,544	191,167
Total FY 2018	5,648,689	-	(1,663,738)	3,984,951	539,947	440,403	3,253,837	99,544	191,167
Budget 2018 Administrative				-					
Chapter 1 Personnel	975,500	-	(245,100)	730,400	654,296	654,296	-	-	76,104
Chapter 2 Admin/Svcs	518,100	-	(334,700)	183,400	130,552	130,552	-	-	52,848
Chapter 4 Investments	20,000	-	(8,000)	12,000	4,344	4,344	-	-	7,656
Total FY 2018	1,513,600	-	(587,800)	925,800	789,192	789,192	-	-	136,608
Budget 2017 Operational									
Chapter 3	-	395,960	-	395,960	72,125	72,125	-	-	323,836
Total FY 2017	-	395,960	-	395,960	72,125	72,125	-	-	323,836
Budget 2017 Administrative				-					
Total FY 2017	-	-	-	-	-	-	-	-	-
Budget Jul-Dec 2016 Operational									
Chapter 3	-	2,156	-	2,156	2,069	2,069	-	-	88
Total FY 2016	-	2,156	-	2,156	2,069	2,069	-	-	88
Budget Jul-Dec 2016 Administrative									
Total FY 2016	-	-	-	-	-	-	-	-	-
Budget Jan-Jun 2016 Operational									
Chapter 3	-	59,311	-	59,311	-	-	59,312	-	-
Total FY 2016	-	59,311	-	59,311	-	-	59,312	-	-
Budget Jan-Jun 2016 Administrative									
Chapter 1 Personnel	-	14,600	-	14,600	14,600	-	-	14,600	-
Chapter 2 Admin/Svcs	-	-	-	-	-	-	-	-	-
Chapter 4 Investments	-	-	-	-	-	-	-	-	-
Total FY 2016	-	14,600	-	14,600	14,600	-	-	14,600	-
Budget 2015 Operational									
Chapter 3	-	322,308	-	322,308	150,747	150,747	171,561	-	-
Total FY 2015	-	322,308	-	322,308	150,747	150,747	171,561	-	-
Budget 2015 Administrative									
Total FY 2015	-	-	-	-	-	-	-	-	-
Total Operational	5,648,689	779,735	(1,663,738)	4,764,686	764,887	665,343	3,484,710	99,544	515,090
Total Administrative	1,513,600	14,600	(587,800)	940,400	803,792	789,192	-	14,600	136,608
Total all Budgets	7,162,289	794,335	(2,251,538)	5,705,086	1,568,679	1,454,535	3,484,710	114,144	651,698

Explanation of Special Carry Forward, Carry Forward and Lapsed Credits/Ending Balance

Operational Budget:

The Budget Execution Statement (BES) shows regular carry forward as well as special carry forward in order to recognize the nature of funds. Special carry forward are funds of uncommitted appropriations for a clearly identified purpose.

In the BES, the total amount of special carry forward of uncommitted appropriations on 31 December 2018 for Chapter 3 (Design and Development) is EUSD 3,484,710. EUSD 2,559,488 are allocated to the prime contract with MEADS International (MI) which are not related to any active specific work to be performed but to cover the final price settlements of “cost reimbursement” contracts. The same justification applies to EUSD 59,312 which are funds for the contract with euroMEADS awaiting final settlement. EUSD 865,910 are funds obligated for the contract with MBDA GE. OotL has a legal obligation to appropriate all funds up to the contract ceiling until the contract is closed out.

In comparison, the BES shows EUSD 99,544 of carry forward which are allocated to the contract with MI. These funds were committed for 2018 but the service was not rendered by the end of 2018 and will be used in 2019.

The total amount of lapses is EUSD 515,091. Lapses of EUSD 323,924 are funds allocated to the close out of 2 contracts at the end of 2018: EUSD 82,175 were de-obligated from a contract with Lockheed Martin Syracuse regarding the Low Frequency Sensor and EUSD 241,749 relate to funds de-obligated from the contract with MI regarding the MFCR#2. EUSD 1,569 were allocated to cover bank fees but are no longer needed. Remaining lapses of EUSD 189,598 are referred to the contract with MBDA GE. These unused appropriations refer to requirements to be provided in 2019 and are part of the overall contract ceiling.

Administrative Budget:

The carry forward amount of USD 14,600 is primarily due to funds committed in Chapter 1 – Personnel Expenses – for a removal that has not yet occurred.

The lapsed credits of EUSD 136,608 are funds that were approved by the BoD for the entire Administrative Budget 2018 but were not obligated or spent by the end of 2018. Lapsed credit amounts for Chapter 1 – Personnel (EUSD 76,104) are mainly due to personnel costs being lower than budgeted. Lapsed credit amounts for Chapter 2 – Admin/Services (EUSD 52,848) are mainly due to less travel, no training costs and lower costs for telecommunication. Lapsed credit amounts for Chapter 4 relate mainly to planned replacements for equipment that did not take place.

The Administrative Budget was amended (BoD approved) in August 2018 in order to adjust the budget line items either based on the amounts spent during the first 6 months of 2018 and/or on the likelihood of an event taking place.

Budget Transfers

For the Administrative Budget, transfers of credits between budget chapters can be made after approval of the BoD. The Liquidator may authorize transfers within any chapter between items and among sub-items within an item concerning recurring expenditure and within any item concerning capital expenditure. No transfers within the Administrative Budget occurred in 2018. However, the budget was amended after the BoD approved the changes to the budget credits of 2018.

For the Operational Budget, transfers of credits between budget chapters and items can be made after approval by the BoD. The Liquidator may authorize transfers between sub-items within any chapter item. From 1 Jan through 31 Dec 2018 there were no Operational Budget transfers authorized by the Liquidator. All transfers were agreed by way of an amendment to the Operational Budget approved by the BoD.

Budget Execution Reconciliations

Reconciliation of expenses in the Statement of Cash Flows to the expenses in the Budget Execution Statement**NAMEADSMO i.L. - OotL****Reconciliation of Cash Flow to BES Expenses****2018**

	Administrative	Operational
Statement of Cash Flow - Cash paid to Contractors/ Suppliers and Employees	793,550	770,157
Less:		
Accruals 2017	(18,602)	(263,851)
Plus:		
Accruals 2018	14,244	154,521
Variation on year-end rate 2017 vs. MoU rate on accrued expenses 2018		(842)
Variation for Expenses (avg. NATO ER vs. MoU rate)		5,358
BES Expenses	789,192	665,343

Reconciliation of the expenses in the Statement of Financial Performance to the expenses in the Budget Execution Statement

	Administrative	Operational
Statement of Financial Performance Expenses	\$ 789,192	\$ 660,827
Plus:		
Adjustments for Euro payments at average NATO ER vs MoU Rate		
- MBDA GE (realized/unrealized gains/losses)		3,722
- Other OB related charges (bank fees)		(11)
Underestimated Accruals		(1)
Less:		
Variation on year-end rate 2017 vs. average NATO ER 2018 on accrued expenses 2017		806
BES Expenses	\$ 789,192	\$ 665,343

Annex II: Budget Calls and Receipts

The Operational and Administrative Budget contributions are called based on cash requirements and within the FMPD schedule and limits. The Operational Budget reached the contribution ceiling in 2013, the Administrative Budget reached the contribution ceiling in 2014 and as such there were no calls made in 2018 by the OotL.



NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD

INTERNATIONAL BOARD OF AUDITORS FOR NATO
COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

NATO SANS CLASSIFICATION



IBA-A(2019)0108
28 août 2019

- À : Secrétaire général
(À l'attention du directeur du Cabinet)
- Cc : Président du Comité de direction de l'Organisation de gestion du programme du système aéroporté de détection lointaine et de contrôle de l'OTAN
Directeur général de l'Agence de gestion du programme du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAPMA)
Contrôleur des finances de la NAPMA
Président du Bureau de la planification et de la politique générale des ressources
Chef de la Branche Secrétariat et finances du Bureau OTAN des ressources
Bureau d'ordre du Cabinet
- Objet : ***Opinion et lettre d'observations et de recommandations du Collège international des auditeurs externes de l'OTAN (IBAN) concernant la vérification des états financiers de l'Agence de gestion du programme du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAPMA) pour l'exercice clos le 31 décembre 2018 – IBA-AR(2019)0009***

Messieurs,

Vous trouverez ci-joint l'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) de l'IBAN, ainsi qu'une note succincte à l'intention du Conseil (annexe 1).

L'IBAN a émis une opinion sans réserve sur les états financiers de la NAPMA ainsi que sur la conformité pour l'exercice 2018.

Veuillez agréer, Messieurs, l'assurance de ma haute considération.

Hans Leijtens
Président

Pièces jointes : voir ci-dessus.



**Note succincte
du Collège international des auditeurs externes de l'OTAN (IBAN)
à l'intention du Conseil
sur la vérification des états financiers de l'Agence de gestion du programme
du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAPMA)
pour l'exercice clos le 31 décembre 2018**

L'Organisation de gestion du programme du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAPMO), dont fait partie l'Agence de gestion du programme du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAPMA), a été créée pour assurer la direction, la coordination et l'exécution du programme d'acquisition coordonnée du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAEW&C). La gestion du programme consiste à superviser l'acquisition des moyens opérationnels nécessaires à la mise en place de la capacité NAEW&C ainsi que l'acquisition ultérieure des moyens destinés à la renforcer. En 2018, les dépenses de la NAPMA – y compris les ajouts aux projets de modernisation – se sont établies à environ 167 millions de dollars des États-Unis.

L'IBAN a émis une opinion sans réserve sur les états financiers ainsi que sur la conformité pour l'exercice clos le 31 décembre 2018.

L'IBAN n'a pas formulé d'observation à l'issue de l'audit. Il a par ailleurs fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits. Ses constatations sont récapitulées dans la partie intitulée « Suites données aux observations antérieures » de la lettre d'observations et de recommandations (annexe 3).

L'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) ont été transmises à la NAPMO, qui a indiqué qu'elle n'avait pas de commentaire à formuler.

28 août 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

OPINION SUR LES ÉTATS FINANCIERS

DE L'AGENCE DE GESTION DU PROGRAMME DU SYSTÈME AÉROPORTÉ

DE DÉTECTION LOINTAINE ET DE CONTRÔLE DE L'OTAN

(NAPMA)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018

**OPINION DE L'AUDITEUR EXTERNE
À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD**

Vérification des états financiers

Opinion sur les états financiers

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers de l'Agence de gestion du programme du système aéroporté de détection lointaine et de contrôle de l'OTAN (NAPMA) portant sur la période de 12 mois ayant pris fin le 31 décembre 2018. Diffusés sous la cote NAPMA/FC(19)50-00/016 et soumis à l'IBAN le 25 mars 2019, ces états financiers se composent de l'état de la situation financière au 31 décembre 2018, de l'état de la performance financière, de l'état des variations de l'actif net/situation nette et du tableau des flux de trésorerie pour la période de 12 mois ayant pris fin le 31 décembre 2018, ainsi que d'un résumé des méthodes comptables importantes et d'autres notes explicatives. Ils contiennent en outre un rapport sur l'exécution du budget portant sur la période de 12 mois ayant pris fin le 31 décembre 2018.

L'opinion de l'IBAN est que les états financiers donnent une image fidèle et exacte de la situation financière de la NAPMA au 31 décembre 2018 ainsi que de sa performance financière, de ses flux de trésorerie et de l'exécution du budget pour la période de 12 mois ayant pris fin le 31 décembre 2018, en application des dispositions comptables et des normes de compte rendu du cadre comptable OTAN.

Justification de l'opinion émise sur les états financiers

Le Règlement financier de l'OTAN (NFR) prévoit que l'audit externe des organismes OTAN établis en vertu du Traité de l'Atlantique Nord est effectué par un collège d'auditeurs externes nommés par le Conseil de l'Atlantique Nord.

L'IBAN a effectué son audit sur la base des normes internationales des institutions supérieures de contrôle des finances publiques (ISSAI 1000-1810), définies par l'Organisation internationale des institutions supérieures de contrôle des finances publiques (INTOSAI), ainsi que des dispositions complémentaires figurant dans sa propre charte.

L'IBAN est indépendant, ainsi que le prévoit le Code de déontologie de l'INTOSAI, et il s'est acquitté de ses responsabilités dans le respect des dispositions de ce code. Les responsabilités des membres de l'IBAN sont décrites de manière plus détaillée dans la section « Responsabilités de l'IBAN concernant la vérification des états financiers » et dans sa charte. L'IBAN estime qu'il a obtenu par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion.

Responsabilité de la direction concernant les états financiers

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

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

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

Responsabilités de l'IBAN concernant la vérification des états financiers

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

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

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

inexactitude significative relevant d'une erreur, car la fraude peut résulter d'une collusion, d'une falsification, d'omissions intentionnelles, de fausses déclarations ou du contournement du contrôle interne ;

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

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

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

Vérification de la conformité

Opinion sur la conformité

Sur la base des procédures qu'il a appliquées, l'IBAN estime que rien, dans son audit des états financiers, ne lui donne de raison de penser que les fonds n'ont pas été régulièrement employés à l'acquittement de dépenses autorisées ou qu'ils ne sont pas conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Justification de l'opinion émise sur la conformité

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

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

Responsabilité de la direction concernant la conformité

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

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

Responsabilité de l'IBAN concernant la conformité

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

Il incombe ainsi à l'IBAN d'appliquer des procédures lui permettant d'obtenir en toute indépendance une assurance sur le point de savoir si les fonds ont été régulièrement employés à l'acquittement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur. De telles procédures prévoient notamment la prise en compte des risques de non-conformité significative.

Bruxelles, le 28 août 2019

A handwritten signature in blue ink, consisting of stylized, cursive letters that appear to read 'H. Leijtens'.

Hans Leijtens
Président

28 août 2019

COLLÈGE INTERNATIONAL DES AUDITEURS EXTERNES DE L'OTAN

LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS

**CONCERNANT L'AGENCE DE GESTION DU PROGRAMME DU SYSTÈME
AÉROPORTÉ DE DÉTECTION LOINTAINE ET DE CONTRÔLE DE L'OTAN**

(NAPMA)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2018

Introduction

Le Collège international des auditeurs externes de l'OTAN (IBAN) a procédé à la vérification des états financiers de la NAPMA pour l'exercice clos le 31 décembre 2018, et il a émis une opinion sans réserve à leur sujet ainsi qu'au sujet de la conformité.

Observations et recommandations

À l'issue de l'audit, l'IBAN n'a pas formulé d'observations pour l'exercice considéré.

L'IBAN a par ailleurs fait le point sur la suite donnée aux deux questions ayant fait l'objet d'observations lors de précédents audits et il a constaté que ces deux questions étaient en cours de traitement.

L'IBAN a adressé au directeur général de la NAPMA une lettre pour l'informer de la suite donnée à ces questions (référence : IBA-AML(2019)0006).

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

L'IBAN a fait le point sur la suite donnée aux questions ayant fait l'objet d'observations lors de précédents audits. On trouvera dans le tableau ci-après un récapitulatif de ces observations et des mesures prises par l'entité ainsi qu'un état de la question.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
(1) NAPMA – Exercice 2017 IBA-AR(2018)0013, paragraphe 1 INEXACTITUDES ET ERREURS NON SIGNIFICATIVES DANS LES ÉTATS FINANCIERS Recommandations de l'IBAN Le Collège recommande à la NAPMA d'améliorer le processus de vérification des informations financières. Il lui recommande plus spécifiquement : • de faire la distinction, dans l'état de la situation financière, entre les passifs à court terme et les passifs à long terme ; • de veiller à la cohérence des notes et des états financiers proprement dits ;	Pas de problème majeur constaté pour l'exercice considéré. L'incohérence qui avait été relevée dans les états financiers de 2017 entre l'état de la situation financière et les notes en ce qui concerne les Avances se retrouve dans la colonne montrant le solde en début d'exercice. De plus, le montant présenté dans les rubriques « Variation de la valeur des éléments à livrer à la force NAEW&C » et « Acquisitions relatives aux moyens en cours de construction » du tableau des flux de trésorerie (355 698 617 USD) ne correspond pas à celui qui est mentionné dans la note 6 s'agissant des acquisitions relatives aux moyens en cours de construction (115 771 262 USD), alors que ces deux montants devraient être égaux. La différence correspond à la valeur des moyens en cours de construction transférés à la force NAEW&C, transfert qui n'implique pas de flux de trésorerie et ne devrait donc pas être présenté dans le tableau des flux de trésorerie.	Question en cours de traitement

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
- de fournir, dans la note sur le fond d'atténuation des risques (<i>Risk Mitigation Fund Nations</i>), des explications plus exhaustives et plus claires ; - de calculer le montant de la dotation aux amortissements d'un actif en prenant comme base le moment où cet actif est mis en service et où il se trouve à l'endroit et dans l'état où il doit être pour pouvoir être utilisé aux fins auxquelles la direction le destine, comme prévu dans le cadre comptable OTAN et l'IPSAS 17 ; - de veiller à ce que la valeur historique des actifs radiés au cours de l'exercice soit correcte.	Les explications fournies pour l'exercice considéré étaient meilleures. Pas d'irrégularité majeure constatée pour l'exercice considéré. En ce qui concerne les actifs retirés du service en 2018, il y a des différences entre la liste approuvée de ces actifs, les états financiers et le registre des actifs. Toutefois, ces différences ne sont pas significatives. L'observation a été reproduite dans la lettre à la direction et la question est considérée comme traitée dans la présente lettre d'observations et de recommandations.	
(2) NAPMA – Exercice 2017 IBA-AR(2018)0013, paragraphe 2 NÉCESSITÉ D'APPORTER DES AMÉLIORATIONS DANS LES DOMAINES DE LA GESTION DES RISQUES, DU CONTRÔLE INTERNE ET DE L'AUDIT INTERNE Recommandations du Collège Le Collège recommande au NAPMA : - d'établir une version actualisée du plan de gestion des risques pour l'ensemble de l'entité sur la base du plan de mise en application du COSO élaboré par l'Agence ; - de fixer la propension au risque en trois étapes : 1) définir la propension au risque 2) faire connaître la propension au risque 3) assurer le suivi et la mise à jour de la propension au risque sur une base régulière ; la NAPMA devra veiller à ce que	Le plan de gestion des risques pour l'ensemble de l'entité figure désormais dans l'instruction d'exploitation OI-A-18 (du 1^{er} mars 2019) de la NAPMA. On se reportera au point suivant pour plus de précisions. Aucune autre mesure n'est requise. La propension au risque a été formalisée au niveau de la gouvernance. L'instruction d'exploitation OI-A-18 (du 1^{er} mars 2019) de la NAPMA en définit le concept, et elle détermine qui fixe la propension au risque et comment celle-ci	Question en cours de traitement

NATO SANS CLASSIFICATION

ANNEXE 3
IBA-AR(2019)0009

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
l'organe de gouvernance de la NAPMO supervise et valide son travail à cet égard ; - de continuer de procéder, de manière systématique et détaillée, à l'évaluation de ses procédures de contrôle interne et de gestion des risques et à leur consignation par écrit, en vue d'une mise en conformité avec le cadre COSO, qu'elle a adopté ; - de faire en sorte que son service d'audit interne évalue pleinement le contrôle interne et la gestion des risques dans l'ensemble de l'organisme et veille à ce que ce travail soit clairement documenté, de manière à ce que l'on puisse aboutir à la conclusion que la NAPMA respecte le cadre COSO.	est fixée à la NAPMA. Aucune autre mesure n'est requise. Des améliorations notables ont été constatées. En décembre 2018, un document d'orientation portant sur la gestion des risques et le contrôle interne au sein de la NAPMA a été établi pour servir de base à l'élaboration de deux instructions d'exploitation relatives respectivement à la gestion des risques et au contrôle interne. Entre-temps, ces instructions d'exploitation ont été publiées et sont suivies par la NAPMA (OI.A-18 Gestion des risques, et OI.A-19 Contrôle interne). En outre, un projet de version révisée de la politique relative à la gouvernance de la NAPMO a été établi, qui fait état de l'obligation d'assurer une gestion des risques et d'exercer un contrôle interne au sein de la NAPMA. Il est actuellement à l'examen par le Comité des orientations et des finances de la NAPMO. Il devrait être approuvé par le Comité de direction de la NAPMO à sa réunion BOD-102 (novembre 2019). En 2018, l'auditeur interne a procédé à une évaluation de la gestion des risques. Évaluation globale : quelques améliorations requises. Cette évaluation pourrait être revue quand la version révisée de la politique relative à la gouvernance fde la NAPMO, faisant état de l'obligation d'assurer une gestion des risques et d'exercer un contrôle interne, sera d'application. La mise à jour du <u>mémoire de la NAPMA daté du 23 mars 2017, diffusé sous la cote NAPMA/COS(17)11-00/002 et intitulé « Gestion des risques et cadre intégré de contrôle interne – Premier inventaire »</u>, faciliterait l'évaluation de la prise en considération des principes COSO par l'Agence. L'auditeur interne n'a pas encore procédé à l'évaluation formelle du système de contrôle interne.	

Une question est considérée comme étant « à traiter » lorsqu'aucun progrès notable n'a encore été réalisé en vue de son règlement. Une question est considérée comme étant « en cours de traitement » lorsque l'organisme OTAN visé a commencé à mettre en œuvre la recommandation correspondante ou lorsque certains éléments de la recommandation (mais pas tous) ont été suivis d'effets. Une question est considérée comme étant « traitée » lorsque la recommandation correspondante a été mise en œuvre ou qu'elle a été rendue ou est devenue caduque.

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NAPMA

FINANCIAL STATEMENTS 2018

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OVERVIEW

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

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

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

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

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

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

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

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

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

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

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NAPMA's Peacetime Establishment (PE) is 116 posts, manned by seconded military officers and civilian personnel, drawn from all of the Nations participating in the Programme. 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 Force 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 Programme ceiling as agreed in the respective MMoU addendum amendment. The Administrative Budget covers all expenditures for the internal functioning of the Agency. The Project Budgets contain the appropriations for the modification of the NAEW&C Force fleet. Aside from its own budgeted activities, NAPMA also supports other NATO entities such as NAEW&C Force Command, and relies on the support of NATO Support Procurement Agency (NSPA) and NATO Communication and Information Agency (NCIA).

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

Compliance with Financial Regulations

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

The NAPMA Financial Statements have been prepared on the accrual basis of accounting in accordance with the NATO Accounting Framework (NAF) as adopted by the NAC. The NAF is based upon the International Public Sector Accounting Standards (IPSAS). IPSAS 12 – Inventories, IPSAS 17 – Property Plant and Equipment and IPSAS 31 – Intangible Assets were adapted by the NAC in August 2013 and IPSAS 1 – Presentation of Financial Statements, was adapted by the NAC in April 2016.

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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 and US FMS), which require maintaining substantial annual cash levels to satisfy requirements which may be required in support of the procurement efforts towards the end of the current modernisation programme.

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.

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

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

Following BOD/99 (19-21 June 2018) the 6th Amendment to the Addendum to the Multilateral Memorandum of Understanding (MMOU) was created. This amendment was sent out on 8 July 2018 to the contributing NAPMO Nations to staff and sign, to cover the NAPMO BOD approved Final Lifetime Extension Programme. In the first quarter of 2019 a total of twelve Nations had signed. Staffing for signature in the other Nations continues, as confirmed, to allow for a strong start of the Final Lifetime Extension Programme.

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 and purpose of Internal Control

As General Manager of NAPMA I am responsible and accountable to the Agency's Board of Director for maintaining a sound system of Internal Control that supports the achievement of NAPMA's objectives and is 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 FRs) as General Manager, I am in particular responsible for ensuring that the necessary internal management functions are in place to support effective Internal Control and are designed to provide reasonable assurance that NAPMA will achieve its objectives in the following categories:

- safeguard assets;
- verify the accuracy and reliability of accounting data and records;
- promote operational efficiency; and
- 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. The NAPMO FRs require that in order to meet the desired Internal Control standards the Financial Controller shall:

- establish a system of internal financial and budgetary control, embracing all aspects of financial management including transactions for which appropriations have been approved;
- designate and formally delegate authority to officials who may disburse and receive funds on his/her behalf; and
- establish and maintain comprehensive accounting records of all assets and liabilities.

While the General Manager and the Financial Controller have specific responsibilities in relation to Internal Control, all Agency staff have a responsibility for complying with the Internal Controls in place to ensure NAPMA is being a good steward of the funds entrusted to it by the Nations.

The limitations of a system of Internal Control

A system of Internal Control is designed to reduce and manage, rather than eliminate, the risk of failure to achieve an entity's aim and objectives. It can provide reasonable but not absolute assurance that an entity's aim and objectives will be achieved. It is based on a continuous process designed to:

- Identify the principal risk that threaten the achievement of objectives;
- Evaluate the nature and extent of those risks; and
- Manage them effectively, efficiently and economically.

The cost of the Internal Controls should not outweigh the risks they are mitigating.

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Internal Control Framework

Key elements in place within the Agency of the Internal Control System include, but are not limited to:

- A NAPMA Management Directive that prescribes Standards of Behaviour which are in line with the NATO Code of Conduct. This document is signed by each staff member on accepting appointment. Each staff member furthermore yearly signs the annual declaration on following the NAPMA Standards of Behaviour;
- The NAPMO Financial Regulations (FRs) including the Financial Rules and Procedures (FRPs);
- The NATO Civilian Personnel Regulations;
- NAPMA Operating Instructions;
- A clear delineation of responsibilities in line with the NAPMO FRs as well as an effective delegation system compliant with the NAPMO FRPs; designated responsible managers within the NAPMA organization sign a statement of assurance declaring their assessment on the execution of their internal controls;
- Proper and effective segregation of duties between Budget Officers, Accounting Officers, Treasurers as well as between requirement holders and Purchasing and Contracting Officers;
- The use of an asset register to safeguard the assets retaining to the Agency;
- The signature by NAPMA key personnel of the IPSAS 20 "Related Party Disclosures".

General Manager's Internal Control Priorities for the Year 2019

NAPMA chose to implement their Internal Control System based on the principles of Committee of Sponsoring Organisations of the Treadway Commission (COSO). In December 2018, a NAPMA Risk Management and Internal Control Policy document was presented. The purpose of this document is to set up an interim guidance on enterprise-wide Risk Management (RM) and Internal Control (IC) until NAPMO Nations have agreed on a new or revised NAPMO Corporate Governance Policy. The process has been initiated at the NAPMO Policy & Finance Committee (PFC) in October 2018 and is expected to provide first results in approximately 12 months. Based on this agreed way ahead, the maximum validity of this document is limited to 24 months based on the assumption that it should take no more than two BOD cycles to migrate from a first draft towards a final document. In 2019, continuous improvements of the existing control framework will be implemented.

Financial Control Assessment

We believe that strong controls exist over financial management functions such as budgets, treasury functions and accounts payable. In order to meet the desired Internal Control standards the Financial Controller has established a system of internal financial and budgetary control (Guideline FC #1), embracing all aspects of financial management including transactions for which appropriations have been approved. This system includes the segregation of duties, 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

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furthermore secured by the NAPMA Standards of Behavior and the annual declaration. Cash management and issues regarding the financial institutions which are responsible for cash 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 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.

The reliability of NAPMA's financial reporting is supported by the use of an effective Enterprise Resource Planning (ERP) system. Specifically the NAPMA Integrated Management System (NIMS) provides appropriate budgetary controls applicable to funding in order to monitor variance and properly reflect authorized deviations by:

- appropriate levels of financial transaction reviews and subsequent approvals;
- accurate access for NAPMA personnel with delegated financial responsibilities;
- a system of authorization, recording and procedures adequate to provide accounting control in relation to assets, liabilities, revenue and expenses;
- proper segregation of functional responsibilities and procedures to review the adequacies of and compliance with the rules and regulations.

Risk Management

NAPMA's Risk Management process includes maintenance of a risk registry of key project and organisational risks and opportunities (including mitigation plans) in an automated tool. Programme risk concerns, such as cost, schedule and performance are maintained by the PM division and briefed during each Board of Directors (BOD) cycle.

Internal Audit

Internal Audit is an insurance function that independently assesses the adequateness of implemented controls. Internal Audit is not an internal control in itself but provides independent assurance on Internal Control.

Internal audit works in accordance with the "Internal Standards for the Professional Practice of Internal Auditing". While the Internal Auditor reports to the General Manager, he/she also presents a report to the Policy and Finance Committee.

The General Manager is supported by an Audit Advisory Panel, the NAPMA Audit Board, which is made up of a Chairman, a Secretary, two internal members and one person independent of NAPMA's Management Board.

The Audit Board reviews systems, processes and controls and also endorses the internal audit plan and reviews internal audit reports.

Statement of the General Manager and the Financial Controller

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

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regulations. This confirmation is based upon daily interactions, reviews, self-assessments and responses from the internal auditor and the reports received from external auditors.

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 2018 and up to the date of approval of the Financial Statements.



BrigGen Michael Gschossmann
General Manager NAPMA



Mr. Ray Thuis
Financial Controller NAPMA

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NAPMA Statement of Financial Position

as at 31 December 2018

(in USD equivalent)

	Note	2018	Restated 2017	Original 2017
ASSETS				
Current assets				
Cash and cash equivalents	1	289,141,900	408,718,217	408,718,217
Receivables	2	1,542,445	18,730,262	18,730,262
Prepayments	3	4,484,294	5,178,862	5,178,862
		<u>295,168,639</u>	<u>432,627,340</u>	<u>432,627,340</u>
Non-current assets				
Prepayments >12 Months	4	10,519	9,478	9,478
Property, Plant & Equipment	5	1,348,460	552,991	552,991
Other non-current assets*	6	119,145,364	243,380,727	243,380,727
		<u>120,504,343</u>	<u>243,943,196</u>	<u>243,943,196</u>
TOTAL ASSETS		415,672,982	676,570,536	676,570,536
LIABILITIES				
Current liabilities				
Payables and Accruals	7	26,630,536	35,412,235	35,412,235
Unearned Contributions**	8	169,790,525	250,299,518	251,512,186
Advances***	9	0	57,591,072	0
		<u>196,421,061</u>	<u>343,302,824</u>	<u>286,924,421</u>
Non-current liabilities				
Advances > 12 Months***	10	79,653,471	75,651,199	133,242,271
Risk Mitigation Fund Nations	10	12,691,124	6,965,741	6,965,741
Reimbursables NATO Entities**	10	1,168,775	1,309,508	96,839
Other non-current liabilities	11	119,145,364	243,380,727	243,380,727
		<u>212,658,734</u>	<u>327,307,174</u>	<u>383,685,578</u>
TOTAL LIABILITIES		409,079,795	670,609,999	670,609,999
Net assets/equity	12	6,593,187	5,960,538	5,960,538
TOTAL LIABILITIES AND NET ASSETS		415,672,982	676,570,536	676,570,536

* 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 13).

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

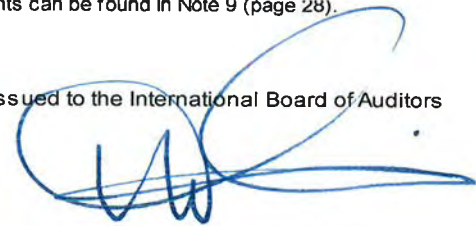
Further details on the 2017 comparative figure restatements can be found in Note 8 (pages 26+27) and Note 10 (page 29).

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

Further details on the 2017 comparative figure restatements can be found in Note 9 (page 28).

The financial statements on pages 10 to 37 were issued to the International Board of Auditors for NATO on 25 March 2019.


BrigGen Michael Gschossmann
General Manager NAPMA


Mr. Ray Thuis
Financial Controller NAPMA

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NAPMA Statement of Financial Performance

for the year ended 31 December 2018

(in USD equivalent)

			Restated	Original
	Note	2018	2017	2017
Revenue				
Revenue from Contributions	13	37,417,233	29,161,356	29,161,356
Financial Revenue	13	0	303,336	303,336
Other Revenue	13	15,070,848	0	0
Total Revenue		52,488,081	29,464,693	29,464,693
Expenses				
Projects - direct	14	31,740,927	10,793,133	10,793,133
Projects - indirect via SPO*	14	642,671	88,225	88,225
Administrative	14	19,130,180	18,218,940	18,218,940
Depreciation	14	184,289	141,566	141,566
Finance Expenses	14	31,793	0	0
Total expenses		51,729,859	29,241,863	29,241,863
Surplus/(Deficit) for the period	15	758,222	222,829	222,829

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

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NAPMA Statement of Changes in Net Assets/Equity

for the year ended 31 December 2018

(in USD equivalent)

	Capital assets	Cash Reserves	Accumulated gains/losses on foreign exchanges	Accumulated curr Transactions	Total
Balance at the beginning of the period 2017	628,834	5,231,801	(542,310)	0	5,318,326
Changes in accounting policy/prior period errors	0	0		0	0
Restated balance	628,834	5,231,801	(542,310)	0	5,318,326
Net gains/(losses) recognised directly in net assets/equity	0	0	0	0	0
Use of cash reserves	0	(4,663)	0	0	(4,663)
Net increase-decrease capital assets	(75,844)	0	0	0	(75,844)
Exchange difference on translating foreign operations	0	(12,982)	0	0	(12,982)
Net unrealised foreign exchange gains and losses	0	432,365	303,336		735,701
Change in net assets/equity for the year ended 2017	(75,844)	414,720	303,336	0	642,212
Balance at the end of the period 2017	552,990	5,646,521	(238,974)	0	5,960,538
Changes in accounting policy/correction prior period errors					
Restated balance	552,990	5,646,521	(238,974)	0	5,960,538
Net gains/(losses) recognised directly in net assets/equity	0	0	0	0	0
Use of cash reserves	0	(5,455)	0	0	(5,455)
Net increase-decrease capital assets	795,469	0	0	0	795,469
Exchange difference on translating foreign operations	0	(162,322)	0	0	(162,322)
Net unrealised foreign exchange gains and losses	0	36,750	(31,793)	0	4,958
Change in net assets/equity for the year ended 2018	795,469	(131,027)	(31,793)	0	632,650
Balance at the end of the period 2018	1,348,459	5,515,494	(270,767)	0	6,593,187

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NAPMA Statement of Cash Flow

for the year ended 31 December 2018

(in USD equivalent)

		Restated	Original
	2018	2017	2017
Cash Flow from Operating Activities			
Surplus/(Deficit) from Operating Activities	758,222	222,829	222,829
Add: Non-Cash Movements			
Depreciation	184,289	141,566	141,566
(Increase)/Decrease in Accounts Receivable	17,187,817	19,728,488	19,728,488
(Increase)/Decrease in Prepayments	693,527	(1,361,516)	(1,361,516)
Increase/(Decrease) in Accrued Bank Charges	0	(805)	(805)
Increase/(Decrease) in Accounts Payables	(13,724,553)	(12,234,116)	(12,234,116)
Increase/(Decrease) in Unearned Contributions*	(80,508,993)	(88,364,679)	(87,152,011)
Increase/(Decrease) in Advances and Reimbursables NATO Entities*	(48,004,149)	16,336,265	15,123,596
Change of Value in Deliverable to NAEW&C Force	355,698,617	160,801,532	160,801,532
Increase/(Decrease) in Goods Receipt	4,942,854	11,639,978	11,639,978
Net Cash Flow from Operating Activities	237,227,630	106,909,543	106,909,543
Cash Flow from Investing Activities			
(Purchase)/Disposal of Assets	(979,758)	(65,722)	(65,722)
Additions to Work in Progress (WIP)	(355,698,617)	(160,801,532)	(160,801,532)
Net Cash Flow from Investing Activities	(356,678,375)	(160,867,254)	(160,867,254)
Cash Flow from Financing Activities			
Fund Transfer from Net Assets	(162,322)	(12,982)	(12,982)
Effect of Currency Valuations			
Currency Valuation Operating Activities	0	0	0
Currency Valuation Financing Activities	36,750	432,365	432,365
Total Currency Valuations	36,750	432,365	432,365
Net Increase (Decrease) in Cash/Cash Equival.	(119,576,317)	(53,538,328)	(53,538,328)
Cash and Cash Equiv. Beginning of Period	408,718,217	462,256,545	462,256,545
Cash and Cash Equiv. End of Period	289,141,900	408,718,217	408,718,217

* Restated figures adjust the amounts for the correction of prior period errors. Further details on the 2017 comparative figure restatements can be found in Note 8 (pages 26+27) and Note 10 (page 29).

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ACCOUNTING POLICIES

Basis of Preparation

NAPMA Financial Statements have been prepared in accordance with the accounting requirements of the NAPMO Financial Regulations (NFRs) and the Financial Rules and Procedures (FRPs). 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 based on accrual 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 decision-making and that is reliable, comparable, and understandable in light of the qualitative characteristics of financial reporting.

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

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 which means that NAPMA will continue in existence for at least a year from the date the financial statements are issued.

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

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

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Accounting Period

The 2018 Financial Statements are based on the accounting records of NAPMA as of 31 December 2018. In accordance with the NAPMO Financial Regulations (NFRs), 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 appropriations. 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. Effective 1 January 2007, other miscellaneous income is returned or credited to the Nations unless otherwise instructed by the NAPMO BOD.

Generated interest since 2014 is held in the Risk Mitigation Fund.

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 and 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 2018 Financial Statements, the accounting policies have been applied consistently throughout the reporting period.

There was a change in accounting policy for Property, Plant and Equipment according to NAPMA's revised accounting operating instruction effective as of 1 January 2018. The thresholds, the useful life and the depreciation method were amended.

As a result of the audit report IBA-A(2018)0084, and following IBAN recommendation the 2017 Financial Statements were restated. Original figures are those which were published in the NAPMA Financial Statements for 2017. The restated column presents the new adjusted figures for 2017 after taking into account corrections.

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1. Correction of a presentation error and restatement of 2017 comparative figures for current and non-current liabilities in the statement of financial position.

A presentation error was discovered during the audit of the Financial Statements 2017 and therefore retroactively corrected (restated) in the comparative figures in the Statement of Financial Position to be in line with the amounts disclosed in the notes.

2. Change in accounting policy for Property, Plant and Equipment

In accordance with the NAPMA Operating Instruction OI F-03, NAPMA amended the thresholds as well as the useful life and consequently the depreciation method from annual depreciation to pro-rata (if the amount is material) per asset category.

3. Correction of errors and restatement of 2017 comparative figures for unearned contributions and reimbursables NATO Entities.

A prior period error was discovered during the preparation of the FS 2018 and therefore retrospectively corrected. Original figures are those which were published in the NAPMA Financial Statements for 2017. The restated column presents the new adjusted figures for 2017 after taking into account the corrections.

Changes in Accounting Standards

NAPMA discloses whenever it has not yet applied a new accounting standard, and provides any information relevant to assessing the possible impact that the initial application of the new standard would have on the Financial Statements. The standards reported below are effective for annual financial statements covering the period beginning on or after 1 January 2018. The new relevant standards have not been applied by NAPMA in preparing the 2018 Financial Statements. These standards do not impact NAPMA's financial reporting.

- IPSAS 39 – Employee Benefits (effective 1 January 2018)
- IPSAS 40 – Public Sector Combinations (effective 1 January 2019)

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 2018.

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.

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.

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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 receivable from Nations, NATO Entities, Non-NATO Entities, Staff Members and other receivables, receivables from bank interest and long outstanding receivables.

Contribution receivables are recognized when a call for contribution has been issued to the member Nation. No allowance for loss is recorded with respect to Member countries' assessed contributions receivable except for exceptional and agreed technical reasons.

Prepayments

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

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 Property, Plant and Equipment (PP&E) accounts have been established to capitalize expenditures on administrative assets and show the depreciation accumulated against those assets. Administrative assets include those used specifically by the Agency itself in supporting its programme management activities. The building and the land that NAPMA occupies are provided by the Host Nation as a "right of use".

All PP&E is 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 capitalization 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 2018 were as follows:

PP&E Category	Description	Threshold per item	Useful life
Buildings	Building	200,000	40
Installed Equipment	Equipment/building improvements as part of the building such as heating & cooling systems, security systems, renovation, replacements and fixtures	30,000	10
Vehicles	Transportation equipment	10,000	5
Furniture	Desks, Chairs, Cabinets, Safes, etc.	30,000	10
Automated Information Systems	NIMS, major Hardware and Software	50,000	3
Communication and IT Equipment	Equipment/Tools required for daily office operations such as PC's, Laptops, Software, etc.	50,000	3
Government Furnished Equipment	Miscellaneous Equipment provided to Contractors	50,000	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&C Force when the modernisation of the aircraft has been completed and is in use by NAEW&C Force. In accordance with the NAF 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.

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Liabilities – Current Liabilities

Payables and Accruals

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

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.

Employee Benefits

The NAPMA employees participate in one of the two NATO pensions funds: the Coordinated Pension Scheme which is a benefit plan, and the Defined Contribution Pension Scheme (DCPS) which is a contribution plan. All are administered by NATO and RMCF. The assets and liabilities for these pension schemes are accounted for centrally at NATO Headquarters and therefore are not recognized in these Financial Statements, NAPMA accounts only for the contributions paid during the year.

“Further to an analysis covering the last years of the history of death in service risks in relation to premiums paid by the Organisation during 2012-2015, a compensation of EUR 6 million at the NATO-wide level was agreed by the insurance company. End 2018, the NATO Secretary General decided that a fraction of this amount (circa EUR 1,7 million) should be paid to NATO staff who were members of the DCPS during the period 2012-2015 in proportion to the contributions they made to the DCPS. Staff employed by “NATO body” during the period 2012-2015 and affiliated to the DCPS are therefore entitled to a payment to be made from the NATO DCPS accounts. A decision still has to be taken concerning the remaining amount of the compensation, which may result in a proportional payment to “NATO body”.

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, sales of residual assets and Research and Development (R&D) recoupment.

Risk Mitigation Funds (RMF)

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

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the then current MoU cost shares.

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

Risk management procedures are implemented specifically pertaining to measuring and managing liquidity risk in both normal and adverse conditions.

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)

This value represents the cumulative amount which will be transferred to NAEW&C Force when the modernization of the aircraft will be completed and will be in use by NAEW&C Force. 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.

There is a claim by Mrs. C. Niessen, dated 5 April 2018, represented by DAS, Onderwijsboulevard 2015, 5223 DJ Den Bosch, claiming materiel and immateriel damages resulting from a fall at NAPMA premises while working for the cleaning company Hectas.

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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 Programme.

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 programme).

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 realised 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 realised 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

<u>Cash and cash Equivalents</u>	<u>2018</u>	<u>Restated 2017</u>	<u>Original 2017</u>
Current Accounts	191,057	57,857	57,857
Saving Accounts	93,950,842	126,660,360	126,660,360
Fixed-Term Deposits	195,000,000	282,000,000	282,000,000
Total	289,141,900	408,718,217	408,718,217

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 2018 NAMPA invested a part of the cash holding in high rated short fixed-term deposits.

Fixed-Term Deposits held:

Bank	Duration	Currency	Total amount
WELLS FARGO	6 Months	USD	65,000,000
JP MORGAN	6 Months	USD	20,000,000
DNB Bank	6 Months	USD	110,000,000
Grand Total		USD	195,000,000

Saving accounts held:

Bank	Currency		USD Equivalent
DNB Bank	CAD	1,778,947	1,347,790
	EUR	25,749,882	29,710,213
	GBP	108,150	138,127
	NOK	35,548,659	4,144,290
	USD	16,394,132	16,394,132
WELLS FARGO	USD	42,216,290	42,216,290
Grand Total			93,950,842

Savings are converted using NATO weekly posted exchange rates applicable on 31 December 2018.

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The Calls for Contributions to participating Nations are issued according to the 2018 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 decrease in cash holdings in 2018 compared to the 2017 figures is the result of expenditures related to the procurement effort and the final Call for FUP. No further Calls were issued due to the ceiling amount of the Fourth Amendment.

2. Accounts Receivable

<u>Accounts receivable</u>	<u>2018</u>	<u>Restated 2017</u>	<u>Original 2017</u>
Receivables from Nations	0	17,541,954	17,541,954
Receivables from NATO Entities	613	0	0
Receivables from Staff Members	0	0	0
Other Receivables/Recoverable	0	2,159	2,159
Receivables from Bank interest	1,128,881	761,672	761,672
Long outstanding Receivables	412,952	424,477	424,477
Total	1,542,445	18,730,262	18,730,262

The majority of the open receivables are comprised of accrued interests to be received from financial institutions. 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 decrease in the Receivables is primarily due to payments of contributions received prior to the year end.

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

As reported during PF22, the residual lapses in the LAIRCM programme are returned to participating Nations in 2019. The residual lapses were sufficient to offset the long outstanding receivable from Germany which was offset accordingly in February 2019.

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3. Prepayments

<u>Prepayments</u>	<u>2018</u>	<u>Restated 2017</u>	<u>Original 2017</u>
NATO Entities	849,631	561,237	561,237
DFAS	3,449,054	4,390,509	4,390,509
ADMIN NON-NATO Entities	185,609	227,116	227,116
Total	4,484,294	5,178,862	5,178,862

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

Advance payments to Non-NATO entities cover prepayments executed in 2018 related to administrative and operational transactions.

Assets – Non-Current Assets

4. Prepayments > 12 Months

<u>Prepayments</u>	<u>2018</u>	<u>Restated 2017</u>	<u>Original 2017</u>
ADMIN NON-NATO Entities > 12 Months	10,519	9,478	9,478
Total	10,519	9,478	9,478

Prepayments executed in 2018 related to licences with validity through 2019.

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

During 2018, there were additions to PP&E in the amount of 979,758 USD equivalent.

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

	Automated Inf. System (NIMS)	Communication and IT Equipment	Furniture	Vehicles	Buildings	Installed Equipment	Totals
Opening Balance (01 January 2018)	59,955	43,815	42,086	0	402,901	4,233	552,991
Additions	0	864,036	0	115,722	0	0	979,758
Disposals/Corrections	0	0	0	0	0	0	0
Depreciation	31,517	113,054	12,846	10,561	15,097	1,215	184,289
Closing Balance (31 December 2018)	28,439	794,797	29,241	105,161	387,804	3,018	1,348,460
Gross Carrying Amount	7,500,612	929,758	668,851	115,722	603,899	12,149	9,830,991
Accumulated Depreciation	7,472,173	134,961	639,610	10,561	216,095	9,131	8,482,531
Net Carrying Amount	28,439	794,797	29,241	105,161	387,804	3,018	1,348,460

In 2018, NAPMA disposed assets with a net value of 0.00 USD equivalent and a historical value of 63,137 USD equivalent.

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

<u>Work in Progress</u>	<u>2018</u>	<u>Restated 2017</u>	<u>Original 2017</u>
Work in Progress (WIP)	119,145,364	243,380,727	243,380,727
Total	119,145,364	243,380,727	243,380,727

WIP – The value of work in progress for the acquisition projects will be transferred to the NAEW&C Force when the modernisation of the aircraft has been completed and is in use by NAEW&C Force.

The amount of 240,006,625 USD equivalent was transferred to the NAEW&C Force in 2018 in compliance with the NATO Accounting Framework (NAF).

In accordance with the NAF, 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 66,527,627 USD equivalent is presented on a modified cash basis.

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The below summary table shows additions and transfers occurred during the fiscal year as well as the accumulated amounts.

	Work in Progress (WIP)
Opening Balance (01 January 2018)	243,380,727
Additions	115,771,262
Transferred to NAEW&C	-240,006,625
Disposals/Corrections	0
Closing Balance (31 December 2018)	119,145,364
Gross Carrying Amount	2,331,048,697
Accumulated Transfers	2,211,903,333
Net Carrying Amount	119,145,364

Liabilities – Current Liabilities

7. Accounts Payable and Accruals

<u>Accounts Payable</u>	<u>2018</u>	<u>Restated 2017</u>	<u>Original 2017</u>
Payables to NATO Entities	2,946	17,288	17,288
Payables to Non-NATO Entities	332,661	341,525	341,525
Payables to Suppliers	720,940	14,415,183	14,415,183
Payables to Staff	219	7,323	7,323
Total	1,056,766	14,781,319	14,781,319

Payables to NATO Entities

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

Payables to Non-NATO Entities

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

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Payables to Suppliers

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

Payables to staff members

Amounts due to staff members such as travel expenses.

<u>Accruals</u>	<u>2018</u>	<u>Restated 2017</u>	<u>Original 2017</u>
Accrued Bank charges	0	0	0
Goods receipt – Invoices to be received	25,573,770	20,630,916	20,630,916
Total	25,573,770	20,630,916	20,630,916

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 2018 and prior but not invoiced by the 31 December 2018.

The variance between the comparative figures is explained by the delay in invoicing from the prime contractor. For the goods/services received prior to 2018, all invoices were received and paid in the first quarter of 2019.

8. Unearned Contributions

<u>Unearned Contributions</u>	<u>2018</u>	<u>Restated 2017</u>	<u>Original 2017</u>
Unearned Contributions - Current	163,284,252	243,611,670	244,824,338
Unearned Contributions - SESAR	6,506,273	6,687,848	6,687,848
Total	169,790,525	250,299,518	251,512,186

Unearned Contributions - Currently represent the balance of Nations' Contributions associated to the various programmes, inclusive of administrative support, that have not yet been recognized as revenue. The budgets and associated Call for Contributions are based on the Medium Term Financial Plan (MTFP) approved by the BOD.

NAPMA is disclosing prior period errors as the result of an extensive investigation and review of NAPMA's Financial Statements and corresponding audit reports since 2008. NAPMA discovered that there was an error in the past reporting of unearned contributions and reimbursables NATO entities which led to a restatement executed in the FS 2010. This relates to closing balances in the legacy accounting system (ABC and CGL) and opening balances in NIMS (SAP) during migration.

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A current review of the NAPMA's liability accounts and a careful analysis of the corrections executed in FS 2010, which were the result of a change in accounting policy, lead to a current reduction in reimbursables NATO entities for the amount of USD 1,212,668.

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."

In the restated FS 2010 it was disclosed that *"beginning in 2009, NAPMA's treatment of payments to subcontractors on behalf of its prime contractors was changed. Previous to 2009, these subcontractor transactions were expensed when NAPMA paid the subcontractors through the currency clearing house (CCH) process. For 2009 and subsequent years, the subcontractor payments were not treated as NAPMA expenditures, but rather as cash disbursements made on behalf of its prime contractors.*

NAPMA's expenditures were not booked until receipt of the monthly SPO expenditure report based on prime contractor expenditures reported through DFAS. This change in accounting policy had a significant impact on the total value of expenditure for both Nations funded and thirdparty funded during any given period, as under the new implemented policy in 2009, transactions are expensed at a later date.

Occasionally, DFAS expenditures are reported against budget lines for which funds have not previously been advanced. In previous years, expenditures for which no advance had been made were booked against the CCH Account, but with the adoption of the new policy on expenditure reporting, these are now netted against the DFAS Advance Account. This effectively reduced the balance held on the 1410010 account in 2010, as expenditures were cleared from this account without a payment having first been advanced. In 2009 during the first year of NIMS application, an adjusting entry in the total amount of approximately 11.7 million USD was made through the migration account to debit the 1410010 for those expenditures reported which lacked advances to bring the balance to that shown previously in the Legacy Accounting System. Subsequently for 2010, it was decided to net these expenditures on the DFAS Advance Account."

The correction made in 2018 was a detailed revision of the 2010 reported adjustment and had no direct effect on the total balance of the liabilities or net assets. It is a revision of the technical execution of the correction from the FS 2010 involving a balancing between liability accounts relating to CCH account, unearned contributions Mid-term and reimbursables NATO entities.

The NAPMO-USAF cooperatively developed CNS/ATM 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 one grant represented by two clusters paid in three instalments per cluster: Prefinancing, interim payment and balance payment. In 2018 no payment was received. An interim payment on cluster 1 was received in the first quarter of 2019.

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9. Advances

<u>Advances</u>	<u>2018</u>	<u>Restated 2017</u>	<u>Original 2017</u>
Advance on Nations' Contributions	0	57,591,072	57,591,072
Total	0	57,591,072	57,591,072

Advances are funds held on behalf of the Participating Nations which arise from calls for next year's budget as stated in the NAPMO FR art. 29.5.

The breakdown of the balance disclosed in the Statement of Financial Position presented incorrect amounts however in the notes it was presented correctly. Therefore, a restated column was included to correctly present the comparative figures of 2017 in the statement of financial position and the notes.

At the end of 2018 there were no further Calls issued.

Liabilities – Non-Current Liabilities

10. Advances > 12 Months and Reimbursables NATO Entities

<u>Advances on Nations' Contributions</u>	<u>2018</u>	<u>Restated 2017</u>	<u>Original 2017</u>
Advance Nation accounts	79,653,471	75,651,199	75,651,199
Total	79,653,471	75,651,199	75,651,199

Advances on Nations' contributions are funds held on behalf of the Participating Nations which arise from a variety of funding sources, sales of residual assets, R&D recoupment for the Radar System Improvement Project (RSIP).

<u>Risk Mitigation Fund Nations</u>	<u>2018</u>	<u>Restated 2017</u>	<u>Original 2017</u>
Risk Mitigation Fund Nations	12,691,124	6,965,741	6,965,741
Total	12,691,124	6,965,741	6,965,741

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During BOD96, the NAPMO BOD approved the creation of a Risk Mitigation Fund (RMF) to mitigate currency and exchange risks.

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

Risk management procedures are implemented specifically pertaining to measuring and managing liquidity risk in both normal and adverse conditions.

The RMF balance on the 31 December 2018 is mainly made of interest generated in bank accounts since 2014.

In 2018, the RMF covered bank charges and negative interest in the amount of 140,266 USD equivalent.

<u>Reimbursables</u>	<u>2018</u>	<u>Restated 2017</u>	<u>Original 2017</u>
Reimbursables NATO Entities	1,168,775	1,309,508	96,839
Total	1,168,775	1,309,508	96,839

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.

A prior period error was discovered during the preparation of the FS 2018 and therefore retrospectively corrected in accordance with IPSAS 3 in the amount of 1,212,668 USD equivalent.

11. Other non-current liabilities (Deliverables)

<u>Deliverable to NAEW&C Force</u>	<u>2018</u>	<u>Restated 2017</u>	<u>Original 2017</u>
Deliverables	119,145,364	243,380,727	243,380,727
Total	119,145,364	243,380,727	243,380,727

Deliverables to NAEW&C Force represent the cumulative amount that is still to be transferred to NAEW&C Force when the modernisation of the aircraft has been completed and is in use by NAEW&C Force.

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Changes in Deliverables for the year were as follows:

	Deliverables
Opening Balance (01 January 2018)	243,380,727
Additions	115,771,262
Transferred to NAEW&C	-240,006,625
Disposals/Corrections	0
Closing Balance (31 December 2018)	119,145,364
Gross Carrying Amount	2,331,048,697
Accumulated Transfers	2,211,903,333
Net Carrying Amount	119,145,364

12. 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 Programme. Further details can be found in the Statement of Changes in Net Assets/Equity (page 11).

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NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

13. Revenue

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

<u>Revenue</u>	<u>2018</u>	<u>Restated</u> <u>2017</u>	<u>Original</u> <u>2017</u>
Revenue from Contributions	37,417,233	29,161,356	29,161,356
Financial Revenue	0	303,336	303,336
Other Revenue	15,070,848	0	0
Total	52,488,081	29,464,693	29,464,693

Revenue from Contributions has been recognized for 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 reflect an unrealised gain or loss required for reporting purposes.

14. Expenses

Expenses are recognized by nature within the following groups.

<u>Project Expenses</u>	<u>2018</u>	<u>Restated</u> <u>2017</u>	<u>Original</u> <u>2017</u>
Projects direct	31,740,927	10,793,133	10,793,133
Projects indirect (via SPO)	642,671	88,225	88,225
Total	32,383,598	10,881,357	10,881,357

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.

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<u>Administrative Expenses</u>	<u>2018</u>	<u>Restated 2017</u>	<u>Original 2017</u>
Personnel	16,588,733	16,141,507	16,141,507
Operational	2,541,446	2,077,433	2,077,433
Total	19,130,180	18,218,940	18,218,940

The amounts for Personnel include expenses for salaries and emoluments for NATO civilian positions and temporary personnel, for other salary related and non-related allowances including overtime, medical examinations, recruitment, installation, removal and training.

NAPMA Personnel Costs (including key management personnel)

	2018	2017
Salaries	11,280,940	10,584,809
Allowances	2,590,980	2,782,202
Pension contributions	1,108,718	1,071,660
Health care contributions	1,316,803	1,401,966
Loss-of-Job Indemnities	0	0
Other	291,292	300,870
Total	16,588,733	16,141,507

Employee Disclosure

NAPMA personnel is enrolled in two NATO pension schemes. NAPMA contributes to the schemes for existing employees at amounts laid out in the NATO Civilian Personnel Regulations (NCPR's).

NAPMA does not control or manage any of the schemes or scheme assets and is not exposed to the risks and rewards of the schemes and hence does not record any assets or liabilities of the schemes on its statements of financial position. In 2018 NAPMA contributed 1,108,718 USD equivalent to the NATO pension schemes.

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

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

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<u>Depreciation Expenses</u>	<u>2018</u>	<u>Restated 2017</u>	<u>Original 2017</u>
Depreciation and amortization	184,289	141,566	141,566
Total	184,289	141,566	141,566

Assets of PP&E are depreciated over their useful life (see also Note 5 on page 24).

<u>Finance Expenses</u>	<u>2018</u>	<u>Restated 2017</u>	<u>Original 2017</u>
Finance Expenses	31,793	0	0
Total	31,793	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 gain or loss required for reporting purposes.

15. Surplus for the Period

The 2018 surplus in the amount of 758,222 USD equivalent results from :

- The currency translation adjustments at the end of the year in accordance with IPSAS 4 presented under Finance Expenses in the amount of 31,793 USD equivalent;
- The usage of existing funds to cover project expenditures in the amount of 5,455 USD equivalent; and
- The purchase of administrative assets reported in revenue in the amount of 979,758 USD equivalent less the depreciation expenses in the amount of 184,289 USD equivalent, which total 795,469 USD equivalent.

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EVENTS AFTER THE REPORTING DATE

NAPMA's reporting date is 31 December 2018 and the Financial Statements were authorized for issue by the General Manager on 25 March 2019. No material events, favorable or unfavorable, which would have an impact on the statements have occurred between the reporting date and the date on which the Financial Statements were authorized for issue.

RELATED PARTY DISCLOSURES

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 2018, 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 2018 received from the key management personnel of NAPMA, there were no significant related party relationships identified which could affect the operation of NAPMA.

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

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

Number of individuals at year end on a full time equivalent basis

Grade	2018	2017
A7	1	1
A6	3	3
A5	4	4
A4	8	8
A3	1	1
Total	17	17

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Salaries and benefits paid to key management personnel

Remuneration type	2017	2018
Basic salaries	2,323,760	2,406,268
Allowances	686,544	619,253
Employer's contribution to insurance	297,341	289,401
Employer's contribution to pension	255,603	264,129
Other	-	5,001
Total	3,563,247	3,584,053

The General Manager is entitled to receive a representation allowance as per PO(2013) 0154. The amount spent in 2018 was 568 USD equivalent. Expenditures made against this allowance are supported by invoices.

BUDGET EXECUTION STATEMENT

The execution of the budget during fiscal year 2018 is shown in annex A.

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

The BOD approves the budgets based on programme/projects including administrative costs. Budgets may be subsequently amended by the Board, and on 25 October 2018 the PFC approved a supplemental transfer of appropriation between projects.

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

In the Budget Execution Statement, actual expenditures are recorded on a commitment basis. Budgeted expenditures are recognized when the Service Entry (Good Receipt) is posted and the budget is consumed by an individual project.

The following table reconciles the differences between budget expenses (commitment basis) and actual expenses (accrual accounting basis) which are driven primarily by timing differences in Clearing House, accruals and capitalization. Exchange rate differences are generated because the BES expenditures are calculated at programme rate while the Financial Statement expenditures are calculated at market rate (NATO Parity Rate).

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2018 Expenditure Reconciliation									
	Expenditure Comparison		Difference	Explanation					
Fund Center	BES Expense at Program Rate (\$EQ)	Financial Stmt Expense at Market Rate (LC) (Incl WMP)	BES Expense @ Program Rate less Fin Stmt Expense @ Mkt Rate	Financial Stmt Expense at Program Rate (\$EQ)	Exchange Difference Program Rate to Mkt Rate	Capitalization Difference	Currency Clearing House Difference	Accrual Difference	Delta
PROJECTS	145,125,810.43	148,154,860.11	(3,029,049.68)	148,219,564.36	(64,704.25)	-	(1,521,182.82)	4,880,281.02	265,344.27
ADMIN	21,145,303.95	19,130,179.62	2,015,124.33	20,194,165.90	(1,063,986.28)	(1,053,318.02)		102,179.98	0.01
TOTAL	166,271,114.38	167,285,039.73	(1,013,925.35)	168,413,730.26	(1,128,690.53)	(1,053,318.02)	(1,521,182.82)	4,982,460.99	265,344.27

Note (1): There are accrual service entry estimates for 2016 and 2017 in Mode 5 for work accomplished by Boeing, still unpaid in 2018 due to delayed invoicing

WRITE OFF

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

The NAPMO Financial Regulations require NAPMA to disclose any amounts written-off in the year. In 2018 NAPMA wrote-off assets with a net value of 0.00 USD equivalent and a historical value of 67,137 USD equivalent.

FINANCIAL INSTRUMENTS DISCLOSURE

NAPMA's financial requirements are set by its Member Nations. NAPMA does not borrow money to meet any financial obligation. Other than financial assets and liabilities which are generated by day-to-day operational activities, no long term financial instruments are held. The Risk Mitigation Fund's purpose is to mitigate currency and exchange risks.

Liquidity risk

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

Credit risk

NAPMO Nations are member and partner Nations of NATO, hence NAPMA is not exposed to material credit risks. Credit risk of financial institutions is mitigated by the Risk Mitigation Fund.

Foreign currency risk

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

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Annex A to the Financial Statements
Budget Execution Statement

2018 Budget Execution Statement											
Funds Center	Appropriations current Budget Year(\$EQ)	Total Changes to Previous Appropriations (\$EQ)	Uncommitted Appropriations Carried Forw. from Previous FY(\$EQ)	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)	Commitments Carried Forw. into Following FY(\$EQ)	Total Appropriations Used FY (\$EQ)	Total Appropriations Available -Total Appropriations Used(\$EQ)
Funds Center	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
PROJECTS	74,749,105.46	(63,110.56)	66,900,854.59	187,001,059.33	-	328,587,908.82	(145,125,810.43)	(90,698,461.17)	(90,614,508.14)	(326,438,779.74)	2,149,129.08 (1)
ADMIN	26,017,941.70	-	-	302,579.76	(4,738,398.34)	21,582,123.12	(21,145,303.95)	-	(420,517.25)	(21,565,821.20)	16,301.92 (1)
GRAND TOTAL	100,767,047.16	(63,110.56)	66,900,854.59	187,303,639.09	(4,738,398.34)	350,170,031.94	(166,271,114.38)	(90,698,461.17)	(91,035,025.39)	(348,004,600.94)	2,165,431.00
		(2)		(1)	(3)						

Note 1: Due to the requirement for manual Carry Forwards in NIMS, errors in document processing across fiscal years occur.

Note 2: The residuals from closure of the Canadian SOR project are returned to Sale of Assets in 2018.

Note 3: ADMIN Lapses are maintained within the NAPMA Programme. BOD/100 approved the allocation of FUP Admin lapses to the 2019 Admin budget.

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