



NORTH ATLANTIC COUNCIL  
CONSEIL DE L'ATLANTIQUE NORD

**NATO UNCLASSIFIED**

16 December 2025

**DOCUMENT  
PO(2025)0373-AS1**

**IBAN ANNUAL ACTIVITY REPORT 2024**

**ACTION SHEET**

On 16 December 2025, under the silence procedure, the Council:

- noted the RPPB report attached to PO(2025)0373, its conclusions and concerns in paragraphs 8 to 12 and noted the IBAN Annual Activity Report (IBA-M(2025)0002);
- invited IBAN to dedicate more resources to conduct a higher number of NSIP audits;
- approved the public disclosure of the IBAN Annual Activity Report (IBA-M(2025)0002) and the RPPB report attached to PO(2025)0373 in line with agreed policy (PO(2015)0052).

(Signed) Mark RUTTE  
Secretary General

NOTE: This Action Sheet is part of, and shall be attached to PO(2025)0373.

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9 December 2025

**DOCUMENT**  
PO(2025)0373  
**Silence Procedure ends:**  
**16 Dec 2024 17:30**

To: Permanent Representatives (Council)  
From: Secretary General

**IBAN ANNUAL ACTIVITY REPORT 2024**

References:

- (a) IBA-M(2025)0002
- (b) PO(2015)0052

1. I attach the Resource Policy and Planning Board (RPPB) Report on the International Board of Auditors for NATO (IBAN) Annual Activity Report 2024.
2. I do not believe this issue requires further discussion in Council. Therefore, in line with the recommendations in paragraph 13 of the RPPB report, **unless I hear to the contrary by 17.30 on Tuesday, 16 December 2025**, I shall assume that the Council has:
  - 2.1. noted this report, the conclusions and concerns in paragraphs 8 to 12 and the IBAN Annual Activity Report at reference (a);
  - 2.2. invited IBAN to dedicate more resources to conduct a higher number of NSIP audits;
  - 2.3. approved the public disclosure of the IBAN Annual Activity Report in reference (a) and this report in line with agreed policy at reference (b).

(Signed) Mark RUTTE

1 Annex  
1 Enclosure

Original: English

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**IBAN ANNUAL ACTIVITY REPORT 2024****Report by the Resource Policy and Planning Board**

## References:

- |     |                 |  |
|-----|-----------------|--|
| (a) | IBA-M(2025)0002 | IBAN Annual Activity Report 2024                       |
| (b) | PO(2015)0052    | Wales Summit tasker on transparency and accountability |

**INTRODUCTION**

1. The Annual Activity Report of the International Board of Auditors for NATO (IBAN) presents a detailed overview of all IBAN activities undertaken in the calendar year 2024, in terms of financial statements audits, performance audits and NATO Security Investment Programme (NSIP) audits. In addition, the IBAN report includes information on the IBAN's mandate and role, usage of resources (human and financial), performance and other developments in IBAN as the external auditor of NATO.

**AIM**

2. This report summarizes the RPPB's reflections on strategic issues or concerns stemming from the IBAN's audit activity of NATO Reporting Entities in 2024 and recommends courses of action as applicable, which have the potential to improve transparency, accountability and consistency.

**DISCUSSION**

3. The RPPB noted the IBAN Annual Activity Report and recognized the important work done by IBAN in the calendar year 2024. At the same time, the RPPB welcomed the stable number of unqualified audit opinions issued by IBAN (2023: 19; in 2024: 20).

4. The RPPB expressed concerns related to IBAN's achieving only 50% of its Key Performance Indicators (KPIs) and having a vacancy rate for auditor posts of 39% at year end, considering the implications on IBAN's overall performance.

5. In particular, the RPPB highlighted the significant discrepancy on the KPI of acceptable and complete NSIP audit requests scheduled within 12 months of their receipt (12% actual as compared to 90% target). IBAN explained the difference mainly due to the fact that in 2022 they received an increased number of audit requests from Host Nations as compared to prior years: these audits could not be scheduled in full in 2023 and 2024 due to staff resource constraints. Allies acknowledged the resourcing aspects as explained by IBAN, but emphasized the importance of expediting capability delivery. In this respect, the RPPB would like to see more progress on NSIP audits. Meanwhile, the RPPB highlighted the importance of resources dedicated to NSIP audits and will continue to closely monitor this going forward. In addition, the RPPB tasks the Investment Committee to explore options

in order to optimize and streamline efforts for a better use of resources on the NSIP projects close-out.

6. The RPPB also noted the discrepancy on the KPI of audit opinions on NATO Reporting Entities issued by 31 August on auditable signed financial statements (68% actual as compared to 100% target). In IBAN's view, this KPI was not met due to two reasons: constraints outside of IBAN's control, affecting current staff resources, as well as IBAN receiving an increasing number of requests from NATO reporting entities to resubmit their financial statements after the 31 March deadline.

7. The RPPB expects to see an improvement in terms of IBAN's actual KPIs in line with the arrival of newly recruited auditors.

## CONCLUSIONS

8. IBAN's work directly contributes to promoting and strengthening financial transparency and accountability as key principles of good governance of NATO. In 2024 IBAN executed its mandate by issuing 54 audit opinions on NATO Reporting Entities and non-NATO bodies (27 on financial statements and 27 on compliance), 60 NSIP Independent External Auditor's Reports, as well as one performance audit report.

9. The RPPB welcomed the number of unqualified audit opinions issued by IBAN which has remained stable.

10. The RPPB expressed their concern over the unsatisfactory level of KPIs achieved by IBAN (50%), while noting IBAN's current staff constraints.

11. The RPPB highlighted the importance of resources dedicated to NSIP audits and will continue to closely monitor this going forward. In addition, the RPPB tasks the Investment Committee to explore options in order to optimize and streamline efforts for a better use of resources on the NSIP projects close-out.

12. The RPPB noted the increasing practice of financial statements resubmissions after the 31 March deadline. The RPPB will wait for IBAN to be able to report on the resubmission results after completing the audits on the 2024 financial statements. If there is no improvement in terms of the requests for resubmissions, the RPPB invited IBAN to consider identifying the root causes in an analysis of resubmissions<sup>1</sup>.

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<sup>1</sup> PO(2025)0219.

## RECOMMENDATIONS

13. The Resource Policy and Planning Board recommends that Council:
  - 13.1 note this report, the conclusions and concerns in paragraphs 8 to 12 and the IBAN Annual Activity Report at reference A;
  - 13.2 invite IBAN to dedicate more resources to conduct a higher number of NSIP audits;
  - 13.3 Approve the public disclosure of the IBAN Annual Activity Report in reference A and this report in line with agreed policy at reference B.



International Board of Auditors for NATO  
Collège international des auditeurs externes de l'OTAN

Brussels - Belgium



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IBA-A(2025)0034  
08 July 2025

To: Secretary General  
(Attn: Director of the Private Office)

Cc: NATO Permanent Representatives  
Chair, Resource Policy & Planning Board  
Resource Policy and Planning Board representatives, NATO delegations  
Private Office Registry

Subject: ***International Board of Auditors for NATO (IBAN) Annual Activity Report 2024 – IBA-M(2025)0002***

IBAN submits herewith the approved Annual Activity Report 2024 for distribution to the Council. Considering its strategic and forward-looking nature, I would be pleased to present the Report to the Council for discussion.

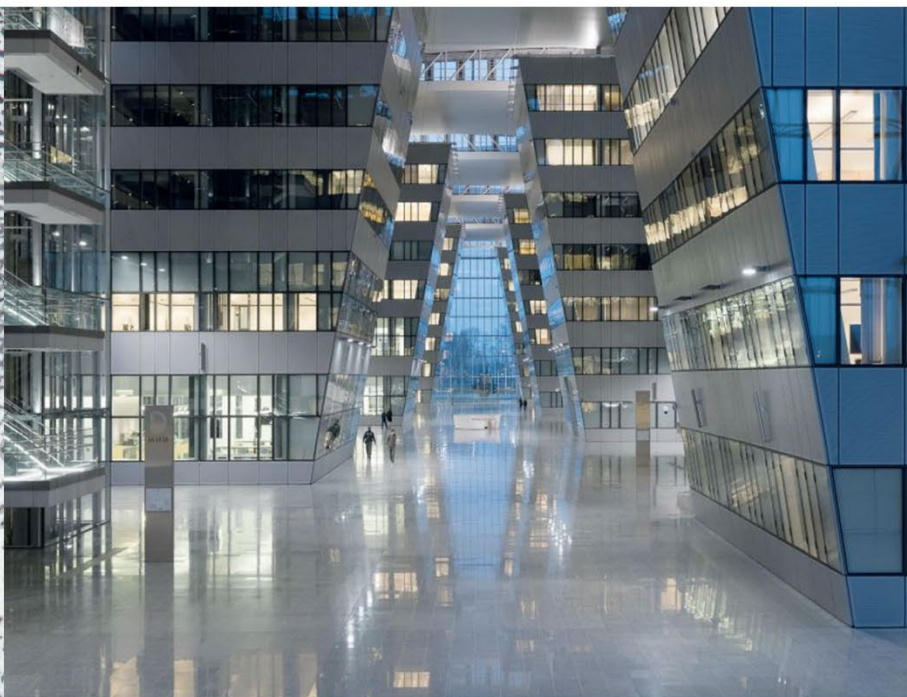
As required by the C-M(90)46, IBAN discussed the Annual Activity Report with the Competent National Audit Bodies (CNAB) representatives and aggregate their comments which are attached as a separate document for Council information, but not for public disclosure.

Yours sincerely,

Radek Visinger  
Chair

Attachments: As stated above.

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# IBAN ANNUAL ACTIVITY REPORT

# 2024









## SERVING THE NATIONS

### Mission

Through its audits, IBAN provides the North Atlantic Council and the governments of NATO member states with assurance that financial reporting is true and fair and funds have been properly used for the settlement of authorised expenditure. In addition, IBAN reviews the operations of NATO Agencies and Commands to determine if they are being carried out effectively and economically.

### Independence

IBAN and its individual members are responsible for their work only to the Council. They shall neither seek nor receive instructions from any authorities other than the Council. The IBAN's budget is independent from that of the NATO International Staff.

### Integrity

IBAN conducts its work in a fair, objective, balanced, unbiased and non-political manner, using all relevant evidence in its analysis and formulations of audit opinions.

### Professionalism

IBAN's audit work is planned, executed and reported in accordance with the auditing principles and guidelines of the International Organisation of Supreme Audit Institutions, and in accordance with the additional terms of reference defined in our Charter. Board Members and auditors have the necessary competencies and qualifications to perform their work.

## FOREWORD BY THE CHAIR

This report contains a comprehensive and thorough account of the activities carried out by the International Board of Auditors for NATO (IBAN) in the implementation of its Council approved mandate during the financial year 2024.

In 2024 our audit scope covered more than Euro (EUR) 9 billion of expenditures for financial statement and NSIP audits (this does not include amounts from financial statements that are either classified or non-disclosed to the public). We issued 15 financial statements audit reports of the 22 NATO Reporting Entities for the 2023 financial year by the deadline of 31 August 2024. The delays in issuing the other seven reports were caused by a lack of audit staff resources during 2024 as reported to the Council. The remaining reports were issued before 31 December 2024. We audited EUR 283 million worth of NSIP expenditures and issued 60 Independent External Auditor's Reports to Council on Cost Statements presented by territorial Host Nations, NATO Agencies and Strategic Commands. We issued one performance audit report to Council in 2024. We also issued three audit reports on financial statements of non-NATO bodies to their respective governing bodies.

Through our three core values of independence, integrity, and professionalism, we execute our audit mandate on behalf of the Council. Our assurance and advice to Council focusses on the raising and spending of the funds collected by the Organisation and by which the Nations contribute resources, for the efficient conduct of the missions and the effective achievement of the objectives of NATO. After Council's approval, our unclassified audit reports are normally disclosed and published on IBAN's website. Our work directly contributes to promoting and strengthening financial transparency and accountability as key principles of good governance of NATO.

The year 2024 ended on a personal and professional sad note for IBAN as Mr Michael Gaul, Board Member from the Federal Republic of Germany, passed away in December, 2024. Mr Gaul was appointed to IBAN as a Board Member by the Council as of 1st August 2021. This report is dedicated to his memory by his colleagues.

Radek Visinger  
Chair  
International Board of Auditors for NATO



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IBAN online:  
<http://www.nato.int/issues/iban>



# CHAPTER 1

## IBAN AS EXTERNAL AUDITOR FOR NATO

## CHAPTER 1

### *IBAN AS EXTERNAL AUDITOR FOR NATO*

1.1 The International Board of Auditors for NATO (IBAN) is the independent, external audit body for NATO. The forerunners of IBAN were chartered in 1953 by the North Atlantic Council (Council) and consisted of two separate audit boards: one responsible for the audit of NATO financial accounts and one for the audit of NATO investment programme funds. The two boards were merged in 1967 to become the IBAN.

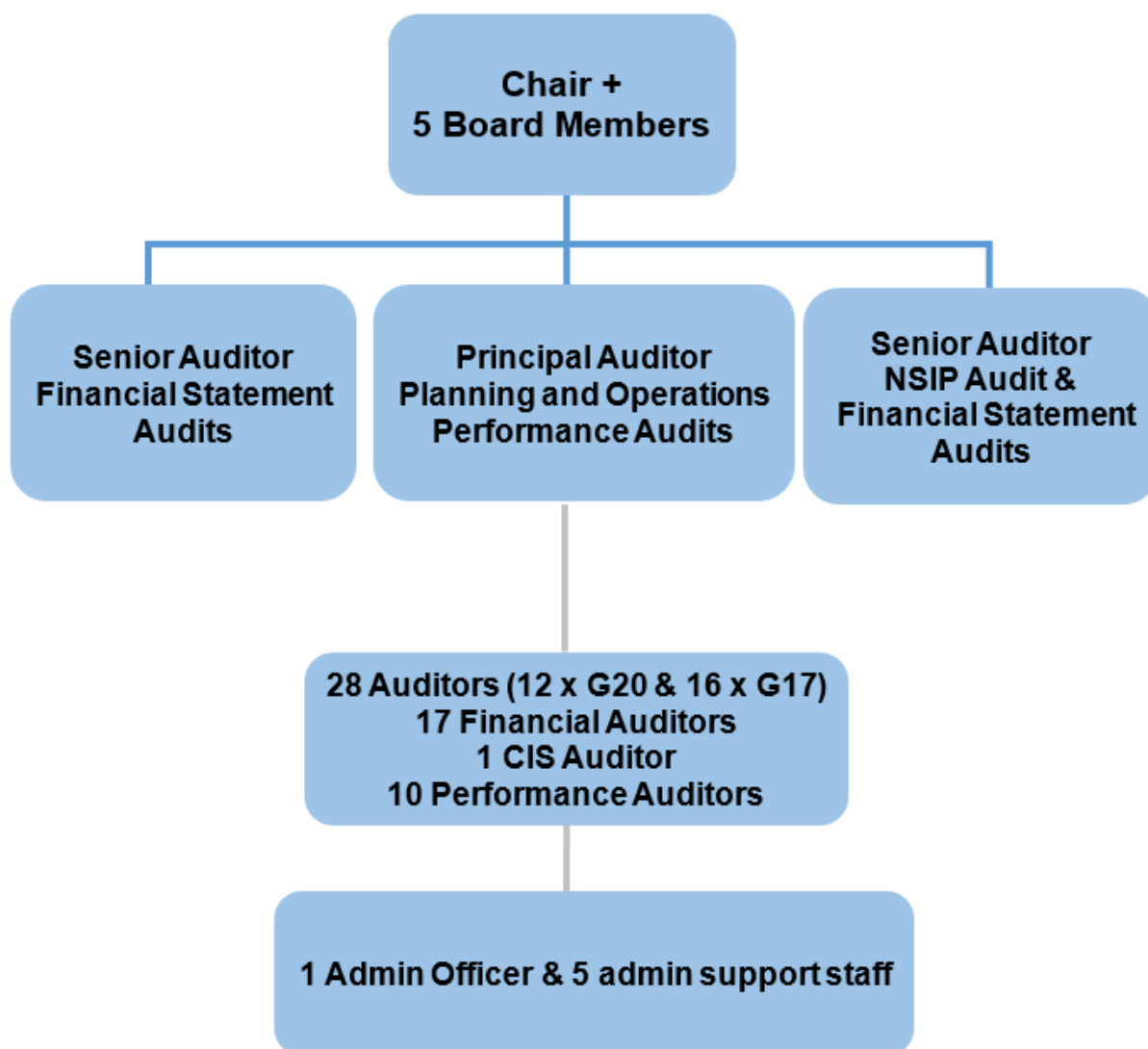
1.2 Under its Council approved Charter, IBAN is responsible for the financial statements audits and performance audits of all NATO Reporting Entities and of the NATO Security and Investment Programme (NSIP) expenditures, as well as for the financial statements audits of non-NATO multi-nationally funded entities where NATO has a particular interest. Our primary mandate is to provide independent assurance and advice to the Council and the Governments of Member States that:

- the financial statements of the NATO bodies present fairly their financial position, financial performance, and cash flows, and that the funds have been properly used for the settlement of authorised expenditure and are in compliance with the regulations in force;
- the activities of the NATO bodies, operations, and programmes have been carried out with efficiency, effectiveness and economy; and
- the expenditures incurred by member states (Host Nations) or NATO bodies in respect of the NSIP have been carried out in compliance with the regulations in force.

1.3 IBAN is composed of six independent Board Members appointed by the Council from among candidates nominated by the Member Countries. The IBAN and its individual members are responsible for their work only to the Council. Board Members serve for a non-renewable four-year term and are granted a security clearance and fully paid for by their respective national administrations. IBAN's Charter provides that the Board Members can be from all NATO Member States, regardless of size, so that each Nation has the opportunity to be a part of NATO's external audit structure on a voluntary and rotational basis. This results in collective ownership of, and collective responsibility for NATO's external audit function. Since IBAN's establishment, Board Members from 19 different NATO Nations have served on the Board. During 2024, Board Members from the Nations of Belgium, Czech Republic, France, Germany, Greece, Italy, and Sweden were at IBAN. In 2024, Board Members were from national Supreme Audit Institutions (SAIs) and ministries; the Belgian Board Member departed at the end of November and was replaced by a Board Member from Sweden.

1.4 The Board Members are supported by audit and administrative staff that are paid for by NATO common funding. The IBAN's organisation in 2024 is shown below in Figure 1.





1.5 During 2024, twenty-three official Board Meetings were held to discuss and approve audit reports, strategic and programme documents and other IBAN-internal material.

1.6 IBAN is responsible only to the Council, although it engages and works closely with many other subordinate NATO governing bodies, such as NATO committees, Agency Supervisory Boards, Boards of Directors, and Steering Committees. NATO committees include the Deputy Permanent Representatives Committee (DPRC), Resource Policy and Planning Board (RPPB), Budget Committee (BC), and Investment Committee (IC). In addition, we present our financial statements audit reports and performance audit reports to the relevant governing body, either one of the committees above or, in the case of NATO agencies and some non-NATO bodies, to the relevant Agency Supervisory Board, Board of Directors, or Steering Committee.

1.7 IBAN's ambition is to be an organisation that is conscious, forward-looking, driven by internal development to be ready to meet emerging challenges, and aspires to contribute

to improvements and reforms in NATO as a whole. IBAN aims to achieve this by the following:

- Further promote IBAN's workforce professional development and sharing of corporate knowledge
- Increase audit efficiency and effectiveness in order to ensure the timeliness and improve the content of our audit reports
- Continuously improve IBAN Human Resource practices
- Improve visibility of IBAN with key internal and external stakeholders

1.8 In September of 2024 the IBAN approved its Auditor Competency Framework for the conduct of audits in accordance with our Charter and the International Standards of Supreme Audit Institutions (ISSAI) 150 Auditor Competence, endorsed by the International Organisation of Supreme Audit Institutions (INTOSAI) in April 2022. The IBAN's Auditor Competency Framework can be found at the following link:

- [https://www.nato.int/nato\\_static\\_fl2014/assets/pdf/2024/11/pdf/iban-auditor-competency-framework.pdf](https://www.nato.int/nato_static_fl2014/assets/pdf/2024/11/pdf/iban-auditor-competency-framework.pdf).



## CHAPTER 2

### OUR KEY ACTIVITIES AND USAGE OF RESOURCES

**CHAPTER 2****OUR KEY ACTIVITIES AND USAGE OF RESOURCES**

2.1 To execute our mandate, we perform annual financial statements audits of 22 NATO Reporting Entities. In addition, IBAN carries out performance audits of selected NATO Bodies, operations, or programmes: in 2024 we issued one performance audit report to Council. We also audit NSIP expenditures and carried out 60 such audits in 2024.

2.2 Lastly, we also perform financial statements audits of some non-NATO multi-nationally funded or sponsored bodies with close cooperative links to NATO, usually on a cost reimbursable basis.

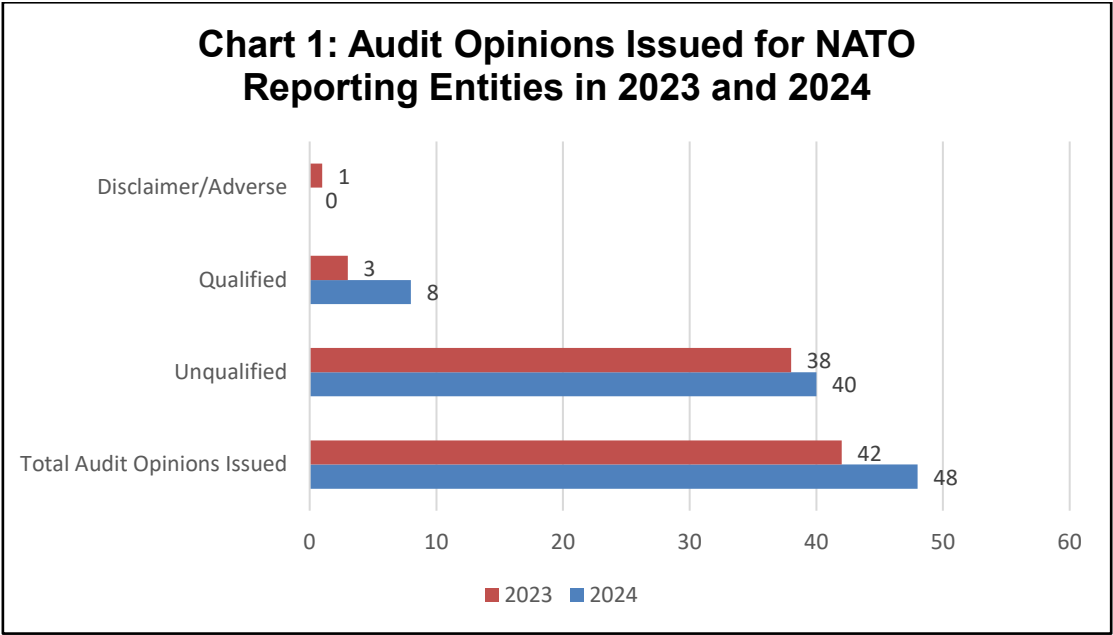
2.3 In 2024, our total audit scope covered more than EUR 9 billion of expenditures for financial statements and the NSIP (this does not include amounts from financial statements that are either classified or non-disclosed to the public).

2.4 The quality of IBAN audit reports is our main concern. As per our Charter, all IBAN audits are conducted in accordance with the principles of the auditing standards of the International Organisation of Supreme Audit Institutions (INTOSAI).

**FINANCIAL STATEMENTS AUDIT**

2.5 In 2024, we issued 24 audit reports on financial statements of NATO Reporting Entities and three audit reports on non-NATO bodies. Each audit report contains an independent external auditor's report, accompanied by observations and recommendations, per financial year audited. The independent external auditor's report includes an opinion on the financial statements and an opinion on compliance. An opinion can be unqualified, qualified, adverse, or a disclaimer of opinion. In accordance with auditing standards, three types of paragraphs may also be communicated in the auditor's report. These paragraphs are "Key Audit Matters", "Emphasis of Matter" and "Other Matter". In 2024, we issued 54 audit opinions on NATO Reporting Entities and non-NATO bodies, 46 were unqualified and eight were qualified.

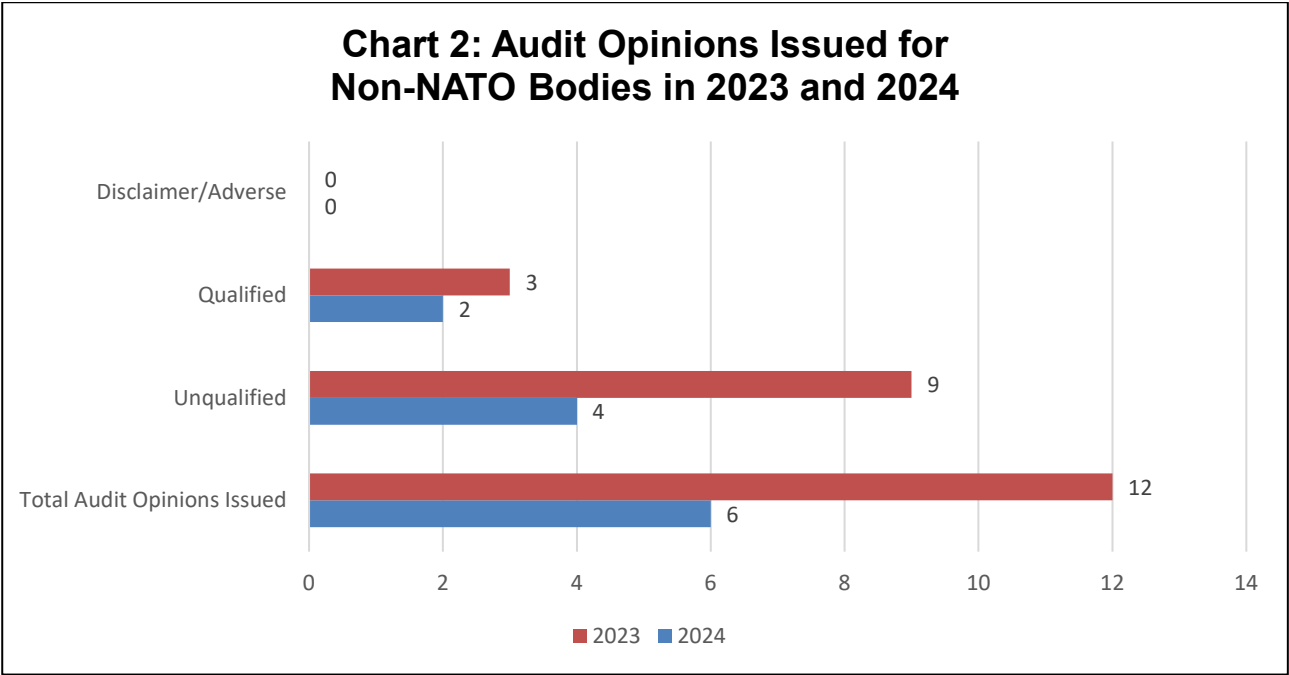
2.6 In the 24 audit reports for the NATO Reporting Entities, we issued 23 (96%) unqualified audit opinions and one (4%) qualified opinion on the financial statements, and 17 (71%) unqualified audit opinions and seven (29%) qualified opinion on compliance. In total, we issued 40 unqualified audit opinions and eight qualified opinions on NATO Reporting Entities in 2024. The total number of audit opinions for NATO Reporting Entities issued in 2024, compared to 2023, is shown in Chart 1 below.



2.7 Non-NATO multi-nationally funded and/or sponsored bodies are organisations that share a close relationship with NATO, but are not part of the organisation, as they do not operate under one of NATO’s juridical personalities. Currently, there are more than 50 such bodies. They have their own governance and oversight structures and are not subject to governance by Council. If Council agrees, IBAN may be appointed as the external auditor of such a body. Most audits of these bodies are carried out by IBAN, on a rotating basis, every three to four years and subject to the availability of IBAN staff resources. Normally, IBAN audits a maximum of six to seven such bodies each year.

2.8 In the three audit reports for the non-NATO bodies, we issued two (66%) unqualified audit opinions and one (34%) qualified opinion on the financial statements, as well as two (66%) unqualified audit opinions and one (34%) qualified opinion on compliance. In total, we issued four unqualified audit opinions and two qualified opinions on non-NATO bodies in 2023. The total number of audit opinions for non-NATO bodies issued in 2024, compared to 2023, is shown in Chart 2 below. Data between years for the non-NATO bodies is not generally comparable, as the non-NATO bodies audit universe is variable each year.

Chart 2: Audit Opinions Issued for Non-NATO Bodies in 2023 and 2024



PERFORMANCE AUDIT

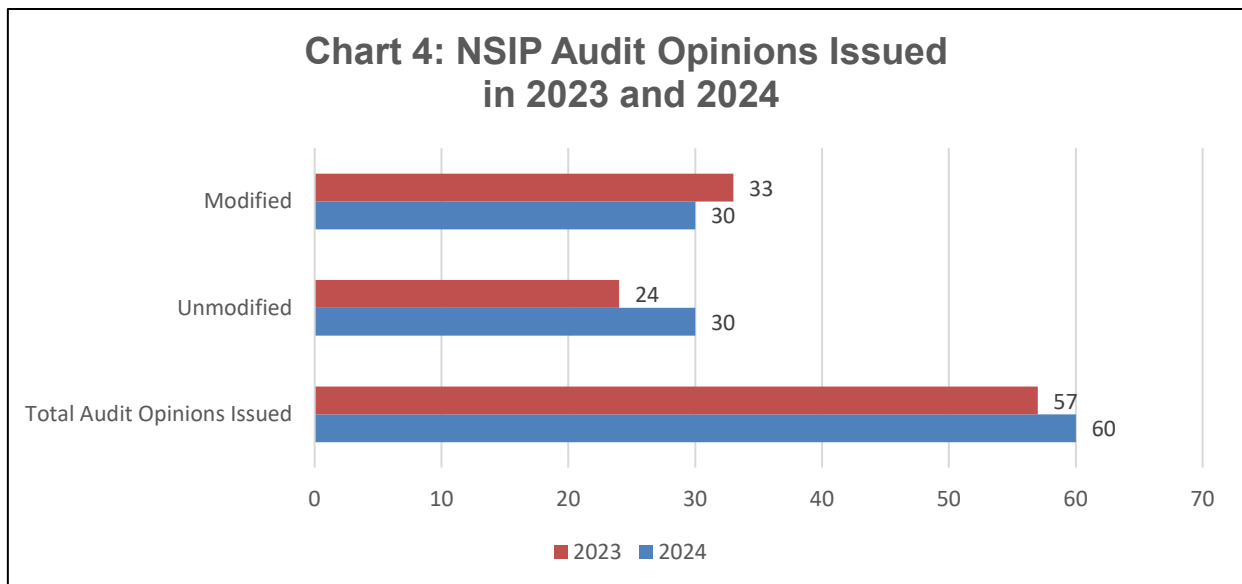
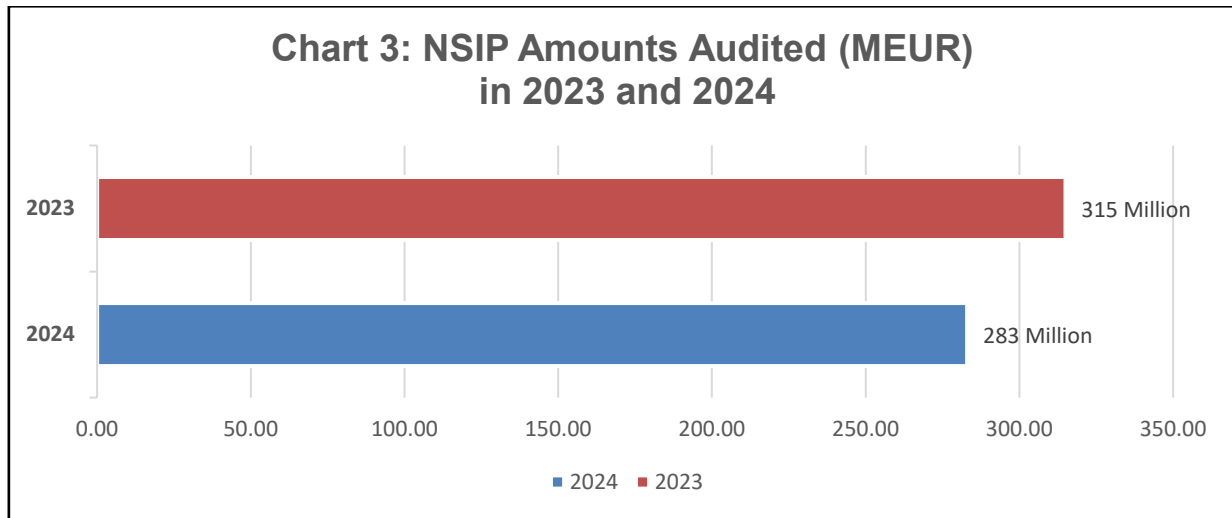
2.9 It is our aim to carry out at least one substantial performance audit per year, complemented by a number of smaller performance audits.

2.10 In 2024, we issued one performance audit report to Council. This report was the Performance Audit Report on NATO Military Exercises. During 2024, we also started one full performance audit, one performance audit survey, and one audit for a special report to Council.

NSIP AUDIT

2.11 In 2024, we audited EUR 283 million worth of NSIP expenditures. The amount audited in 2024 compared to 2023 is shown in Chart 3 below. We issued 60 auditor’s reports on Cost Statements presented by territorial Host Nations, NATO Agencies and Strategic Commands. Out of 60 audit opinions provided in the auditor’s reports, 30 (50%) were unmodified and 30 (50%) were modified. The total number of NSIP audit opinions issued in 2024, compared to 2023, is shown in Chart 4 below.





## OUR ANNUAL MEETING WITH THE NATIONAL AUDIT BODIES AND OTHER ACTIVITIES

2.12 Each year IBAN normally meets with the Competent National Audit Bodies (CNABs), which are, in general, represented by the Nations' SAIs. During this meeting, the CNABs discuss the Annual Activity Report and have an exchange of views on a variety of auditing topics with the IBAN.

2.13 IBAN held its CNAB meeting at NATO HQ on 15 May 2024 to discuss the 2023 Annual Activity Report. In addition, presentations were given on the following topics:

- The role of SAIs in strengthening accountability and transparency in the public sector.

- Implementation of recommendations and follow-ups in performance audits.
- Discussion with CNABs and IBAN on the forms of mutual cooperation and its formalisation.

2.14 IBAN signed memorandums of understanding (MOUs) with the Czech Republic, Republic of North Macedonia, and Romania in 2024. The main goals of the MOUs are, in accordance with one of the strategic goals of IBAN, the sharing of experience in professional practices and the exchange of audit expertise. The MOUs do not commit to any specific action, but lists the areas in which the parties would like to promote mutual cooperation, such as establishing opportunities for professional traineeships, peer reviews and joint research projects, and facilitating the exchange of experiences, best practices, and professional documentation, among other initiatives. Both IBAN and the SAIs who have signed MOUs are committed to intensify their mutual support in carrying out their external audit functions in accordance with the standards and principles promulgated by INTOSAI.

2.15 On 18 March 2024, IBAN welcomed at NATO Headquarters a delegation from the Association des Institutions Supérieures de Contrôle ayant en Commun l'Usage du Français (AISCCUF – Association of Supreme Audit Institutions having in common the use of French). IBAN offered them a tour of NATO HQ and hosted a meeting to exchange good auditing practices and present its work and three core values: independence, integrity and professionalism.

2.16 On 23 October 2024, IBAN met at NATO Headquarters a delegation from the Board of External Auditors of the Organisation for Joint Armament Co-operation (OCCAR BoA). This was followed by an exchange on practices and procedures among participants, creating a valuable opportunity to discuss key audit topics such as transparency, accountability and governance.

## OUR STAFF

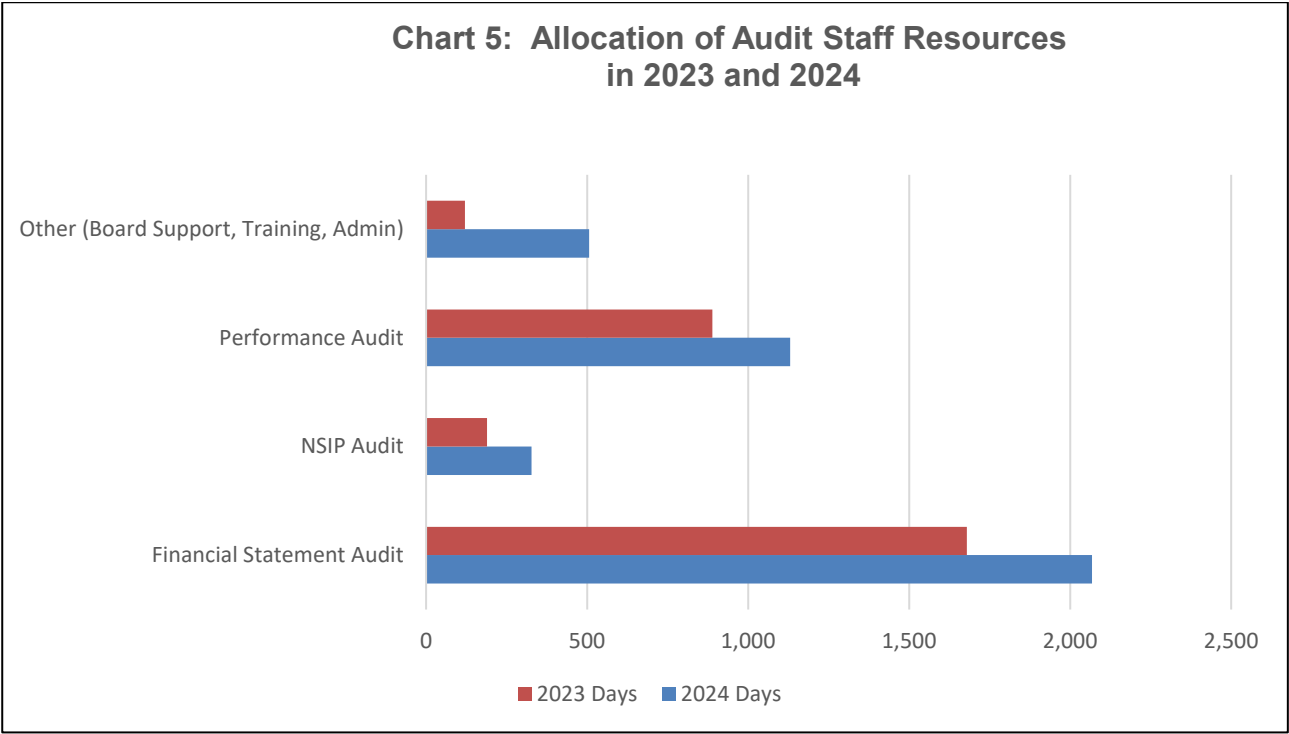
2.17 IBAN had an authorised post strength of 31 auditor posts in 2024. IBAN's audit staff establishment was one G22 grade Principal Auditor, two G22 grade Senior Auditors, 12 G20 grade auditors, and 16 G17 grade auditor posts. Nine of these auditor posts were requested in the 2023 budget and approved by Council. Recruitment for these posts continues, but it is unlikely that all posts will be filled by the end of 2025, because of the long process related to staff security clearances. However, we expect to have all performance audit posts filled by June 2025. In 2024, four audit staff were on-boarded (all financial auditors) and two staff departed (one financial and one performance auditor). Overall, in 2024, IBAN had a vacancy rate of 39% at the end of the year for auditor posts. In addition, we have one Administrative Officer and five Administrative Staff, who provide essential support to our audit teams as well as the general operations and administration of IBAN.

2.18 Of the 28 auditor posts at G20 and G17 grade, 17 (61%) are designated as financial auditors, 10 (36%) are designated as performance auditors, and one is a full time Communications and Information Systems auditor (3%). Our NSIP audit work programme is carried out by both financial and performance auditors.

2.19 Our audit staff is a diverse group of individuals skilled in a variety of audit disciplines and includes chartered accountants and performance audit specialists. More than 70% of IBAN's audit staff serving at the end of 2024 were seconded from Member State Supreme Audit Institutions (SAIs) or are former employees of SAIs. The remainder include individuals recruited from other national audit bodies or the private sector. By Council decision, 75% of our auditor positions are posts for which rotation is desirable. As a result, audit staff are usually employed for a maximum of six to nine years. This policy of rotation ensures that the IBAN does not remain a static organisation and that audit practices and methodology can be refreshed with the influx of new staff.

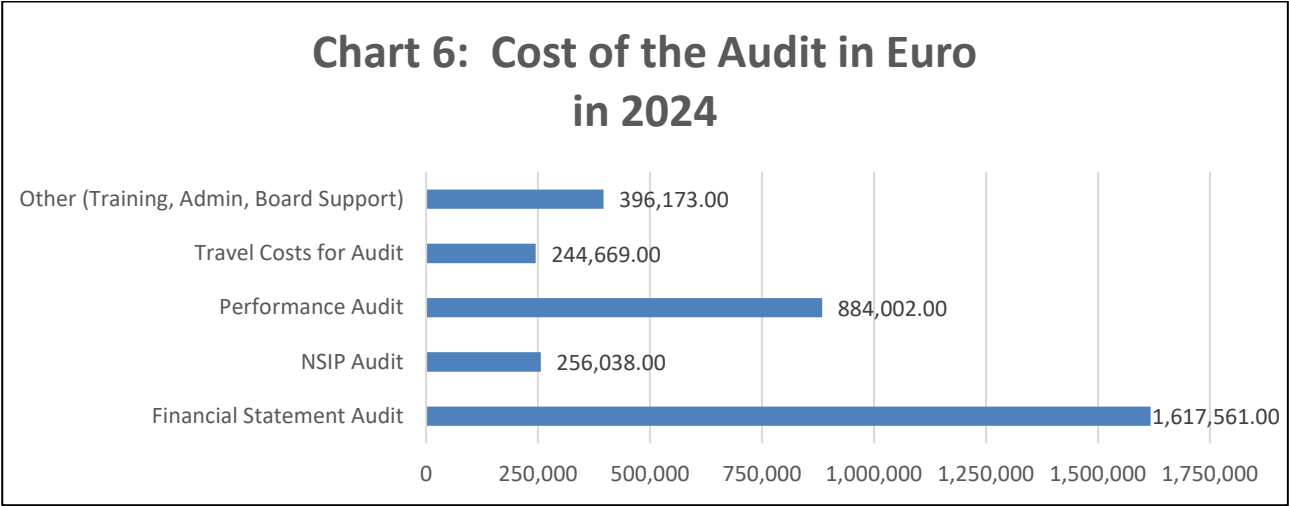
2.20 The IBAN strives to provide our staff with relevant and sufficient professional training in accordance with the auditing standards of INTOSAI. We plan for each auditor to receive one to two weeks of training per year. This training can be group training on specific audit topics as well as individual training within NATO or with external bodies on topics related to audit or personal development. In 2024, the group staff training was concentrated in one week between 16 and 20 January 2024. Further, IBAN retains its capability to be deployed for audit purposes for field work related to NATO operations and missions. During 2024, several members of the audit staff attended a special NATO civilian pre-deployment training course.

2.21 Chart 5 below shows the use of our audit staff resources in 2024 with the number of days expended on each type of activity compared to 2023. In 2024, we used a total of 4,032 auditor staff days. Of these, 3,526 days (87%) were expended on audits. The remaining 507 days (13%) were expended on staff training, administrative activities, and supporting the work of the Board itself. As a percentage of the staff days assigned only to audit work, performance audit represented 32% of the IBAN's audit days, which exceeded our Council mandated minimum target of at least 25%. The audit resources for financial statements audits in terms of audit days were 59%. Resources in terms of audit days for NSIP audits in 2023 were 9%.



**OUR BUDGET**

2.22 IBAN’s approved budget in 2024 amounted to EUR 5.22 million, the majority of which relates to staff costs, both auditors and administrative staff. The actual direct cost (audit staff salary and travel costs) of the audits and other IBAN activities for 2024 is shown in Chart 6 below in EUR. The total direct cost of audit only activities was approximately EUR 3 million (EUR 851 per audit day) in 2024.



2.23 By decision of the Council, IBAN audits of non-NATO multi-nationally funded and/or sponsored entities are to be done on a full cost reimbursable basis. However, Council

decided that the audits of the AFNORTH School, SHAPE International School, NATO Missile Firing Installation, and the NATO Parliamentary Assembly would be done at no charge. These four audits are programmed and conducted every year in addition to any other audits of non-NATO bodies. The costs to be reimbursed include staff hours expended on the audit by IBAN staff, travel and per diem costs of IBAN auditors and Board Members. This charge is a full cost reimbursement rate and includes salaries, pension contributions, administrative support costs, and common operating costs.

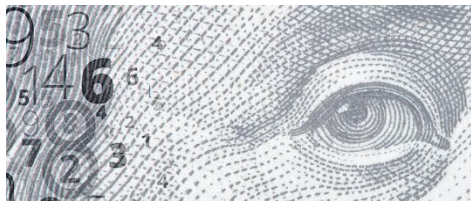
2.24 As a result of the 2012 Business Case on Strengthening the External Audit Function in NATO, the Council decided that revenue generated from the audits of these bodies is to be re-allocated to the IBAN to support more performance audit work. Potential use of this income for performance audit could include, but is not limited to:

- Cost of travel related to performance audits.
- Reimbursement of costs of national experts from Member State Supreme Audit Institutions to assist on performance audits.
- Engagement of consultant or contractor experts in support of performance audit.

2.25 Table 1 below shows the opening balance of funds in Euro from the audits of non-NATO bodies, the amount earned in 2024, the amount spent by IBAN, and the closing balance for the year. IBAN used EUR 43,243 of our funds from audits of non-NATO bodies to support our performance audit work in 2024. These funds were used for travel costs directly related to our performance audits.

Table 1: 2024 Funds from audits of Non-NATO bodies in Euro	
Starting balance	279,467.21
Income	0
Spent	43,243.31
Ending balance	237,223.90

Source: Office of Financial Control, International Staff.



## CHAPTER 3

### FINANCIAL AUDIT



**CHAPTER 3****FINANCIAL AUDIT**

3.1 As shown in Chart 5, financial audits are IBAN's core business and consume the majority of our time and financial budget. Financial audits are generally performed on an annual basis and contribute to the strengthening of accountability and corporate governance within NATO. We aim to achieve this objective by the following:

- Provide independent assurance that the financial statements present fairly the financial position and financial performance of the entity and that the funds have been properly used in compliance with the regulations in force
- Contribute to the development of a sound and consistent financial reporting environment
- Enhance relationships with our key stakeholders.

3.2 Each year we audit the financial statements of NATO agencies, military commands, project offices, and benefit plans. In addition, we also audit some non-NATO multi-nationally funded or sponsored bodies in which NATO has a particular interest, such as the different NATO Rapid Deployable Corps and the NATO Parliamentary Assembly. In 2024, our audit scope for financial statement audits amounted to over EUR 9 billion (this does not include amounts from financial statements that are either classified or non-disclosed to the public).

3.3 The external audit of NATO Reporting Entities is performed by the IBAN in accordance with Article 14 of the NATO Financial Regulations (NFRs). IBAN operates in accordance with its Charter approved by the Council. According to Article 35 of the NFRs, annual financial statements shall be submitted for audit to IBAN not later than 31 March following the end of the financial year. Article 15 of the NFRs states that IBAN must present to the Council its final reports, including factual and formal comments, together with the audited financial statements, not later than 31 August, following the end of the Financial Year.

3.4 NATO Reporting Entities have a varying degree of autonomy in managing their operations. All NATO Reporting Entities are subject to the NATO Accounting Framework (NAF) and the NFRs that are approved by the Council and which together provide a high-level financial and budgetary framework. These NFRs may also apply to some of the non-NATO multi-national bodies via an explicit provision in their memoranda of understanding. However, many have their own accounting principles, standards, and financial rules.

**AUDIT METHODOLOGY AND CONDUCT OF AUDITS**

3.5 The objective of the audit of financial statements is to provide assurance that:

- these statements present fairly, in all material respects, the financial position of the NATO Reporting Entities (including NATO agencies, military commands, project offices, benefit plans, and the results of their operations), in accordance with the NAF (an adapted version of IPSAS) or other applicable financial reporting framework for non-NATO bodies;
- the funds have been properly used for the settlement of authorised expenditure and are in compliance with the regulations in force.

3.6 We conduct our audits in accordance with financial auditing standards formed by the principles of the auditing standards of the INTOSAI and in accordance with the additional terms of reference defined in our Charter. In October 2023, the Board approved a document setting out the financial auditing standards adopted by IBAN for the conduct of financial audits. These auditing standards, based on the International Standards of Supreme Audit Institutions (ISSAI), are understood to include:

- Fundamental Principles of Public Sector Auditing (ISSAI 100-129);
- Organisational Requirements of Supreme Audit Institutions (130-199);
- Financial Audit Principles (ISSAI 200-299);
- Compliance Audit Principles (ISSAI 400-499);
- Financial Audit Standards (ISSAI 2000-2899);
- Compliance Audit Standards (ISSAI 4000-4899);
- Board decisions deviating or providing clarifications to the Financial Audit Standards (ISSAI 2000-2899) and Compliance Audit Standards (ISSAI 4000-4899): applying a risk-based approach across NATO Reporting Entities and across financial years for non-NATO multi-nationally funded entities.

3.7 After each financial statements audit, we issue an audit report with one opinion on the financial statements and one on compliance, as well as observations and recommendations. The opinions can be unqualified, qualified, disclaimed, or adverse. In accordance with auditing standards, three types of paragraphs may also be communicated in the auditor's report. These are "Key Audit Matters", "Emphasis of Matter" and "Other Matter" paragraphs.

3.8 Audits are generally conducted on the auditee site by auditors, under the supervision of our Board Members and quality control by Senior Auditors. All NATO Reporting Entities are in principle audited every year. Non-NATO bodies are usually audited on a rotational basis strictly by request and subject to availability of resources, but some, such as the NATO Parliamentary Assembly and the NATO Missile Firing Installation, are audited each year.

3.9 During the course of the audit, we communicate each tentative audit finding at working level to the auditee. We ask the auditee to inform us of factual corrections, objections, and editorial suggestions related to tentative audit findings, prior to the drafting of the audit report. This helps to ensure that quality management is embedded throughout the audit process. After the end of the onsite audit work, IBAN approves a draft audit report, which is sent to the auditee for factual and formal comments, including on the assessment

of prior years' observations. We review any factual comments received and these are used to amend the report, if necessary, but are not included in the final report as separate comments. Any formal comments on the draft audit report are incorporated in the report, together with the IBAN's position thereon, as appropriate.

## FINANCIAL STATEMENTS AUDIT WORK IN 2024

3.10 As stated above, in 2024 we issued a total of 27 Financial Statements Audit Reports on NATO and non-NATO bodies, comprising 27 audit opinions each, on the financial statements and on compliance, for a total of 54 audit opinions. Of the 27 Audit Reports, 24 were for NATO Reporting Entities and three were for non-NATO bodies. Of the 24 Audit Reports on NATO Reporting Entities, we issued one Audit Report on the 2022 financial statements, 22 Audit Reports on the 2023 financial statements and one on the 2024 financial statements. Of the 54 audit opinions issued, 44 were unqualified audit opinions and ten were qualified audit opinions.

3.11 Of the eight Audit Reports we issued with ten qualified opinions on the financial statements and/or compliance, seven were for NATO Reporting Entities (see Annex A) and one was for a non-NATO body. Of the 24 Audit Reports issued for NATO Reporting Entities, seven were issued with a qualified opinion. The financial audit observations and recommendations issued in 2024 included observations on a range of issues or errors which affected the audit opinion when material, or other paragraphs in the auditor's report (Key Audit Matters, Emphasis of Matter or Other Matter) when significant. In addition, other observations deemed less significant for governance were communicated directly to the management of NATO and non-NATO bodies in Management Letters. In 2024, IBAN issued 11 Management Letters for NATO Reporting Entities and one Management Letter to a non-NATO body. Each year we follow-up on the status of all observations raised in prior years' audit reports for NATO Reporting Entities. In 2024, 99% of our prior recommendations to auditees for NATO Reporting Entities were closed or in progress by the next audit cycle.

3.12 IBAN completed the process for recruiting the additional financial auditor posts that were approved by Council in December 2022. However, for this calendar year, constraints outside of our control, affecting current staff resources, prevented IBAN's ability to meet the 31 August deadline for all audits. Given that as per its Charter, IBAN shall undertake its audits in accordance with the principles of the auditing standards of the International Organisation of Supreme Audit Institutions (INTOSAI), we are in no position to accelerate the audit process or to reduce the audit scope. Therefore, due to this situation, IBAN prioritised audits of common funded entities and customer funded agencies, in order to ensure that these audits are completed as far as possible within the 31 August deadline. In addition, one entity did not meet the 31 March deadline for submitting their financial statements, which were submitted to IBAN in June 2024. These constraints impacted the following seven NATO Reporting Entities, in respect of which IBAN was not in the position to complete the audits within the deadline, as shown in table 1 below:

**Table 2: NATO Reporting Entities  
audit reports issued after 31 August 2024**

<b>NATO Reporting Entity</b>	<b>Date Audit Report Issued</b>
Defence Innovation Accelerator for the North Atlantic (DIANA)	December 2024
NATO Airborne Early Warning and Control Programme Management Agency (NAPMA)	November 2024
NATO European Fighter Aircraft Development, Production and Logistic Management Organisation (NEFMO)	November 2024
NATO Eurofighter 2000 and Tornado Management Agency (NETMA)	November 2024
NATO Helicopter Design and Development Production and Logistics Management Organisation (NAHEMO)	December 2024
NATO Multi-Role Combat Aircraft Development Production and In-Service Support Management Organisation (NAMMO)	November 2024
NATO Medium Extended Air Defence System Design and Development, Production and Logistics Management Organisation in Liquidation (NAMEADSMO i.L)	November 2024

3.13 In 2024, IBAN agreed to audit 10 financial statements resubmitted after the 31 March deadline and one financial statement resubmitted before the deadline, by 11 NATO Reporting Entities. One of those NATO Reporting Entities requested IBAN to audit a second resubmission of their Financial Statements. These resubmissions corrected material misstatements or disclosures identified during the audit. Without these restated financial statements resubmitted after 31 March, the number of financial statements containing material errors would, in principle, have significantly increased.

## **REPORT TO COUNCIL ON MAIN FINDINGS FROM THE 2022 FINANCIAL STATEMENTS AUDITS**

3.14 The IBAN aims to produce the report to Council on main findings from the financial statements audits covering a financial year annually. The purpose of this special report is to provide a detailed overview to Council on the main findings from the audit of the financial statements of NATO Reporting Entities. The report includes detailed information on the reasons for IBAN qualified audit opinions and, where relevant, other paragraphs, a summary of observations and recommendations, and IBAN's main findings by theme or audit area. Overall, this report provides a concise and detailed overview on IBAN's financial statements audit work and outcomes covering a financial year for internal and external stakeholders, which increases the transparency and accountability of NATO's use of public resources.

3.15 The IBAN issued the Report to Council on Main Findings from the 2022 Financial Statements Audits (IBA-M(2024)0002) in June 2024, following the issuance to Council of the last audit report on the 2022 Financial Statements. The Report concluded that NATO

Reporting Entities were generally addressing and implementing prior year recommendations. This confirmed the trend of improvement in the quality of information in the financial statements available to final users and in the efforts to comply with NATO regulations and rules. However, there were still a considerable number of outstanding recommendations to address, some of which relate to resubmissions correcting material qualifying errors. However, the adverse opinion on the financial statements of one NATO Reporting Entity, and the six resubmissions of financial statements by five NATO Reporting Entities after 31 March 2023, indicate that progress was still needed to strengthen internal controls over the financial reporting and accounting processes, including maintaining adequate audit trails, in compliance with the NAF and NFRs.

## **AUDIT REPORTS ISSUED TO COUNCIL IN 2024 ON THE 2023 FINANCIAL STATEMENTS OF NATO REPORTING ENTITIES**

3.16 The audit opinions on the financial statements largely relate to the implementation of the NAF, which is a comprehensive set of accounting standards adapted from IPSAS. Implementing this framework requires each individual NATO Reporting Entity to possess and maintain a high level of knowledge and expertise in accrual-based accounting and IPSAS disclosure requirements.

3.17 The audit opinions on compliance largely relate to compliance with the provisions of the NFRs. For NATO Reporting Entities with unqualified opinions on compliance, no material issues came to our attention related to the proper use of funds for the settlement of authorised expenditure and compliance with the regulations in force.

### ***Qualified Audit Opinions***

3.18 The IBAN issued one qualified opinion on the 2023 Financial Statements. The remaining 21 out of 22 NATO Reporting Entities received an unqualified audit opinion on the 2023 Financial Statements.

3.19 The IBAN issued six qualified opinions on compliance for the Allied Command Transformation (ACT), the NATO Alliance Ground Surveillance Management Organisation in Liquidation (NAGSMO i.L.), the NATO Medium Extended Air Defense System Management Organization in Liquidation (NAMEADSMO i.L.), the NATO Defense College (NDC), the NATO Support and Procurement Organisation (NSPO) and for the Science and Technology Organization (STO).

### ***Basis of qualified opinion on the Financial Statements of Allied Command Transformation (ACT)***

3.20 The qualified opinion on the Financial Statements of ACT relates to the fact that Intangible Assets are not fully recognised and disclosed in the ACT Statement of Financial Position for an estimated amount of up to EUR 30 million as of 31 December 2023, as required by the NATO Accounting Framework (IPSAS 31). These Intangible Assets relate to integrated information systems including software licenses, and internally generated intangible assets controlled by ACT from 1 January 2013 to 31 December 2023. Additionally,

this relates to the omission from the ACT 2023 Consolidated Financial Statements of financial assets, including cash balances, held in three bank accounts, totalling USD 3,442,937 as of 31 December 2023, and USD 4,043,705 as of 31 December 2022. Two of the accounts are operated on behalf of Joint Force Command Norfolk and Naval Striking and Support Forces NATO, and one account mainly related to the collection of ACT conference fees.

*Basis of qualified opinion on compliance for ACT*

3.21 The qualified opinion on compliance of ACT is derived from the fact that ACT has not yet established comprehensive accounting records of Intangible Assets irrespective of when they were acquired or developed, including both intangible assets under development and completed assets. Additionally, ACT has not established comprehensive accounting records for cash held at a bank under its authority to ensure the proper safeguarding of ACT cash.

*Basis of qualified opinion on compliance for NAGSMO i.L.*

3.22 The qualified opinion on compliance of NAGSMO i.L. relates to the fact that, as from the date of liquidation of NAGSMO on 1 April 2022, NAGSMO i.L. decided to no longer have a Financial Controller on its staff. Although NAGSMO was put into liquidation on 1 April 2022 following the completion of the mission for which it had been created, NAGSMO i.L. continued to incur material levels of expenditures in 2022 and 2023. From 1 January 2023 to 31 December 2023, NAGSMO i.L. incurred EUR 2,726,462 of expenditure for the Administrative Budget and EUR 147,639 of expenditure for the Operational Budget.

3.23 Not having a Financial Controller leads to non-compliance regarding a number of articles of the NAGSMO FMPD-FRPs, in particular concerning Section II, Financial Controller, the internal control (Article 12), and the management and provision of funds with respect to material levels of expenditure (Article 25). The requirement of Article 35 of the NAGSMO FMPD-FRPs and Implementing Rules and Procedures (IRP) XXXV that supplement these Regulations, requiring a personal certification of the financial statements by a Financial Controller is also not fulfilled.

*Basis of qualified opinion on compliance for NAMEADSMO i.L.*

3.24 With regards to the qualified opinion on compliance of NAMEADSMO i.L., the IBAN found that the appointment of a new Financial Controller and a new Liquidator from 1 January 2023 onwards did not comply with the NATO-wide policy on Voluntary National Contributions (VNCs) from NATO Member States and that the recruitment, selection and appointment of the NAMEADSMO i.L. Financial Controller did not comply with the Charter of NAMEADSMO i.L., the NFRs. Given that both VNCs held executive positions with responsibilities over the use of funds in 2023 (i.e., being authorised to enter into commitments and execute payments), the instances of non-compliance with the Charter, the NFRs and the NATO-wide policy on VNCs from NATO Member States, materially impacted the audit opinion on compliance in 2023.



*Basis of qualified opinion on compliance for NDC*

3.25 The qualified opinion on compliance of NDC is the result of the acquisition of two commercial flight tickets from a travel agency totalling EUR 348,686. The initial and/or updated contracts were signed by the contracting officer, but were not co-signed by the Financial Controller as required by the Financial Rules and Procedures (FRPs). Moreover, these contracts were not subject to the prior or coincident approval of the Financial Controller, thereby not complying with Article 25 of the NFRs and the corresponding FRPs.

*Basis of qualified opinion on compliance for NSPO*

3.26 Regarding the qualified opinion on compliance of NSPO, Article 27 of the NFRs on 'Commitments related to Customer-funded Bodies' allows the General Manager to enter into commitments and make payments for purposes relating to customer agreements, subject to the concurrence by the Financial Controller, and to the conditions defined by its Agency Supervisory Board in the NSPO FRPs. The NSPO FRPs on 'Commitment of an appropriation and customer authorisations' only allow the General Manager to delegate authority for requesting financial commitments of NSPO appropriations to NSPA post holders.

3.27 The CEPS National Organisation for France, 'SNOI, delegated authority to a third party private-sector company to request and enter into commitments, and to make payments in the name of that third party. This delegation of authority covered EUR 82.9 million of CEPS Operations and Maintenance (O&M) appropriations for 2023, and EUR 14.8 million of NSIP contract authority for newly authorised pipeline infrastructure works on French territory in 2023. Moreover, the third party was allowed to enter into commitments without prior-approval by the Financial Controller for all purchases below EUR 15,000, and all purchases made in relation to multiple chapters of the CEPS O&M budget. This is not compliant with Article 27 of the NFRs and Rule 27 of the NSPO FRPs, which stipulate that only the General Manager, subject to the concurrence of the Financial Controller, is authorised to enter into commitments and make payments for purposes relating to customer agreements, subject to conditions defined by the relevant finance committee.

*Basis of qualified opinion on compliance for STO*

3.28 In reference to the qualified opinion on compliance of STO, Article 32.2 of the NFRs states that, "the relevant finance committee/governing body will provide appropriate levels of delegated powers to deviate from the strict application of competitive bidding where justified for operational, efficiency, economic or technical reasons." However, according to the STO Financial Procedures (FPs) (AC/323-D(2017)0003-REV1-INV) approved by the STO Science and Technology Board (STB), no deviation authority is clearly indicated for contracts with a value above EUR 800,000 (Established Financial Limits (EFL) E). The only deviation authority obligation as per the FPs is as follows: "Info STO FASG [Financial and Audit Sub-Group, a sub-committee of the STB]". According to the STO Centre for Maritime Research and Experimentation (STO-CMRE), this means that the deviation authority above level E is designated as information of the STO FASG only.

3.29 In 2023, the STO-CMRE committed material maintenance and dry-docking costs for the two vessels (the Alliance and the Leonardo) with the contractor in charge of the vessels' technical management without formally drawing up a specific contract for the maintenance costs. This situation arose because the competition under the initial call for tenders for this contract with the contractor was limited to management fees only, and did not include the maintenance costs. The commitments amounted to EUR 3.4 million. This included EUR 2.1 million for the dry dock of the Alliance and EUR 1.3 million for maintenance of the two vessels. Considering the amount of the contract, the powers to deviate from the strict application of competitive bidding should be provided by the relevant finance committee/governing body, in compliance with Article 32.2 of the NFRs. However, in the absence of such deviation authority clearly designated in the FPs, STO-CMRE did not request or obtain a waiver from competitive procurement rules in favour of a sole-source contract with the ship manager for the procurement of maintenance and dry-dock work on the vessels. This is not compliant with Article 32.2 of the NFRs.

3.30 The number of qualified audit opinions on compliance increased from three in 2022 to six in 2023. This change represents a more substantial shift than has been seen in previous years. The increase in qualifying compliance issues identified points to the need to ensure strong internal controls are established and followed and that reporting entities remain diligent when it comes to interpreting and applying the regulations in force.

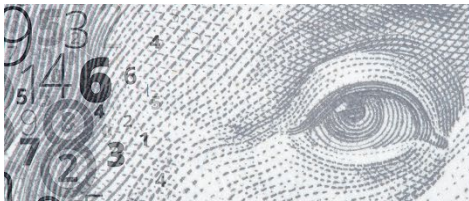
#### ***Financial statements resubmitted after 31 March 2024 deadline***

3.31 According to the NFRs, the deadline for submitting the 2023 financial statements for audit to the IBAN was 31 March 2024. By that date, the IBAN had received 21 out of the 22 financial statements. The final set of financial statements, belonging to NAMEADSMO i.L., was submitted after the deadline, on 21 June 2024.

3.32 It is worth noting that for financial year 2023, 11 NATO Reporting Entities resubmitted their financial statements to the IBAN to correct material accounting mistakes or disclosure errors found during or before the audit. Of these 11 entities, 10 resubmissions were made after the 31 March 2023 deadline. The resubmitted financial statements by the 11 NATO Reporting Entities corrected material misstatements or disclosures, mainly found by the IBAN during the audit period, which would otherwise have led to a qualified opinion. The resubmissions made by 10 Reporting Entities after the 31 March deadline represents 45% of the total 22 Financial Statements submitted to the IBAN for audit. This highlights the need for further improvement in reinforcing internal controls over the financial reporting process, including establishing sufficient audit trails. This is essential to ensure that the financial statements submitted to the IBAN for audit by the 31 March deadline in accordance with the NAF are free from material misstatement.

3.33 The practice of auditing resubmissions was originally established in 2006 as a means to reduce the number of modified audit opinions resulting from the NATO wide implementation of IPSAS. At the time, the Board recognised the need to implement a policy to assist entities where possible due to the significantly increased complexity of the new accounting standards. The Board also understood that providing additional assistance to the NATO Reporting Entities would likely have a negative impact on the timeliness of reporting the IBAN's audit results. For this reason, it was the Board's intent to gradually phase out the

acceptance of resubmissions over time as entities became more experienced in the application of IPSAS. Despite the original intent of the policy, today, 17 years later, this practice remains in place and with this, the IBAN continues to feel the impacts caused by adhering to this nearly decades old policy.



## CHAPTER 4

### PERFORMANCE AUDIT

**CHAPTER 4****PERFORMANCE AUDIT**

4.1 The IBAN's audit mandate includes performance auditing. In exercising this mandate, IBAN provides independent analysis and recommendations to the Council on the effectiveness, efficiency and economy of specific NATO bodies, operations, programmes and projects. Our strategy is to increase the number of performance audits performed, focussing on the identification of opportunities for cost savings and more effective operations and activities by NATO.

4.2 To achieve this, we aim to conduct performance audits that meet the following criteria:

- Select audit topics of common interest to Council and the Nations.
- Perform audits that contribute to accountability and transparency within NATO.
- Where possible, conduct cross-cutting audits that contribute to recommendations to be applied NATO-wide.

4.3 It is our aim to carry out at least one substantial performance audit per year, complemented by a number of smaller studies or follow-up performance audit reports. Follow-up performance audit refers to our review of the corrective actions taken by an audited entity in reaction to the results of our performance audit. IBAN usually performs selected follow-up performance audits within two to four years of the original audit.

4.4 In 2024 we issued one performance audit report to Council. This report was on NATO Military Exercises. During 2024, we also started one full performance audit, one performance audit survey, and one audit for a special report to Council.

**PERFORMANCE AUDIT PLANNING**

4.5 Performance audit planning is prepared by the IBAN's Performance Audit Working Group, comprised of Board Members, the Principal Auditor and full-time performance auditors. The Working Group's role is to assist the IBAN by preparing material for decision and performing an advisory role within the IBAN with regard to Performance Auditing. The Working Group's tasks include the following:

- Risk assessment of NATO bodies, programmes, and operations;
- Topic monitoring, including evaluating potential topics and assisting colleagues in preparing Performance Audit Proposals;
- Review Performance Audit Proposals and prepare recommendations to the Board;

- Support the IBAN by engaging with external stakeholders on performance audit related issues;
- Propose new guidance and methodology, and
- Prepare and share with the RPPB the IBAN's annual Performance Audit Programme in order to receive their feedback on our planning of performance audit topics.

4.6 Each year the Working Group develops a comprehensive Performance Audit Programme, which prioritises our performance audit work for the next two years and identifies the resources needed for performance audit. The plan is designed to help us become more transparent in communicating how and what we choose to audit to NATO stakeholders in NATO. The programme includes performance audit topic proposals based upon input from Board Members, audit staff, and NATO resource committee Chairs and members.

4.7 NATO entities whose programmes and activities are subject to performance audits and special reports to the Council include those, which use common funds (such as the military commands) or are customer/joint/multi-nationally funded (such as the NATO agencies). The most important NATO entities, which comprise our “audit universe” for performance audit, include the following:

- Allied Command Operations (ACO),
- Allied Command Transformation (ACT),
- NATO Communications and Information Agency (NCIA),
- NATO Support and Procurement Agency (NSPA),
- NATO International Staff (IS), and
- NATO Security Investment Programme (NSIP).

4.8 The Board decided that the following priorities should guide the IBAN performance audit planning process:

- Subjects of common interest to the Council and the Nations.
- Audits that contribute to accountability and transparency within NATO.
- Cross cutting, NATO-wide audits.
- Audits with an operational focus related to subjects such as readiness, force generation, and capabilities.

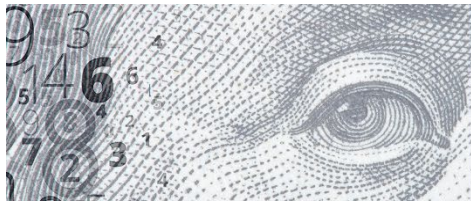
4.9 Performance audit topic proposals are then grouped into five main themes or areas:

- Budget, planning and resource management.
- Human Resources and staff expenses.
- Procurement.
- Capability development and delivery.
- Readiness.

**PERFORMANCE AUDIT REPORT ISSUED IN 2024*****Performance Audit Report on NATO Military Exercises***

4.10 In this report we assessed (1) the extent to which ACO and ACT are effective and efficient in managing and delivering the NATO Military Exercise Programme, (2) the extent to which ACO and ACT are effective and efficient in managing the NATO Military Exercise Planning Process, and (3) the extent to which the costs of NATO Military Exercises are tracked, monitored and managed with due care to economy by ACO and ACT.

4.11 This report is classified and its findings cannot be disclosed to the public.



## CHAPTER 5

### AUDIT OF THE NATO SECURITY INVESTMENT PROGRAMME



**CHAPTER 5****AUDIT OF THE NATO SECURITY INVESTMENT PROGRAMME**

5.1 IBAN provides independent assurance that the expenditure incurred by Member Countries and by NATO entities in respect of NSIP were carried out in compliance with the regulations in force. Through its performance audits, IBAN may also analyse and evaluate the efficiency, effectiveness and economy of the programme's management and procedures. We aim to achieve the following:

- Provide independent assurance that NSIP expenditures are carried out in compliance with the regulations in force;
- Contribute to the improvement of NSIP management; and
- Enhance relationships with key NSIP stakeholders.

5.2 NATO established the Infrastructure Programme in 1951 to provide common funded capabilities that exceed the military requirements of individual Member States. The Nations share the cost of the Programme based on agreed percentages. Council made major changes to the Programme in 1994 and renamed it the NSIP. In 2018, Council approved a new Common Funded Capability Delivery Governance Model for NSIP.

5.3 The Programme is overseen by the Investment Committee (IC), on behalf of Council and individual projects are implemented by a "Host Nation" (a Member State, a NATO Strategic Command or a NATO Agency), who is responsible for the implementation of the authorised NSIP project.

**AUDIT METHODOLOGY AND CONDUCT OF NSIP AUDITS**

5.4 The objective of the audit of the NSIP expenditures presented in the Cost Statement is to provide independent assurance to Council that NSIP expenditures incurred by Host Nations were carried out in compliance with the regulations in force. We undertake our audits in accordance with the principles of the auditing standards of the International Organisation of Supreme Audit Institutions (INTOSAI) as per Article 15 of the IBAN Charter. After each NSIP audit, we issue an Independent External Auditor's Report to Council, by delegation to the Investment Committee with an opinion on the expenditures presented in the Cost Statements. Opinions can either be unmodified or modified (see Glossary of Terms in Annex F).

5.5 When the works related to an NSIP project are physically complete, the project must be subject to a technical inspection and formal acceptance of the works by NATO, according to NSIP Regulations. The IC approval of the technical inspection (also called Joint Final Inspection and Formal Acceptance (JFAI)) serves as the formal acceptance by NATO that the project is physically complete, militarily and technically acceptable, and that the responsibility of the Host Nation for completion of the works has been fully discharged by NATO. The technical inspection and the formal JFAI report accepted by the IC provides IBAN with audit evidence of the existence of the asset developed or constructed and the

implementation of the physical scope as authorised (technically in line with requirements). The technical inspection and subsequent formal acceptance and discharge by the IC of the works implemented is the first part of a dual-discharge process in NSIP.

5.6 After the technical inspection of the completed project, IBAN will perform an audit of the expenditures incurred presented in the cost statements and will issue the Independent External Auditor's Report to the Council, by delegation to the IC. This report provides independent assurance to Council that NSIP expenditures incurred by Host Nations are carried out in compliance with the regulations in force. According to the NSIP regulations for technical inspections (AC/4-D/2074), IBAN also has a duty to report "*any material facts which were unknown or erroneously put to the inspection team or to the Committee*". The independent assurance provided by IBAN in the form of an audit opinion assists the IC, acting on behalf of Council, in discharging the Host Nation from their financial responsibilities.

5.7 The discharge of Host Nations financial responsibilities takes place in accordance with the IC 'Policy and Procedures for Project Financial Closure and Host Nation Discharge' agreed by the IC on 1 July 2024. Based on this policy, a 'List of Completed Projects' is prepared quarterly by the International Staff. This List, together with the IBAN independent external auditor's report and, as applicable, input from the Host Nation, serves as the basis for the IC's agreement of the final cost to NATO, and its decision on the financial closure of projects and Host Nation discharge. This is the final step in the project implementation process and, once approved by the IC, the Host Nation is discharged from its financial responsibilities for projects implemented, on behalf of Council. The technical and financial closure of NSIP projects and discharge of Host Nations responsibilities is a key element to ensuring proper transparency and accountability on the use of NATO common funds.

5.8 According to Investment Committee Implementation Management Procedure, an audit request shall be submitted to IBAN not later than six months following the request for a technical inspection of the project. To initiate a financial audit, the Host Nation must submit a cost statement of project expenditures incurred to IBAN for audit. From an audit standpoint and consistent with current practice, the Host Nation is required to prepare and sign the cost statement by a responsible staff at an accountable level. Cost statements are the means through which the Host Nation presents a completed project for audit. By signing the cost statement, the Host Nation confirms that sufficient verification and internal controls are in place to ensure that all expenditures incurred are complete, correct, and compliant NSIP regulations in force.

5.9 IBAN conducts its NSIP audits in different phases, including audit planning, audit fieldwork and audit reporting. As part of the audit fieldwork phase, our audit teams perform audit tests and generally conduct on-site visits at the premises of the Host Nations in order to have extensive dialogue and interactions with the auditees.

## NSIP AUDIT ACTIVITY IN 2024

5.10 In 2024, IBAN used 9% of the available staff resources on the audit of NSIP projects expenditures, compared to 7% in 2023.

5.11 We issued 60 Independent External Auditor's Reports on cost statements presented by territorial Host Nations, NATO Agencies and Strategic Commands. Out of 60 audit opinions provided in the auditor's reports, 30 audit opinions were unmodified and 30 audit opinions were modified. As a percentage of auditor's reports issued, 50% had unmodified audit opinions and 50% had modified audit opinions. Table 2 below shows IBAN's NSIP audit activity for 2024 in comparison to 2023.

<b>Table 3: NSIP AUDIT ACTIVITY 2024</b>		
	<b>2024</b>	<b>2023</b>
Amount audited <sup>(1)</sup>	283 MEUR	315 MEUR
Auditor's Reports issued	60	57

Note 1: Amount in cost statements presented by Host Nations for audit.

5.12 The 60 auditor's reports covered expenditures of EUR 283 million, which represents about 3% of the entire population of open NSIP projects (expenditure of EUR 9.6 billion reported as at December 2024). The total amount audited by IBAN and financially closed after the IC discharge of the Host Nation's responsibilities amounts to more than 76% of the total cumulative NSIP expenditure (see Annex B).

5.13 IBAN's audit of NSIP projects expenditures remained stable in 2024 with a similar number of Auditor's Reports issued in 2024 compared to 2023. The number of audits conducted each year depends on audit requests received from Host Nations and available IBAN resources.

5.14 One of the main reasons for modified audit opinions (19 out of the modified 30 auditor's reports) related to expenditures incurred outside the authorised scope of work and therefore not compliant with NSIP regulations and authorisations granted.

5.15 Another reason for modified audit opinions (5 out of the modified 30 auditor's reports) related to missing or incomplete project financial documentation, such as signed contracts, invoices and bidding documents. Due to missing documentation, we could not reconcile and agree expenditures to contracts signed, nor could we verify whether expenditures incurred and presented in the Cost Statement were within the authorised scope of work. We therefore concluded that the expenditures reported in the Cost Statements were not compliant with NSIP regulations.

5.16 In other cases, the modified audit opinion was due to expenditures incurred in excess of the authorisations granted or to non-compliance with NSIP procurement and contracting regulations.

5.17 We also raised five Other Matter paragraphs in 2024 related to expenditures not claimed, but within the authorised scope of work. Other Matter paragraphs are communicated if IBAN considers it necessary to communicate a matter other than those related to expenditures presented in the cost statements that, in our judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report. This may relate to additional expenditures incurred within the authorised scope of work in accordance with NSIP regulations, but not included in the cost statement.

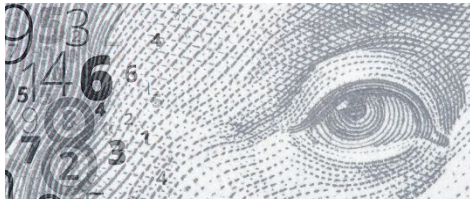
5.18 The Investment Committee Implementation Management Procedure requires an audit request to be submitted to IBAN not later than six months following the request for a technical inspection of the project. As the technical inspection and formal JFAI report provides IBAN with audit evidence of the existence of the asset developed or constructed and the implementation of the physical scope as authorised (technically in line with requirements) IBAN will only proceed with the audit once the JFAI report is accepted by the Investment Committee.

5.19 On average, for the projects audited in 2024, the audit requests were submitted to IBAN six years after the request for technical inspection.

#### **REPORT TO COUNCIL ON THE RESULTS OF THE 2023 NSIP AUDITS AND FOLLOW-UP ON RECOMMENDATIONS FROM NSIP SPECIAL REPORTS**

5.20 In June of 2024, the IBAN issued its “Report to Council on the Results of the 2023 NSIP Audits and Follow-up on Recommendations from NSIP Special Reports”(IBA-AR(2024)0006). The purpose of the report is to provide an overview to Council on the audit results from the 2023 NSIP audits and to review the status of implementation of IBAN recommendations from two prior Special Reports on NSIP. The IBAN aims to produce this report annually and it should normally be made available to the public upon approval by the Council.

5.21 The report includes detailed information on the reasons for IBAN modified audit opinions and, where relevant, other paragraphs, a summary of the main non-compliance issues leading to a modified audit opinion, and a follow up on the implementation of IBAN recommendations from two prior Special Reports on NSIP. Overall, the report provides easy to understand aggregated information on the results of our NSIP audits, which enables the Council to better oversee and account for the NSIP, as well as to strengthened transparency and accountability of the use of NATO resources.



## CHAPTER 6

### PERFORMANCE OF IBAN

## CHAPTER 6

### PERFORMANCE OF IBAN

#### OUR ANNUAL PERFORMANCE

6.1 The Strategic Plan for 2022-2026 provides information on IBAN's vision, mission statement, and three core values: Independence, integrity and professionalism. It details four strategic goals related to our work, with specific objectives and strategies to achieve them. These strategic goals are the following:

Goal 1: Contribute to the strengthening of accountability and corporate governance within NATO

Goal 2: Contribute to the improvement of the effectiveness, efficiency, and economy of NATO activities

Goal 3: Contribute to the improvement of the NSIP management and accountability

Goal 4: Develop IBAN as an innovative and proactive audit organisation

6.2 Our 2024 Annual Performance Plan was derived from the goals and objectives in the Strategic Plan. The Annual Performance Plan included specific key performance indicators and targets for the various objectives for 2024 to measure our performance.

#### PERFORMANCE RELATED TO GOAL 1

6.3 Our objectives related to Goal 1 were to provide independent assurance that the financial statements present fairly the financial position and performance of the entity, contribute to the development of a sound and consistent financial reporting environment, and enhance relationships with key stakeholders. The associated performance measure and target used to evaluate the achievement of the objectives in 2024 is shown below.

#	<i>Key Performance Indicator</i>	<i>Target</i>	<i>Actual</i>
1	% of audit opinions on NATO Reporting Entities given by 31 August on auditable signed financial statements.	100%	68%
2	Issue the Annual Activity Report to the Council by the end of April.	Y	Y

6.4 The first performance measure was not met, as we did not issue all audit opinions by 31 August 2024 on NATO Reporting Entities from whom we received auditable financial statements by 31 March 2024. This was due to constraints outside of our control, affecting current staff resources, which prevented IBAN's ability to meet the 31 August deadline. Therefore, due to this situation, IBAN prioritised audits of common funded entities and customer funded agencies, in order to ensure the completion of such audits within the 31 August deadline. Additional time budget had to be allocated in connection with requests of multiple reporting entities for IBAN to audit resubmitted financial statements, after material deficiencies were corrected. The remaining audit opinions were issued by the end of 2024. The second performance measure was achieved as we issued the Annual Activity Report in April 2024.

## PERFORMANCE RELATED TO GOAL 2

6.5 Our objectives related to Goal 2 were to audit subjects of common interest to the Council and the Nations, perform audits that contribute to accountability and transparency within NATO, and perform cross-cutting audits that contribute to recommendations to be applied NATO – wide. The associated performance measures and targets used to evaluate the implementation of the objectives are shown in the table below.

#	<i>Key Performance Indicator</i>	<i>Target</i>	<i>Actual</i>
1	Issue at least 2 performance audits per year.	100%	50%
2	Perform follow-up on prior performance audit reports.	1	0

6.6 IBAN issued one performance audit report in 2024. This was mainly due to staff rotation and to the decision in 2023 to not pursue full audit implementation of two performance audit topics, based upon the results of the survey work. During 2024, we also started one full performance audit, one performance audit survey, and one audit for a special report to Council. We did not launch any follow-up work on prior performance audit reports in 2024 due to the Board's decision to prioritise performance audit work on operational topics as a result of the Russian invasion of Ukraine.

## PERFORMANCE RELATED TO GOAL 3

6.7 Our objectives related to Goal 3 were to contribute to the improvement of NSIP management, provide assurance of NSIP accountability, and improve our efficiency and effectiveness. The associated performance measure and target used to evaluate the achievement of the objectives in 2024 is shown in the table below.

<i>Key Performance Indicator</i>	<i>Target</i>	<i>Actual</i>
% of acceptable and complete audit requests scheduled within 12 months of their receipt.	90%	12%



6.8 We did not meet the target for 2024 as we were only able to schedule 12% of acceptable and complete requests for NSIP audit within 12 months of their receipt. In 2022, mainly towards the end of the year, we received an increased number of audit requests from Host Nations compared to prior years. We were not able to schedule them all in 2023 and 2024 due to staff resource constraints. The main reason for the increased number of audit requests was due to Council tasking Host Nations to close projects physically completed by 2014, but not yet technically inspected and audited, at the latest by the end of 2022. Approximately 21% of the audit requests received, but not scheduled within 12 months, relate to this Council tasking.

#### PERFORMANCE RELATED TO GOAL 4

6.9 Our objectives under Goal 4 were to further promote IBAN's professional development and corporate knowledge sharing, increase financial audit efficiency and effectiveness in order to improve the timeliness and content of our financial audit reports, and improve our visibility. The performance measures and targets used to evaluate the achievement of the objectives are shown in the table below and were partially met.

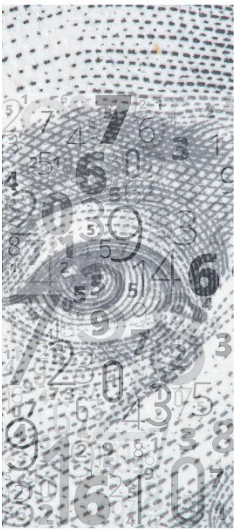
#	Key Performance Indicator	Target	Actual
1	Proactively develop and offer independent analysis and opinion to NATO governing bodies on financial, NSIP, and performance issues.	Y	Y
2	Publish articles on the IBAN internet website on IBAN activities or subjects of interest.	2	6
3	# of public events (conferences, seminars, courses, lectures, presentations) with auditees and stakeholders.	2	4

6.10 The performance measures were met or exceeded.

#### IBAN'S STRATEGIC PRIORITIES 2025 – 2029

6.11 On December 11, 2024, the Board approved a new IBAN Strategic Plan for the five-year period from 2025 to 2029. While the strategic goals remained unchanged, the objectives, key performance indicators and specific targets were reassessed and supplemented in line with current challenges. An excerpt from the IBAN Strategic Plan 2025-2029 containing IBAN's strategic goals as well as relevant targets and performance measurement indicators is included in this report at Annex C.

*Approved by the Board on 30 April 2025*



Radek VISINGER, CZ  
Chair



M.G. - GDI  
Iordanis CHATZIGIANNAKIS, GR



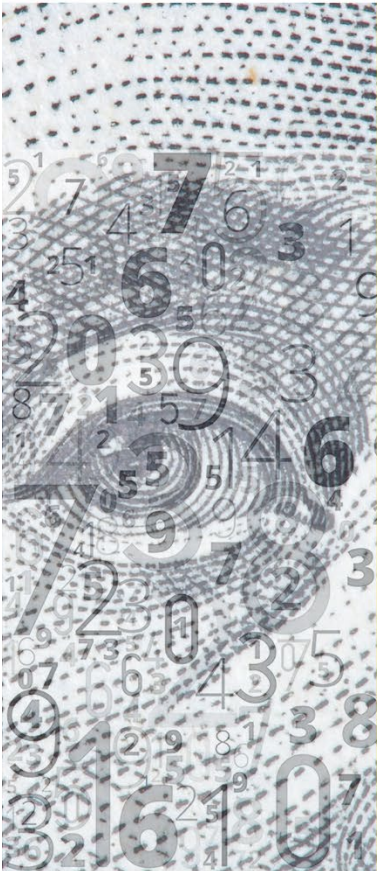
Carlo MANCINELLI, IT



Sébastien LEPERS, FR



Viveca NORMAN, SW



# ANNEXES

NATO UNCLASSIFIED

ANNEX A  
IBA-M(2025)0002

**LIST OF REPORTS ISSUED IN 2024  
RESULTING FROM FINANCIAL STATEMENTS AND PERFORMANCE AUDITS**

LIST OF IBAN FINANCIAL STATEMENTS AUDIT REPORTS ISSUED IN 2024							
Subject and Financial Year		IBAN Report Number	Audit Opinion FS	Audit Opinion Compliance	IBAN Issue Date	NAC Approval Date	Available to Public Yes/No/Pending/NA
<b>NATO Military Commands</b>							
1.	Allied Command Operations (ACO) 2023	IBA-AR(2024)0009	U	U	29.08.2024	19.12.2024	No (NATO RESTRICTED)
2.	Allied Command Transformation (ACT) 2023	IBA-AR(2024)0013	Q	Q	27.08.2024	19.12.2024	Yes
<b>NATO Agencies, Civil-Military Bodies, Special Projects, and Pension Schemes</b>							
3.	BICES Group Executive (BGX) 2023	IBA-AR(2024)0010	U	U	27.08.2024	19.12.2024	No (NATO RESTRICTED)
4.	International Military Staff (IMS), NATO Standardisation Agency (NSA) (including Partnership for Peace (PfP), Mediterranean Dialogue (MD) Istanbul Cooperation Initiative (ICI) and Other Military Cooperation (OMC) 2023	IBA-AR(2024)0015	U	U	29.08.2024	19.12.2024	Yes
5.	International Staff 2023	IBA-AR(2024)0021	U	U	29.08.2024	19.12.2024	Yes
6.	Defence Innovation Accelerator for the North Atlantic's (DIANA) 2023	IBA-AR(2024)0029	U	U	11.12.2024	10.03.2025	Yes
7.	Munitions Safety Information Analysis Centre (MSIAC) 2023	IBA-AR(2024)0011	U	U	29.08.2024	19.12.2024	Yes
8.	NATO Airborne Early Warning and Control Programme Management Agency (NAPMA) 2023	IBA-AR(2024)0025	U	U	20.11.2024	19.12.2024	Yes
9.	NATO Alliance Ground Surveillance Management Organisation (NAGSMO) in Liquidation 2023	IBA-AR(2024)0005	U	Q	24.04.2024	01.07.2024	Yes
10.	NATO Communications and Information Organisation (NCIO) 2023	IBA-AR(2024)0020	U	U	27.08.2024	19.12.2024	Yes

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ANNEX A  
IBA-M(2025)0002

PUBLICLY DISCLOSED - PDN(2026)0002 - MIS EN LECTURE PUBLIQUE

LIST OF IBAN FINANCIAL STATEMENTS AUDIT REPORTS ISSUED IN 2024							
	Subject and Financial Year	IBAN Report Number	Audit Opinion FS	Audit Opinion Compliance	IBAN Issue Date	NAC Approval Date	Available to Public Yes/No/Pending/NA
11.	NATO Coordinated Pension Scheme 2023	IBA-AR(2024)0012	U	U	27.08.2024	19.12.2024	Yes
12.	NATO Defense College (NDC) 2023	IBA-AR(2024)0016	U	Q	29.08.2024	19.12.2024	Yes
13.	NATO Defined Contribution Pension Scheme (NATO DCPS) 2023	IBA-AR(2024)0014	U	U	29.08.2024	19.12.2024	Yes
14.	NATO EF 2000 and Tornado Development, Production and Logistics Management Agency (NETMA) 2023	IBA-AR(2024)0027	U	U	22.11.2024	19.12.2024	Yes
15.	NATO European Fighter Aircraft Development, Production and Logistic Management Organisation (NEFMO) 2023	IBA AR(2024)0028	U	U	20.11.2024	19.12.2024	No (COMMERCIAL SENSITIVE)
16.	NATO FORACS Office (NFO) 2023	IBA-AR(2024)0019	U	U	29.08.2024	19.12.2024	Yes
17.	NATO Helicopter Management Organisation (NAHEMO) 2023	IBA AR(2024)0031	U	U	11.12.2024	10.03.2025	Yes
18.	NATO Medium Extended Air Defense System Management Organization (NAMEADSMO) In Liquidation 2022	IBA AR(2024)0001	U	U	27.03.2024	11.10.2024	Yes
19.	NATO Medium Extended Air Defense System Management Organization (NAMEADSMO) In Liquidation 2023	IBA AR(2024)0022	U	Q	6.11.2024	19.12.2024	Yes
20.	NATO Medium Extended Air Defense System Management Organization (NAMEADSMO) In Liquidation 2024	IBA AR(2024)0023	U	Q	6.11.2024	19.12.2024	Yes
21.	NATO Multi-Role Combat Aircraft Development Production And In-Service Support Management Organisation (NAMMO) 2023	IBA AR(2024)0026	U	U	20.11.2024	19.12.2024	Yes
22.	NATO Retirees Medical Claims Fund (RMCF) 2023	IBA-AR(2024)0017	U	U	27.08.2024	19.12.2024	Yes

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IBA-M(2025)0002

23.	NATO Support and Procurement Organisation (NSPO) 2023	IBA AR(2024)0007	U	Q	29.08.2024	19.12.2024	Yes
24.	Science and Technology Organisation (STO) 2023	IBA-AR(2024)0018	U	Q	29.08.2024	19.12.2024	Yes
<b>Non-NATO multi-national bodies</b>							
25.	SHAPE International School 2022	IBA-AR(2024)0002	U	U	28.02.2024	NA	NA
26.	NATO Parliamentary Assembly (NPA) 2023	IBA-AR(2024)0004	U	U	06.03.2024	NA	NA
27.	AFNORTH International School's 31 July 2023	IBA-AR(2024)0003	Q	Q	22.05.2024	NA	NA
<b>LIST OF IBAN PERFORMANCE AUDIT AND SPECIAL REPORTS ISSUED IN 2024</b>							
<b>Performance Audit Reports</b>							
28.	IBAN Performance Audit Report on NATO Military Exercises	IBA-AR(2024)0008	NA	NA	18.07.2024	Pending	No (NATO RESTRICTED)
<b>Special Reports</b>							
29.	Main findings from the 2022 Financial Statements audits	IBA-M(2024)0002	NA	NA	12.06.2024	11.02.2025	Pending
30.	IBAN Report on the Summary of Results from the NSIP audits 2023	IBA-AR(2024)0006	NA	NA	12.06.2024	24.06.2025	Yes

U = Unqualified  
 Q = Qualified  
 A = Adverse  
 D = Disclaimer  
 FS = Financial Statements  
 C = Compliance  
 NA = Not Applicable

Since the 2013 financial year, public disclosure of IBAN reports is applicable to unclassified reports (financial statements and performance audits) of NATO Reporting Entities.

## CUMULATIVE NSIP EXPENDITURE BY HOST NATION AS AT END 2024

Host Nation	Expenditure Reported (1) (2)	Expenditure Financially closed – (2) (3)	Expenditure Financially closed
Albania	1	-	-
Belgium	951	737	78%
Bulgaria	145	55	38%
Canada	82	80	98%
Croatia	11	-	0%
Czech Republic	143	80	56%
Denmark	763	736	96%
Estonia	134	34	25%
France	1,035	979	95%
Germany	6,307	5,607	89%
Greece	1,985	1,609	81%
Hungary	194	101	52%
Iceland	39	-	0%
Italy	2,512	1,926	77%
Latvia	54	33	61%
Lithuania	138	37	27%
Luxembourg	59	59	100%
Montenegro	-	-	-
Netherlands	1,062	890	84%
Norway	2,406	2,179	91%
North Macedonia	-	-	-
Poland	691	289	42%
Portugal	616	571	93%
Romania	109	19	18%
Slovakia	47	31	66%
Slovenia	45	6	13%
Spain	250	165	66%
Türkiye	4,686	4,163	89%
United Kingdom	2,775	2,482	89%
United States of America	1,852	1,275	69%
<b>Sub-Total Territorial Nations</b>	<b>29,092</b>	<b>24,142</b>	<b>83%</b>
ACT	34	2	6%
NADGEMO	33	33	100%
NCIA	7,877	4,250	54%
NSPA	1,858	917	49%



SHAPE	999	952	95%
<b>Sub-Total NATO Bodies (4)</b>	<b>10,800</b>	<b>6,154</b>	<b>57%</b>
<b>Total</b>	<b>39,892</b>	<b>30,296</b>	<b>76%</b>

- (1) Source: IBAN based on NATO Office of Resources, International Staff data on annual expenditures for NSIP.
- (2) All amounts are expressed in EUR million.
- (3) Expenditure for projects financially closed after final discharge by the Investment Committee of the Host Nation.
- (4) NATO Bodies NSIP expenditure is included in their audited Annual Financial Statements.

**IBAN STRATEGIC PRIORITIES  
ACCORDING TO THE STRATEGIC PLAN FOR THE PERIOD 2025-2029**

**GOAL 1: CONTRIBUTE TO THE STRENGTHENING OF ACCOUNTABILITY AND CORPORATE GOVERNANCE WITHIN NATO**

The IBAN contributes to the strengthening of accountability and corporate governance within NATO in a number of ways, including through its financial audits and specific reviews of matters closely related to accountability and corporate governance, such as internal control. While financial audits are generally performed on an annual or multi-annual basis, specific reviews are performed on more of an ad-hoc basis.

IBAN carries out its audit mandate in accordance with the principles of the auditing standards of INTOSAI.

**Objective 1: Provide independent assurance that the financial statements present fairly the financial position, financial performance, and cash flows, of the entity and that the funds were properly used for the settlement of authorised expenditure in compliance with the regulations in force.**

- We will continue to improve the quality, user friendliness and timeliness of our financial audit reports. We aim to make relevant audit recommendations that strengthen accountability and provide support to governance in NATO, and monitor their implementation.

**Objective 2: Improve the quality of financial audit services provided to the Council.**

- The quality of internal procedures and methodological consistency remain our highest priorities. This goal can be achieved by the functional professional specialisation of our staff, therefore we will hire and involve in our audit practices a specialist and methodologist for financial audits (comprising financial audit quality assurance) and an auditor for Communications and Information Systems (CIS). We will adopt and gradually implement the requirements of the Auditor Competency Framework based on the international standard ISSAI 150 in the IBAN environment.

**Objective 3: Contribute to the development of a sound and consistent financial reporting environment in NATO.**

- Make a continual assessment of the implementation of the NATO Accounting Framework and NATO Financial Regulations and provide recommendations to improve compliance. Provide coordinated advice in order to achieve a consistent application of the NATO Accounting Framework and NATO Financial Regulations across NATO. Advocate for the simplification of NATO's Financial Reporting and Accounting Framework to improve the quality of financial information in support of decision-making by governance and the accountability needs of relevant external stakeholders.

- IBAN aims to continue providing annual cross-cutting overviews on the main findings from the financial statements audits and to intensify its efforts to produce special reports on strategic issues.

**Objective 4: Enhance relationships with key NATO stakeholders.**

- We seek to develop and maintain transparency and relationships with our key NATO stakeholders and auditees through regular consultations to better determine their needs and expectations. We liaise with committee chairpersons and other relevant stakeholders to offer IBAN's expertise and assistance in the area of accountability and governance.

The associated performance measures and targets to be used to evaluate the achievement of the objectives are shown in the table below.

#	<i>Key Performance Indicator</i>	<i>Target</i>
1	% of final audit reports on the financial statements of NATO Reporting Entities submitted to Council by 31 August.	95%
2	Issue the Annual Activity Report to the Council by the end of April.	Y
3	Issue the Report to Council on Main Findings from the Financial Statements Audits no later than three months after the last audit report on the financial statements of a particular financial year is submitted to Council.	Y
4	Number of audits of non-NATO multi-nationally funded bodies.	3+

**GOAL 2: CONTRIBUTE TO THE IMPROVEMENT OF THE EFFECTIVENESS, EFFICIENCY, AND ECONOMY OF NATO ACTIVITIES**

IBAN's audit mandate includes performance auditing of the activities of NATO bodies, operations, programmes and projects.

As IBAN understands that a major challenge for NATO's future is to enhance the effectiveness, efficiency, and economy of its activities, IBAN refocuses its strategy towards a higher percentage of proactive performance audits, focused on identification of opportunities for cost savings and more effective operations and activities by NATO.

IBAN provides independent analysis and evaluation to the Council on the effectiveness, efficiency and economy of specific NATO bodies, operations, programmes and projects. IBAN makes forward-looking recommendations aimed at process and service improvements and, when possible, optimising value for money while delivering required outputs.

IBAN carries out its audit mandate in accordance with the principles of the auditing standards of INTOSAI as per our Charter, and standards consistent with the International Standards of Supreme Audit Institutions (ISSAI).

**Objective 1: Focus on subjects of common interest to the Council and the Nations.**

- Together with other selection criteria, we intend to focus on activities and initiatives that are considered to be important to the overall success of the Alliance, including new initiatives and important changes to the Alliance. By reporting directly to the Council, IBAN can contribute to and support high-level decision-makers in improving the performance of NATO.

**Objective 2: Conduct audits that contributes to accountability and transparency within NATO.**

- NATO faces challenges to implement good governance principles such as accountability and transparency. This has been evident through several recent audits. As we refer to INTOSAI standards, it is relevant also to give priority to these subjects that in many countries are seen as prerequisites for achieving good results in a transparent and accountable way. IBAN aims to organise conferences and seminars to disseminate information on these issues, in order to raise awareness on their importance in the NATO community as well as with external stakeholders. We aim to provide a web-based platform to let the NATO community profit from our releasable documents and increase IBAN's visibility.

**Objective 3: Perform cross-cutting audits that contribute to recommendations to be applied NATO-wide.**

- In general, cross-cutting audits add more complementary value than audits of individual entities. The ability to recommend good practice across NATO is

contributing to better and more unified solutions. Even though cross-cutting audits normally are more cumbersome to conduct than single entity audits, they should be given priority as recommendations based on benchmarking and good practice are applicable NATO-wide and therefore adds more value.

**Objective 4: Improve the quality of performance audit services provided to the Council.**

- The quality of internal procedures and methodological consistency remain our highest priorities. This goal can be achieved by the functional professional specialization of our staff, therefore we will hire and involve in our audit practices a specialist and methodologist for performance audits and an auditor for Communications and Information Systems (CIS). We will adopt and gradually implement the requirements of the Auditor Competency Framework based on the international standard ISSAI 150 in the IBAN environment.

The associated performance measures and targets to be used to evaluate the achievement of the objectives are shown in the table below.

#	<i>Key Performance Indicator</i>	<i>Target</i>
1	Issue at least 2 performance audits per year.	100%
2	Perform follow-up on prior performance audit reports.	1
3	% of audit staff resources assigned to performance audit.	25%+

**GOAL 3: CONTRIBUTE TO THE IMPROVEMENT OF THE NSIP MANAGEMENT AND ACCOUNTABILITY**

The IBAN provides independent assurance that the expenditures incurred by member states and by NATO entities for the implementation of the NSIP is compliant with the regulations in force. The IBAN also analyses and evaluates the economy, efficiency and effectiveness of programme management, procedures, and specific outputs.

IBAN carries out its audit mandate in accordance with the INTOSAI Principles as per our Charter, and standards consistent with the International Standards of Supreme Audit Institutions (ISSAI).

**Objective 1: Provide independent assurance that NSIP expenditures are carried out in compliance with the regulations in force.**

- To strengthen accountability and governance of the NSIP, our audit work provides audit opinions on expenditures incurred for individual NSIP projects. We aim to plan and conduct our audits based on audit requests received from Nations and NATO Bodies in order to deliver our audit reports to Council in a timely manner within current available resources.

**Objective 2: Improve the quality of NSIP audit services provided to the Council.**

- The quality of internal procedures and methodological consistency remain our highest priorities. This goal can be achieved by the functional professional specialisation of our staff, therefore we will hire and involve in our audit practices a specialist and methodologist for NSIP audits. We will adopt and gradually implement the requirements of the Auditor Competency Framework based on the international standard ISSAI 150 in the IBAN environment.

**Objective 3: Contribute to the improvement of NSIP management.**

- Make continual assessments of NSIP regulations and provide advice to Nations in order to achieve improved NSIP management and consistent application of regulations across Host Nations.

**Objective 4: Enhance relationships with key NSIP stakeholders.**

- We seek to maintain transparency and relationship with our key NSIP stakeholders and auditees through regular consultations to better determine their needs and expectations. We liaise with the Investment Committee chairpersons and other relevant stakeholders to offer IBAN's expertise and assistance in the area of accountability and governance.

The associated performance measures and targets to be used to evaluate the achievement of the objectives are shown in the table below.

#	<i>Key Performance Indicator</i>	<i>Target</i>
1	% of acceptable and complete audit requests scheduled within 12 months of their receipt.	90%
2	Number of NSIP audit reports issued.	50
3	Issue the Summary of Results from the NSIP audits to the Council by the end of June.	Y



**GOAL 4: DEVELOP IBAN AS AN INNOVATIVE AND PROACTIVE AUDIT ORGANISATION**

In order to achieve the objectives of Goals 1 to 3, IBAN must be an organisation that is innovative and proactive to meet the continuous developments and changes in its dynamic operational environment.

**Objective 1: Further promote IBAN's workforce professional development and sharing of corporate knowledge.**

- Enhance workforce mentoring of IBAN staff by improving their knowledge of professional standards, best practices, new audit developments, as well as an understanding of NATO's current challenges. We aim to provide an internal web-based platform to ensure the sharing of experience acquired by our auditors and provide professional training to facilitate individual learning.

**Objective 2: Increase audit efficiency and effectiveness in order to ensure the timeliness and improve the content of our audit reports.**

- Continuously review our audit practices to ensure we deliver financial audit reports of NATO Reporting Entities to Council by 31 August of each year.
- Improve our audit practices by promoting and developing workplace innovation and efficiencies, such as through remote access to auditee IT systems, increased use of IT audit techniques, and remote teleworking for staff. Data analytics techniques can add great value to IBAN audits. Therefore, we aim to introduce a three-step programme for the implementation of data analytics in both financial and performance audits.

**Objective 3: Continuously improve IBAN Human Resource practices.**

- Maintain a plan for staff succession and attracting qualified individuals from the public and private sector.
- Maintain clear and consistent communication to staff and application of IBAN Human Resource policies.
- Ensure that the post descriptions are in accordance with the needs of IBAN and the tasks actually required.
- Use effective human resource management techniques, including staff satisfaction survey.
- Assist staff transitioning out of IBAN with information, such as career advice and contacts with other audit organisations.

**Objective 4: Improve visibility of IBAN with key internal and external stakeholders.**

- We regularly attend committee meetings on matters of importance to the IBAN and will aim to present our mandate and activities to the Council and the Secretary General. Our aim is to publicise IBAN's work, including individual audit reports, the annual activity report and strategic plan to raise awareness of IBAN activities both internally and externally. This aim will also be achieved by organising dissemination activities and providing a web-based platform where the NATO community can access our releasable documents.
- We will further develop and maintain professional contacts and cooperation with Supreme Audit Institutions of NATO Nations and with other like-minded international audit organisations, and in particular with the INTOSAI. Individual forms of mutual cooperation can be concretised by bilateral memoranda of understanding.

The associated performance measures and targets to be used to evaluate the achievement of the objectives are shown in the table below.

#	<i><b>Key Performance Indicator</b></i>	<i><b>Target</b></i>
1	Proactively develop and offer independent analysis and opinion to NATO governing bodies on financial, NSIP, and performance issues.	Y
2	Organise meetings with representatives of Supreme Audit Institutions of NATO Nations to discuss IBAN's Annual Activity Report and topics related to the audit of international organisations	Y
3	Publish articles on the IBAN internet website on IBAN activities or subjects of interest.	2
4	Number of public events (conferences, seminars, courses, lectures, presentations) with auditees and stakeholders.	2

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## IBAN ANNUAL FINANCIAL STATEMENTS AUDIT UNIVERSE

IBAN Annual Financial Statements Audit Universe	FY 2023 Total Expenses <sup>1</sup>
<b><i>NATO Common Funded Bodies or Activities</i></b>	
Allied Command Operations	1,296
Allied Command Transformation	207
International Military Staff	53
International Staff	430
NATO Coordinated Pension Scheme (Defined Benefit)	267
NATO Defence College	14
NATO Defined Contribution Pension Scheme	70
NATO Retiree's Medical Claim Fund	39
Science and Technology Organisation	38
<b><i>Sub-total</i></b>	<b><i>2,214</i></b>
<b><i>NATO Joint/Multi-Nationally Funded Bodies or Activities</i></b>	
Defence Innovation Accelerator for the North Atlantic	9
Munitions Safety Information Analysis Centre	2
NATO AEW&C Programme Management Agency	21
NATO Alliance Ground Surveillance Management Organisation in Liquidation	3
NATO Battlefield Information Collection & Exploitation Systems Group Executive	Non-disclosed <sup>2</sup>
NATO Communications and Information Organisation	784
NATO Eurofighter 2000 and Tornado Development Production and Logistics Management Agency	52
NATO European Fighter Aircraft Development, Production and Logistics Management Organisation	Non-disclosed <sup>3</sup>
NATO Multi-Role Combat Aircraft Development and In-Service Support Management Organisation	0.4
NATO Helicopter Design and Development Production and Logistics Management Organisation	15
NATO Medium Extended Air Defence System Design and Development, Production and Logistics Management Organisation in Liquidation	1
NATO Naval Forces Sensor and Weapons Accuracy Check Sites Office	2
NATO Support and Procurement Organisation	4,057
<b><i>Sub-total</i></b>	<b><i>4,946</i></b>
<b><i>NATO Joint/Multi-Nationally Funded Bodies or Activities Operational Budget Expenditures<sup>5</sup></i></b>	
NATO Alliance Ground Surveillance Management Organisation in Liquidation (EUR)	0.1
NATO Alliance Ground Surveillance Management Organisation in Liquidation (USD)	0
NATO Helicopter Design and Development Production and Logistics Management Organisation	1,263
NATO Medium Extended Air Defence System Design and Development, Production and Logistics Management Organisation in Liquidation	0.3
NATO Multi-Role Combat Aircraft Development and In-Service Support Management Organisation	593
NATO European Fighter Aircraft Development, Production and Logistics Management Organisation	Non-disclosed <sup>3</sup>
<b><i>Sub-total</i></b>	<b><i>1,856</i></b>

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<b><i>Non-NATO Multi-Nationally Funded or Sponsored Bodies<sup>4</sup></i></b>	
AFNORTH International School	5
NATO Missile Firing Installation	8
NATO Parliamentary Assembly	4
SHAPE International School	7
<b><i>Sub-total</i></b>	<b><i>24</i></b>
<b><i>Grand total</i></b>	<b><i>9,040</i></b>

- <sup>1</sup> All amounts in Millions of EUR (MEUR). Non-EUR amounts converted to EUR at 31 December rates.
- <sup>2</sup> The NATO Battlefield Information Collection & Exploitation Systems Group Executive financial information is classified and not disclosed to the public.
- <sup>3</sup> The NATO European Fighter Aircraft Development, Production and Logistics Management Organisation financial information is commercially sensitive and not disclosed to the public.
- <sup>4</sup> By Council decision, the IBAN does not charge for the audits of the AFNORTH School, SHAPE International School, NATO Missile Firing Installation, and the NATO Parliamentary Assembly. In addition, these four entities are audited on an annual basis so are included in the annual financial statement audit universe. Non-NATO bodies do not share NATO's legal status, but may have a close relationship with the organisation. They have their own governance structures and are not subject to oversight by Council. The IBAN also audits an additional variable number of these bodies on a full cost reimbursable basis annually by request and if audit resources are available to do so.
- <sup>5</sup> The financial statements of NATO Procurement, Logistics or Service Organizations (NPLSO) include an operational budget execution report in accordance with the Regulations for NPLSO (C-M(2009)0079). Operational budget expenditures relate to expenditures incurred as an agent on behalf of third party participating NATO Nations and are not included in the NATO Reporting Entities' expenses. The Financial Statements of NAMMO and NEFMO are prepared on the basis that they are agents instead of principals. Therefore, NAMMO and NEFMO's operational expenditures are not reported as an expense in their respective Statement of Financial Performance. These expenditures continue to be reported in their respective operational budget execution report annexed to the Financial Statements, which is subject to audit by IBAN.

**NATO UNCLASSIFIED**ANNEX E  
IBA-M(2025)0002**Glossary of Terms****Financial Statement Audit Opinion**

In accordance with auditing standards, audit opinions on financial statements and on compliance can be unqualified, qualified, a disclaimer, or adverse:

- An unqualified opinion is when IBAN issues an opinion that the financial statements and budget execution report are stated fairly and that nothing has come to our attention that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the rules and regulations.
- A qualified opinion means that IBAN was generally satisfied with the presentation of the financial statements, but that some key elements of the statements were not fairly stated or affected by a scope limitation, or specific issues have come to our attention that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the rules and regulations.
- A disclaimer is issued when the audit scope is severely limited and IBAN cannot express an opinion, or when there are material uncertainties affecting the financial statements or the use of funds.
- An adverse opinion is issued when the effect of an error or disagreement is so pervasive and material to the financial statements that IBAN concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

Three types of paragraphs may also be communicated in the independent external auditor's report, in accordance with auditing standards. These are Key Audit Matters, Emphasis of Matter and Other Matter.

**NSIP Audit Opinion**

In accordance with auditing standards, audit opinions on the expenditures incurred presented in the cost statements of the projects can be either unmodified or modified:

- An unmodified opinion is when IBAN issues an opinion on compliance of expenditures incurred in the Cost Statement and prepared by the Host Nation stating that nothing has come to our attention that causes us to believe that the expenditures incurred have not been carried out in compliance with the NSIP Regulations in force.

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- A modified opinion means one of the following:
  - IBAN issues an opinion on compliance of expenditures incurred presented in the cost statement and prepared by the Host Nation stating that some elements of the Cost Statement are affected by a scope limitation, or that specific issues have come to our attention that causes us to believe that some expenditures incurred have not been carried out in compliance with the NSIP Regulations in force.
  - IBAN issues an opinion on compliance of expenditures incurred presented in the cost statement prepared by the Host Nation, stating that the effect of an error, missing documentation or a disagreement is so pervasive and material that IBAN concludes that all expenditures incurred of the project have not been carried out in compliance with the NSIP Regulations in force.
  - IBAN cannot express an opinion on the expenditures incurred because the cost statement is missing, the inherent documentation was intentionally not provided, or because the scope of the audit is severely limited due to material uncertainties affecting whether expenditures incurred have been carried out in compliance with the NSIP Regulations in force.

Three types of paragraphs may also be communicated in the independent external auditor's report, in accordance with auditing standards. These are Key Audit Matters, Emphasis of Matter and Other Matter.

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IBA-M(2025)0002**Abbreviations/Acronyms**

ACO	Allied Command Operations
ACT	Allied Command Transformation
BC	Budget Committee
Board/IBAN	International Board of Auditors for NATO
BGX	BICES Group Executive
CEPS	Central Europe Pipeline System
CIS	Communications and Information Systems
CNAB	Competent National Audit Bodies
Council	North Atlantic Council
CPR	Civilian Personnel Regulations
DCPS	NATO Defined Contribution Pension Scheme
DIANA	Defence Innovation Accelerator for the North Atlantic
DPRC	Deputy Permanent Representatives Committee
EUR	Euro
FRAF	Financial Reporting and Accounting Framework
FRP	Financial Rules and Procedures
FORACS	NATO Naval Forces Sensors and Weapon Accuracy Check Sites
IC	Investment Committee
IMS	International Military Staff
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
IS	International Staff
JFAI	Joint Final Acceptance Inspection
KPI	Key Performance Indicator
MC	Military Committee
MEADS	Medium Extended Air Defence System
MEUR	Millions of Euro
MSIAC	Munitions Safety Information Analysis Centre
NADGEMO	NATO Air Defence Ground Environment Management Office
NAEW&C	NATO Airborne Early Warning and Control
NAF	NATO Accounting Framework
NAGSMO i.L	NATO Alliance Ground Surveillance Management Organisation in liquidation
NAHEMA	NATO Helicopter for the 1990s Design and Development, Production and Logistics Management Agency
NAHEMO	NATO Helicopter for the 1990s Design and Development, Production and Logistics Management Organisation
NAMEADMSO i.L	NATO Medium Extended Air Defence System Management Organisation in liquidation
NAMFI	NATO Missile Firing Installation
NAMMO	NATO Multi-role Combat Aircraft Development Production and In-Service Support Management Organisation
NAPMA	NATO AEW&C Programme Management Agency

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NAPMO	NATO Airborne Early Warning and Control Programme Management Organisation
NOR	NATO Office of Resources
NPA	NATO Parliamentary Assembly
NCIA	NATO Communications and Information (NCI) Agency
NCIO	NATO Communications and Information Organisation
NDC	NATO Defence College
NEFMO	NATO European Fighter Aircraft Development, Production and Logistics Management Organisation
NETMA	NATO EF 2000 and Tornado Development, Production and Logistics Management Agency
NFO	NATO FORACS Office
NFR	NATO Financial Regulations
NSIP	NATO Security Investment Programme
NSPA	NATO Support and Procurement Agency
NSPO	NATO Support and Procurement Organisation
PP&E	Property, Plant and Equipment
RMCF	Retirees Medical Claims Fund
RPPB	Resource Policy and Planning Board
SACT	Supreme Allied Commander Transformation
SAI	Supreme Audit Institution
SHAPE	Supreme Headquarters Allied Powers Europe
STO	Science & Technology Organisation
USD	United States of America Dollar



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IBA-M(2025)0002**Obituary of Mr Michael Gaul, IBAN Board Member**

It is with great sadness that the International Board of Auditors for NATO (IBAN) must announce that Mr Michael Gaul, Board Member from the Federal Republic of Germany, passed away on the 21st of December, 2024. Mr Gaul was appointed to IBAN as a Board Member by the North Atlantic Council as of 1st August 2021.



Mr Gaul was born in 1959 in Bad Kreuznach, Federal Republic of Germany. He graduated from the Faculty of Law of the University Johannes-Gutenberg of Mainz in 1985 and then worked as a lawyer for German and US law firms.

In 1989 he was appointed as a judge (Public Prosecutor) and worked for the Ministry of Justice of Mainz until 1991. He then became Deputy Head of the International Policy of Privatisation and Public Management Administration Section at the Federal Ministry of Finance in Bonn/Berlin from 1991 until 1998.

Mr Gaul began his long association with NATO in 1998 when he held the post of Deputy Head, Finance, Economic Affairs and Personnel at the Permanent Delegation of the Federal Republic of Germany to NATO. In 2004, he was appointed as the Chairman of the NATO Budget Committee.

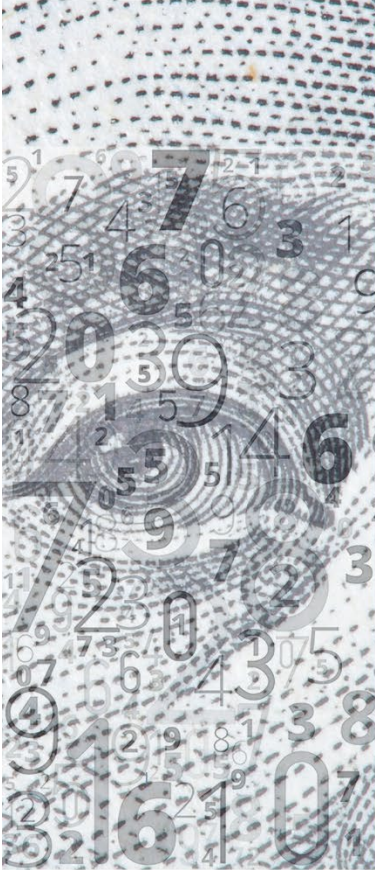
His career at NATO continued when he joined the NATO International Staff in 2007 as the Head of the Defence and Security Economics Directorate at the Political Affairs and Security Policy Division until 2010.

Mr Gaul then transitioned back to national service and worked as a Senior Financial and Political Advisor at the Permanent Delegation of the Federal Republic of Germany to NATO. During this time, he also held the voluntary national contribution post of Senior

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Advisor, Science for Peace and Security Programme in the Emerging Security Challenges Division at NATO from 2011 until 2017. From 2017 until 2021 (when he joined IBAN), he was again the Head of Finance, Headquarters and Personnel at the Permanent Delegation of the Federal Republic of Germany to NATO.

While at IBAN, Mr Gaul was responsible for the annual audits of the NATO International Staff, Defence Innovation Accelerator for the North Atlantic, and the BICES Group Executive.



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