



NORTH ATLANTIC COUNCIL
CONSEIL DE L'ATLANTIQUE NORD

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28 November 2025

**DOCUMENT
PO(2025)0337-AS1**

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS OF THE NATO
DEFENSE COLLEGE (NDC)**

ACTION SHEET

On 28 November 2025, under the silence procedure, the Council noted the RPPB decision and the IBAN Audit Report, and approved the public disclosure of the 2024 Financial Statements of NDC, the associated IBAN Audit Report and the RPPB decision.

(Signed) Mark RUTTE
Secretary General

NOTE: This Action Sheet is part of, and shall be attached to PO(2025)0337.

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20 November 2025

DOCUMENT
PO(2025)0337
Silence Procedure ends:
28 Nov 2025 – 15.30

To: Permanent Representatives (Council)

From: Secretary General

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS OF THE NATO
DEFENSE COLLEGE (NDC)**

1. I attach the Resource Policy and Planning Board (RPPB) decision and recommendation to Council on the International Board of Auditors for NATO (IBAN) Audit Report on the 2024 restated Financial Statements of the NATO Defense College (NDC).

2. I do not believe this issue requires further discussion in Council. Therefore, **unless I hear to the contrary by 15.30 hours on Friday, 28 November 2025**, I shall assume that Council has noted the RPPB decision and the IBAN Audit Report, and approved the public disclosure of the 2024 Financial Statements of NDC, the associated IBAN Audit Report and the RPPB decision.

(Signed) Mark RUTTE

1 Annex
2 Enclosures

Original: English



RESOURCE POLICY AND PLANNING BOARD

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS OF THE NATO
DEFENSE COLLEGE (NDC)**

DECISION

Reference: IBA-A(2025)0075

(IBAN Audit Report)

The Resource Policy and Planning Board:

1. Considered the IBAN Audit Report on the 2024 Financial Statements of the NATO Defense College (and the entity's comments) for which IBAN issued an unqualified opinion on the restated Financial Statements and on compliance, with one observation that does not impact the audit opinion;
2. Supports the IBAN's recommendation addressing the observation and recommends to Council to approve the public disclosure of the 2024 Financial Statements for the NDC and the associated IBAN Audit Report.



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

Brussels - Belgium



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IBA-A(2025)0075
26 August 2025

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

Cc: NATO Permanent Representatives
Commandant, NATO Defense College
Financial Controller, International Military Staff
Head Budget & Finance Branch, NATO Defense College
Chair, Resource Policy & Planning Board
Branch Head, Resource Management Branch, NATO Office of Resources
Private Office Registry

Subject: ***International Board of Auditors for NATO (IBAN) Audit Report on the audit of the NATO Defense College (NDC) Financial Statements for the year ended 31 December 2024 – IBA-AR(2025)0009***

IBAN submits herewith its approved Audit Report with a Summary Note for distribution to the Council.

IBAN's report sets out an unqualified opinion on the Financial Statements of the NATO Defense College (NDC) and on compliance for financial year 2024.

Yours sincerely,

Sébastien Lepers
Chair

Attachments: As stated above.

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**Summary Note for Council
by the International Board of Auditors for NATO (IBAN)
on the audit of the Financial Statements of the
NATO Defense College (NDC)
for the year ended 31 December 2024**

The International Board of Auditors for NATO (IBAN) audited the NATO Defense College (NDC), which is responsible for organising courses and other programmes designed to prepare selected officers and officials for important NATO and NATO-related appointments, and to disseminate awareness of NATO initiatives and interests.

The total expenses of NDC for the year ended 31 December 2024 were EUR 16.1 million (EUR 14.2 million after restatement for the year ended 31 December 2023).

Following a request of NDC to correct material misstatements identified by IBAN during the course of the audit, we agreed to audit the restated financial statements communicated to us on 24 June 2025. Without these corrections, the NDC 2024 Financial Statements would have included material errors leading to a qualified audit opinion on the Financial Statements.

IBAN issued an unqualified opinion on the Financial Statements and on compliance for the year ended 31 December 2024.

IBAN made one observation and recommendation. This observation does not impact the audit opinion on the Financial Statements and on compliance:

1. Need to strengthen internal controls over the preparation of the financial statements.

IBAN followed up on the status of observations and recommendations from the previous years' audits and found that four were closed and one remains in progress.

The Audit Report was issued to NDC whose comments have been included, with the IBAN's position on those comments where necessary.

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IBA-AR(2025)0009

26 August 2025

INTERNATIONAL BOARD OF AUDITORS FOR NATO

AUDIT REPORT ON THE FINANCIAL STATEMENTS OF THE

NATO DEFENSE COLLEGE

(NDC)

FOR THE YEAR ENDED 31 DECEMBER 2024

PUBLICLY DISCLOSED - PDN(2025)0062 - MIS EN LECTURE PUBLIQUE

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INDEPENDENT EXTERNAL AUDITOR'S REPORT TO THE NORTH ATLANTIC COUNCIL***Financial Statements*****Opinion on the Financial Statements**

The International Board of Auditors for NATO (IBAN) has audited the Resubmitted Financial Statements of NATO Defense College (NDC), for the 12-month period ended 31 December 2024, issued under document reference IMSTAM(FC)-0019-2025 REV1, and submitted to IBAN on 24 June 2025. These Financial Statements comprise the Statement of Financial Position as at 31 December 2024, the Statement of Financial Performance, the Statement of Changes in Net Assets/Equity and the Statement of Cash Flow, for the 12-month period ended 31 December 2024, including a summary of significant accounting policies and other explanatory notes. In addition, the Financial Statements include a Budget Execution Statement for the 12-month period ended 31 December 2024.

In our opinion, the Financial Statements give a true and fair view of the financial position of NDC as at 31 December 2024, and of its financial performance, its cash flows and budget execution for the 12-month period ended 31 December 2024, in accordance with accounting requirements and reporting standards consistent with the NATO Accounting Framework (NAF).

Basis for Opinion on the Financial Statements

In accordance with the NATO Financial Regulations (NFRs), external audit of the NATO bodies and reporting entities pursuant to the North Atlantic Treaty shall be performed by IBAN.

We have conducted our audit in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI) Principles as per our Charter, and standards consistent with the International Standards of Supreme Audit Institutions (ISSAI 2000-2899).

We are independent in accordance with the INTOSAI Code of Ethics and we have fulfilled our other ethical responsibilities in accordance with these requirements. The responsibilities of the members of IBAN are more extensively described in the section «Auditor's Responsibilities for the Audit of the Financial Statements» and in our Charter.

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

Management's Responsibility for the Financial Statements

Management's responsibility for the financial statements is laid down in the NFRs.

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The Financial Statements of NDC are drawn up in accordance with accounting requirements and reporting standards consistent with the NATO Accounting Framework as approved by the Council. The Financial Controller is responsible for submitting the Financial Statements for audit to IBAN not later than 31st March following the end of the financial year.

The Financial Statements are signed by the Head of the NATO reporting entity and the Financial Controller. In signing the Financial Statements, the Head of the NATO reporting entity and the Financial Controller confirm the establishment and maintenance of financial governance, resource management practices, internal controls and financial information systems to achieve the efficient and effective use of resources.

This confirmation covers the design, implementation and maintenance of internal controls relevant to the preparation and presentation of financial statements that are auditable and free from material misstatement, whether due to fraud or error. This also covers reporting on the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there are plans to liquidate the entity or to cease its operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of the audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards consistent with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with standards consistent with ISSAIs, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. This involves taking into account Considerations Specific to Public Sector Entities. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate with the bodies charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. Our Independent External Auditor's Report is prepared to assist North Atlantic Council in carrying out its role. We are therefore responsible solely to the North Atlantic Council for our work and the opinion we have formed.

Compliance

Opinion on Compliance

Based on the procedures we performed, nothing has come to our attention, as part of our audit of the Financial Statements 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 NATO Financial Regulations and the NATO Civilian Personnel Regulations.

Basis for Opinion on Compliance

We have conducted our compliance audit in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI) Principles as per our Charter, and standards consistent with the International Standards of Supreme Audit Institutions (ISSAI 4000-4899).

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

Management's Responsibility for Compliance

All NATO staff, military and civilian, are obligated to comply with the NATO Financial Regulations, associated Financial Rules and Procedures and internal implementing directives. These include the NATO Civilian Personnel Regulations.

The Head of the NATO reporting entity is responsible and accountable for sound financial management. The financial administration of NATO bodies and reporting entities must incorporate the principles of propriety, sound governance, accountability, transparency, risk management and internal control, internal audit, external audit, and fraud prevention and detection.

Auditor's Responsibilities for Compliance

In addition to the responsibility to provide reasonable assurance about whether the financial statements as a whole are free from material misstatement, the IBAN Charter requires IBAN to provide independent assurance and report annually to the North Atlantic Council about whether funds have been properly used for the settlement of authorised expenditure (propriety) and are in compliance with the regulations in force (regularity). Propriety relates to the observance of the general principles governing sound financial management and the conduct of public officials. Regularity concerns the adherence to formal criteria such as relevant regulations, rules and procedures.

This responsibility includes performing procedures to obtain independent assurance about whether funds have been properly used for the settlement of authorized expenditure and whether they have been used in compliance with the regulations in force. Such procedures include consideration of the risks of material non-compliance.

Brussels, 26 August 2025



Sébastien Lepers
Chair

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OBSERVATIONS AND RECOMMENDATIONS

IBAN made one observation and recommendation. This observation does not impact the audit opinion on the Financial Statements and on compliance:

1. Need to strengthen internal controls over the preparation of the financial statements.

IBAN followed up on the status of observations and recommendations from the previous years' audits and found that four were closed and one remains in progress.

The Audit Report was issued to NDC whose comments have been included, with the IBAN's position on those comments where necessary.

1. NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS

Reasoning

1.1 According to Article 35.1 of the NATO Financial Regulations (NFRs) *"An annual financial statement for each NATO body, consolidated where applicable and appropriate, shall be submitted for audit to the International Board of Auditors for NATO by the Financial Controller not later than 31st March following the end of the financial year."*

1.2 According to the NATO Accounting Framework (NAF), International Public Sector Accounting Standards (IPSAS) 1, *"the Financial Statements shall present fairly the Financial Position, Financial Performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS."*

1.3 Article 6 of the NFRs requires the Financial Controller (FC) to exercise the responsibility of budgeting, accounting and reporting activities of the NATO entity. This includes being responsible for the financial internal control system established, and for the preparation of the financial statements in accordance with the NAF.

1.4 A key part of any system of internal control is to ensure adequate processes are in place for the preparation, review and reporting of the financial statements. Adequate review procedures are necessary to provide a reasonable basis for obtaining assurance that the financial statements are in compliance with the applicable financial reporting framework.

1.5 Article 12.2 of the NFRs provides that in order to meet the desired internal control standards, the FC shall establish and maintain comprehensive accounting

records of all assets and liabilities. Article 12.3 also states that *“internal control activities shall include (but not be limited to) adequate audit trails and data confidentiality, integrity and availability in information systems.”*

1.6 As per the NAF (IPSAS 1), when the presentation or classification of items in the financial statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable. In addition, when comparative amounts are reclassified, an entity shall disclose, the nature of the reclassification, the amount of each item or class of items that is reclassified and the reason for the reclassification.

1.7 Also, according to the NAF (IPSAS 3), an entity shall change an accounting policy if the change *“Results in the financial statements providing reliable and more relevant information about the effects of transactions, other events and conditions on the entity’s financial position, financial performance or cash flows”*. This also implies, where applicable, retrospective application of the changes to the comparative amounts.

Observations

1.8 IBAN found misstatements in the NDC Financial Statements first submitted to IBAN on 31 March 2025, as described below. These misstatements, some of which were material, were corrected in the resubmission of the financial statements on 24 June 2025. Without these corrections, the NDC 2024 Financial Statement would have included material errors leading to a qualified audit opinion on the financial statements.

a) *Material misstatement in comparative information in the NDC Statement of Financial Performance and notes related to the change in the classification of lecturers between 2023 and 2024.*

1.9 In 2024, NDC decided to classify costs related to lecturers under Chapter 2 (Contractual Supplies and Services) of the Statement of Financial Performance, rather than under Chapter 1 (Personnel) as had been the practice in previous years. This reclassification was made to better reflect the contractual nature of the transaction. However, we found that NDC did not apply this change retrospectively to the comparative information for the 2023 financial year, for an amount of EUR 594,026. This did not comply with the requirements of the NAF (IPSAS 1) related to reclassification and comparative information.

b) *Non-material inconsistency in the Property, Plant and Equipment (PP&E) classification of a few components of conference systems acquired partly in 2023 and partly in 2024.*

1.10 We found that components of conference systems acquired in 2023 were capitalised as installed equipment with a 10-year depreciation period, whereas similar components acquired in 2024 were classified as communication systems with a 3-year depreciation period. To ensure consistency, the equipment acquired in 2024 was

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reclassified as installed equipment in the resubmitted Financial Statements and depreciated over 10 years. This reclassification of fixed assets category resulted in a reduction of depreciation amounting to EUR 20,223.

c) Non-material misstatements in disclosure of future lease payments

1.11 We found that the amounts and breakdown of future minimum lease payments reported in Note 10 to the NDC 2024 Financial Statements were incorrect and resulted in an overall disclosure overstatement of EUR 32,480.

Recommendations

1.12 IBAN recommends that NDC strengthen internal controls over the preparation of the financial statements to provide a reasonable basis for obtaining assurance that the financial statements are in compliance with the NATO Accounting Framework (NAF) and NATO Financial Regulations (NFRs).

FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS

IBAN followed up on the status of observations from the previous years' audit. The observations and recommendations, the actions taken by the auditee as reviewed by IBAN, and their status are summarised in the table below.

The Open status is used for recommendations that are open and for which no notable progress has been achieved to date. The In-progress status is used for open recommendations when the NATO Reporting Entity has started to implement the recommendation or when some (but not all) sub-recommendations are closed. The Closed status is used for recommendations that are closed because they have been implemented, are superseded, or have lapsed. In the case where there are sub-recommendations, the status related to each sub-recommendation is indicated in the Action Taken column.

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p>(1) NDC FY 2023 IBA-AR(2024)0016, paragraph 1</p> <p>MATERIAL NON-COMPLIANCE WITH THE NATO FINANCIAL REGULATION REGARDING PRIOR APPROVAL OF COMMITMENTS</p> <p>IBAN's Recommendation</p> <p>IBAN recommends that NDC:</p> <p>a) Ensure that all contracts are subject to the prior or coincident approval of the Financial Controller, in accordance with</p>	<p>a) No non-compliance of this type was found by the IBAN in 2024.</p>	<p>Observation Closed</p>

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OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p>Article 25 of the NFRs and the corresponding FRPs.</p> <p>b) Implement, where appropriate, the formal delegation of the Financial Controller's authority to sign contracts and incur legal obligations accordingly.</p>	<p>Closed</p> <p>b) The NDC has taken several measures to reduce the risk of non-compliance related to the formal prior authorisation of commitments, as follows:</p> <ul style="list-style-type: none"> - Further training of the responsible individual(s); - Requesting the Internal Control Officer to perform a review of possible internal control weaknesses in the process; - Improving the process by providing adequate electronic tools (e.g. electronic signature in case of remote interaction). <p>Closed</p>	
<p>(2) NDC FY 2023 IBA-AR(2024)0016, paragraph 2</p> <p>NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS</p> <p>IBAN's Recommendation</p> <p>IBAN recommends that NDC strengthen internal controls over the preparation of the financial statements to provide a reasonable basis for obtaining assurance that the financial statements are in compliance with the NATO Accounting Framework (NAF) and NATO Financial Regulations (NFRs).</p>	<p>IBAN identified material misstatements in the 2024 NDC Financial Statements first submitted to IBAN for audit.</p>	<p>Observation In-Progress</p>
<p>(3) NDC FY 2023 IBA-AR(2024)0016, paragraph 3</p> <p>NEED TO CLARIFY REGULATIONS REGARDING THE PROCESS OF PRE-FINANCING NON-APPROPRIATED ACTIVITIES</p> <p>IBAN's Recommendation</p> <p>IBAN recommends that NDC:</p> <p>a) Seek clarification from the relevant governing body regarding the full compliance of pre-financing of non-appropriated activities with the NFRs and</p>	<p>a) On 17 October 2024, with the Decision Sheet BC-DS(2024)0044, the Budget Committee approved that</p>	<p>Observation Closed</p>

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p>FRPs, drawing attention to the opportunity cost related to the lack of bank interest income, and potential risk of not recovering some of the funds;</p> <p>b) Provide appropriate disclosure in the notes to the financial statements on the use of cash holdings arising from common-funded budgetary appropriations to pre-finance non-appropriated activities, and on the status of any outstanding receivables for these activities.</p>	<p>International Military Staff (IMS) Budget Holders, can continue pre-financing appropriated and non-appropriated activity on a reimbursable basis. This is understood to extend to NDC, which forms part of the IMS Budget Group. Closed</p> <p>b) NDC provided specific disclosures on this matter in the 2024 Financial Statements. Closed</p>	
<p>(4) NDC FY 2023 IBA-AR(2024)0016, paragraph 4</p> <p>MISSTATEMENTS IN THE RECOGNITION OF REVENUE AND EXPENSES RELATED TO FINANCIAL AND OPERATIONAL LIABILITIES IN THE STATEMENT OF FINANCIAL PERFORMANCE</p> <p>IBAN's Recommendation</p> <p>IBAN recommends that NDC record revenue and expenses related to financial results, miscellaneous income and the reversal of accruals as revenue and expenses in the Statement of Financial Performance in accordance with the NAF (IPSAS 1 and IPSAS 3).</p>	<p>In the 2024 Financial Statements of NDC, revenue and expenses related to financial results, miscellaneous income and the reversal of accruals were recorded as revenue and expenses in the Statement of Financial Performance.</p> <p>IBAN will re-evaluate the accounting treatment chosen by the NDC for miscellaneous and financial result, based on the clarification that the NAF will provide on the subject, and in particular the concept of distribution of the surplus and deficit related to unappropriated funds.</p>	<p>Observation Closed</p>

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p>5) NDC FY 2022 IBA-AR(2023)0017, paragraph 1</p> <p>PROCUREMENT FOR THE ACQUISITION OF FLIGHT TICKETS DOES NOT FULLY COMPLY WITH THE NFRS</p> <p>IBAN's Recommendation IBAN recommends that NDC:</p> <p>a) Conduct procurement, in the case of commercial flights acquired through travel agencies, in accordance with the NFRs and the EFL thresholds, and, where appropriate, justify any duly approved waiver from ICB.</p> <p>b) Establish a framework agreement with brokers for the provision of charter flight services, in order to streamline procurement, minimise the need for frequent urgent waivers and help mitigate by anticipation the risk of cost increases.</p>	<p>a) and b) In 2024, the NDC undertook an International Competitive Bidding (ICB) with the aim to award two Framework Contracts for the provision of brokering services in the domains of charter and commercial air transportation for field studies. The purpose of the bidding, structured over two lots, was to pre-select a number of technically compliant brokers which would be part of a 3-year framework contract with the NDC. These brokers would compete among themselves prior to each field study in order for NDC to identify and select the most competitive and compliant offers from charter and commercial airline companies. The framework contract was awarded on 15 May 2024, and the contracts are effective as of 1 September 2024.</p>	<p>Observation Closed</p>

NATO DEFENSE COLLEGE (NDC) FORMAL COMMENTS ON THE AUDIT REPORT AND THE INTERNATIONAL BOARD OF AUDITORS (IBAN) POSITIONS

OBSERVATION 1:

NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS

NDC's Formal Comments

Agreed.

The NDC notes the IBAN observation and will put in place adequate measures to strengthen internal controls over the preparation of future financial statements.

FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS

(2) NDC 2023 FY

IBA-AR(2024)0016, paragraph 2

NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS

NDC's Formal Comments

Agreed.

The NOC notes the IBAN observation and will put in place adequate measures to strengthen internal controls over the preparation of future financial statements.

(3) NDC 2023 FY

IBA-AR(2024)0016, paragraph 3

NEED TO CLARIFY REGULATIONS REGARDING THE PROCESS OF PRE-FINANCING NON-APPROPRIATED ACTIVITIES

NDC's Formal Comments

Not agreed.

a) N/A

b) The NOC considers satisfied the IBAN requirement to provide appropriate disclosure in the notes to the financial statements on the use of cash holdings arising from common funded budgetary appropriations to prefinance non-

appropriated activities, and on the status of any outstanding receivables for these activities.

Indeed, In Note 3 'Receivables' of the Financial Statements, the amount of receivables related to non- appropriated activities prefinanced with appropriated funds is clearly shown ("Receivables from Governments/Gov. Agencies") along with a note stating: "The main balance refers to outstanding invoices issued to Governments/Course Members for the settlement of field studies expenses."

Similarly, in Note 4 'Prepayments and Advances' of the Financial Statements, it is also clearly disclosed that "Advances Vendors are mainly prepayments for hotels' deposits necessary to block group reservations related to the 2025 field studies" which represents the main non-appropriated activity prefinanced with appropriated funds.

Finally, in the last table at the end of the 2024 Financial Statements, where the overall FY expenses are reconciled with the statement of financial performance, the amount of total reimbursable expenses managed during the year is also clearly disclosed.

The NOC considers that the above information should be sufficient to close the previous year finding. If the auditor deems it necessary that the NDC presents such information in a clearer and more detailed manner, it would be appropriate to revise the observation accordingly, in order to provide the NOC with clearer guidance, aware of the fact that there do not appear to be precise indications from the nations regarding the requirements and criteria for presenting this information and that, therefore, it does not seem appropriate to consider the NDC as non-compliant with such missing indications.

IBAN's Position

Based on the clarifications provided by the NDC, IBAN agrees to close this observation and recommendation and updated the Report accordingly.

GLOSSARY OF TERMS

In accordance with International Standards of Supreme Audit Institutions (ISSAI 2705), 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.

In accordance with auditing standards, three types of paragraphs may also be communicated in the auditor's report:

- Key Audit Matters (ISSAI 2701): Those matters that, in IBAN's professional judgement, were of most significance in the audit of the financial statements of the current period. Key Audit Matters are addressed to Council.
- Emphasis of Matter (ISSAI 2706): If IBAN considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in our judgement, is of such importance that it is fundamental to users' understanding of the financial statements.
- Other Matter (ISSAI 2706): If IBAN considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in our judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

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NDC 20250630

NATO DEFENSE COLLEGE FINANCIAL STATEMENTS

2024



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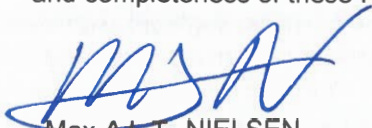
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Introduction

1. The NATO Defense College (NDC) is a NATO Military body of the NATO Military Committee (MC) led by the Commandant, who reports to the Chair of the Military Committee through the Director General of the International Military Staff. Its mission is to contribute to the effectiveness and cohesion of the Alliance by developing its role as a major centre of education, outreach and research on transatlantic security issues. As the Alliance's premier academic institution, the NDC aspires to be regarded as the first choice for nations in the senior level educational development of their senior officers and officials, on transatlantic security issues, enabled by research on matters relevant to the Alliance, and supported by engagement with Allies, Partners and Non-NATO Entities (NNEs).
2. The NDC works on three levels of planning: a long-term strategic level, aimed at pursuing its mission and its specific objectives, a medium-term tactical level, aimed at achieving outcomes and milestones, and a short-term operational level aimed at achieving a series of outputs and products. In 2024, through the resources allocated from the Military Budget and thanks to the support from Nations, the NDC managed to successfully move forward towards the achievement of its planned outputs set in the extant CFRP.
3. The annual budget execution rate in 2024 was close to 98%. Mainly in the area of digital transformation, the NDC had to postpone a few major projects to 2025 in order to invest further on the definition of a corporate vision and roadmap. In 2024 the NDC successfully met all objectives formulated for the year across the three pillars of its mission.
 - a. In the Education field, all planned courses were successfully delivered with over 500 course members on site from more than 50 NATO and Partner countries. NDC has continued to adapt to the changing security environment and adjusted its curriculum accordingly. Based on a leadership profile developed in 2024, the Senior Course curriculum has been redesigned with subsequent implementation in 2025. The College has proven agile in integrating feedback to enhance Course Member experience. A new Senior Executive Seminar was delivered.
 - b. On the Research pillar side, 2024 was a pivotal year and changes implemented in 2023 disclosed their intrinsic added value. The aim of forward looking, relevant and actionable research was achieved, and publications became more accessible and visually attractive. The conference programme remained impressive and widely appreciated. Noteworthy is the NATO 2099 graphic novel that gained a lot of attention from key players, stakeholders and partners.
 - c. Within the Outreach pillar, through its engagement activities NDC has contributed directly to the deepened cooperation with Indo-Pacific partners, Korea and Japan, the European Union, and a stronger, more strategic, and result-oriented approach towards NATO's Southern Neighbourhood.
4. Taking into account the performing budget execution, and aware of the extant internal control and financial management procedures aimed at achieving a sound and transparent financial reporting, we express below our satisfaction and reasonable confidence in the accuracy and completeness of these Financial Statements.



Max A.L.T. NIELSEN
Lieutenant General, Danish Air Force
Commandant
NATO Defense College



Mike HORGAN ACMA CGMA
GBRCV - Financial Controller
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NDC Statement of Internal Control

for the year ended 31 December 2024

1. Scope of responsibility

The Commandant of the NDC exercises overall responsibility for the internal control system, in accordance with the NATO Financial Regulations (NFRs). NFRs also state that the Financial Controller is responsible for the organisation and administration of the internal control system, which includes a responsibility to Commandant NDC for financial risk management standards according to Financial Rules and Procedures (FRPs) as well as establishing a system of internal financial and budgetary control.

Oversight is provided by the MC, supported by various subcommittees, who routinely scrutinize senior management reports on strategic operational matters.

2. Purpose of the internal control system

The internal control system is based on an iterative process designed to identify the principal risks to the achievement of objectives, and to evaluate the nature and extent of those risks and to manage them effectively. Internal control and risk management can only provide a reasonable assurance, so the effectiveness of the system is designed to manage and minimize rather than eliminate risk.

3. Internal control and risk frameworks

The NDC has adopted the internationally recognized COSO¹ Internal Control Framework as a baseline. The framework is based on five fundamental components which are divided into seventeen guiding principles. All principles apply to the NDC's operations, reporting, and compliance objectives.

Risk management is central to NDC's strategic management thereby providing a continual process for identifying and assessing risks. The process involves the categorization and evaluation of risks, the application of management controls to mitigate risks based on a judgement of the likely impact if no action is taken, and an assessment of the risk after mitigating actions are taken into account. An assessment of the likelihood of the risk recurring is also considered.

The Audit Advisory Panel (AAP) makes periodic assessments on the standard of Internal Audit, as well as providing input to and endorsement of Internal Audit planning. The Panel reviews the findings and recommendations of Internal Audit and the International Board of Auditors for NATO (IBAN), and reviews management responses and follow-up actions. The AAP provides the Commandant with an annual report which includes an assessment on the effectiveness of risk management, internal control, and external financial reporting, along with advice and recommendations for the Commandant.

In the financial domain, the finance and accounting system has built-in approval workflows, controls and verifications, which grant the necessary segregation of responsibilities, together with relevant audit trails, and ensures sufficient control as regards consistency and accuracy of financial transactions, and compliance to the NFRs.

The cultural and ethical values of the overall control environment are established by senior management. The promotion of ethical values includes the promulgation of the NATO-wide Code

¹ Committee of Sponsoring Organizations of the Treadway Commission

of Conduct and the internal NDC Code of Conduct. NDC uses its weekly bulletin and routine meetings as communication channels for disseminating important information on internal controls.

4. Capacity to manage risks and establish effective internal controls

The NDC risk identification process is well-defined and includes consideration of risk versus issue; adequacy of existing controls; the impact of residual risk; and the requirement to escalate. The NDC approach to risk management encourages a continuous identification and assessment of risks and the intent to communicate and learn.

The risk register is monitored and updated throughout the year in collaboration between the Assessments and Lessons Learned Office and risk owners, termed 'Offices of Primary Responsibility'. Risks are presented to the Command Group at least twice a year as well as reviewed during half-yearly consolidation and lessons learnt sessions, which includes validation of existing and new risks, and mitigating actions.

On financial matters, interim Budgetary Execution Reports are presented to, and reviewed by, the Budget Committee twice per year. In addition, financial requirements comprising the yearly budget proposals are screened and reviewed by the Nations. Disclosures of any senior management related party transactions are registered annually.

5. Review of adequacy and effectiveness of the internal control system

An evaluation of the adequacy and effectiveness of the NDC internal control system for 2024 was assessed by means of an internal control survey targeted at all levels of management within the NDC hierarchy. The internal control survey was designed around the five components of the COSO Internal Control Framework and drilled down into its guiding principles and points of focus. The survey was adapted specifically to the organisational structure and processes of the NDC.

The NDC is also subject to annual external audit from IBAN which include examinations of internal controls and compliance with applicable rules and regulations. The results of these audits are forwarded to Nations and made available to the general public along with the financial statements. The results are then assessed by NDC senior management, who initiate any appropriate actions.

6. Outcome of the review of adequacy and effectiveness of the internal control system

During 2024, the NDC conducted the first iteration of the internally managed internal control self-assessment survey. The survey results show that the College has effective controls in place that are strongly implemented. All controls are managed and measurable, albeit some were stronger than others. Potential areas of interest were identified in the following areas:

- In the *Control Environment* regarding: accountability; commitment to competence; commitment to integrity and ethical values. In response to these observations, the NDC performed a deeper analysis into the findings and plans to run workforce specific sensitivity training during FY 2025.
- In the *Control Activities* and *Risk Assessment* components, internal control areas of interest were identified in: policies and procedures; and risk responsibility and accountability. In response to these observations, NDC has prioritized reviewing Standard Operating Procedures during 2025, and risks are now assigned to 'Offices of Primary Responsibility' for ownership and accountability.

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7. Annual confirmation by the Head of NATO Body and the Financial Controller

We confirm that an effective internal control system is maintained and operated by the NDC in financial year 2024 and up to the date of these financial statements. We confirm that the internal control system provides reasonable assurance of the achievement of the following objectives: effectiveness and efficiency of operations; reliability of financial information; compliance with applicable rules and regulations; and safeguarding of assets.



Max A.L.T. NIELSEN
Lieutenant General, Danish Air Force
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NATO DEFENSE COLLEGE STATEMENT OF FINANCIAL POSITION

as at 31 December 2024

(in EUR)

	Notes	2024	2023
ASSETS			
Current Assets			
Cash and Cash Equivalents	2	9,729,441	4,528,096
Receivables	3	316,506	173,489
Prepayments and Advances	4	117,341	47,873
Total Current Assets		10,163,289	4,749,459
Non-Current Assets			
Property, Plant & Equipment	5	2,386,091	2,004,603
Total Non-Current Assets		2,386,091	2,004,603
TOTAL ASSETS		12,549,379	6,754,062
LIABILITIES			
Current Liabilities			
Payables	6	3,611,929	1,194,459
Deferred Revenue & Advances	7	6,551,360	3,555,000
Total Current Liabilities		10,163,289	4,749,459
Non-Current Liabilities			
Non-Current Deferred Revenue	7	2,386,091	2,004,603
Total Non-Current Liabilities		2,386,091	2,004,603
TOTAL LIABILITIES		12,549,379	6,754,062
TOTAL NET ASSETS/EQUITY		-	-



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The notes on pages 10 to 20 and Annex 1 form an integral part of these financial statements.
The financial statements were re-issued to the International Board of Auditors for NATO on 19 May 2025.

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NATO DEFENSE COLLEGE STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 December 2024
(in EUR)

	<i>Notes</i>	<u>2024</u>	<u>2023 restated</u>
Revenue			
Revenue from Contributions	8	12,748,408	10,967,566
Revenue from Services and Third Parties	8	2,867,311	2,741,805
Financial Revenue	8	3,185	3,170
Other revenue	8	471,013	459,705
Total Revenue	8	<u>16,089,916</u>	<u>14,172,246</u>
Expenses			
Personnel	9	6,226,638	5,790,716
Contractual Supplies and Services	10	9,323,100	7,881,532
Depreciation	5	471,013	459,705
Finance costs		69,165	40,293
Total Expenses		<u>16,089,916</u>	<u>14,172,246</u>
SURPLUS / DEFICIT FOR THE PERIOD		<u>-</u>	<u>-</u>

The prior period comparative information presented in the financial statements has been restated to enhance comparability in the Statement of Financial Performance. Specifically, financial and operational results have been included in the Statement of Financial Performance to ensure consistency in classification and presentation.

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NATO DEFENSE COLLEGE STATEMENT OF CASH FLOWS

for the year ended 31 December 2024
(in EUR)

	<i>Notes</i>	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Surplus/Deficit for the period</i>		-	-
Non-cash movements			
Depreciation / Amortization	5	471,013	459,705
Increase - (Decrease) in payables		2,417,470	108,611
Increase - (Decrease) in other current liabilities		996,360	819,300
(Increase) - Decrease in receivables		(143,017)	242,691
(Increase) - Decrease in other current assets		(69,468)	(32,822)
(Increase) - Decrease in Long-term Provisions		381,488	(240,283)
NET CASH FLOWS FROM OPERATING ACTIVITIES		4,053,846	1,357,201
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property plant and equipment	5	(852,501)	(219,421)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(852,501)	(219,421)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash in from IMS BG cash transfer		3,000,000	2,500,000
Cash out from IMS BG cash transfer		(1,000,000)	(2,500,000)
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,000,000	-
Net Increase - (Decrease) in cash and cash equivalents		5,201,345	1,137,780
Cash and cash equivalents at the beginning of the period		4,528,096	3,390,316
Cash and cash equivalents at the end of the period		9,729,441	4,528,096

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NATO DEFENSE COLLEGE
STATEMENT OF CHANGES IN NET ASSETS

for the year ended 31 December 2024
(in EUR)

	Total
Balance at the beginning of the period 2023	-
Surplus / (deficit) for the period	
Change in net assets/equity for the year ended 2023	-
Balance at the beginning of the period 2024	-
Surplus / (deficit) for the period	
Change in net assets/equity for the year ended 2024	-

NOTES TO THE FINANCIAL STATEMENTS

1 Significant Accounting Policies

1.1 Basis of Preparation

The NDC Financial Statements 2024 have been prepared in accordance with the NATO Accounting Framework (NAF) based on International Public Sector Accounting Standards (IPSAS), as adapted by the NAC. The financial statements comply with the financial requirements of the NFRs and the associated FRPs as well as with NDC directives and policies.

The financial statements have been prepared on a going-concern basis.

In accordance with Article 2.1 of the NFRs, the financial year covered by these financial statements is 1 January to 31 December 2024.

The financial statements have been prepared on a historical cost basis, except for financial instruments that are measured at fair value at the end of each reporting period. The accounting principles deemed appropriate for the recognition, measurement and reporting of the financial position, performance and cash flows on an accruals basis using historical costs have been applied consistently throughout the reporting period. The principal accounting policies are set out below.

Numbers in these financial statements are rounded to the nearest euro and as such, totals may display minor discrepancies.

1.2 Accounting Estimates and Judgements

In accordance with IPSAS, the financial statements necessarily include amounts that require management's judgment, estimates, and assumptions. These estimates are based on historical experience and the most reliable information available at the time of preparation. In exercising the judgements to make the estimates, a degree of caution was included in light of the principle of 'prudence' required by IPSAS.

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

1.3 Changes in Accounting Policy and Standards

The same accounting policies are applied within each period and from one period to the next, unless a change in accounting policy meets one of the criteria set in IPSAS 3. For the 2024 financial statements, there has been a change in accounting policy regarding the costs of external lecturers which are now reported against chapter 72 instead of chapter 71, as disclosed in Note 9 to these financial statements. 2023 Financial Performance has been restated for comparability.

1.4 Changes in Pronouncements

The NDC during 2024 has not applied the following IPSAS that have been issued but are not yet effective. The NDC will assess the impact of this new standard during 2025.

IPSAS	Name	Issue date	Effective date for periods beginning on or after
IPSAS 43	Leases	January 2022	01 January 2026*

For the following IPSAS that have been issued but are not yet effective, currently, it is not expected that the adoption of or updates to these standards will have a material impact on the financial statements of the NDC in future periods.

IPSAS	Name	Issue date	Effective date for periods beginning on or after
IPSAS 44	Non-current Assets Held for Sale and Discontinued Operations	May 2022	01 January 2026*
IPSAS 45	Property, Plant & Equipment	May 2023	01 January 2026*
IPSAS 46	Measurement	May 2023	01 January 2026*
IPSAS 47	Revenue	May 2023	01 January 2026
IPSAS 48	Transfer Expenses	May 2023	01 January 2026
IPSAS 49	Retirement Benefit Plans	November 2023	01 January 2026

*PO(2024)0270 Effective implementation dates of new International Public Accounting Standards in NATO

1.5 Foreign Currency Transactions

These financial statements are prepared in Euro (EUR), which is the functional and reporting currency of the NDC. Foreign currency transactions are accounted for at the NATO exchange rates prevailing on the transaction date. Monetary assets and liabilities at year-end which were denominated in foreign currencies are assessed for materiality and if material are translated into EUR using the applicable NATO exchange rates as at 31 December 2024. Realized and unrealized gains and losses resulting from the settlement of such transactions and from the revaluation at the reporting dates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of financial position and performance. An assessment was made of all assets and liabilities in foreign currencies as at 31 December 2024. The amounts of unrealized gains and losses are deemed immaterial, resulting in a net loss for 2024.

1.6 Consolidation

Consolidated financial statements include the financial results of the controlling entity and its controlled entities.

While Morale and Welfare activities (MWAs) operate under the control of the head of the NATO body, in accordance with the NAF departure from IPSAS 6, they have not been consolidated into

these financial statements. A separate activity report is submitted to the Budget Committee as required by the NFRs, and summary information is provided at note 15.

1.7 Services In-Kind

The NDC received services in-kind in the form of military personnel provided by the NATO nations. These personnel are assigned to specific, military positions on the Peacetime Establishments of the NDC (see note 9). The building and the land where the NDC is located are owned by the Italian Ministry of Defense which has made their use available to the NDC free of charge. In these financial statements services in-kind are not recognized.

1.8 Financial Instruments

The NDC uses only non-derivative financial instruments as part of its normal operations. These financial instruments include cash, bank accounts, deposit accounts, accounts receivable, provisions.

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

Credit Risk: In the normal course of business, NDC incurs credit risk from trade receivables and transactions with banking institutions. NDC manages its exposure to credit risk by:

- Holding current account bank balances and short-term deposits with registered banking institutions with a high credit rating;
- Maintaining credit control procedures over receivables.

The maximum exposure as at 31 December 2024 is equal to the total amount of bank balances, short-term deposits, and receivables disclosed in the statement of financial position. Receivables considered uncollectible are adequately provided for. There is a very limited credit risk associated with the realization of these instruments.

Currency risk: The NDC's exposure to foreign currency exchange risk is limited. Whilst most transactions are in EUR, fluctuations in exchange rates have impacted financial results, with currency losses incurred in 2024.

To mitigate this risk, NDC will evaluate strategies to reduce exposure.

Liquidity risk: The liquidity risk is based on the assessment whether the organization will encounter difficulties in meeting its obligations associated with financial liabilities. There is a limited exposure to liquidity risk because the budget funding mechanism guarantees contributions in relation to approved budgets. The accuracy of forecasting cash requirements as well as the delay in payment represent the main liquidity risk.

Interest rate risk: The NDC is restricted from entering into borrowings and investments, and therefore there is no interest rate risk identified.

1.9 Leases

In 2024, leases are classified in accordance with IPSAS 13. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under lease contracts are recognised as an expense in the Statement of Financial Performance on a straight line basis over the term of the lease.

The NDC is not party to any financial lease contracts and therefore is not reporting any assets or liabilities related to financial leases.

1.10 Cash and cash equivalents

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

1.11 Receivables

Receivables are stated at net realizable value, after provision for doubtful and uncollectible debts. Contributions receivable are recognized when a call for contribution has been issued to the member nations. No allowance for loss is recorded with respect to member countries' assessed contributions receivable, except for exceptional and agreed technical reasons.

1.12 Prepayments

Prepayments and deposits are payments to suppliers, employees and other NATO entities in advance of the period to which they pertain.

1.13 Property, plant and equipment

Property, plant and equipment (PPE) with finite useful lives that are acquired separately are carried at initial cost less accumulated depreciation and any recognized impairment losses. Depreciation is recognized on a straight-line basis over their estimated useful lives. Full depreciation is charged in the month of acquisition and nil in the month of disposal. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis. PPE is derecognized upon disposal or when no future economic benefit is expected from the use of the asset. The cost and any related accumulated depreciation are removed from the accounting records.

In accordance with IPSAS 17 as adapted by the NAF, all assets qualified as PPE and under the control of the NDC at the reporting date have been capitalized if exceeding the set capitalization thresholds, and recognised as non-current assets in the statement of financial position.

The following capitalization thresholds and useful lives are used in the calculation of depreciation:

Category	Capitalization Threshold	Depreciation life
Land	€ 200,000	N/A
Buildings	€ 200,000	40 years
Installed equipment	€ 5,000	10 years
Machinery	€ 5,000	10 years
Furniture	€ 5,000	10 years
Automated information systems	€ 5,000	3 years

1.14 Impairment of tangible assets

The carrying values of non-current assets are reviewed for impairment when events or changes in circumstances indicate that they may be not recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Any provision for impairment is charged against the statement of financial performance in the year concerned.

1.15 Payables

Payables are short-term liabilities to third parties directly related to the activities and operations of the NDC. Payables (including amounts due to other NATO entities) are initially recognized at their fair value and subsequently measured at amortized cost. This includes estimates of accrued obligations for goods and services received but not yet invoiced.

Payables to Nations encompass liabilities from financial result, liabilities from operational result, liabilities from budget decrease and liabilities from lapses. They will be offset in the 2nd call for contribution 2025.

1.16 Deferred revenue and advances

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

1.17 Employee benefits

The NDC civilian employees either participate in the Defined Contribution Pension Scheme (DCPS) or the Coordinated Pension Scheme (NATO Defined Benefit Plan).

The assets and liability for all NATO post-employment benefit schemes are accounted for centrally at NATO Headquarters by the International Staff and therefore are not recognized in these financial statements.

Defined Contribution plan: The assets of the plan are held separately from those of NDC in funds under the control of independent trustees or an administrator. The NDC is required to contribute a specified percentage of payroll costs to the DCPS to fund the benefits. Payments to the DCPS are recognized as an expense when employees have rendered service entitling them to the contributions. The only obligation of NDC with respect to the DCPS is to make the specified contributions.

Defined Benefit plan: Employees who have joined NATO before 1 July 2005 are members of the NATO Coordinated Pension Scheme which is a funded defined benefit plan. The only obligation of NDC with respect to the Pension Scheme is to make the monthly contributions, which are recognized as an expense. The scheme is accounted at NATO HQ.

Continued Medical Coverage: Some qualifying retirees may also benefit from Continued Medical Coverage but is accounted out of NDC.

1.18 Revenue recognition

Revenue comprises contributions from member nations and other customers to fund the entity's activities. It is recognized as revenue in the Statement of Financial Performance in the year for which the contributions are used for their intended purpose as envisioned by the budgets. The balance of unspent contributions and other revenues that relate to future periods are deferred accordingly. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably.

Financial revenue mainly includes interest income and exchange rate gains.

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

Interest income is accrued on a time-basis, by reference to the principal outstanding and at the effective interest rate applicable. Bank interest earned and accrued as of 31 December 2024, exchange rate revenue due to transactions in foreign currency are recognized as financial revenue.

1.19 Finance costs

Bank charges and exchange rate losses due to transactions in foreign currency are recognized as finance costs in the Statement of Financial Position.

2 Cash and cash equivalents

(in EUR)	2024	2023
Cash in Hand	32,357	39,779
Cash at Bank	9,697,084	4,488,317
Total	9,729,441	4,528,096

Cash and cash equivalents are short-term liquid assets. Deposit accounts are held in interest bearing bank accounts in immediately available funds. Cash holdings are largely determined by the timing of receipts from the nations, which arrive in two instalments, generally in May/June and December.

Cash in Hand mainly comprises cash used to pay the subsidization share to course members where bank transfers cannot be used for certified reasons (e.g. embargos), under the responsibility of the disbursing office.

During the year 2024, cash transfers totalling 3,000,000 EUR (20% more than in 2023: 2,500,000 EUR) were provided by the IMS in order to cover temporary shortfalls of funds related to the timing of the receipt of the calls for contributions. As at 31 December 2024, 2,000,000 EUR remained outstanding.

Keeping high levels in cash accounts similar to the previous financial year is the result of the increasing difficulties in wire transferring subsidisation funds to partner Course Members because of the extremely volatile geopolitical context. Participants from some countries must still be paid in cash. Increase in bank account holdings when compared to 2023 mainly relates to the combination of the higher cash called in the year (100% of the authorised budget) against an overall execution of 98%, with the higher advance requested for the next fiscal year received with the 2nd cash call.

3 Receivables

(in EUR)	2024	2023
Receivables from NATO Entities	118,159	22,140
Receivables from Governments / Gov. Agencies	183,179	115,929
Receivables from Staff Members	11,901	15,793
Receivables from Third Parties	3,267	19,627
Total	316,506	173,489

Receivables encompass outstanding reimbursements from different typologies of debtors, to include other NATO entities, NATO and Partner Nations, staff members and third parties.

Receivables from NATO Entities are amounts due from other NATO bodies for services or expenses initially covered by the NDC. The increase is mainly due to the reimbursement of the last executed portion of IMS Outreach budget which, for 2023, happened at the end of the reporting year while for 2024 happened at the beginning of 2025.

Receivables from Governments / Government Agencies, are outstanding amounts invoiced to Governments/Course Members, mainly for the reimbursement of costs related to Field Study 3 participation expenses.

Receivables from Staff Members are amounts owed by NDC staff members, often related to incurred recoverable expenses during the field studies.

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4 Prepayments and Advances

(in EUR)	2024	2023
Advances — Staff	13,610	1,750
Advances — Vendors	103,731	46,123
Total	117,341	47,873

Advances – Staff are prepayments to NATO International Civilians based on Article 36 of the NATO Civilian Personnel Regulations that are deducted from their emoluments between 3 to 10 months after the month in which the advance was made.

Advances – Vendors are mainly prepayments for hotels' deposits necessary to block group reservations related to the 2025 field studies, and for intercontinental flight tickets purchased in advance in order to obtain more favorable prices, thus achieving significant economies. It is to be noted that in general, all hotels tend to require higher pre-payment amounts for the Field Studies during 2025.

5 Property, Plant and Equipment

(in EUR)	Installed Equipment	Machinery	AIS and Communication Systems	Totals
Cost				
Balance at 1 January 2023	3,740,022	105,994	646,025	4,492,040
Additions	219,421	0	0	219,421
Disposals/deletions	0	0	0	0
Balance at 31 December 2023	3,959,443	105,994	646,025	4,711,462
Additions	636,765	38,156	177,580	852,500
Disposals/deletions	0	0	0	0
Balance at 31 December 2024	4,596,208	144,150	823,605	5,563,962
Accumulated depreciation				
Balance at 1 January 2023	(1,903,001)	(77,362)	(266,791)	(2,247,154)
Depreciation expense	(293,155)	(4,820)	(161,729)	(459,705)
Disposals/deletions	0	0	0	0
Balance at 31 December 2023	(2,196,156)	(82,183)	(428,520)	(2,706,859)
Depreciation expense	(308,733)	(4,826)	(157,454)	(471,013)
Disposals/deletions	0	0	0	0
Balance at 31 December 2024	(2,504,889)	(87,009)	(585,974)	(3,177,872)
Net book value				
Balance at 31 December 2023	1,763,287	23,811	217,505	2,004,603
Balance at 31 December 2024	2,091,319	57,141	237,631	2,386,090

The depreciation charge for the year was 471,013 EUR (2023: 459,705 EUR).

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In accordance with the NATO Financial Regulations (art. 17) an annual summary of property written-off in 2024 is provided in the following table.

(in EUR)

Items (Quantity)	Purchased in	NBV	Total Cost	Report of Survey	Reason for write-off
Mission Equipment (86)	1999 → 2019	-	54,367	1-7/2024	Obsolete or broken beyond economical repair. No longer serviceable.
Automated Information Systems (19)	2006 → 2019	-	3,645	5-6/2024	
Furniture (35)	1987 → 2006	-	5,836	8/2024	

6 Payables

(in EUR)	2024	2023
Payables to Suppliers	1,116,995	519,426
Payables to other NATO bodies	2,000,000	-
Accruals	262,803	270,531
Payables to Nations	205,972	348,990
Other Payables	26,159	55,512
Total	3,611,929	1,194,459

Payables to suppliers include invoices from commercial vendors not yet settled, whereas accruals include goods and services received by year-end, but for which relevant invoices were not received by the reporting date as well as untaken leave (2024: 92,444 EUR; 2023: 109,463 EUR).

The significant increase in Payables to Suppliers compared to 2023 is due to:

- Infrastructure works like Photovoltaic System, CIS works and the restoring of the asphalt on NDC inner roads, performed in December 2024 and paid in Jan 2025; and
- payables for booked transatlantic flights.

Payables to other NATO bodies comprises 2,000,000 EUR cash transfer payable to IMS. It was settled in mid-January 2025 upon receipt of contributions from NATO member nations.

7 Deferred revenue and advances

(in EUR)	2024	2023
Deferred Revenue – carry forwards	51,360	555,000
Advance Contributions for next year	6,500,000	3,000,000
Total current deferred revenue	6,551,360	3,555,000
Investment in PPE	2,386,091	2,004,603
Total non-current deferred revenue	2,386,091	2,004,603
Total deferred revenue	8,937,451	5,559,603

Current deferred revenue consists of budget deferred revenue for credits carried forward and advanced contributions for the next financial year, but for which corresponding expenses will be incurred after the reporting date.

Increase in advance contributions from 3,000,000 EUR in 2023 to 6,500,000 EUR in 2024 is due to the fact that the advance was realigned with annual spending pattern.

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Non-current deferred revenue represents the net carrying amount of property, plant and equipment and intangible assets as of 31 December 2024. The revenue will be recognized in the year when the depreciation and amortization expense will be recognized.

8 Revenue

(in EUR)	2024	2023 Restated
Revenue from contributions	12,748,408	10,967,566
Revenue from services	904,563	928,798
Revenue from third party reimbursables	1,962,748	1,813,007
Financial revenue	3,184	3,170
Other revenue	471,013	459,705
Total Revenue	16,089,916	14,172,246

Revenue from contributions is revenue received from the NATO member nations to cover the operational expenses of the NDC.

Revenue from services is the revenue received from International Military Staff for the services provided related to Outreach/Cooperation activities with partner Nations.

Revenue from third party reimbursables relates to activities conducted by the NDC, mainly consisting of National funds for field studies-related expenses of Course Members

Other revenue is revenue released from deferred revenue in respect of PPE depreciation.

Financial Revenue includes interest income, exchange rate gains, and other minor financial transactions. Although these amounts are relatively insignificant compared to operational revenues, they are reported for transparency. For comparability purposes, the 2023 figures have been restated accordingly.

9 Personnel

Employees are compensated for the service they provide in accordance with rules and amounts established by NATO. The compensation consists of basic salary, various allowances, health insurance, pension plan and other benefits as agreed with each host nation and the protocols of NATO.

The breakdown of personnel expenses is the following:

(in EUR)	2024	2023 Restated
Employment of Personnel	5,757,445	5,285,571
Post-Employment Benefits	343,547	300,440
Recruitment and Separation	70,162	164,248
Clothing	1,826	1,725
Medical Examinations	14,907	12,482
Training	38,751	26,250
Total	6,226,638	5,790,716

The balance of untaken leave at the end of 2024 was 436 days (2023 was 572 days). The associated cost is recognized as an accrual (2024: 92,444 EUR; 2023: 109,463 EUR).

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In 2024, lecturers were classified under Chapter 72, whereas in 2023 they were presented under Chapter 71. The 2023 comparative amounts have been restated to reflect this reclassification, in accordance with the retrospective application requirements of IPSAS 3.

Peacetime Establishment (PE):

	Authorized PE	Filled Positions
Civilians (NIC + PLN)	58	56
Military	58	45
Voluntary National Contribution	1	1
Host Nation	33	29
Partnership Posts	6	2
Total	156	133

10 Contractual Supplies and Services

Contractual supplies and services are expenses required for NDC activities and include expenses for general administrative overheads, and the maintenance costs of buildings/grounds, communications and information systems, transportation, travel expenses, representation/hospitality, capital investments and miscellaneous expenses. These expenses are further categorized as follows:

(in EUR)	2024	2023 Restated
General Support	4,118,301	3,661,195
Mission Support	3,303,998	2,420,318
Grants and Subsidies	1,513,696	1,371,767
Travel transportation	301,950	241,541
Capital and Investments Budgeting	80,319	184,018
Miscellaneous cost	4,836	2,693
Total Expenses	9,323,100	7,881,532

Operating Leases: All leases of the NDC are operating leases as they do not transfer substantially all the risks and rewards incidental to ownership, they do not cover all of the assets' life, the ownership is not transferred by the end of the lease term and do not contain a bargain purchase option. Lease payments are recognized as an expense on a straight-line basis over the lease term.

In 2024, the NDC had two non-cancellable operational lease contracts, one related to the rental of copy machines for an amount of 43,080 EUR (2023: 36,712 EUR), and one for the rental of the Commandant's armored car for 63,600 EUR (2023: 63,600).

The total non-cancellable operating lease payments comprised 203,440 EUR as at 31 December 2024, out of which 106,680 EUR payable within one year and the remaining balance of 96,760 EUR within 2 to 5 years.

11 Related Parties Disclosure

The key management personnel include: the Commandant, the Dean, the Director of Enablement, and the Head of Budget & Finance Branch. They are all rotated, typically every three years, and with the exception of the Head of Budget & Finance Branch, have only management oversight of routine

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operating and maintenance activities. The detailed work related to these tasks tends to be undertaken by staff officers.

The Financial Controller is also the Financial Controller of the International Military Staff and the Science and Technology Organization. The NDC, IMS and STO are therefore related parties under a common Financial Controller.

The other key management personnel of the entity have no significant known related party relationships that could affect the operation of this reporting entity. Key management is remunerated in accordance with the applicable national or NATO pay scales. They do not receive from NATO any additional remuneration for Board responsibilities or access to preferential benefits such as the entitlement to receive loans over and above those available to all NATO personnel under normal rules.

During the year, the NDC entered into non-material transactions with other NATO entities outside the IMS Budget Group. The fees charged for these transactions were an appropriate allocation of the costs incurred.

12 Representation Allowance

Representation Allowance is allocated to certain designated high-level officials whose position entails responsibility for maintaining relationships of value to NATO.

In 2024, the NDC Commandant was entitled to use representation allowance. The total entitlement was 4,200 EUR (2023: 2,876 EUR) but no expenses were incurred, mainly due to the preferred use of national funds.

13 Events after reporting date

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

14 Morale and Welfare Activities

The NDC carried out Morale and Welfare Activities (MWA) in 2024 for which a detailed annual special purpose report is presented to the Budget Committee. Morale and Welfare Activity is an activity of a NATO body that enhances the quality of life, promotes cohesion and integrity, and/or contributes to the physical and mental wellbeing of eligible individuals. At the NDC, the MWA mainly relate to petrol products, rationed items and a small shop offering mementoes and other few items.

The position of MWA at year-end is:

(in EUR)	2024	2023
Cash and cash equivalents	268,790	218,847
Total liabilities including provisions and contingent liabilities	54,347	22,434

Two (2023: two) staff members support the MWA as a minor part of their duties. The total extent of their MWA responsibilities amounts to less than one part-time equivalent.

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ANNEX A - BUDGET EXECUTION STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

(in EUR)	Initial Budget BA-1	Transfers	BA-2	Transfers	BA-3	Transfers	Final Budget	Commitments	Expenses	Total Spent	Carry Forward	Lapsed
BUDGET 303 - 2024												
Chapter 1	6,593,832	0	6,593,832	(158,421)	6,435,411	(157,152)	6,278,259	0	6,225,147	6,225,147	0	53,111
Chapter 2	6,372,704	0	6,372,704	148,421	6,521,125	76,502	6,597,627	0	6,454,547	6,454,547	0	143,080
Chapter 3	280,000	0	280,000	10,000	290,000	80,650	370,650	0	370,650	370,650	0	0
TOTAL FY 2024	13,246,536	0	13,246,536	0	13,246,536	0	13,246,536	0	13,050,345	13,050,345	0	196,191
BUDGET 303 - 2023												
Chapter 1	0	0	0	0	0	0	0	0	0	0	0	0
Chapter 2	55,000	0	55,000	0	55,000	0	55,000	0	3,640	3,640	51,360	0
Chapter 3	500,000	0	500,000	0	500,000	0	500,000	0	480,943	480,943	0	19,057
TOTAL FY 2023	555,000	0	555,000	0	555,000	0	555,000	0	484,583	484,583	51,360	19,057
BUDGET 303 - ALL FYs												
Chapter 1	6,593,832	0	6,593,832	(158,421)	6,435,411	(157,152)	6,278,259	0	6,225,147	6,225,147	0	53,111
Chapter 2	6,427,704	0	6,427,704	148,421	6,576,125	76,502	6,652,627	0	6,458,187	6,458,187	51,360	143,080
Chapter 3	780,000	0	780,000	10,000	790,000	80,650	870,650	0	851,594	851,594	0	19,057
GRAND TOTAL BUDGET 303 ALL FYs	13,801,536	0	13,801,536	0	13,801,536	0	13,801,536	0	13,534,928	13,534,928	51,360	215,248

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The budget covers the financial year from 1 January 2024 to 31 December 2024 and includes the 303 (NDC) budget. The initial budget and subsequent revisions are reviewed, approved and issued by the Budget Committee (BC).

In accordance with the NFRs, all changes between the initial and the final budget due to transfers of appropriations were either authorized by the BC, or were within the authority of the IMS Financial Controller. These changes are presented in the Budget Execution Statement.

The special carry forward totaling 555,000 EUR, approved by the Budget Committee (ref. BC-DS(2023)0056 (INV) and BC-DS(2023)0060 (INV) forms part of the 2024 opening balance. They relate to the requirement to expand the photovoltaic system and to the replacement of the obsolete fiber optic backbone infrastructure.

The credits carried forward (51,360 EUR) are presented in the Budget Execution Statement as required by the NFRs and the FRPs. They represent the unexpended balances at year-end for which there is a legal liability or a BC decision and are equal to the deferred revenue – carry forwards (see Note 7).

Furthermore, in 2024 the NDC incurred reimbursable expenses related to Outreach activities funded from IMS 501 budget as well as field studies-related expenses covered by course members national funds.

The budget and the financial statements are not prepared on the same basis. In the financial statements, only current year depreciation/amortization is recognized as an expense, while in the budget all non-current assets are fully expensed during the year. The following table summarizes the differences:

(in EUR)	2024
Total expenses NDC Budget (BC303)	13,534,928
Total expenses Outreach	904,563
Total other reimbursable expenses	1,962,748
Total Expenses All Budgets	16,402,239
Depreciation (Note 5)	471,013
Finance Costs	69,165
Capital Expenses	-852,501
Total Expenses, Statement of Financial Performance	16,089,916

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