



NORTH ATLANTIC COUNCIL  
CONSEIL DE L'ATLANTIQUE NORD

**NATO UNCLASSIFIED**

28 November 2025

**DOCUMENT  
PO(2025)0340-AS1**

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS OF THE  
INTERNATIONAL MILITARY STAFF (IMS)**

**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 IMS, 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)0340.

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20 November 2025

**DOCUMENT  
PO(2025)0340  
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  
INTERNATIONAL MILITARY STAFF (IMS)**

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 Financial Statements of the International Military Staff (IMS).
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 IMS, the associated IBAN Audit Report and the RPPB decision.

(Signed) Mark RUTTE

1 Annex  
2 Enclosures

Original: English

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**RESOURCE POLICY AND PLANNING BOARD**

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS OF THE  
INTERNATIONAL MILITARY STAFF (IMS)**

**DECISION**

Reference: IBA-A(2025)0073

(IBAN Audit Report)

The Resource Policy and Planning Board:

1. Considered the IBAN Audit Report on the 2024 Financial Statements of the International Military Staff (and the entity's comments) for which IBAN issued an unqualified opinion on the Financial Statements and on compliance, with one observation that does not impact the audit opinion;

Supports the IBAN's recommendation addressing the observation and recommends to Council to approve the public disclosure of the 2024 Financial Statements for the IMS and its associated IBAN Audit Report.



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IBA-A(2025)0073  
26 August 2025

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

Cc: NATO Permanent Representatives  
Director General, International Military Staff  
Financial Controller, International Military Staff  
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 International Military Staff's (IMS) Financial Statements for the year ended 31 December 2024 – IBA-AR(2025)0011***

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 International Military Staff 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  
International Military Staff (IMS)  
for the year ended 31 December 2024**

The International Military Staff (IMS) is the core military staff in the NATO Headquarters. It is the executive body of the Military Committee (MC), NATO's senior military authority. The role of the IMS is to provide strategic military advice and staff support for the MC. The IMS is also tasked with ensuring that the policies and decisions of the MC are implemented by the appropriate NATO bodies. The IMS budget includes the Programmes of Work for the NATO Headquarters Consultation, Command and Control (C3) Staff (NHQC3S) and the NATO Office of the Chief Information Officer (OCIO).

The other budget component parts of the IMS Reporting Entity are:

- The NATO Standardisation Office (NSO), which is an independent NATO office composed of Military and Civilian staff headed by a Director. The mission of the NSO is to initiate, co-ordinate, and support and administer the standardisation activities conducted under the authority of the NATO Committee for Standardisation.
- The IMS Outreach, which includes partnership activities with Nations in North Africa (Mediterranean Dialogue), the Middle East (Istanbul Cooperation Initiative), with Iraq, Pakistan and the African Union (Other Military Cooperation), and with Indo-Pacific partners, Korea and Japan.

The above components are incorporated into one set of financial statements, which is the subject of this report.

The total expenses of the IMS, including the NSO and Outreach Activities, for the year ended 31 December 2024 were EUR 74.1 million (EUR 52.9 million after restatement for the year ended 31 December 2023).

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. Misstatements in costs and prepayments for OCIO's Urgent Critical Requirement (UCR) from unreconciled NCIA project accounting data.

IBAN followed up on the status of observations and recommendations from the previous years' audits and found that all were closed.

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IBA-AR(2025)0011

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

The observations and recommendations and the follow-up of the previous years' observations and recommendations that are not in the Audit Report are included in a Management Letter addressed to IMS Management. This is because IBAN considers that these matters are to be addressed by Management and therefore fall under IMS executive responsibility.

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IBA-AR(2025)0011

26 August 2025

**INTERNATIONAL BOARD OF AUDITORS FOR NATO**

**AUDIT REPORT ON THE FINANCIAL STATEMENTS OF THE  
INTERNATIONAL MILITARY STAFF  
(IMS)**

**FOR THE YEAR ENDED 31 DECEMBER 2024**

## 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 Financial Statements of International Military Staff (IMS), for the 12-month period ended 31 December 2024, issued under document reference IMSTAM(FC)-0008-2025, and submitted to IBAN on 31 March 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 I M S 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.

The Financial Statements of IMS 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 31<sup>st</sup> 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. Misstatements in costs and prepayments for OCIO's Urgent Critical Requirement (UCR) from unreconciled NCIA project accounting data.

IBAN followed up on the status of observations and recommendations from the previous years' audits and found that all were closed.

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

The observations and recommendations and the follow-up of the previous years' observations and recommendations that are not in the Audit Report are included in a Management Letter addressed to IMS Management. This is because IBAN considers that these matters are to be addressed by Management and therefore fall under IMS executive responsibility.

### 1. MISSTATEMENTS IN COSTS AND PREPAYMENTS FOR OCIO'S URGENT CRITICAL REQUIREMENT (UCR) FROM UNRECONCILED NCIA PROJECT ACCOUNTING DATA

#### Reasoning

1.1 The conceptual framework of the NATO Accounting Framework (NAF) based on IPSAS provides that for a faithful representation: *"To be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error."*

1.2 The NAF, IPSAS 1 states that: *"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 NATO Financial Regulations (NFRs) requires the Financial Controller 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 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 Financial Controller 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 A key part of internal controls regarding the preparation of the financial statements relates to the audit trail. The responsibilities of IMS include providing adequate audit trails in accordance with the NFRs Article 12.3.

1.7 IMS conducts transactions with other NATO entities, resulting in outstanding assets and liabilities at year-end. These inter-entity accounting balances are recorded in the financial statements of the respective NATO entities and should be accurately reconciled to ensure alignment of transactions and financial positions across them.

1.8 In particular, IMS contracted with the NATO Communication and Information Agency (NCIA), on a reimbursable cost basis, for the delivery of several long-term projects, approved by the Nations under the Urgent Critical Requirement (UCR) framework and launched at the request of Office of the Chief Information Officer (OCIO).

1.9 For these projects, IMS made prepayments to NCIA (UCR's prepayments remaining balance as at 31 December 2024: EUR 12.4 million) to support the projects' working capital. The costs incurred by NCIA for the execution of each project are accounted for by IMS based on cost completion of the work, and deducted from IMS's prepayments as each project progresses.

1.10 To facilitate this cost completion reconciliation, OCIO and NCIA meet regularly, at project manager level, to assess the operational and budgetary progress of the work. This assessment is documented in a quarterly status report, which is jointly signed by OCIO and NCIA.

1.11 The financial data provided by NCIA in these status reports derive from NCIA's project accounting and revenue recognition process (i.e. Cost-to-Complete, CTC tool) used by NCIA for the preparation of its financial statements. The CTC tool consolidates all project-related financial data, including actual and cumulative costs incurred, current commitments, and the estimated remaining costs through to project completion.

1.12 The NCIA project accounting and revenue recognition process is automated and relies on systematic verification, validation, and coordination between NCIA's Finance department and Business/Project Management. It is regarded by NCIA as the

most reliable source of financial information available for all projects executed by the Agency.

1.13 The financial data certified in the status reports between OCIO and NCIA serve as the basis for IMS to accrue expenses, adjust prepayments, and assess budget carry-forwards, ensuring consistency with NCIA's actual project costs. As a result, IMS's accounting reflects actuals rather than estimates. From an inter-entity standpoint, IMS's prepayments balance should align with the remaining costs NCIA expects to incur, and match the deferred revenue recorded by NCIA in its financial statements.

### **Observations**

1.14 IBAN performed a direct confirmation of inter-entity accounting balances between NCIA and IMS concerning OCIO's UCR projects. The objective was to verify that the costs incurred by the NCIA and the corresponding deferred revenue it recognised based on project cost completion were aligned with the costs and prepayments recorded by IMS in its financial statements. This exercise aimed to confirm the accuracy and fairness of the financial position, performance and budget execution of these projects as presented in IMS' 2024 financial statements.

1.15 As of 31 December 2024, we found that the cumulative balance of prepayments recorded by IMS for several of OCIO's UCR projects exceeded the corresponding cumulative deferred revenue liabilities recognised by NCIA by a net amount of EUR 1.35 million. This indicates that overall project accounting of NCIA reflected a more advanced stage of cost completion than what was reported in the jointly approved status reports between NCIA and OCIO, which formed the basis for IMS' expense recognition of the UCR's projects.

1.16 The following projects are primarily affected by these discrepancies. A positive difference indicates that the accumulated expenses recorded by IMS for the project are understated compared to those recognised by NCIA in its project accounting, whereas a negative difference indicates the opposite.

	EUR million
- UCR Asset, Configuration, Patch, Vulnerability management (ACPV) Service Implementation :	+ 2.00
- UCR Enterprise Risk Status Assessment :	- 0.15
- UCR Enterprise Cyber Security Improvement :	- 0.55

1.17 Following IBAN's further analysis, we found that the discrepancies stemmed from timing and data errors in the financial information shared between NCIA and OCIO and used by IMS for accounting. In particular, outdated data led to an understatement of IMS' year-end expenses for the ACPV project, while the inclusion of unexecuted commitments in other projects resulted in overstated costs.

1.18 Although IMS' accounting for OCIO's UCR projects relied on official status reports certified by OCIO and NCIA, the errors identified in the reported financial data by NCIA mean that IMS' Financial Statements and budget execution do not accurately reflect and faithfully represent the actual level of costs and project completion at year end.

1.19 IBAN recommends that IMS establish a direct confirmation process coordinated with NCIA regarding OCIO's UCR projects for the preparation of its financial statements. This will ensure financial alignment between IMS and NCIA on the completion of projects and therefore improve the reliability and accuracy of expenses, prepayments, and carried forward liabilities reported in IMS' Financial Statements.

## 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><b>(1) IMS FY 2023</b>  <b>IBA-AR(2024)0015, paragraph 1</b></p> <p><b>NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS</b></p> <p><b>IBAN's Recommendation</b></p> <p>IBAN recommends that IMS 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>	IBAN did not find any material misstatements in the 2024 IMS Financial Statements.	Observation <b>Closed</b> .

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OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p><b>(2) IMS FY 2023</b> <b>IBA-AR(2024)0015, paragraph 2</b></p> <p><b>OVERSTATEMENT OF REVENUE AND EXPENSES RELATED TO THE IMS OUTREACH BUDGET EXECUTION AND NEED TO ENSURE COMPLIANCE WITH THE NFR'S INTER-BUDGET TRANSFER RULES</b></p> <p><b>IBAN's Recommendation</b></p> <p>IBAN recommends that IMS:</p> <ul style="list-style-type: none"><li>a) Limit the recognition of IMS Outreach revenue and expenses in the statement of financial performance to the portion IMS actually executed. IMS should exclude the portion of the Outreach budget transferred to and executed by NDC and avoid duplication of revenue and expenses across the IMS Budget Group financial statements;</li><li>b) Disclose in the Outreach budget execution statement, the IMS, STO-CSO and NDC's portions of the Outreach budget, showing impacts of inter-budget transfers and providing a reconciliation of IMS expenses in the Statement of Financial Performance against the Outreach Budget Execution Statement;</li><li>c) Fully comply with the provisions of Article 26 of the NFRs and related FRPs concerning inter-budget transfers, in particular if required, by formally requesting governance authorisation when exceeding the limit and delegation set out in the rules;</li><li>d) Coordinate improved consistency in the presentation and disclosure of the Outreach budget execution in the financial statements with the other reporting entities of the IMS Budget Group.</li></ul>	<p>a), b), c): Starting in 2024, IMS decided to distribute the funds of the Outreach budget to NDC through a service agreement, rather than via an inter-budgetary transfer falling under Article 26 of the NFRs, as initially recommended by IBAN. This subcontracting arrangement is an alternative solution that also complies with the NFRs.</p> <p>Accordingly, in 2024, IMS issued purchase orders to NDC, applying the necessary deviation, to contract their services for delivering part of the Outreach program, thereby supporting <b>NATO's Partnership Cooperation objectives</b></p> <p><b>Closed.</b></p> <p>d) Under this subcontracting framework, IMS recognised the related revenue and expenses in its Financial Statements. IMS also coordinated with NDC for the presentation of the execution of the Outreach Budget accordingly.</p> <p><b>Closed.</b></p>	Observation <b>Closed.</b>

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IBA-AR(2025)0011

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p><b>(3) IMS FY 2023</b> <b>IBA-AR(2024)0015, paragraph 3</b></p> <p><b>MISSTATEMENTS IN THE RECOGNITION OF REVENUE AND EXPENSES RELATED TO FINANCIAL AND OPERATIONAL LIABILITIES IN THE STATEMENT OF FINANCIAL PERFORMANCE</b></p> <p><b>IBAN's Recommendation</b></p> <p>IBAN recommends that IMS:</p> <p>a) 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>b) Comply with Article 31.2 of the NFRs relating to disclosures of short-term investment income in the annual financial statements.</p>	<p>a) In the 2024 Financial Statements of IMS, revenue and expenses related to financial results, miscellaneous income and the reversal of accruals have been recorded as revenue and expenses in the Statement of Financial Performance.</p> <p>IBAN will re-evaluate the accounting treatment chosen by IMS 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><b>Closed.</b></p> <p>b) Note 9 of the IMS 2024 Financial Statements include a disclosure on short-term investment interest, along with comparative figures from the previous year.</p> <p><b>Closed.</b></p>	<p>Observation <b>Closed.</b></p>

**INTERNATIONAL MILITARY STAFF (IMS) FORMAL COMMENTS ON THE AUDIT REPORT AND THE INTERNATIONAL BOARD OF AUDITORS (IBAN) POSITIONS**

**OBSERVATION 1:**

**MISSTATEMENTS IN COSTS AND PREPAYMENTS FOR OCIO'S URGENT CRITICAL REQUIREMENT (UCR) FROM UNRECONCILED NCIA PROJECT ACCOUNTING DATA**

***IMS's Formal Comments***

*IMS does not agree with the recommendation.*

*In relation to paragraph 1.2 above, “faithful representation”, the conceptual framework of the NATO Accounting Framework (NAF) based on IPSAS further states:*

*In practice, it may not be possible to know or confirm whether information presented in GPFRs (general purpose financial reports) is complete, neutral, and free from material error. However, information should be as complete, neutral, and free from error as possible.*

*IMS remains committed to upholding the integrity of its financial reporting. IMS has a robust system of internal control in place for the preparation of financial statements, which includes providing adequate audit trails in accordance with the NFRs Article 12.3. It will continue to review supporting documentation thoroughly and follow up on any identified discrepancies to ensure the financial statements are faithfully represented, complete, neutral and as free from error as possible.*

*As a customer funded and project led entity, the NCIA’s focus is on customer relationships. It owes a duty of care and is accountable to supply customers with accurate and reliable financial information. IMS relies, in good faith, on the data submitted by its suppliers, including NCIA, and assumes that it is correct unless there is a clear indication to the contrary.*

*This observation highlights that there has been a weakness in the NCIA internal control system and subsequent project reporting process. This has a direct effect on other NATO entities who rely on the financial information provided by NCIA, as seen in the IMS financial statements.*

*An understanding of the process outlined in paragraph 1.12 should provide a strong basis for obtaining assurance that the correct financial information is being used to support the IMS financial statements. IMS cannot know that NCIA did not follow their own process to reconcile their data between their project reports and their CTC system prior to reporting to IMS. Consistency can only be assured against the actual project costs as reported by NCIA to IMS.*

*The IMS therefore believes it is the responsibility of the NCIA as the accountable party to look at their internal controls in order to provide accurate and reliable information that is free from error.*

*Noting the comments above and in light of IBAN's findings, a more practical and effective solution would be for the NCIA Finance team to sign and certify that the project status reports at the financial year end are correct and in agreement with the CTC, given that "systematic verification, validation, and coordination between NCIA's Finance department and Business/Project Management" occurs. This would help to ensure the accuracy and reliability of the information provided to customers while maintaining a balanced and manageable process for all parties involved.*

*Whilst the IMS can acknowledge there is a discrepancy between the NCIA and the IMS based on the work undertaken by the IBAN, the IMS believes the action to be taken is on NCIA.*

**IBAN's Position**

**IBAN takes note of the formal comments from the IMS. Since IMS is responsible for preparing its financial statements, IBAN maintains its observation and recommendation to establish a direct confirmation process coordinated with NCIA regarding OCIO's UCR projects for the preparation of financial statements, that are free from misstatement.**

## **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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**International Military Staff  
Etat-Major Militaire International**  
Brussels - Belgium



31 March 2025

IMSTAM(FC)-0008-2025

CHAIR, INTERNATIONAL BOARD OF AUDITORS FOR NATO (IBAN)

**INTERNATIONAL MILITARY STAFF (IMS) FINANCIAL STATEMENTS 2024**

1. Please find attached the 2024 International Military Staff (IMS) Financial Statements, issued in accordance with NATO Financial Regulation (NFR) Article 35.1.
2. I can confirm that, in accordance with NFR Financial Rules and Procedures (FRP) XXXV (4), the IMS can agree to public disclosure of these Financial Statements.
3. Notwithstanding the above, as stated in C-M(2012)0041, public disclosure of IBAN Audit Reports is a matter for Council decision, based upon the recommendation of the RPPB. Decisions are informed by the NATO policy on public disclosure of documents (C-M(2008)0116).
4. The IBAN Audit Report covering these Financial Statements has not been issued, but should be presented to Council no later than 31 August 2025 (NFR 15.2). As such, the IMS is not yet in a position to anticipate any potential representations that may be made to the RPPB, regarding the Audit Report.
5. The IMS therefore reserves its position on public disclosure of the eventual IBAN Audit Report.

A handwritten signature in black ink, appearing to read "Horgan".

Mike Horgan  
GBR CV  
Financial Controller  
International Military Staff &  
Science and Technology Organisation

Enclosure:

1. IMS-FC 20250331 - IMS Financial Statements FY 2024, 31 Mar 25

Copy to: IMS-EXCO, MA DGIMS, DIRECTOR NDS, DIRECTOR CS, DIRECTOR NSO, IMS-FC, IMS-RECORDS

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Originating Office: FC

Action Officer: Mrs Vivien KAYE, Finance & Accounting Officer, (2607)

Taxonomy: Organisation and Management Support (ORG) - ORG - Finance and Accounting

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ENCLOSURE 1 TO  
IMSTAM(FC)-0008-2025

IMS-FC 20250331

# INTERNATIONAL MILITARY STAFF (IMS) FINANCIAL STATEMENTS 2024

PUBLICLY DISCLOSED - PDN(2025)0063 - MIS EN LECTURE PUBLIQUE



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## Introduction

The International Military Staff (IMS) Financial Statements comprise three budgets covering the activities of the IMS, including Office of Chief Information Officer (OCIO) and NATO Digital Staff (NDS), NATO Standardization Office (NSO) and IMS Outreach.

The IMS provides strategic military advice and staff support to NATO's Military Committee, which advises the North Atlantic Council on military aspects of policy, operations and transformation within the Alliance. The IMS is responsible for preparing assessments and analysis on NATO military issues, identifying areas of strategic and operational interest, and proposing courses of action. It also ensures that the appropriate NATO military bodies implement NATO decisions and policies on military matters. The outputs of the IMS are mostly determined by NATO's political agenda and include:

- Intelligence: Strategic analysis of all-source defence intelligence on Alliance security policy and strategy, crisis management and operations;
- Policy and Capabilities: Development of strategic military policy;
- Operations and Planning: The focal point for military issues including those related to ongoing and unfolding military operations;
- Logistics and Resources: The management of logistics, medical, armaments, research and technology, personnel, infrastructure and financial resources;
- Cooperative Security: Sustaining relationships and nurturing a robust partnership and relationships network amongst current and prospective partners;
- NATO Digital Staff: Orchestration of the Digital Transformation Implementation Strategy Lines of Efforts, horizon scanning activities, including the evaluation of emerging and disruptive technologies, limited to the Information and Communications Technology area.
- Joint Air Power and Space Staff Element- analysis and advice of all Joint Air Power and Space related issues concerning Concepts, Plans, Policies as well as support to the development of the future capabilities.

In delivering these outputs, the Director General of the IMS (DGIMS) is also assisted by a number of supporting offices, including those of the Executive Coordinator, Legal Advisor, Public Affairs Advisor and Financial Controller.

The ongoing war in Ukraine energised the Alliance's ongoing efforts to reinforce its collective deterrence and defence. Thanks to the extensive preparations undertaken by various IMS divisions and the Bi-Strategic Commands, in 2024 NATO was further adapting to ensure it can deter and defend against a broad and evolving range of threats, including hybrid.

At the Washington Summit, Allies agreed a robust package of support for Ukraine for the long haul and IMS divisions are vital in the delivery of key elements. First, the establishment of NATO Security Assistance and Training for Ukraine, which is taking over the coordination and provision of most international security assistance to Ukraine. Second, the establishment of the NATO-Ukraine Joint Analysis, Training and Education Centre which seeks to jointly

identify and apply lessons from Russia's war in Ukraine. At the Summit, Allies also committed to a financial pledge to provide a minimum baseline of 40 billion EUR in military assistance for Ukraine, with plans to review this amount at future summits.

NATO Allies are stepping up cooperation with Indo-Pacific partners and also doing more to engage with partners in the Southern Neighborhood. The Chair of the NATO Military Committee and DGIMS conducted several country visits supporting this line of effort and the IMS Cooperative Security Division prepared numerous events to bolster partnerships, including military staff talks and biannual meetings with partners.

The OCIO continued to contribute to the deterrence and defence strategic outcome, with a strong focus on the NATO Enterprise. 2024 marked the third year of implementation of the NATO Enterprise Cyber Adaptation Roadmap across twelve strategic areas. This coordinated management tool provides the work strands, objectives, and a multi-year horizon for implementation, which also facilitates resource and capability planning for Enterprise stakeholders.

The additional funding following the Madrid Summit provided the opportunity for the OCIO to conduct a wide review of existing policies, as well as the development of new ones, with a focus on optimally configuring NATO in a way that assures its fitness to address contemporary security challenges. In connection with this, a number of core work strands were initiated that affected all parts of the IMS during last year and will also endure, with significant priority accorded to digital transformation, advance planning, command and control, and enablement.

The NSO continued to initiate, co-ordinate, support and administer standardisation activities as agreed by Allies and reconfirmed again by Heads of State and Government at the Washington Summit, stating that they shall "reinforce our commitment to NATO standards" and are "accelerating implementation of NATO standards". In 2024 the NSO commenced a multi-year, multi-phased modernisation project, "NATOTerm 2.0", aiming to provide online and user-friendly collaboration tools for terminology management; it will further enhance maintenance of a robust terminology programme that provides another cornerstone for Alliance interoperability.

The 2024 IMS Outreach Programme continued to support sustained relationships and nurture a robust network amongst current and prospective partners. In 2024 the programme supported 86 Partnership Cooperation Menu events whereby 396 participants were subsidized (compared to 76 events and 357 partner participants in 2023).

Overall, throughout 2024, the IMS continued to provide unconditional support to the NATO Military Committee, International Staff divisions and to joint work strands across all domains – demonstrating its continued drive to contribute to the Alliance's overall objectives, its three core tasks and its strengthened deterrence and defence posture.



Janusz Adamczak  
Lieutenant General, Polish Army  
Director General  
International Military Staff



Mike Horgan  
GBRCV - Financial Controller  
International Military Staff

# Statement of Internal Control

## for the year ended 31 December 2024

### ***1. Scope of responsibility***

The Director General, International Military Staff (DGIMS), 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 DGIMS for financial risk management standards according to Financial Rules and Practices (FRPs) as well as establishing a system of internal financial and budgetary control.

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

### ***2. The purpose of the system of internal control***

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, therefore the effectiveness of the system is designed to manage and minimize rather than eliminate risk.

### ***3. The risk and control frameworks***

The IMS has adopted the internationally recognized COSO<sup>2</sup> 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 IMS's operations, reporting, and compliance objectives.

As per the IMS Risk Management Policy and in accordance with NFRs, DGIMS has appointed a risk management coordinator. The IMS Risk Management Board (RMB) prepares documentation for risk decision-making at the Executive Management Board (EMB) while ensuring that risk management is conducted thoroughly and consistently across all IMS divisions. Fraud risk is on the IMS risk register and is considered at the RMB.

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 board reviews the findings and recommendations of Internal Audit and the International Board of Auditors for NATO, and reviews management responses and follow-up actions. The AAP provides DGIMS 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 DGIMS.

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<sup>2</sup> Committee of Sponsoring Organizations of the Treadway Commission

In the financial domain, the IMS Financial System (FinS) has built-in approval workflows and controls, together with audit trails. The controls are designed so that transactions are recorded consistently, accurately and in accordance with applicable rules and regulations.

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 of Conduct and mandatory onboarding training in this domain. Communication of important information concerning internal controls is disseminated to staff by means of formal IMS staff memoranda, notices on SharePoint and the informal IMS Bulletin.

#### **4. Capacity to manage risks and establish effective internal controls**

The RMB provides strategic oversight to both the risk register and the risk management process. The findings and principal risks from the RMB are reported to the EMB. The RMB is chaired by Deputy EXCO and includes participation from all IMS divisions and independent offices. Within each division, a risk manager oversees the divisional risks, facilitates risk workshops, proposes new risks and attends the RMB. Risk management training is also provided on an annual basis where needed.

The Risk Register is reviewed by the RMB periodically. This review includes the assessment and validation of existing and new risks, and mitigating actions.

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

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

An evaluation of the adequacy and effectiveness of the IMS internal control system for Financial Year (FY) 2024 was assessed by means of a pilot internal control survey targeted at all levels of management within the IMS hierarchy.

The IMS is also subject to annual external financial audit from IBAN. Recommendations and observations arising from both internal and external audits are assessed by the AAP and reported to DGIMS. External audits include examinations of internal controls and compliance with applicable rules and regulations.

The results are assessed by IMS senior management, who initiate any appropriate actions.

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

During FY 2024, the IMS concluded the pilot internal control self-assessment survey. The following areas were identified for potential further analysis:

- In the *Control Environment* regarding 'demonstrating commitment to competence and enforcing accountability';
- the *Risk Assessment* component was generally considered to be quite poor and in

need of improvement;

- in the *Information and Communication* component, it was highlighted that the IMS does not have a facility to anonymously report issues; and
- in the *Monitoring Activities* component, it was perceived that there are insufficient managerial checks.

In response to these findings the IMS senior management prioritized making improvements to risk management in general, and to perform a review of governance structures and policies, including IMS Standard Operating Procedures. With regards to the absence of an anonymous reporting mechanism, the Internal Control Officer will attend the NATO Anti-Fraud Community of Interest where whistleblowing reporting across NATO entities is being developed. Noting that this survey was a pilot with some lessons identified, it was recommended that it be repeated in FY 2025 in order to collect more specific data on the remaining observations, particularly those in the *Control Environment*.

#### **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 IMS 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 operations; reliability of financial information; compliance with applicable rules and regulations; and with regard to safeguarding of assets.



Janusz Adamczak  
Lieutenant General, Polish Army  
Director General  
International Military Staff



Mike Horgan  
GBRCV - Financial Controller  
International Military Staff

**IMS**  
**Statement of Financial Position**  
**as at 31 December 2024**  
(in EUR)

	Notes	2024	2023
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	2	52,720,517	80,208,957
Receivables	3	2,901,986	171,705
Prepayments	4	<u>12,715,271</u>	<u>1,072,706</u>
		<u>68,337,773</u>	<u>81,453,368</u>
<b>Non-current Assets</b>			
Property, plant and equipment	5	72,519	111,998
Intangible assets	6	<u>-</u>	<u>-</u>
		<u>72,519</u>	<u>111,998</u>
<b>Total Assets</b>		<b><u>68,410,292</u></b>	<b><u>81,565,367</u></b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables	7	24,722,205	35,404,217
Deferred revenue	8	<u>43,615,569</u>	<u>46,049,151</u>
		<u>68,337,774</u>	<u>81,453,368</u>
<b>Non-current Liabilities</b>			
Deferred revenue	8	72,519	111,998
<b>Total Liabilities</b>		<b><u>68,410,292</u></b>	<b><u>81,565,367</u></b>



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The notes on pages 12 to 24 form an integral part of these financial statements.

The financial statements were issued to the International Board of Auditors for NATO on 31 March 2024.

**IMS**  
**Statement of Financial Performance**  
**for the year ended 31 December 2024**  
(in EUR)

	Notes	2024	2023 restated
<b>Revenue</b>			
Revenue	9	73,653,558	52,026,857
Financial revenue	9	317,685	831,801
Other revenue	9	119,136	22,544
<b>Total Revenue</b>		<b>74,090,380</b>	<b>52,881,202</b>
<b>Expenses</b>			
Personnel	10	13,764,042	13,047,515
Contractual supplies and services	11	60,275,526	39,783,186
Depreciation and amortization	5,6	39,480	40,920
Finance costs	9	11,331	9,581
<b>Total Expenses</b>		<b>74,090,380</b>	<b>52,881,202</b>
<b>Surplus/(Deficit) for the period</b>		<b>-</b>	<b>-</b>

**IMS**  
**Cash Flow Statement**  
**for the year ended 31 December 2024**  
(in EUR)

		<b>2024</b>	<b>2023</b>
<b>Cash Flows from operating activities</b>	Notes		
Surplus/(Deficit) for the period		-	-
<b>Non-cash movements</b>			
Depreciation and amortization	5,6	39,480	40,920
(Decrease)/Increase in payables		(9,896,842)	21,753,815
(Decrease)/Increase in other current liabilities		(2,433,582)	23,247,462
(Increase)/Decrease in receivables		(730,281)	(154,732)
(Increase)/Decrease in other current assets		(12,427,735)	(190,623)
(Decrease)/Increase in long-term provisions		(39,480)	11,743
<b>Net cash flows from operating activities</b>		<u>(25,488,440)</u>	<u>44,708,585</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	-	(52,662)
<b>Net cash flows from investing activities</b>		<u>-</u>	<u>(52,662)</u>
<b>Cash flows from financing activities</b>			
Cash out from IMS BG transfer	2	(3,000,000)	(3,200,000)
Cash in from IMS BG transfer		1,000,000	3,200,000
<b>Net cash flows from financing activities</b>		<u>(2,000,000)</u>	<u>-</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>(27,488,440)</u>	<u>44,655,923</u>
Cash and cash equivalents at the beginning of the period		80,208,957	35,553,035
Cash and cash equivalents at the end of the period	2	<b>52,720,517</b>	<b>80,208,957</b>

**IMS**  
**Statement of Changes in Net Assets**  
**for the year ended 31 December 2024**  
(in EUR)

<b>Balance at 31 December 2022</b>	
Surplus/(Deficit) for the period	-----
<b>Change in net assets/equity for the year ended 2023</b>	-----
<b>Balance at 31 December 2023</b>	-----
Surplus/(Deficit) for the period	-----
<b>Change in net assets/equity for the year ended 2024</b>	-----
<b>Balance at 31 December 2024</b>	-----

**IMS  
Notes  
for the year ended 31 December 2024**

**1 Significant accounting policies**

**1.1 Basis of preparation**

These financial statements have been prepared in accordance with the NATO Accounting Framework which is based on International Public Sector Accounting Standards (IPSAS) as adapted by the North Atlantic Council. They comply with the financial requirements of the NFRs and the associated FRPs as well as with IMS directives and policies.

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

In accordance with Article 2 of the NFRs, the financial year covered by these financial statements is 1 January 2024 to 31 December 2024.

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

Figures in these financial statements are rounded to the nearest EUR and as a result, balancing totals may display minor discrepancies.

**1.2 Accounting estimates and judgements**

In accordance with IPSAS, the financial statements necessarily include amounts based on estimates and assumptions made by management and based on experience as well as on the most reliable information available. In exercising the judgements to make the estimates, a degree of caution was included in light of the principle of 'prudence' required by IPSAS.

The estimates and underlying assumptions are reviewed on an ongoing basis. These estimates and assumptions affect the amounts of assets, liabilities, revenue and expenses reported. By their nature, they 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, the accounting policies have been applied consistently throughout the reporting period.

#### 1.4 Changes in pronouncements

The IMS has not applied the following IPSAS that has been issued but is not yet effective. The IMS will continue to assess the impact of this new standard to be prepared for the implementation, if required.

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

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

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 IMS in future periods.

<b>IPSAS</b>	<b>Name</b>	<b>Issue date</b>	<b>Effective date for periods beginning on or after</b>
IPSAS 44	<i>Non-current Assets Held for Sale and Discontinued Operations</i>	May 2022	01 January 2026*
IPSAS 45	<i>Property, Plant &amp; Equipment</i>	May 2023	01 January 2026*
IPSAS 46	<i>Measurement</i>	May 2023	01 January 2026*
IPSAS 47	<i>Revenue</i>	May 2023	01 January 2026
IPSAS 48	<i>Transfer Expenses</i>	May 2023	01 January 2026
IPSAS 49	<i>Retirement Benefit Plans</i>	November 2023	01 January 2026
IPSAS 50	<i>Exploration and Evaluation of Mineral Resources</i>	November 2024	01 January 2027

\* 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 IMS. Foreign currency transactions are accounted for at the NATO exchange rates prevailing on the transaction date. Monetary assets and liabilities which were denominated in foreign currencies at year-end 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 Statement of Financial Performance. An assessment was made of all assets and liabilities in foreign currencies as at 31 December 2024. The amount of unrealized gains is deemed immaterial.

## 1.6 Consolidation

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

While Morale and Welfare activities are under the control of the head of the NATO body, in accordance with the NATO Accounting Framework 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 presented in Note 15.

## 1.7 Services in-kind

The IMS received services in-kind in the form of mainly military personnel provided by NATO and partner nations. Such personnel are assigned to military posts on the Peacetime Establishments (PE) or to additional posts above the PE ceiling of the IMS (see Note 10). In these financial statements, services in-kind are not recognized.

## 1.8 Financial instruments

The IMS uses only non-derivative financial instruments as part of its normal operations. These financial instruments include: cash, bank accounts, deposit accounts, accounts receivable, provisions and cash transfers between NATO entities.

All financial instruments are recognized in the Statement of Financial Position at their fair value.

**Credit Risk:** In the normal course of business, the IMS incurs credit risk from trade receivables and transactions with banking institutions. The IMS 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 IMS' exposure to foreign currency exchange risk is very limited, as nearly all transactions are in EUR.

**Liquidity risk:** The liquidity risk is based on the assessment of whether the organization will encounter difficulties in meeting its obligations associated with financial liabilities. There is a very 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 IMS is restricted from entering into borrowings and investments, and therefore there is no interest rate risk identified.

### 1.9 Leases

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

The IMS only enters into operating leases. They are recognized as an expense in the statement of financial performance on a straight-line basis over the lease term.

### 1.10 Cash and cash equivalents

Cash and cash equivalents are defined as short-term assets. They include 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 Allies' 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 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. Property, plant and equipment is derecognized upon disposal or when no future economic benefit is expected. The cost and any related accumulated depreciation are removed from the accounting records. The IMS follows the capitalisation thresholds as outlined in the NATO Accounting Framework (NAF). The estimated useful life of vehicles is 5 years.

### 1.14 Intangible assets

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

The IMS follows the capitalisation thresholds as outlined in the NAF. The estimated useful life of software is 4 years.

In 2024, as an agent, IMS through the OCIO Programme of Work (PoW), commenced a procurement of an Enterprise Asset, Configuration, Patching and Vulnerability Management solution for the NATO enterprise. Once the procurement is complete, NCIA will act as a service provider. Consequently, in accordance with provisions for CIS assets set out in the NAF, an asset under development is not recognized in these financial statements.

#### 1.15 Impairment of tangible and intangible 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.

#### 1.16 Payables

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.

#### 1.17 Deferred revenue and advances

Deferred revenue represents contributions from Allies that have been called for current or prior years budgets but that have not yet been recognized as revenue. Advances are contributions called or received related to future budgets.

#### 1.18 Employee benefits – Post-employment benefits

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

The assets and liabilities 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 IMS in funds under the control of independent trustees or an Administrator. The IMS 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 IMS with respect to the DCPS is to make the specified contributions.

**Defined Benefit plan:** Employees who joined NATO before 1 July 2005 are members of the NATO Coordinated Pension Scheme which is a funded defined benefit plan. Under the plan and upon completion of 10 years employment with NATO, the employees are entitled to retirement benefits of 2% per year of service of final basic salary on attainment of a retirement age of 60. Staff members whose length of service is not sufficient to entitle them to a retirement pension are eligible for a leaving allowance.

**Continued Medical Coverage:** Some qualifying retirees may also benefit from Continued Medical Coverage.

#### 1.19 Revenue recognition

Revenue comprises contributions from member nations and other customers to fund the entity's budgets. 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.

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; and realized exchange rate gains are recognized as financial revenue.

The comparative figures for 2023 were restated in order to align the presentation of the financial revenue in the Statement of Financial Performance.

#### 1.20 Financial costs

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

The comparative figures for 2023 were restated in order to align the presentation of the financial costs in the Statement of Financial Performance.

## 2 Cash and cash equivalents

(in EUR)	2024	2023
Current bank accounts	51,718,876	49,212,875
Cash equivalents	1,001,641	30,996,082
<b>Total Cash and Cash Equivalents</b>	<b>52,720,517</b>	<b>80,208,957</b>

Cash holdings are largely determined by the timing of receipts from the nations, which arrive in two instalments, generally in April and December. Cash is held in interest bearing EUR bank accounts and is available immediately.

During the year, cash transfers totalling 3,000,000 EUR (2023: 3,200,000 EUR) were provided to another entity in the IMS Budget Group 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 (see Note 3).

## 3 Receivables

(in EUR)	2024	2023
Receivables from Non-Consolidated NATO Entities	2,000,000	-
Accrued revenue	883,949	151,271
Receivables from third parties	18,037	15,263
Receivables from Staff Members	-	5,171
<b>Total Receivables</b>	<b>2,901,986</b>	<b>171,705</b>

The average credit period on receivables is 30 days.

The 2,000,000 EUR receivable from non-consolidated NATO Entities is an outstanding cash transfer (see Note 2) which was subsequently collected in mid-January 2025. Accrued revenue consists mainly of outstanding credit memos to be received from a non-consolidated NATO entity. The receivables from third parties mainly comprise reimbursements related to travel. All receivables are current as at 31 December 2024.

## 4 Prepayments

(in EUR)	2024	2023
Prepaid expenses	12,687,421	409,706
Advances and prepayments to suppliers	27,850	663,000
<b>Total Prepayments</b>	<b>12,715,271</b>	<b>1,072,706</b>

The prepaid expenses are mainly related to the OCIO Urgent and Critical Requirements (UCRs) and the 2025 portion of the education allowance entitlements for the school year 2024-2025. The advances mostly relate to a prepayment to a supplier for an event to be held in January 2025.

## 5 Property, plant and equipment

(in EUR)	Vehicles	
	2024	2023
Cost opening balance	316,216	367,486
Additions	-	52,662
Disposals	-	(103,932)
<b>Cost closing balance</b>	<b>316,216</b>	<b>316,216</b>
Accumulated depreciation opening balance	204,218	278,325
Current year depreciation	39,480	29,825
Retired depreciation	-	(103,932)
<b>Accumulated depreciation closing balance</b>	<b>243,698</b>	<b>204,218</b>
<b>Net Carrying Amount</b>	<b>72,518</b>	<b>111,998</b>

The depreciation charge for the year is 39,480 EUR (2023: 29,825 EUR).

In 2024, the IMS did not purchase or dispose of any vehicles.

In 2024, the IMS did not write-off or transfer any assets, nor did it donate any property/assets.

## 6 Intangible assets

(in EUR)	Software	
	2024	2023
Cost opening balance	287,163	409,043
Additions	-	-
Disposals	(48,413)	(121,880)
<b>Cost closing balance</b>	<b>238,750</b>	<b>287,163</b>
Accumulated amortization opening balance	287,163	397,949
Current year amortization	-	11,094
Retired Amortization	(48,413)	(121,880)
<b>Accumulated amortization closing balance</b>	<b>238,750</b>	<b>287,163</b>
<b>Net Carrying Amount</b>	<b>-</b>	<b>-</b>

The amortization charge for the year is nil as the assets are fully depreciated as at the end of 2023 (2023: 11,094 EUR). In 2024 the IMS disposed of software as shown in the table above.

## 7 Payables

(in EUR)	2024	2023
Payables to nations	9,764,714	20,076,078
Accruals	9,023,302	4,520,993
Payables to suppliers	5,844,695	10,761,325
Other payables	89,494	45,821
<b>Total Payables</b>	<b>24,722,205</b>	<b>35,404,217</b>

The payables to nations are surplus funds to be returned to the nations. They mainly include lapsed appropriations along with income from operational and financial results.

Accruals are mainly related to goods and services received on the OCIO and NDS PoWs and the OCIO UCRs.

Other payables are short-term liabilities to third parties directly related to the activities and operations of the IMS, primarily the OCIO and NDS.

## 8 Deferred revenue

(in EUR)	2024	2023
Advanced contributions for next year	26,000,000	23,500,000
Deferred revenue - carry forwards	17,615,569	22,549,151
<b>Total current deferred revenue</b>	<b>43,615,569</b>	<b>46,049,151</b>
Investment in PPE assets	72,519	111,998
<b>Total non-current deferred revenue</b>	<b>72,519</b>	<b>111,998</b>
<b>Total deferred revenue</b>	<b>43,688,088</b>	<b>46,161,149</b>

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

The deferred revenue for carry forwards relates primarily to the OCIO and the NDS PoWs.

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

## 9 Revenue

	2024	2023 restated
<b>Revenue from contributions for expenses</b>	<b>74,039,568</b>	<b>52,830,701</b>
Revenue released from deferred revenue	39,480	40,920
Result of the year to be returned to the nations	(425,490)	(844,764)
<b>Revenue per Statement of Financial Performance</b>	<b>73,653,558</b>	<b>52,026,857</b>

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

Revenue released from deferred revenue represents revenue released in respect of property, plant and equipment depreciation.

The result of the year to be returned to nations is the difference of non-budgetary revenue and expenses. The amount is part of the balance of payables to nations (note 7) at year end.

Financial revenue includes interest from the bank and term deposits. In 2024, term deposit interest in the amount of 185,008 EUR (2023: 824,142 EUR) was earned.

Other revenue is mainly miscellaneous revenue related to prior years.

## 10 Personnel expenses

The breakdown of salaries and other personnel related expenses is as follows:

(in EUR)	2023	
	2024	restated
Employment of personnel	13,029,882	12,312,976
Post-employment benefits	598,768	598,859
Training	89,257	76,205
Recruitment and separation	46,135	57,717
Miscellaneous	-	1,758
<b>Total expenses</b>	<b>13,764,042</b>	<b>13,047,515</b>

The comparative figures for 2023 were restated in order to align the presentation of the personnel expenses in the Statement of Financial Performance.

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.

**Untaken leave:** The balance of untaken leave at the end of 2024 was 584 days (2023: 710 days). The associated cost of 191,293 EUR (2023: 166,994 EUR) is recognized as an accrual.

### Peacetime Establishment (PE)

	Approved PE - IMS	Filled Positions - IMS	Approved PE - NSO	Filled Positions - NSO	Approved PE - IMS and NSO	Filled Positions - IMS and NSO
Civilians (MBC)*	89	71	16	14	105	85
Military	318	276	26	21	344	297
Voluntary National Contribution (VNC)	72	36	-	-	72	36
IS-CIV VNC	25	25	-	-	25	25
National Workforce Overage (NWO)	40	40	-	-	40	40
Host Nation	0	0	-	-	0	0
PSP	11	4	2	1	13	5
Local Wage Rate (LWR)	1	-	-	-	1	0
Project Linked NIC (PLN) ***	14	-				
Civilians (CBC)	16	14	-	-	16	14
Twinned posts (TP)**	6	3	2	2	8	5
<b>Total Ceiling posts</b>	<b>406</b>	<b>347</b>	<b>42</b>	<b>35</b>	<b>448</b>	<b>382</b>
<b>Total Posts</b>	<b>592</b>	<b>469</b>	<b>46</b>	<b>38</b>	<b>638</b>	<b>507</b>
* 1 additional post as result of the application of SMAP-18 (Manpower Guidelines for the Temporary Filling of Established Military NU Posts with NICs. SMAP 18 provides a procedure by which commanders can seek to fill military NU mission essential posts with NICs on a temporary basis - MC-0216-4(AAP-16(D)) approved with IMS PE Change 4 2019						
** A twinned post is a post on a Peacetime Establishment (PE) which combines two or more separate posts on one or more PEs where the respective workload does not justify the presence of an incumbent for each post. When two or more International posts are linked as "twinned posts", only one is counted in the International Manpower Ceiling. (MC-0216-4(AAP-16(D))						
*** A HoNB Approved posts, considered and classified by the NDWAA and recruited for a 3-years Definite Duration contract in accordance with MCM-0061-2023 ADD 1						

## 11 Contractual supplies and services

Contractual supplies and services are expenses required for administrative support to the Military Committee and PoW expenses. General support expenses mainly include costs for the OCIO PoW and UCRs and HQ support SLAs with IS. Mission support is mainly related to costs for CIS and the NDS PoW. The expenses are further categorised as follows:

(in EUR)	2023	
	2024	restated
General support	37,725,051	22,006,186
Mission support	20,536,047	15,955,310
Grants and subsidies	1,125,587	1,055,537
Travel transportation	885,991	758,934
Miscellaneous costs	2,850	7,220
<b>Total expenses</b>	<b>60,275,526</b>	<b>39,783,186</b>

The IMS has one contract for the lease of which was entered into in 2022 for a term of 3-years and is cancellable. In 2024, vehicle lease costs were 95,880 EUR. The remaining obligation in 2025 is 55,930 EUR.

The comparative figures for 2023 were restated in order to align the presentation of the contractual supplies and services expenses in the Statement of Financial Performance.

## 12 Related parties

The key management personnel includes: the DGIMS, Directors, and the Financial Controller. They are all rotated, typically every three years, and with the exception of the Financial Controller, have only management oversight of routine operating and maintenance activities. The detailed work related to these tasks tends to be undertaken by staff officers. The IMS Financial Controller is also the Financial Controller of the Science and Technology Organization (STO) and the NATO Defense College (NDC), forming together the IMS Budget Group. The IMS, STO and NDC are therefore related parties under a common Financial Controller.

The other key management personnel of the entity have no known significant related party relationships that could affect the operation of this reporting entity. Key management are 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 IMS entered into transactions with NATO entities outside the IMS Budget Group. The fees charged for these transactions were an appropriate allocation of the costs incurred.

## 13 Representation allowance

Representation allowance is available to certain designated NATO high-level officials whose position entails responsibility for maintaining relationships of value to NATO. In 2024, three senior eligible IMS officials received representation allowances.

The total entitlement was 52,000 EUR (2023: 39,000 EUR) and the actual expenses were 33,185 EUR (2023: 30,637 EUR).

#### 14 Contingent Liabilities

As at 31 December 2024 the IMS does not have any contingent liabilities.

#### 15 Morale and Welfare Activities

The IMS 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 IMS, the MWA mainly relate to the sale of petrol products and the language training centre.

The position of MWA at year-end is:

(in EUR)	2024	2023
Cash and cash equivalents	80,425	81,206
Total liabilities including provisions and contingent liabilities	38,289	47,154

As of year-end, no full-time equivalent staff (2023: none) directly support the MWA.

In both years, four staff 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.

#### 16 Events after reporting date

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

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**ANNEX A**  
**IMS**  
**Budget Execution Statement**  
**for the year ended 31 December 2024**

(in EUR)

	Initial Budget	BA2	Transfers	BA3	Transfers	Final Budget	Expenses	Special Carry Forward	Carry Forward	Lapsed
<b>BUDGET 301 (IMS) 2024</b>										
Chapter 1	13,984,320	13,984,320	(645,000)	13,339,320	-	13,339,320	11,589,471	-	-	1,749,849
Chapter 2	68,013,346	68,013,346	(4,155,000)	63,858,346	-	63,858,346	40,306,084	274,800	17,090,429	6,187,033
Chapter 3	60,000	60,000	-	60,000	-	60,000	-	-	-	60,000
<b>TOTAL</b>	<b>82,057,666</b>	<b>82,057,666</b>	<b>(4,800,000)</b>	<b>77,257,666</b>	<b>-</b>	<b>77,257,666</b>	<b>51,895,555</b>	<b>274,800</b>	<b>17,090,429</b>	<b>7,996,882</b>
<b>BUDGET 302 (NSO) 2024</b>										
Chapter 1	2,390,301	2,390,301	-	2,390,301	-	2,390,301	2,173,081	-	-	217,220
Chapter 2	2,297,243	2,297,243	-	2,297,243	-	2,297,243	2,121,125	-	-	176,118
<b>TOTAL</b>	<b>4,687,544</b>	<b>4,687,544</b>	<b>-</b>	<b>4,687,544</b>	<b>-</b>	<b>4,687,544</b>	<b>4,294,205</b>	<b>-</b>	<b>-</b>	<b>393,339</b>
<b>BUDGET 501 (OTRCH) 2024</b>										
Chapter 1	33,000	33,000	-	33,000	-	33,000	1,491	-	-	31,509
Chapter 2	1,667,000	1,667,000	-	1,667,000	-	1,667,000	1,346,132	-	-	320,868
<b>TOTAL</b>	<b>1,700,000</b>	<b>1,700,000</b>	<b>-</b>	<b>1,700,000</b>	<b>-</b>	<b>1,700,000</b>	<b>1,347,623</b>	<b>-</b>	<b>-</b>	<b>352,377</b>
<b>TOTAL FY2024</b>	<b>88,445,210</b>	<b>88,445,210</b>	<b>(4,800,000)</b>	<b>83,645,210</b>	<b>-</b>	<b>83,645,210</b>	<b>57,537,383</b>	<b>274,800</b>	<b>17,090,429</b>	<b>8,742,598</b>
<b>BUDGET 301 (IMS) 2023</b>										
Chapter 2	22,549,151	22,549,151	-	22,549,151	(5,200,000)	17,349,151	16,502,185	-	250,340	596,626
<b>TOTAL</b>	<b>22,549,151</b>	<b>22,549,151</b>	<b>-</b>	<b>22,549,151</b>	<b>(5,200,000)</b>	<b>17,349,151</b>	<b>16,502,185</b>	<b>-</b>	<b>250,340</b>	<b>596,626</b>
<b>BUDGET 302 (NSO)2023</b>										
Chapter 2	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL FY2023</b>	<b>22,549,151</b>	<b>22,549,151</b>	<b>-</b>	<b>22,549,151</b>	<b>(5,200,000)</b>	<b>17,349,151</b>	<b>16,502,185</b>	<b>-</b>	<b>250,340</b>	<b>596,626</b>
<b>TOTAL ALL BUDGETS</b>	<b>110,994,361</b>	<b>110,994,361</b>	<b>(4,800,000)</b>	<b>106,194,361</b>	<b>(5,200,000)</b>	<b>100,994,361</b>	<b>74,039,569</b>	<b>274,800</b>	<b>17,340,769</b>	<b>9,339,223</b>

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The budget covers the financial year from 1 January 2024 to 31 December 2024 and includes the following budgets: 301 (IMS), 302 (NSO) and 501 (Outreach). 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 lapses are mainly due to delays in the execution of the OCIO and NDS PoWs and OCIO UCRs, and delays in recruitment.

In 2024 the IMS transferred 10 million EUR (of which 5.2 million EUR was from 2023 special carry forward appropriations) to ACO for Obsolescence Management, as approved by the BC.

The credits carried forward (total 17,615,569 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 8).

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)	<b>2024</b>
<b>Total expenses, Statement of Financial Performance</b>	74,090,380
Depreciation (see note 5 )	(39,480)
Finance costs	(11,331)
<b>Total expenses, Budget Execution Statement</b>	<b><u>74,039,569</u></b>