



17 February 2026

NATO UNCLASSIFIED

**DOCUMENT
PO(2026)0045-AS1**

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS OF THE NATO
ALLIANCE GROUND SURVEILLANCE MANAGEMENT ORGANISATION IN
LIQUIDATION (NAGSMO i.L.)**

ACTION SHEET

On 17 February 2026, 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 NAGSMO i.L., 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(2026)0045.

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10 February 2026

**DOCUMENT
PO(2026)0045
Silence Procedure ends:
17 Feb 2026 – 17.30**

To: Permanent Representatives (Council)

From: Secretary General

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS OF THE NATO
ALLIANCE GROUND SURVEILLANCE MANAGEMENT ORGANISATION IN
LIQUIDATION (NAGSMO i.L.)**

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 NATO Alliance Ground Surveillance Management Organisation in Liquidation (NAGSMO i.L.).

2. I do not believe this issue requires further discussion in Council. Therefore, **unless I hear to the contrary by 17.30 on Tuesday, 17 February 2026**, 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 NAGSMO i.L., 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
ALLIANCE GROUND SURVEILLANCE MANAGEMENT ORGANISATION IN
LIQUIDATION (NAGSMO i.L.)**

DECISION

Reference: IBA-A(2025)0112

IBAN Audit Report

The Resource Policy and Planning Board:

1. Considered the IBAN Audit Report on the 2024 Financial Statements of the NATO Alliance Ground Surveillance Management Organisation in Liquidation (NAGSMO i.L.) for which IBAN issued an unqualified opinion on the 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 NAGSMO i.L. 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)0112
26 November 2025

To: Secretary General
(Attn: Chief of Staff and Director of the Office of the Secretary General)

Cc: NATO Permanent Representatives
Chair, NATO Alliance Ground Surveillance Management Organisation in Liquidation (NAGSMO i.L.), Board of Directors
Deputy Chair, NATO Alliance Ground Surveillance Management Organisation in Liquidation (NAGSMO i.L.), Board of Directors
Chair, Resource Policy and Planning Board (RPPB)
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 Alliance Ground Surveillance Management Organisation in Liquidation (NAGSMO i.L.) Financial Statements for the year ended 31 December 2024 – IBA-AR(2025)0024***

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 NAGSMO i.L. and an unqualified opinion 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 Alliance Ground Surveillance Management Organisation in Liquidation
(NAGSMO i.L.)
for the year ended 31 December 2024**

The NATO Alliance Ground Surveillance Management Organisation (NAGSMO) was created within NATO for the acquisition of the Alliance Ground Surveillance (AGS) Core System.

Based on Council decision (PO(2021)0449), NAGSMO was put into liquidation starting 1 April 2022, and since that date, NAGSMO's title is followed by the terms "*in Liquidation*" in accordance with the Rules Governing the Dissolution of NATO Production Organizations (C-M(66)9).

On 31 March 2022, the NATO Alliance Ground Surveillance Management Agency (NAGSMA) delivered the AGS system and handed over the system to NATO Support and Procurement Agency (NSPA) for lifecycle Operations and Maintenance. The executive body was dissolved per North Atlantic Council decision and the liquidating body Office for Liquidation (OfL) was established from 1 April 2022. OfL was tasked to finalise all pending contractual activities, render final payments for the AGS core system and transfer all NAGSMA record to NATO Archives following NATO regulations.

Since all operational activities ceased on 31 December 2023, the Liquidator and the OfL were closed down. Since 1 January 2024, NAGSMO i.L has consisted of the Board of Directors (BoD), the Vice-Chair, and the Chair. As all operational activities ceased on 31 December 2023 when the OfL closed down, the BoD did not provide NAGSMO i.L with any budget for 2024.

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.

Following a request of NAGSMO i.L. to correct a material misstatement identified by IBAN during the course of the audit, we agreed to audit the restated financial statements communicated to us on 26 September 2025. As described in Observation 1, without this correction, the NAGSMO i.L 2024 Financial Statements would have included a material misstatement leading to a qualified audit opinion on

the Financial Statements.

IBAN followed up on the status of observations and recommendations from the previous years' audits and found that one was closed and two remain open.

The Audit Report was issued to NAGSMO i.L., which made no comments in return.

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IBA-AR(2025)0024

26 November 2025

INTERNATIONAL BOARD OF AUDITORS FOR NATO

**AUDIT REPORT ON THE FINANCIAL STATEMENTS OF THE
NATO ALLIANCE GROUND SURVEILLANCE MANAGEMENT ORGANISATION
IN LIQUIDATION**

(NAGSMO i.L.)

FOR THE YEAR ENDED 31 DECEMBER 2024

PUBLICLY DISCLOSED - PDN(2026)0017 - 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 Financial Statements of the NATO Alliance Ground Surveillance Management Organisation in Liquidation (NAGSMO i.L.), for the 12-month period ended 31 December 2024, issued under document reference NAGSMO i.L/BOD/2025/004-REV2, and resubmitted to IBAN on 26 September 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 NAGSMO i.L. 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 NAGSMO i.L. 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).

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 Liquidator of NAGSMO i.L. 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 November 2025



Sébastien Lepers
Chair

OBSERVATIONS AND RECOMMENDATIONS

IBAN made one observation and recommendation that 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 two remain open and one was closed.

The Audit Report was issued to NAGSMO i.L 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 the NATO Accounting Framework (NAF), 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."*

1.2 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.

1.3 According to Article 2 of the Rules Governing the Dissolution of NATO Production Organizations (C-M(66)9):

- (a) The Production Organization in Liquidation shall be composed of the Board of Directors and a Liquidator.*
- (b) The Liquidator shall be appointed by the Board of Directors. He shall act, under the control of the Board, as the executor of the Production Organization in liquidation, thus replacing the Executive Body.*
- (c) Documents and contracts signed by the Liquidator shall indicate that they have been signed by the Liquidator in this capacity and in the name of the Production Organization in liquidation.*

Observations

1.4 IBAN found a material misstatement in the 2024 NAGSMO i.L. Financial Statements first submitted to IBAN on 27 March 2025, as described below. This material misstatement was corrected in a resubmission of the Financial Statements on 26 September 2025. Without this correction, the 2024 NAGSMO i.L. Financial Statements would have included material errors leading to a qualified audit opinion on the Financial Statements.

1.5 IBAN found that accrued expenses and the corresponding revenue related to contractual services provided by NATO Support and Procurement Agency (NSPA) were understated by EUR 98,500 due to incomplete accounting entries. Specifically, IBAN found that NAGSMO i.L. did not record the accrual arising from the Service Level Agreement (SLA) concluded with NSPA in 2024, under which NSPA provides financial support services and acts as the Treasury for NAGSMO i.L. funds. The annual amount of EUR 98,500, as stipulated in the signed SLA, was therefore omitted from the financial statements.

1.6 The above corrected misstatement indicates that adequate internal control activities were not implemented for the preparation, review and reporting of the Financial Statements to avoid material misstatements or errors in disclosures.

Recommendation

1.7 IBAN recommends NAGSMO i.L. to ensure that adequate internal control activities are implemented for the preparation of the financial statements, to provide a reasonable basis for obtaining assurance that financial statements are presented in compliance with the NATO Accounting Framework 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) NAGSMO i.L. FY 2023 IBA-AR(2024)0005, paragraph 1.19</p> <p>FINANCIAL CONTROLLER POSITION NOT ESTABLISHED IN THE SET-UP OF NAGSMO i.L.</p> <p>IBAN’s Recommendation IBAN recommends for future liquidations that Council task the appropriate governing body to ensure that the Rules Governing the Dissolution of NATO Production Organizations (C-M(66)9) provide a clear framework regarding maintaining compliance with the NATO Financial Regulations, including the function of the Financial Controller and adequate internal controls.</p>	<p>The Council invited the International Staff to initiate a review of the Rules Governing the Dissolution of NATO Production Organizations (C-M(66)9) in 2024, with oversight from the relevant committees, to ensure they provide a clear framework regarding maintaining compliance with the NFRs, including the function of the Financial Controller and adequate internal controls.</p> <p>IBAN was not informed of any review initiated in 2024 concerning the Rules Governing the Dissolution of NATO Production Organizations (C-M(66)9). As a result, this recommendation is considered as Open. Open.</p>	<p>Observation Open.</p>
<p>(2) NAGSMO i.L. FY 2023 IBA-AR(2024)0005, paragraph 2.10</p> <p>NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS</p> <p>IBAN’s Recommendation IBAN recommends NAGSMO i.L. to ensure that adequate internal control processes are in place for the preparation of the financial statements, to provide a reasonable basis for obtaining assurance that financial statements are presented in compliance with the NATO Accounting Framework and NATO Financial Regulations (NFRs).</p>	<p>This recommendation related to the responsibilities of the Financial Controller related to internal control. IBAN identified a material misstatement in the initially submitted NAGSMO i.L. 2024 Financial Statements. However, considering that NAGSMO i.L. has completed the mission for which it has been created, as confirmed by the fact that no budget execution was</p>	<p>Observation Closed.</p>

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
	<p>presented in 2024, IBAN considers that the absence of a Financial Controller is no longer relevant going forward. This recommendation can therefore be considered as superseded by the first observation in this Report, and therefore Closed.</p> <p>Closed.</p>	
<p>(3) NAGSMO i.L. FY 2023 IBA-AR(2024)0005, paragraph 3.21</p> <p>NON-COMPLIANCE WITH THE PROVISIONS OF C-M(66)9 DUE TO NOT APPOINTING A LIQUIDATOR UNTIL COMPLETION OF THE LIQUIDATION</p> <p>IBAN's Recommendation IBAN recommends that Council task the appropriate governing body to:</p> <p>a) Ensure that the 'Rules Governing the Dissolution of NATO Production Organisations (C-M(66)9)' are aligned with, and as such are adapted to, the financial reporting requirements and the responsibilities of the Head of NATO Body and the Financial Controller as stipulated in the NFRs;</p> <p>b) Assess whether there is a need for appointing a Liquidator external to the organisation in liquidation in order to complete the liquidation of a NPLSO, and to revise the 'Rules Governing the Dissolution of NATO Production Organisations (C-M(66)9)' accordingly if needed.</p>	<p>Following IBAN's recommendation, the Council invited the International Staff to initiate a review of the Rules Governing the Dissolution of NATO Production Organizations (C-M(66)9) in 2024, with oversight from the relevant committees, to ensure they provide a clear framework regarding maintaining compliance with the NFRs, including the function of the Financial Controller and adequate internal controls.</p> <p>IBAN was not informed of any review initiated in 2024 concerning the Rules Governing the Dissolution of NATO Production Organizations (C-M(66)9). As a result, sub-recommendations a) and b) are considered as Open.</p> <p>Open.</p>	<p>Observation Open.</p>

**NATO ALLIANCE GROUND SURVEILLANCE MANAGEMENT ORGANISATION
IN LIQUIDATION (NAGSMO i.L.) FORMAL COMMENTS ON THE AUDIT REPORT
AND THE INTERNATIONAL BOARD OF AUDITORS (IBAN) POSITIONS**

NAGMOiL's Formal Comments

NAGSMOIL have no factual or formal comments to the draft report.

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.

NAGSMOIL

2024

FINANCIAL STATEMENTS



**Covering the period 1 January – 31 December
2024**

PUBLICLY DISCLOSED - PDN(2026)0017 - MIS EN LECTURE PUBLIQUE

INTRODUCTION

Based on the request by the fifteen participating nations and North Atlantic Council (NAC) agreement, on the 31 March 2022 NATO Alliance Ground Surveillance Management Agency (NAGSMA) was dissolved and ceased to exist as agent of NATO Alliance Ground Surveillance Management Organisation (NAGSMO) and on 1 April 2022, NAGSMO entered into Liquidation. Therefore, in line with NATO C-M(66)9 dated 31 January 1966, it is referred to as NAGSMOIL.

This Financial Statement (FS) represent the consolidated activities of the NAGSMOIL in 2024.

THE NATO ALLIANCE GROUND SURVEILLANCE PROGRAMME

NAGSMO acquired as an agent a NATO owned and operated Alliance Ground Surveillance (AGS) system that gives commanders an up-to-date picture of the situation on the ground throughout a wide area of interest. The AGS Core capability enables the Alliance to perform persistent surveillance over wide areas from high-altitude, long-endurance (HALE), unmanned air platforms operating at considerable stand-off distances and in any weather or light condition. Using advanced radar sensors, the AGS Core continuously detects and tracks moving objects throughout the observed areas, as well as providing radar imagery of areas and stationary objects.

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

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

On 31 March 2022, NAGSMA delivered the AGS system and handed over the system to the NATO AGS Force (NAGSF)/NATO Support & Procurement Agency (NSPA) for lifecycle Operations and Maintenance. The executive body was dissolved per NAC decision and the liquidating body Office for Liquidation (OfL) was established from 1 April 2022. OfL was tasked to finalize all pending contractual activities, render final payments for the AGS core system and transfer all NAGSMA record to NATO Archives following NATO regulations. On 21 December 2023, Liquidator and OfL had their last working day and their contracts with NAGSMOIL ended 31 December 2023. Since 1 January 2024 NAGSMOIL consists of the Board of Directors (BoD), Vice-Chair and Chair.

NATO ALLIANCE GROUND SURVEILLANCE MANAGEMENT ORGANISATION in LIQUIDATION

The NATO Alliance Ground Surveillance Management Organisation in Liquidation (NAGSMOIL) is a NATO body with the following tasks:¹

- Complete all current business (NAGSMA/NAGSMO).
- Fulfil the obligations of the Production Organisation (NAGSMA).
- Recover the debts due to the Production Organisation (NAGSMA).
- Convert the assets acquired by the Production Organisation into money and distribute the proceeds to its member States in accordance with the provisions of the Charter of the Production Organisation
- Report to Secretary General and NAGSMOIL nations that the liquidation has been completed.

OfL closed down on 31 December 2023 and from 1 January 2024 NAGSMOIL comprises a BoD with Representatives from the Participating Nations. The BOD is the principal for liquidation

Service Support/Level Agreement

Chair BoD have signed service support agreement with NSPA for financial support and acting as Treasury of NAGSMOIL

In all respects of NAGSMOIL related activities, the Chair is fully accountable for the responsibilities assigned to them and make the final decisions on all matters related to the execution of NAGSMOIL tasks.

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

The NAGSMO FMPD-FRP conforms to the provisions of the NATO Financial Regulations. At the start of the Liquidation phase on the 1st of April 2022, there were changes to the structure, setup, organizational chart and governance bodies in NAGSMO. These changes are not reflected in the NAGSMO FMPD-FRP document. This inconsistency between the governance document and the actual situation is recognized as a potential compliance issue and may cause an uncertain situation with regards to sound financial management and governance. In order to mitigate the risk, interim governance measures are applied insofar they do not contradict pertinent BoD decisions.²

NAGSMOIL 2024 Budget

Since all activities ceased on 31 December 2023 when OfL closed down, BoD did not provide Chair with any budget.

Major Achievements FY 2024:

¹ C-M(66)9

² This has already been discussed in IBAN's report (IBA-AR(2023)0013) on the NAGSMOIL FS 2022. NAC has noted (PO(2023)0467) the RPPB report and the IBAN Audit Report.

NAGSMOIL focused the activities on achieving the following:

- Fulfil the obligations of NAGSMOIL.
- Transfer of BoD correspondence to the NATO archive.

During 2024 NAGSMOIL received 587,233 € (refund FMS and interest from NSPA 2012-2022) and paid 20,869 € based on 9 invoices for activities in 2023. On 31 December 2024 NAGSMOIL had 4,214,194 € in our account at NSPA.

CERTIFICATION

1. The NAGSMOIL 2024 Financial Statements are submitted to the International Board of Auditors for NATO.
2. The Financial Statements will be audited in accordance with the following reference documents:
 - i. The NAGSMO FMPD-FRP conform to the NFRs, Part II as approved by the North Atlantic Council (NAC) in C-M(2015)0025.
 - ii. PO(2002)109, dated 23 July 2002: the document from the NAC adopting IPSAS, including the accrual and going concern assumptions, as the applicable accounting standards for all NATO entities effective for the financial year of 2006.
 - iii. The NATO Accounting Framework has been developed to provide minimum requirements for financial reporting for all NATO Reporting Entities following approval of C-M(2016)0023 by the North Atlantic Council on 29 April 2016 of an IPSAS-adapted accounting framework for the Alliance.
3. The NAGSMOIL Financial Statements are certified by Chair BOD to the best of his knowledge and according to the applicable accounting standards to give a true and fair view of the assets, liabilities, financial position and financial performance of NAGSMOIL.
4. The NAGSMOIL Financial Statements may be disclosed to the general public.



John-Arne Nyland
Chairman
NAGSMOIL Board of Director

STATEMENT ON INTERNAL CONTROL

This statement of internal control applies to the Financial Statements of NAGSMOIL.

Scope of responsibility

- The Chair acknowledges responsibility for the correct use of funds made available to NAGSMOIL and for maintaining a sound system of internal control that supports the achievement of NAGSMOIL’s mandate under its NATO Charter, whilst safeguarding the public funds and assets.
- Funds received are recorded, accounted and managed through NSPA AGS & UAS Program office.

The Board of Directors approved the NAGSMO Financial Management Procedures Document-Financial Rules and Procedures (FMPD-FRP) to provide guidance on the proper handling and reporting of public funds. The FMPD-FRP sets out the relevant financial rules and procedures in accordance with the NATO Financial Regulations, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety. Chair BoD applies the NAGSMO FMPD-FRP document insofar it does not contradict pertinent BoD decisions.

Purpose of the System of Internal Control

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

Risk and Control Framework

The system of internal control is based on an ongoing process designed to identify the key risks to the achievement of goals and objectives, to evaluate the nature and extent of those risks and to manage them efficiently and effectively. NAGSMOIL is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area.

Review of Effectiveness

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

- Comments made by the external auditors in their management letters and other reports. Appropriate action is in place to address any weaknesses identified and to ensure the continuous improvement of the system. During 2024, no material instances of failure to the internal control system were reported that should be brought to your attention.

John-Arne Nyland
 Chairman
 NAGSMOIL Board of Director

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**NAGSMOIL – Statement of Financial Position
as at 31 Dec 2024
(all amounts in Euro)**

		Notes	Current Year	Prior Year
		Annex B	31-Dec-24	31-Dec-23
Assets				
	Cash and cash equivalents	BO1	0	0
	Receivables	BO2	6,673	581,690
	Other current assets and prepayments	BO3	4,214,194	3,647,830
	Other non-current asset	BO4	94,783	0
Total Assets			4,315,650	4,229,520
Liabilities				
	Payables	BO5	101,456	23,750
	Short term provisions	BO7	26,000	26,000
	Other current liabilities	BO8	4,188,194	4,179,770
Total Liabilities			4,315,650	4,229,520

**NAGSMOIL – Statement of Financial Performance
for the year ended 31 Dec 2024
(all amounts in Euro)**

		Notes	Current Year	Prior Year
		Annex C	2024	2023
Revenue				
	Non-exchange transactions	CO1	98,500	2,726,462
Total Revenue			98,500	2,726,462
Expenses				
	Personel	CO2	0	2,098,761
	Contractual supplies and services	CO3	98,500	627,701
Total expenses			98,500	2,726,462
Net Surplus			0	0

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NAGSMOIL – Cash Flow Statement (Indirect Method)
for the year ended 31 Dec 2024
(all amounts in Euro)

	Notes	Current Year	Prior Year
	Annex D	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES			
Cash flow from operating activities and other activities			
Net surplus/(deficit)		0	0
Decrease/(increase) Current assets			
Other current assets and prepayments		(566,364)	(3,609,308)
Other non-current assets		(94,783)	(0)
Receivables		575,017	(564,546)
Total decrease/(increase) Current assets		86,130	(4,173,854)
Increase/(decrease) Current liabilities			
Short term provisions		0	(12,522)
Other current liabilities		8,424	(6,288,297)
Payables		77,706	(1,577,164)
Advances and deferred revenue		0	(5,403,106)
Total Increase/(decrease) Current liabilities		86,130	(13,281,089)
NET CASH FLOW FROM OPERATING ACTIVITIES		0	(17,454,943)
Incr/(decr) Long -term payables		0	0
NET CASH FLOW FROM INVESTING ACTIVITIES		0	0
NET CASH FLOW FROM FINANCING ACTIVITIES		0	0
NET INCREASE/(DECREASE) CASH AND EQUIVALENTS		0	(17,454,943)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		0	17,454,943
CASH AND CASH EQUIVALENTS AT END OF PERIOD		0	0

Notes to the Financial Statements for the year ending 31 Dec 2024

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- C. Notes to the Statement of Financial Performance
- D. Notes to the Cash Flow Statement
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- F. General Notes to the Financial Statements

ANNEX A Basis of Preparation and Accounting Policies

A01 Basis of preparation

The Financial Statement (FS) has been prepared on the accrual basis of accounting in accordance with the International Financial Reporting Standards (IFRS/IAS) as adopted by NAC in 2002. In 2013 and 2016 NAC approved an adaptation to IPSAS to better suit the specific requirement of NATO and associated Accounting Framework.

FS has been prepared in accordance with NATO Accounting Framework, the NATO Financial Regulations (NFR) and NAGSMO Financial Management Procedures Document and Financial Rules and Regulations (FMPD-FRP).

This financial statement represents the consolidated activities of NAGSMOIL. All transactions are reflected in this document.

A02 Significant Accounting Policies

Accounting as a Procurement Agent

IPSAS draw a distinction between transactions that an entity undertakes on its own behalf (principal) and those on behalf of other (agent). NAGSMA was considered as a procurement agent and acted as an agent in accordance with a mandate set by the participating Nations (principal). Since 2024, based on the agreement with NSPA, NSPA is the agent and NAGSMOIL is the principal for liquidation.

Foreign Currency Translation

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

Financial instruments

NAGSMOIL is aware of the risks associated with financial instruments and is bound by NAGSMO Financial Management Procedures Document and Financial Rules and Regulations to keep this risk very low. OfL uses only non-derivate financial instruments (bank and deposit accounts).

Liquidity risk: There is a very limited exposure to liquidity risk because the funding for 2024 is based on prepaid contributions from nations.

Credit risk: There is a very limited credit risk and NAGSMOIL used NSPA as treasury.

Cash and Cash Equivalents includes cash held with the banks.

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

Other Current Assets and Prepayments include prepayments which are payment in advance of the period to which it pertains as well as bank interest receivable at year end.

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

Advances and Deferred Revenue are contributions called or received related to future years budget. Deferred revenue represents contributions from nations that have been called for current or prior year's budget but that have not yet been recognized as revenue.

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

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

Revenue and Expense Recognition: revenue comprises of contributions from nations to fund the budget. Where a transfer is subject to conditions that, if unfulfilled, require the return of the fund, NAGSMOIL recognizes a liability until the condition is fulfilled.

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

Interest receivable is credited as payables to nations. NSPA has informed the BOD that there is no further interest payment due to NAGSMOIL in either 2023 or 2024.

Representation Allowance is included in FS and are expensed in the period to which they relate, and are paid back directly from payroll or reimbursed.

ANNEX B Notes to the Statement of Financial Position

Notes	Reference	Current Year	Prior Year
		31-Dec-24	31-Dec-23
BO1	Cash and cash equivalents	0	0
	Operational account	0	0
	Administrative account	0	0
BO2	Receivables	6,673	581,690
	Refund due to regularization of Admin support costs 2023		
BO3	Other current assets and prepayments	4,214,194	3,647,830
	On 21 Dec 2023 NAGSMOIL deposited residual funds to NSPA. NSPA functions as Treasury until dissolution of NAGSMOIL. ³		
BO4	Other non-current asset	94,783	0
	Based on NSPA accrued expense.		
B05	Payables	101,456	23,750
	Accruals	101,456	23,750
	Services rendered in 2024 with accrued costs that will be paid in 2025 due to no invoices received in 2024. NSPA SLA signed in 2024 estimates a cost of 98 500, but final invoice will be based on actual costs.		
BO6	Advances and deferred revenue	0	0
	Advance towards budget	0	0
	Deferred revenue	0	0
BO7	Short-term provisions	26,000	26,000
	Two persons that have left OfL (Non-renewal of Contracts) can claim Removal and Travel cost if they decide to move from Belgium to their home country. The rights to claim Removal and Travel cost ends 31 December 2025. After the dissolution this responsibility are transferred to SG according to C-M(66)9		
BO8	Other current liabilities	4,188,194	4,179,770
	Mainly lapsed credits due to be paid to the nations when NAGSMOIL will be dissolved.		

³ NAGSMOIL/INN/2024/009

ANNEX C Notes to the Statement of Financial Performance

Notes	Reference	Current Year	Prior Year
		2024	2023
CO1	Revenue from non-exchange transactions	98,500	2,726,462
Revenue representing funds from nations for expenses incurred during the financial year.			
CO2	Personell	0	2,098,761
CO3	Contractual supplies and services	98,500	627,701

Costs of services used by NAGSMOIL in 2024 associated with the general management and administrative activities. NSPA SLA estimates a cost of 98 500, but invoice will be based on actual costs.

ANNEX D Notes to the Cash Flow Statement

The cash Flow statement is prepared using the indirect method and summarises the cash movement in and out of OfL during the financial year.

ANNEX E Notes to the Budget Execution Statement

The budget is prepared and presented using the accrual basis. The classification basis adopted for the budget is to show expenditure in three chapter for Personell costs, Operating and Maintenance costs⁴ and capital and Investment expenditure.

The actual expenses presented includes accruals (expenses for goods and services delivered before the year-end but not yet invoiced) and therefore reconcile to the expenses in the statement of financial performance after excluding the reversal for the provision for annual leave entitlement. The net commitments are those commitments fir which a contractual obligation has been created before the year-end without the goods and services delivered before the year-end.

EO1 Personell

This category covers mainly salary, allowances, contribution to the employee’s pension scheme and employment insurance.

EO2 Operation and Maintenance

Costs of goods and services used by NAGSMOIL associated with the general management and administrative activities.

EO3 Capital and Investment

Cost for business equipment and software.

⁴ Sometime referred to «Contractual supplies and Service costs”.

ANNEX F General Notes to the Financial Statements

Related party Disclosure

NAGSMOIL have related part relationship with and a number of NATO bodies. All transactions with NATO entities are based on signed Service Level Agreements or similar agreements. Transactions with NATO bodies:

	Current Year 2024	Prior Year 2023
NATO Communication and Information Agency	0	190,066
NATO Support and Procurement Agency	98,500	524
NATO International Staff	0	111,776
	98,500	302,366

NAGSMOIL has an SLA with NSPA that estimates a cost of 98 500 for 2024, but invoice will be based on actual costs. No transaction with NSPA in 2024 since no invoice has been received.

Compensation of key management personnel

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

	Current Year 2024	Prior Year 2023
Basic salaries	0	129,709
Allowances	0	12,382
Employer’s contribution to Insurance	0	13,828
	0	155,919

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