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31 March 2026

DOCUMENT
PO(2026)0090-AS1

**IBAN REPORT ON THE RESULTS OF THE 2024 NSIP AUDITS AND FOLLOW-UP
RECOMMENDATIONS FROM NSIP SPECIAL REPORTS**

ACTION SHEET

On 31 March 2026, under the silence procedure, the Council noted the RPPB report at Annex to PO(2026)0090 and approved its conclusions, noted the IBAN report enclosed to PO(2026)0090, and approved the public disclosure of the IBAN report and the RPPB report.

(Signed) Mark RUTTE
Secretary General

NOTE: This Action Sheet is part of, and shall be attached to PO(2026)0090.

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24 March 2026

**DOCUMENT
PO(2026)0090
Silence Procedure ends:
31 Mar 2026 –17.30**

To: Permanent Representatives (Council)

From: Secretary General

**IBAN REPORT ON THE RESULTS OF THE 2024 NSIP AUDITS AND FOLLOW-UP
RECOMMENDATIONS FROM NSIP SPECIAL REPORTS**

1. I attach the Resource Policy and Planning Board (RPPB) report and recommendations to Council on the International Board of Auditors for NATO (IBAN) audit report on the 2024 NSIP audits and follow-up recommendations from NSIP special reports.
2. I do not believe this matter requires further discussion in Council. Therefore, **unless I hear to the contrary by 17.30 on Tuesday, 31 March 2026**, I shall assume that Council has noted the RPPB report and approved its conclusions, noted the IBAN report and approved the public disclosure of the IBAN report and the RPPB report.

(Signed) Mark RUTTE

1 Annex
1 Enclosure

Original: English



**IBAN REPORT ON THE RESULTS OF THE 2024 NSIP AUDITS AND FOLLOW-UP
RECOMMENDATIONS FROM NSIP SPECIAL REPORTS****Report by the Resource Policy and Planning Board**

References:

A)	IBA-A(2025)0040	Report on the Results of the 2024 NSIP audits and Follow-up on Recommendations from NSIP Special Reports
B)	C-M(2020)0010	Audit of the NSIP - IBAN Proposed Changes
C)	PO(2022)0118 (INV)	IBAN Special Reports Related to the Close-out of NSIP Projects
D)	PO(2023)0363	Council Tasking to Close-out Completed Projects

INTRODUCTION

1. At reference A, the International Board of Auditors for NATO (IBAN) issued a report containing both a summary of the results of NSIP audits performed in 2024 and follow-up on recommendations from previous NSIP special reports.

AIM

2. This report highlights the key findings by the IBAN on the results of NSIP audits and presents the Resource Policy and Planning Board's (RPPB) considerations and recommendations to the Council.

BACKGROUND

3. Further to the 2020 Council-agreed changes to NSIP audits (reference B), the IBAN submitted two Special Reports to the Council in 2020 and 2021 respectively that address the close-out of NSIP projects: one on NSIP Lump Sum Conversions and another on the new approach to NSIP audits and its impact on accountability. Both reports were addressed by the RPPB, on advice of the Investment Committee (IC) which agreed ten measures to improve transparency, accountability and compliance, and were forwarded to Council (reference C). In reviewing the status of implementation of its recommendations from these two Special Reports on NSIP, the IBAN highlights the actions taken by the IC and the RPPB in addressing these, where two recommendations remain yet to be closed, namely to develop a compendium of applicable NSIP regulations and for all Host Nations to confirm that their archiving policies are fully aligned with NSIP rules.

DISCUSSION***Summary of Results from the 2024 NSIP Audits***

4. In 2024, the IBAN issued 60 audit opinions on projects for which the expenditures presented by Host Nations in the cost statements amounted to EUR 283 million, where there were 30 unmodified¹ and 30 modified² audit opinions. With respect to the modified audit opinions for the period 2024, 93% (28 out of 30) of them relates to non-compliance affecting only a part of the expenditures presented in the cost statements, 7% (2 out of 30) of the modified audit opinions for the same period were considered pervasive as the non-compliance affected all expenditures incurred for the project.

5. The RPPB notes the clarifications from IBAN regarding the difficulty in determining a meaningful year-on-year assessment on the quality of the results of NSIP audits, given the variance in nature of the projects audited. The RPPB also notes the IBAN's conclusion that the number of modified opinions is higher for projects authorised before 2000, due to the increased likelihood of missing documentation and Host Nation personnel with knowledge of the project being no longer available. The IBAN found that 14 of the projects that received a modified opinion in 2024 had a delay of five years or more between the physical completion and the request for technical inspection, with an average of additionally 3.7 years before they were submitted to the IBAN for audit. The RPPB is concerned about how this time lapse of more than eight years affects the number of modified audit opinions by IBAN.

Status of the Closure of Completed NSIP Projects under the Council Tasking

6. In 2023, the Council noted the final report (reference D) by the RPPB, on advice of the IC, in response to the 2014 tasking to develop a plan to close all existing completed NSIP projects, noting the IC's assessment of the tasking as essentially complete: projects amounting to 94% of the overall value of the projects covered by the tasking were either fully closed, audited but awaiting final discharge of Host Nations' financial responsibilities or submitted for audit. The IC continues monitoring the completion of this task as part of the regular reports on closure of projects. The IBAN reports that as at 31 December 2024, 248 projects amounting to EUR 1.6 billion remain to be closed. The RPPB notes the effort to close out projects, and that the number of projects with corresponding amounts that

¹ An unmodified opinion is when IBAN issues an opinion on compliance of expenditures incurred in the cost statement and prepared by the Host Nation stating that nothing has come to our attention that causes us to believe that the expenditures incurred have not been carried out in compliance with the NSIP regulations in force.

² A modified opinion means one of the following opinions on compliance by IBAN: a) some elements of the cost statement are affected by a scope limitation, or that specific issues have come to their attention that causes IBAN to believe that some expenditures incurred have not been carried out in compliance with the NSIP regulations in force; b) the effect of an error, missing documentation or a disagreement is so pervasive and material that IBAN concludes that all expenditures incurred of the project have not been carried out in compliance with the NSIP regulations in force; c) no opinion can be expressed because the cost statement is missing, the inherent documentation was intentionally not provided, or because the scope of the audit is severely limited due to material uncertainties affecting whether expenditures incurred have been carried out in compliance with the NSIP regulations in force.

remain to be closed has decreased from 2023³. The RPPB further notes ongoing initiatives in the IC to explore options in order to optimize and streamline efforts for a better use of resources on the NSIP projects close-out.

7. The RPPB acknowledges the IBAN's concern that despite the audit requests submitted by Host Nations, many projects were not audit ready. The pending technical acceptance, either due to requests not submitted by Host Nations or inspections not conducted by the Staff, remains the primary reason. However, there are also cases of Host Nations needing more time to prepare the supporting documentations and ongoing legal proceedings which could impact final expenditures, as reported by the IBAN. With regards to auditing projects with ongoing legal proceedings, the RPPB recalls its invitation to the International Staff to recommend to the IC, on a case-by-case basis, an approach for handling completed projects with ongoing legal proceedings.

Implementation of IBAN Recommendations from Two Special Reports on NSIP

8. The IBAN followed up on the recommendations from its 2020 special report on Lump Sum Conversions (reference C), namely to develop a compendium of applicable NSIP regulations, including the responsibilities as a Host Nation for implementing NSIP projects. The RPPB notes the IBAN's view that the NSIP regulations are laid down in various documents and not easily accessible to Host Nations, and that a single compendium would help Host Nations ensure that all regulations are being followed. The RPPB understands that meeting the desired outcome of the IBAN recommendation for a single compendium could be achieved as long as the updated NSIP Manual ensures that all applicable NSIP regulations are easily and readily accessible to Host Nations. The RPPB recalls its invitation to the International Staff to prioritise this work, which is currently scheduled to be completed by the end of 2025.

9. Moreover, in response to the IBAN's recommendation, in 2021 the IC invited all Host Nations to confirm that their archiving policies are fully aligned with NSIP rules or, if not, what steps would be undertaken to adjust these accordingly. The RPPB recalls the invitation to confirm this by no later than June 2025, and one Host Nation has still not responded to the invitation⁴.

³ At the end of 2023, 358 projects amounting to EUR 2.3 billion remained to be closed.

⁴ AC/4-N(2025)0009.

CONCLUSIONS

10. The RPPB acknowledges the higher number of modified audit opinions for older projects and considers that the IC should aim to close them as soon as possible. The RPPB highlights the need for Host Nations to submit requests for technical inspection and audit within IC agreed timelines.

11. The RPPB recalls the invitation to the International Staff to prioritize the update of the NSIP Manual and to ensure that the NSIP regulations are easily accessible to Host Nations, and notes that this work is scheduled to be completed on-time by the end of 2025.

RECOMMENDATIONS

12. The Resource Policy and Planning Board:

12.1. invites the IC to continue monitoring project closure and aim to close projects as soon as possible;

12.2. reminds the remaining Host Nation to confirm that its archiving policies are fully aligned with NSIP rules or, if not, what steps would be undertaken to adjust these accordingly, in a letter to the IC Chair as soon as possible and no later than the end of 2025;

12.3. recommends that Council:

12.3.1. note the IBAN report at reference A;

12.3.2. note this report and approve the conclusions;

12.3.3. approve the public disclosure of this report and the IBAN report on the results of the 2024 NSIP audits and follow-up on recommendations from NSIP special reports, in line with the provisions of PO(2015)0052.



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

Brussels - Belgium



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IBA-A(2025)0040
18 June 2025

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

Cc: NATO Permanent Representatives
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) Report on the Results of the 2024 NSIP audits and Follow-up on Recommendations from NSIP Special Reports – IBA-AR(2025)0007***

IBAN submits herewith the approved Report on the Results of the 2024 NSIP audits and Follow-up on Recommendations from NSIP Special Reports for distribution to the Council. Considering its strategic and forward-looking nature, I would be pleased to present the Report to the Council for discussion.

Yours sincerely,

Radek Visinger
Chair

Attachments: As stated above.

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REPORT

on the Results of the 2024 NSIP Audits
and Follow-up on Recommendations
from NSIP Special Reports



FOREWORD BY THE CHAIR

On behalf of the International Board of Auditors for NATO (IBAN), I am pleased to share with you this “Report to the North Atlantic Council (Council) on the Results of 2024 NATO Security Investment Programme (NSIP) Audits and Follow-up on Recommendations from NSIP Special Reports”. Its purpose is to provide easy to understand aggregated information on the results of our NSIP audits and thus enable the Council to better oversee and account for the NSIP.

The NSIP is NATO’s core capital investment programme. It is an essential common funded resource pillar, designed to enhance and upgrade NATO assets, in order to obtain military capabilities that exceed national defence requirements of individual Nations.

In June 2018, NATO adopted a new governance model for common funded capability delivery, which, among others, aims to ensure clearer roles, responsibilities and increased accountability. In June 2020, following IBAN’s recommendations, Council further strengthened the accountability of NSIP by approving some improvements to the audit of NSIP expenditures. With the new audit approach, IBAN issues an Independent External Auditors Report to Council, by delegation to the Investment Committee, providing independent assurance to governance on the expenditures incurred and their compliance with regulations in force. This independent assurance assists governance in discharging Host Nations from their responsibilities for their projects. Further steps were taken by the Investment Committee in July 2024 with the approval of a formal ‘Policy and Procedures for Project Financial Closure and Host Nation Discharge’. This policy sets out the criteria for discharge of Host Nations from their financial responsibilities tied to an NSIP project and is an important element of good governance and stewardship of public funds.

Further progress in key areas such as internal controls and documentation would lead to more effective governance and accountability of NSIP expenditures. The development and issuance of a compendium of applicable rules concerning NSIP would also support Host Nations in understanding and addressing their responsibilities for the implementation of NSIP projects from the planning phase until the final discharge of their financial responsibilities.



Radek Visinger
Chair
International Board of Auditors for NATO



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1. IBAN'S RESPONSIBILITIES REGARDING NSIP AUDITS

1.1 The NATO Security Investment Programme (NSIP)

1.1.1 NATO established the NATO Security Investment Programme (NSIP) in 1951 as its core capital investment programme and one of the common funded resource pillars. It is designed to enhance and upgrade NATO assets in order to obtain military capabilities that exceed national defence requirements of individual Nations.

1.1.2 The programme funds the development, construction and implementation of military capabilities required by the NATO Strategic Commands (Allied Command Operations (ACO) and Allied Command Transformation (ACT)) to complete their missions. The common funding eligibility rules focus on the provision of requirements, which are over and above requirements expected to be made available by individual Nations. For example, NSIP can be used to provide, restore or enhance fixed infrastructure (such as new buildings or repairing airfields), communication information systems (such as new software and hardware) or deployable strategic equipment (such as military transport vehicles). NSIP may also fund Alliance Operations and Mission requirements based on special eligibility rules, where common funds cover costs that are not attributable to a single nation.

1.1.3 The NSIP main stakeholders, apart from the North Atlantic Council (Council), are the Resource Policy and Planning Board (RPPB), the Investment Committee (IC), the Military Committee and the Strategic Commands, supported by the International Staff (IS) and International Military Staff, and Host Nations. A NSIP Host Nation can be the country on whose territory the project is implemented (territorial Host Nation) or a NATO Agency or Strategic Command. Host Nations are responsible for the implementation of authorised NSIP projects.

1.1.4 The IC, which operates under delegated authority from the RPPB, is the responsible governance body for the implementation of NSIP. It governs NSIP at project level (for example approves the project level authorisation and procurement strategy), monitors and controls the implementation status and progress of all projects programmed, and performs the technical and financial discharge of Host Nations' responsibilities for the implementation of the projects. The IC is accountable to the RPPB, who in turn is accountable to Council for the overall management and performance of the NSIP.

1.2 IBAN's Mandate regarding NSIP Audits

1.2.1 In accordance with Article 1 of its Charter, the International Board of Auditors for NATO (IBAN) is mandated to audit the NSIP on behalf of the Council. IBAN's mandate regarding NSIP audits covers NATO Nations as well as NATO entities receiving common funding from NSIP.

1.2.2 The function of IBAN regarding NSIP in accordance with Article 2 of the IBAN Charter is:

“To provide independent assurance and advice to the Council and, through their Permanent Representatives, the Governments of member countries that: [...]

- *the expenditures incurred by member countries (Host Nations) or NATO bodies in respect of the NSIP have been carried out in compliance with the regulations in force (NSIP audit).”*

1.2.3 In addition to NSIP audits, in accordance with Article 2 of our Charter, IBAN’s functions also cover financial statements audit of NATO Reporting Entities and performance audit.

1.2.4 According to the IC Implementation Management Procedure, an audit request should be submitted to IBAN not later than six months following the request for a technical inspection of the project. IBAN conducts the audit of NSIP expenditures per project based on the audit request received from the Host Nation responsible for the implementation of the authorised project. It should be noted that according to NSIP regulations, some types of NSIP projects are not subject to audit by IBAN, such as the ones related to NCIA Project Service Costs, as they are authorised as a fixed firm (lumpsum) authorisation.

1.2.5 IBAN will not perform the audit if a technical inspection has not yet been performed covering the full scope of the works implemented. The technical inspection and the inspection report accepted by the IC provides IBAN with audit evidence of the existence of the asset developed or constructed and the implementation of the physical scope as authorised and reflected in procurement contracts (technically in line with requirements).

1.2.6 IBAN conducts its NSIP audits in phases, including audit planning, audit fieldwork and audit reporting. As part of the audit fieldwork phase, our audit teams perform audit tests and generally conduct on-site visits at the premises of the Host Nations in order to have extensive dialogue and interactions with the auditees. At the end of an on-site visit, we hold a debrief meeting with the Host Nation’s staff to discuss preliminary audit results. For audit reports with a modified audit opinion, we send the draft report to the Host Nation for comments on the factual accuracy prior to issuing the report to Council, by delegation to the IC.

1.2.7 In accordance with Article 14 of its Charter, IBAN may issue a special report to Council on any relevant matter it considers to be worthy of attention. The purpose of this IBAN Special Report is to provide an overview of the audit results from the 2024 NSIP audits and to review the status of implementation of IBAN recommendations from two prior Special Reports on NSIP:

- Special Report on the new approach to NATO Security Investment Programme financial audits and its impact on accountability (IBA-A(2021)0047-REV1 and IBA-AR(2021)0002).
- Special Report on NATO Security Investment Programme lump sum conversions (IBA-A(2020)0037 and IBA-AR(2020)0004).

1.3 Audit Standards and NSIP Audit Objectives

1.3.1 IBAN undertakes its audits in accordance with the Principles of the auditing standards of the International Organisation of Supreme Audit Institutions (INTOSAI) as per Article 15 of the IBAN Charter and standards consistent with the International Standards of Supreme Audit Institutions (ISSAI 2000-2899 and ISSAI 4000-4899). We are independent and politically neutral in accordance with the INTOSAI Code of Ethics.

1.3.2 The objective of the NSIP audit is to obtain independent assurance about whether something has come to our attention that causes us to believe that the expenditures incurred have not been carried out in compliance with the NSIP regulations in force. This objective includes issuing an independent external auditor's report with an audit opinion on compliance.

1.3.3 In accordance with the auditing standards, audit opinions on the expenditures incurred presented in the cost statements of the projects can be either unmodified or modified. Three types of paragraphs may also be communicated in the auditor's report in accordance with auditing standards. See the Glossary of Terms in Annex 4.

1.4 Host Nation's Responsibilities for the cost statement and for compliance

1.4.1 Host Nations' responsibilities for the management and implementation of NSIP projects is laid down in various NSIP regulations and IC management procedures approved by either the Council or the IC since the 1950's. There is currently no compendium with all applicable rules and regulations related to NSIP, including the responsibilities as a Host Nation for implementing NSIP projects. This was also raised by IBAN in a Special Report to Council on NATO Security Investment Programme lump sum conversions (see paragraph 5.3).

1.4.2 According to NSIP regulations and the IC Implementation Management Procedure, a Host Nation is responsible and accountable for the implementation and delivery of the NSIP project until the IC discharges that responsibility. This includes the responsibility for compliance with the NSIP regulations in force. This compliance with NSIP regulations also covers the responsibility for maintaining complete records and documentation to fully justify expenditures incurred and to allow for an audit and discharge of financial responsibilities. It further includes the responsibility for the preparation of a cost statement for all expenditures incurred for the project implementation, and for submitting it to IBAN for audit.

1.4.3 To initiate a financial audit, the Host Nation must submit a cost statement of the project expenditures incurred to IBAN for audit. From an audit standpoint, the Host Nation is required to prepare and sign the cost statement by a responsible staff member at an accountable level. In addition, in line with the IC 'Policy and Procedures for Project Financial Closure and Host Nation Discharge', the cost statement should not be signed by its preparer as a way to ensure proper verification and internal controls.

1.4.4 Cost statements are the means through which the Host Nation presents a completed project for audit. By signing the cost statement, the Host Nation confirms

that sufficient verification and internal controls are in place to ensure that all expenditures incurred are complete, correct, and compliant with NSIP regulations in force. The cost statements are prepared in accordance with guidance to Host Nations issued by the IC in 2020, which includes a template recommended for use.

1.5 The completion of NSIP projects

1.5.1 When the works implemented by a Host Nation related to a NSIP project are physically complete, the project must be subject to a technical inspection and formal acceptance of the works by NATO, according to NSIP regulations. The IC approval of the technical inspection, also called Joint Final Inspection and Formal Acceptance (JFAI) serves as the formal acceptance by NATO that the project is physically complete, militarily and technically acceptable, and that the responsibility of the Host Nation for completion of the works has been discharged by NATO. The technical inspection and subsequent formal acceptance and discharge by the IC of the works implemented is therefore the first part of a dual-discharge process for NSIP.

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

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

1.5.4 Once a NSIP project is technically inspected, audited by the IBAN, financially closed and the Host Nation discharged for the completion of the works and its financial responsibilities, the project is accepted into what is referred to as "the NATO inventory". This is not a physical inventory of NATO assets, but rather a terminology used to refer to NSIP works that are available for NATO use. As such, no complete inventory exists of NATO's tangible and intangible assets (such as software or rights-to-use assets) delivered by these completed NSIP projects.

1.5.5 NATO has the right to use works that are accepted into the NATO inventory and, if NSIP-funded works are deleted from the inventory, reimbursement of any residual value is made to the contributing NATO Nations. According to D-D(51)141, Provision of Funds for Second Slice Infrastructure dated 2 June 1951, “[...] *It is taken for granted that all completed infrastructure installations [...] will be at the disposal of the appropriate NATO military authorities for as long as necessary.*”

1.5.6 For fixed installations, the owner of the assets is the territorial Host Nation. This is derived from a Council report from 4 December 1953 (C-M(53)161), where it is stated that *“it is its understanding that installations which have conclusively been accepted for financing under NATO common infrastructure, though they are for the use of NATO, are nevertheless the property of the host country, without prejudice to the provisions concerning residual value.”*

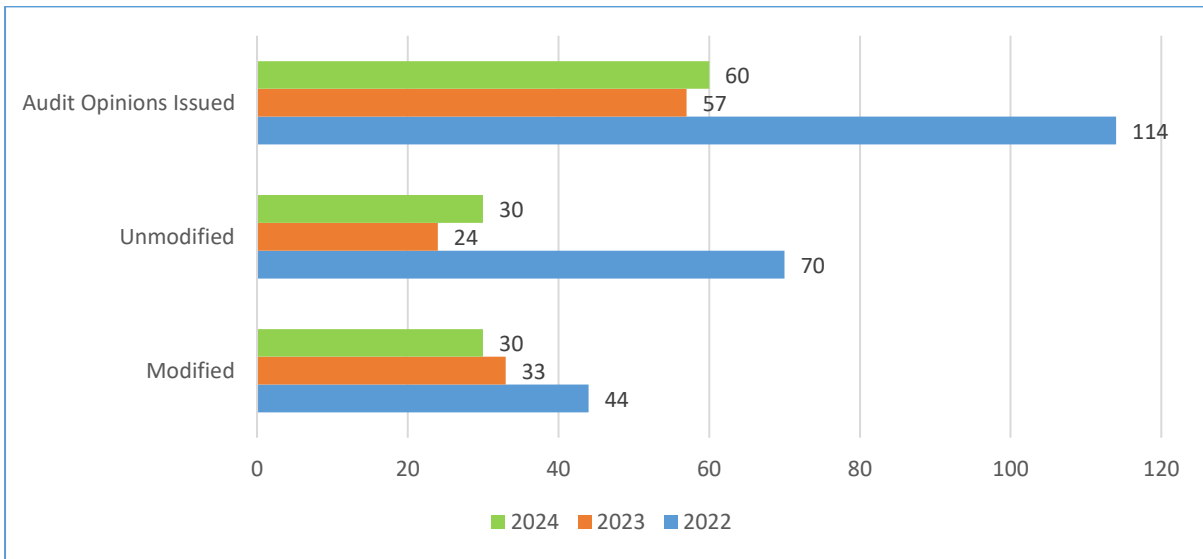
1.5.7 From an accounting perspective, a significant part of tangible assets/intangible assets funded by NSIP projects are under the control of either ACO, ACT, the NATO Support and Procurement Organisation (NSPO) or the NATO Communications and Information Organisation (NCIO) following the NATO Accounting Framework. Therefore, the NSIP-funded part of these assets should be recognised in the financial statements of ACO, ACT, NSPO or NCIO.

2. SUMMARY OF RESULTS FROM THE 2024 NSIP AUDITS

2.1 Summary of Audit Opinions

2.1.1 The results of IBAN's 2024 NSIP audits cover the audit opinions and other paragraphs issued on cost statements presented by territorial Host Nations, NATO Agencies and Strategic Commands. In order to place the results into perspective, Charts 1 and 2 below compare the audit opinions issued and the amounts audited from 2022 to 2024.

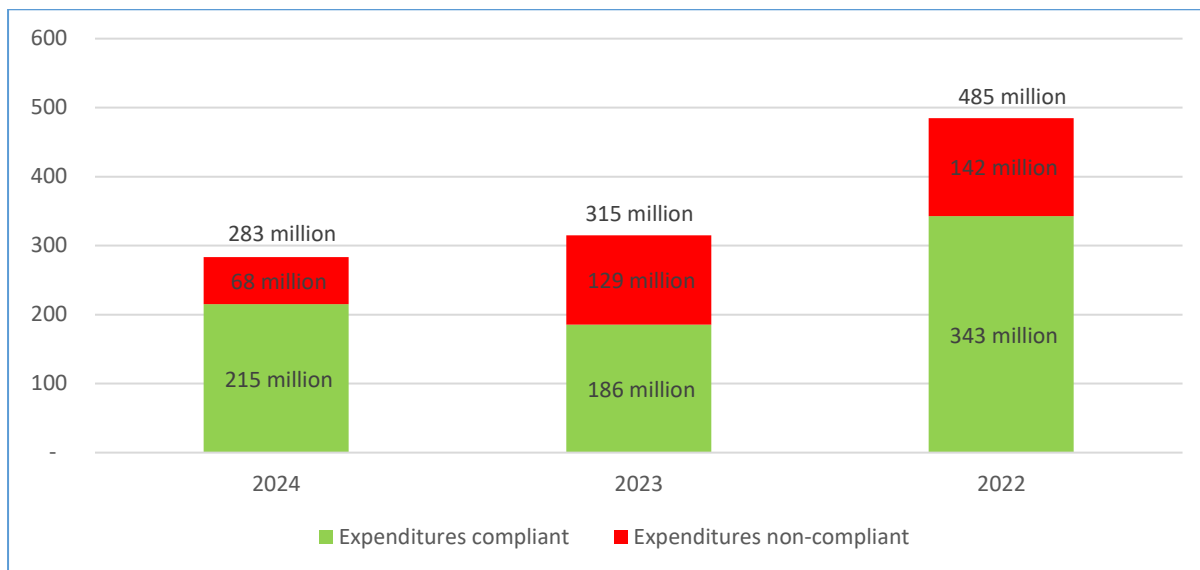
Chart 1: Audit Opinions issued on NSIP cost statements from 2022 to 2024



Source: IBAN data

2.1.2 In 2024, we issued 60 auditor's reports compared to 57 in 2023. This represents an increase of 5%. The number of audits conducted each year depends on audit requests received from Host Nations and available IBAN resources.

Chart 2: NSIP Amounts Audited (EUR) from 2022 to 2024



Source: IBAN data

Notes

(1) Amounts audited represents amounts in cost statements presented for audit by the Host Nations.

2.1.3 The total amount of expenditures audited in 2024 was EUR 283 million of which EUR 68 million were found to be non-compliant with NSIP regulations in force, which resulted in the issuance of 30 modified audit opinions. For the remaining EUR 215 million, we did not find any issues causing us to believe that these expenditures incurred have not been carried out in compliance with NSIP regulations. This led to the issuance of 30 unmodified audit opinions.

2.1.4 Table 1 below presents the audit opinions issued by IBAN per territorial Host Nations, NATO Agencies and Strategic Commands.

Table 1: Types of audit opinions per Host Nation from 2022 to 2024

Host Nation (1)	2024			2023			2022		
	Modified	Unmodified	Total	Modified	Unmodified	Total	Modified	Unmodified	Total
Belgium	3	8	11	-	-	-	6	4	10
Bulgaria	-	-	-	1	2	3	-	-	-
Czech Republic	1	-	1	1	1	2	-	-	-
Denmark	-	-	-	-	-	-	3	2	5
Estonia	-	-	-	-	-	-	-	2	2
France	-	-	-	-	-	-	-	3	3
Germany	10	2	12	5	8	13	3	17	20
Greece	7	1	8	1	-	1	-	-	-
Italy	2	1	3	-	-	-	4	2	6
Latvia	-	1	1	-	-	-	-	-	-
NCIA	1	4	5	5	3	8	8	10	18
Netherlands	-	-	-	1	2	3	-	-	-
Norway	-	-	-	1	-	1	1	6	7
NSPA	1	-	1	-	-	-	5	12	17
Poland	3	4	7	6	2	8	4	-	4
Romania	-	-	-	1	-	1	-	1	1
SHAPE	-	-	-	2	6	8	1	1	2
Slovenia	-	-	-	2	-	2	-	-	-
Spain	-	-	-	-	-	-	2	-	2
Türkiye	2	9	11	7	-	7	7	10	17
Grand Total	30	30	60	33	24	57	44	70	114

Source: IBAN data

Notes

(1) The table includes only the Host Nations for which IBAN conducted an NSIP audit in 2022, 2023 or 2024.

2.1.5 The table shows that IBAN audited NSIP expenditures in eight territorial Host Nations and two NATO Agencies in 2024. Out of the 30 unmodified audit opinions issued in 2024, 26 related to territorial Host Nations, and four related to a NATO Agency. For modified audit opinions, 28 related to territorial Host Nations, and two to a NATO Agency. Annex 1 shows the total expenditures presented in cost statements per Host Nations audited for years 2022 to 2024.

2.2 Summary of Unmodified Audit Opinions

2.2.1 In accordance with the IBAN Charter and ISSAI, an unmodified opinion is when IBAN issues an opinion on compliance of expenditures incurred and presented in the cost statement prepared by the Host Nation, stating that nothing has come to our attention that causes us to believe that the expenditures incurred have not been carried out in compliance with the NSIP regulations in force.

2.2.2 The unmodified audit opinions relate to well-prepared cost statements containing no mathematical calculation mistakes, and with expenditures within authorised scope and funds. These types of cost statements are also supported by documentary evidence, such as the signed contracts with any amendments, bidding documentation, hand-over and acceptance reports of works delivered, invoices and proof of payments related to the authorised scope of work for all expenditures claimed in order to demonstrate compliance with the NSIP regulations in force.

2.2.3 Out of the 60 audit opinions issued in 2024, 30 were unmodified. This represents 50% of the total number of issued auditor's reports.

2.2.4 IBAN performs NSIP audits based on requests from the Host Nations and each project is different in terms of size, complexity and age. In addition, different Host Nations and differing numbers of projects are audited each year. Consequently, it is difficult to make a meaningful comparison year by year to identify reasons for the increase or decrease in the number of unmodified audit opinions.

2.3 Overview of paragraphs communicated in the independent external auditor's reports

2.3.1 Other Matter paragraphs (Glossary of Terms is presented in Annex 4) are communicated if IBAN considers it necessary to communicate a matter other than those related to expenditures presented in the cost statements that, in our judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report. This may relate to additional expenditures incurred, but not included in the cost statement.

2.3.2 A total of five auditor's reports contained an Other Matter paragraph in 2024 (seven in 2023). These Other Matters relate to expenditures not claimed, but within the authorised scope of work in accordance with NSIP regulations for a total amount of EUR 1.1 million. It may, for example, relate to:

- Invoices related to the projects not included by mistake in the cost statement;
- The use of a lower percentage of National Administrative Expenses (NAE) than allowed according to NSIP regulations;
- The use of a lower NATO share of the costs than authorised.

2.3.3 Emphasis of Matter paragraphs are communicated if IBAN considers it necessary to draw attention to a matter related to expenditures presented in the cost statement that, in our judgement, is of such importance that it is fundamental to the understanding of the expenditures incurred and presented in the cost statement. No auditor's report contained an Emphasis of Matter paragraph in 2024.

2.4 Summary of Modified Audit Opinions

2.4.1 A modified audit opinion is issued when, during the course of the audit, issues come to IBAN's attention that cause us to believe that some, or all, expenditures incurred have not been carried out in compliance with the NSIP regulations in force.

In 2024, expenditures totalling EUR 68 million were identified as non-compliant with the NSIP regulations in force, leading to the issuance of 30 modified audit opinions.

2.4.2 Three scenarios can form the basis for a modified opinion:

- a) **Limited**: a number of errors affecting some of the expenditures claimed in the cost statement,
- b) **Pervasive**: a number of errors considered pervasive and affecting all expenditures claimed in the cost statement,
- c) **Disclaimer**: impossibility to express an opinion due to the cost statement not presented or documentation intentionally not provided.

2.4.3 Table 2 shows the number of modified audit opinions by type.

Table 2: Types of modified audit opinions from 2022 to 2024

	2024	2023	2022	Total
Limited	28	24	37	89
Pervasive	2	9	7	18
Disclaimer	0	0	0	0
Total	30	33	44	107

Source: IBAN data

2.4.4 When errors affecting part (non-pervasive/limited) of the expenditures presented in the cost statement are found, this leads to a modified opinion. These errors could be for example, missing documentation for part of the project, expenditures claimed outside the authorised scope of work, calculation errors or expenditures exceeding funds authorised or a combination of different types of errors affecting a part of the total expenditures claimed. This type of modified opinion accounts for the majority (28/30 or 93%) of the auditor's report issued in 2024 containing a modified opinion.

2.4.5 The main audit results leading to conclude on the pervasiveness of errors in 2024 relate to missing documentation affecting all expenditures incurred (such as all contracts, amendments and/or invoices missing). Missing all contract award documentation (such as bidding documents, selection committee decisions etc.) may also result in a pervasive conclusion based on non-compliance with NSIP procurement regulations. In 2024, these types of opinions represented 7% (2/30) of the total modified audit opinions issued.

2.4.6 In 2024, all Host Nations prepared and presented to us cost statements following an audit request. As a result, we did not issue any disclaimers in the modified audit opinions reported.

2.4.7 We noted that the number of modified opinions is higher for projects authorised before the year 2000. This is mostly explained by missing documentation and by Host Nation personnel with knowledge of the project being no longer available to contribute to the preparation of the cost statements. For example, in 2024, we issued modified opinions for 65% of the projects (11/17) audited for which the IC

authorisations were granted prior to 2000. This is 21% higher than for the projects authorised after 2000. Table 3 below provides a breakdown of modified opinions per period of which the projects were authorised.

Table 3: Audit opinions issued in 2024 in relation to authorisation dates of projects

Project authorisation date	Modified opinions	Total number of opinions	% Modified opinions
Prior to 2000	11	17	65%
2000 – 2009	6	16	38%
2010 – 2019	6	13	46%
2020 +	7	14	50%
Total	30	60	50%

Source: IBAN data

2.4.8 In 2024, of the 30 projects with a modified audit opinion, 14 of them had a delay of 5 years or more between the physical completion and the notification of readiness for technical inspection, with five projects having a delay of more than 15 years. The same 14 projects were submitted to IBAN for audit on average 3.7 years after the request for technical inspection, incurring a further delay in closing the projects. We issued a modified opinion due to missing documentation for 43% (6/14) of them, compared to 6% (1/16) for the projects with a delay under 5 years between physical completion and request for technical inspection.

2.4.9 Host Nations are responsible and accountable for the implementation of the NSIP project, which includes ensuring projects are implemented within the agreed scope, schedule and cost and in line with NSIP regulations. The request for technical inspection must be submitted as soon as the works are physically completed and not later than six months after this. Likewise, the request for audit should be made not later than six months following the request for a technical inspection of the project.

2.4.10 It is important that Host Nations inform NATO as soon as the works are physically completed and ready for technical inspection and present the projects for audit following the agreed timelines. Having the technical inspection and the audit soon after the physical completion of the works following the IC agreed timelines may reduce the cases where the financial records and other project documentation are no longer available.

2.4.11 Requesting the audit early after physical completion of the works and technical inspection also increases the likelihood that the Host Nation personnel with knowledge of the project is available to contribute to the preparation of the cost statement provided to us for audit. We believe this contributes to better accuracy of the cost statements and may decrease the number of modified opinions due to expenditures claimed outside the authorised scope of work.

Categories of non-compliance leading to modified audit opinions

2.4.12 Audit findings on NSIP cost statements can be grouped into four categories of non-compliance with the NSIP regulations in force:

- a) Non-compliance due to missing supporting documentation
- b) Expenditures claimed outside the authorised scope of work
- c) Expenditures within authorised scope of work but exceeding funds authorised
- d) Non-compliance with NSIP procurement and contracting regulations

Non-compliance due to missing supporting documentation

2.4.13 17% of the modified audit opinions related to missing or incomplete project documentation, such as signed contracts and amendments, including technical annexes detailing the scope of work, invoices as well as procurement documents. Non-compliance due to missing supporting documentation affected audited expenditures totalling EUR 52.6 million in 2024 (18.5% of total expenditures audited). Typically, invoices provide only limited information about the scope of work and therefore, contracts, amendments, statement of work, change orders, acceptance reports and other documents detailing the work performed are key evidence in an audit of NSIP projects expenditures. In addition, when bidding documentation and contract award decision reports are missing, it is not possible to verify whether the bidding procedure carried out complied with the authorised method of procurement, and this also results in a non-compliance with regulations.

2.4.14 Due to missing documentation supporting the expenditures incurred, we could not reconcile and agree expenditures to contracts signed, nor could we verify whether expenditures incurred and presented in the cost statement were within the authorised scope of work. Host Nations should keep financial records and other supporting documents until after the technical inspection and discharge, audit, financial closure and discharge of the Host Nation by the IC, on behalf of Council. In these cases, Host Nations were not able to fully account for the NATO common funds received and, as a result, did not fulfil all of their regulatory responsibilities related to the implementation of the NSIP project.

Expenditures claimed outside the authorised scope of work

2.4.15 63% of the modified opinions related to non-compliance of expenditures incurred with NSIP regulations because some works and related costs were outside the authorised scope of work. There were 19 such cases affecting expenditures of EUR 7.6 million (2.7% of total expenditures audited) in 2024. This type of audit finding was the most common finding in 2024. Examples of errors that led to this category of non-compliance are as follows:

- Expenditures included in the cost statement for works for which no NATO costs were authorised, or for extra quantity of equipment,
- Incorrect sharing of costs between NATO and the Host Nation,

- Overstatement of expenditures due to the use of incorrect NATO NSIP currency exchange rate,
- Calculation mistakes due to errors in spreadsheet formulas,
- Inclusion of expenditures related to Value Added Tax,
- Invoices non-pertaining to the project included in the cost statement,
- Use of incorrect rate for National Administrative Expenses.

2.4.16 It is important for the Host Nations to have a robust and sound internal control environment in order to ensure that expenditures presented for audit in the cost statement are accurate, correct, supported and within the authorised scope of work agreed by the IC, as well as compliant with the NSIP regulations. This includes preparing reconciliations between authorised scope of work, contracts, and actual work delivered which should be available both for the technical inspection and the audit. A lack of an effective internal control environment could lead to material misstatements or potential risk of fraud.

2.4.17 Nevertheless, since the implementation of the new IBAN approach to NSIP financial audits in 2020, we noted improvements in some Host Nations regarding their audit readiness and preparation. This comprises the development of directives on how to prepare for an audit of NSIP projects, the preparation of reconciliations between the authorised scope and the actual project implementation (as-built), and stronger internal controls put in place such as internal pre-audits procedures. Some Host Nations also structure the project contract and procurement documentation to distinguish the sharing of costs between NATO and the Host Nation, which allows the contractors to issue separate invoices including ones specific to the NATO portion of a project. Those are good practices which aim to avoid presenting expenditures outside authorised scope of work in the cost statements, and may lead to an increase in the number of unmodified opinions.

Expenditures within authorised scope of work, but exceeding funds authorised

2.4.18 One of the key principles in NSIP is that “*no payments will be made in connection with common funded infrastructure projects unless work has been authorised by the Payments and Progress Committee [today the IC] in advance.*” (C-M(53)18 and AC/4-D/1070 (1987 Edition) and its addenda).

2.4.19 Twelve modified audit opinions in 2024 were due to expenditures presented in the cost statements that exceeded authorised funds. The total expenditures in excess of authorisations amounted to EUR 3.5 million (1.2% of total expenditures audited). We consider these expenditures non-compliant with NSIP regulations unless the Host Nation obtains additional funds authorisation from the IC. Furthermore, it is not in compliance with NSIP regulations to incur expenditures prior to authorisation from the IC and thereby to exceed the authorisations granted. If during the implementation of a project it becomes evident that project costs will change and exceed original authorisations, the Host Nation must inform the IC in a timely manner and seek an additional authorisation prior to incurring any additional expenditures.

Non-compliance with NSIP procurement and contracting regulations

2.4.20 Three modified audit opinions in 2024 (none in 2023) were for non-compliance with the NSIP procurement and contracting regulations. These impacted expenditures totalling EUR 4.7 million in 2024 (1.7% of total expenditures audited). This type of non-compliance relates to cases where the Host Nation did not conduct the contract award in accordance with what was authorised by the IC. For example, issuing a contract using the national competitive bidding process when the IC authorised the issuance of the contract using international competitive bidding.

3. PROJECT FINANCIAL CLOSURE AND HOST NATION DISCHARGE IN 2024

3.1 Policy and Procedures

3.1.1 The closure of publicly funded projects and the discharge of entities responsible for implementing and delivering them are standard practice within public sector organisations and an important element of good governance and the stewardship of public funds. The discharge of Host Nations financial responsibilities related to the implementation of NSIP projects takes place in accordance with the 'Policy and Procedures for Project Financial Closure and Host Nation Discharge' (AC/4-D(2024)0009) agreed by the IC on 1 July 2024. Based on this Policy, a 'List of Completed Projects' is prepared quarterly by the International Staff and presented to the IC for decision on the financial closure and Host Nation discharge. The IC decision to financially close and discharge a Host Nation formally relieves the Host Nation from its financial responsibilities tied to an NSIP project.

3.1.2 According to the Policy, an NSIP project should meet the following cumulative criteria in order for a Host Nation to be discharged:

- The project is financially closed,
- The project is technically discharged (JFAI approved by the IC),
- The signatory of the cost statement should have the appropriate level of authority and accountability (principle of segregation of duty applies, i.e., the cost statement should not be signed by its preparer),
- For projects with a modified opinion due to other non-compliance issues (e.g. missing documentation), a written statement with appropriate justification by the Host Nation will be provided to the Committee.

3.1.3 The 'List of Completed Projects', together with the IBAN external auditor's report and the written justification by the Host Nation, as applicable, serve as the basis for the Committee's decision to discharge or not the Host Nations from their financial responsibilities tied to the project. Unless the IC decides otherwise, non-compliance with any of the above criteria will result in non-discharge.

3.2 Summary of financial closure and discharge in 2024

3.2.1 A total of 189 NSIP projects for which IBAN issued an external auditor's report were financially closed and Host Nations discharged by the IC in 2024. For 73 of these projects, the auditor's report set out an unmodified audit opinion, while a modified opinion was set out for the other 116 projects. In total, these projects covered expenditures of EUR 834 million (final cost to NATO after financial closure). Table 5 below provides an overview of the number of NSIP projects financially closed and Host Nations discharged by the IC in 2024 broken down by year of which IBAN issued its audit report.

Table 5: Number of projects financially closed and HN discharged in 2024, per year of auditor’s report issuance

Auditor’s report year	Unmodified opinion	Modified opinion	Total
2024	45	12	57
2023	18	21	39
2022	9	40	49
2021	1	24	25
2020	0	19	19
Total	73	116	189 (1)

Source: IBAN data

Notes:

(1) This does not include projects which, according to NSIP policies, are not subject to audit, such as projects related to NCIA Project Service Costs (fixed firm (lumpsum) authorisation).

3.2.2 The projects financially closed and Host Nations discharged by the IC in 2024 include projects audited by IBAN in the period 2020-2023. On 1 July 2024, the IC approved the ‘Policy and Procedures for Project Financial Closure and Host Nation Discharge’ including the related criteria to be met for projects to be included on the ‘List of Completed Projects’. Since the approval of this policy, the IC proceeded with the financial closure and discharge of Host Nations responsibilities financial responsibilities tied to an NSIP project.

4. STATUS OF THE CLOSURE OF COMPLETED NSIP PROJECTS UNDER THE COUNCIL TASKING

4.1 In 2014, on the basis of an RPPB recommendation, Council tasked the IC to develop a plan with the objective of closing, by 30 June 2016, all existing completed NSIP projects (C-M(2014)0052). The purpose of the tasking was to reduce the significant backlog of NSIP projects physically implemented and completed by 2014, but not yet technically inspected and audited and the Host Nations not yet discharged from their responsibilities. This aimed to allow Host Nations to focus on ensuring that newly completed projects would be closed following agreed timelines. At the time, in 2014, 1,614 projects amounting to EUR 5.1 billion formed part of this Council tasking.

4.2 The Council tasking for closing the projects by 30 June 2016 was later extended until 2020 (C-M(2017)0030) and a further extension was granted by Council until end 2022 (C-M(2020)0045-AS1).

4.3 In 2023, the IC, through the RPPB, provided a report to Council on the achieved progress in response to the Council tasking to close the completed NSIP projects (PO(2023)0363). According to the report, the IC assessed the tasker as essentially complete: projects amounting to approximately 94% of the overall value of EUR 5.1 billion were either fully closed, audited but awaiting final discharge or submitted for audit. Council noted the report on 09 October 2023.

4.4 An overview of the evolution between December 2023 and December 2024 of the closing of physically completed NSIP projects that are part of the Council tasker is provided at Annex 2. During 2024, 110 projects amounting to EUR 673 million were financially closed and the Host Nations discharged from their financial responsibilities. This represents a decrease in open projects of 29% in value. As of 31 December 2024, 248 projects amounting to EUR 1.6 billion still remain to be closed and Host Nations discharged from their responsibilities.

4.5 Out of these 248 NSIP projects, IBAN audited 88 projects (35%) totalling EUR 439 million in authorised funds and issued auditor's reports to Council, by delegation to the IC as of 31 December 2024. For these projects, the Host Nations have not yet been discharged from their financial responsibilities. For the remaining 160 projects, IBAN received an audit request for 130 projects with total authorised funds of EUR 945 million. A number of these projects are planned for an audit in 2025 and 2026 and the remaining projects will be scheduled for audit in future audit cycles. Table 4 below provides an overview of the status of projects completed at the end of 2014 not yet closed as of 31 December 2024.

Table 4: Status of projects completed at the end of 2014 not yet closed as of 31 December 2024

Overview	Not yet submitted for audit to IBAN	Submitted for audit to IBAN		Audit reports issued per 31.12.2024 (not yet discharged)	Total
		Not yet audit ready (1)	Audit ready (2)		
Number	30	43	87	88	248
Value	248,730,931	430,978,325	513,979,285	439,245,614	1,632,934,155
Proportion	12%	17%	35%	35%	

Source: IBAN data

Notes

- (1) *In this group approximately 37 projects are pending JFAI acceptance and six projects have legal proceedings on-going. Therefore, the audit will be planned once the projects are technically accepted and the legal proceedings have been settled.*
- (2) *In 2025 as of 31 May, IBAN issued 14 auditor's reports covering 14 projects from this group.*

4.6 We noted that although Host Nations submitted projects for audit in order to comply with the Council tasking, in practice, not all projects were ready to be audited, as approximately 37 projects were pending JFAI acceptance and in six cases, projects had legal proceedings ongoing which prevented the Host Nations from presenting the projects for audit, as the final expenditures were not yet known. In addition, some Host Nations requested IBAN to put on hold the audit, as more time was required to prepare the supporting documentation or due to a lack of personnel available for preparing for the audit.

4.7 In total, 218 NSIP projects (EUR 1.4 billion) out of the 248 projects outstanding (88%) have been either audited or submitted for audit. IBAN will schedule the audit of the remaining 30 NSIP projects totalling EUR 249 million, when they will be submitted for audit by Host Nations.

5. IMPLEMENTATION OF IBAN RECOMMENDATIONS FROM TWO SPECIAL REPORTS ON NSIP

5.1 Introduction

5.1.1 IBAN issued two Special Reports to Council on NSIP in 2020 and 2021:

- The Special Report on the new approach to NATO Security Investment Programme financial audits and its impact on accountability (IBA-A(2021)0047-REV1 and IBA-AR(2021)0002).
- The Special Report on NATO Security Investment Programme lump sum conversions (IBA-A(2020)0037 and IBA-AR(2020)0004);

5.1.2 The IC assessed these two Special Reports and agreed on a number of measures to improve compliance, transparency and accountability in closing out NSIP funded investment projects. These measures were reported to the RPPB which supported them and recommended Council to note the new measures (PO(2022)0118-AS1). The RPPB further recommended Council to note that more robust instruments would be needed should the new agreed measures not lead to visible progress by the end of 2022. The Council noted the RPPB report and its recommendations on 24 March 2022.

5.2 Special Report on the new approach to NATO Security Investment Programme financial audits and its impact on accountability

5.2.1 IBAN raised one recommendation in this Special Report recommending Council to develop and document a formal discharge procedure for NSIP, setting out roles and responsibilities of each party in the process. We also recommended establishing an annual reporting from the IC, through the RPPB, to Council on the discharge of Host Nations responsibilities granted by IC, on behalf of Council. Annex 3 provides more details on the actions taken by the IC to implement this IBAN recommendation.

5.2.2 Based on the IBAN recommendation, the IC invited the IS to develop and document a formal discharge procedure. A formal 'Policy and Procedures for Project Financial Closure and Host Nation Discharge' was agreed by the IC on 01 July 2024 (AC/4-D(2024)0009). This policy sets out the cumulative criteria that should be met for Host Nations to be discharged from their financial responsibilities. This recommendation has therefore been implemented.

5.3 Special Report on NATO Security Investment Programme lump sum conversions

5.3.1 IBAN raised six recommendations in this Special Report. Annex 3 provides more details on the actions taken by the IC to implement these IBAN recommendations. One of the main recommendations related to the development of a compendium of applicable NSIP regulations, including the responsibilities as a Host Nation for implementing NSIP projects.

5.3.2 As stated in this Report, the NSIP regulations are laid down in various NSIP documents and IC management procedures approved by either the Council or the IC since the 1950's. There is currently no compendium with all applicable rules and regulations related to NSIP, including the responsibilities of a Host Nation for implementing NSIP projects.

5.3.3 Considering that the NSIP regulations are not laid down in one compendium, this may make it difficult for Host Nations to ensure that all regulations are being followed, especially considering the rotation of staff in Host Nations. There is therefore a risk that Host Nations are not fully aware of their NSIP regulatory responsibilities.

5.3.4 In 2021 (PO(2022)0118-AS1), the IC agreed that the IS should review the existing NSIP Manual from 2011, especially to reflect changes in roles and responsibilities arising from the 2018 agreed Governance Model. The IC also invited the IS to put a particular focus on applicable rules related to the NSIP including responsibilities of Host Nations. In April 2025 (AC/335-D(2025)0027), the RPPB recalled that it supported this measure and invited the International Staff to prioritise this work. The RPPB also mentioned that *"it understands that meeting the desired outcome of the IBAN recommendation for a single compendium could be achieved as long as the updated NSIP Manual ensures that all applicable NSIP regulations are easily and readily accessible to Host Nations"*. The RPPB invited the IS to update *"[...] the NSIP Manual and to ensure that the NSIP regulations are easily accessible to Host Nations, with a view to complete the update by the end of 2025."*

5.3.5 The NSIP Manual is a comprehensive guide on the NSIP developed by the IS for use by the wider NATO resource community. However, the actual NSIP Manual does not include all NSIP regulations agreed at governance level (IC, RPPB or Council), which Host Nations are held accountable for complying with. In addition, neither the IC nor any other governing committee has approved the NSIP Manual. We therefore believe that reviewing the NSIP Manual will not be sufficient and that it is important to develop and keep updated a compendium of applicable regulations related to NSIP.

6. CONCLUSION

6.1 The IBAN audits of the NSIP expenditures presented in the cost statements resulted in 50% (30 out of 60) unmodified audit opinions in 2024. With respect to the modified audit opinions for the period 2024, 93% (28 out of 30) of them relates to non-compliance affecting only a part of the expenditures presented in the cost statements, 7% (2 out of 30) of the modified audit opinions for the same period were considered pervasive as the non-compliance affected all expenditures incurred for the project. These 30 modified audit opinions are a result of expenditures found non-compliant with the NSIP regulations in force for a total amount of EUR 68 million.

6.2 The main non-compliance finding in terms of impacted expenditures is due to missing supporting documentation (EUR 52.6 million for 17% of the modified opinion in 2024) such as signed contracts and amendments, including technical annexes detailing the scope of work, bidding documentation and invoices. Because of missing documentation, we could not reconcile and agree expenditures claimed to contracts signed, nor could we verify whether expenditures incurred were within the authorised scope of work.

6.3 We noted that the number of modified opinions is higher for projects authorised before 2000. To that end, we issued modified opinions in 2024 for 65% of the projects (11/17) audited for which IC authorisations were granted prior to the year 2000. This is 21% higher than for the projects authorised after 2000. It is important that Host Nations inform NATO as soon as the works are completed and ready for technical inspection and present the projects for audit following the agreed timelines. Having the technical inspection and the audit soon after the physical completion of the works following the IC agreed timelines may reduce the cases where the financial records and other project documentation are no longer available. It also increases the likelihood that the Host Nation personnel with knowledge of the project is available, which may contribute to better accuracy of the cost statements presented for audit. We believe this may potentially result in decreasing the number of modified opinions we issue.

6.4 Strengthening internal controls within the Host Nations in order to ensure that expenditures presented for audit in the cost statement are complete and accurate is important, including maintaining adequate audit trails. A lack of an effective internal control system could lead to misstatements, and ultimately to an elevated number of non-compliance with NSIP regulations found by the IBAN when conducting the audit. Since the implementation of the new IBAN approach to NSIP financial audits in 2020, we noted improvements in some Host Nations related to their audit readiness and preparation such as the development of internal directives on how to prepare for an audit of NSIP projects, the preparation of reconciliations between the authorised scope and project implementation, and better internal controls put in place including internal pre-audits procedures.

6.5 We draw attention to our recommendations from two Special Reports to Council on NSIP issued in 2020 and 2021. In particular, we note that a formal "Policy and Procedures for Project Financial Closure and Host Nation Discharge" was agreed by the IC on 01 July 2024 and we welcome this new Policy. Nevertheless,

the development of one single compendium of applicable rules related to NSIP is still pending. This compendium is important to ensure that Host Nations understand clearly their responsibilities for the implementation of NSIP projects from the planning phase until the final discharge from their responsibilities. We recognise that, in April 2025, the RPPB invited the International Staff to prioritise the review of the existing NSIP Manual from 2011 and mentioned that in order to meet the desired outcome of the IBAN recommendation on the need for an NSIP compendium, the updated NSIP Manual should ensure that all applicable NSIP regulations are easily and readily accessible to Host Nations.

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**EXPENDITURES PRESENTED IN COST STATEMENTS PER HOST NATIONS
(EUR)**

Host Nations	2024	2023	2022
Belgium	73,311,657	-	19,034,005
Bulgaria	-	7,572,706	-
Czech Republic	176,330	7,244,390	-
Denmark	-	-	9,278,202
Estonia	-	-	1,990,408
France	-	-	17,553,543
Germany	32,306,316	40,535,393	8,022,972
Greece	89,349,355	61,175,467	-
Italy	12,777,113	-	24,045,786
Latvia	164,514	-	-
NCIA	17,662,809	79,198,158	192,369,045
Netherlands	-	2,416,369	-
Norway	-	19,386,411	43,950,874
NSPA	1,528,717	-	24,276,205
Poland	40,624,072	11,718,119	38,422,362
Romania	-	8,794,180	890,742
SHAPE	-	20,453,667	26,513,220
Slovenia	-	18,737,814	-
Spain	-	-	7,720,466
Türkiye	15,562,738	37,772,541	70,742,511
Grand Total	283,463,621	315,005,215	484,810,341

Source: IBAN data

**CLOSURE OF COMPLETED NSIP PROJECTS UNDER COUNCIL TASKING
NUMBER AND VALUE OF PROJECTS**

Host Nation	OPEN SUB-PROJECTS (1) 2023 (EUR)		OPEN SUB-PROJECTS (1) 2024 (EUR)		PROJECTS FINANCIALLY CLOSED IN 2024 (EUR)	
	No.	Value (2)	No.	Value (2)	No.	Value (2)
Belgium	6	37,796,832	5	35,686,795	1	2,110,037
Bulgaria	2	29,768,932	1	182,317	1	29,586,615
Czech Republic	1	5,069,876	1	5,069,876	-	-
Denmark	2	5,665,366	2	5,665,366	-	-
France	2	14,728,778	2	14,728,778	-	-
Germany	13	238,279,942	11	213,519,526	2	24,760,416
Greece	45	302,405,018	37	245,520,994	8	56,884,024
Hungary	5	20,040,393	5	20,040,393	-	-
Italy	34	351,033,540	30	339,494,254	4	11,539,286
Latvia	1	12,502,964	-	0	1	12,502,964
Lithuania	1	6,275,102	1	6,275,102	-	-
Netherlands	1	21,476,341	1	21,476,341	-	-
Poland	14	95,813,262	5	48,336,110	9	47,477,152
Portugal	1	92,647	1	92,647	-	-
Slovenia	3	23,587,842	3	23,587,842	-	-
Spain	8	39,435,185	8	39,435,185	-	-
Türkiye	56	366,514,677	36	286,210,706	20	80,303,971
United Kingdom	8	45,793,160	8	45,793,160	-	-
Sub-Total Territorial Host Nations	203	1,616,279,857	157	1,351,115,392	46	265,164,465
ACT	5	9,913,836	5	9,913,836	-	-
NCIA	132	546,313,621	78	237,880,102	54	308,433,519
NSPA	5	36,272,563	3	15,684,030	2	20,588,533
SHAPE	13	97,134,344	5	18,340,795	8	78,793,549
Sub-Total NATO Bodies	155	689,634,364	91	281,818,763	64	407,815,601
Grand Total	358	2,305,914,221	248	1,632,934,155	110	672,980,066

Source: IBAN data

Notes:

(1) Projects authorised before 2011 and physically completed by 2014, but not yet financially closed and discharged by the Investment Committee. This includes project serials related to NCIA Project Service Costs and project serials with several cost shares. It also includes all open projects from the Slice Programme.

(2) Value based on authorised funds.

**ACTIONS TAKEN REGARDING THE IMPLEMENTATION OF IBAN
RECOMMENDATIONS FROM TWO SPECIAL REPORTS ON THE NSIP**

IBAN reviewed the implementation of recommendations raised in two Special Reports issued to Council and the actions taken by the Investment Committee:

- The Special Report on the new approach to NATO Security Investment Programme financial audits and its impact on accountability (IBA-A(2021)0047-REV1 and IBA-AR(2021)0002).
- The Special Report on NATO Security Investment Programme lump sum conversions (IBA-A(2020)0037 and IBA-AR(2020)0004).

The table below provides an overview of the actions taken by the Investment Committee to implement the recommendations.

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 where the implementation has started. The Closed status is used for recommendations that are closed because they have been implemented or have lapsed.

Special Report on the new approach to NATO Security Investment Programme financial audits and its impact on accountability (IBA-A(2021)0047-REV1 and IBA-AR(2021)0002)		
IBAN RECOMMENDATION	ACTION TAKEN	STATUS
<p>IBAN recommends Council to task the appropriate governance body to develop and document a formal discharge procedure regarding NSIP. This should include:</p> <p>a) Setting out roles and responsibilities of each party in the process. It should also cover situations where discharge of Host Nations may be refused, for example based on audit findings.</p> <p>b) Annual reporting, through the RPPB, to Council on the discharge granted by IC, on behalf of Council, to Host Nations. Such a reporting could include information on how many Host Nations were discharged in a year and, if it occurred, where discharge was refused.</p>	<p>The following measures were taken by the IC:</p> <p>a) The IC invited the International Staff to develop and document a formal discharge procedure. On 1 July 2024, the IC agreed the 'Policy and Procedures for Project Financial Closure and Host Nation Discharge' (AC/4-D(2024)0009).</p> <p>b) Closed in IBA-AR(2024)0006.</p>	<p>Closed</p> <p>Closed</p>

Special Report on NATO Security Investment Programme lump sum conversions (IBA-A(2020)0037 and IBA-AR(2020)0004)		
IBAN RECOMMENDATION	ACTION TAKEN	STATUS
<p>IBAN recommends Council to task the appropriate governance body to:</p> <p>1. Develop and regularly update a compendium of applicable rules related to NSIP, including the responsibilities as a Host Nation for implementing NSIP projects. This compendium should be widely communicated and be made available to Host Nations organisations.</p>	<p>The following measures were taken by the Investment Committee:</p> <p>1. No compendium of all applicable rules and regulations related to NSIP was developed. In 2021 (PO(2022)0118-AS1), the IC agreed that the IS should review the 2011 NSIP Manual, especially to reflect changes in roles and responsibilities arising from the 2018 agreed Governance Model. The NSIP Manual is a comprehensive guide on the NSIP developed by the IS for use by the wider NATO resource community. Neither the IC nor any other committee has approved the NSIP Manual. Moreover, the NSIP Manual does not include the actual NSIP regulations agreed at governance level (IC, RPPB or Council) which Host Nations are held accountable for complying with. In April 2025 (AC/335-D(2025)0027), the RPPB invited the International Staff to prioritise the review of the existing NSIP Manual from 2011 with a view to complete the update by the end of 2025. The RPPB also mentioned that in order to meet the desired outcome of the IBAN recommendation on the need for an NSIP compendium, the updated NSIP Manual should ensure that all applicable NSIP regulations are easily and readily accessible to Host Nations.</p>	<p>Open</p>
<p>2. Put in place measures whereby the Host Nation formally confirms, for example with an acknowledgement letter, its responsibilities at every project level authorisation stage of the NSIP project cycle. This confirmation should cover the responsibility for implementing NSIP projects in accordance with NSIP Rules, and specifically for maintaining complete technical and financial project documentation and for presenting NSIP projects for technical inspection and audit within agreed timelines.</p>	<p>2. Closed in IBA-AR(2024)0006.</p>	<p>Closed</p>
<p>3. Require the NATO Agencies and Strategic Commands to adjust their archiving policies, so that they are fully aligned with the NSIP rules for retention</p>	<p>3. The IC agreed to invite all Host Nations (including NATO Agencies and Strategic Commands) to confirm in a letter to the IC Chair by 31 March 2022 that their archiving policies are fully aligned</p>	<p>Closed</p>

Special Report on NATO Security Investment Programme lump sum conversions (IBA-A(2020)0037 and IBA-AR(2020)0004)		
IBAN RECOMMENDATION	ACTION TAKEN	STATUS
<p>of technical and financial project documentation for NSIP projects.</p> <p>4. Invite Territorial Host Nations to confirm that national rules are in line with NSIP rules for retention of financial records, to the greatest extent possible, for NSIP projects.</p> <p>5. Consider the feasibility of introducing a mechanism with a view to improving Host Nation accountability for timely project closure, whereby a part of the authorised project management funds for the project is withheld until the final project closure and discharge of the Host Nation. Such a mechanism would also need to consider situations where a Host Nation seeks a lump sum conversion.</p> <p>6. Ensure that all NSIP funded projects are subject to a financial audit, even in those cases where the documentation is lost or incomplete, and that the external auditor's opinion should be available prior to any decision by the IC on a potential lump sum conversion.</p>	<p>with the NSIP rules. The two NATO Agencies and the two Strategic Commands have provided this confirmation.</p> <p>4. The IC agreed to invite all Host Nations (including territorial Host Nations) to confirm in a letter to the IC Chair by 31 March 2022 that their archiving policies are fully aligned with the NSIP rules. As of 31 May 2025, 30 territorial Host Nations had provided this confirmation.</p> <p>5. Closed in IBA-AR(2024)0006.</p> <p>6. Closed in IBA-AR(2024)0006.</p>	<p>In-progress</p> <p>Closed</p> <p>Closed</p>

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Glossary of Terms

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

- An **unmodified opinion** is when IBAN issues an opinion on compliance of expenditures incurred in the cost statement and prepared by the Host Nation stating that nothing has come to our attention that causes us to believe that the expenditures incurred have not been carried out in compliance with the NSIP regulations in force.
- A **modified opinion** means one of the following:
 - ✓ IBAN issues an opinion on compliance of expenditures incurred presented in the cost statement and prepared by the Host Nation, stating that some elements of the cost statement are affected by a scope limitation, or that specific issues have come to our attention that causes us to believe that some expenditures incurred have not been carried out in compliance with the NSIP regulations in force.
 - ✓ IBAN issues an opinion on compliance of expenditures incurred presented in the cost statement prepared by the Host Nation, stating that the effect of an error, missing documentation or a disagreement is so pervasive and material that IBAN concludes that all expenditures incurred of the project have not been carried out in compliance with the NSIP regulations in force.
 - ✓ IBAN cannot express an opinion on the expenditures incurred because the cost statement is missing, the inherent documentation was intentionally not provided, or because the scope of the audit is severely limited due to material uncertainties affecting whether expenditures incurred have been carried out in compliance with the NSIP regulations in force.

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

- **Key Audit Matters** are those matters that, in IBAN's professional judgement, were of most significance in the audit of the expenditures presented in the cost statement. Key Audit Matters are addressed to Council.
- **Emphasis of Matter** is communicated if IBAN considers it necessary to draw attention to a matter related to expenditures presented in the cost statement that, in our judgement, is of such importance that it is fundamental to the understanding of the expenditures incurred and presented in the cost statement.

- **Other Matter** is communicated if IBAN considers it necessary to communicate a matter other than those related to expenditures presented in the cost statements that, in our judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report. This may relate to additional expenditures not included in the cost statement.

List of Abbreviations/Acronyms

ACO	Allied Command Operations
ACT	Allied Command Transformation
A/E	Architect and Engineering
Council	North Atlantic Council
IBAN	International Board of Auditors for NATO
IC	Investment Committee
INTOSAI	International Organization of Supreme Audit Institutions
IS	International Staff
ISSAI	International Standards of Supreme Audit Institutions
NAE	National Administrative Expenses
NATO	North Atlantic Treaty Organisation
NCIO	NATO Communications and Information Organisation
NSIP	NATO Security Investment Programme
NSPA	NATO Support and Procurement Agency
RPPB	Resource, Policy and Planning Board
SHAPE	Supreme Headquarters Allied Powers Europe