	NATO	NORTH ATLANTIC COUNCIL
	OTAN	CONSEIL DE L'ATLANTIQUE NORD

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17 December 2021

DOCUMENT
C-M(2021)0033-AS1

IBAN ANNUAL ACTIVITY REPORT 2020

ACTION SHEET

On 16 December 2021, under the silence procedure, the Council noted the RPPB report attached to C-M(2021)0033, agreed its conclusions and recommendations, noted the IBAN Report and agreed to the public disclosure of the report and the IBAN Report.

(Signed) Jens Stoltenberg
Secretary General

NOTE: This Action Sheet is part of, and shall be attached to C-M(2021)0033.

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9 December 2021

DOCUMENT
C-M(2021)0033
Silence Procedure ends:
16 Dec 2021 17:30

IBAN ANNUAL ACTIVITY REPORT 2020

Note by the Secretary General

1. I attach the the Resource Policy and Planning Board (RPPB) report on the International Board of Auditors for NATO (IBAN) Annual Activity Report 2020.
2. The IBAN Report has been reviewed by the Resource Policy and Planning Board (RPPB) (see Annex 1).
3. I do not believe this issue requires further discussion. Therefore, **unless I hear to the contrary by 17:30 hours on Thursday, 16 December 2021**, I shall assume the Council noted the RPPB report, agreed its conclusions and recommendations, noted the IBAN Report and agreed to the public disclosure of this report and the IBAN Report.

(Signed) Jens Stoltenberg

Annex 1: RPPB report
Enclosure 1: IBAN Annual Activity Report 2020

Original: English

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IBAN ANNUAL ACTIVITY REPORT 2020

Report by the Resource Policy Planning Board

References:

A. IBA-M(2021)0001-REV1	IBAN Annual Activity Report 2020
B. IBA-M(2021)0002-REV1	IBAN Report on Main Findings from the 2019 Financial Statements Audits
C. IBA-AR(2021)0002	IBAN Special Report on the new approach on NATO Security Investment Programme (NSIP) Financial Audits and its impact on accountability
D. C-M(2014)0052	IBAN Report on the Audit of the NATO Security Investment Programme (NSIP) for 2012
E. PO(2015)0052	Wales Summit tasker on transparency and accountability
F. C-M(2020)0010	Audit of the NATO Security Investment Programme – IBAN Proposed Changes

INTRODUCTION

1. The International Board of Auditors for NATO (IBAN) Annual Activity Report provides an overview of all IBAN audit calendar year activities undertaken in 2020. Additionally, the IBAN report contains information on the IBAN's mandate and role, key activities and management of resources, contribution to strengthening the accountability and corporate governance within NATO, IBAN's performance, and other developments within IBAN as an audit organization¹.

AIM

2. This report highlights key issues in the IBAN Annual Activity Report 2020 to enable the Board to reflect on strategic issues or concerns emanating from IBAN's audit activity of NATO entities and to recommend courses of action to Council as applicable, which have the potential to improve transparency, accountability and consistency.

DISCUSSION

Key IBAN Activities and Usage of Resources

3. In the calendar year 2020, to execute its mandate the IBAN performed 22 annual financial statements audits of NATO agencies and military commands, as well as of other

¹ On 30 September 2021 IBAN presented the IBAN Annual Activity Report 2020 to the RPPB and on 15 October 2021 IBAN issued a revision to the report (reference A). This document reflects the revised version of the IBAN Annual Activity Report 2020.

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ANNEX 1
C-M(2021)0033

NATO reporting entities². In addition, IBAN carried out performance audits of selected NATO bodies, operations, or programmes and conducted 72 audits of expenditures incurred on NATO Security Investment Programme (NSIP) projects.

4. For the 2019 financial year, the IBAN issued 12 audit reports on financial statements of NATO bodies and other reporting entities comprising 11 unqualified audit opinions and one qualified opinion³ on the financial statements and 12 unqualified audit opinions on compliance. In 2020, the IBAN issued 58 audit opinions⁴, two performance audits and one follow up performance audit⁵ and 72 auditor's reports on Cost Statements⁶ out of which 44 audit opinions were unmodified, auditing EUR 327 million worth of NSIP expenditures⁷. In 2020, IBAN's audit scope covered nearly EUR 9,000 million of expenditures for financial statements and the NSIP.

5. In 2020, 90% of IBAN staff days were expended on audits, the remaining 10% were expended on staff training and administrative activities, which includes supporting the Board. Of the audit days, financial statements audit activities made up 63% of the total and performance audit activities represented 29%, which is aligned to the Council mandated target of 25%. The remaining 8% of activity was attributed to NSIP activities. The total direct cost of audit was EUR 3 million in 2020 for audit scope that covered almost EUR 9,000 million.

6. In general, IBAN met the majority (66%) of their Key Performance Indicators (KPI) in 2020 as identified in their 2017-21 Strategic Plan, which is foreseen to be renewed before the end of the year. Some KPIs were impacted by the COVID-19 pandemic and associated travel restrictions.

Financial Statements audits

7. Of the 58 audit opinions issued for the 22 NATO reporting entities as well as non-NATO bodies in 2020, 41 were unqualified compared to 55 the year before when 74 audit opinions were issued. One Audit Report included a Key Audit Matter. No disclaimers or adverse audit opinions were issued for 2020. As covered in the 2020 Handling

² The IBAN also performs financial statements audits of some non-NATO multi-nationally funded or sponsored bodies with close cooperative links to NATO.

³ Additionally, IBAN issued eight qualified opinions on the financial statements and/or compliance for non-NATO bodies.

⁴ In 2020 IBAN issued 20 audit reports covering 12 NATO entities and eight non-NATO bodies comprising 29 audit opinions each on the financial statements and on compliance, for a total of 58 audit opinions.

⁵ On (1) NATO Cyber Defence, (2) NATO Communications and Information Agency (NCIA) Active Network Infrastructure (ANWI) programme, and (3) the follow-up of the 2016 performance audit report on the lack of policies and standards for business continuity planning within NATO.

⁶ Cost Statements are presented by territorial Host Nations, NATO Agencies and Strategic Commands

⁷ NSIP open projects expenditure amounts 7.3 billion as at December 2020

arrangements, the Board expresses concerns with regards to the pending qualified opinions and open observations especially those that have remained open for more than three years. Therefore, the Board invites the IS-NOR, in coordination with IBAN, to advise the Board whether further discussion with the management/governance of those entities or more focused Board recommendations to Council are necessary to accelerate actions on those outstanding items.

8. In 2020, the number of audit opinions issued for both compliance and financial statements decreased from 74 audit opinions in 2019 to 58 in 2020, which represents a decline of 22%⁸. This decrease in the number of audit opinions was due to fluctuation in financial years covered by audit reports, COVID-19 pandemic related travel restrictions and other constraints outside of IBAN's control.

9. Furthermore, the Board notes that the 31 August 2020 deadline⁹ for the presentation of IBAN's final audit reports to the Council was not met in the case of four NATO reporting entities due to travel restrictions caused by the COVID-19 crisis while outstanding information and related uncertainties impacted the audits of seven NATO reporting entities. The Board raises the importance of meeting the NATO Financial Regulations (NFR) deadlines to enhance financial transparency and consistency in the application of the NATO policy on the public disclosure of information (reference E)

10. The Board notes that in July 2021 the IBAN issued its second Report to Council on the Main Findings from the 2019 Financial Statements Audits (reference B). The IBAN will annually produce this report that includes detailed information on the reasons for IBAN qualified audit opinions, a summary of observations and recommendations, and IBAN's main findings by theme or audit area. Overall, the report provides a detailed overview on IBAN's financial statements audit work for internal and external stakeholders to increase transparency and accountability of NATO's use of public resources. The report should be made available to the public upon approval by the Council.

Performance audits

11. In 2020, the IBAN issued two performance audits and one follow up performance audit. Due to classification, these reports are not publicly disclosed. Number of audit days dedicated to performance audit slightly increased in 2020 with a direct performance audit cost of nearly EUR 800,000. The IBAN charges for financial statements audits to non-NATO bodies and uses the audit-generated income to fund some aspects of its performance audit

⁸ For the non-NATO bodies, IBAN performs the audit if requested by the entity and if it has available resources. The number of audits performed in a year is therefore not fully within IBAN's control, but based on demand.

⁹ As of 31 March 2020, 13 financial statements out of 22 were presented to IBAN, allowing for insignificant delays. The remaining nine reporting entities informed IBAN in writing of the delay prior to the 31 March deadline and gave a reasonable submission date. All remaining financial statements were received by the end of April 2020.

work, such as cost of travel and reimbursement of national expert, consultant and contractor costs. The closing balance for 2020 amounts EUR 179,000.

12. The Board recognises the need to facilitate effective oversight of performance audit recommendations that remain unsettled. The Board awaits IBAN's input on the proposed options to build more transparency and accountability into the follow on actions made by NATO entities on recommendations made in performance audits.¹⁰

NATO Security Investment Programme (NSIP)

13. In 2020, the Council approved the IBAN's proposed improvements to the audit of NSIP expenditures. The main change is the replacement of the Certificate of Final Financial Acceptance (COFFA) with an Independent External Auditor's Report providing an audit opinion and audit findings, if any. This document serves as input to the Investment Committee (IC) allowing them, on behalf of Council, to decide on the discharge of Host Nation responsibilities, including financial closure of the project (reference F).

14. The Board notes that the IBAN issued 38% less Auditor's Reports in 2020 due to receipt of fewer audit requests from Host Nations and because of COVID 19 crisis and related travel restrictions that delayed a number of planned NSIP audit missions. The Board recognises that of 28 modified audit opinions, 19 were related to missing or incomplete project financial documentation and intends to invite the IC to draft associated decisions that will improve the compliance and eligibility of expenditures reported in the Cost Statements with NSIP regulations. Furthermore, the Board notes that in other cases, the modified opinion was due to non-eligible expenditures claimed or expenditures incurred in excess of the authorisations granted.

15. In order to provide an overview of the number, nature and reasons for NSIP lump sum conversions in 2015-2019 period, in 2020 the IBAN issued a Special Report to Council on NSIP Lump Sum Conversions (reference C). Although authorisations for lump sum conversion of reported expenditures should only be exceptionally granted and the IC agreed to an accelerated closure process, the Report showed that out of a total value of NSIP projects of EUR 723 million, 54% or EUR 389 million of lump sum conversions were due to missing or incomplete financial records of the Host Nations. As a result, the Cost Statement of actual expenditures could not be prepared. The Board notes that the IBAN in its Report made a set of recommendations in order to contribute to the strengthening of NSIP responsibility, accountability and transparency.

16. The Board notes that during 2020 IBAN audited 28 projects with expenditures amounting to EUR 187.7 million and that by the end of 2020, a total of 391 projects amounting to EUR 2,500,000 million still remain to be closed. The Council deadline for closing out the projects was later extended from end of 2016 until end of 2022. Therefore,

¹⁰ IBAN Annual Activity Report 2019, Report by the RPPB (AC/335-N(2020)0050-REV1)

the Board recommend that the Council encourages HNs to continue submitting projects for technical inspection and audit in order to close the projects and reduce the backlog.

Public disclosure

17. In 2020, eleven of 21 IBAN financial statements audit reports of NATO bodies and other reporting entities have been publicly released on NATO's website and the public disclosure is still pending for eight IBAN financial statements audit reports¹¹. The remaining two reports have been withheld for public release because they contain restricted or sensitive commercial information. The same restriction applies to all three performance audit reports issued in 2020. Disclosure of audit reports is a significant step forward towards better accountability and improved transparency and an opportunity to underline NATO's commitment to good financial governance and transparency (reference E). Therefore, the IBAN Annual Activity Report 2020 should be made available to the public along with this RPPB report.

CONCLUSIONS

18. IBAN provide an independent assurance and advice to Council and directly contribute to promotion of transparency and accountability across NATO. In 2020 IBAN implemented its mandate by issuing 58 auditor's opinions, undertaking three performance audits and issuing 72 NSIP Independent External Auditor's Reports.

19. In 2020, compared to previous year, the total number of audit opinions decreased due to COVID-19 pandemic-related constraints and other limitations outside of IBAN's control.

20. The Board notes that travel restrictions caused by the COVID-19 pandemic prevented the IBAN from the timely presentation of final audit reports to the Council and that in July 2021 the IBAN issued its report on the Main Findings from the 2019 Financial Statements Audits.

21. In 2020 the IBAN issued two performance audits and one follow-up performance audit with a slight increase in the number of performance audit days. The Board acknowledges the need to facilitate effective oversight of performance audit recommendations that remain unresolved. Therefore, the Board awaits IBAN's input on the proposed options to build more transparency and accountability into the follow on actions made by NATO entities on recommendations made in performance audits.

22. With regard to NSIP projects audit, in 2020, the Council approved the IBAN's proposed improvements to the audit of NSIP expenditures. The Board recognises that IBAN issued 38% less reports in 2020 due to receipt of fewer audit requests and travel restrictions.

¹¹ The audit of NATO Medium Extended Air Defense System Management Organisation (NAMEADSMO) In Liquidation for 2019 will be combined with the IBAN's audit of NAMEADSMO 2020 financial statements.

23. The Board notes that disclosure of audit reports is a significant step forward towards better accountability and improved transparency and an opportunity to underline NATO's commitment to good financial governance and transparency.

RECOMMENDATIONS

24. The Resource Policy and Planning Board recommends that the Council:

24.1. note this report and the IBAN report at reference A; and,

24.2. agree to the public disclosure of the IBAN Report in Reference A and this report in line with agreed policy at reference E.



ANNUAL ACTIVITY REPORT 2020





SERVING THE NATIONS

Mission

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

Independence

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

Integrity

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

Professionalism

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

FOREWORD BY THE CHAIR

The International Board of Auditors for NATO (IBAN) is the external auditor of NATO. Our role is to provide professional, independent, and objective assurance and advice to the North Atlantic Council (Council) and, through their Permanent Representatives, the governments of NATO member countries. Our assurance and advice is then approved by Council to be published and made available to other internal and external stakeholders including the public. IBAN's audit reports largely focus on the raising and spending of the funds collected by the Organisation and by which the Nations contribute resources for the efficient conduct of the missions and the effective achievement of the objectives of NATO.

Under its Council approved Charter, IBAN is responsible for the financial statements audits and performance audits of all NATO Bodies and Reporting Entities, audits of the NATO Security and Investment Programme (NSIP) expenditures, and financial statements audits of some non-NATO multi-nationally funded entities. Our work directly contributes to promoting transparency and accountability across NATO, in accordance with the decisions taken by the Heads of NATO Member States at the Wales Summit in 2014.

The world-wide COVID-19 crisis directly impacted IBAN's work and implementation of its mandate in 2020. Like all organisations, IBAN was forced to adapt to a rapidly changing and dynamic environment where travel and face to face meetings were no longer possible. While these obstacles led to inevitable delays to some of our work, our audit teams were able to successfully perform extensive audit work remotely, while also having to generally work from home. Throughout the crisis our audit teams were able to maintain the same high level of quality that the Nations have come to expect from the IBAN. The success of our audit teams in this endeavour was also facilitated by the cooperation and flexibility of our auditees who were working under the same restrictions. The Board is extremely proud of the dedication shown by our audit and administrative staff to continue to execute our mandate to the highest standards in the face of severe adversity.

Daniela Morgante
Chair
International Board of Auditors for NATO



IBAN on the World Wide Web:
<http://www.nato.int/issues/iban>

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IBAN on the World Wide Web:
<http://www.nato.int/issues/iban>



OUR MANDATE & ROLE AS
THE EXTERNAL AUDITOR
FOR NATO

CHAPTER 1

OUR MANDATE AND ROLE AS THE EXTERNAL AUDITOR FOR NATO

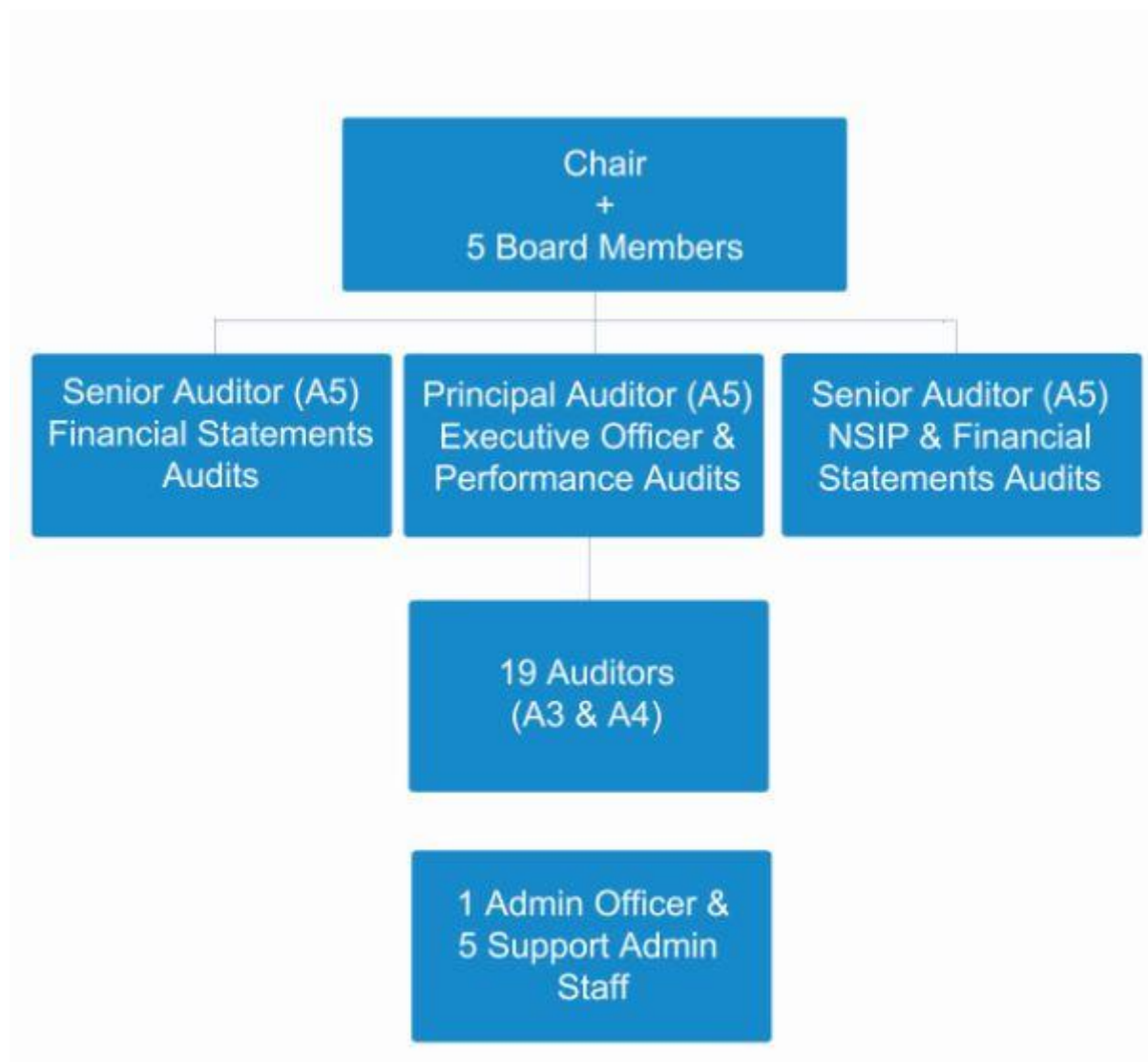
1.1 IBAN is the independent, external audit body of NATO. The forerunners of IBAN were chartered in 1953 by the Council and consisted of two separate audit boards: one responsible for the audit of NATO financial accounts and one for the audit of NATO investment programme funds. The two boards were merged in 1967 to become the IBAN. Our primary mandate is to provide independent assurance and advice to the Council and the Governments of Member States that:

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

1.2 IBAN is composed of six independent Board Members appointed by the Council from among candidates nominated by the Member Countries. The IBAN and its individual members are responsible for their work only to the Council. Board Members serve for a non-renewable four year term and are fully paid for by their respective national administrations. During 2020, Board Members from the Nations of Belgium, Canada, Italy, the Netherlands, Spain, and Turkey were at IBAN. The Board Members are supported by audit and administrative staff that are paid for by NATO common funding. The IBAN's organisation is shown below in Figure 1.

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1.3 IBAN's Charter provides that the Board's Members can be from all NATO Member States, regardless of size, so that each Nation has the opportunity to be a part of NATO's external audit structure on a voluntary and rotational basis. This results in collective ownership of, and collective responsibility for, NATO's external audit function. Since IBAN's establishment, Board Members from 18 different NATO Nations have served on the Board.

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

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OUR KEY ACTIVITIES & USAGE
OF RESOURCES

CHAPTER 2

OUR KEY ACTIVITIES AND USAGE OF RESOURCES

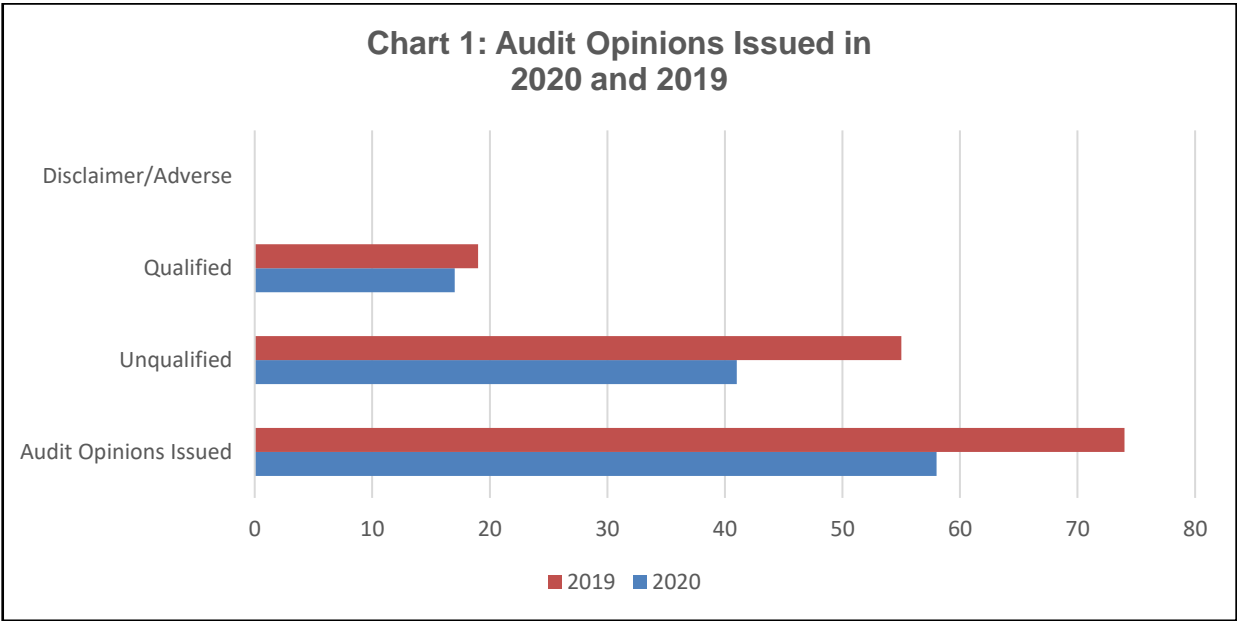
2.1 To execute our mandate, we perform 22 annual financial statement audits of NATO agencies and military commands, as well as of other NATO Reporting Entities. In addition, IBAN carries out performance audits of selected NATO Bodies, operations, or programmes. We also conducted 72 audits of expenditures incurred on NSIP projects.

2.2 Lastly, we also perform financial statement audits of some non-NATO multi-nationally funded or sponsored bodies with close cooperative links to NATO, usually on a cost reimbursable basis. In 2020, our total audit scope covered almost EUR 9 billion of expenditures for financial statements and the NSIP.

FINANCIAL STATEMENTS AUDIT

2.3 In 2020, we issued 12 audit reports on financial statements of NATO Bodies and other Reporting Entities and 8 audit reports on non-NATO bodies. Each audit report contains an independent external auditor's report and observations and recommendations per financial year audited. The independent external auditor's report includes an opinion on the financial statements and an opinion on compliance. An opinion can be unqualified, qualified, adverse, or a disclaimer of opinion. In accordance with auditing standards, three types of paragraphs may also be communicated in the auditor's report. These paragraphs are "Key Audit Matters", "Emphasis of Matter" and "Other Matter".

2.4 In the 12 audit reports for the NATO Bodies and other Reporting Entities, we issued 11 unqualified audit opinions and one qualified opinion on the financial statements, and 12 unqualified audit opinions on compliance. In the 8 audit reports for the non-NATO bodies covering in total 17 financial years, we issued 9 unqualified audit opinions both on the financial statements and on compliance, and 8 qualified audit opinions both on the financial statements and on compliance. In 2020, we issued 58 audit opinions, 41 were unqualified and 17 were qualified. The total number of audit opinions issued in 2020 compared to 2019, is shown in Chart 1 below.



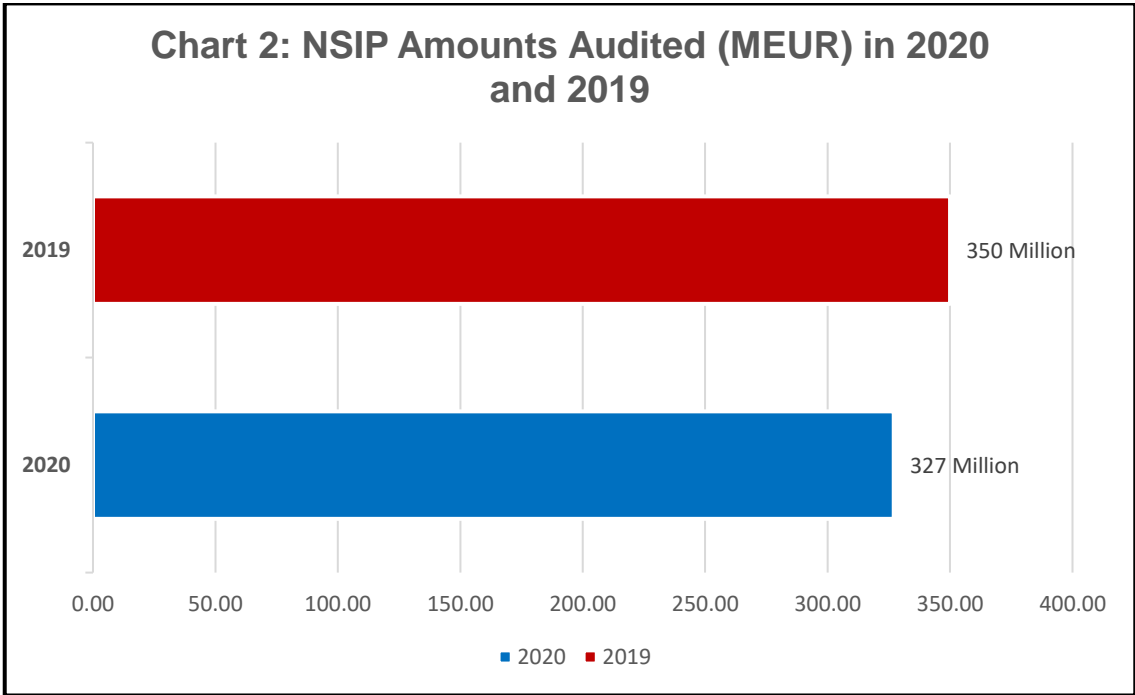
PERFORMANCE AUDIT

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

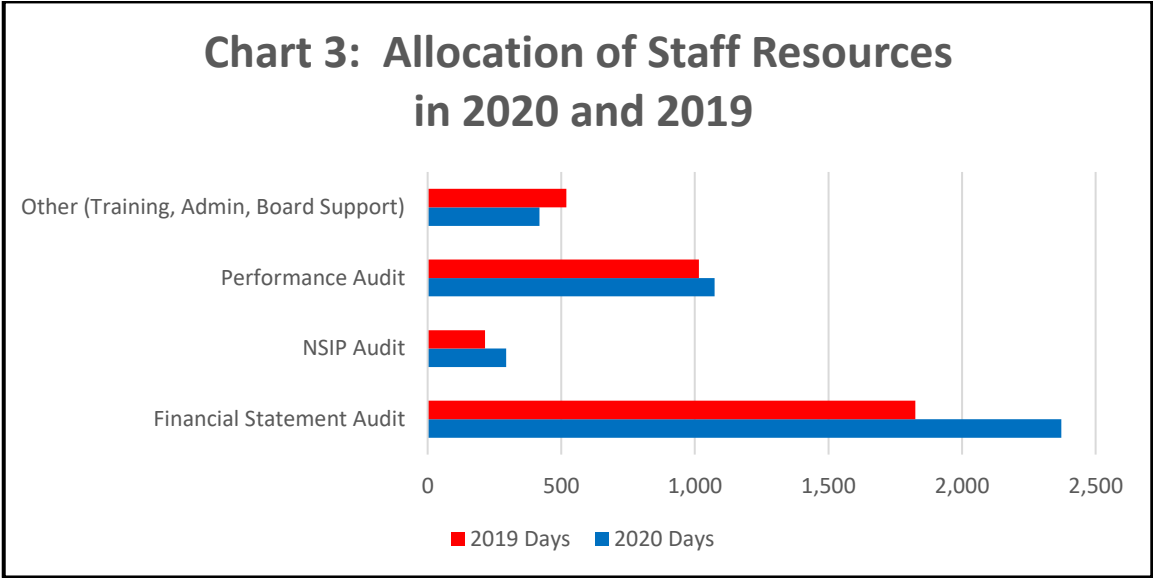
2.6 In 2020 we issued two performance audits and one follow up performance audit report to Council on (1) NATO Cyber Defence, (2) NATO Communications and Information Agency (NCIA) Active Network Infrastructure (ANWI) programme, and (3) the follow-up of the 2016 performance audit report on the lack of policies and standards for business continuity planning within NATO.

NSIP AUDIT

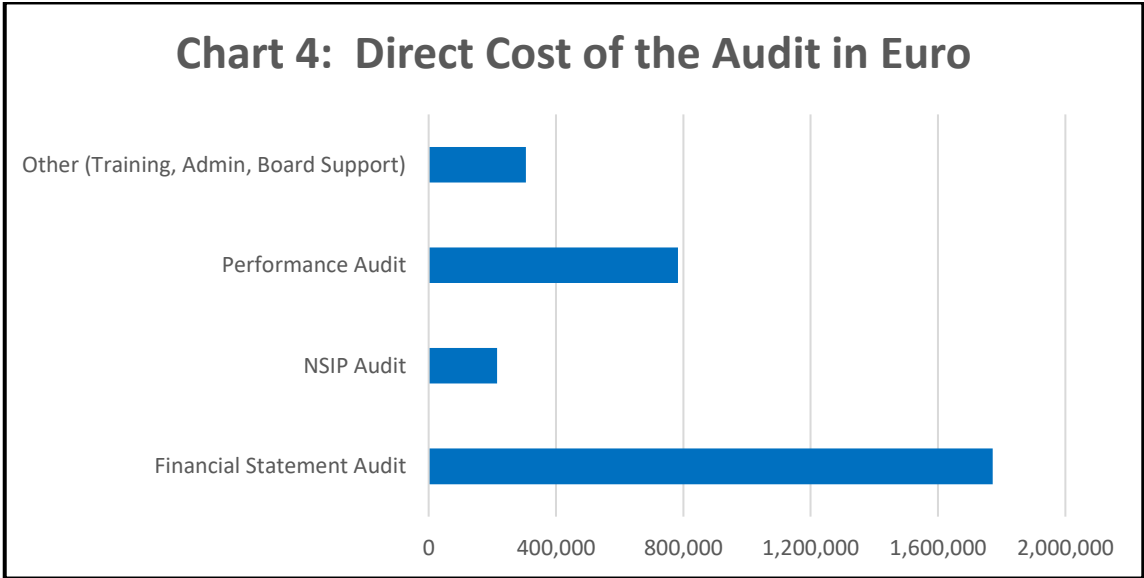
2.7 In 2020 we audited EUR 327 million worth of NSIP expenditures. The amount audited in 2020 compared to 2019 is shown in the chart below. We issued 72 auditor’s reports on Cost Statements presented by territorial Host Nations, NATO Agencies and Strategic Commands. Out of 72 audit opinions provided in the Independent External Auditor’s Reports, 44 audit opinions were unmodified and 28 audit opinions were modified. As this was the first year of issuing such Auditor’s Reports in place of the previous Certificate of Final Financial Acceptance (COFFA), there is no comparative data with 2019.



2.8 Chart 3 below shows the use of our audit staff resources in 2020 with the number of days (and the percentage it represents of the total) expended on each type of activity compared to 2019. In 2020 we used a total of 4,159 auditor staff days. Of these, 3,740 days (90%) were expended on audits. The remaining 419 days (10%) were expended on staff training, administrative activities, and supporting the work of the Board itself. As a percentage of the staff days assigned only to audit work, performance audit represented 29% of the IBAN’s audit days, which exceeded our Council mandated target of 25%. The audit resources for financial statement audits in terms of audit days was 63%. Resources in terms of audit days for NSIP in 2020 were 8%. We used more days on financial statement audit in 2020 as we were able to on-board two new financial statement auditors during the year.



2.9 The direct cost (audit staff salary and travel costs) of the audits and other IBAN activities for 2020 is shown in Chart 4 below in EUR. The total direct cost of the audit was EUR 3 million in 2020.





OUR CONTRIBUTION TO THE
STRENGTHENING OF
ACCOUNTABILITY & CORPORATE
GOVERNANCE WITHIN NATO

CHAPTER 3

OUR CONTRIBUTION TO THE STRENGTHENING OF ACCOUNTABILITY AND CORPORATE GOVERNANCE WITHIN NATO

3.1 The IBAN contributes to the strengthening of accountability and corporate governance within NATO through our financial and performance audits. While financial audits are generally performed on an annual or multi-annual basis, specific reviews and performance audits are executed on an ad-hoc basis. We perform our financial, compliance and performance audit mandate in accordance with International Organisation of Supreme Audit Institutions (INTOSAI) standards.

3.2 We aim to achieve this by the following:

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

3.3 Each year we audit the financial statements of NATO agencies, military commands, project offices, and benefit plans. In addition, we also audit some non-NATO multi-nationally funded or sponsored bodies in which NATO has a particular interest, such as the different NATO Rapid Deployable Corps and the NATO Parliamentary Assembly. In 2020, our audit scope for financial statement audits amounted to almost EUR 9 billion. In January 2020, drawing on the success of a similar event in 2019, we also provided a seminar to the NATO finance community on International Public Sector Accounting Standards (IPSAS) topics.

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

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

3.6 Financial transparency and accountability is an important topic at NATO. At the Wales Summit in September 2014, the North Atlantic Council agreed to further work in a number of areas including reforming governance, transparency and accountability, especially in the management of NATO's financial resources. In the spirit of transparency, NATO publishes the civilian and military budget totals, as well as the NSIP annual ceiling. NATO also publishes all unclassified financial statements of NATO Bodies and Reporting Entities, including the IBAN audit reports. A decision was also made to make financial statements unclassified wherever feasible.

3.7 While acknowledging that significant improvements were made in the past years, a considerable simplification of NATO's Financial Reporting and Accountability Framework (FRAF) is possible, while improving the quality of financial information in support of decision-making. A simplification based on the legal framework of NATO would be more in line with the aim of general-purpose financial statement and at the same time improve accountability and transparency to external stakeholders.

AUDIT METHODOLOGY AND CONDUCT OF AUDITS

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

3.9 We conduct our audits in accordance with the International Standards of Supreme Audit Institutions, developed by the INTOSAI and in accordance with the additional terms of reference defined in our Charter. After each financial statement audit, we issue an audit report with an opinion on the financial statements and on compliance and observations and recommendations. The opinions can be unqualified, qualified, disclaimed, or adverse. In accordance with auditing standards, three types of paragraphs may also be communicated in the auditor's report. These paragraphs are "Key Audit Matters", "Emphasis of Matter" and "Other Matter".

3.10 Audits are generally conducted on the auditee site by auditors, under the supervision of our Senior Auditors and Board Members. All NATO Bodies and Reporting Entities are audited every year. Non-NATO bodies are usually audited on a rotational basis strictly by request, but some, such as the NATO Parliamentary Assembly and the NATO Missile Firing Installation, are audited each year. Due to the COVID-19 pandemic and associated travel restrictions, IBAN conducted some audit work remotely as we were able to perform less on-site visits.

FINANCIAL STATEMENT AUDIT WORK IN 2020

3.11 In 2020, we issued 20 Financial Statements Audit Reports on NATO and non-NATO bodies comprising 29 audit opinions each on the financial statements and on

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compliance, for a total of 58 audit opinions. 12 of the Audit Reports were for NATO Bodies or Reporting Entities and 8 were for non-NATO bodies. Of the 58 audit opinions, 41 were with unqualified opinions and 17 were with qualified opinions. One Audit Report included a Key Audit Matter.

3.12 Of the 9 audit reports we issued with qualified opinions on the financial statements and/or compliance, only 1 was for NATO bodies or NATO Reporting Entities (see Annex A), the other 8 were for non-NATO bodies. As a percentage of the 12 audit reports for NATO Bodies or Reporting Entities, only 8% were with a qualified opinion. The financial audit observations and recommendations issued in 2020 included observations on a range of issues or errors which can affect the audit opinion if they are material or other paragraphs in the auditor's report (Key Audit Matters, Emphasis of Matter or Other Matter) if they are significant. In addition, other less significant observations were communicated directly to the management of NATO and non-NATO bodies in Management Letters. Each year we follow-up on the status of all observations raised in prior years' audit reports for NATO bodies or NATO Reporting Entities.

3.13 In 2020, in addition to the already limited timeframe set out by the NFRs to perform the audit process, other constraints further prevented IBAN's ability to meet the 31 August deadline provided in the NFRs with concern to eleven NATO Reporting Entities. Outstanding information and related uncertainties impacted the audits of seven NATO Reporting Entities and travel restrictions due to the COVID-19 crisis affected the audits of four NATO Reporting Entities.

REPORT TO COUNCIL ON MAIN FINDINGS FROM THE FINANCIAL STATEMENTS AUDITS 2018

3.14 In January of 2020 the IBAN issued its first "*Report to Council on the Main Findings From the Financial Statement Audits 2018*" (IBA-M(2020)0001). The purpose of this Report is to provide a detailed overview to Council on the main findings from the audit of the 2018 financial statements of NATO Bodies and Reporting Entities. This first report was made available to the public in September 2020. The IBAN aims to produce the "*Main Findings*" report annually and it should normally be made available to the public upon approval by the Council.

3.15 The report includes detailed information on the reasons for IBAN qualified audit opinions and, where relevant, other paragraphs, a summary of observations and recommendations, and IBAN's main findings by theme or audit area. Overall, the report provides a concise and detailed overview on IBAN's financial statement audit work for internal and external stakeholders to increase transparency and accountability of NATO's use of public resources.



OUR CONTRIBUTION TO THE
IMPROVEMENT OF THE
EFFECTIVENESS & EFFICIENCY
OF NATO ACTIVITIES

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CHAPTER 4***OUR CONTRIBUTION TO THE IMPROVEMENT OF THE EFFECTIVENESS AND EFFICIENCY OF NATO ACTIVITIES***

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

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

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

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

4.4 In 2020 we issued two performance audit reports and one follow-up performance audit report to Council. These reports were on (1) NATO Cyber Defence, (2) NATO Communications and Information Agency (NCIA) Active Network Infrastructure (ANWI) programme, and the follow-up of the 2016 performance audit report on the lack of policies and standards for business continuity planning within NATO.

PERFORMANCE AUDIT PLANNING

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

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

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

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

PERFORMANCE AUDIT REPORTS ISSUED IN 2020

Performance audit on the NATO Communications and Information Agency (NCIA) Active Network Infrastructure (ANWI) programme

4.7 In this report we assessed whether the causes and issues for the impacts to the NCIA ANWI programme's schedule, cost, and scope were mitigated and communicated to the Nations and other stakeholders sufficiently. In addition, we evaluated the extent to which the lessons identified throughout the implementation of ANWI were utilised to achieve successful implementation and determine what lessons can be applied to similar future NATO projects and programmes.

4.8 This report is classified and the findings cannot be presented in this report.

Performance audit on NATO Cyber Defence

4.9 In this report we assessed specific aspects of NATO Cyber Defence. This report is classified and the findings cannot be presented in this report.

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Follow-up report of the 2016 performance audit report on the lack of policies and standards for business continuity planning within NATO

4.10 In this audit we followed up our audit report from 2016 to determine the extent to which NATO took actions in addressing our recommendations. In addition, we determined the current status of NATO business continuity planning and assessed progress made since 2016.

4.11 This report is classified and the findings cannot be presented in this report.

USE OF INCOME FROM AUDITS OF NON-NATO BODIES FOR PERFORMANCE AUDIT

4.12 Non-NATO multi-nationally funded and/or sponsored bodies are organisations that share a close relationship with NATO, but are not part of the organisation as they do not operate under one of NATO's juridical personalities. Currently, there are more than 40 such bodies. They have their own governance and oversight structures and are not subject to governance by Council. If Council agrees, IBAN may be appointed as the external auditor of such a body. Most audits of these bodies by IBAN are done on a rotating basis every 3-4 years and subject to the availability of IBAN staff resources. Normally, IBAN audits a maximum of seven or eight such bodies each year.

4.13 By decision of the Council, IBAN audits of non-NATO multi-nationally funded and/or sponsored entities are to be done on a full cost reimbursable basis. However, Council decided that the audits of the AFNORTH School, SHAPE International School, NATO Missile Firing Installation, and the NATO Parliamentary Assembly would be done at no charge. These four audits are programmed and conducted every year in addition to any other audits of non-NATO bodies.

4.14 The costs to be reimbursed include staff hours expended on the audit by IBAN staff and travel and per diem costs of IBAN auditors and Board Members. The Head of Budget Planning and Analysis of the International Staff determines the hourly charge out rate for IBAN audit services each year. This charge is a full cost reimbursement rate and includes salaries, pension contributions, administrative support costs, and common operating costs.

4.15 As a result of the 2012 Business Case on Strengthening the External Audit Function in NATO, the Council decided that revenue generated from the audits of these bodies is to be re-allocated to the IBAN to support more performance audit work. Income from the audits of these bodies is considered as revenue generated through customer funding and the NFR provisions regarding carry forwards do not apply. The revenue generated is held in a separate NATO account and does not lapse at year end. Potential use of this income for performance audit could include, but is not limited to:

- Cost of travel related to performance audits.

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

4.16 Table 1 below shows the opening balance of funds in Euro from the audits of non-NATO bodies, the amount earned in 2020, the amount spent by IBAN, and the closing balance for the year.

Table 1: Funds from audits of Non-NATO bodies in Euro	
	2020
Starting balance	123,415.22
Income	56,045.61
Spent	371.20
Ending balance	179,089.63

Source: Office of Financial Control, International Staff.

4.17 IBAN only used EUR 371 of our funds from audits of non-NATO bodies to support our performance audit work in 2020. Few funds were used in 2020 due to the COVID-19 pandemic and associated travel restrictions.



OUR CONTRIBUTION TO THE
IMPROVEMENT OF THE
NSIP MANAGEMENT &
ACCOUNTABILITY

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CHAPTER 5***OUR CONTRIBUTION TO THE IMPROVEMENT OF THE NSIP MANAGEMENT AND ACCOUNTABILITY***

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

- Contribute to the improvement of NSIP management;
- Provide assurance of NSIP accountability; and
- Improve the efficiency, effectiveness, and economy of NSIP audits.

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

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

AUDIT METHODOLOGY AND CONDUCT OF NSIP AUDITS

5.4 The objective of the audit of the NSIP expenditures presented in the Cost Statement is to provide independent assurance that NSIP expenditures incurred by Host Nations were carried out in compliance with the regulations in force. We conduct our audits in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), approved by INTOSAI and in accordance with the additional terms of reference defined in our Charter. After each NSIP audit, we issue an Independent External Auditor's Report with an opinion on the Cost Statements. Opinions can either be unmodified or modified (see Glossary of Terms in Annex F).

5.5 The final financial closure of a project and formal discharge of the Host Nations are performed by the IC, on behalf of Council, based on the notation of a list of completed projects. This relieves and discharges the Host Nation from its financial responsibilities for the project.

5.6 According to NSIP regulations, an audit request should be submitted to IBAN not later than six months after the final approved technical inspection of the project. Prior to

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submitting an audit request, the Host Nation needs to prepare and sign a Cost Statement reflecting all expenditures incurred for the project implementation, which it deems eligible for NATO funding. Cost statements are the means through which the Host Nation presents a completed project for audit. The audits are generally conducted on the Host Nation site by auditors, under the supervision of our Senior Auditors and Board Members.

NEW APPROACH TO NSIP AUDITS

5.7 In 2019, IBAN reviewed its audit procedures for the audit of NSIP projects expenditures and proposed Council to agree on some practical improvements to the audit of NSIP expenditures. The purpose of the proposed improvements was to better align the reporting of the audit of NSIP expenditures with our Charter and the international auditing standards, as well as to strengthen NSIP responsibility, accountability and transparency.

5.8 IBAN's proposal for improvements was approved by Council on 02 June 2020 (C-M(2020)0010). The main change is the replacement of the Certificate of Final Financial Acceptance (COFFA) with an Independent External Auditor's Report providing an audit opinion and audit findings, if any. This document serves as input to the IC allowing them, on behalf of Council, to decide on the discharge of Host Nation responsibilities, including financial closure of the project. The new auditor's report provides a stronger regulatory framework for our audits of NSIP expenditures, without changing our core task established by our Charter and the underlying audit work.

5.9 We also proposed to make it a requirement for Host Nations to prepare and sign Cost Statements prior to submitting them 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 the terms of the authorisation and NSIP regulations agreed by the IC. On 09 January 2020, the IC agreed to a Cost Statement template as guidance for Host Nations, including the need to sign the Cost Statements.

NSIP AUDIT ACTIVITY IN 2020

5.10 In 2020, IBAN used 8% of the available staff resources on the audit of NSIP projects expenditures compared to 7% of the available staff resources in 2019.

5.11 We issued 72 auditor's reports on Cost Statements presented by territorial Host Nations, NATO Agencies and Strategic Commands. Out of 72 audit opinions provided in the Independent External Auditor's Reports, 44 audit opinions were unmodified and 28 audit opinions were modified. As a percentage of auditor's reports issued, 61% had unmodified audit opinions and 39% had modified audit opinions. Table 2 below shows IBAN's NSIP audit activity for 2020 in comparison to 2019.

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Table 2: NSIP AUDIT ACTIVITY 2020		
	2020	2019
Amount audited ⁽¹⁾	327 MEUR	350 MEUR
Auditor's Reports issued ⁽²⁾	72	116

Note 1: Amount in Cost Statement presented for audit.

Note 2: For 2019, IBAN issued Certificates of Final Financial Acceptance (COFFA).

5.12 The 72 auditor's reports covered expenditures of EUR 327 million, which represents about 4% of the entire population of open NSIP projects (expenditure of EUR 7.3 billion reported as at December 2020). The total amount audited by IBAN and financially closed after the IC discharge of the Host Nation's responsibilities amounts to more than 80% of the total cumulative NSIP expenditure (see Annex B).

5.13 IBAN's audit of NSIP projects expenditures remained stable in 2020. The number of audits conducted depends on audit requests received from Host Nations. Due to the COVID 19 crisis and related travel restrictions in 2020, IBAN had to delay a number of planned NSIP audit missions. These audits will be conducted once on-site audit missions can be resumed.

5.14 The main reason for modified audit opinions (19 of 28 auditor's reports or 66%) related to missing or incomplete project financial documentation, such as signed contracts, invoices and bidding documents. Due to the missing documentation, we could not reconcile and agree expenditures to contracts signed, nor could we verify whether expenditures incurred and presented in the Cost Statement were within the authorised scope. We therefore concluded that the expenditures reported in the Cost Statements were not compliant with NSIP regulations and therefore non-eligible from an audit perspective, subject to decision by the Investment Committee.

5.15 In other cases, the modified opinion was due to non-eligible expenditures claimed or expenditures incurred in excess of the authorisations granted.

SPECIAL REPORT TO COUNCIL ON NSIP LUMP SUM CONVERSIONS

5.16 In 2020, IBAN issued a Special Report to Council on NSIP Lump Sum Conversions. The objective of the report was to provide an overview of the number, nature and reasons for NSIP lump sum conversions in the period 2015 to 2019.

5.17 Over the period 2015 to 2019, NSIP projects with a total value of EUR 723 million were financially closed based on a conversion of expenditures into a lump sum ("a posteriori"). This equals 17% of all projects financially closed in the period. Out of this amount, EUR 389 million or 54% related to "a posteriori" lump sum conversions of reported expenditures are due to missing financial records. The IC agreed to an accelerated closure process, whereby reported expenditures were converted to lump sum amounts for the remaining EUR 334 million (or 46%). Although according to NSIP rules,

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authorisations for lump sum conversion of expenditures should be granted only in exceptional cases, the use of lump sum conversions was not exceptional, and has become common practice during that period.

5.18 One of the reasons for the lump sum conversions of reported expenditures is missing or incomplete financial project documentation of the Host Nations, not allowing for the preparation of a Cost Statement of actual expenditures incurred on the project. Therefore, Host Nations did not always comply with the NSIP rules for retaining financial records until the audit and the final approval of the completed project by the IC. 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.

5.19 We made the following recommendations to Council:

- The development of a compendium of applicable rules related to NSIP, including the responsibilities as a Host Nation for implementing NSIP projects.
- Introducing 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.
- Inviting Territorial Host Nations to confirm that national rules are in line with NSIP rules for retention of financial records and for NATO Agencies and Strategic Commands to adjust their archiving policies, so that they are fully aligned with the NSIP rules for retention of technical and financial project documentation.
- Consider 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.
- Council should ensure that all NSIP funded projects are subject to an audit, even in those cases where the documentation is lost or incomplete. The external auditor's opinion should be available prior to any decision by the IC on a potential lump sum conversion.

CLOSE-OUT OF COMPLETED NSIP PROJECTS PROGRAMMED PRIOR TO 2011

5.20 In 2014, on the basis of an RPPB recommendation, Council tasked the IC to develop a plan with the objective of closing out by 30 June 2016 existing completed NSIP projects programmed before 2011 amounting to EUR 5 billion (C-M(2014)0052). The reason for this was due to the significant backlog of projects completed by 2014, but not yet technically inspected or audited. The purpose was to reduce the backlog of NSIP projects not yet technically inspected and audited and to allow Host Nations to focus on

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ensuring that newly completed projects would be closed following agreed timelines. The technical and financial close-out of NSIP projects is a key element to ensuring proper transparency and accountability on the use of NATO common funds.

5.21 An overview of the evolution between December 2019 and December 2020 of the close-out of completed NSIP projects by 2014 programmed before 2011 is provided at Annex C. At 31 December 2020, a total of 391 projects amounting to EUR 2.5 billion still remain to be closed.

5.22 During 2020, IBAN audited 28 of these 391 projects with expenditures presented in the Cost Statement amounting to EUR 187.7 million. These projects have not yet been financially closed and the Host Nation discharged by the Investment Committee. In addition, IBAN has received audit requests from Host Nations for 47 projects amounting to EUR 318 million (authorised funds) related to projects programmed before 2011 and completed. Due to the COVID 19 crisis and related travel restrictions, a number of these audits were postponed to 2021.

5.23 The Council deadline for closing out the projects was later extended until 2020 (C-M(2017)0030) and a further extension was granted by Council until end 2022 (C-M(2020)0045-ASI). However, the closing of projects remains dependent on Host Nations submitting projects for technical inspection and audit. IBAN encourages Host Nations to continue submitting projects for technical inspection and audit in order to reduce the backlog.

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DEVELOPING IBAN AS AN
INNOVATIVE & PROACTIVE
AUDIT ORGANISATION

CHAPTER 6

DEVELOPING IBAN AS AN INNOVATIVE AND PROACTIVE AUDIT ORGANISATION

6.1 IBAN's ambition is to be an organisation that is conscious, forward-looking, driven by internal development to be ready to meet emerging challenges, and aspires to contribute to improvements and reforms in NATO as a whole. IBAN aims to achieve this by the following:

- Further promote IBAN's professional development and sharing of corporate knowledge,
- Increase financial audit efficiency and effectiveness in order to improve the timeliness and content of our financial audit reports, and
- Improve visibility of IBAN within NATO and with our external stakeholders in accordance with INTOSAI.

OUR STAFF

6.2 IBAN has an authorised post strength of twenty-two auditor posts, which has remained constant from prior years. As of 2020, IBAN's end state audit staff establishment is one A5 grade Principal Auditor, two A5 grade Senior Auditors, nine A4 grade auditors, and ten A3 grade auditor posts. In addition, we have one Administrative Officer and five Administrative Staff, who provide essential support to our audit teams as well as the general administration of IBAN.

6.3 Our staff is a diverse group of individuals skilled in a variety of audit disciplines and includes chartered accountants and performance audit specialists. Approximately 60% of IBAN's audit staff are seconded from Member State Supreme Audit Institutions (SAIs) or are former employees of SAIs. The remainder include individuals recruited from other national audit bodies or the private sector. By Council decision, 75% of our auditor positions are posts for which rotation is desirable. As a result, auditors are usually employed for a maximum of six to nine years. This policy of rotation ensures that the IBAN does not remain a static organisation and that audit practices and methodology can be refreshed with the influx of new staff.

6.4 Of the 19 auditor posts at A4 and A3 grade, 13 (68%) are designated as financial statement auditors and 6 (32%) are designated as performance auditors. Our NSIP audit work is carried out by both financial statement and performance auditors.

6.5 The IBAN strives to provide our staff with relevant and sufficient professional training in accordance with the auditing standards of INTOSAI. We plan for each auditor to receive one to two weeks of training per year. This training can be group training on specific audit topics as well as individual training within NATO or with external bodies on topics related to audit or personal development.

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CONFERENCE ON TRANSPARENCY AND ACCOUNTABILITY AS KEY ELEMENTS OF GOOD GOVERNANCE ACROSS NATO

6.6 The IBAN planned on holding a conference on “Transparency and Accountability as Key Elements of Good Governance across NATO” in the fall of 2020. The conference focus is on transparency and accountability as core strategic values for NATO. The objective is to raise interest and stimulate discussion within internal stakeholders (the Council, Nations, and NATO bodies) as well as with other NATO stakeholders, such as the Nations’ citizens, Nations’ SAls, Partner Nations, other international audit institutions, academia, the media, and industry. The conference was delayed due to the COVID-19 pandemic, but IBAN plans to hold it in the second half of 2021 if possible.

SEMINAR ON INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

6.7 In January of 2020 we held a seminar for our staff and staff from NATO bodies and reporting entities to discuss the NAF and IPSAS. In particular, the seminar focused on revenue recognition in the NATO environment, accounting for NSIP assets, and recognition of defined benefit post-employment liabilities.

OUR ANNUAL MEETING WITH THE NATIONAL AUDIT BODIES

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

6.9 Due to COVID-19 pandemic travel restrictions the IBAN held a virtual CNAB meeting on 23 November to discuss the 2019 Annual Activity Report. The same is planned for fall 2021 to discuss this report, but the IBAN hopes to return to face to face meetings with the CNABs at NATO HQ in 2022.



PERFORMANCE OF IBAN

CHAPTER 7**PERFORMANCE OF IBAN****OUR ANNUAL PERFORMANCE**

7.1 The Strategic Plan for 2017-2021 provides information on IBAN's vision, mission statement, and three core values: Independence, integrity and professionalism. It details our four strategic goals related to its work, with specific objectives and strategies to achieve them. These strategic goals are the following:

- Goal 1: Contribute to the strengthening of accountability and corporate governance within NATO.
- Goal 2: Contribute to the improvement of the NSIP management and accountability.
- Goal 3: Contribute to the improvement of the effectiveness and efficiency of NATO activities.
- Goal 4: Develop IBAN as an innovative and proactive audit organisation.

7.2 Our 2020 Annual Performance Plan is derived from the goals and objectives in the 2017-2021 Strategic Plan. The Annual Performance Plan includes specific key performance indicators and targets for the various objectives for 2020 to measure our performance.

PERFORMANCE RELATED TO GOAL 1

7.3 Our objectives related to Goal 1 were to provide independent assurance that the financial statements present fairly the financial position and performance of the entity, contribute to the development of a sound and consistent financial reporting environment, and enhance relationships with key stakeholders. The associated performance measure and target used to evaluate the achievement of the objectives in 2020 is shown below.

<i>Key Performance Indicator</i>	<i>Target</i>	<i>Actual</i>
% of audit opinions on NATO bodies given by 31 August on auditable signed financial statements.	100%	73%
Issue the Annual Activity Report by the end of March.	Y/N	N
Number of entities' governing bodies which explicitly respond (agree or disagree) to all FS audit recommendations.	8 of 22	11

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7.4 The first performance measure was not fully met as we were unable to issue all audit opinions by 31 August 2020 on NATO Bodies and Reporting Entities from whom we received auditable financial statements by 31 March 2020 because of travel restrictions due to the COVID-19 crisis. The second performance measure was also not achieved as we did not issue the Annual Activity Report by March 2020. The third performance measure was achieved.

PERFORMANCE RELATED TO GOAL 2

7.5 Our objectives related to Goal 2 were to contribute to the improvement of NSIP management, provide assurance of NSIP accountability, and improve our efficiency and effectiveness. The associated performance measure and target used to evaluate the achievement of the objectives in 2020 is shown in the table below and was exceeded.

<i>Key Performance Indicator</i>	<i>Target</i>	<i>Actual</i>
% of auditor's reports issued within 6 months of an audit request by Host Nations.	80%	92%

PERFORMANCE RELATED TO GOAL 3

7.6 Our objectives related to Goal 3 were to audit subjects of common interest to the Council and the Nations, perform audits that contribute to accountability and transparency within NATO, and perform cross-cutting audits that contribute to recommendations to be applied NATO – wide. The associated performance measures and targets used to evaluate the implementation of the objectives are shown in the table below and both were met.

<i>Key Performance Indicator</i>	<i>Target</i>	<i>Actual</i>
% of performance audit reports upon which the RPPB explicitly responds (agree or disagree).	100%	100%
Perform follow-up on prior performance audit reports.	1	1

PERFORMANCE RELATED TO GOAL 4

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

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

7.8 The first and second performance measures were met. The third performance measure was not fully achieved as we were unable to hold a second, planned event in 2020 due to the COVID-19 pandemic.

2021 ANNUAL ACTION AND PERFORMANCE PLAN

7.9 Our 2021 Annual Action and Performance Plan is included in this report at Annex D.

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Approved by the Board on 01 July 2021



Daniela Morgante, IT
Chair /Présidente



José Maria Cordero, SP



Azmi Es, TU



Amipal Manchanda, CA



Karlo van den Akker, NL



Franz Wascotte, BE

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ANNEXES

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ANNEX A
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**LIST OF REPORTS ISSUED IN 2020
RESULTING FROM FINANCIAL STATEMENT AND PERFORMANCE AUDITS**

LIST OF IBAN FINANCIAL STATEMENT AUDIT AND PERFORMANCE AUDIT REPORTS ISSUED IN 2020						
Subject and Financial Year		IBAN Report Number	Audit Opinion	IBAN Issue Date¹	NAC Approval Date	Available to Public Yes/No/ Pending/NA
<i>NATO Military Commands</i>						
1.	Allied Command Operations (ACO) 2019	IBA-AR(2020)0015	U	26.08.2020	15.12.2020	Yes
2.	Allied Command Transformation (ACT) 2019	IBA-AR(2021)0001	U	16.04.2021	01.09.2021	Yes
<i>NATO Agencies, Civil-Military Bodies, Special Projects, and Pension Schemes</i>						
3.	BICES Group Executive (BGX) 2019	IBA-AR(2020)0008	U	22.07.2020	18.12.2020	No(NATO RESTRICTED)
4.	International Military Staff (IMS), NATO Standardisation Agency (NSA) (including Partnership for Peace (PfP), Mediterranean Dialogue (MD) Istanbul Cooperation Initiative (ICI) and Other Military Cooperation (OMC) 2019	IBA-AR(2020)0005	U	22.07.2020	15.12.2020	Yes
5.	International Staff 2019	IBA-AR(2021)0013	U	04.06.2021	Pending	Pending
6.	Munitions Safety Information Analysis Centre (MSIAC) 2019	IBA-AR(2021)0007	U	04.06.2021	Pending	Pending
7.	NATO Airborne Early Warning and Control Programme Management Agency (NAPMA) 2019	IBA-AR(2020)0018	Q (FS)	26.08.2020	15.12.2020	Yes
8.	NATO Alliance Ground Surveillance Management Organisation (NAGSMO) 2019	IBA-AR(2020)0014	U	21.08.2020	15.12.2020	Yes
9.	NATO Communications and Information Organisation (NCIO) 2019	IBA-AR(2020)0021	Q (FS, C)	12.02.2021	22.09.2021	Yes
10.	NATO Coordinated Pension Scheme 2019	IBA-AR(2021)0009	U	04.06.2021	Pending	Pending
11.	NATO Defense College (NDC) 2019	IBA-AR(2020)0006	U	09.07.2020	15.12.2020	Yes
12.	NATO Defined Contribution Pension Scheme (NATO DCPS) 2019	IBA-AR(2021)0010	U	04.06.2021	Pending	Pending
13.	NATO EF 2000 and Tornado Development, Production and Logistics Management Agency (NETMA) 2019	IBA-AR(2020)0012	U	26.08.2020	15.12.2020	Yes

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LIST OF IBAN FINANCIAL STATEMENT AUDIT AND PERFORMANCE AUDIT REPORTS ISSUED IN 2020

	Subject and Financial Year	IBAN Report Number	Audit Opinion	IBAN Issue Date¹	NAC Approval Date	Available to Public Yes/No/ Pending/NA
14.	NATO European Fighter Aircraft Development, Production and Logistic Management Organisation (NEFMO) 2019	IBA-AR(2020)0017	U	26.08.2020	15.12.2020	No (COMMERCIAL SENSITIVE)
15.	NATO FORACS Office (NFO) 2019	IBA-AR(2021)0012	U	04.06.2021	Pending	Pending
16.	NATO Helicopter Management Organisation (NAHEMO) 2019	IBA-AR(2020)0011	U	21.08.2020	15.12.2020	Yes
17.	NATO Medium Extended Air Defense System Management Organisation (NAMEADSMO) In Liquidation 2019					
18.	NATO Multi-Role Combat Aircraft Development Production And In-Service Support Management Organisation (NAMMO) 2019	IBA-AR(2020)0013	U	26.08.2020	15.12.2020	Yes
19.	NATO Retirees Medical Claims Fund (RMCF) 2019	IBA-AR(2021)0008	U	04.06.2021	Pending	Pending
20.	NATO Support and Procurement Organisation (NSPO) 2019	IBA-AR(2020)0009	U	26.08.2020	15.12.2020	Yes
21.	New NATO Headquarters (NNHQ) 2019	IBA-AR(2021)0011	U	04.06.2021	Pending	Pending
22.	Science and Technology Organisation (STO) 2019	IBA-AR(2020)0010	U	13.11.2020	Pending	Pending
Non-NATO multi-national bodies						
23.	AFNORTH International School 2019	IBA-AR(2020)0003	U	24.04.2020	NA	NA
24.	Headquarters Allied Rapid Reaction Corps (HQ ARRC-UK) 2015-2018	IBA-AR(2019)0030	Q (FS, C) ²	30.01.2020	NA	NA
25.	Headquarters NATO Rapid Deployable Corps Greece (HQ NRDC-GR) 2015-2018	IBA-AR(2019)0029	U ²	30.01.2020	NA	NA
26.	Headquarters NATO Rapid Deployable Corps Spain (HQ NRDC-SP) 2015-2018	IBA-AR(2019)0033	Q (FS, C) ²	30.01.2020	NA	NA
27.	NATO Missile Firing Installation (NAMFI) 2018	IBA-AR(2019)0031	U	30.01.2020	NA	NA
28.	NATO Missile Firing Installation (NAMFI) 2019	IBA-AR(2020)0016	U	27.11.2020	NA	NA
29.	NATO Parliamentary Assembly (NPA) 2019	IBA-AR(2020)0002	U	06.03.2020	NA	NA

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ANNEX A
IBA-M(2021)0001-REV1

LIST OF IBAN FINANCIAL STATEMENT AUDIT AND PERFORMANCE AUDIT REPORTS ISSUED IN 2020						
Subject and Financial Year		IBAN Report Number	Audit Opinion	IBAN Issue Date ¹	NAC Approval Date	Available to Public Yes/No/ Pending/NA
30.	SHAPE International School (SIS) 2018	IBA-AR(2020)0001	U	13.02.2020	NA	NA
Performance Audit Reports						
31.	Follow-up of the 2016 performance audit report on the lack of policies and standards for business continuity planning within NATO	IBA-AR(2019)0032	NA	13.02.2020	17.09.2021	No (NATO RESTRICTED)
32.	NATO Cyber Defence	IBA-AR(2019)0034	NA	18.02.2020	Pending	No (NATO RESTRICTED)
33.	NCIA Active Network Infrastructure (ANWI)	IBA-AR(2020)0007	NA	25.09.2020	Pending	No (NATO RESTRICTED)
Special Audit Reports						
34.	Main Findings from the 2018 Financial Statements Audits	IBA-M(2020)0001	NA	16.01.2020	03.09.2020	Yes
35.	NSIP Lump Sum Conversions	IBA-AR(2020)0004	NA	03.06.2020	Pending	Pending

¹ The table includes reports related to the 2019 financial year that were issued by the IBAN in 2021 due to delays related to the COVID-19 pandemic and also the need to receive detailed information and supporting evidence regarding developments in the International Staff Office of Financial Control for the seven financial statements they issue.

² Audit Opinion is the same for all four years audited.

U = Unqualified

Q = Qualified

A = Adverse

D = Disclaimer

FS = Financial Statements

C = Compliance

NA = Not Applicable

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

CUMULATIVE NSIP EXPENDITURE BY HOST NATION AS AT END 2020

Host Nation	Expenditure Reported (1) (2)	Expenditure Financially closed – (2) (3)	Expenditure Financially closed
Albania	0	0	0%
Belgium	861	700	81%
Bulgaria	69	18	26%
Canada	80	80	100%
Croatia	10	0	0%
Czech Republic	135	61.5	46%
Denmark	742	726	98%
Estonia	68	32	47%
France	1,022	961	94%
Germany	5,990	5,534	92%
Greece	1,904	1,545	81%
Hungary	184	97	53%
Iceland	36	0	0%
Italy	2,390	1,915	80%
Latvia	46	33	72%
Lithuania	47	37	78%
Luxembourg	59	59	100%
Netherlands	980	871	89%
Norway	2,226	2,112	95%
Poland	485	220	45%
Portugal	611	571	94%
Romania	72	5	7%
Slovakia	39	31	79%
Slovenia	40	6	15%
Spain	240	164.7	69%
Turkey	4,592	4,064	88%
United States of America	2,669	1,275	93%
United Kingdom	1,594	2,482	80%
Sub-Total Territorial Host Nations	27,192	23,600	87%
ACT	28	2	7%
NADGEMO	33	33	100%
NCIA	6,856	3,731	54%
NSPA	1,332	839	63%
SHAPE	984	872.2	89%
Sub-Total NATO Bodies (4)	9,233	5,477	59%
Total	36,425	29,077	80%

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

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ANNEX C
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CLOSE-OUT OF COMPLETED NSIP PROJECTS PROGRAMMED PRIOR TO 2011

NUMBER AND VALUE OF PROJECTS

Evolution December 2019 - December 2020

Host Nation	OPEN PROJECTS (1) 2019 (EUR)		OPEN PROJECTS (1) 2020 (EUR)		DIFFERENCE (number of projects)	% DIFFERENCE (value)
	No.	Value (2)	No.	Value (2)		
Belgium	8	46,799,114	8	46,799,114	0	0%
Bulgaria	2	29,768,932	2	29,768,932	0	0%
Czech Republic	1	5,069,876	1	5,069,876	0	0%
Denmark	3	5,680,001	2	5,665,366	-1	0%
France	3	26,103,172	3	26,103,172	0	0%
Germany	16	255,364,918	16	255,364,918	0	0%
Greece	48	310,289,241	48	310,289,241	0	0%
Hungary	6	23,764,842	6	23,764,842	0	0%
Italy	35	351,044,720	34	351,033,540	-1	0%
Latvia	1	12,502,964	1	12,502,964	0	0%
Lithuania	1	6,275,102	1	6,275,102	0	0%
Netherlands	2	38,782,270	2	38,782,270	0	0%
Norway	3	42,559,112	3	42,559,112	0	0%
Poland	14	95,813,262	14	95,813,262	0	0%
Portugal	1	92,647	1	92,647	0	0%
Slovenia	3	23,587,842	3	23,587,842	0	0%
Spain	8	39,435,185	8	39,435,185	0	0%
Turkey	62	413,026,866	57	388,783,785	-5	6%
United Kingdom	10	46,015,741	8	45,793,160	-2	0%
USA	2	1,784,201	0	0	-2	100%
Sub-Total Territorial Host Nations	229	1,773,760,008	218	1,747,484,330	-11	1%
ACT	5	9,913,836	5	9,913,836	0	0%
NCIA	150	578,200,370	147	577,281,062	-3	0%
NSPA	7	41,443,307	7	41,443,307	0	0%
SHAPE	14	97,150,588	14	97,150,588	0	0%
Sub-Total NATO Bodies	176	726,708,101	173	725,788,793	-3	0%
Total (3)	405	2,500,468,109	391	2,473,273,123	-14	1%

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Source: IBAN data.

(1): Projects completed but not yet financially closed and discharged by the Investment Committee

(2): Value based on authorised funds.

(3): According to the latest update to RPPB (AC/335-N(2020)0059), as of May 2020, EUR 2.3 million or 373 projects remain to be closed. The difference to the above table is mainly because IBAN has included all open projects from before 1994 when projects were authorised in Slices. These are not all include in the Close-Out exercise.

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**International Board of Auditors for NATO
Annual Action and Performance Plan 2021****INTRODUCTION**

The International Board of Auditors for NATO (IBAN) is the independent external auditor of NATO. Its primary function is to enable the North Atlantic Council and the governments of member countries to satisfy themselves that common funds have been properly used for the settlement of authorised expenditures. The IBAN carries out financial, compliance, and performance audits in the various NATO Bodies and Reporting Entities and audits the expenditure related to the NATO Security Investment Programme (NSIP). The IBAN's vision is to be the respected voice of accountability and performance evaluation within NATO. The core values of the IBAN are ***Independence, Integrity and Professionalism.***

This annual action and performance plan for 2021 is based upon the goals and objectives identified in the 2017-2021 strategic plan. It includes key performance indicators and targets for the various objectives to be achieved during 2021.

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

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

IBAN performs its financial, compliance and performance audit mandate in accordance with INTOSAI standards.

Objectives and Performance Measures

The IBAN's objectives related to Goal 1 are shown below.

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

Objective 2: Contribute to the development of a sound and consistent financial reporting environment.

Objective 3: Enhance relationships with key stakeholders.

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

Key Performance Indicators

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

GOAL 2: CONTRIBUTE TO THE IMPROVEMENT OF THE NSIP MANAGEMENT AND ACCOUNTABILITY

The IBAN provides independent assurance that the expenditure incurred by member countries and by NATO entities for the implementation of the NSIP is compliant with NSIP regulations in force. The IBAN also - through its performance audits of the NSIP - analyses and evaluates the economy, efficiency and effectiveness of programme management, procedures, etc.

Objectives and Performance Measures

The IBAN's objectives related to Goal 2 are shown below.

Objective 1: Contribute to the improvement of NSIP management.

Objective 2: Provide assurance of NSIP accountability.

Objective 3: Improve efficiency and effectiveness of NSIP audits.

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

Key Performance Indicator

#	<i>Key Performance Indicator</i>	<i>Target</i>
1	% of auditor's reports issued within 6 months of an acceptable and complete audit request by Host Nations.	90%

GOAL 3: CONTRIBUTE TO THE IMPROVEMENT OF THE EFFECTIVENESS AND EFFICIENCY OF NATO ACTIVITIES

The IBAN's audit mandate includes performance auditing of the activities of NATO

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bodies, operations, programmes, and projects.

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

IBAN provides independent analysis and recommendations to the Council on the effectiveness, efficiency and economy of specific NATO bodies, operations, programmes and projects. Through strategic planning, audit execution and forward looking recommendations, we aim at optimizing procedures and value for money while delivering required outputs.

Objectives and Performance Measures

The IBAN's objectives related to Goal 3 are shown below.

Objective 1: Subjects of common interest to the NAC and the Nations.

Objective 2: Audits that contributes to accountability and transparency within NATO.

Objective 3: Cross-cutting audits (i.e. benchmarking) that contribute to recommendations to be applied NATO – wide.

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

Key Performance Indicators

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

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

Goals 1 to 3 signify IBAN's level of ambition to be an organization that is conscious and forward-looking, is driven by internal development to be ready to meet emerging challenges, and aspires to contribute to improvements and reforms in NATO as a whole.

Objectives and Performance Measures

The IBAN's objectives related to Goal 4 are shown below.

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Objective 1: Further promote IBANs professional development and sharing of corporate knowledge.

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

Objective 3: Improve visibility of IBAN.

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

Key Performance Indicators

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

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IBAN ANNUAL FINANCIAL STATEMENT AUDIT UNIVERSE

IBAN Annual Financial Statement Audit Universe	FY 2019 Expenditure/Value ¹
<i>NATO Common Funded Bodies or Activities</i>	
Allied Command Operations Group	1,056
Allied Command Transformation Group	148
International Military Staff Group	28
International Staff NATO HQ	278
NATO Coordinated Pension Scheme (Defined Benefit)	202
NATO Defence College	10
NATO Defined Contribution Pension Scheme	25
NATO Retiree's Medical Claim Fund	29
New NATO Headquarters	13
Science and Technology Organisation	33
<i>Sub-total</i>	<i>1,822</i>
<i>NATO Joint/Multi-Nationally Funded Bodies or Activities</i>	
Munitions Safety Information Analysis Centre	2
NATO AEW&C Programme Management Organisation	69
NATO Alliance Ground Surveillance Management Agency	8
NATO Battlefield Information Collection & Exploitation Systems Group Executive	Non-disclosed ²
NATO Communications and Information Agency	797
NATO Eurofighter 2000 and Tornado Development Production and Logistics Management Agency	45
NATO European Fighter Aircraft Development, Production and Logistics Management Organisation	2,262
NATO Multi-Role Combat Aircraft Development and In-Service Support Management Organisation	489
NATO Helicopter Design and Development Production and Logistics Management Organisation	12
NATO Medium Extended Air Defence System Design and Development, Production and Logistics Management Organisation	2
NATO Naval Forces Sensor and Weapons Accuracy Check Sites Office	1
NATO Support and Procurement Agency	3,351
<i>Sub-total</i>	<i>7,038</i>
<i>Non-NATO Multi-Nationally Funded or Sponsored Bodies³</i>	
AFNORTH International School	5
NATO Missile Firing Installation	8
NATO Parliamentary Assembly	4
SHAPE International School	5
<i>Sub-total</i>	<i>22</i>
<i>Grand total</i>	<i>8,882</i>

¹ All amounts in Millions of EURO (MEUR).² The NATO Battlefield Information Collection & Exploitation Systems Group Executive financial information is classified.³ By Council decision, the IBAN does not charge for the audits of the AFNORTH School, SHAPE School, NATO Missile Firing Installation, and the NATO Parliamentary Assembly. In addition, these four entities are audited on an annual basis so are included in the annual financial statement audit universe. These non-NATO bodies do not share NATO's legal status, but may have a close relationship with the

organisation. They have their own governance structures and are not subject to oversight by Council. The IBAN also audits an additional variable number of these bodies on a full cost reimbursable basis annually by request and if audit resources are available to do so.

NATO UNCLASSIFIEDANNEX F
IBA-M(2021)0001-REV1**Glossary of Terms****Financial Statement Audit Opinion**

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

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

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

NSIP Audit Opinion

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

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

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

NATO UNCLASSIFIEDANNEX F
IBA-M(2021)0001-REV1**Abbreviations/Acronyms**

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

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

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The International Board of Auditors for NATO
(IBAN)
Bld Leopold III
B - 1110 Brussels
Mailbox.IBAN@hq.nato.int
www.nato.int/issues/iban



ANNUAL ACTIVITY REPORT 2020





SERVING THE NATIONS

Mission

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

Independence

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

Integrity

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

Professionalism

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

FOREWORD BY THE CHAIR

The International Board of Auditors for NATO (IBAN) is the external auditor of NATO. Our role is to provide professional, independent, and objective assurance and advice to the North Atlantic Council (Council) and, through their Permanent Representatives, the governments of NATO member countries. Our assurance and advice is then approved by Council to be published and made available to other internal and external stakeholders including the public. IBAN's audit reports largely focus on the raising and spending of the funds collected by the Organisation and by which the Nations contribute resources for the efficient conduct of the missions and the effective achievement of the objectives of NATO.

Under its Council approved Charter, IBAN is responsible for the financial statements audits and performance audits of all NATO Bodies and Reporting Entities, audits of the NATO Security and Investment Programme (NSIP) expenditures, and financial statements audits of some non-NATO multi-nationally funded entities. Our work directly contributes to promoting transparency and accountability across NATO, in accordance with the decisions taken by the Heads of NATO Member States at the Wales Summit in 2014.

The world-wide COVID-19 crisis directly impacted IBAN's work and implementation of its mandate in 2020. Like all organisations, IBAN was forced to adapt to a rapidly changing and dynamic environment where travel and face to face meetings were no longer possible. While these obstacles led to inevitable delays to some of our work, our audit teams were able to successfully perform extensive audit work remotely, while also having to generally work from home. Throughout the crisis our audit teams were able to maintain the same high level of quality that the Nations have come to expect from the IBAN. The success of our audit teams in this endeavour was also facilitated by the cooperation and flexibility of our auditees who were working under the same restrictions. The Board is extremely proud of the dedication shown by our audit and administrative staff to continue to execute our mandate to the highest standards in the face of severe adversity.



Daniela Morgante
Chair
International Board of Auditors for NATO



IBAN on the World Wide Web:
<http://www.nato.int/issues/iban>

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OUR MANDATE & ROLE AS
THE EXTERNAL AUDITOR
FOR NATO

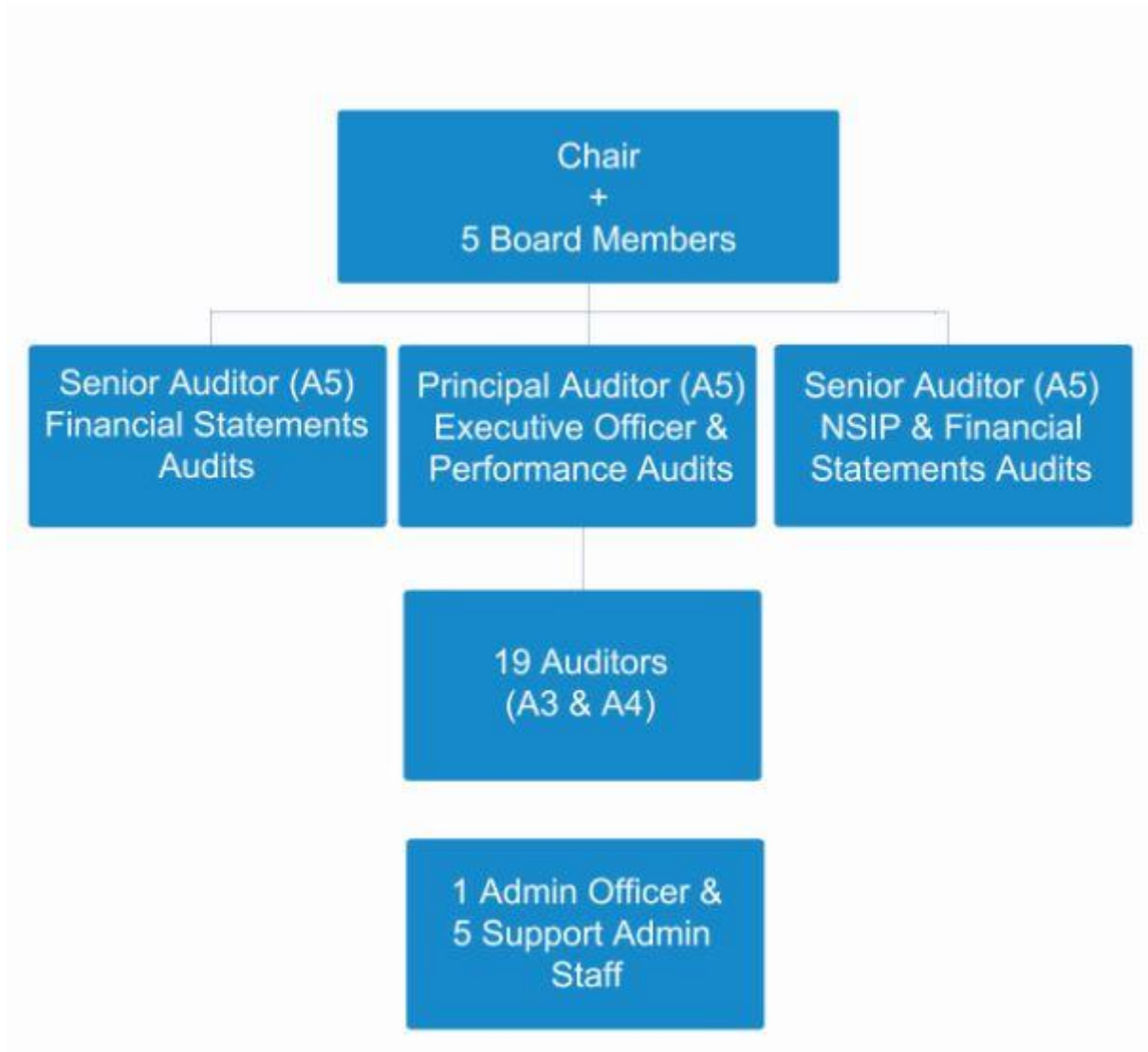
CHAPTER 1

OUR MANDATE AND ROLE AS THE EXTERNAL AUDITOR FOR NATO

1.1 IBAN is the independent, external audit body of NATO. The forerunners of IBAN were chartered in 1953 by the Council and consisted of two separate audit boards: one responsible for the audit of NATO financial accounts and one for the audit of NATO investment programme funds. The two boards were merged in 1967 to become the IBAN. Our primary mandate is to provide independent assurance and advice to the Council and the Governments of Member States that:

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

1.2 IBAN is composed of six independent Board Members appointed by the Council from among candidates nominated by the Member Countries. The IBAN and its individual members are responsible for their work only to the Council. Board Members serve for a non-renewable four year term and are fully paid for by their respective national administrations. During 2020, Board Members from the Nations of Belgium, Canada, Italy, the Netherlands, Spain, and Turkey were at IBAN. The Board Members are supported by audit and administrative staff that are paid for by NATO common funding. The IBAN's organisation is shown below in Figure 1.



1.3 IBAN's Charter provides that the Board's Members can be from all NATO Member States, regardless of size, so that each Nation has the opportunity to be a part of NATO's external audit structure on a voluntary and rotational basis. This results in collective ownership of, and collective responsibility for, NATO's external audit function. Since IBAN's establishment, Board Members from 18 different NATO Nations have served on the Board.

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



OUR KEY ACTIVITIES & USAGE
OF RESOURCES

CHAPTER 2

OUR KEY ACTIVITIES AND USAGE OF RESOURCES

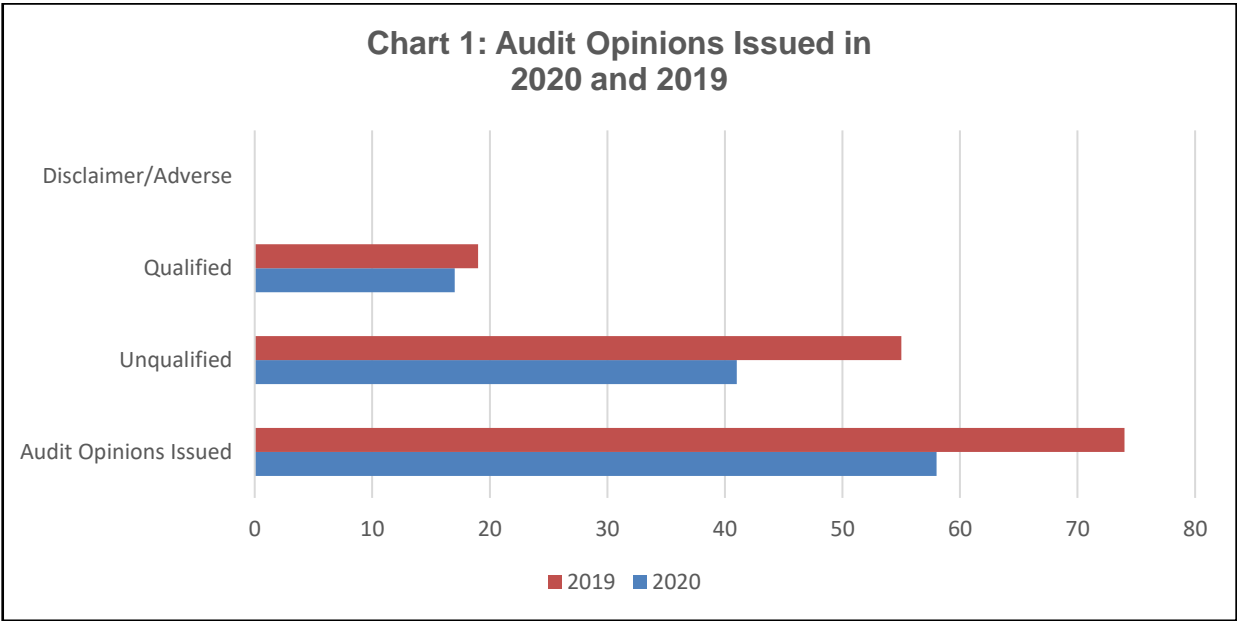
2.1 To execute our mandate, we perform 22 annual financial statement audits of NATO agencies and military commands, as well as of other NATO Reporting Entities. In addition, IBAN carries out performance audits of selected NATO Bodies, operations, or programmes. We also conducted 72 audits of expenditures incurred on NSIP projects.

2.2 Lastly, we also perform financial statement audits of some non-NATO multi-nationally funded or sponsored bodies with close cooperative links to NATO, usually on a cost reimbursable basis. In 2020, our total audit scope covered almost EUR 9 billion of expenditures for financial statements and the NSIP.

FINANCIAL STATEMENTS AUDIT

2.3 In 2020, we issued 12 audit reports on financial statements of NATO Bodies and other Reporting Entities and 8 audit reports on non-NATO bodies. Each audit report contains an independent external auditor's report and observations and recommendations per financial year audited. The independent external auditor's report includes an opinion on the financial statements and an opinion on compliance. An opinion can be unqualified, qualified, adverse, or a disclaimer of opinion. In accordance with auditing standards, three types of paragraphs may also be communicated in the auditor's report. These paragraphs are "Key Audit Matters", "Emphasis of Matter" and "Other Matter".

2.4 In the 12 audit reports for the NATO Bodies and other Reporting Entities, we issued 11 unqualified audit opinions and one qualified opinion on the financial statements, and 12 unqualified audit opinions on compliance. In the 8 audit reports for the non-NATO bodies covering in total 17 financial years, we issued 9 unqualified audit opinions both on the financial statements and on compliance, and 8 qualified audit opinions both on the financial statements and on compliance. In 2020, we issued 58 audit opinions, 41 were unqualified and 17 were qualified. The total number of audit opinions issued in 2020 compared to 2019, is shown in Chart 1 below.



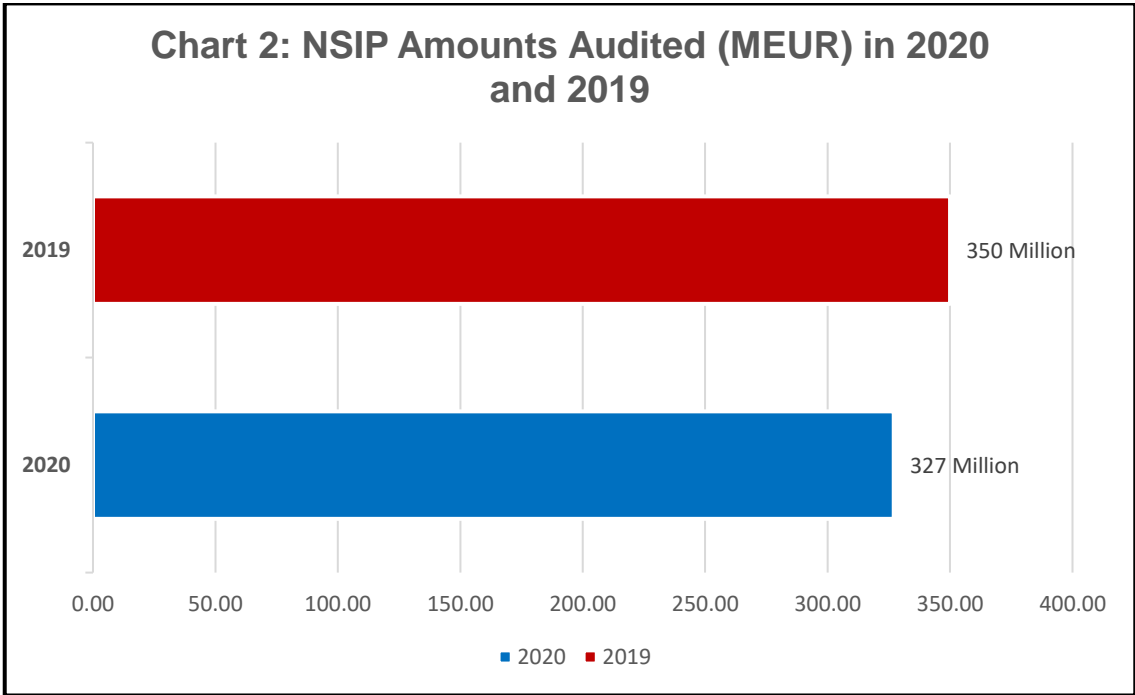
PERFORMANCE AUDIT

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

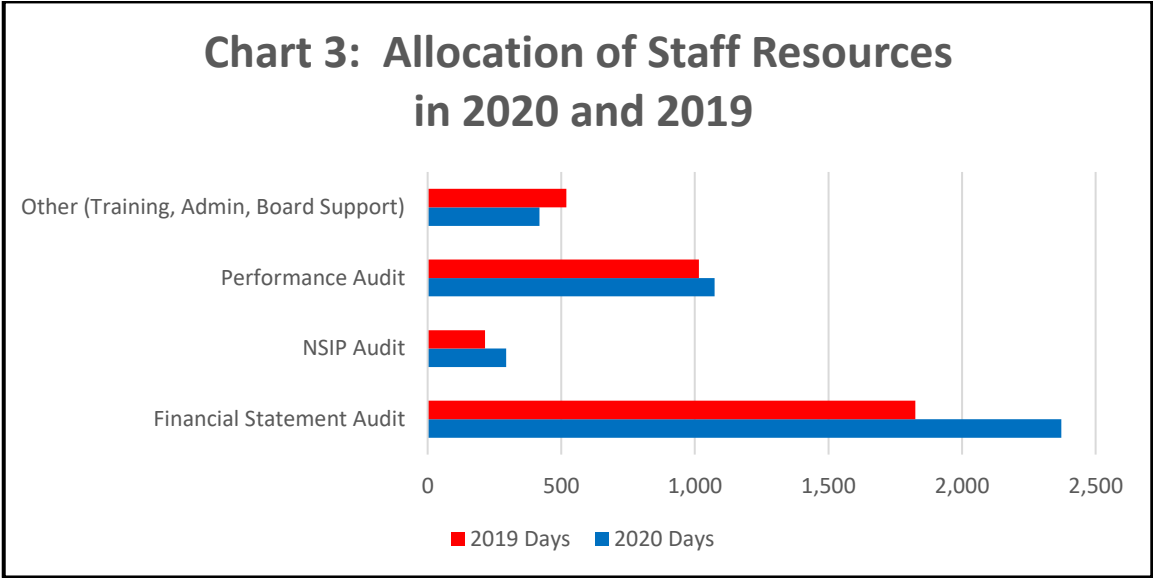
2.6 In 2020 we issued two performance audits and one follow up performance audit report to Council on (1) NATO Cyber Defence, (2) NATO Communications and Information Agency (NCIA) Active Network Infrastructure (ANWI) programme, and (3) the follow-up of the 2016 performance audit report on the lack of policies and standards for business continuity planning within NATO.

NSIP AUDIT

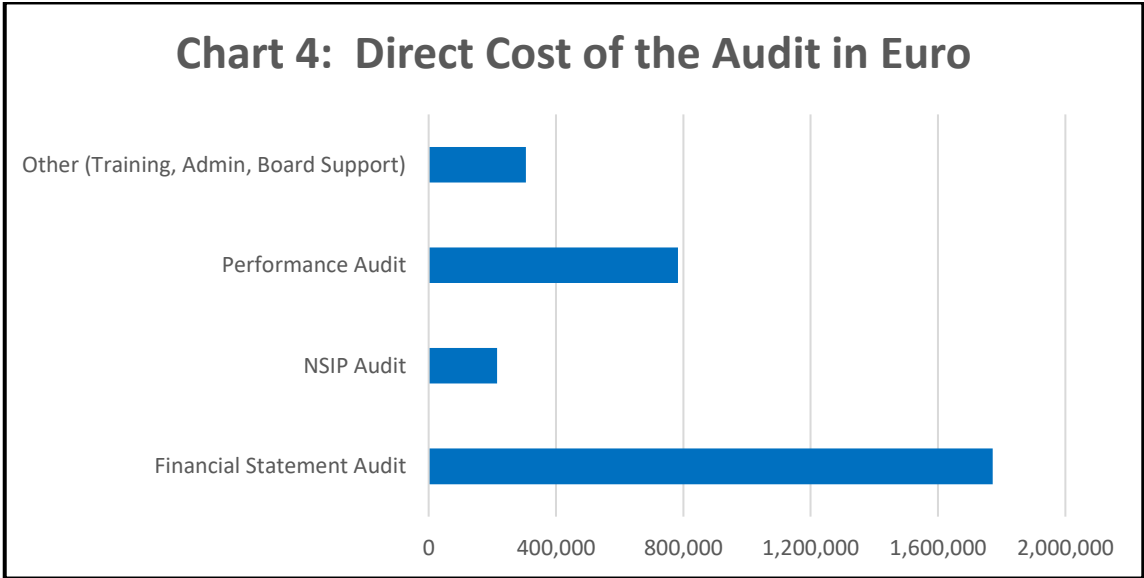
2.7 In 2020 we audited EUR 327 million worth of NSIP expenditures. The amount audited in 2020 compared to 2019 is shown in the chart below. We issued 72 auditor’s reports on Cost Statements presented by territorial Host Nations, NATO Agencies and Strategic Commands. Out of 72 audit opinions provided in the Independent External Auditor’s Reports, 44 audit opinions were unmodified and 28 audit opinions were modified. As this was the first year of issuing such Auditor’s Reports in place of the previous Certificate of Final Financial Acceptance (COFFA), there is no comparative data with 2019.



2.8 Chart 3 below shows the use of our audit staff resources in 2020 with the number of days (and the percentage it represents of the total) expended on each type of activity compared to 2019. In 2020 we used a total of 4,159 auditor staff days. Of these, 3,740 days (90%) were expended on audits. The remaining 419 days (10%) were expended on staff training, administrative activities, and supporting the work of the Board itself. As a percentage of the staff days assigned only to audit work, performance audit represented 29% of the IBAN’s audit days, which exceeded our Council mandated target of 25%. The audit resources for financial statement audits in terms of audit days was 63%. Resources in terms of audit days for NSIP in 2020 were 8%. We used more days on financial statement audit in 2020 as we were able to on-board two new financial statement auditors during the year.



2.9 The direct cost (audit staff salary and travel costs) of the audits and other IBAN activities for 2020 is shown in Chart 4 below in EUR. The total direct cost of the audit was EUR 3 million in 2020.





OUR CONTRIBUTION TO THE
STRENGTHENING OF
ACCOUNTABILITY & CORPORATE
GOVERNANCE WITHIN NATO

CHAPTER 3

OUR CONTRIBUTION TO THE STRENGTHENING OF ACCOUNTABILITY AND CORPORATE GOVERNANCE WITHIN NATO

3.1 The IBAN contributes to the strengthening of accountability and corporate governance within NATO through our financial and performance audits. While financial audits are generally performed on an annual or multi-annual basis, specific reviews and performance audits are executed on an ad-hoc basis. We perform our financial, compliance and performance audit mandate in accordance with International Organisation of Supreme Audit Institutions (INTOSAI) standards.

3.2 We aim to achieve this by the following:

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

3.3 Each year we audit the financial statements of NATO agencies, military commands, project offices, and benefit plans. In addition, we also audit some non-NATO multi-nationally funded or sponsored bodies in which NATO has a particular interest, such as the different NATO Rapid Deployable Corps and the NATO Parliamentary Assembly. In 2020, our audit scope for financial statement audits amounted to almost EUR 9 billion. In January 2020, drawing on the success of a similar event in 2019, we also provided a seminar to the NATO finance community on International Public Sector Accounting Standards (IPSAS) topics.

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

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

3.6 Financial transparency and accountability is an important topic at NATO. At the Wales Summit in September 2014, the North Atlantic Council agreed to further work in a number of areas including reforming governance, transparency and accountability, especially in the management of NATO's financial resources. In the spirit of transparency, NATO publishes the civilian and military budget totals, as well as the NSIP annual ceiling. NATO also publishes all unclassified financial statements of NATO Bodies and Reporting Entities, including the IBAN audit reports. A decision was also made to make financial statements unclassified wherever feasible.

3.7 While acknowledging that significant improvements were made in the past years, a considerable simplification of NATO's Financial Reporting and Accountability Framework (FRAF) is possible, while improving the quality of financial information in support of decision-making. A simplification based on the legal framework of NATO would be more in line with the aim of general-purpose financial statement and at the same time improve accountability and transparency to external stakeholders.

AUDIT METHODOLOGY AND CONDUCT OF AUDITS

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

3.9 We conduct our audits in accordance with the International Standards of Supreme Audit Institutions, developed by the INTOSAI and in accordance with the additional terms of reference defined in our Charter. After each financial statement audit, we issue an audit report with an opinion on the financial statements and on compliance and observations and recommendations. The opinions can be unqualified, qualified, disclaimed, or adverse. In accordance with auditing standards, three types of paragraphs may also be communicated in the auditor's report. These paragraphs are "Key Audit Matters", "Emphasis of Matter" and "Other Matter".

3.10 Audits are generally conducted on the auditee site by auditors, under the supervision of our Senior Auditors and Board Members. All NATO Bodies and Reporting Entities are audited every year. Non-NATO bodies are usually audited on a rotational basis strictly by request, but some, such as the NATO Parliamentary Assembly and the NATO Missile Firing Installation, are audited each year. Due to the COVID-19 pandemic and associated travel restrictions, IBAN conducted some audit work remotely as we were able to perform less on-site visits.

FINANCIAL STATEMENT AUDIT WORK IN 2020

3.11 In 2020, we issued 20 Financial Statements Audit Reports on NATO and non-NATO bodies comprising 29 audit opinions each on the financial statements and on

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compliance, for a total of 58 audit opinions. 12 of the Audit Reports were for NATO Bodies or Reporting Entities and 8 were for non-NATO bodies. Of the 58 audit opinions, 41 were with unqualified opinions and 17 were with qualified opinions. One Audit Report included a Key Audit Matter.

3.12 Of the 9 audit reports we issued with qualified opinions on the financial statements and/or compliance, only 1 was for NATO bodies or NATO Reporting Entities (see Annex A), the other 8 were for non-NATO bodies. As a percentage of the 12 audit reports for NATO Bodies or Reporting Entities, only 8% were with a qualified opinion. The financial audit observations and recommendations issued in 2020 included observations on a range of issues or errors which can affect the audit opinion if they are material or other paragraphs in the auditor's report (Key Audit Matters, Emphasis of Matter or Other Matter) if they are significant. In addition, other less significant observations were communicated directly to the management of NATO and non-NATO bodies in Management Letters. Each year we follow-up on the status of all observations raised in prior years' audit reports for NATO bodies or NATO Reporting Entities.

3.13 In 2020, in addition to the already limited timeframe set out by the NFRs to perform the audit process, other constraints further prevented IBAN's ability to meet the 31 August deadline provided in the NFRs with concern to eleven NATO Reporting Entities. Outstanding information and related uncertainties impacted the audits of seven NATO Reporting Entities and travel restrictions due to the COVID-19 crisis affected the audits of four NATO Reporting Entities.

REPORT TO COUNCIL ON MAIN FINDINGS FROM THE FINANCIAL STATEMENTS AUDITS 2018

3.14 In January of 2020 the IBAN issued its first "*Report to Council on the Main Findings From the Financial Statement Audits 2018*" (IBA-M(2020)0001). The purpose of this Report is to provide a detailed overview to Council on the main findings from the audit of the 2018 financial statements of NATO Bodies and Reporting Entities. This first report was made available to the public in September 2020. The IBAN aims to produce the "*Main Findings*" report annually and it should normally be made available to the public upon approval by the Council.

3.15 The report includes detailed information on the reasons for IBAN qualified audit opinions and, where relevant, other paragraphs, a summary of observations and recommendations, and IBAN's main findings by theme or audit area. Overall, the report provides a concise and detailed overview on IBAN's financial statement audit work for internal and external stakeholders to increase transparency and accountability of NATO's use of public resources.



OUR CONTRIBUTION TO THE
IMPROVEMENT OF THE
EFFECTIVENESS & EFFICIENCY
OF NATO ACTIVITIES

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CHAPTER 4***OUR CONTRIBUTION TO THE IMPROVEMENT OF THE EFFECTIVENESS AND EFFICIENCY OF NATO ACTIVITIES***

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

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

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

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

4.4 In 2020 we issued two performance audit reports and one follow-up performance audit report to Council. These reports were on (1) NATO Cyber Defence, (2) NATO Communications and Information Agency (NCIA) Active Network Infrastructure (ANWI) programme, and the follow-up of the 2016 performance audit report on the lack of policies and standards for business continuity planning within NATO.

PERFORMANCE AUDIT PLANNING

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

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

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

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

PERFORMANCE AUDIT REPORTS ISSUED IN 2020

Performance audit on the NATO Communications and Information Agency (NCIA) Active Network Infrastructure (ANWI) programme

4.7 In this report we assessed whether the causes and issues for the impacts to the NCIA ANWI programme's schedule, cost, and scope were mitigated and communicated to the Nations and other stakeholders sufficiently. In addition, we evaluated the extent to which the lessons identified throughout the implementation of ANWI were utilised to achieve successful implementation and determine what lessons can be applied to similar future NATO projects and programmes.

4.8 This report is classified and the findings cannot be presented in this report.

Performance audit on NATO Cyber Defence

4.9 In this report we assessed specific aspects of NATO Cyber Defence. This report is classified and the findings cannot be presented in this report.

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Follow-up report of the 2016 performance audit report on the lack of policies and standards for business continuity planning within NATO

4.10 In this audit we followed up our audit report from 2016 to determine the extent to which NATO took actions in addressing our recommendations. In addition, we determined the current status of NATO business continuity planning and assessed progress made since 2016.

4.11 This report is classified and the findings cannot be presented in this report.

USE OF INCOME FROM AUDITS OF NON-NATO BODIES FOR PERFORMANCE AUDIT

4.12 Non-NATO multi-nationally funded and/or sponsored bodies are organisations that share a close relationship with NATO, but are not part of the organisation as they do not operate under one of NATO's juridical personalities. Currently, there are more than 40 such bodies. They have their own governance and oversight structures and are not subject to governance by Council. If Council agrees, IBAN may be appointed as the external auditor of such a body. Most audits of these bodies by IBAN are done on a rotating basis every 3-4 years and subject to the availability of IBAN staff resources. Normally, IBAN audits a maximum of seven or eight such bodies each year.

4.13 By decision of the Council, IBAN audits of non-NATO multi-nationally funded and/or sponsored entities are to be done on a full cost reimbursable basis. However, Council decided that the audits of the AFNORTH School, SHAPE International School, NATO Missile Firing Installation, and the NATO Parliamentary Assembly would be done at no charge. These four audits are programmed and conducted every year in addition to any other audits of non-NATO bodies.

4.14 The costs to be reimbursed include staff hours expended on the audit by IBAN staff and travel and per diem costs of IBAN auditors and Board Members. The Head of Budget Planning and Analysis of the International Staff determines the hourly charge out rate for IBAN audit services each year. This charge is a full cost reimbursement rate and includes salaries, pension contributions, administrative support costs, and common operating costs.

4.15 As a result of the 2012 Business Case on Strengthening the External Audit Function in NATO, the Council decided that revenue generated from the audits of these bodies is to be re-allocated to the IBAN to support more performance audit work. Income from the audits of these bodies is considered as revenue generated through customer funding and the NFR provisions regarding carry forwards do not apply. The revenue generated is held in a separate NATO account and does not lapse at year end. Potential use of this income for performance audit could include, but is not limited to:

- Cost of travel related to performance audits.

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

4.16 Table 1 below shows the opening balance of funds in Euro from the audits of non-NATO bodies, the amount earned in 2020, the amount spent by IBAN, and the closing balance for the year.

Table 1: Funds from audits of Non-NATO bodies in Euro	
	2020
Starting balance	123,415.22
Income	56,045.61
Spent	371.20
Ending balance	179,089.63

Source: Office of Financial Control, International Staff.

4.17 IBAN only used EUR 371 of our funds from audits of non-NATO bodies to support our performance audit work in 2020. Few funds were used in 2020 due to the COVID-19 pandemic and associated travel restrictions.



OUR CONTRIBUTION TO THE
IMPROVEMENT OF THE
NSIP MANAGEMENT &
ACCOUNTABILITY

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CHAPTER 5***OUR CONTRIBUTION TO THE IMPROVEMENT OF THE NSIP MANAGEMENT AND ACCOUNTABILITY***

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

- Contribute to the improvement of NSIP management;
- Provide assurance of NSIP accountability; and
- Improve the efficiency, effectiveness, and economy of NSIP audits.

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

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

AUDIT METHODOLOGY AND CONDUCT OF NSIP AUDITS

5.4 The objective of the audit of the NSIP expenditures presented in the Cost Statement is to provide independent assurance that NSIP expenditures incurred by Host Nations were carried out in compliance with the regulations in force. We conduct our audits in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), approved by INTOSAI and in accordance with the additional terms of reference defined in our Charter. After each NSIP audit, we issue an Independent External Auditor's Report with an opinion on the Cost Statements. Opinions can either be unmodified or modified (see Glossary of Terms in Annex F).

5.5 The final financial closure of a project and formal discharge of the Host Nations are performed by the IC, on behalf of Council, based on the notation of a list of completed projects. This relieves and discharges the Host Nation from its financial responsibilities for the project.

5.6 According to NSIP regulations, an audit request should be submitted to IBAN not later than six months after the final approved technical inspection of the project. Prior to

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submitting an audit request, the Host Nation needs to prepare and sign a Cost Statement reflecting all expenditures incurred for the project implementation, which it deems eligible for NATO funding. Cost statements are the means through which the Host Nation presents a completed project for audit. The audits are generally conducted on the Host Nation site by auditors, under the supervision of our Senior Auditors and Board Members.

NEW APPROACH TO NSIP AUDITS

5.7 In 2019, IBAN reviewed its audit procedures for the audit of NSIP projects expenditures and proposed Council to agree on some practical improvements to the audit of NSIP expenditures. The purpose of the proposed improvements was to better align the reporting of the audit of NSIP expenditures with our Charter and the international auditing standards, as well as to strengthen NSIP responsibility, accountability and transparency.

5.8 IBAN's proposal for improvements was approved by Council on 02 June 2020 (C-M(2020)0010). The main change is the replacement of the Certificate of Final Financial Acceptance (COFFA) with an Independent External Auditor's Report providing an audit opinion and audit findings, if any. This document serves as input to the IC allowing them, on behalf of Council, to decide on the discharge of Host Nation responsibilities, including financial closure of the project. The new auditor's report provides a stronger regulatory framework for our audits of NSIP expenditures, without changing our core task established by our Charter and the underlying audit work.

5.9 We also proposed to make it a requirement for Host Nations to prepare and sign Cost Statements prior to submitting them 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 the terms of the authorisation and NSIP regulations agreed by the IC. On 09 January 2020, the IC agreed to a Cost Statement template as guidance for Host Nations, including the need to sign the Cost Statements.

NSIP AUDIT ACTIVITY IN 2020

5.10 In 2020, IBAN used 8% of the available staff resources on the audit of NSIP projects expenditures compared to 7% of the available staff resources in 2019.

5.11 We issued 72 auditor's reports on Cost Statements presented by territorial Host Nations, NATO Agencies and Strategic Commands. Out of 72 audit opinions provided in the Independent External Auditor's Reports, 44 audit opinions were unmodified and 28 audit opinions were modified. As a percentage of auditor's reports issued, 61% had unmodified audit opinions and 39% had modified audit opinions. Table 2 below shows IBAN's NSIP audit activity for 2020 in comparison to 2019.

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Table 2: NSIP AUDIT ACTIVITY 2020		
	2020	2019
Amount audited ⁽¹⁾	327 MEUR	350 MEUR
Auditor's Reports issued ⁽²⁾	72	116

Note 1: Amount in Cost Statement presented for audit.

Note 2: For 2019, IBAN issued Certificates of Final Financial Acceptance (COFFA).

5.12 The 72 auditor's reports covered expenditures of EUR 327 million, which represents about 4% of the entire population of open NSIP projects (expenditure of EUR 7.3 billion reported as at December 2020). The total amount audited by IBAN and financially closed after the IC discharge of the Host Nation's responsibilities amounts to more than 80% of the total cumulative NSIP expenditure (see Annex B).

5.13 IBAN's audit of NSIP projects expenditures remained stable in 2020. The number of audits conducted depends on audit requests received from Host Nations. Due to the COVID 19 crisis and related travel restrictions in 2020, IBAN had to delay a number of planned NSIP audit missions. These audits will be conducted once on-site audit missions can be resumed.

5.14 The main reason for modified audit opinions (19 of 28 auditor's reports or 66%) related to missing or incomplete project financial documentation, such as signed contracts, invoices and bidding documents. Due to the missing documentation, we could not reconcile and agree expenditures to contracts signed, nor could we verify whether expenditures incurred and presented in the Cost Statement were within the authorised scope. We therefore concluded that the expenditures reported in the Cost Statements were not compliant with NSIP regulations and therefore non-eligible from an audit perspective, subject to decision by the Investment Committee.

5.15 In other cases, the modified opinion was due to non-eligible expenditures claimed or expenditures incurred in excess of the authorisations granted.

SPECIAL REPORT TO COUNCIL ON NSIP LUMP SUM CONVERSIONS

5.16 In 2020, IBAN issued a Special Report to Council on NSIP Lump Sum Conversions. The objective of the report was to provide an overview of the number, nature and reasons for NSIP lump sum conversions in the period 2015 to 2019.

5.17 Over the period 2015 to 2019, NSIP projects with a total value of EUR 723 million were financially closed based on a conversion of expenditures into a lump sum ("a posteriori"). This equals 17% of all projects financially closed in the period. Out of this amount, EUR 389 million or 54% related to "a posteriori" lump sum conversions of reported expenditures are due to missing financial records. The IC agreed to an accelerated closure process, whereby reported expenditures were converted to lump sum amounts for the remaining EUR 334 million (or 46%). Although according to NSIP rules,

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authorisations for lump sum conversion of expenditures should be granted only in exceptional cases, the use of lump sum conversions was not exceptional, and has become common practice during that period.

5.18 One of the reasons for the lump sum conversions of reported expenditures is missing or incomplete financial project documentation of the Host Nations, not allowing for the preparation of a Cost Statement of actual expenditures incurred on the project. Therefore, Host Nations did not always comply with the NSIP rules for retaining financial records until the audit and the final approval of the completed project by the IC. 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.

5.19 We made the following recommendations to Council:

- The development of a compendium of applicable rules related to NSIP, including the responsibilities as a Host Nation for implementing NSIP projects.
- Introducing 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.
- Inviting Territorial Host Nations to confirm that national rules are in line with NSIP rules for retention of financial records and for NATO Agencies and Strategic Commands to adjust their archiving policies, so that they are fully aligned with the NSIP rules for retention of technical and financial project documentation.
- Consider 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.
- Council should ensure that all NSIP funded projects are subject to an audit, even in those cases where the documentation is lost or incomplete. The external auditor's opinion should be available prior to any decision by the IC on a potential lump sum conversion.

CLOSE-OUT OF COMPLETED NSIP PROJECTS PROGRAMMED PRIOR TO 2011

5.20 In 2014, on the basis of an RPPB recommendation, Council tasked the IC to develop a plan with the objective of closing out by 30 June 2016 existing completed NSIP projects programmed before 2011 amounting to EUR 5 billion (C-M(2014)0052). The reason for this was due to the significant backlog of projects completed by 2014, but not yet technically inspected or audited. The purpose was to reduce the backlog of NSIP projects not yet technically inspected and audited and to allow Host Nations to focus on

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ensuring that newly completed projects would be closed following agreed timelines. The technical and financial close-out of NSIP projects is a key element to ensuring proper transparency and accountability on the use of NATO common funds.

5.21 An overview of the evolution between December 2019 and December 2020 of the close-out of completed NSIP projects by 2014 programmed before 2011 is provided at Annex C. At 31 December 2020, a total of 391 projects amounting to EUR 2.5 billion still remain to be closed.

5.22 During 2020, IBAN audited 28 of these 391 projects with expenditures presented in the Cost Statement amounting to EUR 187.7 million. These projects have not yet been financially closed and the Host Nation discharged by the Investment Committee. In addition, IBAN has received audit requests from Host Nations for 47 projects amounting to EUR 318 million (authorised funds) related to projects programmed before 2011 and completed. Due to the COVID 19 crisis and related travel restrictions, a number of these audits were postponed to 2021.

5.23 The Council deadline for closing out the projects was later extended until 2020 (C-M(2017)0030) and a further extension was granted by Council until end 2022 (C-M(2020)0045-ASI). However, the closing of projects remains dependent on Host Nations submitting projects for technical inspection and audit. IBAN encourages Host Nations to continue submitting projects for technical inspection and audit in order to reduce the backlog.

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DEVELOPING IBAN AS AN
INNOVATIVE & PROACTIVE
AUDIT ORGANISATION

CHAPTER 6

DEVELOPING IBAN AS AN INNOVATIVE AND PROACTIVE AUDIT ORGANISATION

6.1 IBAN's ambition is to be an organisation that is conscious, forward-looking, driven by internal development to be ready to meet emerging challenges, and aspires to contribute to improvements and reforms in NATO as a whole. IBAN aims to achieve this by the following:

- Further promote IBAN's professional development and sharing of corporate knowledge,
- Increase financial audit efficiency and effectiveness in order to improve the timeliness and content of our financial audit reports, and
- Improve visibility of IBAN within NATO and with our external stakeholders in accordance with INTOSAI.

OUR STAFF

6.2 IBAN has an authorised post strength of twenty-two auditor posts, which has remained constant from prior years. As of 2020, IBAN's end state audit staff establishment is one A5 grade Principal Auditor, two A5 grade Senior Auditors, nine A4 grade auditors, and ten A3 grade auditor posts. In addition, we have one Administrative Officer and five Administrative Staff, who provide essential support to our audit teams as well as the general administration of IBAN.

6.3 Our staff is a diverse group of individuals skilled in a variety of audit disciplines and includes chartered accountants and performance audit specialists. Approximately 60% of IBAN's audit staff are seconded from Member State Supreme Audit Institutions (SAIs) or are former employees of SAIs. The remainder include individuals recruited from other national audit bodies or the private sector. By Council decision, 75% of our auditor positions are posts for which rotation is desirable. As a result, auditors are usually employed for a maximum of six to nine years. This policy of rotation ensures that the IBAN does not remain a static organisation and that audit practices and methodology can be refreshed with the influx of new staff.

6.4 Of the 19 auditor posts at A4 and A3 grade, 13 (68%) are designated as financial statement auditors and 6 (32%) are designated as performance auditors. Our NSIP audit work is carried out by both financial statement and performance auditors.

6.5 The IBAN strives to provide our staff with relevant and sufficient professional training in accordance with the auditing standards of INTOSAI. We plan for each auditor to receive one to two weeks of training per year. This training can be group training on specific audit topics as well as individual training within NATO or with external bodies on topics related to audit or personal development.

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CONFERENCE ON TRANSPARENCY AND ACCOUNTABILITY AS KEY ELEMENTS OF GOOD GOVERNANCE ACROSS NATO

6.6 The IBAN planned on holding a conference on “Transparency and Accountability as Key Elements of Good Governance across NATO” in the fall of 2020. The conference focus is on transparency and accountability as core strategic values for NATO. The objective is to raise interest and stimulate discussion within internal stakeholders (the Council, Nations, and NATO bodies) as well as with other NATO stakeholders, such as the Nations’ citizens, Nations’ SAls, Partner Nations, other international audit institutions, academia, the media, and industry. The conference was delayed due to the COVID-19 pandemic, but IBAN plans to hold it in the second half of 2021 if possible.

SEMINAR ON INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

6.7 In January of 2020 we held a seminar for our staff and staff from NATO bodies and reporting entities to discuss the NAF and IPSAS. In particular, the seminar focused on revenue recognition in the NATO environment, accounting for NSIP assets, and recognition of defined benefit post-employment liabilities.

OUR ANNUAL MEETING WITH THE NATIONAL AUDIT BODIES

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

6.9 Due to COVID-19 pandemic travel restrictions the IBAN held a virtual CNAB meeting on 23 November to discuss the 2019 Annual Activity Report. The same is planned for fall 2021 to discuss this report, but the IBAN hopes to return to face to face meetings with the CNABs at NATO HQ in 2022.



PERFORMANCE OF IBAN

CHAPTER 7**PERFORMANCE OF IBAN****OUR ANNUAL PERFORMANCE**

7.1 The Strategic Plan for 2017-2021 provides information on IBAN's vision, mission statement, and three core values: Independence, integrity and professionalism. It details our four strategic goals related to its work, with specific objectives and strategies to achieve them. These strategic goals are the following:

- Goal 1: Contribute to the strengthening of accountability and corporate governance within NATO.
- Goal 2: Contribute to the improvement of the NSIP management and accountability.
- Goal 3: Contribute to the improvement of the effectiveness and efficiency of NATO activities.
- Goal 4: Develop IBAN as an innovative and proactive audit organisation.

7.2 Our 2020 Annual Performance Plan is derived from the goals and objectives in the 2017-2021 Strategic Plan. The Annual Performance Plan includes specific key performance indicators and targets for the various objectives for 2020 to measure our performance.

PERFORMANCE RELATED TO GOAL 1

7.3 Our objectives related to Goal 1 were to provide independent assurance that the financial statements present fairly the financial position and performance of the entity, contribute to the development of a sound and consistent financial reporting environment, and enhance relationships with key stakeholders. The associated performance measure and target used to evaluate the achievement of the objectives in 2020 is shown below.

<i>Key Performance Indicator</i>	<i>Target</i>	<i>Actual</i>
% of audit opinions on NATO bodies given by 31 August on auditable signed financial statements.	100%	73%
Issue the Annual Activity Report by the end of March.	Y/N	N
Number of entities' governing bodies which explicitly respond (agree or disagree) to all FS audit recommendations.	8 of 22	11

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7.4 The first performance measure was not fully met as we were unable to issue all audit opinions by 31 August 2020 on NATO Bodies and Reporting Entities from whom we received auditable financial statements by 31 March 2020 because of travel restrictions due to the COVID-19 crisis. The second performance measure was also not achieved as we did not issue the Annual Activity Report by March 2020. The third performance measure was achieved.

PERFORMANCE RELATED TO GOAL 2

7.5 Our objectives related to Goal 2 were to contribute to the improvement of NSIP management, provide assurance of NSIP accountability, and improve our efficiency and effectiveness. The associated performance measure and target used to evaluate the achievement of the objectives in 2020 is shown in the table below and was exceeded.

<i>Key Performance Indicator</i>	<i>Target</i>	<i>Actual</i>
% of auditor's reports issued within 6 months of an audit request by Host Nations.	80%	92%

PERFORMANCE RELATED TO GOAL 3

7.6 Our objectives related to Goal 3 were to audit subjects of common interest to the Council and the Nations, perform audits that contribute to accountability and transparency within NATO, and perform cross-cutting audits that contribute to recommendations to be applied NATO – wide. The associated performance measures and targets used to evaluate the implementation of the objectives are shown in the table below and both were met.

<i>Key Performance Indicator</i>	<i>Target</i>	<i>Actual</i>
% of performance audit reports upon which the RPPB explicitly responds (agree or disagree).	100%	100%
Perform follow-up on prior performance audit reports.	1	1

PERFORMANCE RELATED TO GOAL 4

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

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

7.8 The first and second performance measures were met. The third performance measure was not fully achieved as we were unable to hold a second, planned event in 2020 due to the COVID-19 pandemic.

2021 ANNUAL ACTION AND PERFORMANCE PLAN

7.9 Our 2021 Annual Action and Performance Plan is included in this report at Annex D.

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Approved by the Board on 01 July 2021



Daniela Morgante, IT
Chair / Présidente



José Maria Cordero, SP



Azmi Es, TU



Amipal Manchanda, CA



Karlo van den Akker, NL



Franz Wascotte, BE

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ANNEXES

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ANNEX A
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**LIST OF REPORTS ISSUED IN 2020
RESULTING FROM FINANCIAL STATEMENT AND PERFORMANCE AUDITS**

LIST OF IBAN FINANCIAL STATEMENT AUDIT AND PERFORMANCE AUDIT REPORTS ISSUED IN 2020						
Subject and Financial Year		IBAN Report Number	Audit Opinion	IBAN Issue Date¹	NAC Approval Date	Available to Public Yes/No/ Pending/NA
<i>NATO Military Commands</i>						
1.	Allied Command Operations (ACO) 2019	IBA-AR(2020)0015	U	26.08.2020	15.12.2020	Yes
2.	Allied Command Transformation (ACT) 2019	IBA-AR(2021)0001	U	16.04.2021	01.09.2021	Yes
<i>NATO Agencies, Civil-Military Bodies, Special Projects, and Pension Schemes</i>						
3.	BICES Group Executive (BGX) 2019	IBA-AR(2020)0008	U	22.07.2020	18.12.2020	No(NATO RESTRICTED)
4.	International Military Staff (IMS), NATO Standardisation Agency (NSA) (including Partnership for Peace (PfP), Mediterranean Dialogue (MD) Istanbul Cooperation Initiative (ICI) and Other Military Cooperation (OMC) 2019	IBA-AR(2020)0005	U	22.07.2020	15.12.2020	Yes
5.	International Staff 2019	IBA-AR(2021)0013	U	04.06.2021	Pending	Pending
6.	Munitions Safety Information Analysis Centre (MSIAC) 2019	IBA-AR(2021)0007	U	04.06.2021	Pending	Pending
7.	NATO Airborne Early Warning and Control Programme Management Agency (NAPMA) 2019	IBA-AR(2020)0018	Q (FS)	26.08.2020	15.12.2020	Yes
8.	NATO Alliance Ground Surveillance Management Organisation (NAGSMO) 2019	IBA-AR(2020)0014	U	21.08.2020	15.12.2020	Yes
9.	NATO Communications and Information Organisation (NCIO) 2019	IBA-AR(2020)0021	Q (FS, C)	12.02.2021	22.09.2021	Yes
10.	NATO Coordinated Pension Scheme 2019	IBA-AR(2021)0009	U	04.06.2021	Pending	Pending
11.	NATO Defense College (NDC) 2019	IBA-AR(2020)0006	U	09.07.2020	15.12.2020	Yes
12.	NATO Defined Contribution Pension Scheme (NATO DCPS) 2019	IBA-AR(2021)0010	U	04.06.2021	Pending	Pending
13.	NATO EF 2000 and Tornado Development, Production and Logistics Management Agency (NETMA) 2019	IBA-AR(2020)0012	U	26.08.2020	15.12.2020	Yes

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LIST OF IBAN FINANCIAL STATEMENT AUDIT AND PERFORMANCE AUDIT REPORTS ISSUED IN 2020

	Subject and Financial Year	IBAN Report Number	Audit Opinion	IBAN Issue Date¹	NAC Approval Date	Available to Public Yes/No/ Pending/NA
14.	NATO European Fighter Aircraft Development, Production and Logistic Management Organisation (NEFMO) 2019	IBA-AR(2020)0017	U	26.08.2020	15.12.2020	No (COMMERCIAL SENSITIVE)
15.	NATO FORACS Office (NFO) 2019	IBA-AR(2021)0012	U	04.06.2021	Pending	Pending
16.	NATO Helicopter Management Organisation (NAHEMO) 2019	IBA-AR(2020)0011	U	21.08.2020	15.12.2020	Yes
17.	NATO Medium Extended Air Defense System Management Organisation (NAMEADSMO) In Liquidation 2019					
18.	NATO Multi-Role Combat Aircraft Development Production And In-Service Support Management Organisation (NAMMO) 2019	IBA-AR(2020)0013	U	26.08.2020	15.12.2020	Yes
19.	NATO Retirees Medical Claims Fund (RMCF) 2019	IBA-AR(2021)0008	U	04.06.2021	Pending	Pending
20.	NATO Support and Procurement Organisation (NSPO) 2019	IBA-AR(2020)0009	U	26.08.2020	15.12.2020	Yes
21.	New NATO Headquarters (NNHQ) 2019	IBA-AR(2021)0011	U	04.06.2021	Pending	Pending
22.	Science and Technology Organisation (STO) 2019	IBA-AR(2020)0010	U	13.11.2020	Pending	Pending
Non-NATO multi-national bodies						
23.	AFNORTH International School 2019	IBA-AR(2020)0003	U	24.04.2020	NA	NA
24.	Headquarters Allied Rapid Reaction Corps (HQ ARRC-UK) 2015-2018	IBA-AR(2019)0030	Q (FS, C) ²	30.01.2020	NA	NA
25.	Headquarters NATO Rapid Deployable Corps Greece (HQ NRDC-GR) 2015-2018	IBA-AR(2019)0029	U ²	30.01.2020	NA	NA
26.	Headquarters NATO Rapid Deployable Corps Spain (HQ NRDC-SP) 2015-2018	IBA-AR(2019)0033	Q (FS, C) ²	30.01.2020	NA	NA
27.	NATO Missile Firing Installation (NAMFI) 2018	IBA-AR(2019)0031	U	30.01.2020	NA	NA
28.	NATO Missile Firing Installation (NAMFI) 2019	IBA-AR(2020)0016	U	27.11.2020	NA	NA
29.	NATO Parliamentary Assembly (NPA) 2019	IBA-AR(2020)0002	U	06.03.2020	NA	NA

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LIST OF IBAN FINANCIAL STATEMENT AUDIT AND PERFORMANCE AUDIT REPORTS ISSUED IN 2020						
Subject and Financial Year		IBAN Report Number	Audit Opinion	IBAN Issue Date ¹	NAC Approval Date	Available to Public Yes/No/ Pending/NA
30.	SHAPE International School (SIS) 2018	IBA-AR(2020)0001	U	13.02.2020	NA	NA
Performance Audit Reports						
31.	Follow-up of the 2016 performance audit report on the lack of policies and standards for business continuity planning within NATO	IBA-AR(2019)0032	NA	13.02.2020	17.09.2021	No (NATO RESTRICTED)
32.	NATO Cyber Defence	IBA-AR(2019)0034	NA	18.02.2020	Pending	No (NATO RESTRICTED)
33.	NCIA Active Network Infrastructure (ANWI)	IBA-AR(2020)0007	NA	25.09.2020	Pending	No (NATO RESTRICTED)
Special Audit Reports						
34.	Main Findings from the 2018 Financial Statements Audits	IBA-M(2020)0001	NA	16.01.2020	03.09.2020	Yes
35.	NSIP Lump Sum Conversions	IBA-AR(2020)0004	NA	03.06.2020	Pending	Pending

¹ The table includes reports related to the 2019 financial year that were issued by the IBAN in 2021 due to delays related to the COVID-19 pandemic and also the need to receive detailed information and supporting evidence regarding developments in the International Staff Office of Financial Control for the seven financial statements they issue.

² Audit Opinion is the same for all four years audited.

U = Unqualified

Q = Qualified

A = Adverse

D = Disclaimer

FS = Financial Statements

C = Compliance

NA = Not Applicable

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

CUMULATIVE NSIP EXPENDITURE BY HOST NATION AS AT END 2020

Host Nation	Expenditure Reported (1) (2)	Expenditure Financially closed – (2) (3)	Expenditure Financially closed
Albania	0	0	0%
Belgium	861	700	81%
Bulgaria	69	18	26%
Canada	80	80	100%
Croatia	10	0	0%
Czech Republic	135	61.5	46%
Denmark	742	726	98%
Estonia	68	32	47%
France	1,022	961	94%
Germany	5,990	5,534	92%
Greece	1,904	1,545	81%
Hungary	184	97	53%
Iceland	36	0	0%
Italy	2,390	1,915	80%
Latvia	46	33	72%
Lithuania	47	37	78%
Luxembourg	59	59	100%
Netherlands	980	871	89%
Norway	2,226	2,112	95%
Poland	485	220	45%
Portugal	611	571	94%
Romania	72	5	7%
Slovakia	39	31	79%
Slovenia	40	6	15%
Spain	240	164.7	69%
Turkey	4,592	4,064	88%
United States of America	2,669	1,275	93%
United Kingdom	1,594	2,482	80%
Sub-Total Territorial Host Nations	27,192	23,600	87%
ACT	28	2	7%
NADGEMO	33	33	100%
NCIA	6,856	3,731	54%
NSPA	1,332	839	63%
SHAPE	984	872.2	89%
Sub-Total NATO Bodies (4)	9,233	5,477	59%
Total	36,425	29,077	80%

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

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ANNEX C
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CLOSE-OUT OF COMPLETED NSIP PROJECTS PROGRAMMED PRIOR TO 2011

NUMBER AND VALUE OF PROJECTS

Evolution December 2019 - December 2020

Host Nation	OPEN PROJECTS (1) 2019 (EUR)		OPEN PROJECTS (1) 2020 (EUR)		DIFFERENCE (number of projects)	% DIFFERENCE (value)
	No.	Value (2)	No.	Value (2)		
Belgium	8	46,799,114	8	46,799,114	0	0%
Bulgaria	2	29,768,932	2	29,768,932	0	0%
Czech Republic	1	5,069,876	1	5,069,876	0	0%
Denmark	3	5,680,001	2	5,665,366	-1	0%
France	3	26,103,172	3	26,103,172	0	0%
Germany	16	255,364,918	16	255,364,918	0	0%
Greece	48	310,289,241	48	310,289,241	0	0%
Hungary	6	23,764,842	6	23,764,842	0	0%
Italy	35	351,044,720	34	351,033,540	-1	0%
Latvia	1	12,502,964	1	12,502,964	0	0%
Lithuania	1	6,275,102	1	6,275,102	0	0%
Netherlands	2	38,782,270	2	38,782,270	0	0%
Norway	3	42,559,112	3	42,559,112	0	0%
Poland	14	95,813,262	14	95,813,262	0	0%
Portugal	1	92,647	1	92,647	0	0%
Slovenia	3	23,587,842	3	23,587,842	0	0%
Spain	8	39,435,185	8	39,435,185	0	0%
Turkey	62	413,026,866	57	388,783,785	-5	6%
United Kingdom	10	46,015,741	8	45,793,160	-2	0%
USA	2	1,784,201	0	0	-2	100%
Sub-Total Territorial Host Nations	229	1,773,760,008	218	1,747,484,330	-11	1%
ACT	5	9,913,836	5	9,913,836	0	0%
NCIA	150	578,200,370	147	577,281,062	-3	0%
NSPA	7	41,443,307	7	41,443,307	0	0%
SHAPE	14	97,150,588	14	97,150,588	0	0%
Sub-Total NATO Bodies	176	726,708,101	173	725,788,793	-3	0%
Total (3)	405	2,500,468,109	391	2,473,273,123	-14	1%

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Source: IBAN data.

(1): Projects completed but not yet financially closed and discharged by the Investment Committee

(2): Value based on authorised funds.

(3): According to the latest update to RPPB (AC/335-N(2020)0059), as of May 2020, EUR 2.3 million or 373 projects remain to be closed. The difference to the above table is mainly because IBAN has included all open projects from before 1994 when projects were authorised in Slices. These are not all include in the Close-Out exercise.

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ANNEX D
IBA-M(2021)0001-REV1**International Board of Auditors for NATO
Annual Action and Performance Plan 2021****INTRODUCTION**

The International Board of Auditors for NATO (IBAN) is the independent external auditor of NATO. Its primary function is to enable the North Atlantic Council and the governments of member countries to satisfy themselves that common funds have been properly used for the settlement of authorised expenditures. The IBAN carries out financial, compliance, and performance audits in the various NATO Bodies and Reporting Entities and audits the expenditure related to the NATO Security Investment Programme (NSIP). The IBAN's vision is to be the respected voice of accountability and performance evaluation within NATO. The core values of the IBAN are ***Independence, Integrity*** and ***Professionalism***.

This annual action and performance plan for 2021 is based upon the goals and objectives identified in the 2017-2021 strategic plan. It includes key performance indicators and targets for the various objectives to be achieved during 2021.

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

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

IBAN performs its financial, compliance and performance audit mandate in accordance with INTOSAI standards.

Objectives and Performance Measures

The IBAN's objectives related to Goal 1 are shown below.

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

Objective 2: Contribute to the development of a sound and consistent financial reporting environment.

Objective 3: Enhance relationships with key stakeholders.

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

Key Performance Indicators

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

GOAL 2: CONTRIBUTE TO THE IMPROVEMENT OF THE NSIP MANAGEMENT AND ACCOUNTABILITY

The IBAN provides independent assurance that the expenditure incurred by member countries and by NATO entities for the implementation of the NSIP is compliant with NSIP regulations in force. The IBAN also - through its performance audits of the NSIP - analyses and evaluates the economy, efficiency and effectiveness of programme management, procedures, etc.

Objectives and Performance Measures

The IBAN's objectives related to Goal 2 are shown below.

Objective 1: Contribute to the improvement of NSIP management.

Objective 2: Provide assurance of NSIP accountability.

Objective 3: Improve efficiency and effectiveness of NSIP audits.

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

Key Performance Indicator

#	<i>Key Performance Indicator</i>	<i>Target</i>
1	% of auditor's reports issued within 6 months of an acceptable and complete audit request by Host Nations.	90%

GOAL 3: CONTRIBUTE TO THE IMPROVEMENT OF THE EFFECTIVENESS AND EFFICIENCY OF NATO ACTIVITIES

The IBAN's audit mandate includes performance auditing of the activities of NATO

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bodies, operations, programmes, and projects.

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

IBAN provides independent analysis and recommendations to the Council on the effectiveness, efficiency and economy of specific NATO bodies, operations, programmes and projects. Through strategic planning, audit execution and forward looking recommendations, we aim at optimizing procedures and value for money while delivering required outputs.

Objectives and Performance Measures

The IBAN's objectives related to Goal 3 are shown below.

Objective 1: Subjects of common interest to the NAC and the Nations.

Objective 2: Audits that contributes to accountability and transparency within NATO.

Objective 3: Cross-cutting audits (i.e. benchmarking) that contribute to recommendations to be applied NATO – wide.

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

Key Performance Indicators

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

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

Goals 1 to 3 signify IBAN's level of ambition to be an organization that is conscious and forward-looking, is driven by internal development to be ready to meet emerging challenges, and aspires to contribute to improvements and reforms in NATO as a whole.

Objectives and Performance Measures

The IBAN's objectives related to Goal 4 are shown below.

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Objective 1: Further promote IBANs professional development and sharing of corporate knowledge.

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

Objective 3: Improve visibility of IBAN.

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

Key Performance Indicators

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

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IBAN ANNUAL FINANCIAL STATEMENT AUDIT UNIVERSE

IBAN Annual Financial Statement Audit Universe	FY 2019 Expenditure/Value ¹
<i>NATO Common Funded Bodies or Activities</i>	
Allied Command Operations Group	1,056
Allied Command Transformation Group	148
International Military Staff Group	28
International Staff NATO HQ	278
NATO Coordinated Pension Scheme (Defined Benefit)	202
NATO Defence College	10
NATO Defined Contribution Pension Scheme	25
NATO Retiree's Medical Claim Fund	29
New NATO Headquarters	13
Science and Technology Organisation	33
<i>Sub-total</i>	<i>1,822</i>
<i>NATO Joint/Multi-Nationally Funded Bodies or Activities</i>	
Munitions Safety Information Analysis Centre	2
NATO AEW&C Programme Management Organisation	69
NATO Alliance Ground Surveillance Management Agency	8
NATO Battlefield Information Collection & Exploitation Systems Group Executive	Non-disclosed ²
NATO Communications and Information Agency	797
NATO Eurofighter 2000 and Tornado Development Production and Logistics Management Agency	45
NATO European Fighter Aircraft Development, Production and Logistics Management Organisation	2,262
NATO Multi-Role Combat Aircraft Development and In-Service Support Management Organisation	489
NATO Helicopter Design and Development Production and Logistics Management Organisation	12
NATO Medium Extended Air Defence System Design and Development, Production and Logistics Management Organisation	2
NATO Naval Forces Sensor and Weapons Accuracy Check Sites Office	1
NATO Support and Procurement Agency	3,351
<i>Sub-total</i>	<i>7,038</i>
<i>Non-NATO Multi-Nationally Funded or Sponsored Bodies³</i>	
AFNORTH International School	5
NATO Missile Firing Installation	8
NATO Parliamentary Assembly	4
SHAPE International School	5
<i>Sub-total</i>	<i>22</i>
<i>Grand total</i>	<i>8,882</i>

¹ All amounts in Millions of EURO (MEUR).² The NATO Battlefield Information Collection & Exploitation Systems Group Executive financial information is classified.³ By Council decision, the IBAN does not charge for the audits of the AFNORTH School, SHAPE School, NATO Missile Firing Installation, and the NATO Parliamentary Assembly. In addition, these four entities are audited on an annual basis so are included in the annual financial statement audit universe. These non-NATO bodies do not share NATO's legal status, but may have a close relationship with the

organisation. They have their own governance structures and are not subject to oversight by Council. The IBAN also audits an additional variable number of these bodies on a full cost reimbursable basis annually by request and if audit resources are available to do so.

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IBA-M(2021)0001-REV1**Glossary of Terms****Financial Statement Audit Opinion**

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

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

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

NSIP Audit Opinion

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

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

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

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IBA-M(2021)0001-REV1**Abbreviations/Acronyms**

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

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

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The International Board of Auditors for NATO
(IBAN)
Bld Leopold III
B - 1110 Brussels
Mailbox.IBAN@hq.nato.int
www.nato.int/issues/iban