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**INTERNATIONAL BOARD OF AUDITORS
FOR NATO (IBAN)**

STRATEGIC PLAN

2017 - 2021

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1. IBAN AT A GLANCE

1.1 The International Board of Auditors for NATO (IBAN) is the independent external audit body of NATO. Chartered by the North Atlantic Council (Council) in 1953, IBAN enables Council and the governments of member countries to satisfy themselves that common funds have been properly used for the settlement of authorised expenditures and that the operations and activities of NATO bodies have been carried out with economy, efficiency and effectiveness as well as in compliance with the regulations in force.

1.2 IBAN consists of a Board of six Members, from six different countries, and audit and administrative support staff. The Board Members are appointed on a four-year rotational basis by Council from among candidates nominated by the member countries. The Chairman of IBAN is elected from among Board Members and is appointed by Council for a fixed two-year term. A Principal Auditor, two Senior Auditors, an approved staffing level of nineteen auditors, and six administrative support staff assist the Board Members.

1.3 To execute its mandate from Council the IBAN conducts financial statement audits, audits of the NSIP, and performance audits. Financial statement audits include NATO bodies such as Military Commands, NATO Production Logistics and Service Organisations (NPLSOs), and other Organisations, including some non-NATO Organisations¹ in which the Alliance has a particular interest. IBAN certifies the expenditures of the NATO Security and Investment Programme (NSIP) and conducts performance audits of selected NATO activities, operations, and programmes.

1.4 For each financial audit it conducts IBAN issues a report to Council or a governing body of a non-NATO organisation. The audit report includes the audit opinion and any relevant audit observations and recommendations are reported in a separate letter of observations, as well as comments from the audited body. The review of expenditures in NSIP result in a certification from IBAN that NATO common funds were spent as authorised. Performance audit reports include recommendations to improve economy, efficiency and/or effectiveness.

¹ Non-NATO organisations are international organisations established by NATO nations in which the Alliance has a particular interest.

2. OVERVIEW

2.1 Vision

To be the respected voice of accountability and performance evaluation within NATO.

2.2 Mission

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

2.3 Core Values

2.3.1 Independence

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

2.3.2 Integrity

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

2.3.3 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, complemented by the audit standards of the International Federation of Accountants for financial audits. Board Members and auditors have the necessary competencies and qualifications to perform their work to the highest professional quality.

3. IBAN'S STRATEGIC PRIORITIES 2017 – 2021

3.1 The IBAN's audit work has highlighted the challenges and deficiencies that NATO faces regarding accountability and corporate governance. These issues include problems with the presentation of financial statements, implementation of the NATO Accounting Framework, poor internal controls, lack of compliance with NATO rules and regulations, and general accounting errors. The IBAN continues to refine and continuously improve its financial statement audit methodology to be able to strengthen accountability and corporate governance within NATO. The IBAN uses a full audit management software system integrated with the Risk-Based Audit Approach which provides a standardised audit methodology for all financial statement audits.

3.2 In the context of a broader review of the organisation, the North Atlantic Council commissioned a thorough review of the IBAN with the purpose of strengthening the external audit function at NATO. The Council tasked a Working Group to identify and analyse options and propose recommendations on how to most effectively, efficiently and economically organise and implement the independent external audit function at NATO. IBAN has successfully implemented the Working Group's recommendations as approved by the Council 29 May 2013.

Financial Statements Audit

3.3 IBAN's financial statement audit processes and methodology was peer reviewed in 2014 and the IBAN received the highest rating for its work. The IBAN developed a management action plan to implement the recommendations from the peer review to further improve its financial statement audit work.

3.4 IBAN is refocusing its approach to enhance its audit potential. Amongst other initiatives, IBAN is conducting interim audits based on improved risk-based audit methodology and is expanding its performance audit capabilities, whilst focusing on the structure and efficient management of its human resources.

3.5 NATO's Strategic Concept states that NATO remains the unique and essential transatlantic forum for consultations on all matters that affect the territorial integrity, political independence and security of its members and continues to fulfil effectively three essential core tasks:

- Collective defence
- Crisis management
- Cooperative security

In order to carry out the full range of missions as effectively and efficiently as possible, NATO engages in a continuous process of reform, modernisation and transformation.

3.6 In the realm of financial management, NATO Agencies and Commands are in the process of implementing revised Financial Regulations including an adapted financial reporting framework based on International Public Sector Accounting Standards (IPSAS). In this strategic plan period IBAN would need to focus on the consistent application of the adapted framework in different NATO entities.

NATO Security and Investment Programme (NSIP) Certification

3.7 The NSIP also faces significant challenges, in particular the slow rate of programme implementation, cost overruns, delays to capability delivery, and significant backlogs in the audit and certification of projects. During the period covered by this Strategic Plan IBAN intends to further develop regular review activities aimed at the evaluation of NSIP project and programme management, efficiency and effectiveness. These activities may take the form of additional performance audits, studies, reviews, or providing independent advice on any project, capability package, or aspect of NSIP project management and implementation.

Performance Audit

3.8 The IBAN continues to expand and develop its performance audit capabilities in response to increased expectations from the NATO member states for audits recommending improvements in NATO operations and activities. This expansion will be achieved by the following:

- an improved planning process for the identification, prioritisation, and implementation of performance audit topics,
- increasing the number of major performance audits and studies conducted within a year, and
- maintaining at least 25% of audit staff resources devoted to performance audit.

IBAN as an Innovative and Proactive Organisation

3.9 As NATO reacts to changes in the strategic and operational environment and to organisational change the IBAN must react as well. IBAN needs to be innovative and proactive to fulfil its unique role in independently evaluating operations and activities of organisations NATO-wide and holding them accountable to their governing bodies. In particular, IBAN needs to ensure that it executes its mandate in the most effective, efficient, and economic manner possible.

3.10 A key element in this process is the effective management of IBAN's human resources. To achieve this IBAN has a programme of continuous professional development of staff and actively seeks to primarily recruit audit staff from national Supreme Audit Institutions.

3.11 Continuous professional development ensures that auditors have the right skills and knowledge to carry out their duties and contribute to the enhancement of IBAN's audit processes and methodology. Recruiting staff from the national Supreme Audit Institutions enables IBAN to have an influx of new staff with the latest knowledge of public sector audit practices.

Strategic Plan 2017-21

3.12 This strategic plan covers a five-year period and includes IBAN's vision, a mission statement, and three core values: Independence; Integrity; and Professionalism, as the principles by which IBAN performs its work. The plan includes four strategic goals; each goal with specific objectives to achieve them.

3.13 The four strategic goals are the following:

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

3.14 In support of the four strategic goals, under which IBAN broadly organizes its work, IBAN has identified the following strategic priorities:

- Use efficiencies and improvements achieved in financial and NSIP audits to increase performance audit efforts from a minimum of 25 percent of staff resources
- Improve quality, user friendliness and timeliness of financial audit reports
- Assess implementation of the adapted IPSAS framework NATO-wide
- Evaluate the outcome of the IBAN peer review and apply recommendations as applicable
- Enhance relationships with key stakeholders to most effectively meet the Nations' needs.

3.15 Each year, IBAN will develop a detailed Annual Action and Performance Plan that includes operational strategies and measures of success for the various objectives as well as specific targets to achieve. In addition, the IBAN will update and revise this strategic plan as necessary.

3.16 The successful implementation of the goals and objectives in this strategic plan will have an associated resource cost. The allocation of specific financial and human resources to audits is carried out in the IBAN'S annual planning process. Resources are assigned to audits based upon a risk analysis and the need to prioritise audits to meet mandatory reporting milestones.

3.17 However, the current budget policy of NATO poses a potential risk to the continued ability of IBAN to fully execute its audit mandate. With annual budgets not adjusted for inflation since 2012, the purchasing power of IBAN's budget has decreased. In addition, changes to the mandatory reporting milestones for financial statement audits will place greater pressure on the IBAN's available staff resources to deliver more audits within shorter timeframes. However, the IBAN has strategies in place to effectively manage and mitigate these risks.

3.18 Taking these factors into account, IBAN will continuously review available resource levels against its workload and, if necessary, seek additional resources from Council during the NATO annual budget planning process.

STRATEGIC GOALS

4. GOAL 1: CONTRIBUTE TO THE STRENGTHENING OF ACCOUNTABILITY AND CORPORATE GOVERNANCE WITHIN 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.

IBAN aims to carry out its financial audit mandate in accordance with INTOSAI standards.

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

- We will continue to improve the quality, user friendliness and timeliness of our financial audit reports. We aim to make relevant audit recommendations that strengthen accountability and governance in NATO and monitor their implementation.

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

- We will use the risk-based audit approach to perform an assessment of the relevant internal control framework and provide information that can assist NATO bodies in their risk management strategy. Make a continual assessment of the implementation of the NATO Accounting Framework and provide recommendations to NATO bodies to improve compliance. Provide coordinated advice in order to achieve a consistent application of the NATO Accounting Framework and NATO Financial Regulations across NATO.

Objective 3: Enhance relationships with key stakeholders.

- We seek to maintain transparency and relationship with our stakeholders and clients through regular consultations to better determine their needs and expectations. We liaise with committee chairpersons and other stakeholders to offer IBAN's expertise and assistance in the area of accountability and governance.

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

The IBAN provides independent assurance that the expenditure incurred by member countries and by NATO entities for the implementation of the NATO Security Investment Programme is compliant with the Investment Committee authorizations and decisions. The IBAN also analyses and evaluates the economy, efficiency and effectiveness of programme management, procedures, and specific outputs.

Objective 1: Contribute to the improvement of NSIP management.

- We will formulate and provide independent advice to the Investment Committee on policy initiatives and NSIP management. Our NSIP certification work can identify and record common risks and recurring weaknesses of the NSIP management process.

Objective 2: Provide assurance of NSIP accountability.

- To ensure accountability of the NSIP our certification work provides Certificates of Final Financial Acceptance (COFFA) for individual projects. We actively monitor the financially completed and technically inspected projects.

Objective 3: Improve efficiency and effectiveness of NSIP certification.

- We seek to continually improve our NSIP certification working procedures, instructions, and working documents.

6. 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 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 evaluation to the Council on the effectiveness, efficiency and economy of specific NATO bodies, operations, programmes and projects. IBAN makes forward looking recommendations aimed at process and service improvements and, when possible, optimizing value for money while delivering required outputs.

IBAN aims to carry out its performance audit mandate in accordance with INTOSAI standards.

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

- Together with other selection criteria, we intend to focus on activities and initiatives that are considered to be important to the overall success of the Alliance, including new initiatives and important changes to the Alliance. By reporting directly to the NAC, IBAN can contribute to and support high-level decision-makers in improving the performance of NATO.

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

- NATO struggles to implement good Governance principles including accountability and transparency. This has been evident through several recent audits. As we refer to INTOSAI standards, it is relevant also to give priority to these subjects that in many countries are seen as prerequisites for achieving good results in a transparent and accountable way.

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

- In general, cross-cutting audits adds more value than audits of individual entities. The ability to recommend good practice across NATO is contributing to better and more unified solutions. Even though cross-cutting audits normally are more cumbersome to conduct than single entity audits, they should be given priority as recommendations based on benchmarking and best practice are applicable NATO-wide and therefore adds more value.

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

Goals 1 to 3 signify IBAN's level of ambition to become an organization that is conscious and forward-looking to developments and changes in its operational environment, 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.

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

- We aim to enhance our staff's knowledge of professional standards, best practices and new audit developments as well as understanding of NATO's current challenges. We provide a platform to ensure the sharing of experience acquired by our auditors and provide professional training to facilitate individual learning.

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

- Continuously review our audit practices to ensure we deliver financial audit reports of NATO bodies by 31 August of each year.

Objective 3: Improve visibility of IBAN.

- We regularly attend Council and committee meetings on matters of importance to the IBAN. Our aim is to publicize IBAN's work, including individual audit reports, annual activity report, strategic plan and annual performance plan to raise awareness of IBAN activities both internally and externally. We maintain professional contacts with Supreme Audit Institutions of NATO nations and with international audit organizations.