NORTH ATLANTIC COUNCIL
CONSEIL DE L'ATLANTIQUE NORD

17 May 2024

DOCUMENT
PO(2024)0150-AS1

PUBLIC DISCLOSURE AUTHORIZATION FOR IBAN ANNUAL ACTIVITY REPORT 2022 - PO(2023)0256 (INV)

ACTION SHEET

On 17 May 2024, under the silence procedure, the Council approved the public disclosure of IBAN Annual Activity Report 2022.

(Signed) Jens Stoltenberg
Secretary General

NOTE: This Action Sheet is part of, and shall be attached to PO(2024)0150.

10 May 2024

DOCUMENT
PO(2024)0150
Silence Procedure ends:
17 May 2024 15:30

To: Permanent Representatives (Council)

From: Secretary General

PUBLIC DISCLOSURE AUTHORIZATION FOR IBAN ANNUAL ACTIVITY REPORT 2022 - PO(2023)0256 (INV)

1. The IBAN Annual Activity Report 2022 was circulated for Council information with PO(2023)0256 (INV). In line with the Wales Summit tasking on transparency and accountability, I now seek Council approval to the public disclosure of this IBAN Report.

2. I do not consider this matter requires discussion in Council. Therefore, unless I hear to the contrary by **15:30 on Friday, 17 May 2024,** I shall assume that Council has approved the public disclosure of IBAN Annual Activity Report 2022.

(Signed) Jens Stoltenberg

Original: English

26 June 2023

DOCUMENT
PO(2023)0256 (INV)

To: Permanent Representatives (Council)

From: Secretary General

INTERNATIONAL BOARD OF AUDITORS FOR NATO (IBAN)
ANNUAL ACTIVITY REPORT 2022

Please find enclosed, for your information, the IBAN Annual Activity Report 2022.

(Signed) Jens Stoltenberg

1 Enclosure

Original: English

ENCLOSURE TO
PO(2023)0256 (INV)

International Board of Auditors for NATO
Brussels | Belgium

IBAN ANNUAL ACTIVITY REPORT 2022

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 independent, external audit body for NATO. Under its North Atlantic Council (Council) approved Charter, IBAN is responsible for the financial statements audits and performance audits of all NATO Reporting Entities and of the NATO Security and Investment Programme (NSIP) expenditures, as well as for the financial statements audits of non-NATO multi-nationally funded entities where NATO has a particular interest. Our audits provide assurance to Nations that the resources they contribute to NATO are spent in accordance with the rules and regulations in force.

The year 2022 was a transition period from the ongoing impacts of the COVID-19 crisis on our work and returning to pre-pandemic methods of working, in particular the ability to conduct audit related travel. We have used the lessons learned from the pandemic, such as remote working, in order to improve the economy, effectiveness, and efficiency of our working methods and of the use of our human and financial resources.

In 2022 our audit scope covered more than Euro (EUR) 10 billion of expenditures for financial statements and the NSIP. We issued all financial statements audit reports of the 21 NATO Reporting Entities for the 2021 financial year by the deadline of 31 August 2022. We audited EUR 485 million worth of NSIP expenditures and issued 114 Independent External Auditor's Reports to Council on Cost Statements presented by territorial Host Nations, NATO Agencies and Strategic Commands. We issued two performance audit reports and two special reports to Council. We also issued six audit reports on financial statements of non-NATO bodies.

Through our three core values of independence, integrity, and professionalism, we execute our audit mandate on behalf of the Council. Our assurance and advice to Council focusses 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. After Council's approval, our audit reports are disclosed and published on IBAN's website. Our work directly contributes to promoting and strengthening financial transparency and accountability as key principles of good governance of NATO.

Daniela Morgante
Chair
International Board of Auditors for NATO

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

Chapter 1

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 for 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:

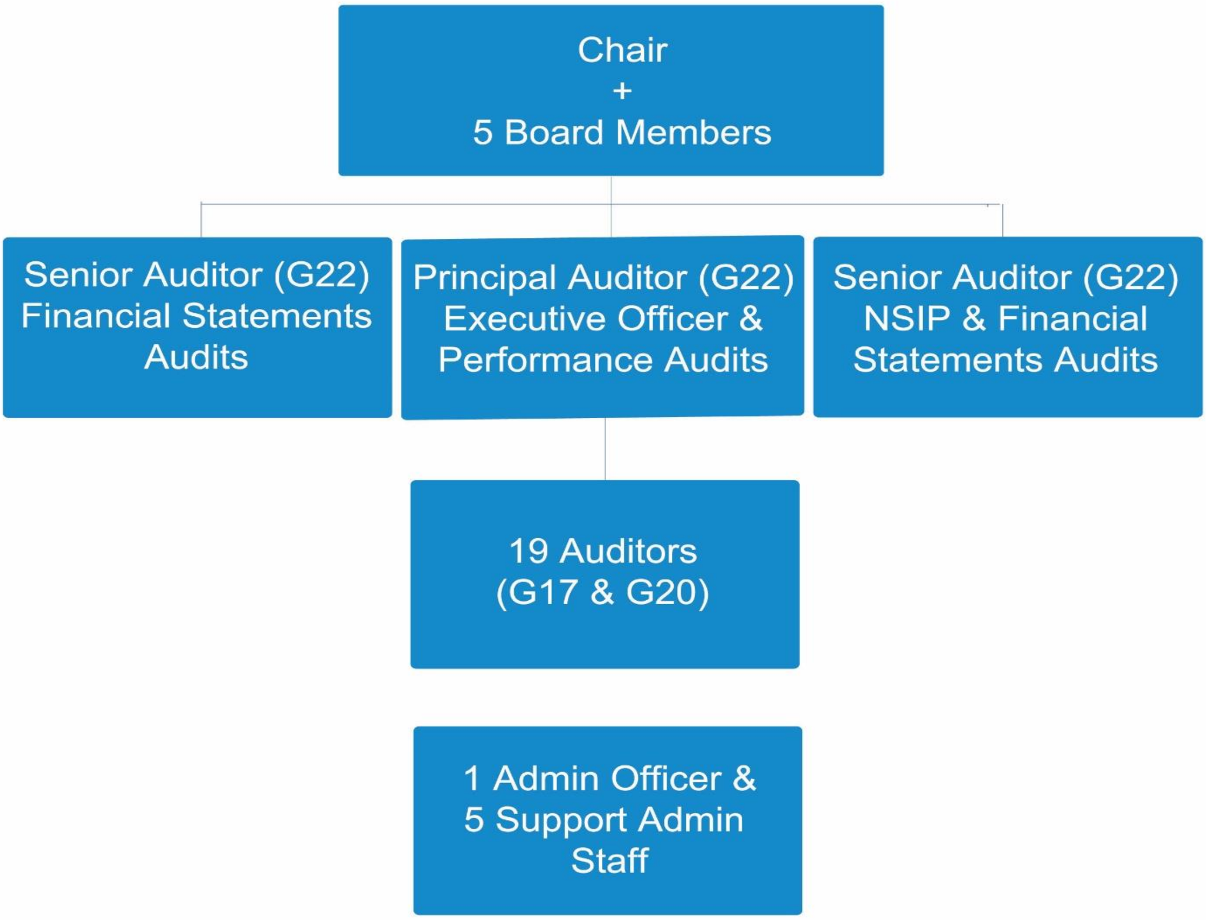
- the financial statements of the NATO bodies and reporting entities present fairly their financial position, financial performance, and cash flows, and that the funds have been properly used for the settlement of authorised expenditure and are in compliance with the regulations in force;

- 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 2022, Board Members from the Nations of Belgium, Canada, Czech Republic, Germany, Greece, Italy, the Netherlands, and Türkiye were at IBAN. In 2022, Board Members were from national SAIs and ministries.

1.3 The Board Members are supported by audit and administrative staff that are paid for by NATO common funding. The IBAN's organisation in 2022 is shown below in Figure 1.



1.4 IBAN's Charter provides that the Board 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.

1.5 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 audit 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.

Chapter 2

OUR KEY ACTIVITIES & USAGE OF RESOURCES

CHAPTER 2

OUR KEY ACTIVITIES AND USAGE OF RESOURCES

2.1 To execute our mandate, we perform annual financial statements audits of 21 NATO Reporting Entities. In addition, IBAN carries out performance audits of selected NATO Bodies, operations, or programmes: in 2022 we conducted two performance audits. We also audit NSIP expenditures and carried out 114 such audits in 2022.

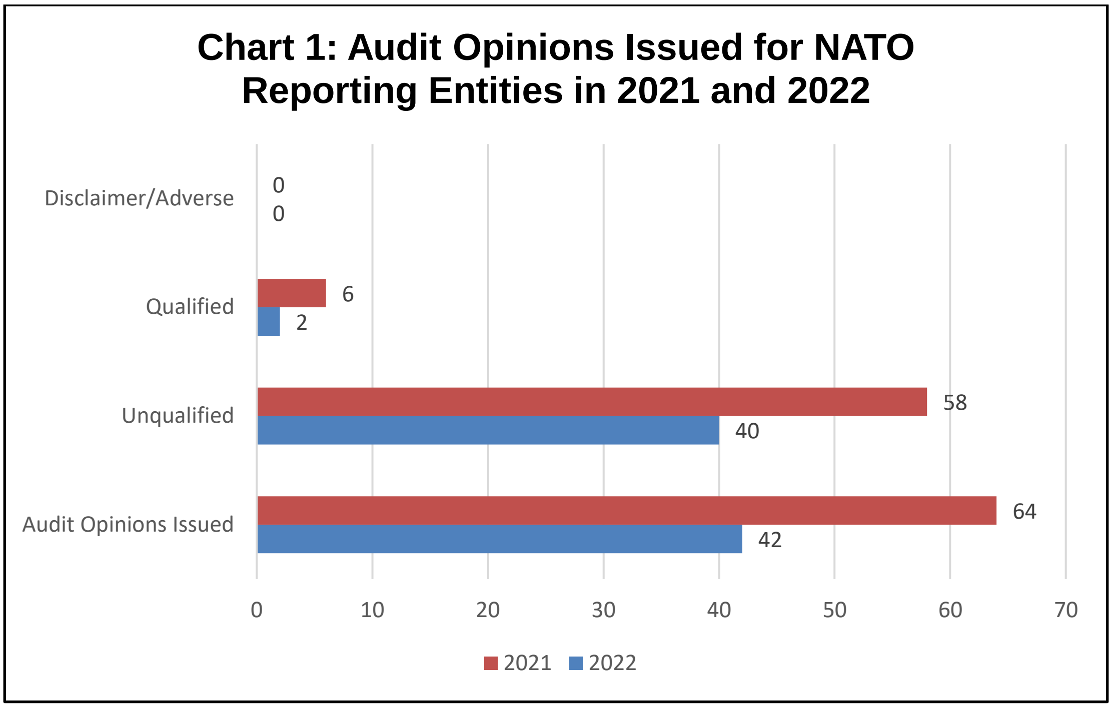
2.2 Lastly, we also perform financial statements audits of some non-NATO multi-nationally funded or sponsored bodies with close cooperative links to NATO, usually on a cost reimbursable basis.

2.3. In 2022, our total audit scope covered more than EUR 10 billion of expenditures for financial statements and the NSIP.

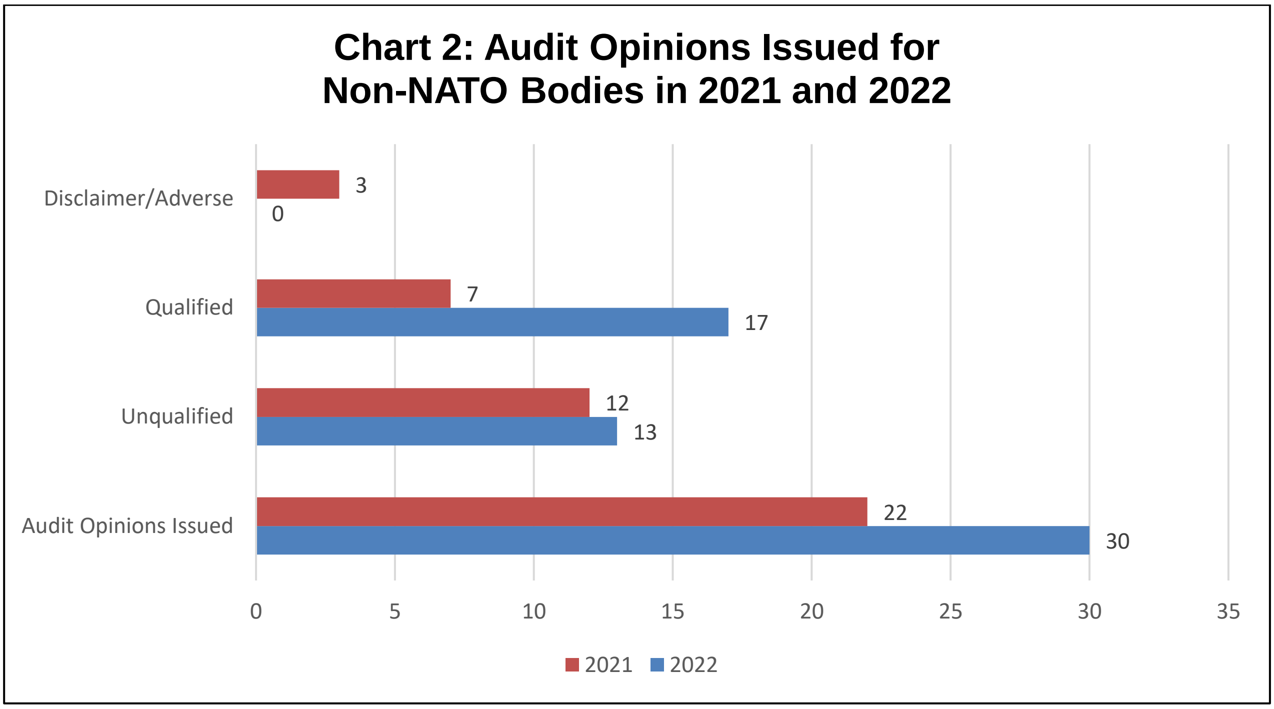
FINANCIAL STATEMENTS AUDIT

2.3 In 2022, we issued 21 audit reports on financial statements of NATO Reporting Entities and 6 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'. In 2022, we issued a total of 72 audit opinions on NATO Reporting Entities and non-NATO bodies, 53 were unqualified and 19 were qualified.

2.4 In the 21 audit reports for the NATO Reporting Entities, we issued 20 (95%) unqualified audit opinions and one (5%) qualified opinion on the financial statements, and 20 (95%) unqualified audit opinions and one (5%) qualified opinion on compliance. In total, we issued 40 unqualified audit opinions and 2 qualified opinions on NATO Reporting Entities in 2022. The total number of audit opinions issued in 2022 compared to 2021 for NATO Reporting Entities is shown in Chart 1 below. IBAN issued more audit opinions on NATO Reporting Entities in 2021 as some reports for the 2019 financial year for NATO Reporting Entities were issued in 2021 due to delays resulting from the COVID-19 pandemic.



2.5 In the six audit reports for the non-NATO bodies covering in total 15 financial years, we issued six (40%) unqualified audit opinions, and nine (60%) qualified opinions on the financial statements, as well as seven (47%) unqualified audit opinions and eight (53%) qualified opinions on compliance. In total, we issued 13 unqualified audit opinions and 17 qualified opinions on non-NATO bodies in 2022. The total number of audit opinions issued in 2022 compared to 2021 for non-NATO bodies is shown in Chart 2 below. Data between years for the non-NATO bodies is not generally comparable as the non-NATO bodies audit universe is variable each year.



PERFORMANCE AUDIT

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

2.7 In 2022 we issued two performance audit reports to Council. These reports were on (1) NATO Headquarters Morale, Welfare, Recreational (MWR) and Commercial Activities and (2) NATO's Prevention and Management of Harassment, Bullying and Discrimination in the Workplace.

NSIP AUDIT

2.8 In 2022, we audited EUR 485 million worth of NSIP expenditures. The amount audited in 2022 compared to 2021 is shown in Chart 3 below. We issued 114 auditor's reports on Cost Statements presented by territorial Host Nations, NATO Agencies and Strategic Commands. Out of 114 audit opinions provided in the Independent External Auditor's Reports, 70 (61%) audit opinions were unmodified and 44 (39%) audit opinions were modified. The total number of NSIP audit opinions issued in 2022 compared to 2021, is shown in Chart 4 below.

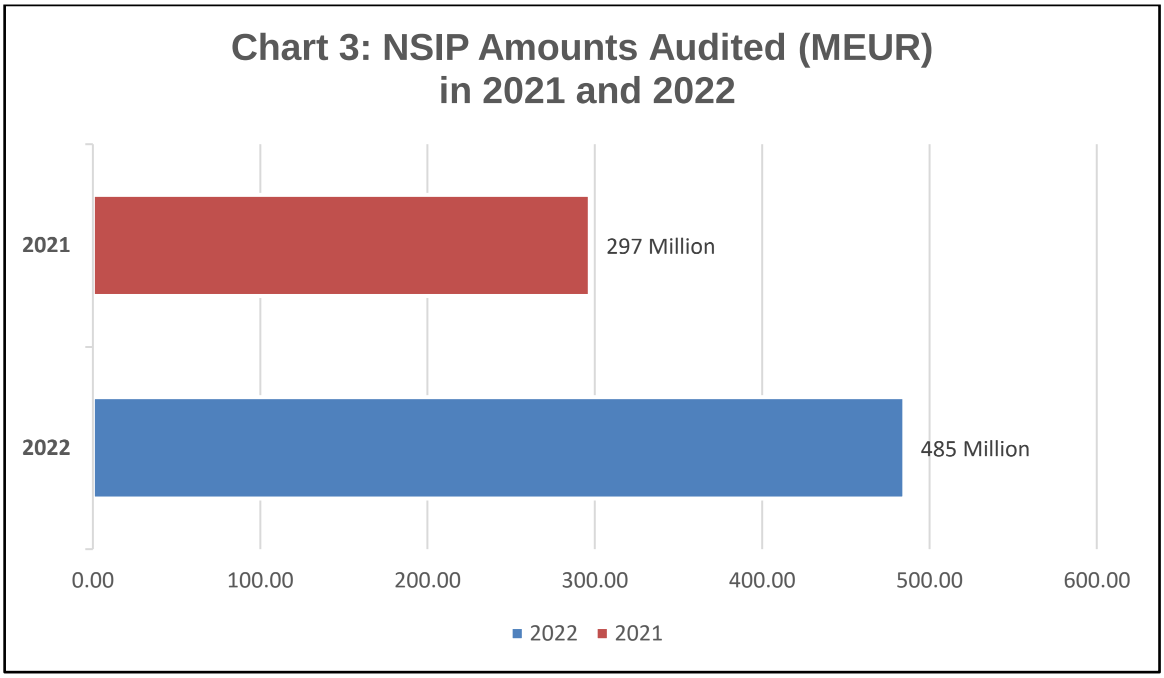


Chart 3: NSIP Amounts Audited (MEUR)
in 2021 and 2022
2021
297 Million
2022
485 Million
0.00
100.00
200.00
300.00
400.00
500.00
600.00
2022
2021

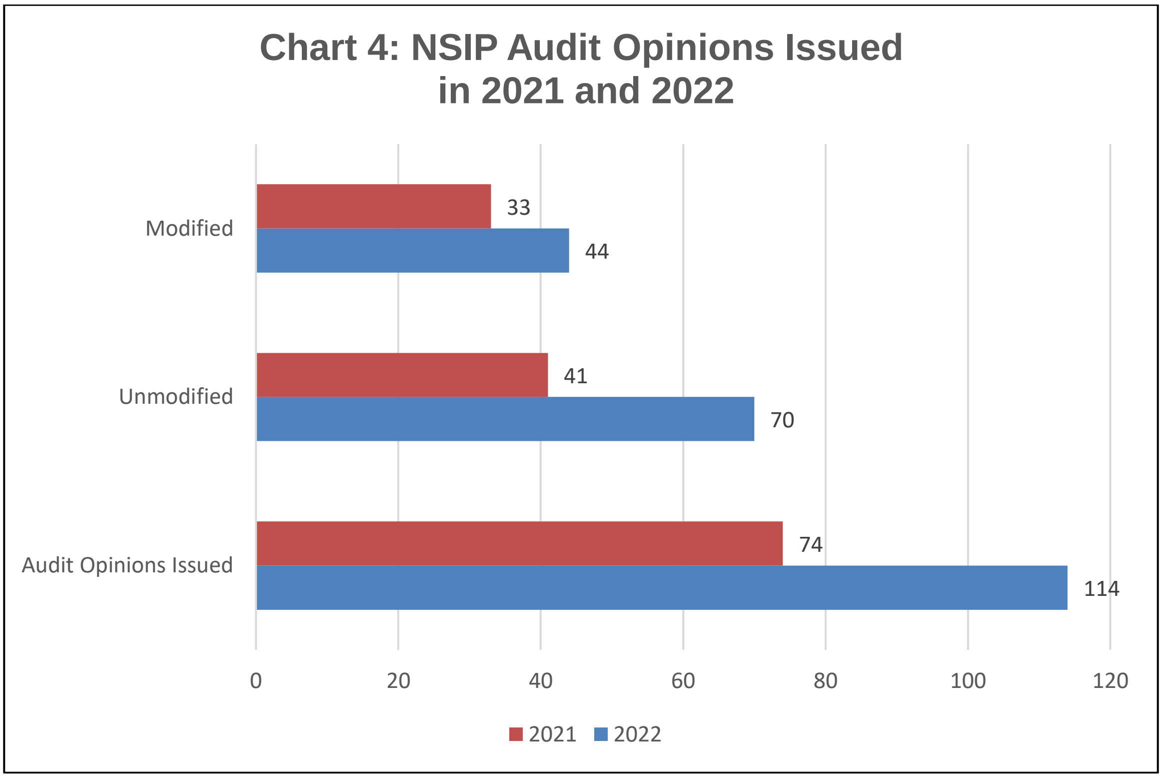
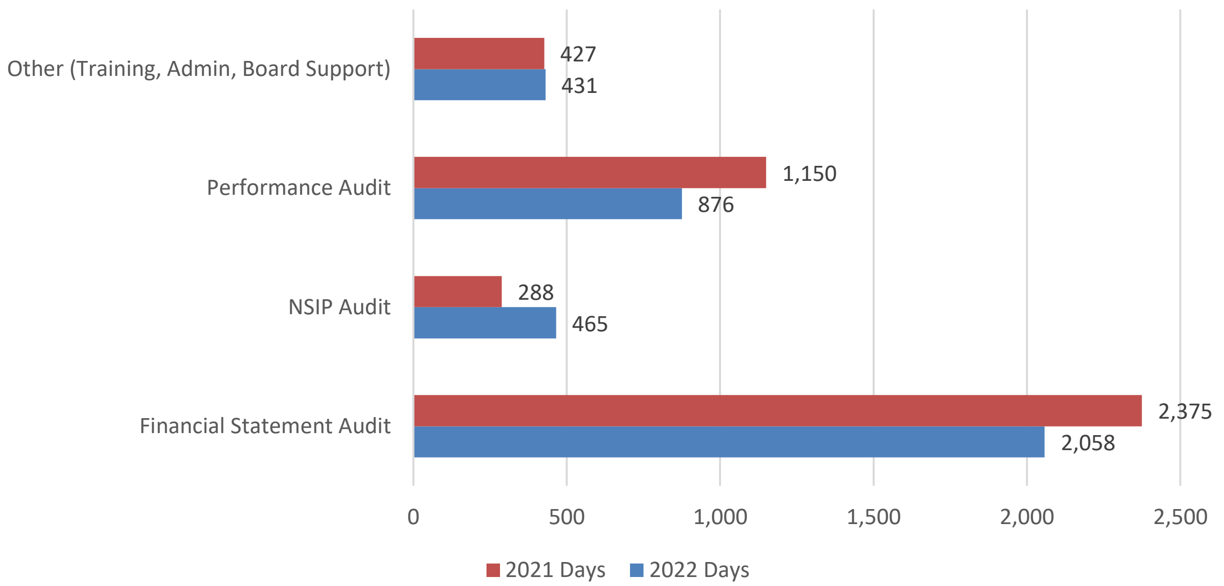


Chart 4: NSIP Audit Opinions Issued
in 2021 and 2022
Modified
33
44
Unmodified
41
70
Audit Opinions Issued
74
114
0
20
40
60
80
100
120
2021
2022

USAGE OF RESOURCES

2.9 Chart 5 below shows the use of our audit staff resources in 2022 with the number of days expended on each type of activity compared to 2021. In 2022, we used a total of 3,829 auditor staff days. Of these, 3,399 days (89%) were expended on audits. The remaining 431 days (11%) 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 26% of the IBAN's audit days, which exceeded our Council mandated minimum target of at least 25%. The audit resources for financial statements audits in terms of audit days was 60%. Resources in terms of audit days for NSIP audits in 2022 were 14%.

Chart 5: Allocation of Audit Staff Resources in 2021 and 2022



2.10 The direct cost (audit staff salary and travel costs) of the audits and other IBAN activities for 2022 is shown in Chart 6 below in EUR. The total direct cost of audit only activities was EUR 3.2 million in 2022.

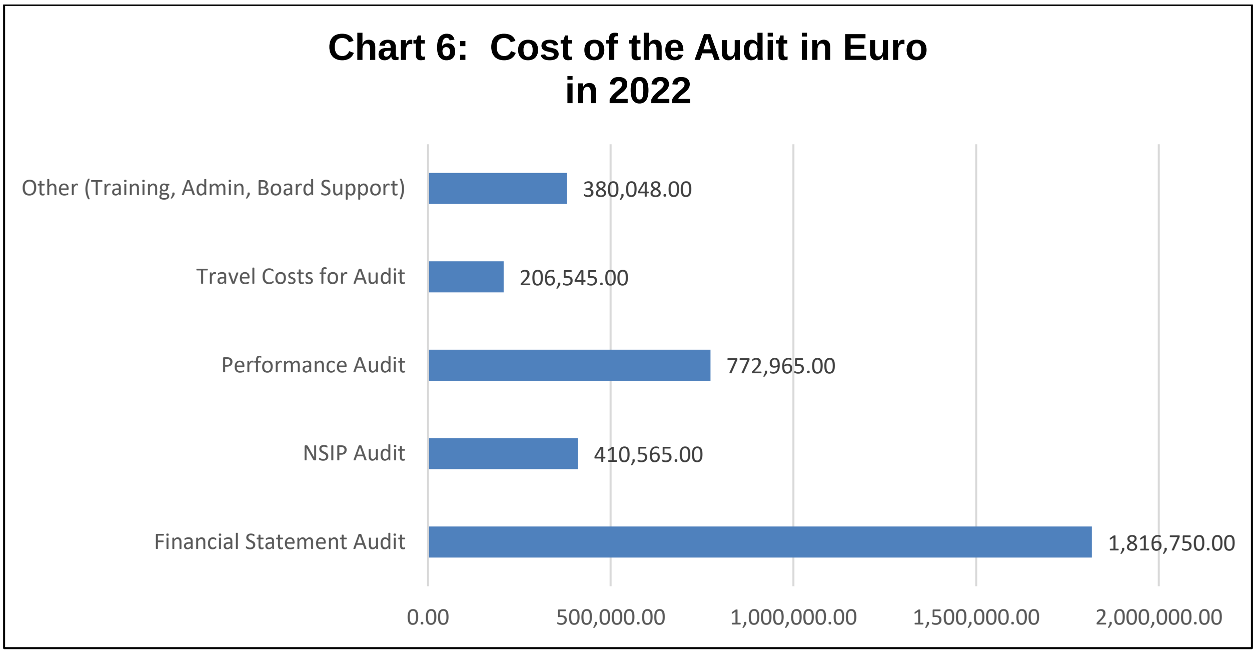


Chart 6: Cost of the Audit in Euro in 2022
Other (Training, Admin, Board Support)
380,048.00
Travel Costs for Audit
206,545.00
Performance Audit
772,965.00
NSIP Audit
410,565.00
Financial Statement Audit
1,816,750.00
0.00
500,000.00
1,000,000.00
1,500,000.00
2,000,000.00

Chapter 3

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, compliance 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 2022, our audit scope for financial statement audits amounted to over EUR 10 billion.

3.4 The external audit of 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 Reporting Entities have a varying degree of autonomy in managing their operations. All NATO 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 Madrid Summit in 2022, the NATO Heads of State and Government 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 (excluding those that are considered commercially sensitive) financial statements of NATO Reporting Entities, including the IBAN audit reports. Council also decided 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 the NATO Accounting Framework/General Purpose Financial Statements and at the same time improve accountability and transparency to both internal and external stakeholders. This approach would lead to a decrease from 21 to 3 general purpose financial statements and audit reports without any loss in transparency and accountability. This is because the financial information of individual NATO entities would still be disclosed in separate budget execution reports annexed to the financial statements and as separate segments in the notes.

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 statements audit, we issue an audit report with an opinion on the financial statements and on compliance, as well as observations and recommendations. The opinion 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 are "Key Audit Matters", "Emphasis of Matter" and "Other Matter" paragraphs.

3.10 Audits are generally conducted on the auditee site by auditors, under the supervision of our Board Members and Senior Auditors. All NATO Reporting Entities are in principle 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.

FINANCIAL STATEMENTS AUDIT WORK IN 2022

3.11 In 2022, we issued a total of 27 Financial Statements Audit Reports on NATO and non-NATO bodies comprising 36 audit opinions each on the financial statements and on compliance, for a total of 72 audit opinions. Of the 27 Audit Reports, 21 were for NATO Reporting Entities and 6 were for non-NATO bodies. Of the 72 audit opinions issued, 53 were with unqualified audit opinions and 19 were with qualified audit opinions.

3.12 Of the five Audit Reports we issued with 19 qualified opinions on the financial statements and/or compliance, one audit report was for NATO Reporting Entities (see Annex A) and the other four Audit Reports were for non-NATO bodies. As a percentage of the 21 Audit Reports for NATO Reporting Entities, 5% (1) were issued with a qualified opinion. The financial audit observations and recommendations issued in 2022 included observations on a range of issues or errors which affected the audit opinion when material or other paragraphs in the auditor's report (Key Audit Matters, Emphasis of Matter or Other Matter) when significant. In addition, other observations deemed less significant for governance 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 Reporting Entities. In 2022, 96% of our prior recommendations to auditees for NATO Reporting Entities were closed or in progress by the next audit cycle.

3.13 In 2022, IBAN agreed to audit seven financial statements resubmitted after the 31 March deadline by five NATO Reporting Entities. Two of those NATO Reporting Entities requested IBAN to audit a second resubmission of their Financial Statements. The resubmissions made by five NATO Reporting Entities after 31 March 2022 represent 24% of the 21 Financial Statements submitted to IBAN for audit (for the 2021 financial year there were seven resubmissions, representing 32% of the 22 Financial Statements audited by IBAN). These resubmissions corrected material misstatements or disclosures identified during the audit. Without these restated financial statements resubmitted after 31 March, the number of financial statements containing material errors could have increased.

REPORTS TO COUNCIL ON MAIN FINDINGS FROM THE FINANCIAL STATEMENTS AUDITS 2020 AND 2021

3.14 In February of 2022, the IBAN issued its "*Report to Council on the Main Findings From the Financial Statement Audits 2020*" (IBA-M(2022)0001). In December 2022, the IBAN issued its "*Report to Council on the Main Findings From the Financial Statement Audits 2021*" (IBA-M(2022)0003). The purpose of these two Reports is to provide a detailed overview to Council on the main findings from the audit of the 2020 and 2021 financial statements of NATO Reporting Entities. 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 reports include 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 reports provide a concise and detailed overview on IBAN's financial statements audit work and outcomes for internal and external stakeholders, which increases the transparency and accountability of NATO's use of public resources.

Chapter 4

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

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 2022 we issued two performance audit reports to Council. These reports were on (1) NATO Headquarters Morale, Welfare, Recreational (MWR) and Commercial Activities and (2) NATO's Prevention and Management of Harassment, Bullying and Discrimination in the Workplace.

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;

- Review Performance Audit Proposals and prepare recommendations to the Board;
- 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 NATO 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 2022

Performance audit on NATO Headquarters Morale, Welfare, Recreational and Commercial Activities

4.7 In this report we assessed (1) the extent to which the IS based its proposed changes to NATO HQ's MWR and commercial activities governance structure on NATO regulations and good practices, (2) the extent to which the IS follows NATO regulations and good practices to ensure the economic sustainability of NATO HQ MWR and commercial activities (2015 to present), and (3) identified whether the IS includes information on costs, benefits and customer utility in MWR and commercial activities management and decision-making according to NATO regulations and good practices.

4.8 This report has not yet been made public by Council.

Performance audit on NATO's Prevention and Management of Harassment, Bullying and Discrimination in the Workplace

4.9 In this report we assessed (1) the extent to which NATO bodies are effective in implementing measures to prevent and manage harassment, bullying, and discrimination in the workplace and (2) whether NATO bodies have effective mechanisms in place to detect, collect data and report on harassment, bullying, and discrimination incidents.

4.10 This report has not yet been made public by Council.

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

4.11 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 three to four years and subject to the availability of IBAN staff resources. Normally, IBAN audits a maximum of six to seven such bodies each year.

4.12 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.

4.13 The costs to be reimbursed include staff hours expended on the audit by IBAN staff, 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.

4.14 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.
- 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.

4.15 Table 1 below shows the opening balance of funds in Euro from the audits of non-NATO bodies, the amount earned in 2022, the amount spent by IBAN, and the closing balance for the year.

Table 1: Funds from audits of Non-NATO bodies in Euro	
	2022
Starting balance	250,781
Income	44,296
Spent	16,146
Ending balance	**278,931**

Source: Office of Financial Control, International Staff.

4.16 IBAN used EUR 16,146 of our funds from audits of non-NATO bodies to support our performance audit work in 2022. These funds were used for travel related to our performance audits.

Chapter 5

OUR CONTRIBUTION TO THE IMPROVEMENT OF THE NSIP MANAGEMENT & ACCOUNTABILITY

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 efficiency, effectiveness and economy of the programme's management and procedures. We aim to achieve the following:

- Provide independent assurance that NSIP expenditures are carried out in compliance with the regulations in force;
- Contribute to the improvement of NSIP management; and
- Enhance relationships with key NSIP stakeholders.

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 a "Host Nation" (a Member State, a NATO Strategic Command or a NATO Agency), who is responsible for the implementation of the authorised NSIP 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 to Council 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 to Council, by delegation the Investment Committee with an opinion on the expenditures presented in the Cost Statements. Opinions can either be unmodified or modified (see Glossary of Terms in Annex F).

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

5.6 After the technical inspection of the completed project, IBAN will perform an audit of the expenditures incurred presented in the cost statements. As the external auditor, IBAN provides independent assurance to Council that NSIP expenditures incurred by member countries or NATO entities (Host Nations) are carried out in compliance with the regulations in force. We issue the Independent External Auditor's Report to the Council, by delegation to the Investment Committee. The independent assurance provided by IBAN in the form of an audit opinion assists the Investment Committee, acting behalf of Council, in discharging the Host Nation from their financial responsibilities.

5.7 The actual discharge of Host Nations financial responsibilities is based on the Investment Committee approval of a List of Completed Projects, in accordance with existing agreed NSIP Regulations. This document is the final step in the project implementation process and, once approved by the Investment Committee, discharges the Host Nations from their financial responsibilities for these projects, on behalf of Council. After the approval of this document, the International Staff performs a technical and financial closure of the NSIP project. The technical and financial closure of NSIP projects and discharge of Host Nations responsibilities is a key element to ensuring proper transparency and accountability on the use of NATO common funds.

5.8 According to Investment Committee Implementation Management Procedure, an audit request shall be submitted to IBAN not later than six months following the request for a technical inspection of the project. To initiate a financial audit, the Host Nation must submit a cost statement of project expenditures incurred to IBAN for audit. From an audit standpoint and consistent with current practice, the Host Nation is required to prepare and sign the cost statement by a responsible staff at an accountable level. Cost statements are the means through which the Host Nation presents a completed project for audit. By signing the cost statement, the Host Nation confirms that sufficient verification and internal controls are in place to ensure that all expenditures incurred are complete, correct, and compliant NSIP regulations in force.

5.9 IBAN conducts its NSIP audits in different phases, including audit planning, audit fieldwork and audit reporting. As part of the audit fieldwork phase, our audit teams perform audit tests and generally conduct on-site visits at the premises of the Host Nations in order to have extensive dialogue and interactions with the auditees.

NSIP AUDIT ACTIVITY IN 2022

5.10 In 2022, IBAN used 14% of the available staff resources on the audit of NSIP projects expenditures, compared to 8% in 2021.

5.11 We issued 114 Independent External Auditor's Reports on cost statements presented by territorial Host Nations, NATO Agencies and Strategic Commands. Out of 114 audit opinions provided in the auditor's reports, 70 audit opinions were unmodified and 44 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 2022 in comparison to 2021.

Table 2: NSIP AUDIT ACTIVITY 2022		
	2022	**2021**
Amount audited (1)	485 MEUR	297 MEUR
Auditor's Reports issued	114	74

Note 1: Amount in cost statements presented by Host Nations for audit.

5.12 The 114 auditor's reports covered expenditures of EUR 485 million, which represents about 6% of the entire population of open NSIP projects (expenditure of EUR 8.5 billion reported as at December 2022). The total amount audited by IBAN and financially closed after the IC discharge of the Host Nation's responsibilities amounts to more than 77% of the total cumulative NSIP expenditure (see Annex B).

5.13 IBAN's audit of NSIP projects expenditures increased in 2022 with a higher amount audited compared to 2021 and a higher number of Auditor's Reports issued. This was due to an increased number of audits requested by Host Nations. The number of audits conducted each year depends on audit requests received from Host Nations. Due to the COVID-19 crisis and related travel restrictions in 2021, IBAN had to delay a number of planned NSIP audit missions to 2022, which also led to increased NSIP activity in 2022.

5.14 One of the main reasons for modified audit opinions (24 of 44 auditor's reports or 53%) related to missing or incomplete project financial documentation, such as signed contracts, invoices and bidding documents. Due to 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 of work. We therefore concluded that the expenditures reported in the Cost Statements were not compliant with NSIP regulations, subject to decision by the Investment Committee.

5.15 In other cases, the modified audit opinion was due to expenditures incurred not being compliant with NSIP regulations because they were outside the authorised scope of work or in excess of the authorisations granted, or to non-compliance with the NSIP procurement regulations relating to award of contracts.

5.16 The Investment Committee Implementation Management Procedure requires an audit request to be submitted to IBAN not later than six months following the request for a technical inspection of the project. IBAN will proceed with the audit only once the JFAI report was accepted by the Investment Committee. On average, for the projects audited in 2022, the audit requests were submitted to IBAN five years after the request for technical inspection.

CLOSURE OF COMPLETED NSIP PROJECTS

5.17 In 2014, on the basis of an RPPB recommendation, Council tasked the IC to develop a plan with the objective of closing, by 30 June 2016, all existing completed NSIP projects at the time amounting to EUR 5 billion (C-M(2014)0052). The reason for this tasking 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 ensuring that newly completed projects would be closed following agreed timelines.

5.18 The Council tasker for closing 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-AS1).

5.19 An overview of the evolution between December 2021 and December 2022 of the closing of physically completed NSIP projects that are part of the Council tasker is provided at Annex C. At 31 December 2022, a total of 362 projects amounting to EUR 2.3 billion still remain to be closed and Host Nations discharged for their responsibilities.

5.20 Out of these 362 NSIP projects, IBAN audited 132 projects totalling EUR 713 million in authorised funds and issued Independent External Auditor’s Reports to Council, by delegation to the IC. For these projects, the Host Nations have not yet been discharged for their financial responsibilities. For the remaining 230 projects, IBAN received an audit request for 193 projects with total authorised funds of EUR 1.3 billion. The audit of these projects will be planned in the coming audit cycles.

5.21 In total, 325 NSIP projects (EUR 2 billion) out of the 362 projects outstanding (90%) have been either audited or submitted for audit. IBAN aims to audit the remaining 37 NSIP projects totaling EUR 288 million when they will be submitted for audit.

Chapter 6

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 workforce professional development and sharing of corporate knowledge;
- Increase audit efficiency and effectiveness in order to ensure the timeliness and improve the content of our audit reports;
- Continuously improve IBAN Human Resource practices; and
- Improve visibility of IBAN with key internal and external stakeholders.

OUR STAFF

6.2 IBAN had an authorised post strength of twenty-two auditor posts in 2022. IBAN's audit staff establishment was one G22 grade Principal Auditor, two G22 grade Senior Auditors, nine G20 grade auditors, and ten G17 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 IBAN requested 9 additional auditor posts as part of its 2023 budget submission to the Council. The request was approved and as of 01 January 2023, the IBAN establishment is now 31 auditor posts comprised of one G22 grade Principal Auditor, two G22 grade Senior Auditors, 12 G20 grade auditors, and 16 G17 grade auditor posts. Of the 28 auditor posts at G20 and G17 grade, 17 (61%) are designated as financial auditors, 10 (36%) are designated as performance auditors, and one is a full time Communications and Information Systems auditor (3%). Recruitment for these posts is currently underway in 2023, but due to the NATO recruitment process and security clearance procedures it is unlikely that these new staff would be on-boarded before the second half of 2023 at the earliest.

6.4 Our staff is a diverse group of individuals skilled in a variety of audit disciplines and includes chartered accountants and performance audit specialists. Approximately 55% of IBAN's audit staff at the end of 2022 were either 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.

6.5 Of the 19 auditor posts at G20 and G17 grade, 13 (68%) are designated as financial auditors and six (32%) are designated as performance auditors. Our NSIP audit work is carried out by both financial and performance auditors.

6.6 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.

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

6.7 The IBAN held a conference on "*Transparency and Accountability as Key Elements of Good Governance across NATO*" in the fall of 2022. The conference focus was on transparency and accountability as core strategic values for NATO. The objective was 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' SAIs, Partner Nations, other international audit institutions, academia, the media, and industry. In particular, the conference explored the topic of financial transparency and accountability as key elements of good governance, in light of the experiences and perspective of NATO, the European Union, and the IPSAS Board.

6.8 The conference was held on 27 October 2022 at NATO HQ. The speakers at the conference were the following:

- Mr. Mircea Geoană, Deputy Secretary General, NATO
- Ms. Daniela Morgante, Chair, IBAN
- Mr. André Joannette, Chair, NATO Resource Policy and Planning Board
- Mr. Mariusz Pomienski, Director of Audit, Chamber V, European Court of Auditors
- Mr. Manfred Kraff, Director General, Internal Audit Service, European Union Commission
- Mr. Jacob Soll, University of Southern California, MacArthur Fellow, Director - Martens Economic Forum
- Mr. Thomas Müller-Marqués Berger, Partner, Ernst and Young GmbH, Global Leader Public Sector Accounting, Chair IPSAS Board Consultative Advisory Group

6.9 Audience members from NATO, National Delegations, SAIs, the European Court of Auditors, the European Union Commission, and Allied and Partner Nations were able to participate in the conference both in-person and online.

OUR ANNUAL MEETING WITH THE NATIONAL AUDIT BODIES

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

6.11 IBAN held a virtual CNAB meeting on 22 June 2022 to discuss the 2021 Annual Activity Report. A face to face CNAB meeting at NATO HQ is scheduled for June 2023 to discuss the 2022 Annual Activity Report.

Chapter 7

PERFORMANCE OF IBAN

CHAPTER 7

PERFORMANCE OF IBAN

OUR ANNUAL PERFORMANCE

7.1 The Strategic Plan for 2022-2026 provides information on IBAN's vision, mission statement, and three core values: Independence, integrity and professionalism. It details four strategic goals related to our 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 effectiveness, efficiency, and economy of NATO activities.
- Goal 3: Contribute to the improvement of the NSIP management and accountability.
- Goal 4: Develop IBAN as an innovative and proactive audit organisation.

7.2 Our 2022 Annual Performance Plan is derived from the goals and objectives in the 2022-2026 Strategic Plan. The Annual Performance Plan includes specific key performance indicators and targets for the various objectives for 2022 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 2022 is shown below.

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

7.4 The first performance measure was met as we issued all audit opinions by 31 August 2022 on NATO Reporting Entities from whom we received auditable financial statements by 31 March 2022. The second performance measure was achieved as we issued the Annual Activity Report in April 2022.

PERFORMANCE RELATED TO GOAL 2

7.5 Our objectives related to Goal 2 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 for 2022.

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

PERFORMANCE RELATED TO GOAL 3

7.6 Our objectives related to Goal 3 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 2022 is shown in the table below.

Key Performance Indicator	*Target*	*Actual*
% of acceptable and complete audit requests scheduled within 12 months of their receipt.	90%	92%

7.7 We met the target for 2022 as we were able to schedule 92% of acceptable and complete requests for NSIP audit within 12 months of their receipt.

PERFORMANCE RELATED TO GOAL 4

7.8 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.

#	*Key Performance Indicator*	*Target*	*Actual*
1	Proactively develop and offer independent analysis and opinion to NATO governing bodies on financial, NSIP, and performance issues.	Y/N	Y
2	Publish articles on the IBAN internet website on IBAN activities or subjects of	2	2

	interest.		
3	# of public events (conferences, seminars, courses, lectures, presentations) with auditees and stakeholders.	2	2

7.9 The three performance measures were met.

2023 ANNUAL ACTION AND PERFORMANCE PLAN

7.10 Our 2023 Annual Action and Performance Plan, which is based upon our 2022-2026 Strategic Plan, is included in this report at Annex D.

Approved by the Board on 12 April 2023

Daniela Morgante, IT
Chair, Présidente

Amipal Manchanda, CA

Franz Wascotte, BE

Michael Gaul, DE

Radek Visinger, CZ

Iordanis Chatzigiannakis, GR

ANNEXES

LIST OF REPORTS ISSUED IN 2022
RESULTING FROM FINANCIAL STATEMENTS AND PERFORMANCE AUDITS

LIST OF IBAN FINANCIAL STATEMENTS AUDIT REPORTS ISSUED IN 2022						
Subject and Financial Year		**IBAN Report Number**	**Audit Opinion**	**IBAN Issue Date**	**NAC Approval Date**	**Available to Public Yes/No/ Pending/NA**
NATO Military Commands						
1.	Allied Command Operations (ACO) 2021	IBA-AR(2022)0011	U	24.08.2022	15.12.2022	Yes
2.	Allied Command Transformation (ACT) 2021	IBA-AR(2022)0006	U	20.07.2022	15.12.2022	Yes
NATO Agencies, Civil-Military Bodies, Special Projects, and Pension Schemes						
3.	BICES Group Executive (BGX) 2021	IBA-AR(2022)0010	U	13.07.2022	19.12.2022	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) 2021	IBA-AR(2022)0020	U	24.08.2022	19.12.2022	Yes
5.	International Staff 2021	IBA-AR(2022)0021	U	24.08.2022	19.12.2022	Yes
6.	Munitions Safety Information Analysis Centre (MSIAC) 2021	IBA-AR(2022)0008	U	20.07.2022	19.12.2022	Yes
7.	NATO Airborne Early Warning and Control Programme Management Agency (NAPMA) 2021	IBA-AR(2022)0024	U	24.08.2022	19.12.2022	Yes
8.	NATO Alliance Ground Surveillance Management Organisation (NAGSMO) 2021	IBA-AR(2022)0016-REV1	U	24.08.2022	19.12.2022	Yes
9.	NATO Communications and Information Organisation (NCIO) 2021	IBA-AR(2022)0015	Q (FS, C)	30.08.2022	15.12.2022	Yes
10.	NATO Coordinated Pension Scheme 2021	IBA-AR(2022)0023	U	24.08.2022	19.12.2022	Yes
11.	NATO Defense College (NDC) 2021	IBA-AR(2022)0018	U	24.08.2022	19.12.2022	Yes
12.	NATO Defined Contribution Pension Scheme (NATO DCPS) 2021	IBA-AR(2022)0009	U	20.07.2022	19.12.2022	Yes
13.	NATO EF 2000 and Tornado Development, Production and Logistics Management Agency (NETMA) 2021	IBA-AR(2022)0012	U	24.08.2022	19.12.2022	Yes

LIST OF IBAN FINANCIAL STATEMENTS AUDIT REPORTS ISSUED IN 2022						
Subject and Financial Year		IBAN Report Number	Audit Opinion	IBAN Issue Date	NAC Approval Date	Available to Public Yes/No/ Pending/NA
14.	NATO European Fighter Aircraft Development, Production and Logistic Management Organisation (NEFMO) 2021	IBA-AR(2022)0014	U	24.08.2022	13.12.2022	No (COMMERCIAL SENSITIVE)
15.	NATO FORACS Office (NFO) 2021	IBA-AR(2022)0007	U	24.08.2022	19.12.2022	Yes
16.	NATO Helicopter Management Organisation (NAHEMO) 2021	IBA-AR(2022)0019	U	24.08.2021	19.12.2022	Yes
17.	NATO Medium Extended Air Defense System Management Organisation (NAMEADSMO) In Liquidation 2021	IBA-AR(2022)0005	U	22.06.2022	19.12.2022	Yes
18.	NATO Multi-Role Combat Aircraft Development Production And In-Service Support Management Organisation (NAMMO) 2021	IBA-AR(2022)0013	U	24.08.2022	19.12.2022	Yes
19.	NATO Retirees Medical Claims Fund (RMCF) 2021	IBA-AR(2022)0025	U	24.08.2022	19.12.2022	Yes
20.	NATO Support and Procurement Organisation (NSPO) 2021	IBA-AR(2022)0017	U	24.08.2022	19.12.2022	Yes
21.	Science and Technology Organisation (STO) 2021	IBA-AR(2022)0022	U	26.08.2022	19.12.2022	Yes
Non-NATO multi-national bodies						
22.	AFNORTH International School 2020-2021	IBA-AR(2022)0003	2020: Q (C) 2021: Q (C)	22.04.2022	NA	NA
23.	Headquarters NATO Rapid Deployable Corps Italy (HQ NRDC-ITA) 2018-2020	IBA-AR(2022)0001	2018: Q (FS, C) 2019: Q (FS, C) 2020: U	23.03.2022	NA	NA
24.	Headquarters NATO Rapid Deployable Corps – Türkiye (HQ NRDC-T) 2016-2020	IBA-AR(2021)0036	2016: Q (FS, C) 2017: Q (FS) 2018: Q (FS) 2019: Q (FS, C) 2020: Q (FS, C)	26.01.2022	NA	NA

LIST OF IBAN FINANCIAL STATEMENTS AUDIT REPORTS ISSUED IN 2022						
Subject and Financial Year		**IBAN Report Number**	**Audit Opinion**	**IBAN Issue Date**	**NAC Approval Date**	**Available to Public Yes/No/ Pending/NA**
25.	NATO Joint Electronic Warfare Core Staff (JEWCS) 2018-2020	IBA-AR(2021)0039	2018: Q (FS) 2019: Q (FS, C) 2020: U	26.01.2022	NA	NA
26.	NATO Missile Firing Installation (NAMFI) 2021	IBA-AR(2022)0026	U	14.12.2022	NA	NA
27.	NATO Parliamentary Assembly (NPA) 2021	IBA-AR(2022)0002	U	16.03.2022	NA	NA
LIST OF IBAN PERFORMANCE AUDIT REPORTS ISSUED IN 2022						
Performance Audit Reports						
28.	NATO Headquarters morale, welfare, recreational and commercial activities	IBA-AR(2022)0004	NA	10.06.2022	Pending	Pending
29.	NATO's Prevention and Management of Harassment, Bullying and Discrimination in the Workplace	IBA-AR(2022)0027	NA	14.12.2022	Pending	Pending
Special Audit Reports						
30.	Main findings from the 2020 Financial Statements audits	IBA-M(2022)0001	NA	10.02.2022	26.01.2023	Yes
31.	Main findings from the 2021 Financial Statements audits	IBA-M(2022)0003	NA	14.12.2022	Pending	Pending

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 statements and performance audits) of NATO Reporting Entities.

Annex B
IBA-M(2023)0001-REV1

CUMULATIVE NSIP EXPENDITURE BY HOST NATION AS AT END 2022

Host Nation	Expenditure Reported (1) (2)	Expenditure Financially closed – (2) (3)	Expenditure Financially closed
Albania	-	-	-
Belgium	899	713	79%
Bulgaria	125	18	14%
Canada	80	80	100%
Croatia	11	-	0%
Czech Republic	138	72	52%
Denmark	747	726	97%
Estonia	70	34	49%
France	1,026	979	95%
Germany	6,071	5,549	91%
Greece	1,932	1,553	80%
Hungary	189	101	54%
Iceland	37	-	0%
Italy	2,456	1,915	78%
Latvia	46	33	71%
Lithuania	48	37	77%
Luxembourg	59	59	100%
Montenegro	-	-	-
Netherlands	1,001	888	89%
Norway	2,292	2,158	94%
North Macedonia	-	-	-
Poland	611	223	36%
Portugal	611	571	93%
Romania	91	18	20%
Slovakia	40	31	77%
Slovenia	40	6	15%
Spain	245	165	67%
Türkiye	4,630	4,086	88%
United Kingdom	2,700	2,482	92%
United States of America	1,729	1,275	74%
Sub-Total Territorial Nations	**27,924**	**23,774**	**85%**
ACT	32	2	6%
NADGEMO	33	33	100%
NCIA	7,348	3,826	52%
NSPA	1,591	876	55%

SHAPE	990	873	88%
Sub-Total NATO Bodies (4)	**9,994**	**5,609**	**56%**
Total	**37,918**	**29,383**	**77%**

(1) Source: IBAN based on NATO Office of Resources, International Staff data on annual expenditures for NSIP.
(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.

ANNEX C
IBA-M(2023)0001-REV1

CLOSURE OF COMPLETED NSIP PROJECTS UNDER COUNCIL TASKING

NUMBER AND VALUE OF PROJECTS

Evolution December 2021 - December 2022

Host Nation	**OPEN SUB-PROJECTS** (1) **2021 (EUR)**		**OPEN SUB-PROJECTS** (1) **2022 (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	2	5,665,366	2	5,665,366	0	0%
France	3	26,103,172	2	14,728,780	-1	44%
Germany	16	255,364,918	14	255,053,193	-2	0.1%
Greece	45	310,289,241	45	302,406,587	0	0%
Hungary	5	23,764,842	5	20,040,393	0	0%
Iceland	0	0	0	0	0	0%
Italy	34	351,033,540	34	351,033,540	0	0%
Latvia	1	12,502,964	1	12,502,964	0	0%
Lithuania	1	6,275,102	1	6,275,102	0	0%
Netherlands	1	23,316,587	1	23,316,587	0	0%
Norway	3	42,559,112	0	0	-3	100%
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%
Türkiye	57	388,783,785	56	366,871,862	-1	6%
United Kingdom	8	45,793,160	8	45,793,160	0	0%
USA	0	0	0	0	0	0%
Sub-Total Territorial Host Nations	**213**	**1,720,411,544**	**206**	**1,644,254,392**	**-7**	**4%**
ACT	5	9,913,836	5	9,913,836	0	0%
NCIA	137	577,281,062	132	546,476,804	-5	1%
NSPA	5	36,272,563	5	36,272,563	0	0%
SHAPE	14	97,150,588	14	97,150,588	0	0%
Sub-Total NATO Bodies	**161**	**696,369,709**	**156**	**689,813,791**	**-5**	**1%**
Total (3)	**374**	**2,416,781,253**	**362**	**2,334,068,183**	**-12**	**3%**

Source: IBAN data.

(1): Projects authorised before 2011 and physically completed by 2014, but not yet financially closed and discharged by the Investment Committee.
(2): Value based on authorised funds.
(3): According to a status update to the IC as at 12 December 2022, EUR 2.2 million or 346 sub-projects remain to be closed. The difference to the above table is mainly because IBAN included all open projects from the Slice Programme. These are not all include in the Close-Out exercise.

International Board of Auditors for NATO
Annual Action and Performance Plan 2023

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 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 2023 is based upon the goals and objectives identified in the 2022-2026 Strategic Plan. It includes key performance indicators and targets for the various objectives to be achieved during 2023.

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

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 carries out its audit mandate in accordance with INTOSAI standards.

Objective 1: Provide independent assurance that the financial statements present fairly the financial position, financial performance, and cash flows, of the entity and that the funds were properly used for the settlement of authorised expenditure 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 provide support to governance in NATO, and monitor their implementation.

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

- Make a continual assessment of the implementation of the NATO Accounting Framework and NATO Financial Regulations and provide recommendations to improve compliance. Provide coordinated advice in order to achieve a consistent application of the NATO Accounting Framework and NATO Financial Regulations across NATO. Advocate for the simplification of NATO's Financial Reporting and Accountability Framework to improve the quality of financial information in support of decision-making by governance and the accountability needs of relevant external stakeholders.

- IBAN aims to continue providing annual cross-cutting overviews on the main findings from the financial statements audits and to intensify its efforts to produce special reports on strategic issues, such as those that have already been produced on the use of lump sums and on the NSIP new audit approach.

Objective 3: Enhance relationships with key NATO stakeholders.

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

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

<u>KPI's</u>

#	***Key Performance Indicator***	***Target***
1	% of audit opinions on NATO 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 EFFECTIVENESS, EFFICIENCY, AND ECONOMY OF NATO ACTIVITIES

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 the effectiveness, efficiency, and economy of its activities, IBAN refocuses its strategy towards a 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, optimising value for money while delivering required outputs. IBAN carries out its audit mandate in accordance with INTOSAI standards.

Objective 1: Focus on subjects of common interest to the Council 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 Council, IBAN can contribute to and support high-level decision-makers in improving the performance of NATO.

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

- NATO faces challenges to implement good governance principles such as 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. IBAN aims to organise conferences and seminars to disseminate information on these issues, in order to raise awareness on their importance in the NATO community as well as with external stakeholders. We aim to provide a web-based platform to let the NATO community profit from our releasable documents and increase IBAN's visibility.

Objective 3: Perform cross-cutting audits that contribute to recommendations to be applied NATO-wide.

- In general, cross-cutting audits add more complementary 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 good practice are applicable NATO-wide and therefore adds more value.

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

<u>KPI's</u>

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

GOAL 3: CONTRIBUTE TO THE IMPROVEMENT OF THE NSIP MANAGEMENT AND ACCOUNTABILITY

IBAN provides independent assurance that the expenditures incurred by member states and by NATO entities for the implementation of the NSIP is compliant with the regulations in force. The IBAN also analyses and evaluates the economy, efficiency and effectiveness of programme management, procedures, and specific outputs. IBAN carries out its audit mandate in accordance with INTOSAI standards.

Objective 1: Provide independent assurance that NSIP expenditures are carried out in compliance with the regulations in force.

- To strengthen accountability and governance of the NSIP, our audit work provides audit opinions on expenditures incurred for individual NSIP projects. We aim to plan and conduct our audits based on audit requests received from Nations and NATO Bodies in order to deliver our audit reports to Council in a timely manner within current available resources. IBAN intends to issue another special report on the implementation of the new NSIP audit approach.

Objective 2: Contribute to the improvement of NSIP management.

- Make continual assessments of NSIP regulations and provide advice to Nations in order to achieve improved NSIP management and consistent application of regulations across Host Nations.

Objective 3: Enhance relationships with key NSIP stakeholders.

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

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

<u>KPI</u>

#	***Key Performance Indicator***	***Target***
1	% of acceptable and complete audit requests scheduled within 12 months of their receipt.	90%

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

In order to achieve the objectives of Goals 1 to 3, IBAN must be an organisation that is innovative and proactive to meet the continuous developments and changes in its dynamic operational environment.

Objective 1: Further promote IBAN's workforce professional development and sharing of corporate knowledge.

- Enhance workforce mentoring of IBAN staff by improving their knowledge of professional standards, best practices, new audit developments, as well as an understanding of NATO's current challenges. We aim to provide an internal web-based platform to ensure the sharing of experience acquired by our auditors and provide professional training to facilitate individual learning.

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

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

- Improve our audit practices by promoting and developing workplace innovation and efficiencies, such as through remote access to auditee IT systems, increased use of IT audit techniques, data analytics, and remote teleworking for staff.

Objective 3: Continuously improve IBAN Human Resource practices.

- Maintain a plan for staff succession and attracting qualified individuals from the public and private sector.

- Maintain clear and consistent communication to staff and application of IBAN Human Resource policies.

- Assist staff transitioning out of IBAN with information, such as career advice and contacts with other audit organisations.

Objective 4: Improve visibility of IBAN with key internal and external stakeholders.

- We regularly attend Council and committee meetings on matters of importance to the IBAN. Our aim is to publicise IBAN's work, including individual audit reports, and the annual activity report, strategic plan and annual performance plan to raise awareness of IBAN activities both internally and externally. This aim will also be achieved by organising dissemination activities and providing a web-based platform where the NATO community can access our releasable documents. We will further develop and maintain professional contacts and cooperation with

Supreme Audit Institutions of NATO Nations and with other like-minded international audit organisations, and in particular with the INTOSAI.

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

KPI's

#	***Key Performance Indicator***	***Target***
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

IBAN ANNUAL FINANCIAL STATEMENTS AUDIT UNIVERSE

IBAN Annual Financial Statements Audit Universe	FY 2021 Total Expenses[1]
NATO Common Funded Bodies or Activities	
Allied Command Operations Group	1,138
Allied Command Transformation Group	148
International Military Staff Group	28
International Staff NATO HQ	299
NATO Coordinated Pension Scheme (Defined Benefit)	217
NATO Defence College	11
NATO Defined Contribution Pension Scheme	45
NATO Retiree's Medical Claim Fund	31
Science and Technology Organisation	35
Sub-total	***1,952***
NATO Joint/Multi-Nationally Funded Bodies or Activities	
Munitions Safety Information Analysis Centre	2
NATO AEW&C Programme Management Organisation	22
NATO Alliance Ground Surveillance Management Agency	7
NATO Battlefield Information Collection & Exploitation Systems Group Executive	Non-disclosed[2]
NATO Communications and Information Agency	791
NATO Eurofighter 2000 and Tornado Development Production and Logistics Management Agency	46
NATO European Fighter Aircraft Development, Production and Logistics Management Organisation	Non-disclosed[3,4]
NATO Multi-Role Combat Aircraft Development and In-Service Support Management Organisation	585[3]
NATO Helicopter Design and Development Production and Logistics Management Organisation	13
NATO Medium Extended Air Defence System Design and Development, Production and Logistics Management Organisation	1
NATO Naval Forces Sensor and Weapons Accuracy Check Sites Office	1
NATO Support and Procurement Agency	2,795
Sub-total	***4,263***
Non-NATO Multi-Nationally Funded or Sponsored Bodies[5]	
AFNORTH International School	4
NATO Missile Firing Installation	8
NATO Parliamentary Assembly	4
SHAPE International School	6
Sub-total	***22***
Grand total	**6,237**

1 All amounts in Millions of EURO (MEUR). Non-EURO amounts converted at 31 December rates.
2 The NATO Battlefield Information Collection & Exploitation Systems Group Executive financial information is classified and not disclosed to the public.
3 The 2021 Financial Statements of NAMMO and NEFMO were prepared for the first time on the basis that they are agents instead of principals. Therefore, NAMMO and NEFMO's operational expenditures in 2021 are not reported as an expense in their respective Statement of Financial Performance. These expenditures continue to be reported in their respective operational budget execution report annexed to

the Financial Statements, which is subject to audit by IBAN.

4 The NATO European Fighter Aircraft Development, Production and Logistics Management Organisation financial information is commercially sensitive and not disclosed to the public

5 By Council decision, the IBAN does not charge for the audits of the AFNORTH School, SHAPE International 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.

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 projects can be either unmodified or modified:

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

- A modified opinion means one of the following:

- IBAN issues an opinion on compliance of expenditures incurred presented in the cost statement and prepared by the Host Nation stating that some elements of the Cost Statement are affected by a scope limitation, or that specific issues have come to our attention that causes us to believe that some expenditures incurred have not been carried out in compliance with the NSIP Regulations in force.

- IBAN issues an opinion on compliance of expenditures incurred presented in the cost statement prepared by the Host Nation, stating that the effect of an error, missing documentation or a disagreement is so pervasive and material that IBAN concludes that all expenditures incurred of the project have not been carried out in compliance with the NSIP Regulations in force.

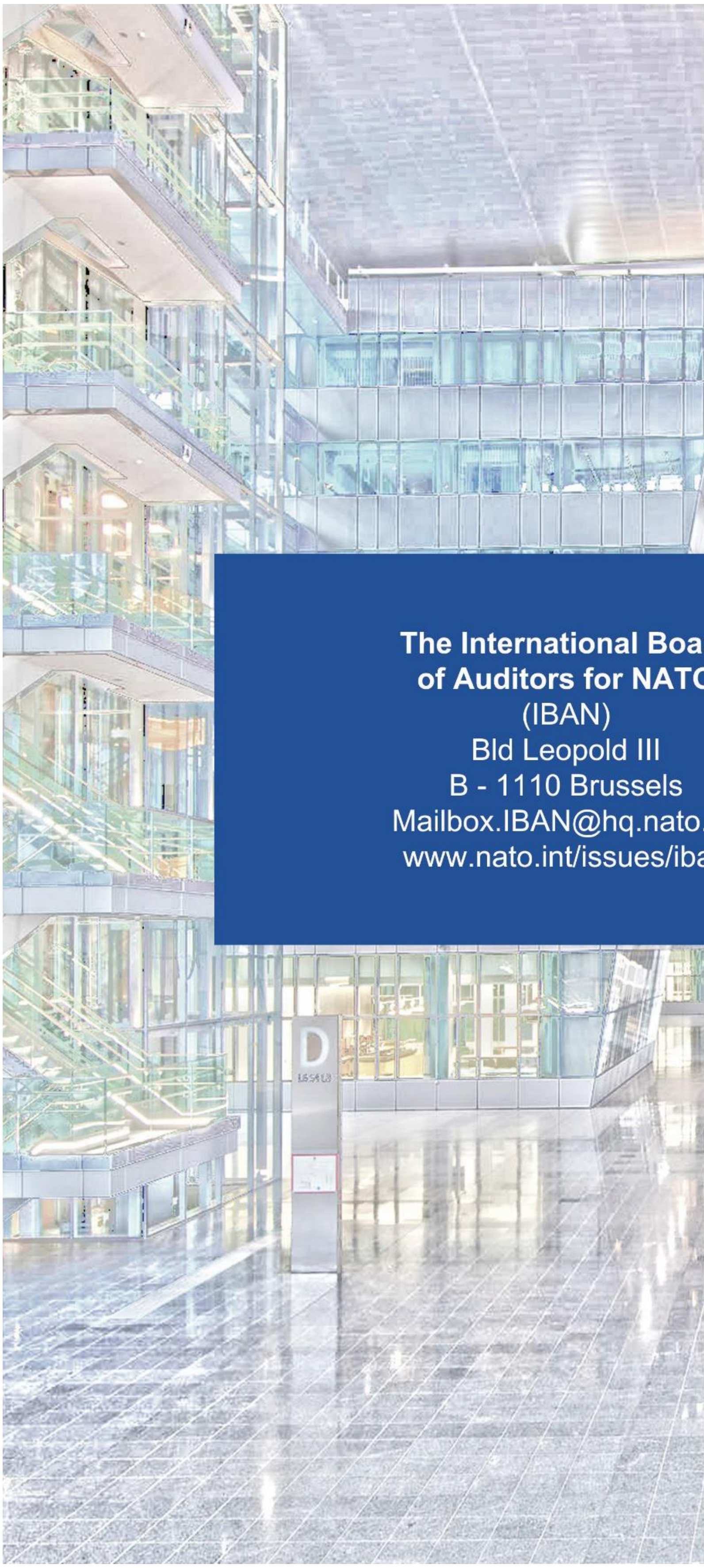
- IBAN cannot express an opinion on the expenditures incurred because the cost statement is missing, the inherent documentation was intentionally not provided, or because the scope of the audit is severely limited due to material uncertainties affecting whether expenditures incurred have been carried out in compliance with the NSIP Regulations in force.

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

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
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
NADGEMO	NATO Air Defence Ground Environment Management Office
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
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
SACT	Supreme Allied Commander Transformation
SAI	Supreme Audit Institution
SHAPE	Supreme Headquarters Allied Powers Europe
STO	Science & Technology Organisation
USD	United States of America Dollar



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