



NORTH ATLANTIC COUNCIL
CONSEIL DE L'ATLANTIQUE NORD

NATO UNCLASSIFIED

9 January 2026

**DOCUMENT
PO(2025)0385-AS1**

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS OF THE NATO
MUNITIONS SAFETY INFORMATION ANALYSIS CENTER (MSIAC)**

ACTION SHEET

On 9 January 2026, under the silence procedure, the Council noted the RPPB report and the IBAN Audit Report, approved the conclusions in the RPPB Report, and approved the public disclosure of the 2024 Financial Statements of MSIAC, the associated IBAN Audit Report and the RPPB Report.

(Signed) Mark RUTTE
Secretary General

NOTE: This Action Sheet is part of, and shall be attached to PO(2025)0385.

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17 December 2025

DOCUMENT
PO(2025)0385
Silence Procedure ends:
9 Jan 2026 - 15:30

To: Permanent Representatives (Council)

From: Secretary General

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS
OF THE NATO MUNITIONS SAFETY INFORMATION ANALYSIS CENTER (MSIAC)**

1. I attach the Resource Policy and Planning Board (RPPB) Report and recommendation to Council on the International Board of Auditors for NATO (IBAN) Audit Report on the 2024 Financial Statements of the NATO Munitions Safety Information Analysis Center (MSIAC).
2. I do not believe this issue requires further discussion in Council. Therefore, **unless I hear to the contrary by 15.30 on Friday, 9 January 2026**, I shall assume that the Council has noted the RPPB Report and the IBAN Audit Report, approved the conclusions in the RPPB Report, and approved the public disclosure of the 2024 Financial Statements of MSIAC, the associated IBAN Audit Report and the RPPB Report.

(Signed) Mark RUTTE

1 Annex
2 Enclosures

Original: English

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**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS
OF THE NATO MUNITIONS SAFETY INFORMATION ANALYSIS CENTER (MSIAC)****Report by the Resource Policy and Planning Board**

References:

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|---------------------|--|
| A. IBA-AR(2025)0015 | IBAN Audit Report on the Financial Statements of the NATO Munitions Safety Information Analysis Center (MSIAC) for the year ended 31 December 2024 |
| B. C-M(2015)0025 | NATO Financial Regulations (NFRs) |
| C. C-M(2016)0023 | NATO Accounting Framework (NAF) |

INTRODUCTION

1. This report by the Resource Policy and Planning Board (RPPB) addresses the IBAN Audit Report on the 2024 resubmitted financial statements of the MSIAC. IBAN issued an unqualified opinion on the Financial Statements and a qualified opinion on compliance for the year ended 31 December 2024 (reference A).

AIM

2. Highlight key issues in the IBAN Audit Report, reflect on strategic challenges resulting from the audit of financial statements of NATO entities and recommend courses of action to Council in order to improve transparency, accountability and consistency.

OBSERVATIONS AND RPPB VIEW

3. For the audit of the 2024 financial statements, IBAN made two new observations and recommendations for MSIAC. One observation impacts the audit opinion on compliance. The other observation does not impact the audit opinion on the financial statements and on compliance.

3.1. Observation 1 (leading to a qualified audit opinion on compliance) Material non-compliance with Article 26.1 of the NFRs regarding budget transfers (amounting to EUR 44,777). The RPPB supports IBAN's recommendation that MSIAC ensures all budget transfers are approved at the appropriate level, in accordance with Article 26.1 of the NFRs (reference B).

3.2. Observation 2 Need to strengthen internal controls over the preparation of financial statements: The RPPB supports IBAN's recommendation that MSIAC ensures adequate internal control processes are in place to provide a reasonable basis for obtaining assurance that financial statements are prepared and presented in compliance with the NAF (reference C) and NFRs.

3.2.1. Emphasis of Matter: IBAN issued an Emphasis of Matter in the financial statements regarding the legal status of MSIAC and its implications for the presentation and disclosure in the MSIAC Financial Statements¹.

4. In addition, IBAN followed up on the status of observations and recommendations from the previous years' audits and found that none were closed and two remain in-progress. Observations are detailed in reference A.

5. The RPPB notes that MSIAC resubmitted its Financial Statements to correct material misstatements found by IBAN, and that without these corrections, the MSIAC 2024 Financial Statements would have included a material error leading to a qualified audit opinion on the Financial Statements and on compliance. The RPPB will wait for IBAN to report on the results after completing the audits on the 2024 financial statements. If there is no improvement in terms of the requests for resubmissions, the RPPB invited IBAN to consider identifying the root causes in an analysis of resubmissions².

DISCUSSION

6. At the RPPB, IBAN presented the observation leading to a qualified audit opinion on compliance, while MSIAC explained actions already taken to implement the related recommendation. The Nations welcomed MSIAC's efforts to implement in-progress observations, underlining the importance of their timely implementation.

IBAN PREVIOUS YEARS' OBSERVATIONS AND RECOMMENDATIONS IN-PROGRESS OR OPEN FOR MORE THAN THREE YEARS

7. Referring to IBAN's financial year 2015 recommendation (on achieving compliance with NFRs on internal audit), the RPPB noted the possible way ahead. Following Council's invitation to the Internal Oversight Service (IOS) to include MSIAC and NATO FORACS Office (NFO) in their audit scope of future internal audit engagements³, in July 2025 IS IOS confirmed that it takes a risk-based approach when planning its audits and currently lacks resources to undertake an internal audit of MSIAC and NFO given their very small size and low perceived risk. IOS would audit MSIAC in the future if/when the risk is sufficient to consider within current resourcing levels.

¹ In the prior year, IBAN raised an observation concerning the legal and regulatory status of NATO MSIAC and the resulting implications on the International Staff (IS) and NATO MSIAC Financial Statements.

² PO(2025)0219.

³ PO(2024)0423.

CONCLUSIONS

8. The RPPB supports IBAN's recommendations issued for the financial year 2024.
9. Regarding resubmissions, the RPPB will wait for IBAN to report on the results after completing the audits on the 2024 financial statements. If there is no improvement in terms of the requests for resubmissions, the RPPB invited IBAN to consider identifying the root causes in an analysis of resubmissions.

RECOMMENDATIONS

10. The Resource Policy and Planning Board recommends that the Council;
- 10.1. note this report and the IBAN Audit Report at reference A;
- 10.2. approve the conclusions at paragraphs 8 to 9;
- 10.3. approve the public disclosure of the 2024 Financial Statements for the MSIAC, the associated IBAN Audit Report and this report.



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

Brussels - Belgium



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IBA-A(2025)0078
26 August 2025

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

Cc: NATO Permanent Representatives
Chair, MSIAC Steering Committee
Project Manager, MSIAC
Financial Controller, International Staff
Chair, Resource Policy & Planning Board
Branch Head, Resource Management Branch, NATO Office of Resources
Private Office Registry

Subject: ***International Board of Auditors for NATO (IBAN) Audit Report on the audit of the NATO Munitions Safety Information Analysis Center's (MSIAC) Financial Statements for the year ended 31 December 2024 – IBA-AR(2025)0015***

IBAN submits herewith its approved Audit Report with a Summary Note for distribution to the Council.

IBAN's report sets out an unqualified opinion on the Financial Statements of the MSIAC and a qualified opinion on compliance for financial year 2024.

Yours sincerely,

Sébastien Lepers
Chair

Attachments: As stated above.

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IBA-AR(2025)0015

**Summary Note for Council
by the International Board of Auditors for NATO (IBAN)
on the audit of the Financial Statements of the
NATO Munitions Safety Information Analysis Center (NATO MSIAC)
for the year ended 31 December 2024**

The Munitions Safety Information Analysis Center (MSIAC) provides a focal point within NATO to assist national and NATO munitions development programmes. The MSIAC project is directed and administered by a Steering Committee and a Project Manager.

The total expenses of MSIAC in 2024 amounted to EUR 1.9 million (EUR 1.8 million in 2023).

IBAN issued an unqualified opinion on the Financial Statements and a qualified opinion on compliance for the year ended 31 December 2024.

IBAN issued an Emphasis of Matter in the Financial Statements regarding the legal status of MSIAC and its implications for the presentation and disclosure in the MSIAC Financial Statements.

Legal Status of MSIAC

We draw attention to the additional disclosure made in Note 1 on General Information of the 2024 MSIAC Financial Statements, which states that:

“[...] For administrative purposes only, MSIAC is attached to the Defence Investment Division of the International Staff (IS) due to its limited size and structure of activities. However, MSIAC operates autonomously as per its governance structure.

As per Service Level Agreement from 1990 (A1 (90)115), and further supported through a signed Memorandum of Agreement between MSIAC and NATO in 2007 related to the provisioning of administrative services and facilities at the NATO Headquarters, NATO IS delivers administrative support and facility services to MSIAC as a service provider. The cost for the delivered services is reimbursed on a yearly basis to NATO IS.

All expenses, both for the personnel expenses for MSIAC staff part of the IS establishment and expenses for contractual supplies and services, are directly allocated and charged to the approved MSIAC budget.

MSIAC's financial transactions are identified through a unique identifier in the Enterprise Resource Planning system managed by the IS and ensures proper data segregation. This segregation ensures proper operational management, reporting and internal controls.”

In the prior year, IBAN raised an observation concerning the legal and regulatory status of NATO MSIAC and the resulting implications on the International Staff (IS)

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and NATO MSIAC Financial Statements. In December 2024, the Resource Policy and Planning Board (RPPB) tasked the IS to assess and confirm with the MSIAC Steering Committee and Project Manager the two options included in the IBAN's recommendation and determine, as well as document the appropriate way to address the IBAN recommendation and report back to the RPPB. IBAN noted that an analysis paper is currently being prepared and will be coordinated within the International Staff and NATO MSIAC. At the time of the audit, no formal conclusion had been reached.

As a result, NATO MSIAC is a NATO Reporting Entity only in respect of activities carried out by the International Staff in relation to MSIAC. Cash and cash equivalents, personnel expenses, and expenses for contractual supplies and services are reported solely in the 2024 NATO MSIAC Financial Statements and excluded from the 2024 International Staff's Financial Statements.

Our opinion is not modified in respect of this matter.

IBAN made two observations and recommendations. One observation impacts the audit opinion on compliance:

1. Material non-compliance with Article 26.1 of the NATO Financial Regulations regarding budget transfers.

The other observation does not impact the audit opinion on the Financial Statements and on compliance:

2. Need to strengthen internal controls over the preparation of the financial statements.

IBAN followed up on the status of observations and recommendations from the previous years' audits and found that none were closed, and two remain in progress.

The Audit Report was issued to MSIAC whose comments have been included, with the IBAN's position on those comments where necessary.

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IBA-AR(2025)0015

26 August 2025

INTERNATIONAL BOARD OF AUDITORS FOR NATO

**AUDIT REPORT ON THE FINANCIAL STATEMENTS OF THE
NATO MUNITIONS SAFETY INFORMATION ANALYSIS CENTER**

(NATO MSIAC)

FOR THE YEAR ENDED 31 DECEMBER 2024

PUBLICLY DISCLOSED - PDN(2026)0011 - MIS EN LECTURE PUBLIQUE

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INDEPENDENT EXTERNAL AUDITOR'S REPORT TO THE NORTH ATLANTIC COUNCIL***Financial Statements*****Opinion on the Financial Statements**

The International Board of Auditors for NATO (IBAN) has audited the Financial Statements of NATO MSIAC, for the 12-month period ended 31 December 2024, issued under document reference FC(2025)0030-REV1, and resubmitted to IBAN on 4 July 2025. These Financial Statements comprise the Statement of Financial Position as at 31 December 2024, the Statement of Financial Performance, the Statement of Changes in Net Assets/Equity and the Statement of Cash Flow, for the 12-month period ended 31 December 2024, including a summary of significant accounting policies and other explanatory notes. In addition, the Financial Statements include a Budget Execution Statement for the 12-month period ended 31 December 2024.

In our opinion, the Financial Statements give a true and fair view of the financial position of NATO MSIAC as at 31 December 2024, and of its financial performance, its cash flows and budget execution for the 12-month period ended 31 December 2024, in accordance with accounting requirements and reporting standards consistent with the NATO Accounting Framework (NAF).

Basis for Opinion on the Financial Statements

In accordance with the NATO Financial Regulations (NFRs), external audit of the NATO bodies and reporting entities pursuant to the North Atlantic Treaty shall be performed by IBAN.

We have conducted our audit in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI) Principles as per our Charter, and standards consistent with the International Standards of Supreme Audit Institutions (ISSAI 2000-2899).

We are independent in accordance with the INTOSAI Code of Ethics and we have fulfilled our other ethical responsibilities in accordance with these requirements. The responsibilities of the members of IBAN are more extensively described in the section «Auditor's Responsibilities for the Audit of the Financial Statements» and in our Charter.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of MatterLegal and regulatory status of MSIAC

We draw attention to the disclosure made in Note 1 on General Information of the 2024 NATO MSIAC Financial Statements, which states that:

“[...] For administrative purposes only, MSIAC is attached to the Defence Investment Division of the International Staff (IS) due to its limited size and structure of activities. However, MSIAC operates autonomously as per its governance structure.

As per Service Level Agreement from 1990 (A1 (90)115), and further supported through a signed Memorandum of Agreement between MSIAC and NATO in 2007 related to the provisioning of administrative services and facilities at the NATO Headquarters, NATO IS delivers administrative support and facility services to MSIAC as a service provider. The cost for the delivered services is reimbursed on a yearly basis to NATO IS.

All expenses, both for the personnel expenses for MSIAC staff part of the IS establishment and expenses for contractual supplies and services, are directly allocated and charged to the approved MSIAC budget.

MSIAC's financial transactions are identified through a unique identifier in the Enterprise Resource Planning system managed by the IS and ensures proper data segregation. This segregation ensures proper operational management, reporting and internal controls.”

In the prior year, IBAN raised an observation concerning the legal and regulatory status of NATO MSIAC and the resulting implications on the International Staff (IS) and NATO MSIAC Financial Statements. In December 2024, the Resource Policy and Planning Board (RPPB) tasked the IS to assess and confirm with the MSIAC Steering Committee and Project Manager the two options included in the IBAN's recommendation and determine, as well as document the appropriate way to address the IBAN recommendation and report back to the RPPB. IBAN noted that an analysis paper is currently being prepared and will be coordinated within the International Staff and NATO MSIAC. At the time of the audit, no formal conclusion had been reached.

As a result, NATO MSIAC is a NATO Reporting Entity only in respect of activities carried out by the International Staff in relation to MSIAC. Cash and cash equivalents, personnel expenses, and expenses for contractual supplies and services are reported solely in the 2024 NATO MSIAC Financial Statements and excluded from the 2024 International Staff's Financial Statements.

Our opinion is not modified in respect of this matter.

Management's Responsibility for the Financial Statements

Management's responsibility for the financial statements is laid down in the NFRs. The Financial Statements of NATO MSIAC are drawn up in accordance with accounting requirements and reporting standards consistent with the NATO Accounting Framework as approved by the Council. The Financial Controller is responsible for submitting the Financial Statements for audit to IBAN not later than 31st March following the end of the financial year.

The Financial Statements are signed by the Head of the NATO reporting entity and the Financial Controller. In signing the Financial Statements, the Head of the NATO reporting entity and the Financial Controller confirm the establishment and maintenance of financial governance, resource management practices, internal controls and financial information systems to achieve the efficient and effective use of resources.

This confirmation covers the design, implementation and maintenance of internal controls relevant to the preparation and presentation of financial statements that are auditable and free from material misstatement, whether due to fraud or error. This also covers reporting on the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there are plans to liquidate the entity or to cease its operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of the audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards consistent with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with standards consistent with ISSAIs, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. This involves taking into account Considerations Specific to Public Sector Entities. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate with the bodies charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. Our Independent External Auditor's Report is prepared to assist North Atlantic Council in carrying out its role. We are therefore responsible solely to the North Atlantic Council for our work and the opinion we have formed.

Compliance

Qualified Opinion on Compliance

Based on the procedures we performed, except for the matter described in the basis of qualification paragraph, nothing has come to our attention, as part of our audit of the Financial Statements that causes us to believe that funds have not been properly used for the settlement of authorised expenditure or are not in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations.

Basis for Qualified Opinion on Compliance

NATO MSIAC's 2024 total budget transfers amounting to EUR 44,777 were not approved in accordance with Article 26.1 of the NFRs. Specifically, none of the transfers received general or specific approval from the MSIAC Steering Committee

or the International Staff Financial Controller, as required by the NATO Financial Regulations (NFRs). This results in a material non-compliance with the NFRs.

This matter is considered material for compliance, not necessarily because of its absolute value, but due to its significance relative to the magnitude of NATO MSIAC's budget and expenses in 2024. In line with the International Standards of Supreme Audit Institutions (ISSAIs), materiality is assessed in proportion to the magnitude and nature of the entity's operations. NATO MSIAC's 2024 budget and expenses are relatively small compared to other NATO reporting entities. Therefore, as required by the ISSAIs, although the monetary amount of the compliance matter may appear low in absolute terms at the NATO-wide level, its relative impact on NATO MSIAC's compliance with the NFRs, prevents us from issuing an unqualified audit opinion.

We have conducted our compliance audit in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI) Principles as per our Charter, and standards consistent with the International Standards of Supreme Audit Institutions (ISSAI 4000-4899).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibility for Compliance

All NATO staff, military and civilian, are obligated to comply with the NATO Financial Regulations, associated Financial Rules and Procedures and internal implementing directives. These include the NATO Civilian Personnel Regulations.

The Project Manager is responsible and accountable for sound financial management. The financial administration of NATO bodies and reporting entities must incorporate the principles of propriety, sound governance, accountability, transparency, risk management and internal control, internal audit, external audit, and fraud prevention and detection.

Auditor's Responsibilities for Compliance

In addition to the responsibility to provide reasonable assurance about whether the financial statements as a whole are free from material misstatement, the IBAN Charter requires IBAN to provide independent assurance and report annually to the North Atlantic Council about whether funds have been properly used for the settlement of authorised expenditure (propriety) and are in compliance with the regulations in force (regularity). Propriety relates to the observance of the general principles governing sound financial management and the conduct of public officials. Regularity concerns the adherence to formal criteria such as relevant regulations, rules and procedures.

This responsibility includes performing procedures to obtain independent assurance about whether funds have been properly used for the settlement of authorised

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IBA-AR(2025)0015

expenditure and whether they have been used in compliance with the regulations in force. Such procedures include consideration of the risks of material non-compliance.

Brussels, 26 August 2025

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the end.

Sébastien Lepers
Chair

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OBSERVATIONS AND RECOMMENDATIONS

IBAN made two observations and recommendations.

One observation does not impact the audit opinion on the Financial Statements, but impacts the audit opinion on compliance:

1. Material non-compliance with Article 26.1 of the NATO Financial Regulations regarding budget transfers.

The other observation does not impact the audit opinion on the Financial Statements or on compliance:

2. Need to strengthen internal controls over the preparation of financial statements.

IBAN followed up on the status of observations and recommendations from the previous years' audits and found that two remain in progress.

The Audit Report was issued to MSIAC whose comments have been included, with the IBAN's position on those comments where necessary.

1. MATERIAL NON-COMPLIANCE WITH ARTICLE 26.1 OF THE NATO FINANCIAL REGULATIONS REGARDING BUDGET TRANSFERS

Reasoning

1.1 The NATO Financial Regulations (NFRs) govern the financial administration of all civilian and military headquarters and other organisations established pursuant to the North Atlantic Treaty. Certain other multi-national entities or operations in which NATO has a vested interest may also choose to apply the NFRs. MSIAC is a NATO project operating under the NATO aegis, which was initially established in 1991 as the NATO Insensitive Munitions Information Center (NIMIC) through a Memorandum of Understanding. The Memorandum of Understanding (MOU) established at the inception of the Project stipulates that MSIAC *"Accounts will be managed in accordance with the NATO Financial Regulations, Part III"*.

1.2 Article 26.1 of the NFRs on the Transfer of Appropriations requires that *"Transfers of approved appropriations shall not be made without general or specific prior approval of the relevant finance committee or the Financial Controller within any delegated authority"*.

1.3 In 2024, NATO MSIAC made budget transfers for a total amount of EUR 44,777 which are reflected in the NATO MSIAC 2024 Statement of Budget Execution. In accordance with the NFRs, these budget transfers require the *"general or specific*

prior approval of the relevant finance committee or the Financial Controller within any delegated authority”.

Observations

1.4 During the course of the audit, NATO MSIAC was unable to provide evidence of general or specific prior approval for a total of EUR 40,957 in budget transfers. The remaining transfers of EUR 3,820 were authorised, but by the Project Manager’s Assistant rather than by the MSIAC Steering Committee or IS Financial Controller.

1.5 As a result, the full amount of NATO MSIAC’s 2024 budget transfers amounting to EUR 44,777 were not approved in compliance with Article 26.1. This situation results in a material non-compliance with Article 26.1 of the NFRs.

1.6 This matter is considered material for compliance, not necessarily because of its absolute value, but due to its significance relative to the magnitude of NATO MSIAC’s budget and expenses in 2024. In line with the International Standards of Supreme Audit Institutions (ISSAIs), materiality is assessed in proportion to the magnitude and nature of the entity’s operations. NATO MSIAC’s 2024 budget and expenses are relatively small compared to other NATO reporting entities. Therefore, as required by the ISSAIs, although the monetary amount of the compliance matter may appear low in absolute terms at the NATO-wide level, its relative impact on NATO MSIAC’s compliance with the NFRs, prevents us from issuing an unqualified audit opinion.

Recommendations

1.7 IBAN recommends that NATO MSIAC ensure all budget transfers are approved at the appropriate level, in accordance with Article 26.1 of the NATO Financial Regulations.

2. NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS

Reasoning

2.1 According to the NATO Accounting Framework (NAF), IPSAS 1, *“the Financial Statements shall present fairly the Financial Position, Financial Performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS.*

2.2 Article 6 of the NATO Financial Regulations (NFRs) requires the Financial Controller to exercise the responsibility of budgeting, accounting and reporting activities of the NATO entity. This includes being responsible for the financial internal

control system established, and for the preparation of the Financial Statements in accordance with the NATO Accounting Framework.

2.3 A key part of any system of internal control is to ensure adequate processes are in place for the preparation, review and reporting of the Financial Statements. Adequate review procedures are necessary to provide a reasonable basis for obtaining assurance that financial statements are prepared and presented in compliance with the applicable reporting framework.

2.4 Article 12.2 of the NFRs provides that in order to meet the desired internal control standards, the Financial Controller shall establish and maintain comprehensive accounting records of all assets and liabilities. Article 12.3 also states that internal control activities shall include (but not be limited to) adequate audit trails and data confidentiality, integrity and availability in information systems.

2.5 The authorisation of the MSIAC Steering Committee to maintain excess funds in an accumulated surplus rather than returning the excess contributions to the Nations is provided in C-M(2020)0012-AS1. In this decision, North Atlantic Council (hereafter Council) approved a deviation to articles 24.2 and 29.3 of the NFRs allowing NATO MSIAC to accumulate and maintain a surplus up to a specified limit of EUR 650,000: *“On 28 May 2020, under the silence procedure, the Council noted the RPPB report attached to C-M(2020)0012, agreed its conclusions and recommendations to approve a deviation from Articles 24.2 and 29.3 of the NATO Financial Regulations to regularise the use of MSIAC accumulated surpluses in an emergency fund and as an operational reserve up to a limit of € 650,000”.*

Observations

2.6 IBAN identified a material misstatement in the 2024 NATO MSIAC Financial Statements, which were initially submitted to IBAN on 24 March 2025. This misstatement was corrected in a resubmission of the Financial Statements on 4 July 2025 (FC(2025)0030-REV1). Without this correction, the 2024 NATO MSIAC Financial statements would have included a material error leading to a qualified audit opinion on the Financial Statements and on compliance.

2.7 In its initially submitted Financial Statements for 2024, NATO MSIAC exceeded the Council approved ceiling of EUR 650,000 for the accumulated surplus by EUR 106,820. Although NATO MSIAC acknowledged the overaccumulation of the surplus (i.e., operational reserve) and indicated in the notes to the Financial Statements that it would be addressed in 2025, this did not negate the need to comply with the Council-approved limit of EUR 650,000 for the accumulated surplus during the 2024 financial year.

2.8 The situation described above resulted in a material overstatement of NATO MSIAC's 2024 accumulated surplus balance by EUR 106,820, which corresponded to a material understatement of the 2024 “Other Current Liability” balance.

Recommendations

2.9 IBAN recommends that NATO MSIAC ensure adequate internal control processes are in place for the preparation of the financial statements, to provide a reasonable basis for obtaining assurance that financial statements are prepared and presented in compliance with the NATO Accounting Framework and NATO Financial Regulations.

FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS

IBAN followed up on the status of observations from the previous years' audit. The observations and recommendations, the actions taken by the auditee as reviewed by IBAN, and their status are summarised in the table below.

The Open status is used for recommendations that are open and for which no notable progress has been achieved to date. The In-progress status is used for open recommendations when the NATO Reporting Entity has started to implement the recommendation or when some (but not all) sub-recommendations are closed. The Closed status is used for recommendations that are closed because they have been implemented, are superseded, or have lapsed. In the case where there are sub-recommendations, the status related to each sub-recommendation is indicated in the Action Taken column.

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p>(1) MSIAC FY 2023 IBA-AR(2024)0011, paragraph 1</p> <p>NEED FOR CLARIFICATIONS ON THE CONTENT AND PRESENTATION OF THE MSIAC FINANCIAL STATEMENTS</p> <p>IBAN's Recommendation IBAN recommends that Council task the appropriate governing body to clarify, in consultation with the Steering Committee of MSIAC, whether the MSIAC Financial Statements should solely present the activities carried out by staff members from the International Staff in relation to the executive branch of the non-NATO multinational MSIAC at NATO Headquarters (i.e. activities of a NATO Body in accordance with IBAN's audit mandate), or present the activities of the executive branch of the MSIAC project (i.e. the executive branch of a NATO project that does not appear to meet the definition of a NATO body in accordance with IBAN's audit mandate and is not subject to the NFRs).</p>	<p>In December 2024, the Resource Policy and Planning Board (RPPB) tasked the IS to assess and confirm with the MSIAC Steering Committee and Project Manager the two options included in the IBAN's recommendation and determine, as well as document the appropriate way to address the IBAN recommendation and report back to the RPPB. IBAN noted that an analysis paper is currently being prepared and will be coordinated within IS and NATO MSIAC.</p> <p>In-Progress.</p>	<p>Observation In-Progress</p>

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p>(2) MSIAC FY 2015 IBA-AR(2018)0001, paragraph 6</p> <p>EFFORTS TO ACHIEVE COMPLIANCE WITH THE REVISED NATO FINANCIAL REGULATIONS, PARTICULARLY THOSE ARTICLES ON INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT</p> <p>IBAN's Recommendation IBAN recommends that MSIAC:</p> <p>a) Issues a risk management policy and that risk registers are developed and employed.</p> <p>b) As required by FRP XII 3) (e), chooses a specific internal control framework that it will use to assess its system of internal control. The assessment is required by Article 12 of the NFRs. Since other NATO entities, including ACT and NAPMA, have already adopted COSO as their internal control framework, and it is a framework that can be used by entities of all sizes, MSIAC should consider adopting COSO as their internal control framework.</p> <p>c) In coordination with the International Staff where applicable, begins the work of assessing and documenting the system of internal control and risk management procedures to support compliance with NFR Articles 11 and 12, FRPs XI and XII, and the internal control framework that it chooses.</p> <p>d) Through outsourcing if considered to be more cost effective, ensure internal audit activities are evaluating MSIAC risk management and internal control.</p>	<p>a) This sub-recommendation was closed in IBA-AR(2023)00.</p> <p>b) This sub-recommendation was closed in IBA-AR(2021)0025.</p> <p>c) This sub-recommendation was closed in IBA-AR(2022)0008.</p> <p>d) Following Council approval of the RPPB's recommendations from the 2023 audit of NATO MSIAC, the IS Internal Oversight Service (IOS) has agreed to include NATO MSIAC in its future internal audit engagements on a risk-based approach. However, IOS has informed MSIAC, that due to current staffing constraints and higher-priority tasks, it is unlikely to have the capacity to include MSIAC in the near future. IOS will explore alternative options for including</p>	<p>Observation In-Progress</p>

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
	MSIAC in future audits, prioritising risk factors and considering the potential use of external consultants to temporarily augment IOS capacity, if necessary. In-Progress.	

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**NATO MUNITIONS SAFETY INFORMATION ANALYSIS CENTER (NATO MSIAC)
FORMAL COMMENTS ON THE AUDIT REPORT AND THE INTERNATIONAL
BOARD OF AUDITORS (IBAN) POSITIONS**

**OBSERVATION 1:
MATERIAL NON-COMPLIANCE WITH ARTICLE 26.1 OF THE NATO FINANCIAL
REGULATIONS REGARDING BUDGET TRANSFERS**

MSIAC's Formal Comments

Agreed.

MSIAC and OFC recognise instances that the approval process for budget transfers in 2024 was not conducted in accordance with approval process as detail in the MSIAC Standing Instructions. MSIAC commits to ensuring all future approvals are conducted and approved appropriately and ensuring the documentation and instructions are updated to reflect the currently working procedures.

**OBSERVATION 2:
NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF
THE FINANCIAL STATEMENTS**

MSIAC's Formal Comments

Agreed.

MSIAC and OFC are committed to continuously improving the internal control processes to enhance the accuracy and reliability of the financial statements. Ongoing reviews and enhancements will help ensure compliance with the NATO Accounting Framework and NATO Financial Regulations.

FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS

**(1) MSIAC 2023 FY
IBA-AR(2024)0011, paragraph 1
NEED FOR CLARIFICATIONS ON THE CONTENT AND PRESENTATION OF THE
MSIAC FINANCIAL STATEMENTS**

MSIAC's Formal Comments

Not agreed.

MSIAC Project Manager in coordination with NATO IS OFC are in the process of addressing the observation and will provide a response via RPPB.

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IBAN's Position

IBAN takes note of MSIAC's formal comments, which also reflects the Action Taken by Auditee disclosed above in the Follow-up of Previous Years' Observation. IBAN therefore maintains this recommendation as In-Progress.

(2) MSIAC 2015 FY

IBA-AR(2018)0001, paragraph 6

EFFORTS TO ACHIEVE COMPLIANCE WITH THE REVISED NATO FINANCIAL REGULATIONS, PARTICULARLY THOSE ARTICLES ON INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

MSIAC's Formal Comments

d) Not agreed.

The MSIAC Steering Committee previously addressed the issue, stating that the internal controls, risk management measures and audits provided by IBAN, combined with the rules and regulations as managed by OFC and mandated in the NFRs as being proportionate to the size, value and risk profile of MSIAC.

Further outsourcing of audit activities were not seen as a prudent expenditure of funds and would not be commensurate with the level of risk. This is echoed in the statement received from IOS that a risk-based approach is best and that at present that risk is low.

Should resources from within IOS become available and they are able to staff the activity then MSIAC will engage at that time.

In an effort to close out this action, it will be taken to the MSIAC Steering Committee in Fall 2025 once more for discussion and a formal decision will be provided to RPPB and IBAN after the meeting.

IBAN's Position

IBAN takes note of MSIAC's comment, stating that the MSIAC Steering Committee has previously addressed the issue by considering that the internal controls, risk management measures, and audits provided by IBAN, combined with the rules and regulations managed by the International Staff Office of the Financial Controller (IS OFC) and mandated in the NATO Financial Regulations (NFRs), are proportionate to the size, value, and risk profile of MSIAC.

It is important to emphasise that the internal audit function, as stipulated by Article 13.1 and 13.2 of the NFRs, is distinct from internal controls, risk management measures, and external audits performed by IBAN. These

provisions require that NATO bodies have independent internal audit functions that provide assurances on risk management, control effectiveness, and regulatory compliance, regardless of the perceived risk profile of the entity or cost considerations.

IBAN notes that, despite the actions taken by the MSIAC Steering Committee, no internal audit activities have been performed to date that evaluate MSIAC's risk management and internal control. Therefore, IBAN consider this sub-recommendation to remain In-Progress.

GLOSSARY OF TERMS

In accordance with International Standards of Supreme Audit Institutions (ISSAI 2705), audit opinions on financial statements and on compliance can be unqualified, qualified, a disclaimer, or adverse:

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

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

- Key Audit Matters (ISSAI 2701): Those matters that, in IBAN's professional judgement, were of most significance in the audit of the financial statements of the current period. Key Audit Matters are addressed to Council.
- Emphasis of Matter (ISSAI 2706): If IBAN considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in our judgement, is of such importance that it is fundamental to users' understanding of the financial statements.
- Other Matter (ISSAI 2706): If IBAN considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in our judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

NATO MSIAC
FINANCIAL STATEMENTS
Financial Year 2024

Annexes:

- 1 Statement of Financial Position
- 2 Statement of Financial Performance
- 3 Cash Flow Statement
- 4 Statement of Changes in Net Assets
- 5 Statement of Budget Execution
- 6 Explanatory notes to the financial statements



Christopher HOLLANDS
Project Manager MSIAC



Rui Miguel Mendes da Silva
Financial Controller NATO-IS

NATO MSIAC
Statement of Financial Position

As at 31 December 2024

	Notes	Current Year	Prior Year
		2024	2023
Assets			
Current assets			
Cash and cash equivalents	3	1,020,925.64	740,547.99
Short term investments	3	0.00	0.00
Receivables	4	195,000.00	335.73
Prepayments	5	34,177.34	29,010.00
Other current assets	5	0.00	0.00
Inventories	6		
		1,250,102.98	769,893.72
Non-current assets			
Receivables	8	0.00	0.00
Property, plant & equipment	7	0.00	0.00
Intangible assets	7	0.00	0.00
Other non-current assets	8	0.00	0.00
		0.00	0.00
Total assets		1,250,102.98	769,893.72
Liabilities			
Current liabilities			
Payables	9	159,338.17	33,104.34
Deferred revenue	10	8,773.63	17,856.19
Advances	11	36.98	0.00
Provisions	12	0.00	0.00
Other current liabilities	13	230,954.20	296,206.66
		399,102.98	347,167.19
Non-current liabilities			
Payables	14	0.00	0.00
Long term provisions	14	0.00	0.00
Non Current Deferred revenue	14	0.00	0.00
Other non-current liabilities	14	0.00	0.00
		0.00	0.00
Total liabilities		399,102.98	347,167.19
Net assets			
Capital assets			
Reserves			
Accumulated surplus / (deficit)		650,000.00	419,726.53
Current year surplus / (deficit)		201,000.00	3,000.00
Total net assets/ equity	15	851,000.00	422,726.53

NATO MSIAC
Statement of Financial Performance

As at 31 December 2024

	Notes	Current Year	Prior Year
		2024	2023
Revenue	16		
Non exchange revenue		1,900,033.77	1,746,654.20
Services, Joining Fees and Early Access Contributions		201,000.00	3,000.00
Exchange revenue		0.00	0.00
Other revenue		2,593.55	3,750.00
Financial revenue		149.59	183.84
Total revenue		2,103,776.91	1,753,588.04
Expenses	17		
Personnel		1,361,274.58	1,270,332.79
Contractual supplies and services		540,913.49	479,135.23
Depreciation and amortization		0.00	0.00
Impairment		0.00	0.00
Provisions		0.00	0.00
Other expenses		0.00	0.00
Finance costs		588.84	1,120.02
Total expenses		1,902,776.91	1,750,588.04
Surplus/(Deficit) for the period		201,000.00	3,000.00

NATO MSIAC Cash Flow Statement

As at 31 December 2024

	(in EUR)	
	<u>2024</u>	<u>2023</u>
Cash flow from operating activities		
Surplus/(Deficit)	201,000.00	3,000.00
Non-cash movements		
Depreciation/ Amortisation	0.00	0.00
Impairment	0.00	0.00
Use of Cash Reserves	227,273.47	-104,525.20
Increase /(decrease) in Payables	126,233.83	-108,693.75
Increase/ (decrease) in Other current liabilities	-65,252.46	52,618.14
Increase/ (decrease) in Advances and Deferred Revenue	-9,045.58	-7,624.33
Increase/ (decrease) in Provisions	0.00	0.00
(Gains)/losses on sale of Property, plant and equipment	0.00	0.00
Decrease/ (Increase) in Other current assets	-5,167.34	-15,046.27
Decrease/ (Increase) in Receivables	-194,664.27	127,046.80
Decrease/ (Increase) in Other non-current assets		
Net cash flow from operating activities	280,377.65	-53,224.61
Cash flow from investing activities		
Purchase of Property plant and equipment / Intangible assets	0.00	0.00
Proceeds from sale of Property plant and equipment	0.00	0.00
Net cash flow from investing activities	0.00	0.00
Cash flow from financing activities		
Net cash flow from financing activities	0.00	0.00
Net increase/(decrease) in cash and cash equivalents	280,377.65	-53,224.61
Cash and cash equivalent at the beginning of the period	740,547.99	793,772.60
Cash and cash equivalent at the end of the period	1,020,925.64	740,547.99

NATO MSIAC

Statement of Change in Net Assets/Equity

As at 31 December 2024

(in EUR)

Balance at the beginning of the period 2023	524,251.73
Changes in accounting policy	0.00
Restated balance	
Net gains/(losses) recognised directly in net assets/equity	0.00
Exchange difference on translating foreign operations	0.00
Gain on property revaluation	0.00
Use of Cash Reserves	-104,525.20
Surplus/(deficit) for the period	3,000.00
Change in net assets/equity for the year ended 2023	422,726.53
Balance at the beginning of the period 2024	422,726.53
Changes in accounting policy	0.00
Restated balance	
Exchange difference on translating foreign operations	0.00
Gain on property revaluation	0.00
Use of Cash Reserves	227,273.47
Surplus/(deficit) for the period	201,000.00
Change in net assets/equity for the year ended 2024	851,000.00
Balance at the end of the period 2024	851,000.00

NATO MSIAC
Statement of Budget Execution
As at 31 December 2024

	Initial budget	Transfers	BA2	Transfers	BA3	Increase/D ecrease	Final budget	Actuals	Carry forward	Lapsed
(Amounts in euro)										
Budget 2024										
Chapter 1	1,604,400.00	-	1,604,400.00	-44,777.05	1,559,622.95	-	1,559,622.95	1,453,196.01	2,362.32	104,064.62
Chapter 2	394,600.00	-	394,600.00	44,777.05	439,377.05	-	439,377.05	432,665.30	6,411.31	300.44
Chapter 3	-	-	-	-	-	-	-	-	-	-
Chapter 4	-	-	-	-	-	-	-	-	-	-
Total FY 2024	1,999,000.00	-	1,999,000.00	-	1,999,000.00	-	1,999,000.00	1,885,861.31	8,773.63	104,365.06
Budget 2023										
Chapter 1	-	-	-	-	-	-	-	-	-	-
Chapter 2	17,856.19	-	17,856.19	-	17,856.19	-	17,856.19	16,326.76	-	1,529.43
Chapter 3	-	-	-	-	-	-	-	-	-	-
Chapter 4	-	-	-	-	-	-	-	-	-	-
Total FY 2023	17,856.19	-	17,856.19	-	17,856.19	-	17,856.19	16,326.76	0.00	1,529.43
Budget 2022										
Chapter 1	-	-	-	-	-	-	-	-	-	-
Chapter 2	-	-	-	-	-	-	-	-	-	-
Chapter 3	-	-	-	-	-	-	-	-	-	-
Chapter 4	-	-	-	-	-	-	-	-	-	-
Total FY 2022	-	-	-	-	-	-	-	-	-	-
Total all budgets	2,016,856.19	-	2,016,856.19	-	2,016,856.19	-	2,016,856.19	1,902,188.07	8,773.63	105,894.49

**EXPLANATORY NOTES TO MSIAC
2024 FINANCIAL STATEMENTS****NOTE 1: GENERAL INFORMATION**

At the October 1990 Conference of National Armaments Directors (CNAD) meeting, the MOU establishing NATO Insensitive Munitions Information Centre (NIMIC) as a Project Office under CNAD was signed. The project transitioned to cover the wider aspects of Munition Safety in 2004 becoming the Munitions Safety Information Analysis Centre (MSIAC)

MSIAC is a member nations' funded and directed NATO Project office. Its goal is to help nations reduce and eliminate the risk to personnel and materiel from explosive incidents associated with own munitions. To help nations realise this goal, the project exchanges and analyses information and technology related to munition safety. MSIAC plays a central role in facilitating member nation's efforts to safely store, design, develop, procure and use safer munitions.

At the end of 2023, MSIAC had sixteen participating countries: Australia, Belgium, Canada, Finland, France, Germany, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom, the United States, Poland and the Republic of Korea. In December 2024, Denmark became a member of MSIAC, while the Republic of Korea announced its departure which leaves the total number of participating countries unchanged.

MSIAC allows other nations to participate in selected MSIAC sponsored courses or training events. These are called MSIAC Partner Nations.

The MSIAC Steering Committee (one representative per member nation) is the governing body of the MSIAC. Steering Committee members are nominated by their respective national authorities.

The member countries pay all operational and administrative costs relating to the Project office, in accordance with an agreed cost-sharing formula which is based on a share value. During the 38th Steering Committee, the share price for 2024 was set at €104.000.

In 2024, there were 12 nations paying 1 share and 4 nations paying 2 shares. In total there are 20 shares from official members. Denmark will start paying 1 share as of 2025.

For administrative purposes only, MSIAC is attached to the Defence Investment Division of the International Staff (IS) due to its limited size and structure of activities. However, MSIAC operates autonomously as per its governance structure.

As per Service Level Agreement from 1990 (A1(90)115), and further supported through a signed Memorandum of Agreement between MSIAC and NATO in 2007 related to the provisioning of administrative services and facilities at the NATO Headquarters, NATO IS delivers administrative support

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and facility services to MSIAC as a service provider. The cost for the delivered services is reimbursed on a yearly basis to NATO IS.

All expenses, both for the personnel expenses for MSIAC staff part of the IS establishment and expenses for contractual supplies and services, are directly allocated and charged to the approved MSIAC budget.

MSIAC's financial transactions are identified through a unique identifier in the Enterprise Resource Planning system managed by the IS and ensures proper data segregation. This segregation ensures proper operational management, reporting and internal controls.

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NOTE 2: ACCOUNTING POLICIES

MSIAC applies the NATO IS Accounting Policies which have been published through ON(2021)0079 and updated through document FC(CAF)(2023)0001.

Declaration of Conformity

The MSIAC financial statements have been prepared in accordance with NATO Financial Regulations (NFR), the Financial Rules and Procedures (FRP) and the NATO Accounting Framework, which is an adapted version of the International Public Sector Accounting Standards (IPSAS).

Basis of Preparation

These financial statements have been prepared on a going-concern basis. The assumption is that MSIAC is a going concern and will continue in operation and meet its objectives and obligations for the foreseeable future.

The financial year is from 1 January to 31 December.

The amounts shown in these financial statements are presented in EUR.

MSIAC applied IPSAS 9 Revenue from exchange transactions and IPSAS 23 Revenue from non-exchange transactions.

The following IPSAS have no material effect on the 2024 MSIAC financial statements:

- IPSAS 5: Borrowing Costs
- IPSAS 6: Consolidated and Separate Financial
- IPSAS 7: Investments in Associates.
- IPSAS 8: Interests in Joint Ventures
- IPSAS 10: Financial Reporting in Hyperinflationary Economies
- IPSAS 11: Construction Contracts
- IPSAS 16: Investment Property
- IPSAS 21: Impairment of non-cash generating assets
- IPSAS 26: Impairment of Cash-Generating Assets
- IPSAS 27: Agriculture
- IPSAS 32: Service Concession Arrangements: Grantor

Changes in accounting policy

None.

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Reclassification of Financial Statements of Previous Years

None.

Restatement of Financial Statements of Previous Years

None.

Use of Estimates

In accordance with generally accepted accounting principles, the financial statements include amounts based on estimates and assumptions by management, according to the most reliable information available, judgement and assumptions. Estimates include accrued revenue and expenses. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

Foreign Currency Transactions

The MSIAC budget is authorized and managed in EUR so contributions called are made in EUR. Foreign currency transactions as required are accounted for at the NATO exchange rates prevailing on the date of the transactions. Monetary assets and liabilities at year-end which were denominated in foreign currencies were converted into EUR using the NATO rates of exchange applicable at year end.

Realised and unrealised gains and losses resulting from the settlement of such transactions and from the revaluation of monetary assets at the reporting dates, and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance.

MSIAC does not have any unrealised gains and losses resulting from the translation of statements.

Financial Risks

MSIAC uses only non-derivative financial instruments as part of its normal operations. These financial instruments include cash, bank accounts and deposit accounts.

All the financial instruments are recognised in the Statement of Financial Position at their fair value.

The organisation is exposed to a variety of financial risks, including foreign exchange risk, credit risk, currency risk, liquidity risk and interest rate risk.

- a. Foreign currency exchange risk

The exposure to foreign currency risk is limited as the majority of the NATO-MSIAC's expenditures are made in EUR, the currency of its budget. The current bank accounts are held in EURO.

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b. Credit risk

NATO MSIAC incurs credit risks from cash and cash equivalent held with banks and from receivables. The maximum exposure as of year-end is equal to the total amount of bank balances, short-term deposits and receivables. There is very limited credit risk associated with the realization of these elements.

Concerning cash and cash equivalent MSIAC credit risk is managed by holding current bank accounts and short-term, highly liquid deposits that are readily convertible to a known amount of cash held with ING Bank (Belgium) which has the following long-term credit ratings:

BANK NAME	COUNTRY OF HQ	LONG TERM RATINGS					
		FITCH		S&P GLOBAL		MOODY'S	
		Rating	Outlook	Rating	Outlook	Rating	Outlook
ING Belgium SA/NV	Belgium	AA-	Stable	N/A		Aa3	Stable

The MSIAC outstanding accounts receivable are managed by maintaining control procedures over receivables. Most cash receivables are due from Member Nations, which are considered credit worthy.

c. Liquidity risk

The liquidity risk, also referred to as funding risk, is based on the assessment as to whether the Organisation will encounter difficulties in meeting its obligations associated with financial liabilities. A liquidity risk could arise from a short-term liquidity requirement. There is a very limited exposure to liquidity risk since MSIAC funding mechanism guarantees contributions in relation to approved budgets. Some limited risk could be due to the accuracy of budget forecasts. However, history shows that the budgetary process results in surpluses and, in any case, the applicable rules allow the revision of budgets.

d. Interest rate risk

Except for certain cash and cash equivalent balances, MSIAC's financial assets and liabilities do not have associated interest rates. MSIAC is restricted from entering into borrowings and investments, and, therefore, there is an insignificant interest rate risk. Interest earned is not a budgetary resource but contributes to the surplus owed to Nations. In case of negative interest rates, these are added to the amounts called from Member Nations.

Current Assets

a. Cash and cash equivalents

Cash and cash equivalents are defined as short-term assets. They include cash in hand, short-term deposits held with banks, and other short-term, highly liquid investments.

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b. Receivables

Receivables are stated at net realisable value, after provision for doubtful and uncollectible debts. Contributions receivable are recognised when a call for contribution has been issued to the funding nations. No allowance for loss is recorded with respect to Member countries' assessed contributions receivable.

c. Prepayments

A prepayment is a payment in advance of the period to which it pertains and is mainly in respect of an advance payment made to a third party. This item may include advances made to staff in accordance with Civilian Personnel Regulations (such as advances on salary or on education allowance in consideration of the fact that these are the advances on future staff benefits).

d. Inventories

NATO's adaptations of IPSAS are spelled out in C-M(2016)0023 of April 2016, which includes IPSAS 12 Inventories. Furthermore, C-M(2017)0043 of September 2017, approved the NATO Accounting Policy for Inventory.

When it comes to assessing the control of NATO Inventory, these documents define a set of 10 criteria to be used in assessing the level of control of an inventory asset. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January 2013 under the initial NATO Accounting Framework C-M(2013)0039 of July 2013.

Criteria that may indicate control of an asset:

- The act of purchasing the asset carried out (or resulted from instructions given) by the NATO Reporting Entity.
- The legal title is in the name of the NATO Reporting Entity.
- The asset is physically located on the premises or locations used by the NATO Reporting Entity.
- The asset is physically used by staff employed by the NATO Reporting Entity or staff working under the NATO Reporting Entity's instructions.
- The fact that the NATO Reporting Entity can decide on an alternative use of the asset.
- The fact that the NATO Reporting Entity can decide to sell or to dispose the asset.
- The fact that the NATO Reporting Entity, if it has to remove or destroy the asset, can take the decision to replace it.
- The fact that a representative of the NATO Reporting Entity regularly inspects the asset to determine its current condition.

- The fact that the asset is used in achieving the objectives of the NATO Reporting Entity.
- The fact that the asset will be retained by the NATO Reporting Entity at the end of the activity.

Capitalization thresholds relevant to the financial statement are as follows:

Category	Threshold	Basis
Consumables	€50,000	Per location/warehouse
Spare Parts	€50,000	Per location/warehouse
Ammunition	€50,000	Per location/warehouse
Strategic stocks	€50,000	Per location/warehouse

The MSIAC will capitalize inventory which it controls in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of inventory, only the end-user entity will report the inventory in its financial statements, based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

The MSIAC will include transportation costs involved in bringing the inventories to their present location and condition in the initial valuation of inventory. These costs will be measured on the actual cost of transportation per item of inventory or by using an apportionment of the global transportation costs of bringing the inventories to their present location and condition across all inventory items in the period. Transportation costs involved in the subsequent movement of inventory which brings them into operational use will not be included in the value of inventory. The method of measuring these costs will be disclosed.

The MSIAC considers inventory acquired prior to 1 January 2013 as fully expensed.

For inventory held prior to 1 January 2013, and not previously recognized as an asset, the MSIAC will provide a brief description of inventory held within their inventory recording systems in the notes to the financial statements. Such disclosure will include as a minimum the types of inventories held, locations where inventories are held and the approximate number of items held per asset category.

Where this adaptation conflicts with another requirement of IPSAS this adaptation shall apply. For the remainder, IPSAS 12 shall apply.

The MSIAC assesses inventories under IPSAS 12. The outcome of this assessment is that the value of the inventories is immaterial both in value and in terms of the nature of the items held. Consequently, inventory is fully expensed on receipt. The materiality will be assessed each year.

In consideration of all the above, MSIAC currently has no inventory.

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Non-current assets - Fixed assets (Property, Plant & Equipment and Intangible Assets)

a. Property, Plant & Equipment

NATO's adaptation of IPSAS are spelled out in C-M(2016)0023 of April 2016 among which are specific items addressing IPSAS 17 PPE. Furthermore, C-M(2017)0022 (INV) approved the NATO Accounting Policy for Property, Plant and Equipment.

When it comes to assessing the control of NATO over PPE, these documents define a set of 10 criteria to be used in assessing the level of control of a tangible asset. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January 2013 under the initial NATO Accounting Framework C-M(2013)0039 of July 2013.

Capitalization thresholds relevant to the financial statement are as follows:

Category	Threshold	Depreciation Life	Method
Land	€200,000	N/A	N/A
Buildings	€200,000	40 years	Straight line
Other infrastructure	€200,000	40 years	Straight line
Installed equipment	€ 30,000	10 years	Straight line
Machinery	€ 30,000	10 years	Straight line
Vehicles	€ 10,000	5 years	Straight line
Aircraft	€200,000	Dependent on type	Straight line
Vessels	€200,000	Dependent on type	Straight line
Mission equipment	€ 50,000	3 years	Straight line
Furniture	€ 30,000	10 years	Straight line
Communications	€ 50,000	3 years	Straight line
Automated information systems	€ 50,000	3 years	Straight line

The MSIAC considers PPE acquired prior to 1 January 2013 as fully expensed. However, existing accounting policies will continue to be applied for any PPE assets already capitalized prior to 1 January 2013. For PPE upgraded after 1 January 2013, only the portion related to the modification will be capitalized.

In consideration of the above thresholds, MSIAC currently has no PPE.

b. Intangible Assets

NATO's adaptations of IPSAS are spelled out in C-M(2017)0023 of April 2013, which includes IPSAS 31 Intangible Assets. Furthermore, C-M(2017)0044 approved the NATO Accounting Policy for Intangible Assets.

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When it comes to assessing the control of NATO over Intangible Assets, these documents define a set of 10 criteria to be used in assessing the level of control of an Intangible Asset – they are the same as mentioned above under Inventory. A positive response on six of the criteria will lead to the asset being capitalized in the Financial Statements if it is above the capitalization threshold. This is applied from January, 2013, under the initial NATO Accounting Framework C-M(2013)0039 of July 2013.

MSIAC will capitalize each intangible asset item above the following agreed NATO thresholds:

Category	Threshold	Depreciation Life	Method
Computer software (commercial off the shelf)	€50,000	4 years	Straight line
Computer software (bespoke)	€50,000	10 years	Straight line
Computer database	€50,000	4 years	Straight line
Integrated system	€50,000	4 years	Straight line

For anything below the threshold, the MSIAC will have the flexibility to expense specific items.

MSIAC will capitalize integrated systems and include research, development, implementation and can include both software and hardware elements. But the MSIAC will not capitalize the following types of intangible assets in their financial statements:

- rights of use (air, land and water);
- landing rights;
- airport gates and slots;
- historical documents; and,
- publications

MSIAC will capitalize other types of intangible assets acquired after 1 January 2013 including:

- Copyright
- Intellectual Property Rights
- Software development

MSIAC considers Intangible Assets acquired prior to 1 January 2013 as fully expensed.

MSIAC will report controlled Intangible assets in its financial statements. Where there is a conflict between more than one NATO Reporting Entity as to the control of intangible assets, only the end-use entity will capitalize the intangible asset in its financial statements based on reliable information provided by the NATO services provider entity as defined in individual agreements between the two entities.

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For intangible assets held prior to the 1 January 2013, and not previously recognized as an asset, MSIAC will provide a brief description of intangible assets held in its intangible asset recording systems in the notes to the financial statements. Such disclosure will include as a minimum the types of intangible held, locations where intangible assets are held and the approximate number of items held per asset category.

If an intangible asset is upgraded after 1 January 2013, only the portion related to the modification will be capitalized.

Where this adaptation conflicts with another requirement of IPSAS this adaptation will apply. For the remainder, IPSAS 31 shall apply. This adaptation is effective for financial reporting periods beginning on 1 January 2013.

In consideration of the above thresholds, MSIAC has no Intangible Assets.

Non-Current Assets other than PPE

In case there are any non-current assets, these will be disclosed in the Statement of Financial Position.

Current Liabilities

a. Payables

Payables are amounts due to third parties, including Member Nations, based on goods received or services provided that remain unpaid. These include estimates of accrued obligations to third parties for goods and services received but not yet invoiced. Amounts due to Member Nations in the context of their budget contributions are booked under Other Current Liabilities.

b. Advances and Unearned revenue

Advances are contributions received related to future year's budgets. Funds are called in advance of their need because MSIAC has no capital that would allow it to pre-finance any of its activities.

Unearned revenue represents Member Nations contributions which have been called for current budgets but that have not yet been recognised as revenue in the absence of any related budgetary expenditure.

c. Other Current Liabilities

Amounts corresponding to the current budgetary surplus (lapsed credits + net interests + miscellaneous income) are considered a liability towards the Member Nations. The settlement does not follow the normal accounts payable process, since the standard approach is to return them to Member Nations via a deduction of the following year's call for budget contributions. This liability is therefore classified under Other Current Liabilities.

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This item may include other liabilities that do not result from the standard procure-to-pay process, such as miscellaneous transactions to be regularized between entities managed by the IS Office of Financial Control.

Non-Current Liabilities

The MSIAC has no non-current liabilities.

Net Assets

Net Assets correspond to MSIAC's Project Accumulated Surplus. Project Accumulated Surplus relates to funds resulting from past years' contributions by MSIAC member Nations in excess of budget execution that the Steering Committee decided not to redistribute to the member nations but keep for the needs of MSIAC. It is held at the direction of the Steering Committee.

Revenue Recognition

Revenue comprises contributions from Member Nations, pro-rated contributions (partial calls), joining fees from new Member Nations and services, such as training sessions, provided.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably. The balance of unspent contributions and other revenues that relate to future periods are deferred accordingly.

Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, the entity recognises a liability until the condition is fulfilled.

Contributions to be called from Member Nations, based on the budget they approved, are initially recorded as unearned revenue liabilities. They are recognised as revenue in the statement of financial performance when such contributions are used for their intended purpose as envisioned in the approved Budget.

On the other hand, calls related to non-budgeted contributions (new membership early access, access during the year, and Joining Fees from new Member Nations) are recognized when they are issued and as Non-Exchange revenue in the Statement of Financial Performance, considering that it is not possible to directly identify and value the consideration provided by MSIAC directly in return for the resources received. There are no expenses to be matched against these resources which are not refundable to nations.

Segment Reporting

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. There is no segment in MSIAC.

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Statement of Financial Position

NOTE 3: CASH AND CASH EQUIVALENTS – SHORT TERM INVESTMENTS

The current bank accounts are held in EUR. Cash deposited is immediately available. There are no short-term investments.

Below is a snapshot of MSIAC's cash and cash equivalents at the year-end:

Amounts in EUR		
	2024	2023
Cash at bank	1,020,925.64	740,547.99
Total	1,020,925.64	740,547.99

NOTE 4: ACCOUNTS RECEIVABLE

Below is a snapshot of MSIAC's receivables at the year-end:

Amounts in EUR		
	2024	2023
Others	195,000.00	335.73
Total	195,000.00	335.73

The joining fee from Denmark remained outstanding at year-end.

NOTE 5: PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and Other Current Assets relate to miscellaneous amounts due to the Project Office in relation to services to be received in the following years and advances made to staff in relation to benefits of the following year (essentially advances to staff for education allowances or for travel, etc.).

Following table presents a snapshot of MSIAC's Prepayments at the year-end:

Amounts in EUR		
	2024	2023
Prepayments to Staff	34,177.34	29,010.00
Total	34,177.34	29,010.00

Prepayments to staff correspond to Education Allowance advances for an amount of EUR 34,177.34.

NOTE 6: INVENTORIES

Nothing to report, inventories are not considered material.

NOTE 7: PROPERTY, PLANT AND EQUIPEMENT AND INTANGIBLE ASSETS

MSIAC does not hold any property, plant and equipment. Nor does MSIAC hold any intangible assets.

NOTE 8: NON-CURRENT RECEIVABLES AND OTHER NON-CURRENT ASSETS

MSIAC has registered no non-current receivables or other non-current assets.

NOTE 9: PAYABLES

Payables and accrued expenses may relate to commercial suppliers, staff, other NATO bodies or MSIAC Member Nations.

Payables to suppliers relates to goods and services for which an invoice has been received, checked and queued for payment but for which payment was still pending at year-end. This item includes payments made by NATO-IS on behalf of MSIAC for installation allowances and travel agency expenses.

Accrued expenses correspond to EUR 66,903.33 and is the estimated accrual obligation to third parties for goods and services received but not yet invoiced.

Below is a snapshot of MSIAC's payables at the year-end:

Amounts in EUR		
	2024	2023
Suppliers	92,434.84	16,119.38
Accruals	66,903.33	16,984.96
Total	159,338.17	33,104.34

NOTE 10: DEFERRED REVENUE

Deferred revenue corresponds to contributions called for the current year or before (received or receivable) that MSIAC intends to use for its initial purpose, but for which corresponding goods or services could not be received in the course of the current budget year but will be incurred after the end of the reporting period. If these amounts carried forward are not spent by the end of the second year following the year for which they were approved, these funds lapse, unless a specific decision is taken by Member Nations for a further carry-forward. At the end of 2024 there were no appropriations subject to a special carry-forward.

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NOTE 11: ADVANCES

The United States overpaid EUR 36.98 on their yearly contribution. This amount will be offset against their call for contributions in 2025.

NOTE 12: PROVISIONS

None.

NOTE 13: OTHER CURRENT LIABILITIES

Other Current Liabilities include the Current Year Budget Surplus. Amounts corresponding to the current year budgetary surplus of MSIAC, i.e. lapsed credits, net interests, miscellaneous income, are considered a liability towards the Member Nations. The settlement does not follow the standard accounts payable process, since the surplus is to be returned to Member Nations via a deduction of the following year's call for budget contributions. To date, the agreed practice of the MSIAC Steering Committee has been to add these amounts to the Project Accumulated Surplus (see note on Net Assets).

MSIAC received from the United States Department of Defense Explosives Safety Board to solicit the services of a consultant to support the activities related to Explosive Safety Munitions Risk Management. The amount available at the end of 2024 is EUR 16,084.96.

Below is a snapshot of MSIAC's other current liabilities at the year-end:

Amounts in EUR

	2024	2023
Lapsed Appropriations	212,714.94	250,030.65
Net Financial Result	- 439.25	- 686.74
Miscellaneous Result	2,593.55	3,750.00
Cash Advance Received from US DoD ESB	16,084.96	43,112.75
Total	230,954.20	296,206.66

NOTE 14: NON-CURRENT LIABILITIES AND LONG TERM UNEARNED REVENUE

The long term unearned revenue is unearned revenue in relation to net carrying amounts of Property, Plant and Equipment and intangible assets. Revenue is recognised over the estimated life cycle of the Property, plant and equipment and the intangible assets.

There are no non-current liabilities.

NOTE 15: TOTAL NET ASSETS / EQUITY

Net Assets correspond to MSIAC's Project Accumulated Surplus from previous years and the surplus (deficit) from the current year.

Project Accumulated Surplus relates to funds resulting from past contributions by MSIAC Member Nations in excess of budget execution that the Steering Committee decided not to redistribute to the Member Nations but keep for the needs of MSIAC. This reserve also includes the former surpluses originating, for instance, from non-budgeted new membership contributions and joining fees paid by incoming Member Nations to contribute to the products and services developed over the entire lifespan of MSIAC operations. It is held at the direction of the Steering Committee. The Steering Committee may use these funds to contribute to future costs associated with MSIAC operations, or in case of emergency funding needs for the Project. The growth in accumulated surplus over previous years reflects more Nations entering the Project but zero growth in Project staff. A five-year plan is agreed yearly and incrementally reduces this fund to target levels agreed by the MSIAC Steering Committee.

In May 2020 a deviation from Articles 24.2 and 29.3 of the NATO Financial Regulations has been approved by Council. As per C-M(2020)0012 the decision entails the use of MSIAC accumulated surpluses in an emergency fund and as an operational reserve up to a limit of EUR 650,000.00.

Amounts in EUR

	2024	2023
Cumulated Surplus beginning of the year	422,726.53	524,251.73
+ Lapses from previous year	143,210.21	52,380.49
+ Net Financial Result (Interest, Bank Fees) previous year	- 686.74	- 306.75
+ Miscellaneous Result previous year	3,750.00	5,501.06
- Surplus allocated to current year budget	81,000.00	- 162,100.00
Cumulated Surplus end of the year	650,000.00	419,726.53
Current Year Surplus	201,000.00	3,000.00
Net Assets as off 01 Jan 2025	851,000.00	422,726.53

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Statement of Financial Performance**NOTE 16: REVENUE****Non-Exchange Revenue**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be measured reliably.

Revenue from Member Nations' budgetary contributions is considered as non-exchange revenue in consideration of the fact that the contributions by Member Nations are based on the number of shares and not in proportion of the service they receive. Non-exchange revenue is matched with expenses stemming from budget execution.

Below a snapshot of the 2024 non-exchange revenue breakdown:

amounts in EUR

		2024	2023
Budget Execution		1,902,188.06	1,749,717.46
	Current Year Budget	1,999,000.00	2,002,100.00
	Automatic carry forward from previous year	17,856.19	15,504.30
	Lapses at year end	-105,894.50	-250,030.65
	Automatic carry forward into next year	-8,773.63	-17,856.19
Financial Result		-439.25	-686.74
	Financial result	-439.25	-686.74
Miscellaneous Result		2,593.55	3,750.00
	Overaccrual	2,593.55	3,750.00
	Provision Bad Debt	0.00	0.00
Non Exchange Revenue		1,900,033.76	1,746,654.20

Services, Joining Fees and Early Access Contributions

Services, Joining Fees and Early Access Contributions are non-budgeted contributions (new membership early access, access during the year, training fees, and Joining Fees from new Member Nations) whilst being also recognized as Non-exchange revenue, do not follow the matching principle since it is not possible to directly identify and value the consideration provided by MSIAC directly in return for the resources received. There are no expenses to be matched against this revenue and thus is not refundable to nations. Therefore, this is not recognized as non-exchange revenue.

In 2024, MSIAC collected EUR 6,000 of training fees and EUR 195,000 joining fees from Denmark, which were recognized as a period surplus.

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Exchange Revenue

Nothing to report.

Other Revenue

This includes the regularization of overestimated accruals from previous years.

Financial Revenue

This includes exchange rate differences.

NOTE 17: EXPENSES

Wages, Salaries and Employee Benefits

The personnel costs include all civilian personnel expenses as well as other non-salary related expenses in support of funded activities. They also include expenses for salaries and emoluments for approved NATO permanent civilian positions and temporary personnel, for other salary related and non-related allowances including overtime, medical examinations, recruitment, installation and removal, and for contracted consultants and training.

Services rendered, Supplies and Consumables Used

This item may also include expenses attributed to Capital Expenses (Property, Plant and Equipment) from a budget perspective, if they do not meet the criteria of PPE or Intangible Assets.

Provisions

There are no expenses for provisions in 2024.

Other Expenses

There are no such expenses in 2024.

Finance Costs

This item comprises miscellaneous financial costs like bank charges, exchange rates losses, etc.

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NOTE 18: BUDGET INFORMATION

NATO MSIAC Budget

Presently, the NATO MSIAC Budget is not publicly available.

The actual amounts referred to by IPSAS 24 (“amounts that result from execution of the budget”) are expenses incurred during the execution of the budget and appearing under the heading “Actuals” in the Budget Execution Statement.

Presentation of budget information in the financial statements

An analysis of the budget execution for the current and the previous year carry-forward amounts is provided in Annex 5. The MSIAC budget execution compares the budget’s authorized credits against the amounts committed and expended.

The MSIAC budget classification is based on the economic nature of the expenses broken down into three chapters as follows:

Chapter I	:	Personnel Expenses
Chapter II	:	Operating Expenses
Chapter III	:	Capital Costs

The MSIAC Budget is prepared for the same period (1 January to 31 December) and encompasses the same entity as these financial statements.

Changes to the budgetary regulations were introduced by the North Atlantic Council in 2015 in approving a new set of NATO Financial Regulations. They have in particular instilled an accruals based approach to budget preparation and budget execution, whereas before the approach was largely commitment and cash based.

Despite a stronger emphasis on this principle in annual budgets, the approved and executed budget cannot be considered as fully accruals-based, since the new regulations allow for a number of exceptions, such as carrying forward commitments for goods and services that were expected to be delivered in the course of the year but for various reasons were not, or authority given to the member Nations to allow for special carry forward of appropriations unused at year-end.

The MSIAC budget is prepared and executed as follows:

- 1) The commitment of appropriations is the advance acceptance and recording of the financial consequence resulting from a legal obligation incurred during the financial year. Therefore, appropriations are allocated, and commitments are approved, for goods, services and works to be

delivered at a later stage. Commitments are settled when the service is rendered or goods delivered as is the case for expenses under accrual accounting.

- 2) Approved Commitments for which no goods could be received or services rendered at year-end will normally lapse. However, if they are supported by a legal obligation and correspond to goods or services that could not be received during the course of the year for specific reasons, they may be carried forward and added to the budget of the following financial year. Uncommitted appropriations may be subject of a special carry forward to the following year if a specific agreement is given by the Steering Committee. Outstanding commitments can be carried forward for two years. As a consequence, the services or goods received may relate to a commitment of appropriations from previous years' budgets. The carry-forward should be justified by a reason for which the services or goods could not be received in the course of the year. In addition, in accordance with Financial Regulations, Member Nations may agree to a further carry-forward of commitments that were already carried forward twice.
- 3) Commitments, because they are an advance acceptance, and because payments cannot be made above approved appropriations levels, typically include an estimation factor and are (if only slightly) higher than the actual amount eventually paid. This results in commitments being higher than the actual expenses and in appropriations eventually lapsing.
- 4) Commitments are only made in respect of expenses relating to the initial purpose of the commitment. Commitments for capital expenditures are normally made in the year during which the purchase order is issued. In accrual accounting, the related costs would not appear in the Statement of Financial Performance but in the Balance Sheet and only upon reception of the works, goods or services. Conversely, there is no budgetary commitment of appropriations for non-cash flow transactions such as capital depreciation or provisions which would normally appear in the Statement of Financial Performance under accrual accounting.
- 5) On an exceptional basis, the Steering Committee may approve the special carry-forward of credits without any prior legal commitment, for instance for projects at their initiation stage or planned expenditures. In accrual accounting there would be no expense recorded.
- 6) The balance of unused budgetary appropriations (not committed) lapses and is returned to Member Nations at year-end. Lapses may include cases where a project was eventually not completed or started, and therefore lead to no expense.
- 7) As per Council decision, C-M(2020)0012, surpluses can be accumulated in an emergency fund and as an operational reserve up to a limit of EUR 650,000.00.

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Reconciliation between Budget Execution and Statement of Financial Performance

BUDGET EXECUTION		
Total Budget (including carried-forward from previous year)	(a)	2,016,856.19
Credits Carried Forward in Following Year	(b)	8,773.63
Lapsed Appropriations	(c)	105,894.50
Budget Execution Expenses	(d) = (a-b-c)	1,902,188.06
RECONCILIATION		
Financial Performance Expenses (Excluding Exchange Losses)	(e)	1,902,188.06
Increase in Non-Current Assets	(f)	-
Provisions	(g)	-
Other Expenses	(h)	-
Sub-Total	(i)=(e+f-g-h)	1,902,188.06
Difference to Budget Expenses	(d-i)	-

Budget execution

The MSIAC budget execution for the current year appropriations and previous year carry-forwards is shown at Annex 5, which compares the budget's authorized appropriations against the amounts committed and expended.

Credits are transferred under the authority delegated to the NATO-IS Financial Controller by the NATO Financial Regulations and Financial Rules and Procedures.

Reconciliation between Budget and Calls for Contributions

The funding of the budget is made of a call for contributions, carried over credits and a part of previous years' surplus. There is one call for contributions per year, which is usually issued at the beginning of the year. No advances are called for the following financial year.

Member Nations' contributions are assessed based on a share value of EUR 104,000. In 2024, twelve nations paid 1 share and four nations paid 2 shares.

The MSIAC Steering Committee authorized a budget of EUR 1,999,000 for 2024. The total amount of shares covered EUR 2,080,000. The surplus of EUR 81,000 will increase the accumulated surplus for financial year 2024.

During 2024, MSIAC also collected 6,000 EUR in training fees and 195,000 EUR in joining fees from Denmark.

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These proceedings are considered non-budgetary revenue, recognizable directly as a period surplus and will be moved to equity, see also note 16.

The below table details the MSIAC 2024 contributions and other revenue (including Services, Joining Fees and Early Access Contributions):

Amounts in EUR

	Number of Shares	Contributions	Other Revenue	Total
1 - Member Nations	15	1,560,000.00	0.00	1,560,000.00
Belgium	1	104,000.00		104,000.00
Canada	1	104,000.00		104,000.00
France	2	208,000.00		208,000.00
Germany	2	208,000.00		208,000.00
Italy	1	104,000.00		104,000.00
Netherlands	1	104,000.00		104,000.00
Norway	1	104,000.00		104,000.00
Poland	1	104,000.00		104,000.00
Spain	1	104,000.00		104,000.00
United Kingdom	2	208,000.00		208,000.00
United States	2	208,000.00		208,000.00
2 - Partner Nations and Participants in training services	5	520,000.00	201,000.00	721,000.00
Australia	1	104,000.00		104,000.00
Finland	1	104,000.00		104,000.00
Republic of Korea	1	104,000.00		104,000.00
Sweden	1	104,000.00		104,000.00
Switzerland	1	104,000.00		104,000.00
Denmark			195,000.00	195,000.00
Participants in training services			6,000.00	6,000.00
Total	20	2,080,000.00	201,000.00	2,281,000.00

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The table below reconciles the approved budget by the Steering Committee and the sources of funding:

Amounts in EUR		
	2024	2023
Initial Budget	1,999,000.00	2,002,100.00
Revised Budget		
Total Annual Budget	1,999,000.00	2,002,100.00
Advance called previous year	-	-
Call in current year	2,080,000.00	1,840,000.00
Total Cash Calls	2,080,000.00	1,840,000.00
Use of Previous Year's Surplus	-	-
Use of Project Accumulated Surplus	- 81,000.00	162,100.00
Other Funding Sources	- 81,000.00	162,100.00
Total Funding	1,999,000.00	2,002,100.00

NOTE 19: WRITE-OFFS

There are no write-offs to report in 2024.

NOTE 20: LEASES

MSIAC does not have any financial leases.

NOTE 21: RESTRICTIONS ON FIXED ASSETS

There are no restrictions on fixed assets.

NOTE 22: CONTINGENT LIABILITIES

There have been no contingent liabilities identified that would be expected to result in a material obligation.

NOTE 23: CONTINGENT ASSETS

Nothing to report in 2024.

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NOTE 24: EMPLOYEE DISCLOSURE

Below table presents MSIAC's personnel breakdown as of 31 December 2024

	Total Approved PE	Total Filled Positions
Civilian (PE)	10	8
VNC	0	0
Short term	0	0
Interns	0	3
Others - explain	0	0

For 2024, MSIAC has an approved Personnel Establishment of 10 NATO-IS positions funded by the MSIAC budget.

It should be noted that the NATO-IS is managing centrally two pension programmes, namely the Defined Benefit Pension Scheme (DBPS) and the Defined Contribution Pension Scheme (DCPS) as well as the Retirees Medical Claims Fund (RMCF), covering staff employed by all NATO bodies. NATO-wide financial statements are issued by NATO-IS Office of Financial Control for the two Pension Schemes and the RMCF, therefore, no post-employment benefit related assets or liabilities are recognised in the MSIAC financial statements.

End 2024, all 8 staff members participated in the Defined Contribution Pension Scheme (DCPS) administered by NATO. The DCPS provides that the MSIAC budget makes a 12 percent monthly matching contribution to the staff members' contributions for current service.

The table below presents a list of contributions paid to the different Pension Schemes:

Amounts in EUR

		2024	2023
Defined Contribution Pension Scheme	Staff	71,792.02	73,571.36
	Employer	111,996.36	105,335.07
	Total	183,788.38	178,906.43

NOTE 25: KEY MANAGEMENT PERSONNEL

The MSIAC Steering Committee (one representative per Member Nation) is the governing body of the MSIAC. Steering Committee members are nominated by their respective national authorities. They are paid on the basis of applicable national pay scales. The Steering Committee members do not receive from MSIAC or NATO any additional remuneration for Steering Committee responsibilities or access to benefits. The key management personnel of the MSIAC Office consists of the Project Manager established post (A5). The Project Manager is responsible for the overall operational management of MSIAC.

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There are no other remunerations or benefits to key management personnel or their family members.

NOTE 26: RELATED PARTIES

Key management personnel have no significant party relationships that could affect the operation of the MSIAC Office.

In 2024, the International Staff charged MSIAC for the services provided:

Amounts in EUR

	Services provided by NATO-IS	
	2024	2023
Common Operating Costs	68,243.00	59,171.00
Administrative Costs	64,018.07	62,679.49

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List of acronyms:

CNAD	Conference of National Armaments Directors
DBPS	Defined Benefit Pension Scheme
DCPS	Defined Contribution Pension Scheme
IPSAS	International Public Sector Accounting Standards
IS	International Staff
MOU	Memorandum of Understanding
MSIAC	Munitions Safety Information Analysis Centre
NIMIC	NATO Insensitive Munitions Information Centre
OFC	Office of Financial Control
PPE	Property, Plant and Equipment
RPPB	Resource Planning and Prioritization Board
NAC	North Atlantic Council
RMCF	Retirees Medical Claims Fund