



NORTH ATLANTIC COUNCIL
CONSEIL DE L'ATLANTIQUE NORD

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29 July 2025

**DOCUMENT
PO(2025)0219-AS1**

**IBAN REPORT ON MAIN FINDINGS FROM THE
2023 FINANCIAL STATEMENTS AUDITS**

ACTION SHEET

On 29 July 2025, under the silence procedure, the Council noted the RPPB and IBAN Reports attached to PO(2025)0219, and approved the public disclosure of these reports.

(Signed) Mark RUTTE
Secretary General

NOTE: This Action Sheet is part of, and shall be attached to PO(2025)0219.

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22 July 2025

DOCUMENT
PO(2025)0219
Silence Procedure Ends:
29 Jul 2025 – 17.30

To: Permanent Representatives (Council)

From: Secretary General

**IBAN REPORT ON MAIN FINDINGS FROM THE
2023 FINANCIAL STATEMENTS AUDITS**

1. I attach the Resource Policy and Planning Board (RPPB) report on the International Board of Auditors for NATO (IBAN) Report to Council on Main Findings from the 2023 Financial Statements Audits.
2. I do not believe this matter requires further discussion. **Therefore, unless I hear to the contrary by 17.30 on Tuesday, 29 July 2025**, I shall assume that the Council has noted the RPPB and IBAN Reports, and has approved the public disclosure of these reports.

(Signed) Mark RUTTE

1 Annex
1 Enclosure

Original: English



IBAN REPORT ON MAIN FINDINGS FROM THE 2023 FINANCIAL STATEMENTS AUDITS

Report by the Resource Policy and Planning Board

References:

- | | | |
|----|--------------------|--|
| A. | IBA-A(2025)0031 | IBAN Report on Main Findings from the 2023 Financial Statements audits |
| B. | PO(2015)0052 | Wales Summit tasker on transparency and accountability |
| C. | AC/335-D(2025)0047 | IBAN Letter to RPPB Chair on compliance management systems and their relevance to NATO |

INTRODUCTION

1. This report addresses RPPB considerations on the International Board of Auditors for NATO (IBAN) Report on Main Findings from the 2023 Financial Statements Audits to further enhance Council's ability to oversee and account for the Organization's resources, as well as enhanced transparency and accountability over their use.
2. As per the IBAN Charter, the NATO Bodies shall be audited on behalf of the Council and in accordance with Council Decisions by the IBAN. The IBAN Board shall establish its own rules of procedure subject to the IBAN Charter. The Council alone shall have the authority to amend the IBAN Charter. The function of the IBAN Board is to provide independent assurance and advice to the Council, including a detailed report on the activities of the IBAN Board during the year and on progress made in processing its reports.

AIM

3. The aim is to reflect on strategic issues or concerns stemming from this report and to recommend courses of action to Council as applicable, which have the potential to improve transparency, accountability and consistency.

DISCUSSION

4. At the meeting on 12 June 2025, the RPPB considered the IBAN Main Findings Report and recognized the significant work done by IBAN in the audits of the 2023 financial statements, highlighting the independence of the IBAN, their role as an integral part of NATO and the value of their contribution for an efficient fulfilment of NATO's core tasks.

5. The RPPB noted that the number of unqualified audit opinions on the financial statements remains relatively stable over the last three years with 21 out of 22 NATO Reporting Entities unqualified in the 2023 financial year. At the same time, the RPPB expressed concern regarding the increase in the number of qualified opinions on compliance with six out of 22 NATO Reporting Entities qualified compared to three out of 22 in 2022 and only one out of 21 in 2021.

6. The RPPB expressed again its concerns related to the increase of requests for financial statements' resubmissions made by 11 NATO Reporting Entities, 10 requests being made after 31 March 2024. IBAN explained that the practice of auditing resubmissions was originally established in 2006 as a means to reduce the number of modified audit opinions resulting from the NATO wide implementation of IPSAS. However, as mentioned in the Report, should IBAN consider in the future to discontinue the temporary practice of accepting requests for resubmissions, there is a high risk that NATO overall will see a large increase in modified opinions.

7. The RPPB highlighted that the IBAN resubmission policy is pragmatic and also brings value in supporting flexibility, therefore it should be maintained until further consideration and assessment of this temporary practice. If IBAN consider discontinuing this practice, there should be a prior discussion with the RPPB.

8. The Head of Financial Reporting Policy raised the topic of resubmissions at the Working Group of Financial Controllers in November 2024. IBAN will be able to report on the results after completing the audits on the 2024 financial statements. If there is no improvement in terms of requests for resubmissions, the RPPB invited IBAN to consider identifying the root causes in an analysis of resubmissions.

9. IBAN highlighted that progress is still needed in strengthening internal controls over the financial reporting and accounting processes, as well as maintaining adequate audit trails in compliance with the NATO Accounting Framework (NAF) and NATO Financial Regulations (NFRs). During the RPPB meeting, IBAN also mentioned a link between the increasing resubmission requests (and material errors) and staff's level of competence, knowledge, skills and abilities, required to fully understand and apply the NATO Accounting Framework and the International Public Sector Accounting Standards (IPSAS). The RPPB explored the idea to consider requiring accounting designations for staff involved in the financial reporting process. As a result, the RPPB called for enhanced training of staff working on the preparation of financial statements in the NATO Reporting Entities.

10. The RPPB noted that NATO Reporting Entities are generally addressing and implementing prior years' recommendations, as the percentage of recommendations in-progress decreased from 43% in 2022 to 35% in 2023. The RPPB recalls that in order to address recommendations that have remained in-progress or open for more than three years, the NATO Reporting Entities need to provide an action plan to Council with timelines on the implementation, to be submitted with the response on the IBAN audits. The total number of recommendations active for financial year 2023 increased, with 98 active recommendations in 2023 compared to 82 in both 2021 and 2022.

11. IBAN issued four recommendations as part of its Main Findings Report. The RPPB fully supported two IBAN recommendations that all NATO Reporting Entities:

11.1. maintain the professionalism of staff participating in the financial reporting process by consistently hiring staff with the highest level of competence, knowledge, skills and abilities, required to fully understand and apply the NATO Accounting Framework and IPSAS;

11.2. offer training on an ongoing basis, for example on a common online digital training platform, to ensure staff responsible for the financial reporting process remain knowledgeable and up to date with changing IPSAS and other regulatory requirements.

12. Concerning IBAN's third recommendation on the establishment (or strengthening) of a compliance management system (defined in ISO 37301)¹ adapted to NATO and ensuring the integration of its requirements into the business processes, the RPPB requested clarifications on the meaning of a compliance management system in the context of NATO and has not yet fully considered or agreed them.

12.1. As per IBAN (reference C), while ISO 37301 may not be directly applicable as a formal standard to NATO, its principles offer a valuable reference point that can inform the approach to managing compliance obligations in a complex regulatory environment. According to IBAN, with adoption of the key ISO 37301 principles (reference C) and integration of compliance objectives, risks, policies and controls into a coherent framework, NATO would be able to systematically manage compliance obligations and risks, reduce the risk of qualified audit opinions on compliance arising in the future and strengthen its transparency and accountability.

12.2. The RPPB noted IBAN's recommendation and acknowledged the potential benefits of the adoption of some key ISO 37301 principles: these principles could be considered for further assessment within the existing RPPB task to undertake a periodic review of the Accountability and Performance Framework, with the first review after three years of its implementation (reference PO(2024)0438).

13. Regarding IBAN's fourth recommendation that the RPPB should task the NATO Reporting Entities whose financial statements have been resubmitted for audit with submitting action plans, the RPPB will wait for IBAN to report on the results after completing the audits on the 2024 financial statements and if the resubmission trend continues, discuss the way forward at that stage.

¹ International Organization for Standardisation (ISO) Standard 37301: *a Compliance Management System is a structured and systematic framework that enables an organisation to identify, assess, and manage its compliance obligations, including legal requirements, regulations, rules and policies, in a consistent and transparent manner. The standard emphasises foundational principles such as integrity, accountability, transparency, and continuous improvement, which are universally recognised as essential to sound governance.*

CONCLUSIONS

14. The RPPB fully supports IBAN's first two recommendations that all NATO Reporting Entities maintain the professionalism of the staff participating in the financial reporting process and offer training on an ongoing basis.

15. In terms of the third IBAN recommendation, the RPPB notes it and acknowledges the potential benefits of the adoption of some key ISO 37301 principles. These principles will be considered for further assessment within the existing RPPB task to undertake a periodic review of the Accountability and Performance Framework.

16. In terms of resubmission requests, the RPPB calls for IBAN to maintain its current resubmission policy until further consideration and assessment of this temporary practice. Regarding IBAN's fourth recommendation, the RPPB will therefore wait for IBAN to report on the results after completing the audits on the 2024 financial statements and if the resubmission trend continues, discuss the way forward at that stage. If there is no improvement after the completion of the 2024 financial statements audits, the RPPB invites IBAN to consider identifying the root causes in an analysis of resubmissions.

RECOMMENDATIONS

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

17.1. note this report, the conclusions in paragraphs 14 to 16 and the IBAN Report at reference A;

17.2. approve the public disclosure of the IBAN Report at reference A and this report in line with agreed policy at reference B.



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

Brussels - Belgium



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IBA-A(2025)0031
9 May 2025

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

Cc: NATO Permanent Representatives
Chair, Resource Policy & Planning Board
Branch Head, Resource Management Branch, NATO Office of Resources
Private Office Registry

Subject: ***International Board of Auditors for NATO (IBAN) Report on Main Findings from the 2023 Financial Statements audits – IBA-M(2025)0001***

IBAN submits herewith the approved Report on Main Findings from the 2023 Financial Statements audits for distribution to the Council. Considering its strategic and forward-looking nature, I would be pleased to present the Report to the Council for discussion.

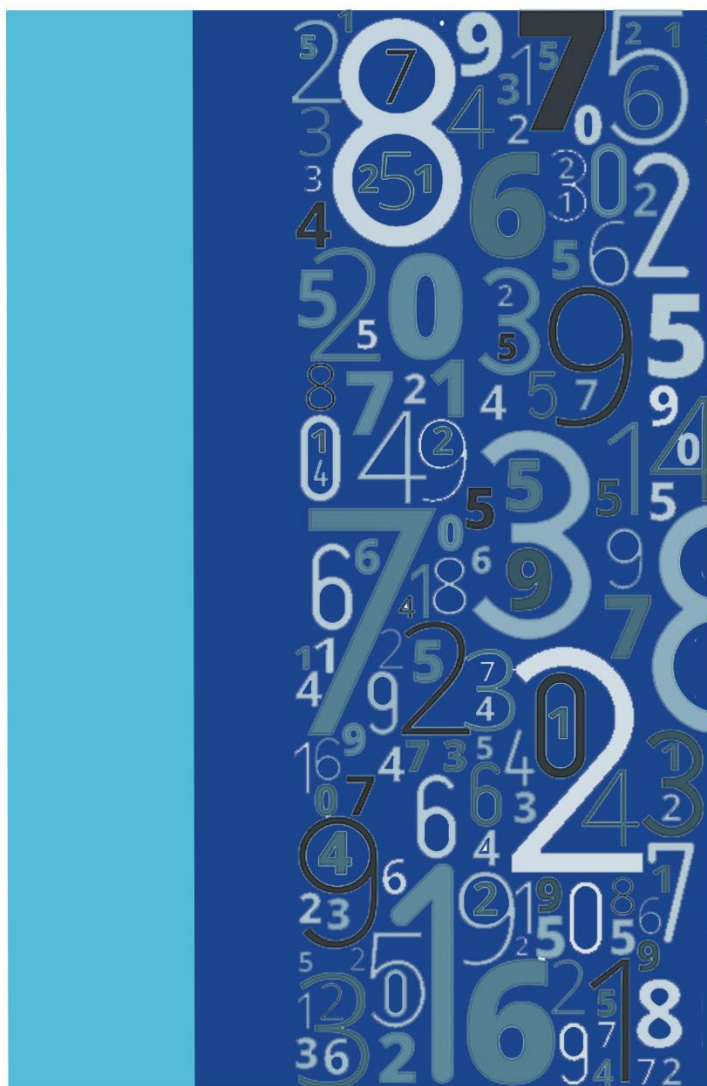
Yours sincerely,

A handwritten signature in blue ink, appearing to read "Radek Visinger".

Radek Visinger
Chair

Attachments: As stated above.

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IBAN REPORT

on Main Findings from the 2023 Financial Statements Audits

FOREWORD BY THE CHAIR

On behalf of the International Board of Auditors for NATO (IBAN), I am delighted to share with you the IBAN Report to the North Atlantic Council (Council) on Main Findings from the 2023 Financial Statements Audits. The purpose of this Special Report is to provide an annual overview on the main findings of the financial statements audits of NATO Reporting Entities.

As per the IBAN Charter, our Financial Statements Audits include a financial statement and a compliance audit component. The objective of the financial statements audit component is to obtain a high level of assurance about whether the financial statements as a whole are free from material misstatement. The objective of the compliance audit component is to obtain independent assurance about whether something has come to our attention that causes us to believe that funds have not been properly used for the settlement of authorised expenditure and are not in compliance with the regulations in force. The assurance on compliance is limited in a sense that, as part of the audit of the financial statements, the IBAN does not certify overall compliance with all regulations in force.

With 21 out of 22 NATO Reporting Entities unqualified in the 2023 financial year, these audit results provide assurance that the audited financial statements with unqualified audit opinions give a true and fair view of the financial position, financial performance and cash flows of the majority of NATO reporting entities. However, due to the considerable increase in the number of resubmitted financial statements, it is of the utmost importance that these are reduced through improved internal controls. If the pattern of material errors found by the IBAN remains consistent with those identified in 2023, or worse, should increase, there is a very high risk that the IBAN will be unable to meet resubmission demands, inevitably leading to an increase in the number of modified audit opinions issued in the future. Additionally, should the IBAN decide in the future to discontinue the temporary practice of accepting requests for resubmission, there is a high risk that NATO overall will see a large increase in modified audit opinions.

As evidenced through the closure of many prior year observations, NATO Reporting Entities are, for the vast majority of observations, committed to addressing and implementing prior year recommendations. This trend indicates an overall positive attitude towards achieving the shared goal of improving the quality of information reported within the financial statements as well as improved and consistent compliance with NATO financial regulations and rules.

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IBA-M(2025)0001

Going forward, progress is still needed in strengthening internal controls over the financial reporting and accounting processes, as well as maintaining adequate audit trails in compliance with the NATO Accounting Framework (NAF) and NATO Financial regulations (NFRs). It is important to maintain the professionalism of staff participating in the financial reporting process. In addition, the increase in the number of qualified opinions and recommendations on compliance, points to the need to better mitigate risk by establishing or strengthening compliance management systems ensuring the integration of compliance management system requirements into the business processes.

In this context, with the aim to serve the interests of our stakeholders in the best way possible, we provide through this Report aggregated information on our audit findings and, thereby, additional support to Council's ability to oversee and account for the Organisation's resources, as well as enhanced transparency and accountability over their use.



Radek Visinger
Chair
International Board of Auditors for NATO



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1. THE IBAN'S RESPONSIBILITIES REGARDING FINANCIAL STATEMENTS AUDITS

1.1 The IBAN's Mandate Regarding Financial Statements Audits

1.1.1 The International Board of Auditors for NATO (IBAN) is appointed by Council as the external auditor of NATO bodies in accordance with Article 14 of the NFRs. According to this Article, the IBAN shall operate under a Charter approved by Council.

1.1.2 In accordance with Article 1 of its Charter, the IBAN's mandate is to audit NATO Bodies on behalf of the North Atlantic Council (Council) and other NATO Reporting Entities in accordance with Council decisions. For the purposes of this audit mandate, the terms:

- **NATO Body** denotes civilian or military headquarters and other organisations established pursuant to the North Atlantic Treaty, subject to the provisions of either the 1951 Ottawa Agreement or the 1952 Paris Protocol.
- **NATO Reporting Entity** refers to a NATO body or an identifiable budget or area of activity that prepares financial statements. A NATO Reporting Entity may comprise one or more NATO civilian and military bodies, entities, budgets, or activities.

1.1.3 The function of the IBAN regarding Financial Statements Audit in accordance with Article 2 of the IBAN Charter is:

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

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

1.1.4 The IBAN's mandate regarding financial statements audit covers 22 NATO Reporting Entities that operate under one of the three juridical personalities created by the NATO Member States. Our mandate also covers the financial audit of NATO non-appropriated funds, as far as they are included in the financial statements of a NATO Reporting Entity.

1.1.5 Twenty NATO Reporting Entities operate under the juridical personality possessed by NATO by virtue of the Ottawa Agreement. The juridical personality of these NATO Reporting Entities is an intrinsic part of NATO and cannot be distinguished from it. Three of them are the NATO benefit schemes that apply to all NATO International Civilians, including those employed under the two Strategic Commands, Allied Command Operations (ACO) and Allied Command Transformation (ACT). The International Staff (IS) carries out the financial management of the different NATO benefit schemes centrally.

1.1.6 The NATO Central Europe Pipeline System (CEPS) Programme is an integral part of the NATO Support and Procurement Organisation (NSPO), which is one of the twenty NATO Reporting Entities operating under the juridical personality possessed by NATO by virtue of the Ottawa Agreement. The CEPS Programme includes four CEPS National Organisations (NOs): the Belgian Pipeline Organisation (BPO) for Belgium and Luxembourg, the 'Defensie Pijpleiding Organisatie' (DPO) for the Netherlands, the 'Fernleitungs-Betriebsgesellschaft mbH' (FBG) for Germany and the 'Service National des Oléoducs Interalliés' (SNOI) for France. The CEPS NOs are established by the CEPS Host Nations, and not by the Council, with a juridical personality that is different from the juridical personality possessed by NATO by virtue of the Ottawa Agreement.

1.1.7 ACO and ACT are NATO Reporting Entities that exercise respectively the juridical personalities possessed by the Supreme Headquarters Allied Powers Europe (SHAPE) and HQ Supreme Allied Commander Transformation (HQ SACT) by virtue of the Paris Protocol. ACO and ACT respectively include SHAPE and HQ SACT, and their subordinate NATO bodies authorised to act on their behalf. ACO also incorporates Crisis Response Operations (CRO), field or mission headquarters and units, including NATO Mission Iraq (NMI) and Kosovo Force (KFOR), which have a legal position entirely governed by their applicable mission-specific legal framework. NATO-led CRO have a juridical personality that is different from the juridical personality possessed by SHAPE by virtue of the Paris Protocol.

1.1.8 The following table presents the total expenses of each NATO Reporting Entity according to their Statement of Financial Performance. As NATO (Ottawa Agreement) does not prepare and issue financial statements including the 20 entities operating under its single juridical personality, in which inter-entity transactions would be eliminated, it is not possible to present the total amount of net expenses incurred by NATO (Ottawa Agreement).

Table 1: Total Expenses in 2023 per NATO Reporting Entity
(in millions of EUR/USD)

Legal Framework	Juridical Personality	NATO Reporting Entity	Currency	Total Expenses 2023 (1)	Total Expenses 2022 (1)
	Ottawa Agreement (1951)				
Ottawa Agreement (1951)	NATO (Ottawa)	BGX - BICES Group Executive	Not disclosed	Classified	Classified
		DCPS - Defined Contribution Pension Scheme (2)	EUR	70	161
		DIANA - Defence Innovation Accelerator for the North Atlantic	EUR	9	1
		IMS - International Military Staff	EUR	53	39
		IS - International Staff	EUR	430	338
		MSIAC - Munitions Safety Information Analysis Center (3)	EUR	2	2
		NAGSMO i.L. - NATO Alliance Ground Surveillance Management Organisation in Liquidation (4)	EUR	3	3
		NAHEMO - NATO Helicopter Design and Development Production and Logistics Management Organisation (4)	EUR	15	14
		NAMEADSMO i.L. - NATO Medium Extended Air Defence System Design and Development, Production and Logistics Management Organisation in Liquidation (4)	USD	0.4	0.7
		NAMMO - NATO Multi-Role Combat Aircraft Development Production and In-Service Support Management Organisation (5)	EUR	-	-
		NAPMA - NATO Airborne Early Warning and Control Programme Management Agency	USD	21	20
		NATO CPS/DBPS - NATO Coordinated Pension Scheme/Defined Benefit Pension Scheme (2)	EUR	267	248
		NCIO - NATO Communications and Information Organisation	EUR	784	725
		NDC - NATO Defense College	EUR	14	13
		NEFMO - NATO European Fighter Aircraft Development, Production and Logistic Management Organisation (5)	Not disclosed	Commercially Sensitive	Commercially Sensitive
		NETMA - NATO Eurofighter 2000 and Tornado Management Agency	EUR	52	50
		NFO - NATO Naval Forces Sensor and Weapons Accuracy Check Sites Office (3)	EUR	2	1
		NSPO - NATO Support and Procurement Organisation	EUR	4,057	3,191
		RMCF - Retirees Medical Claims Fund (2)	EUR	39	96
		STO - Science and Technology Organisation	EUR	38	34
Paris Protocol (1952)					
Paris Protocol (1952)	SHAPE	ACO - Allied Command Operations	EUR	1,296	1,173
	HQ SACT	ACT - Allied Command Transformation	EUR	207	174

Source: IBAN data

Notes to Table 1

- (1) *Total expenses are based on the audited Financial Statements. Any prior year restatements are presented accordingly. Expenses presented in this table are drawn from the financial statements of each NATO Reporting Entity and include costs invoiced between NATO Reporting Entities.*
- (2) *The benefits provided by these benefit schemes apply to NATO international civilians employed by all NATO Reporting Entities in accordance with the Civilian Personnel Regulations under the Ottawa Agreement and Paris Protocol. Financial Statements of NATO benefit schemes do not contain a Statement of Financial Performance with expenses, in compliance with International Accounting Standard (IAS) 26 that applies via the hierarchy in International Public Sector Accounting Standards (IPSAS) 3 to the preparation of financial statements of retirement benefit plans. Therefore, the total decrease in net assets available for benefits are shown for all NATO benefit plans.*
- (3) *MSIAC and NFO are NATO Reporting Entities only in respect of activities carried out by the International Staff (IS) in relation to MSIAC and NFO.*
- (4) *This amount of expense corresponds solely to the administrative budget expenses incurred by the entity and reflects its financial performance regarding its role as an agent. Expenditures reported under the operational budget are detailed in Table 2 below.*
- (5) *The Financial Statements of NAMMO and NEFMO are prepared on the basis that they act as agents rather than principals. Therefore, NAMMO and NEFMO's operational expenditures are not reported as an expense in their respective Statement of Financial Performance. These expenditures, however, continue to be reported in their respective operational budget execution report annexed to the Financial Statements, which is subject to audit by the IBAN.*

1.1.9 As shown in Table 1 above, NATO's 22 Reporting Entities, which operate under three legal persons, incurred different levels of annual expenses ranging from less than EUR 1 million to EUR 4,057 million in 2023. In addition, as shown in Table 2 below, operational budget expenditures vary from less than USD 1 million for NAMEADSMO i.L. to EUR 1,263 million for NAHEMO in 2023. According to the NATO Accounting Framework (NAF) (IPSAS 1), *"General purpose financial statements are those intended to meet the needs of users who are not in a position to demand reports tailored to meet their particular information needs. Users of general purpose financial statements include taxpayers and ratepayers, members of the legislature, creditors, suppliers, the media, and employees."* The significant number of reporting entities for three legal persons, all of which are preparing general-purpose financial statements, is an indicator of the challenging environment for NATO regarding financial transparency, especially towards its external stakeholders.

1.1.10 Operational budget expenditures relate to expenditures incurred as an agent on behalf of third-party participating NATO Nations and are not included in the NATO Reporting Entities' expenses reported in their respective Statement of Financial performance. The financial statements of NATO Procurement, Logistics or Service Organizations (NPLSO) include an operational budget execution report in accordance with the Regulations for NPLSO (C-M(2009)0079). The following table presents the total operational budget expenditure for each NATO Reporting Entity acting as an agent on behalf of third-party participating NATO Nations:

**Table 2: Total Operational Budget Expenditure
per NATO Reporting Entity acting as an Agent**
(in millions of EUR/USD)

Juridical Personality	NATO Reporting Entity	Currency	Total Expenditure 2023 (1)	Total Expenditure 2022 (1)
Ottawa Agreement (1951)				
NATO (Ottawa)	NAGSMO i.L	EUR	0.1	55.5
	NAHEMO	EUR	1,263.3	1,236.5
	NAMEADSMO i.L	USD	0.3	0.0
	NAMMO	EUR	593.0	607.5
	NEFMO	Not disclosed	Commercially sensitive	

Source: IBAN data

(1) Expenditure per NATO reporting entity acting as an agent, as shown in the operational budget execution report included in their respective Financial Statements as a separate annex in accordance with the NFRs and the Regulations for NPLSO. Carried-forward commitments are excluded from this amount.

1.1.11 In accordance with Article 1 of the IBAN Charter and based on a specific Council authorisation, the IBAN also audits financial statements of some non-NATO multi-nationally funded or sponsored entities that are not NATO reporting entities, but in which NATO has a particular interest. These entities are not NATO reporting entities as they do not operate under one of NATO's three juridical personalities. The NATO School Oberammergau (NSO), which is not subject to audit by the IBAN, requires clarification of its legal status. In addition, the IBAN also audits under a separate Council mandate the SHAPE International School, which is from a legal standpoint an integral element of SHAPE. According to the audit mandates of these entities, audit results are not reported to Council, but to their respective governing bodies. The findings related to these financial audits do not form part of this report because these entities do not apply the NFRs and the IBAN does not report to Council.

1.2 Financial Statements Audits and Reporting

1.2.1 The IBAN is appointed by Council as the external auditor of NATO bodies in accordance with Article 14 of the NFRs. According to this Article, the IBAN shall operate under a Charter approved by Council. The function of the IBAN regarding Financial Statements Audit in accordance with Article 2 of the IBAN Charter is:

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

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

1.2.2 In addition to financial statements audit, in accordance with Article 2 of its Charter, the IBAN's functions also cover performance/value for money audit and the NATO Security Investment Programme (NSIP) audit. The IBAN provides an audit report on the financial statements for every NATO Reporting Entity to the Council. The audit report on the financial statements includes an opinion on the financial statements, an opinion on compliance, any audit observations and recommendations made, and the status of outstanding recommendations from the previous years' audits.

1.2.3 The IBAN opinion on the financial statements sets out whether the financial statements present fairly the financial position, financial performance, its cash flows, and, when applicable, the budget execution of the NATO reporting entity. The IBAN opinion on compliance presents whether something has come to our attention that causes us to believe that funds have not been properly used for the settlement of authorised expenditure and are not in compliance with the regulations in force. The IBAN independent external auditor's report, which forms part of the audit report, therefore contains two separate audit opinions.

1.2.4 In the audit report on the financial statements, the IBAN presents observations leading to modified audit opinions and may include other observations that need to be brought to the attention of Council. Observations and recommendations raised during the audit, which have not been included in the IBAN's audit report addressed to Council, are set out in a management letter addressed to the Head of the NATO reporting entity.

1.2.5 The IBAN conducts its financial audits in different phases, including planning, fieldwork and reporting. As part of the fieldwork phase, our audit teams perform substantive, analytical and when relevant control tests, as well as conduct on-site visits at the premises of the NATO reporting entities when feasible. At the end of an on-site visit, a debrief meeting is held with the entity's staff to discuss preliminary audit findings.

1.2.6 Our unclassified audit reports and the related financial statements are published on the IBAN website after Council agreement on public disclosure in line with agreed Council policies (C-M(2012)0041 and PO(2015)0052). For this financial year, other than for NEFMO which is commercially sensitive, unclassified audit reports and the related financial statements will in principle all be published.

1.2.7 In accordance with Article 14 of our Charter, the IBAN reports on the audited annual financial statements relating to NATO reporting entities and may also, at any time, issue a Special Report to the Council on any matter it considers to be worthy of attention. The purpose of this Special Report is to provide an overview of the main findings from the 2023 financial statements audits and to provide further recommendations where possible.

1.3 Audit Standards and Financial Statements Audit Objectives

1.3.1 The IBAN undertakes its audits in accordance with the principles of the auditing standards of the International Organisation of Supreme Audit Institutions (INTOSAI) as per Article 15 of the IBAN Charter. We are independent and politically neutral in accordance with the INTOSAI Code of Ethics. Our financial audits are conducted in accordance with financial auditing standards formed by the Principles of the auditing standards of the INTOSAI and in accordance with the additional terms of reference defined in our Charter. In October 2023, the Board approved a document setting out the financial auditing standards adopted by IBAN for the conduct of financial audits. These auditing standards, based on the International Standards of Supreme Audit Institutions (ISSAI), include:

- Fundamental Principles of Public Sector Auditing (ISSAI 100-129);
- Organisational Requirements of Supreme Audit Institutions (130-199);
- Financial Audit Principles (ISSAI 200-299); • Compliance Audit Principles (ISSAI 400-499);
- Financial Audit Standards (ISSAI 2000-2899);
- Compliance Audit Standards (ISSAI 4000-4899);
- Board decisions deviating or providing clarifications to the Financial Audit Standards (ISSAI 2000-2899) and Compliance Audit Standards (ISSAI 4000-4899): applying a risk-based approach across NATO Reporting Entities.

1.3.2 The objective of the financial statement audit component is to obtain reasonable assurance as to whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error. Upon the finalisation of the audit, the IBAN will issue an independent external auditor's report that includes an audit opinion on the financial statements. Reasonable assurance is a high level of assurance; however, it is not a guarantee that an audit conducted in accordance with the principles of 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 or the accountability needs of users.

1.3.3 The objective of the compliance audit component is to obtain independent assurance pertaining to whether funds have been properly used for the settlement of authorised expenditure in compliance with the regulations in force. This objective includes issuing an independent external auditor's report that includes an audit opinion on compliance. Only instances of non-compliance related to the use of funds impact the audit opinion on compliance. The independent assurance on compliance is limited in the sense that, as part of the audit of the financial statements, the IBAN does not certify the overall compliance with all regulations in force.

1.3.4 In accordance with these standards, audit opinions on financial statements and on compliance can be either unqualified or modified. Modified audit opinions can

be presented as either a qualified opinion, a disclaimer of opinion, or an adverse opinion:

- An **unqualified opinion** is issued when the IBAN concludes that the financial statements and budget execution report are fairly stated and that nothing has come to our attention that would indicate that funds have not been properly used for the settlement of authorised expenditure or have been used in ways that are not compliant with the rules and regulations in force.
- A **qualified opinion** is issued when some key elements of the financial statements are not fairly stated or are 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 the 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 the IBAN concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

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

- **Key Audit Matters** are those matters that, in the 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.
- An **Emphasis of Matter** is communicated if the 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.
- An **Other Matter** is communicated if the 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.

1.4 Management's Responsibilities for the Financial Statements and for Compliance

1.4.1 Management's responsibility for the financial statements is laid down in the NFRs (C-M(2015)0025) and Council approved deviations. The Financial Controller

is responsible for submitting the financial statements for audit to the IBAN no later than 31 March following the end of the financial year.

1.4.2 The financial statements of NATO Reporting Entities are prepared in accordance with the NAF which has been adapted from the International Public Sector Accounting Standards (IPSAS). Council also approved further changes deviating from the NAF (see section 1.5 below), which impact the preparation of the financial statements of the NATO Reporting Entities. In addition, budget execution reports are, when applicable, annexed to the financial statements as required by Article 34.4 of the NFRs and the Regulations for NPLSOs.

1.4.3 Financial statements are defined by IPSAS as general-purpose-financial-statements, as they are primarily designed to provide stakeholders external to NATO a transparent and complete view of NATO's assets, liabilities, income, expenses and cash flow. Budget execution reports are Special Purpose Financial Reports, as they are designed to provide Member Nations with visibility as to how resources are used in support of agreed objectives and requirements and in compliance with the NFRs.

1.4.4 The respective Head and Financial Controller sign the financial statements of each NATO Reporting Entity. Their confirmation in signing the financial statements covers, but is not limited to, 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.

1.4.5 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. It also includes the responsibility for ensuring adequate audit trails in accordance with the NFRs Articles 4.1 and 12.3. The confirmation 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.

1.4.6 Management's responsibility for compliance arises from the fact that all NATO staff, military and civilian, are obligated to comply with the NFRs, associated Financial Rules and Procedures and internal implementing directives. These include the NATO Civilian Personnel Regulations (CPRs) for civilian staff and other applicable regulations, rules and procedures.

1.4.7 The Head of the NATO Body or other NATO Reporting Entity is responsible and accountable for sound financial management. The financial administration of NATO bodies and other NATO 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.

1.5 Further adaptations to the NATO Accounting Framework

1.5.1 On 10 October 2019, Council approved an adaptation to the NAF IPSAS 6 Consolidated and Separate Financial Statements (C-M(2019)0026). The objective of the adaptation, effective for financial reporting periods beginning 1 January 2020 and with a transitional relief period through 31 December 2021, was to prescribe the accounting treatment for Morale and Welfare Activities (MWA) and related activities and/or Staff Association activities. The adaptation states that *“NATO Reporting Entities: Shall not consolidate Morale and Welfare Activities and/or Staff Association activities into their respective financial statements even when they are considered to be under the control, from a financial reporting perspective, of the NATO Reporting Entity preparing and issuing the financial statements.”*

1.5.2 On 16 June 2023, Council approved (PO(2023)0194-AS1 (INV)) that: *“In order to address the IBAN’s observation on disclosure of post-employment liabilities, [...] individual NATO bodies should not recognise their share of the post-employment liability and the IS OFC should continue with the current practice to centrally disclose post-employment pension and medical care accrued liabilities in the notes to the financial statements of the NCPS [NATO Coordinated Pension Scheme] and RMCf [NATO Retirees Medical Claims Fund]”. This decision represents an adaptation to the NAF (IPSAS 39 Employee Benefits). The implementation of this amendment to the NAF during the course of the 2022 audit, with retroactive effects, removed the NAF requirement that NATO, as a whole should recognise its post-employment liabilities.*

1.5.3 On 3 August 2023, Council approved further amendments to the NAF with a date of application as of 1 January 2021 (PO(2023)0315-AS1 (INV)). This amendment states that NCIO may consider Communication Information System (CIS) assets, including tangible assets under construction (AuC) and intangible assets under development (AuD), prior to 1 January 2018 as fully expensed. The implementation of this amendment to the NAF during the course of the audit, with retroactive effects, removed the NAF requirement to recognise CIS assets prior to 2018.

1.5.4 On 26 July 2024, Council approved another amendment to the NAF (PO(2024)0270) with an application date as of 1 January 2025. The purpose of this amendment is to delay *“the effective implementation date of IPSAS 43 (Leases), IPSAS 44 (Non-current assets held for Sale and Discontinued Operations), IPSAS 45 (Property, Plant and Equipment) and IPSAS 46 (Measurement) by one year, from 1 January 2025 to 1 January 2026.”* This amendment will allow NATO Bodies and other NATO Reporting Entities additional time to ensure the successful application of the aforementioned IPSAS chapters for the 2026 financial year.

1.5.5 The above four adaptations to the NAF were approved in separate decisions by Council, two of which with retroactive effect, without a revision of the NAF document (C-M(2016)0023). This increased complexity of NATO’s financial reporting requirements represents a further challenge for financial transparency at NATO.

2. MAIN FINDINGS FROM THE 2023 FINANCIAL STATEMENTS AUDITS

2.1 Audit Opinions

2.1.1 The main findings from the 2023 Financial Statements Audits of the 22 NATO Reporting Entities cover the audit opinions and other paragraphs issued on the financial statements and on compliance, and the observations and recommendations addressed to Council. In order to place these findings into perspective, the audit results related to the 2023 financial statements are compared with the prior two years.

2.1.2 The following audit opinions were issued on the financial statements and on compliance:

Table 3: Audit Opinions on the financial statements and on compliance

Financial statements		2023	2022	2021
	Unqualified	21	21	20
	Qualified	1	-	1
	Adverse	-	1	-
	Disclaimer	-	-	-
	Total (1)	22	22	21

Compliance		2023	2022	2021
	Unqualified	16	19	20
	Qualified	6	3	1
	Adverse	-	-	-
	Disclaimer	-	-	-
	Total (1)	22	22	21

Source: IBAN data

Notes

(1) In 2023 and 2022, the IBAN's audit mandate covered 22 NATO Reporting Entities compared to 21 in 2021. The change in scope between 2021 and 2022 is explained by the establishment of the Defence Innovation Accelerator for the North Atlantic (DIANA) whose financial statements were published for the first time in 2022.

2.1.3 The table above shows that the number of unqualified audit opinions on the financial statements remains stable over the past three years with 21 out of 22 NATO Reporting Entities unqualified in the 2023 financial year.

2.1.4 The number of qualified opinions on compliance increased in 2023 with six out of 22 NATO Reporting Entities qualified in 2023 compared to three out of 22 in 2022 and only one out of 21 in 2021.

2.1.5 The table below presents the audit opinions issued by the IBAN per NATO Reporting Entity for the 2023 financial statements and two comparative years.

Table 4: Audit Opinions per NATO Reporting Entity

Reporting Entity	2023		2022		2021	
	F/S (1) Opinion	Compliance Opinion	F/S (1) Opinion	Compliance Opinion	F/S (1) Opinion	Compliance Opinion
ACO	✓	✓	✓	✓	✓	✓
ACT	✗	✗	✓	✓	✓	✓
BGX	✓	✓	✓	✓	✓	✓
DCPS	✓	✓	✓	✓	✓	✓
DIANA (2)	✓	✓	✓	✓	n/a	n/a
IMS	✓	✓	✓	✓	✓	✓
IS	✓	✓	✓	✓	✓	✓
MSIAC	✓	✓	✓	✓	✓	✓
NAGSMO in Liquidation	✓	✗	✓	✗	✓	✓
NAHEMO	✓	✓	✗	✗	✓	✓
NAMEADSMO in Liquidation	✓	✗	✓	✓	✓	✓
NAMMO	✓	✓	✓	✓	✓	✓
NAPMA	✓	✓	✓	✓	✓	✓
NATO CPS/DBPS	✓	✓	✓	✓	✓	✓
NCIO	✓	✓	✓	✓	✗	✗
NDC	✓	✗	✓	✓	✓	✓
NEFMO	✓	✓	✓	✓	✓	✓
NETMA	✓	✓	✓	✓	✓	✓
NFO	✓	✓	✓	✓	✓	✓
NSPO	✓	✗	✓	✗	✓	✓
RMCF	✓	✓	✓	✓	✓	✓
STO	✓	✗	✓	✓	✓	✓
Unqualified	21	16	21	19	20	20
Qualified	1	6	-	3	1	1
Adverse	-	-	1	-	-	-
Disclaimer	-	-	-	-	-	-

Legend

Unqualified	✓
Qualified	✗
Adverse	✗
Disclaimer	○

Source: IBAN data

Notes

(1) Financial Statements (F/S).

(2) The Defence Innovation Accelerator for the North Atlantic (DIANA) was established at the 2021 Summit in Brussels. The 2022 DIANA financial statements were the first one prepared for this entity.

2.2 Unqualified Audit Opinions

2.2.1 The audit opinions on the financial statements largely relate to the implementation of the NAF, which is a comprehensive set of accounting standards adapted from IPSAS. Implementing this framework requires each individual NATO Reporting Entity to possess and maintain a high level of knowledge and expertise in accrual-based accounting and IPSAS disclosure requirements.

2.2.2 Since 2021, the number of NATO Reporting Entities with unqualified audit opinions on the financial statements remained stable with 21 out of 22 entities for financial year 2023.

2.2.3 Despite the stable number of unqualified opinions, it is worth noting that for financial year 2023, 11 NATO Reporting Entities resubmitted their financial statements to the IBAN to correct material accounting mistakes or disclosure errors found during or before our audit. Moreover, one NATO Reporting Entities has requested a second resubmission. Of these 11 entities, 10 resubmissions were made after the 31 March 2023 deadline. Had these resubmissions not been made, the associated errors would have led to a qualified audit opinion on the financial statements. The number of resubmissions has increased significantly compared to previous years indicating that the financial reporting process and internal controls continue to require improvements (see section 2.5 below).

2.2.4 The audit opinions on compliance largely relate to compliance with the provisions of the NFRs. For NATO Reporting Entities with unqualified opinions on compliance, no material issues came to our attention related to the proper use of funds for the settlement of authorised expenditure and compliance with the regulations in force.

2.3 Qualified Audit Opinions

2.3.1 The IBAN issued one qualified opinion on the 2023 Financial Statements. An increase of one from the prior year; however, in 2023, no adverse opinions were issued while one was issued in 2022.

2.3.2 The IBAN issued six qualified opinions on compliance for the Allied Command Transformation (ACT), the NATO Alliance Ground Surveillance Management Organisation in Liquidation (NAGSMO i.L.), the NATO Medium Extended Air Defense System Management Organization in Liquidation (NAMEADSMO i.L.), the NATO Defense College (NDC), the NATO Support and Procurement Organisation (NSPO) and for the Science and Technology Organization (STO).

Basis of qualified opinion on the Financial Statements of ACT

2.3.3 The qualified opinion on the Financial Statements of ACT relates to the fact that Intangible Assets are not fully recognised and disclosed in the ACT Statement of Financial Position, for an estimated amount of up to EUR 30 million as of 31 December 2023, as required by the NATO Accounting Framework (IPSAS 31). These Intangible Assets relate to integrated information systems including software licenses, and internally generated intangible assets controlled by ACT from 1 January 2013 to 31 December 2023. Additionally, the qualified opinion relates to the omission from the ACT 2023 Consolidated Financial Statements of financial assets, including cash balances, held in three bank accounts, totalling USD 3,442,937 as of 31 December 2023, and USD 4,043,705 as of 31 December 2022. Two of the accounts are operated on behalf of Joint Force Command Norfolk and Naval Striking and Support Forces NATO, and one account mainly related to the collection of ACT conference fees.

Basis of qualified opinion on compliance for ACT

2.3.4 The qualified opinion on compliance of ACT is derived from the fact that ACT has not yet established comprehensive accounting records of Intangible Assets irrespective of when they were acquired or developed, including both intangible assets under development and completed assets. Additionally, ACT has not established comprehensive accounting records for cash held at a bank under its authority to ensure the proper safeguarding of ACT cash.

Basis of qualified opinion on compliance for NAGSMO i.L.

2.3.5 The qualified opinion on compliance of NAGSMO i.L. relates to the fact that, as from the date of liquidation of NAGSMO on 1 April 2022, NAGSMO i.L. decided to no longer have a Financial Controller on its staff. Although NAGSMO was put into liquidation on 1 April 2022 following the completion of the mission for which it had been created, NAGSMO i.L. continued to incur material levels of expenditures in 2022 and 2023. From 1 January 2023 to 31 December 2023, NAGSMO i.L. incurred EUR 2,726,462 of expenditure for the Administrative Budget and EUR 147,639 of expenditure for the Operational Budget.

2.3.6 Not having a Financial Controller leads to non-compliance regarding a number of articles of the NAGSMO FMPD-FRPs, in particular concerning Section II, Financial Controller, the internal control (Article 12), and the management and provision of funds with respect to material levels of expenditure (Article 25). The requirement of Article 35 of the NAGSMO FMPD-FRPs and Implementing Rules and Procedures (IRP) XXXV that supplement these Regulations, requiring a personal certification of the financial statements by a Financial Controller is also not fulfilled.

Basis of qualified opinion on compliance for NAMEADSMO i.L.

2.3.7 With regards to the qualified opinion on compliance of NAMEADSMO i.L., the IBAN found that the appointment of a new Financial Controller and a new Liquidator

from 1 January 2023 onwards did not comply with the NATO-wide policy on Voluntary National Contributions (VNCs) from NATO Member States, and that the recruitment, selection and appointment of the NAMEADSMO i.L. Financial Controller did not comply with the Charter of NAMEADSMO i.L, the NFRs. Given that both VNCs held executive positions with responsibilities over the use of funds in 2023 (i.e., being authorised to enter into commitments and execute payments), the instances of non-compliance with the Charter, the NFRs and the NATO-wide policy on VNCs from NATO Member States, materially impacted the audit opinion on compliance in 2023.

Basis of qualified opinion on compliance for NDC

2.3.8 The qualified opinion on compliance of NDC is the result of the acquisition of two commercial flight tickets from a travel agency totalling EUR 348,686. The initial and/or updated contracts were signed by the contracting officer, but were not co-signed by the Financial Controller as required by the Financial Rules and Procedures (FRPs). Moreover, these contracts were not subject to the prior or coincident approval of the Financial Controller, thereby not complying with Article 25 of the NFRs and the corresponding FRPs.

Basis of qualified opinion on compliance for NSPO

2.3.9 Regarding the qualified opinion on compliance of NSPO, Article 27 of the NFRs on 'Commitments related to Customer-funded Bodies' allows the General Manager to enter into commitments and make payments for purposes relating to customer agreements, subject to the concurrence by the Financial Controller, and to the conditions defined by its Agency Supervisory Board in the NSPO FRPs. The NSPO FRPs on 'Commitment of an appropriation and customer authorisations' only allow the General Manager to delegate authority for requesting financial commitments of NSPO appropriations to NSPA post holders.

2.3.10 The CEPS National Organisation for France, 'SNOI', delegated authority to a third party private-sector company to request and enter into commitments, and to make payments in the name of that third party. This delegation of authority covered EUR 82.9 million of CEPS Operations and Maintenance (O&M) appropriations for 2023, and EUR 14.8 million of NSIP contract authority for newly authorised pipeline infrastructure works on French territory in 2023. Moreover, the third party was allowed to enter into commitments without prior-approval by the Financial Controller for all purchases below EUR 15,000, and all purchases made in relation to multiple chapters of the CEPS O&M budget. This is not compliant with Article 27 of the NFRs and Rule 27 of the NSPO FRPs, which stipulate that only the General Manager, subject to the concurrence of the Financial Controller, is authorised to enter into commitments and make payments for purposes relating to customer agreements, subject to conditions defined by the relevant finance committee.

Basis of qualified opinion on compliance for STO

2.3.11 In reference to the qualified opinion on compliance of STO, Article 32.2 of the NFRs states that *“the relevant finance committee/governing body will provide appropriate levels of delegated powers to deviate from the strict application of competitive bidding where justified for operational, efficiency, economic or technical reasons.”* However, according to the STO Financial Procedures (FPs) (AC/323-D(2017)0003-REV1-INV) approved by the STO Science and Technology Board (STB), no deviation authority is clearly indicated for contracts with a value above EUR 800,000 (Established Financial Limits (EFL) E). The only deviation authority obligation as per the FPs is as follows: “Info STO FASG [Financial and Audit Sub-Group, a sub-committee of the STB]”. According to the STO Centre for Maritime Research and Experimentation (STO-CMRE), this means that the deviation authority above level E is designated as information of the STO FASG only.

2.3.12 In 2023, the STO-CMRE committed material maintenance and dry-docking costs for the two vessels (the Alliance and the Leonardo) with the contractor in charge of the vessels’ technical management without formally drawing up a specific contract for the maintenance costs. This situation arose because the competition under the initial call for tenders for this contract with the contractor was limited to management fees only, and did not include the maintenance costs. The commitments amounted to EUR 3.4 million. This included EUR 2.1 million for the dry dock of the Alliance and EUR 1.3 million for maintenance of the two vessels. Considering the amount of the contract, the powers to deviate from the strict application of competitive bidding should be provided by the relevant finance committee/governing body, in compliance with Article 32.2 of the NFRs. However, in the absence of such deviation authority clearly designated in the FPs, STO-CMRE did not request or obtain a waiver from competitive procurement rules in favour of a sole-source contract with the ship manager for the procurement of maintenance and dry-dock work on the vessels. This is not compliant with Article 32.2 of the NFRs.

2.3.13 The number of qualified audit opinions on compliance increased from three in 2022 to six in 2023. This change represents a more substantial shift than has been seen in previous years. The increase in qualifying compliance issues identified points to the need to ensure that strong internal controls are established and followed and that reporting entities remain diligent when it comes to interpreting and applying the regulations in force.

2.4 Overview of paragraphs communicated in the 2023 independent external auditor's reports

Table 5: Overview of Key Audit Matter, Emphasis of Matter, Other Matter and Key Audit Matter paragraphs

Reporting Entity	2023		2022		2021	
	Emphasis of Matter	Other Matter	Emphasis of Matter	Other Matter	Emphasis of Matter	Other Matter
ACO	-	-	-	-	-	-
ACT	-	1	-	-	-	-
BGX	-	-	-	-	-	-
DCPS	-	-	-	-	-	-
DIANA	-	-	-	-	-	-
IMS	-	-	-	-	-	-
IS	-	-	-	-	-	-
MSIAC	-	-	-	-	-	-
NAGSMO in Liquidation	-	-	-	-	-	-
NAHEMO	-	-	1	-	-	-
NAMEADSMO in Liquidation	1	1	1	1	-	-
NAMMO	-	-	-	-	-	-
NAPMA	-	-	-	-	-	-
NATO CPS/DBPS	-	-	-	-	-	-
NCIO	1	-	-	1	-	-
NDC	1	-	-	-	-	-
NEFMO	-	-	-	-	-	-
NETMA	-	-	1	-	-	-
NFO	-	-	-	-	-	-
NSPO	1	-	-	1	1	-
RMCF	-	-	-	-	-	-
STO	1	-	-	-	-	-
Total	5	2	3	3	1	-

Source: IBAN data

2.4.1 In accordance with ISSAIs, the IBAN included 'Emphasis of Matter' paragraphs on the financial statements in the audit reports of NAMEADSMO i.L, NCIO, NDC, NSPO and STO. The IBAN also included 'Other Matter' paragraphs on the financial statements in the audit report of ACT and on compliance in the audit report of NAMEADSMO i.L. The IBAN has not included any 'Key Audit Matter' paragraphs from 2021 to 2023. Our audit opinions are not modified with respect to these matters.

2.5 Financial statements resubmitted after 31 March 2024 deadline

2.5.1 According to the NFRs, the deadline for submitting the 2023 financial statements for audit to the IBAN was 31 March 2024. By that date, the IBAN had received 21 out of the 22 financial statements. The final set of financial statements, belonging to NAMEADSMO i.L., was submitted after the deadline, on 21 June 2024.

2.5.2 The IBAN assesses whether to accept a request for resubmission based on the IBAN's policy for resubmitting financial statements for NATO Reporting Entities. If these criteria are not met, the IBAN will render an audit opinion on the signed financial statements initially submitted. During the 2023 audit cycle, the IBAN agreed to audit the resubmitted financial statements of the following 11 NATO Reporting Entities:

Table 6: Resubmitted Financial Statements per NATO Reporting Entity

Resubmitted Financial Statements	F/S 2023 (1)		F/S 2022 (1)	F/S 2021 (1)
NATO Reporting Entities	Month F/S 2023 Resubmitted	N° of Resubmissions	N° of Resubmissions	N° of Resubmissions
ACO	July 2024	1	1	1
DIANA	May 2024 and July 2024	2	1	-
IMS	July 2024	1	-	-
IS	n/a (2)	-	-	2
NAGSMO in Liquidation	March 2024	1	-	-
NAHEMO	November 2024	1	-	2
NAMEADSMO in Liquidation	September 2024	1	1	-
NAPMA	September 2024	1	1	1
NFO	July 2024	1	-	-
NCIO	June 2024	1	2	-
NDC	June 2024	1	-	-
NSPO	June 2024	1	-	-
NATO CPS/DBPS	n/a (2)	-	-	1
Total F/S Resubmissions		12	6	7
Total NATO Reporting Entities		11	5	5

Source: IBAN data

Notes

(1) Financial Statements (F/S).

(2) n/a: not applicable

2.5.3 In the 2023 financial year, the IBAN received resubmission requests by 11 NATO Reporting Entities, 10 of which were made after 31 March 2024. The resubmissions made by 10 Reporting Entities after the 31 March deadline represents 45% of the total 22 Financial Statements submitted to the IBAN for audit. This represents a percentage increase of 22% compared to the prior year. This year, one NATO Reporting Entity requested the IBAN to audit a second resubmission of their Financial Statements, bringing the total number to 12 resubmission requests.

2.5.4 The resubmitted financial statements by the 11 NATO Reporting Entities corrected material misstatements or disclosures, mainly found by the IBAN during the audit period, which would otherwise have led to a qualified opinion. This highlights the need for further improvement in reinforcing internal controls over the financial reporting process, including establishing sufficient audit trails. This is essential to ensure that the financial statements, submitted to the IBAN for audit by the 31 March deadline in accordance with the NAF, are free from material misstatement.

2.5.5 The practice of auditing resubmissions was originally established in 2006 as a means to reduce the number of modified audit opinions resulting from the NATO wide implementation of IPSAS. At the time, the Board recognised the need to implement a policy to assist entities where possible due to the significantly increased complexity of the new accounting standards. The Board also understood that providing additional assistance to the NATO Reporting Entities would likely have a negative impact on the timeliness of reporting the IBAN's audit results. For this reason, it was the Board's intent to gradually phase out the acceptance of resubmissions over time as entities became more experienced in the application of IPSAS. Despite the original intent of the policy, today, 17 years later, this practice remains in place and with this, the IBAN continues to feel the impacts caused by adhering to this nearly decades old policy.

2.6 Observations and recommendations

2.6.1 The IBAN audit reports include observations and recommendations leading to modified audit opinions and may include other observations and recommendations that we consider should be brought to the attention of Council.

2.6.2 In addition to reporting on observations and recommendations issued for the financial year covered by the report, we perform a follow-up on the status of observations and recommendations from the previous years' audits. We reassess the status of outstanding recommendations, which can receive the status open, in-progress, or closed.

Open: is used for outstanding recommendations for which no notable progress has been achieved to date.

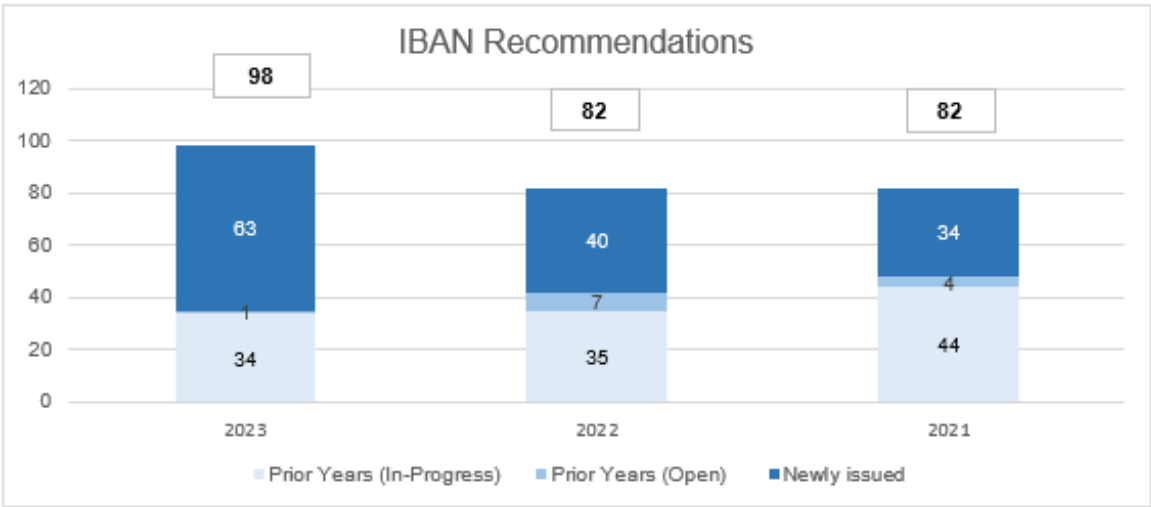
In-progress: is used for outstanding recommendations when the NATO Reporting Entity has started to implement the recommendation or when some, but not all, sub-recommendations are closed.

Closed: is used for previous years' audits' recommendations that were already implemented, superseded, or have lapsed.

Overview of current and prior year recommendations

2.6.3 The chart below contains an overview of all current and prior year recommendations as per the IBAN audit reports for the financial years 2023, 2022 and 2021 based on the status of the recommendations described above. A recommendation often consists of several sub-recommendations, which are not presented below.

Chart 1: Number of the IBAN Recommendations per status



Source: IBAN data

2.6.4 The chart above shows that the total number of recommendations active for financial year 2023 increased with 98 active recommendations in 2023 compared to 82 in both 2021 and 2022. The share of recommendations per status shows an increase in newly issued recommendations, a pattern consistent with that of the prior year. Conversely, there is a decrease in the percentage of recommendations in-progress, decreasing from 43% in 2022 to 35% in 2023.

2.6.5 Upon completion of the audit work, draft Audit Reports, including the IBAN's assessment of the prior years' observations, are sent to each NATO Reporting Entity for factual and formal comments. The IBAN reviews any factual comments received and these are used to amend the report, if necessary, but are not included in the final report as separate comments. Any formal comments on the draft Audit Report are incorporated in the text, together with the IBAN's position, as appropriate. In the case of a misunderstanding, disagreement or partial agreement between the IBAN and the NATO Reporting Entity, the IBAN will respond by providing a position on those formal comments raised by the NATO Reporting Entity. When a comment received by a NATO Reporting Entity provides new information or additional clarity that changes the audit conclusion for a particular draft observation and recommendation, this is acknowledged by the IBAN and the final report is amended accordingly.

2.6.6 For financial year 2023, the IBAN included a position for 36 observations and recommendations compared to only 11 in the prior year. Of the 36 instances where the IBAN included a position on the entity's comments, 27 related to newly issued recommendations, while only nine related to observations from prior years. The notable increase for financial year 2023 in the number of IBAN positions used to clarify misunderstandings or disagreements (or partial agreements) between the IBAN and the NATO Reporting Entities suggests that there exists a misalignment between the two parties and their application of the financial reporting frameworks along with the NATO Financial Regulations.

2.6.7 NATO Reporting Entities are generally addressing and implementing prior year recommendations. This demonstrates an intention to improve the quality of information in the financial statements available to final users and to comply with NATO regulations and rules. However, there are still a considerable number of outstanding recommendations to address, some of which relate to resubmissions correcting material qualifying errors.

Summary of closed observations and recommendations

2.6.8 In 2023, 48 recommendations related to 16 NATO Reporting Entities were closed, of which 37 were implemented, eight were superseded by new recommendations, and three were lapsed. Lapsed recommendations may result from, but are not limited to, a change in the NAF or the NFRs, or because a recommendation is no longer applicable due to changes in the NATO context.

Aging of recommendations

2.6.9 In order to present a more explanatory overview of the audit observations and recommendations, we categorised all observations from the audit reports into five themes. The table below provides an overview of the aging of all recommendations categorised based on the five themes.

Table 7: Aging of recommendations per theme

IBAN Recommendations per Audit Theme	2023	2020-2022	2019 and before
1. Financial and budgetary accounting and reporting	27	14	2
2. Property, plant, equipment, inventories and intangible assets	5	3	-
3. Procurement, contracting and other arrangements	10	2	-
4. Funding, revenue and cash management	5	2	1
5. Compliance with other NATO regulations, rules and sound financial management principles	16	9	2
Total number of IBAN Recommendations	63	30	5
Grand total	98		

Source: IBAN data.

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2.6.10 The above table shows that 30 recommendations out of 98, or 31%, relate to the prior three financial years (2020-2022), while five recommendations, or 5%, relate to recommendations raised in the 2019 financial year or before. The table does not show the actual age of those recommendations that have been superseded by newer ones. Some longstanding issues may therefore appear in a more recent period than when the IBAN first detected the issue. The results of this analysis indicate that recommendations from previous years continue to be closed regularly and are replaced by new recommendations in the same proportion.

2.6.11 The table below presents the outstanding recommendations from 2019 or before per NATO Reporting Entity per theme:

Table 8: Outstanding recommendations from 2019 or before per NATO Reporting Entity and per theme

Year observation raised	NATO Reporting Entity	Theme	N° of Observatons and Recommendations
2015	MSIAC	5. Compliance with other NATO regulations, rules and sound financial management principles	1
	NFO	5. Compliance with other NATO regulations, rules and sound financial management principles	1
2018	NSPO	1. Financial and budgetary accounting and reporting	1
2019	IS	4. Funding, revenue and cash management	1
	DBPS	1. Financial and budgetary accounting and reporting	1
Total			5

Source: IBAN data.

2.6.12 The five recommendations raised in the 2019 financial year or before relate to five NATO Reporting Entities. They concern three themes, mainly compliance with NATO regulations, rules and sound financial management principles and financial and budgetary accounting and reporting. These recommendations cover areas such as:

- Compliance with NATO regulations, such as in the area of internal control, risk management and internal audit.
- Improvements required in financial reporting for the CEPS Programme.
- Unreconciled cash and cash equivalents related to NATO Satellite Offices.
- Improvements required in the monitoring, presentation and disclosure of overdue accounts receivable and payable.

2.6.13 The table below depicts the progress made by NATO Reporting Entities in efficiently addressing recommendations originating from more than three years prior to the respective financial year.

Table 9: Comparison of outstanding recommendations older than three years per NATO Reporting Entity and per theme for the past three financial years

Year Observation raised	NATO Reporting Entity	*Theme	Observations and Recommendations older than three years		
			2023	2022	2021
2012	RMCF	4	-	1	1
2014	STO	5	-	1	1
2015	DCPS	1	-	-	1
	MSIAC	5	1	1	1
	NATO FORACS Office	5	1	1	1
	NSPO	1	-	-	1
	NSPO	3	-	-	1
2016	ACO	3	-	1	2
	ACT	5	-	-	1
	NSPO	1	-	-	1
	NAHEMO	2	-	1	1
2017	BGX	5	-	-	2
	IMS	5	-	-	1
	NDC	5	-	-	1
	NSPO	5	-	2	2
	STO	5	-	-	1
2018	ACO	5	-	1	-
	NSPO	1	1	1	-
2019	IS	4	1	-	-
	DBPS	1	1	-	-
Total			5	10	19

***Legend**

- 1 Financial and budgetary accounting and reporting
- 2 Property, plant, equipment, inventories and intangible assets
- 3 Procurement, contracting and other arrangements
- 4 Funding, revenue and cash management
- 5 Compliance with other NATO regulations, rules and sound financial management principles

Source: IBAN data.

2.6.14 As detailed above, in 2021 there were 19 active recommendations older than three years while in 2023, there were only five. This reduction in recommendations older than three years clearly demonstrates the positive impact of the commitment of the NATO Reporting Entities to closing recommendations in a timely manner.

2.7 Main findings per theme

2.7.1 The presentation of the observations per theme enables the IBAN to focus on the areas with the highest occurrence of audit findings and, consequently, identify where improvements are required. When a recommendation relates to more than one theme, it has been included in the category that we believe carries more weight.

Table 10: Observations and Recommendations per theme

IBAN Observations and Recommendations per Audit Theme	Total number of IBAN Observations and Recommendations			Of which, IBAN Observations and Recommendations leading to modified audit opinion					
	2023	2022	2021	On F/S			On compliance		
				2023	2022	2021	2023	2022	2021
1. Financial and budgetary accounting and reporting	43	37	33	-	1	-	-	1	-
2. Property, plant, equipment, inventories and intangible assets	8	8	11	1	-	1	1	-	1
3. Procurement, contracting and other arrangements	12	9	7	-	-	-	1	-	-
4. Funding, revenue and cash management	8	4	6	1	-	-	1	-	-
5. Compliance with other NATO regulations, rules and sound financial management principles	27	24	25	-	-	-	4	3	-
Total number of IBAN Observations and Recommendations	98	82	82	2	1	1	7	4	1

Source: IBAN data.

2.7.2 A qualified audit opinion issued in an audit report may be the result of multiple observations and recommendations. This explains any difference between the above number of observations and recommendations leading to a qualification and the number of audit qualifications in a given financial year.

Financial and budgetary accounting and reporting

2.7.3 This theme includes recommendations relating to the preparation and presentation of the financial statements, budget execution reports, accounting and associated internal control and Information Technology (IT) processes. The total number of observations and recommendations slightly increased in 2023 compared to 2022 from 37 to 43. This theme represents 44% of all observations and recommendations in 2023.

2.7.4 During our audits, the IBAN teams found errors in the financial statements resulting from weaknesses in internal controls related to the preparation and presentation of financial statements and budget execution reports. Consequently, 11 NATO Reporting Entities resubmitted their financial statements to correct material errors.

2.7.5 Observations related to resubmitted financial statements included, but were not limited to, the following main areas:

- Unjustified commitment of funds by ACO related to the NATO Alliance Ground Surveillance (AGS) Operations & Support (O&S) budget, in the amount of EUR 49 million.
- Incorrect presentation of the ACO Cash Flow Statement as a result of a EUR 22 million classification error.
- Incorrect classification of loan proceeds as cash from operating activities rather than from financing activities by DIANA totalling EUR 22 million.
- Underestimation by EUR 12.36 million of the total amount of invoices received and not validated before the end of 2023 disclosed in Annex 1 of NAHEMO's Financial Statements.

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- Classification misstatement related to the inventory assets reserve, for which the creation and use were not formally granted to NCIO by the appropriate NCIO governing body, and therefore should have been classified in the operating fund (i.e., retained earnings) in accordance with the NAF IPSAS 1 and 23. This correction increased the NCIO operating fund by EUR 75 million as of 31 December 2022 and by EUR 66 million as of 31 December 2023.
- Recognition and disclosure error of EUR 36 million by NCIO related to an asset handed over to a Territorial Nation, which should not have been capitalised in accordance with the NAF.
- Classification and disclosure error by NCIO related to an asset reported as completed despite still being under construction, and vice versa, another asset completed but classified as under construction, amounting to a net amount of EUR 17 million.
- Overstatement of NSPO receivables by EUR 82.1 million, understatement of NSPO customer advances by EUR 96.4 and an overstatement of NSPO net assets by EUR 178.5 million.

2.7.6 The IBAN has observed, either in the current year or in the past, the need for both improvements in internal controls related to the preparation of the financial statements, as well as increased efforts to improve the level of competence, knowledge and abilities of personnel responsible for the preparation of the financial statements. Finance and accounting positions should be filled by employees who possess the necessary accounting qualifications needed to perform their duties to the level required by NATO.

Property, plant, equipment, inventories and intangible assets

2.7.7 This theme relates to the internal control, accounting and reporting of property, plant, equipment, inventories and other assets, covering both tangible and intangible assets. The number of active observations has remained stable with eight observations in 2023 and in the prior year. Improvements are still required in the financial accounting and reporting of PP&E, inventory and intangible assets to address the following issues and weaknesses:

- Failure to recognise and disclose all intangible assets, including maintaining an inventory of such assets.
- Failure to request authorisation from the Budget Committee for assets transferred or donated to third parties, and disclosing this information in the Financial Statements.
- Weaknesses in the disclosure notes related to capital assets including the omission of useful lives per asset class.
- Errors in the recognition of inventories in the financial statements.
- Weaknesses in the recognition, disclosure and the asset management of NSIP funded assets.

2.7.8 From a compliance perspective, Article 12 of the NFRs on Internal Control requires NATO Reporting Entities to establish and maintain comprehensive

accounting records of all assets and liabilities. Such accounting records include an inventory of PP&E and Intangible Assets, including assets under construction/development, indicating for instance the types of assets held, locations, the number of items per asset category and asset value. Article 12 of the NFRs applies to all assets, irrespective of when they were acquired. Establishing and maintaining a comprehensive inventory of assets is an important internal control to ensure the safeguard of the assets of NATO Reporting Entities.

2.7.9 In the 2023 financial year, one observation related to this theme in the Audit Report on the Consolidated Financial Statements of ACT led to a qualified audit opinion on the financial statements and on compliance.

Procurement, contracting and other arrangements

2.7.10 This theme includes observations related to procurement processes and arrangements between NATO Reporting Entities or with Nations. The number of observations and recommendations has increased from nine in 2022 to 12 in 2023. Our audits identified weaknesses in the procurement and solicitation processes, covering areas such as:

- Non-compliance for the procurement of vessels' maintenance and dry-docking through STO-CMRE's certified ship Managers.
- The lack of a formalised framework for shared procurement solutions between ACO NATO CIS Group and NCIA.
- Insufficient justification and authorisation for departing from standard procurement procedures.
- Procurement initiated through self-booking tools and credit cards which is not compliant with NATO regulations.
- The lack of provisions regarding the maximum duration of contracts, conditions for awarding of contract extensions and the conditions for amendments to the scope of a contract in the NETMA Financial Rules and Regulations and in the NETMA Procurement Operating Procedures.
- Improvements needed for ensuring timely acquisition of fuel services for the Naval Logistic Support Partnership.
- The clarification of the status of recoupment clauses in a NAPMA supplier contract.

2.7.11 In the 2023 financial year, one observation related to this theme in the Audit Report on the Consolidated Financial Statements of STO led to a qualified audit opinion on compliance.

Funding, revenue and cash management

2.7.12 This theme includes observations related to the management and reporting of funds, revenue and cash. The number of observations and recommendations has increased from four in 2022 to eight in 2023. The observations cover areas such as :

- Improvements needed in identifying and reporting bank accounts and related cash balances.
- Improvements needed in the presentation and disclosure of cash balances that are restricted from use.
- The strengthening of internal controls related to cash management.
- Improvements needed in the disclosure and presentation of balances reported as cash and cash equivalents related to Moral and Welfare Activities.
- Unreconciled cash and cash equivalents.

2.7.13 In the 2023 financial year, one observation related to this theme in the Audit Report on the Consolidated Financial Statements of ACT led to a qualified audit opinion on the financial statements and on compliance.

Compliance with other NATO regulations, rules and sound financial management principles

2.7.14 The number of observations in this thematic area remains relatively stable at 27 active observations in 2023 compared to 24 in 2022, however, of these 27 observations, a total of 16 are new which indicates a relatively high turnover rate within this category. The majority of observations relate to compliance with the NFRs, CPRs or other NATO regulations and sound financial management principles and covered areas such as:

- Instances of non-compliance and weaknesses in the recruitment and contracting of the Financial Controller and Liquidator positions, consultants, permanent and temporary staff.
- Non-compliance with the NFRs regarding prior approval of commitments.
- Non-compliance with the NFRs with regard to the use of CEPS and NSIP funds by the CEPS National Organisation for France.
- Non-compliance with the NFRs for commitments entered into through the use of electronic tools.
- The need to clarify whether the SHAPE International School financial administration should be governed by the NFRs.
- The need to review and update NAHEMO's financial regulatory framework.
- The need to clarify the legal status of the shop on NSPO's premises and ensure compliance with MWA Regulations.
- Non-compliance with the CPRs regarding the justification for the class of air travel and reporting to the appropriate finance committee.
- No central overview and management of existing or possible litigations, claims or other legal cases.
- Late submission of financial statements.

- Various non-compliance and internal control weaknesses with the NFRs, the FRPs and the CPRs, regarding travel cost, home leave payments, departure indemnity payments, signature and rights for bank transfers.

2.7.15 In the 2023 financial year, four observations related to this theme in the Audit Reports on Financial Statements of NAGSMO i. L., NAMEADSMO i.L., NDC and NSPO led to a qualified audit opinion on compliance.

3. CONCLUSION AND RECOMMENDATIONS

3.1.1 The number of unqualified audit opinions on the financial statements remains stable over the past three years with 21 out of 22 NATO Reporting Entities unqualified in the 2023 financial year. The number of qualified opinions on compliance, however, has increased in 2023 with six NATO Reporting Entities qualified in 2023 compared to three in 2022. The rise in compliance related qualifications points to the need to better mitigate risk by strengthening compliance management systems to ensure that processes are aligned with the NATO regulatory framework. With respect to unqualified opinions on the financial statements, these audit results provide assurance that the audited financial statements present fairly the financial position, financial performance and cash flows of the majority of NATO reporting entities.

3.1.2 The notable increase for financial year 2023 in the number of IBAN positions to clarify misunderstandings, disagreements (or partial agreements) between the IBAN and the NATO Reporting Entities suggests that there exists a misalignment between the two parties and their application of the financial reporting frameworks along with the NATO Financial Regulations. Nonetheless, as evidenced through the closure of many prior year observations, NATO Reporting Entities are, for the vast majority of observations, committed to addressing and implementing prior year recommendations. This trend indicates an overall positive attitude towards achieving the shared goal of improving the quality of information reported within the financial statements as well as improved and consistent compliance with NATO Financial regulations and rules.

3.1.3 In financial year 2023, the IBAN received a total of 12 requests for resubmission by 11 NATO Reporting Entities. This is a considerable increase compared to the prior year when the IBAN received six requests by five NATO Reporting Entities. In both the current and prior year, all resubmission requests were accepted meaning that all resubmitted financial statements were subject to audit.

3.1.4 As the complexity of the NATO environment increases due to a rise in NATO operations, projects and related activities, so does the complexity of the financial reporting and compliance related requirements. For this reason, it is of the utmost importance that the number of resubmission requests be reduced in order to ensure that the IBAN is able to continue to satisfy most, if not all, requests for resubmission. If the pattern of material error remains consistent with those identified in 2023, or worse, should increase, there is a very high risk that the IBAN will be unable to meet

resubmission demands, inevitably leading to an increase in the number of modified audit opinions issued in the future. Additionally, consistent with the IBAN's initial intent of the resubmission policy, should the IBAN decide in the future to discontinue the temporary practice of accepting requests for resubmission, there is a high risk that NATO overall will see a large increase in modified opinions.

3.1.5 Despite the progress made in addressing prior year recommendations, new observations continue to be issued each year taking the place of those that are closed. Though it is encouraging to see that the IBAN's recommendations are, for the most part, being implemented, this is not resulting in fewer observations being made each year and is certainly not indicative of a trend towards fewer resubmissions. With an overall increase in new observations in 2023, the question of how to limit the number of errors being made, especially those that are material, must be raised. It is apparent that although it has been recommended in the past, progress is still needed in strengthening internal controls over the financial reporting and accounting processes, as well as maintaining adequate audit trails in compliance with the NAF and NFRs.

3.1.6 To address this risk, the IBAN recommends that all NATO Reporting entities:

- a) Maintain the professionalism of staff participating in the financial reporting process by consistently hiring staff with the highest level of competence, knowledge, skills and abilities, required to fully understand and apply the NATO Accounting Framework and IPSAS,
- b) Offer trainings on an ongoing basis, for example on a common online digital training platform, to ensure staff responsible for the financial reporting process remain knowledgeable and up to date with changing IPSAS and other regulatory requirements,
- c) Establish a compliance management system adapted to NATO, or strengthen the existing system, ensuring the integration of compliance management system requirements into the business processes.

3.1.7 From a governance standpoint, in order to strengthen financial accountability within NATO, IBAN recommends that the Resource Policy and Planning Board (RPPB) task the NATO Reporting Entities whose financial statements have been resubmitted for audit with submitting action plans, detailing how they will strengthen internal controls over the preparation of their financial statements.

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ACT	Allied Command Transformation
BGX	NATO Battlefield Information, Collection and Exploitation Systems Group Executive
BPO	Belgian Pipeline Organisation
CEPS	Central European Pipeline System
CMRE	Centre for Maritime Research and Experimentation
Council	North Atlantic Council
CPRs	Civilian Personnel Regulations
CRO	Crisis Response Operation
DBPS	NATO Defined Benefit Scheme, also referred to as the NATO Coordinated Pension Scheme (NCPS)
DCPS	NATO Defined Contribution Pension Scheme
DIANA	Defence Innovation Accelerator for the North Atlantic
DPO	Defensie Pijpleiding Organisatie
EFL	Established Financial Limits
FASG	Financial and Audit Sub-Group
FBG	Fernleitungs-Betriebsgesellschaft mbH
FORACS	Naval Forces Sensor and Weapons Accuracy Check Sites (FORACS)
FP	Financial Procedures
FRP	Financial Rules and Procedures
F/S	Financial statements
HQ SACT	Headquarters Supreme Allied Command Transformation
IBAN	International Board of Auditors for NATO
IMS	International Military Staff
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
IRP	Implementing Rules and Procedures

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IS	International Staff
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
KFOR	Kosovo Force
MSIAC	Munitions Safety Information Analysis Center
MWA	Morale and Welfare Activities
NAF	NATO Accounting Framework
NAGSMO i.L.	NATO Alliance Ground Surveillance Management Organisation in Liquidation
NAHEMO	NATO Helicopter Design and Development Production and Logistics Management Organisation
NAMEADSMO i.L.	NATO Medium Extended Air Defence System Design and Development, Production and Logistics Management Organisation in Liquidation
NAMMO	NATO Multi-Role Combat Aircraft Development Production and In-Service Support Management Organisation
NAPMA	NATO Airborne Early Warning and Control Programme Management Agency
NATO	North Atlantic Treaty Organisation
NCIO	NATO Communications and Information Organisation
NCPS	NATO Coordinated Pension Scheme (CPS), also referred to as the Defined Benefit Pension Scheme (DBPS)
NDC	NATO Defense College
NEFMO	NATO European Fighter Aircraft Development, Production and Logistic Management Organisation
NETMA	NATO Eurofighter 2000 and Tornado Management Agency
NFO	NATO FORACS Office
NFRs	NATO Financial Regulations
NMI	NATO Mission Iraq
NO	National Organisation

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NPLSO	NATO Procurement, Logistics or Service Organizations
NSIP	NATO Security Investment Programme
NSPO	NATO Support and Procurement Organisation
Paris Protocol	Protocol on the Status of International Military Headquarters set up pursuant to the North Atlantic Treaty signed in 1952 in Paris
PP&E	Property Plant and Equipment
RMCF	Retirees Medical Claims Fund
RPPB	The Resource Policy and Planning Board
SHAPE	Supreme Headquarters Allied Powers Europe
SNOI	Service National des Oléoducs Interalliés
STO	NATO Science and Technology Organisation
VNC	Voluntary National Contributions