



NORTH ATLANTIC COUNCIL
CONSEIL DE L'ATLANTIQUE NORD

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24 June 2025

**DOCUMENT
PO(2025)0162-AS1**

**IBAN REPORT ON THE RESULTS OF THE 2023 NSIP AUDITS AND FOLLOW-UP
ON RECOMMENDATIONS FROM NSIP SPECIAL REPORTS**

ACTION SHEET

On 24 June 2025, under the silence procedure, the Council noted the RPPB and IBAN reports attached to PO(2025)0162, approved the RPPB report's conclusions and recommendations, and approved the public release of both, the RPPB and IBAN reports.

(Signed) Mark RUTTE
Secretary General

NOTE: This Action Sheet is part of, and shall be attached to PO(2025)0162.

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10 June 2025

DOCUMENT
PO(2025)0162
Silence Procedure ends:
24 Jun 2025 – 17.30

To: Permanent Representatives (Council)

From: Secretary General

IBAN REPORT ON THE RESULTS OF THE 2023 NSIP AUDITS AND FOLLOW-UP ON RECOMMENDATIONS FROM NSIP SPECIAL REPORTS

1. I attach the Resource Policy and Planning Board (RPPB) report addressing the International Board of Auditors for NATO (IBAN) Report on the Results of the 2023 NSIP Audits and Follow-up on Recommendations from NSIP Special Reports.

2. I do not consider this matter requires discussion in Council. Therefore, **unless I hear to the contrary by 17.30 on Tuesday, 24 June 2025**, I shall assume that Council has noted the RPPB and IBAN reports, approved the RPPB report's conclusions and recommendations, and approved the public disclosure of both, the RPPB and IBAN reports.

(Signed) Mark RUTTE

1 Annex
1 Enclosure

Original: English



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IBAN REPORT ON THE RESULTS OF THE 2023 NSIP AUDITS AND FOLLOW-UP ON RECOMMENDATIONS FROM NSIP SPECIAL REPORTS

Report by the Resource Policy and Planning Board

References:

A.	IBA-A(2024)0036; IBA-AR(2024)0006	Report on the Results of the 2023 NSIP Audits and Follow-up on Recommendations from NSIP Special Reports
B.	C-M(2020)0010	Audit of the NSIP - IBAN Proposed Changes
C.	IBA-A(2020)0037; IBA-AR(2020)0004	Special Report on NSIP Lump Sum Conversions
D.	IBA-A(2021)0047-REV1; IBA-AR(2021)0002	Special Report on the New Approach on NSIP Financial Audits and its Impact on Accountability
E.	PO(2022)0118 (INV)	IBAN Special Reports Related to the Close-out of NSIP Projects
F.	PO(2023)0363	Council Tasking to Close-out Completed Projects
G.	PO(2024)0438	Transparency, Accountability, and Management Performance in Common Funding

INTRODUCTION

1. At reference A, the International Board of Auditors for NATO (IBAN) issued a report containing both a summary of the results of NSIP audits performed in 2023 and an overview of the implementation of the IBAN's recommendations from the two previous Special Reports on the close out of NSIP projects.

AIM

2. This report highlights the key findings by the IBAN on the results of NSIP audits and presents the Resource Policy and Planning Board's (RPPB) considerations and recommendations to the Council.

BACKGROUND

3. Further to the 2020 Council-agreed changes to NSIP audits (reference B), the IBAN submitted two Special Reports to the Council in 2020 and 2021 respectively that address the close-out of NSIP projects: one on NSIP Lump Sum Conversions (reference C) and another on the new approach to NSIP audits and its impact on accountability (reference D). Both reports were addressed by the RPPB, on advice of the Investment Committee (IC) which agreed ten measures to improve transparency, accountability and compliance, and were forwarded to Council (reference E). In reviewing the status of implementation of its recommendations from these two Special Reports on NSIP, the IBAN highlights the actions taken by the IC and those remaining to be addressed.

DISCUSSION***Summary of Results from the 2023 NSIP Audits***

4. In 2023, the IBAN issued 57 audit opinions on projects for which the expenditures presented by Host Nations in the cost statements and audited amounted to EUR 315.0 million, of which 24 were unmodified audit opinions (or 42%) and 33 were modified audit opinions (or 58%). The RPPB noted the clarifications from IBAN regarding the difficulty in determining a meaningful year-on-year assessment on the quality of the results of NSIP audits, given the variance in nature of the projects audited. The RPPB also noted the IBAN's conclusion that the audits of older projects were more likely to result in a modified audit opinion, due to the higher chance of missing documentation and Host Nation personnel with knowledge of the project being no longer available. The IBAN found that on average, the audit requests for the projects that received a modified opinion in 2023 were submitted to the IBAN five years after the request for technical inspection¹. In addition, the delay between physical completion and the notification of readiness for technical inspection could reach 10 years or more. Given the extent of such delays, the RPPB determined it is necessary to advance on the closure of older completed projects, such as those programmed before 2009, and encourage the IC to maintain a flexible approach while closely monitoring the situation.

Status of the Closure of Completed NSIP Projects under the Council Tasking

5. In 2023, the Council noted the final report (reference F) by the RPPB, on advice of the IC, in response to the 2014 tasking to develop a plan to close all existing completed NSIP projects, noting the IC's assessment of the tasking as essentially complete: projects amounting to 94% of the overall value of the projects covered by the tasking were either fully closed, audited but awaiting final discharge or submitted for audit. The IBAN reports that as at 31 December 2023, 358 projects amounting to EUR 2.3 billion remain to be closed. Some nations expressed concern over the potential build-up of a new backlog of completed projects to be closed. The RPPB was made aware of the work done by the IC to monitor the situation on a quarterly basis and welcomes this effort.²

6. The RPPB acknowledges that despite the audit requests submitted by Host Nations, many projects were not audit ready. The pending technical acceptance, either due to requests not submitted by Host Nations or inspections not conducted by the Staff, remains the primary reason. However, there are also cases of Host Nations needing more time to prepare the supporting documentations and ongoing legal proceedings which could impact final expenditures, as reported by the IBAN. In particular, the issue of challenges with auditing projects with ongoing legal proceedings was raised. The International Staff proposed a possible way forward, among others, whereby, on a case-by-case basis, the

¹ The IC Implementation Management Procedure (AC/4-D(2017)0006-FINAL) requires Host Nations to submit technical inspection requests six months after project completion, and audit requests no later than six months following the request for a technical inspection.

² With AC/4(PP)N(2024)0041-ADD1, the IC noted the latest update on the status of these projects, including which actions lie with Host Nations, the Staff, and the IBAN.

liability of such projects could be transferred to a new project serial which would remain “on the books”, allowing the project with valid expenditures to be audited by the IBAN and then closed by the IC. The IBAN would not normally conduct audits of projects with pending legal claims due to the uncertainty of the finality of the expenditures presented for audit. An audit of expenditures not affected by the legal proceedings would be considered, on a case-by-case basis, if proceeding in such a way would be the most effective way of closing the project.

Implementation of IBAN Recommendations from Two Special Reports on NSIP

7. In its 2021 special report on the new approach to NSIP audits and its impact on accountability (reference D), the IBAN recommended the establishment of a formal discharge procedure for NSIP projects, setting out roles and responsibilities for each party in the process. The RPPB welcomes the work done by the IC to approve, in July 2024, its Policy and Procedures for Project Financial Closure and Host Nation Discharge (AC/4-D(2024)0009).

8. The IBAN also followed up on the recommendations from its 2020 special report on Lump Sum Conversions (reference C), namely to develop a compendium of applicable NSIP regulations, including the responsibilities as a Host Nation for implementing NSIP projects. The RPPB noted the IBAN’s view that the NSIP regulations are laid down in various documents and not easily accessible to Host Nations, and that a single compendium would help Host Nations ensure that all regulations are being followed. In 2021, the IC already invited the International Staff to particularly focus on applicable rules related to Host Nation responsibilities when updating the NSIP Manual. The RPPB recalls it supported this measure and invites the International Staff to prioritise this work. The RPPB understands that meeting the desired outcome of the IBAN recommendation for a single compendium could be achieved as long as the updated NSIP Manual ensures that all applicable NSIP regulations are easily and readily accessible to Host Nations. Moreover, in response to the IBAN’s recommendation, in 2021 the IC invited all Host Nations to confirm that their archiving policies are fully aligned with NSIP rules or, if not, what steps would be undertaken to adjust these accordingly, a measure recalled by the RPPB in 2023. As of January 2025, 34 out of 36 Host Nations responded to the invitation.

9. In 2024, the Council noted the RPPB’s report in response to the tasking from the Vilnius Summit to develop additional measures for enhancing transparency, accountability and management performance in NATO common funding (reference G). The report establishes a Transparency and Accountability Framework allowing governance to drive better financial transparency and performance management mechanisms, including in relation to the closure of NSIP projects.

CONCLUSIONS

10. The RPPB acknowledges the higher number of modified audit opinions for older projects and considers that the IC should aim to close them as soon as possible, while maintaining flexibility in its approach to older completed projects, such as those programmed

before 2009. The RPPB highlights the need for Host Nations to comply with the IC Implementation Management Procedure by submitting requests for technical inspection and audit within agreed timelines. Furthermore, the RPPB notes that the IC is actively monitoring the status of the closure of completed NSIP projects under the Council tasking, including completed projects with ongoing legal proceedings which should be handled as described in paragraph 6.

11. The RPPB welcomes the approval of a formal project financial closure and Host Nation discharge policy by the IC, a long-standing IBAN recommendation (reference A and D). The RPPB expects this will contribute to enhancing the overall accountability of Host Nations for the implementation of NSIP projects.

12. The RPPB reiterates its support for the measures agreed by the IC on improving transparency, accountability and compliance (reference E), which will be further strengthened by the new Transparency and Accountability Framework approved by the Council (reference G). This includes the long overdue update of the NSIP Manual by the International Staff to ensure that NSIP regulations are easily accessible to Host Nations.

RECOMMENDATIONS

13. The Resource Policy and Planning Board:

13.1. invites the IC to maintain a flexible approach when handling the closure older completed projects;

13.2. invites the International Staff to recommend to the IC, on a case-by-case basis, an approach for handling completed projects with ongoing legal proceedings as described in paragraph 6;

13.3. invites the International Staff to prioritize the update of the NSIP Manual and to ensure that the NSIP regulations are easily accessible to Host Nations, with a view to complete the update by the end of 2025;

13.4. invites the remaining two Host Nations to confirm that their archiving policies are fully aligned with NSIP rules or, if not, what steps would be undertaken to adjust these accordingly, in a letter to the IC Chair by no later than June-2025;

13.5. recommends that Council:

13.5.1. note the IBAN report at reference A;

13.5.2. note this report and approve the conclusions;

13.5.3. approve the public disclosure of this report and the IBAN report on the results of the 2023 NSIP audits and follow-up on recommendations from NSIP special reports, in line with the provisions of PO(2015)0052.



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

Brussels - Belgium



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IBA-A(2024)0036
12 June 2024

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 the Results of the 2023 NSIP audits and Follow-up on Recommendations from NSIP Special Reports – IBA-AR(2024)0006***

IBAN submits herewith the approved Report on the Results of the 2023 NSIP audits and Follow-up on Recommendations from NSIP Special Reports 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,

Radek Visinger
Chair

Attachments: As stated above.

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REPORT

on the Results of the 2023 NSIP audits
and Follow-up on Recommendations
from NSIP Special Reports



FOREWORD BY THE CHAIR

On behalf of the International Board of Auditors for NATO (IBAN), I am pleased to share with you this “Report to the North Atlantic Council (Council) on the results of 2023 NATO Security Investment Programme (NSIP) audits and follow-up on recommendations from NSIP Special Reports”. Its purpose is to provide easy to understand aggregated information on the results of our NSIP audits and thus enable the Council to better oversee and account for the NSIP.

The NSIP is NATO’s core capital investment programme. It is an essential common funded resource pillar, designed to enhance and upgrade NATO assets, in order to obtain military capabilities that exceed national defence requirements of individual Nations.

In June 2018, NATO adopted a new governance model for common funded capability delivery, which, among others, aims to ensure clearer roles, responsibilities and increased accountability. In June 2020, following IBAN’s recommendations, Council further strengthened the accountability of NSIP by approving some improvements to the audit of NSIP expenditures. With the new audit approach, IBAN issues an ‘Independent External Auditors’ Report’ to Council, by delegation the Investment Committee providing independent assurance to governance on the expenditures incurred and their compliance with regulations in force. This independent assurance assists governance in discharging Host Nations from their responsibilities for their projects. The purpose of the new approach for NSIP audits was to better align the reporting of the audit of NSIP expenditures with our Charter and international auditing standards and to contribute to the strengthening of responsibility, accountability and transparency regarding NSIP.

Further progress in key areas such as internal controls and documentation would lead to more effective governance and accountability of NSIP expenditures. The development and documentation of a formal discharge procedure and the issuance of a single compendium of applicable rules concerning NSIP would better support Host Nations in understanding and addressing their responsibilities for the implementation of NSIP projects from the planning phase until the final discharge of their financial responsibilities.



Radek Visinger
Chair
International Board of Auditors for NATO



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1. IBAN'S RESPONSIBILITIES REGARDING NSIP AUDITS

1.1 The NATO Security Investment Programme (NSIP)

1.1.1 NATO established the NATO Security Investment Programme (NSIP) in 1951 as its core capital investment programme and one of the common funded resource pillars. It is designed to enhance and upgrade NATO assets in order to obtain military capabilities that exceed national defence requirements of individual Nations.

1.1.2 The programme funds the development, construction and implementation of military capabilities required by the NATO Strategic Commands (Allied Command Operations (ACO) and Allied Command Transformation (ACT)) to complete their missions. The common funding eligibility rules focus on the provision of requirements, which are over and above requirements expected to be made available by individual Nations. For example, NSIP can be used to provide, restore or enhance fixed infrastructure (such as new buildings or repairing airfields), communication information systems (such as new software and hardware) or deployable strategic equipment (such as military transport vehicles). NSIP may also fund Alliance Operations and Mission requirements based on special eligibility rules, where common funds cover costs that are not attributable to a single nation.

1.1.3 The NSIP main stakeholders, apart from the North Atlantic Council (Council), are the Resource Policy and Planning Board (RPPB), the Investment Committee (IC), the Military Committee and the Strategic Commands, supported by the International Staff (IS) and International Military Staff, and Host Nations.

1.1.4 The IC, which operates under delegated authority from the RPPB, is the responsible governance body for the implementation of NSIP. It governs NSIP at project level (for example approves the project level authorisation and procurement strategy), monitors and controls the implementation status and progress of all projects programmed, and performs the technical and financial discharge of Host Nations' responsibilities for the implementation of the projects. The IC is accountable to the RPPB who in turn is accountable to Council for the overall management and performance of the NSIP.

1.1.5 NSIP projects are implemented by a NSIP Host Nation, which can be the country on whose territory the project is implemented (territorial Host Nation) or a NATO Agency or Strategic Command. Host Nations are responsible for the implementation of authorised NSIP projects.

1.2 IBAN's Mandate regarding NSIP Audits

1.2.1 In accordance with Article 1 of its Charter, the International Board of Auditors for NATO (IBAN) is mandated to audit the NSIP on behalf of the Council. IBAN's mandate regarding NSIP audits covers NATO Nations as well as NATO entities receiving common funding from NSIP.

1.2.2 The function of IBAN regarding NSIP 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 expenditures incurred by member countries (Host Nations) or NATO bodies in respect of the NSIP have been carried out in compliance with the regulations in force (NSIP audit).”*

1.2.3 In addition to NSIP audits, in accordance with Article 2 of our Charter, IBAN’s functions also cover financial statements audit of NATO Reporting Entities and performance audit.

1.2.4 According to the IC Implementation Management Procedure, an audit request should be submitted to IBAN not later than six months following the request for a technical inspection of the project. IBAN conducts the audit of NSIP expenditures per project based on the audit request received from the Host Nation responsible for the implementation of the authorised project.

1.2.5 IBAN will not perform the audit if a technical inspection has not yet been performed covering the full scope of the works implemented. The technical inspection and the inspection report accepted by the IC provides IBAN with audit evidence of the existence of the asset developed or constructed and the implementation of the physical scope as authorised (technically in line with requirements).

1.2.6 IBAN conducts its NSIP audits in different phases, including audit planning, audit fieldwork and audit reporting. As part of the audit fieldwork phase, our audit teams perform audit tests and generally conduct on-site visits at the premises of the Host Nations in order to have extensive dialogue and interactions with the auditees. At the end of an on-site visit, we hold a debrief meeting with the Host Nation’s staff to discuss preliminary audit results. For audit reports with a modified audit opinion, we send the draft report to the Host Nation for comments on the factual accuracy prior to issuing the report to Council, by delegation the IC.

1.2.7 In accordance with Article 14 of its Charter, IBAN may issue a special report to Council on any relevant matter it considers to be worthy of attention. The purpose of this IBAN Special Report is to provide an overview of the audit results from the 2023 NSIP audits and to review the status of implementation of IBAN recommendations from two prior Special Reports on NSIP:

- Special Report on the new approach to NATO Security Investment Programme financial audits and its impact on accountability (IBA-A(2021)0047-REV1 and IBA-AR(2021)0002).
- Special Report on NATO Security Investment Programme lump sum conversions (IBA-A(2020)0037 and IBA-AR(2020)0004).

1.3 Audit Standards and NSIP Audit Objectives

1.3.1 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 and standards consistent with the International

Standards of Supreme Audit Institutions (ISSAI 2000-2899 and ISSAI 4000-4899). We are independent and politically neutral in accordance with the INTOSAI Code of Ethics.

1.3.2 The objective of the NSIP audit is to obtain independent assurance about whether something has come to our attention that causes us to believe that the expenditures incurred have not been carried out in compliance with the NSIP regulations in force. This objective includes issuing an independent external auditor's report with an audit opinion on compliance.

1.3.3 In accordance with the auditing standards, audit opinions on the expenditures incurred presented in the cost statements of the projects can be either unmodified or modified. Three types of paragraphs may also be communicated in the auditor's report in accordance with auditing standards. See the Glossary of Terms in Annex 4.

1.4 Host Nation's Responsibilities for the cost statement and for compliance

1.4.1 Host Nations' responsibilities for the management and implementation of NSIP projects is laid down in various NSIP regulations and IC management procedures approved by either the Council or the IC since the 1950's. There is currently no compendium with all applicable rules and regulations related to NSIP, including the responsibilities as a Host Nation for implementing NSIP projects.

1.4.2 According to NSIP regulations and the IC Implementation Management Procedure, a Host Nation is responsible and accountable for the implementation of the NSIP project. This includes the responsibility for compliance with the NSIP regulations in force. This compliance with NSIP regulations also covers the responsibility for maintaining complete records and documentation to fully justify expenditures incurred and to allow for an audit and discharge of financial responsibilities. It further includes the responsibility for the preparation of a cost statement for all expenditures incurred for the project implementation, and for submitting it to IBAN for audit.

1.4.3 To initiate a financial audit, the Host Nation must submit a cost statement of the project expenditures incurred to IBAN for audit. From an audit standpoint, and consistent with current practice, the Host Nation is required to prepare and sign the cost statement by a responsible staff member at an accountable level.

1.4.4 Cost statements are the means through which the Host Nation presents a completed project for audit. By signing the cost statement, the Host Nation confirms that sufficient verification and internal controls are in place to ensure that all expenditures incurred are complete, correct, and compliant with NSIP regulations in force. The cost statements are prepared in accordance with guidance to Host Nations issued by the IC in 2020, which includes a template recommended for use.

1.5 The completion of NSIP projects

1.5.1 When the works implemented by a Host Nation related to a NSIP project are physically complete, the project must be subject to a technical inspection and formal acceptance of the works by NATO, according to NSIP regulations. The IC approval of the technical inspection, also called Joint Final Inspection and Formal

Acceptance (JFAI) serves as the formal acceptance by NATO that the project is physically complete, militarily and technically acceptable, and that the responsibility of the Host Nation for completion of the works has been discharged by NATO. The technical inspection and subsequent formal acceptance and discharge by the IC of the works implemented is therefore the first part of a dual-discharge process in NSIP.

1.5.2 After the technical inspection of the completed project, IBAN will perform an audit of the expenditures incurred presented in the cost statements and will issue the Independent External Auditor's Report to the Council, by delegation to the IC. This report provides independent assurance to Council that NSIP expenditures incurred by Host Nations are carried out in compliance with the regulations in force. According to the NSIP regulations for technical inspections (AC/4-D/2074), IBAN also has a duty to report "*any material facts which were unknown or erroneously put to the inspection team or to the Committee*". The independent assurance provided by IBAN in the form of an audit opinion assists the IC, acting on behalf of Council, in discharging the Host Nation from their financial responsibilities.

1.5.3 The actual discharge of Host Nations is based on the IC approval of a List of Completed Projects, in accordance with existing agreed NSIP regulations. This document is the final step in the project implementation process and, once approved by the IC, discharges the Host Nations from their financial responsibilities for these projects, on behalf of Council. The IC is currently working on the development of a formal project financial closure and Host Nation discharge policy.

1.5.4 Once a NSIP project is technically inspected, audited by the IBAN, financially closed and the Host Nation discharged for the completion of the works and its financial responsibilities, the project is accepted into what is referred to as "the NATO inventory". This is not a physical inventory of NATO assets, but rather a terminology used to refer to NSIP works that are available for NATO use. As such, no inventory exists of NATO's tangible and intangible assets (such as software or rights-to-use assets) delivered by these completed NSIP projects.

1.5.5 NATO has the right to use works that are accepted into the NATO inventory and, if NSIP-funded works are deleted from the inventory, reimbursement of any residual value is made to the contributing NATO Nations. According to D-D(51)141, Provision of Funds for Second Slice Infrastructure dated 2 June 1951, "[...] *It is taken for granted that all completed infrastructure installations [...] will be at the disposal of the appropriate NATO military authorities for as long as necessary.*"

1.5.6 For fixed installations, the owner of the assets is the territorial Host Nation. This is derived from a Council report from 4 December 1953 (C-M(53)161), where it is stated that "*it is its understanding that installations which have conclusively been accepted for financing under NATO common infrastructure, though they are for the use of NATO, are nevertheless the property of the host country, without prejudice to the provisions concerning residual value.*"

1.5.7 From an accounting perspective, a significant part of tangible assets/intangible assets funded by NSIP projects are under the joint control of either ACO, AACT, the NATO Support and Procurement Agency (NSPA) or the NATO Communications

and Information Organisation (NCIO) following the NATO Accounting Framework. Therefore, the NSIP-funded part of these assets should be recognised in the financial statements of ACO, ACT, NSPA or NCIO.

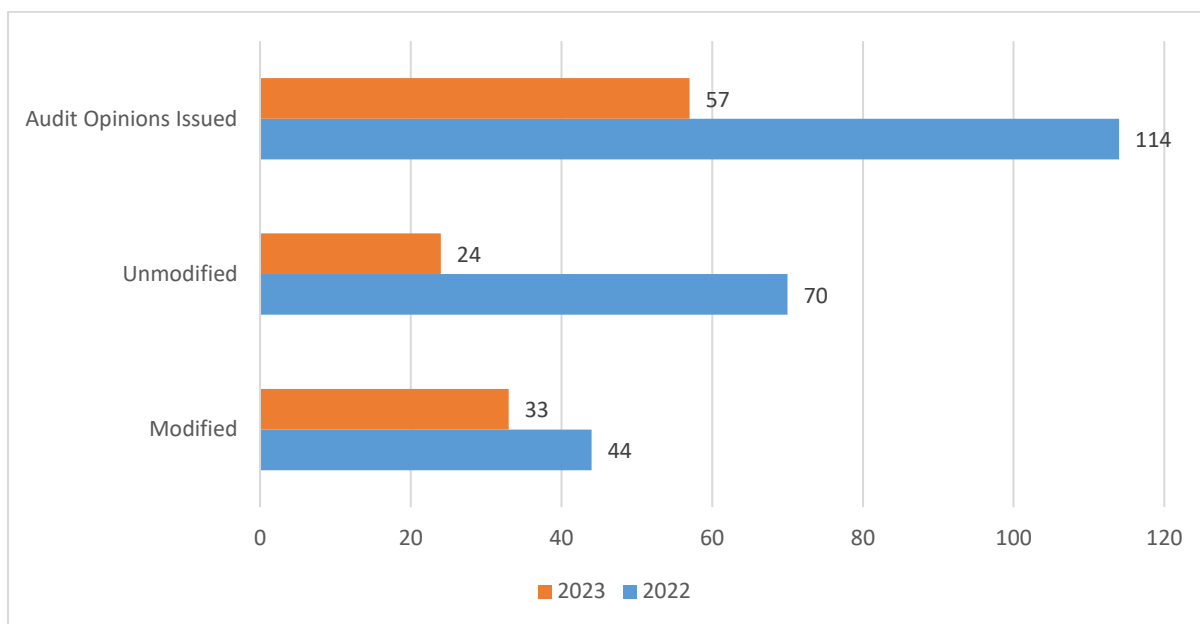
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2. SUMMARY OF RESULTS FROM THE 2023 NSIP AUDITS

2.1 Summary of Audit Opinions

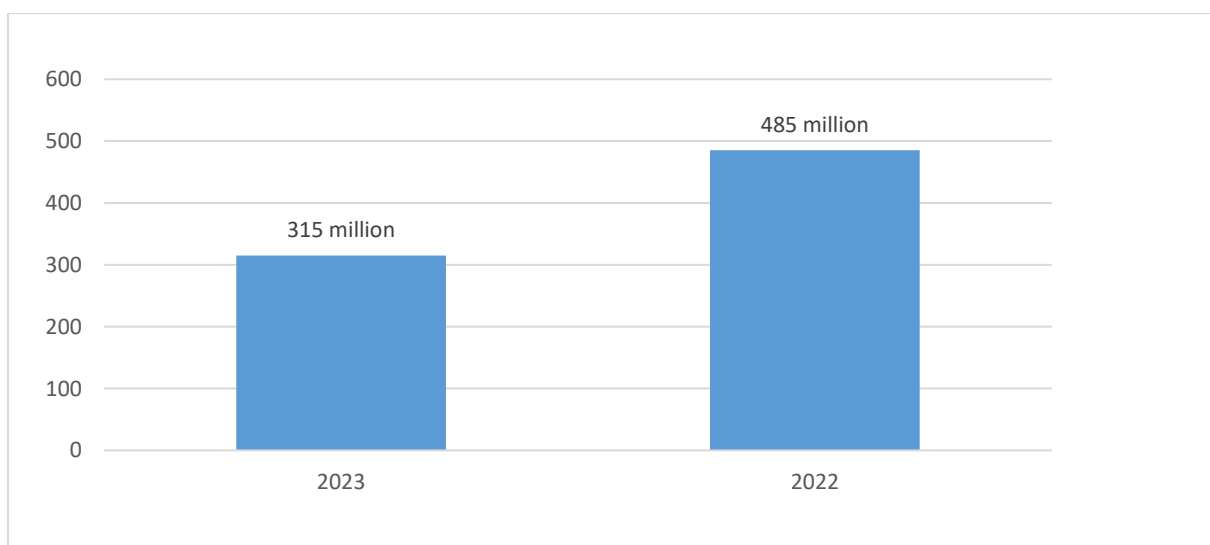
2.1.1 The results of IBAN’s 2023 NSIP audits cover the audit opinions and other paragraphs issued on cost statements presented by territorial Host Nations, NATO Agencies and Strategic Commands. In order to place the results into perspective, Charts 1 and 2 below compare the audit opinions issued and the amounts audited in 2022 and 2023.

Chart 1: Audit Opinions issued on NSIP cost statements in 2023 and 2022



Source: IBAN data

Chart 2: NSIP Amounts Audited (MEUR) in 2023 and 2022



Source: IBAN data

Notes

(1) Amounts audited represents amounts in cost statements presented for audit by the Host Nations.

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2.1.2 In 2023, we issued 57 auditor’s reports compared to 114 in 2022. This represents a decrease of 50%. The number of audits conducted each year depends on audit requests received from Host Nations and available IBAN resources.

2.1.3 Table 1 below presents the audit opinions issued by IBAN per territorial Host Nations, NATO Agencies and Strategic Commands.

Table 1: Types of audit opinions per Host Nation in 2023 and 2022

Host Nation (1)	2023			2022		
	Modified	Unmodified	Total	Modified	Unmodified	Total
Belgium	0	0	0	6	4	10
Bulgaria	1	2	3	0	0	0
Czech Republic	1	1	2	0	0	0
Denmark	0	0	0	3	2	5
Estonia	0	0	0	0	2	2
France	0	0	0	0	3	3
Germany	5	8	13	3	17	20
Greece	1	0	1	0	0	0
Italy	0	0	0	4	2	6
NCIA	5	3	8	8	10	18
Netherlands	1	2	3	0	0	0
Norway	1	0	1	1	6	7
NSPA	0	0	0	5	12	17
Poland	6	2	8	4	0	4
Romania	1	0	1	0	1	1
SHAPE	2	6	8	1	1	2
Slovenia	2	0	2	0	0	0
Spain	0	0	0	2	0	2
Türkiye	7	0	7	7	10	17
Grand Total	33	24	57	44	70	114

Source: IBAN data

Notes

(1) The table includes only the Host Nations for which IBAN conducted a NSIP audit in 2022 and 2023.

2.1.4 The table shows that we audited NSIP expenditures in 10 territorial Host Nations, one NATO Agency and one Strategic Command in 2023. Out of the 24 unmodified audit opinions issued in 2023, 15 related to territorial Host Nations, three related to a NATO Agency and six related to a Strategic Command. For modified audit opinions, 26 related to territorial Host Nations, five to a NATO Agency and two related to a Strategic Command. Annex 1 shows the total expenditures presented in cost statements per Host Nations audited for years 2023 and 2022.

2.2 Summary of Unmodified Audit Opinions

2.2.1 In accordance with the IBAN Charter and auditing standards, an unmodified opinion is when IBAN issues an opinion on compliance of expenditures incurred and presented in the cost statement prepared by the Host Nation, stating that nothing has come to our attention that causes us to believe that the expenditures incurred have not been carried out in compliance with the NSIP regulations in force.

2.2.2 The unmodified audit opinions relate to well-prepared cost statements containing no mathematical calculation mistakes, and with expenditures within authorised scope and funds. These types of cost statements are also supported by documentary evidence, such as the signed contracts with any amendments, bidding documentation, hand-over and acceptance reports of works delivered, invoices and proof of payments related to the authorised scope of work for all expenditures claimed in order to demonstrate compliance with the NSIP regulations in force.

2.2.3 Out of the 57 audit opinions issued in 2023, 24 were unmodified. This represents 42% of the total number of issued auditor's report.

2.2.4 IBAN performs NSIP audits based on requests from the Host Nations and each project is different in terms of size, complexity and age. In addition, different Host Nations and differing numbers of projects are audited each year. Consequently, it is difficult to make a meaningful comparison year by year to identify reasons for the increase or decrease in the number of unmodified audit opinions.

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

2.3.1 Other Matter paragraphs (Glossary of Terms is presented in Annex 4) are communicated if IBAN considers it necessary to communicate a matter other than those related to expenditures presented in the cost statements that, in our judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report. This may relate to additional expenditures incurred, but not included in the cost statement.

2.3.2 A total of seven auditor's reports contained an Other Matter paragraph in 2023 (10 in 2022). These Other Matters relate to expenditures not claimed, but within the authorised scope of work in accordance with NSIP regulations for a total amount of EUR 1.16 million. It may, for example, relate to:

- Invoices related to the projects but, by mistake, not included in the cost statement;
- The use of a lower percentage of National Administrative Expenses (NAE) than allowed according to NSIP regulations;
- The use of an incorrect sharing of costs between NATO and the Host Nation.

2.3.3 Emphasis of Matter paragraphs are communicated if IBAN considers it necessary to draw attention to a matter related to expenditures presented in the cost statement that, in our judgement, is of such importance that it is fundamental

to the understanding of the expenditures incurred and presented in the cost statement. No auditor's report contained an Emphasis of Matter paragraph in 2023 (one in 2022).

2.4 Summary of Modified Audit Opinions

2.4.1 A modified audit opinion is issued when, during the course of the audit, issues come to IBAN's attention that cause us to believe that some, or all, expenditures incurred have not been carried out in compliance with the NSIP regulations in force. Three scenarios can form the basis for a modified opinion:

- a) **Limited**: a number of errors affecting some of the expenditures claimed in the cost statement,
- b) **Pervasive**: a number of errors considered pervasive and affecting all expenditures claimed in the cost statement,
- c) **Disclaimer**: impossibility to express an opinion due to the cost statement not presented or documentation intentionally not provided.

2.4.2 Table 2 shows the number of modified audit opinions by type.

Table 2: Types of modified audit opinions in 2023

	2023	2022	Total
Limited	24	37	60
Pervasive	9	7	17
Disclaimer	0	0	0
Total	33	44	77

Source: IBAN data

2.4.3 When errors affecting part (non-pervasive/limited) of the expenditures presented in the cost statement are found, this leads to a modified opinion. These errors could be for example, missing documentation for part of the project, or expenditures claimed outside the authorised scope of work or calculation errors, expenditures exceeding funds authorised or a combination of different types of errors affecting a part of the total expenditures claimed. This type of modified opinion accounts for the majority (24/33 or 73%) of the auditor's report issued in 2023 containing a modified opinion.

2.4.4 The main audit results leading to conclude on the pervasiveness of errors in 2023 relate to missing documentation affecting all expenditures incurred (such as all contracts, amendments and/or invoices missing). Missing all contract award documentation (such as bidding documents, selection committee decisions etc.) may also result in a pervasive conclusion based on non-compliance with NSIP procurement regulations. In 2023, these types of opinions represented 27% (9/33) of the total modified audit opinions issued.

2.4.5 In 2023, all Host Nations prepared and presented to us cost statements following an audit request. As a result, we did not issue disclaimers in the modified audit opinions reported.

2.4.6 We noted a trend indicating that the older the project is, the higher the number of modified opinions there are compared to unmodified audit opinions. This is mostly explained by missing documentation and by Host Nation personnel with knowledge of the project being no longer available to contribute to the preparation of the cost statements. For example, in 2023 we issued modified opinions for all projects (12/12) audited for which the IC authorisations were granted prior to 2000. On the other hand, we issued no modified opinions for projects authorised after 2020. Table 3 below provides a breakdown of modified opinions per period of which the projects were authorised.

Table 3: Audit opinions issued in 2023 in relation to authorisation dates of projects

Project authorisation date	Modified opinions	Total number of opinions	% modified opinions
Prior to 2000	12	12	100%
2000 – 2009	16	19	84.2%
2010 – 2019	5	22	22.7%
2020 +	0	4	0%
Total	33	57	57.9%

Source: IBAN data

2.4.7 In 2023, of the 33 projects with a modified audit opinion, eight of them had a delay of 4 years or more between the physical completion and the notification of readiness for technical inspection, with six projects having a delay of 10 years or more. The same eight projects were submitted to IBAN for audit on average 4 years after the request for technical inspection incurring a further delay in closing the projects. We issued a modified opinion due to missing documentation for 62% (5/8) of them, compared to 32% (8/25) for the projects with a delay under 4 years. On average, for the 33 projects with a modified opinion, the audit requests were submitted to IBAN five years after the request for technical inspection.

2.4.8 Host Nations are responsible and accountable for the implementation of the NSIP project, which includes ensuring projects are implemented within the agreed scope, schedule and cost and in line with NSIP regulations. The request for technical inspection must be submitted as soon as the works are physically completed and not later than six months after this. Likewise, the request for audit should be made not later than six months following the request for a technical inspection of the project.

2.4.9 It is important that Host Nations inform NATO as soon as the works are physically completed and ready for technical inspection and present the projects for audit following the agreed timelines. Having the technical inspection and the audit soon after the physical completion of the works following the IC agreed timelines may reduce the cases where the financial records and other project documentation are no longer available.

2.4.10 Requesting the audit early after physical completion of the works and technical inspection also increases the likelihood that the Host Nation personnel with knowledge of the project is available to contribute to the preparation of the cost statement provided to us for audit. We believe this contributes to better accuracy of the cost statements

and may decrease the number of modified opinions due to expenditures claimed outside the authorised scope of work.

Categories of non-compliance leading to modified audit opinions

2.4.11 Audit findings on NSIP cost statements can be grouped into four categories of non-compliance with the NSIP regulations in force:

- a) Non-compliance due to missing supporting documentation
- b) Expenditures claimed outside the authorised scope of work
- c) Expenditures within authorised scope of work but exceeding funds authorised
- d) Non-compliance with NSIP procurement and contracting regulations

Non-compliance due to missing supporting documentation

2.4.12 Thirty-nine percent of the modified audit opinions related to missing or incomplete project documentation, such as signed contracts and amendments, including technical annexes detailing the scope of work, and invoices. Non-compliance due to missing supporting documentation affected audited expenditures totalling EUR 119.5 million in 2023 (38% of total expenditures audited). Typically, invoices provide only limited information about the scope of work and therefore, contracts, amendments, statement of work, change orders, acceptance reports and other documents detailing the work performed are key evidence in an audit of NSIP projects expenditures. In addition, when bidding documentation and contract award decision reports are missing, it is not possible to verify whether the bidding procedure carried out complied with the authorised method of procurement, and this also results in a non-compliance with regulations.

2.4.13 Due to missing documentation supporting the expenditures incurred, we could not reconcile and agree expenditures to contracts signed, nor could we verify whether expenditures incurred and presented in the cost statement were within the authorised scope of work. Host Nations should keep financial records and documents until after the technical inspection and discharge, audit and financial discharge of the Host Nation by the IC, on behalf of Council and final project closure. In these cases, Host Nations were not able to fully account for the NATO common funds received and, as a result, did not fulfil all of their regulatory responsibilities related to the implementation of the NSIP project.

Expenditures claimed outside the authorised scope of work

2.4.14 In other cases, the modified audit opinions were due to non-compliances of expenditures incurred with NSIP regulations because they were outside the authorised scope of work. There were 22 such cases affecting expenditures of EUR 6.55 million (2% of total expenditures audited) in 2023. Examples of errors that led to this category of non-compliance are as follows:

- Expenditures included in the cost statement for works for which no NATO costs were authorised, or for extra quantity of equipment,

- Overstatement of expenditures due to the use of incorrect NATO NSIP currency exchange rate,
- Calculation mistakes due to errors in spreadsheet applications when preparing the cost statement,
- Inclusion of expenditures related to Value Added Tax,
- Invoices non-pertaining to the project included in the cost statement,
- Incorrect sharing of costs between NATO and the Host Nation,
- Use of incorrect NAE rate.

2.4.15 It is important for the Host Nations to have a robust and sound internal control environment in order to ensure that expenditures presented for audit in the cost statement are accurate, correct, supported and within the authorised scope of work agreed by the IC, as well as compliant with the NSIP regulations. This includes preparing reconciliations between authorised scope of work, contracts, and actual work delivered which should be available both for the technical inspection and the audit. A lack of an effective internal control environment could lead to material misstatements or potential risk of fraud.

Expenditures within authorised scope of work, but exceeding funds authorised

2.4.16 One of the key principles in NSIP is that “*no payments will be made in connection with common funded infrastructure projects unless work has been authorised by the Payments and Progress Committee [today the IC] in advance.*” (C-M(53)18 and AC/4-D/1070 (1987 Edition) and its addenda).

2.4.17 Four modified audit opinions in 2023 were due to expenditures presented in the cost statements that exceeded authorised funds. The total expenditures in excess of authorisations amounted to EUR 3.3 million (1% of total expenditures audited). We consider these expenditures non-compliant with NSIP regulations unless the Host Nation obtains additional funds authorisation from the IC. Furthermore, it is not in compliance with NSIP regulations to incur expenditures prior to authorisation from the IC and thereby to exceed the authorisations granted. If during the implementation of a project it becomes evident that project costs will change and exceed original authorisations, the Host Nation must inform the IC in a timely manner and seek an additional authorisation prior to incurring any additional expenditures.

Non-compliance with NSIP procurement and contracting regulations

2.4.18 This type of non-compliance relates to cases where the Host Nation did not conduct the contract award in accordance with what was authorised by the IC. For example, issuing a contract using a sole-source approach when the IC had authorised the issuance of the contract using international or national competitive biddings. No modified audit opinions in 2023 were due to non-compliance with the NSIP procurement and contracting regulations (two in 2022).

3. STATUS OF THE CLOSURE OF COMPLETED NSIP PROJECTS UNDER THE COUNCIL TASKING

3.1 In 2014, on the basis of an RPPB recommendation, Council tasked the IC to develop a plan with the objective of closing, by 30 June 2016, all existing completed NSIP projects (C-M(2014)0052). The purpose of the tasking was to reduce the significant backlog of NSIP projects physically implemented and completed by 2014, but not yet technically inspected and audited and the Host Nations not yet discharged from their responsibilities. This aimed to allow Host Nations to focus on ensuring that newly completed projects would be closed following agreed timelines. At the time, in 2014, 1,614 projects amounting to EUR 5.1 billion formed part of this Council tasking.

3.2 The Council tasking for closing the projects by 30 June 2016 was later extended until 2020 (C-M(2017)0030) and a further extension was granted by Council until end 2022 (C-M(2020)0045-AS1).

3.3 In 2023, the IC, through the RPPB, provided a report to Council on the achieved progress in response to the Council tasking to close the completed NSIP projects (PO(2023)0363). According to the report, the IC assessed the tasker as essentially complete: projects amounting to approximately 94% of the overall value of EUR 5.1 billion were either fully closed, audited but awaiting final discharge or submitted for audit. Council noted the report on 09 October 2023.

3.4 An overview of the evolution between December 2022 and December 2023 of the closing of physically completed NSIP projects that are part of the Council tasker is provided at Annex 2. At 31 December 2023, 358 projects amounting to EUR 2.3 billion still remain to be closed and Host Nations discharged from their responsibilities.

3.5 Out of these 358 NSIP projects, IBAN audited 162 projects (45%) totalling EUR 960 million in authorised funds and issued Independent External Auditor's Reports to Council, by delegation to the IC as of 31 December 2023. For these projects, the Host Nations have not yet been discharged from their financial responsibilities. For the remaining 196 projects, IBAN received an audit request for 165 projects with total authorised funds of EUR 1.1 billion. A number of these projects are planned for an audit in 2024 and the remaining projects will be scheduled for audit in future audit cycles. Table 4 below provides an overview of the status of projects completed at the end of 2014 not yet closed as of 31 December 2023.

Table 4: Status of projects completed at the end of 2014 not yet closed as of 31 December 2023

Overview	Not yet submitted for audit to IBAN	Submitted for audit to IBAN (1)		Audit reports issued per 31.12.2023 (not yet discharged)	Total
		Not yet audit ready	Audit ready		
Number	31	64	101	162	358
Value	248,798,440	396,180,110	701,149,808	959,785,863	2,305,914,221
Proportion	9%	18%	28%	45%	

Source: IBAN data

Notes

- (1) *In this group approximately 64 projects are pending JFAI acceptance. Therefore, the audit will be planned once the projects are technically accepted.*
- (2) *In 2024 as of 1 May, IBAN issued 23 audit reports covering 26 projects from this group.*

3.6 We noted that although Host Nations submitted projects for audit in order to comply with the Council tasking, in practice, not all projects were ready to be audited, as approximately 64 projects were pending JFAI acceptance and for some others the cost statements and the supporting documentation had not been prepared. Some Host Nations specifically requested IBAN to put on hold the audit, as more time was required to prepare the supporting documentation. In a few cases, projects had legal proceedings ongoing which prevents the Host Nations from presenting the projects for audit, as the final expenditures are not yet known.

3.7 In total, 327 NSIP projects (EUR 2.1 billion) out of the 358 projects outstanding (91%) have been either audited or submitted for audit. IBAN will schedule the audit of the remaining 31 NSIP projects totalling EUR 249 million, when they will be submitted for audit by Host Nations.

4. IMPLEMENTATION OF IBAN RECOMMENDATIONS FROM TWO SPECIAL REPORTS ON NSIP

4.1 Introduction

4.1.1 IBAN issued two Special Reports to Council on NSIP in 2020 and 2021:

- The Special Report on the new approach to NATO Security Investment Programme financial audits and its impact on accountability (IBA-A(2021)0047-REV1 and IBA-AR(2021)0002).
- The Special Report on NATO Security Investment Programme lump sum conversions (IBA-A(2020)0037 and IBA-AR(2020)0004);

4.1.2 The IC assessed these two Special Reports and agreed on a number of measures to improve compliance, transparency and accountability in closing out NSIP funded investment projects. These measures were reported to the RPPB which supported them and recommended Council to note the new measures (PO(2022)0118-AS1). The RPPB further recommended Council to note that more robust instruments would be needed should the new agreed measures not lead to visible progress by the end of 2022. The Council noted the RPPB report and its recommendations on 24 March 2022.

4.2 Special Report on the new approach to NATO Security Investment Programme financial audits and its impact on accountability

4.2.1 IBAN raised one recommendation in this Special Report recommending Council to develop and document a formal discharge procedure for NSIP, setting out roles and responsibilities of each party in the process. We also recommended establishing an annual reporting from the IC, through the RPPB, to Council on the discharge of Host Nations responsibilities granted by IC, on behalf of Council. Annex 3 provides more details on the actions taken by the IC to implement this IBAN recommendation.

4.2.2 Based on the IBAN recommendation, the IC invited the IS to develop and document a formal discharge procedure. According to PO(2022)0118-AS1, the IC agreed to develop this procedure no later than end 2022.

4.2.3 A formal discharge procedure is still currently under development by the IC. According to the IS, who is supporting the IC on this matter, formal and informal meetings in the IC have taken place to discuss a potential way forward on the discharge of NSIP projects. A draft 'Project Financial Closure and Host Nation Discharge Policy' is under discussion in the IC but lacks consensus for approval.

4.2.4 Since the adoption of the new audit approach in 2020, the IC proceeded with the discharge of Host Nations financial responsibilities in cases where IBAN issued unmodified audit opinions as well as for some NSIP projects where IBAN issued a modified audit opinion, for example due to expenditures outside authorised scope. For NSIP projects where IBAN issued modified audit opinions mainly due to non-compliance because of missing supporting documentation, the IC has not yet discharged the Host Nations from their financial responsibilities.

4.2.5 IBAN underlines the importance of implementing its recommendation to develop and document a discharge procedure. As stated in this Special Report, the overall purpose of public sector accounting and financial reporting is to provide financial information for decision-making and allow for the discharge of accountability. There are three key stakeholders: governance, management and the external auditors. Governance is responsible for discharging management from their responsibilities. Governance discharges management based on information from various sources, including input from management and independent assurance provided by the external auditor. These key corporate governance principles on financial reporting and accountability also apply to NSIP.

4.3 Special Report on NATO Security Investment Programme lump sum conversions

4.3.1 IBAN raised six recommendations in this Special Report. Annex 3 provides more details on the actions taken by the IC to implement these IBAN recommendations. One of the main recommendations related to the development of a compendium of applicable NSIP regulations, including the responsibilities as a Host Nation for implementing NSIP projects.

4.3.2 As stated in this Report, the NSIP regulations are laid down in various NSIP documents and IC management procedures approved by either the Council or the IC since the 1950's. There is currently no compendium with all applicable rules and regulations related to NSIP, including the responsibilities of a Host Nation for implementing NSIP projects.

4.3.3 Considering that the NSIP regulations are not laid down in one compendium, this may make it difficult for Host Nations to ensure that all regulations are being followed, especially considering the rotation of staff in Host Nations. There is therefore a risk that Host Nations are not fully aware of their NSIP regulatory responsibilities.

4.3.4 According to PO(2022)0118-AS1, the IC agreed that the IS should review the existing NSIP Manual from 2011, especially to reflect changes in roles and responsibilities arising from the 2018 agreed Governance Model. As of June, 2024, this work has not yet started. The NSIP Manual is a comprehensive guide on the NSIP developed by the IS for use by the wider NATO resource community. Neither the IC nor any other governing committee has approved the NSIP Manual. Moreover, the NSIP Manual does not include the actual NSIP regulations agreed at governance level (IC, RPPB or Council), which Host Nations are held accountable for complying with. We therefore believe that reviewing the NSIP Manual will not be sufficient and that it is important to develop and keep updated a single compendium of applicable regulations related to NSIP.

5. CONCLUSION

5.1 The IBAN audits of the NSIP expenditures presented in the cost statements resulted in 58% (33 out of 57) unmodified audit opinions in 2023. With respect to the modified audit opinions for the period 2023, 73% (24 out of 33) of them relates to non-compliance affecting only a part of the expenditures presented in the cost statements, 27% (9 out of 33) of the modified audit opinions for the same period were considered pervasive as the non-compliance affected all expenditures incurred for the project.

5.2 The main non-compliance finding in terms of impacted expenditures is due to missing supporting documentation (EUR 119.5 million for 39% of the modified opinion in 2023) such as signed contracts and amendments, including technical annexes detailing the scope of work, bidding documentation and invoices. Because of missing documentation, we could not reconcile and agree expenditures claimed to contracts signed, nor could we verify whether expenditures incurred were within the authorised scope of work.

5.3 A trend indicates that the older the project is, the higher the number of modified audit opinions there are. To that end, we issued modified opinions in 2023 for all projects (12/12) audited for which IC authorisations were granted prior to the year 2000. On the other hand, we issued no modified opinions for the audited projects authorised after 2020. It is important that Host Nations inform NATO as soon as the works are completed and ready for technical inspection and present the projects for audit following the agreed timelines. Having the technical inspection and the audit soon after the physical completion of the works following the IC agreed timelines may reduce the cases where the financial records and other project documentation are no longer available. It also increases the likelihood that the Host Nation personnel with knowledge of the project is available which may contribute to better accuracy of the cost statements presented for audit. We believe this may potentially result in decreasing the number of modified opinions we issue.

5.4 Strengthening internal controls within the Host Nations in order to ensure that expenditures presented for audit in the cost statement are complete and accurate is important, including maintaining adequate audit trails. A lack of an effective internal control environment could lead to misstatements, and ultimately to an elevated number of non-compliance with NSIP regulations found by the IBAN when conducting the audit.

5.5 We draw attention to our recommendations from two Special Reports to Council on NSIP issued in 2020 and 2021. In particular, we note that the development and documentation of a formal discharge procedure is still ongoing and we re-iterate the importance of finalising it at the earliest possible time. The development of one single compendium of applicable rules related to NSIP is also still pending. This compendium is important to ensure that Host Nations understand clearly their responsibilities for the implementation of NSIP projects from the planning phase until the final discharge from their responsibilities.

**EXPENDITURES PRESENTED IN COST STATEMENTS PER HOST NATIONS
(EUR)**

Host Nations	2023	2022
Belgium	-	19,034,005
Bulgaria	7,572,706	-
Czech Republic	7,244,390	-
Denmark	-	9,278,202
Estonia	-	1,990,408
France	-	17,553,543
Germany	40,535,393	8,022,972
Greece	61,175,467	-
Italy	-	24,045,786
NCIA	79,198,158	192,369,045
Netherlands	2,416,369	-
Norway	19,386,411	43,950,874
NSPA	-	24,276,205
Poland	11,718,119	38,422,362
Romania	8,794,180	890,742
SHAPE	20,453,667	26,513,220
Slovenia	18,737,814	-
Spain	-	7,720,466
Türkiye	37,772,541	70,742,511
Grand Total	315,005,215	484,810,341

Source: IBAN data

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**CLOSURE OF COMPLETED NSIP PROJECTS UNDER COUNCIL TASKING
NUMBER AND VALUE OF PROJECTS**

Host Nation	OPEN SUB-PROJECTS (1) 2022 (EUR)		OPEN SUB-PROJECTS (1) 2023 (EUR)		DIFFERENCE (number of projects)	% DIFFERENCE (value)
	No.	Value (2)	No.	Value (2)		
Belgium	8	46,799,114	6	37,796,832	-2	19%
Bulgaria	2	29,768,932	2	29,768,932	0	0%
Czech Republic	1	5,069,876	1	5,069,876	0	0%
Denmark	2	5,665,366	2	5,665,366	0	0%
France	2	14,728,780	2	14,728,778	0	0%
Germany	14	254,941,728	13	238,279,942	-1	7%
Greece	45	302,405,018	45	302,405,018	0	0%
Hungary	5	20,040,393	5	20,040,393	0	0%
Italy	34	351,033,540	34	351,033,540	0	0%
Latvia	1	12,502,964	1	12,502,964	0	0%
Lithuania	1	6,275,102	1	6,275,102	0	0%
Netherlands	1	21,476,341	1	21,476,341	0	0%
Poland	14	95,813,262	14	95,813,262	0	0%
Portugal	1	92,647	1	92,647	0	0%
Slovenia	3	23,587,842	3	23,587,842	0	0%
Spain	8	39,435,185	8	39,435,185	0	0%
Türkiye	56	366,514,677	56	366,514,677	0	0%
United Kingdom	8	45,793,160	8	45,793,160	0	0%
Sub-Total Territorial Host Nations	206	1,641,943,927	203	1,616,279,857	-3	2%
ACT	5	9,913,836	5	9,913,836	0	0%
NCIA	132	546,313,621	132	546,313,621	0	0%
NSPA	5	36,272,563	5	36,272,563	0	0%
SHAPE	14	97,150,588	13	97,134,344	-1	0%
Sub-Total NATO Bodies	156	689,650,608	155	689,634,364	-1	0%
Grand Total (3)	362	2,331,594,535	358	2,305,914,221	-4	1%

Source: IBAN data

Notes:

(1) Projects authorised before 2011 and physically completed by 2014, but not yet financially closed and discharged by the Investment Committee.

(2) Value based on authorised funds.

(3) According to a report to Council dated 12 October 2023 on the achieved progress in response to the Council tasking to close completed NSIP projects (PO(2023)0363), EUR 2.2 million or 346 sub-projects remain to be closed. The difference to the above table is mainly because IBAN included all open projects from the Slice Programme. These are not all included in the Council close-out tasking.

**ACTIONS TAKEN REGARDING THE IMPLEMENTATION OF IBAN
RECOMMENDATIONS FROM TWO SPECIAL REPORTS ON THE NSIP**

IBAN reviewed the implementation of recommendations raised in two Special Reports issued to Council and the actions taken by the Investment Committee:

- The Special Report on the new approach to NATO Security Investment Programme financial audits and its impact on accountability (IBA-A(2021)0047-REV1 and IBA-AR(2021)0002).
- The Special Report on NATO Security Investment Programme lump sum conversions (IBA-A(2020)0037 and IBA-AR(2020)0004).

The table below provides an overview of the actions taken by the Investment Committee to implement the recommendations.

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 where the implementation has started. The Closed status is used for recommendations that are closed because they have been implemented or have lapsed.

Special Report on the new approach to NATO Security Investment Programme financial audits and its impact on accountability (IBA-A(2021)0047-REV1 and IBA-AR(2021)0002)		
IBAN RECOMMENDATION	ACTION TAKEN	STATUS
<p>IBAN recommends Council to task the appropriate governance body to develop and document a formal discharge procedure regarding NSIP. This should include:</p> <p>a) Setting out roles and responsibilities of each party in the process. It should also cover situations where discharge of Host Nations may be refused, for example based on audit findings.</p> <p>b) Annual reporting, through the RPPB, to Council on the discharge granted by IC, on behalf of Council, to Host Nations. Such a reporting could include information on how many Host Nations were discharged in a year and, if it occurred, where discharge was refused.</p>	<p>The following measures were taken by the IC:</p> <p>a) The IC invited the International Staff to develop and document a formal discharge procedure. According to PO(2022)0118-AS1, the Committee agreed to develop this procedure no later than end-2022.</p> <p>Work is still on going to develop a formal discharge procedure.</p> <p>b) According to PO(2022)0118-AS1, the IC agreed to send its annual report to the RPPB prior to the RPPB and Military Committees joint annual report to Council. In addition, the IC agreed that future annual NSIP Financial Activity Reports should include information regarding which Host Nations were discharged from their responsibilities and which were not.</p> <p>The 2022 Annual Report on NATO Common Funding by the RPPB and MC</p>	<p>In-progress</p> <p>Closed</p>

Special Report on the new approach to NATO Security Investment Programme financial audits and its impact on accountability (IBA-A(2021)0047-REV1 and IBA-AR(2021)0002)		
IBAN RECOMMENDATION	ACTION TAKEN	STATUS
	includes a table with an overview of Host Nations discharge in 2022. In addition, the NSIP Financial Activity Report for 2022 published on the NATO website includes a table with an overview of completed projects (euro amounts) in 2022 and Host Nation discharge.	

Special Report on NATO Security Investment Programme lump sum conversions (IBA-A(2020)0037 and IBA-AR(2020)0004)		
IBAN RECOMMENDATION	ACTION TAKEN	STATUS
<p>IBAN recommends Council to task the appropriate governance body to:</p> <ol style="list-style-type: none"> Develop and regularly update a compendium of applicable rules related to NSIP, including the responsibilities as a Host Nation for implementing NSIP projects. This compendium should be widely communicated and be made available to Host Nations organisations. Put in place measures whereby the Host Nation formally confirms, for example with an acknowledgement letter, its responsibilities at every project level authorisation stage of the NSIP project cycle. This confirmation should cover the responsibility for implementing NSIP projects in accordance with NSIP Rules, and specifically for maintaining complete technical and financial project documentation and for presenting NSIP projects for technical inspection and audit within agreed timelines. 	<p>The following measures were taken by the Investment Committee:</p> <ol style="list-style-type: none"> No compendium of all applicable rules and regulations related to NSIP was developed. According to PO(2022)0118-AS1, the IC agreed that the IS should review the 2011 NSIP Manual, especially to reflect changes in roles and responsibilities arising from the 2018 agreed Governance Model. The NSIP Manual is a comprehensive guide on the NSIP developed by the IS for use by the wider NATO resource community. Neither the IC nor any other committee has approved the NSIP Manual. Moreover, the NSIP Manual does not include the actual NSIP regulations agreed at governance level (IC, RPPB or Council) which Host Nations are held accountable for complying with. According to PO(2022)0118-AS1, the IC expects Host Nations to follow the agreed timelines and adhere to the obligation to retain project documentation until a Host Nation is discharged from its responsibilities. As part of the implementation of the new Common Funded Capability Delivery Governance Model, the IC approved templates for project proposals and Type B cost estimates to be submitted by Host Nations. These templates include a 'Policy Compliance Statement' that the project proposal was developed in accordance with the 2018 agreed Council decisions on the Common Funded Capability Delivery Governance Model and RPPB operationalisation guidelines. The statement is to be 	<p>Open</p> <p>Closed</p>

Special Report on NATO Security Investment Programme lump sum conversions (IBA-A(2020)0037 and IBA-AR(2020)0004)			
IBAN RECOMMENDATION	ACTION TAKEN	STATUS	
<p>3. Require the NATO Agencies and Strategic Commands to adjust their archiving policies, so that they are fully aligned with the NSIP rules for retention of technical and financial project documentation for NSIP projects.</p> <p>4. Invite Territorial Host Nations to confirm that national rules are in line with NSIP rules for retention of financial records, to the greatest extent possible, for NSIP projects.</p> <p>5. Consider the feasibility of introducing a mechanism with a view to improving Host Nation accountability for timely project closure, whereby a part of the authorised project management funds for the project is withheld until the final project closure and discharge of the Host Nation. Such a mechanism would also need to consider situations where a Host Nation seeks a lump sum conversion.</p> <p>6. Ensure that all NSIP funded projects are subject to a financial audit, even in those cases where the documentation is lost or incomplete, and that the external auditor's opinion should be available prior to any decision by the IC on a potential lump sum conversion.</p>	<p>signed by the senior leadership of the Host Nation.</p>	In-progress	
	<p>3. The IC agreed to invite all Host Nations (including NATO Agencies and Strategic Commands) to confirm in a letter to the IC Chair by 31 March 2022 that their archiving policies are fully aligned with the NSIP rules. As of 1 April 2024, the two NATO Agencies have provided this confirmation but the two Strategic Commands have not. NATO Agencies and Strategic Commands must also follow the NATO Records Retention Schedules, which require documentation relevant for NSIP audits to be retained for 10 years from the date of the issuance of the external audit report.</p>		In-progress
		<p>4. The IC agreed to invite all Host Nations (including territorial Host Nations) to confirm in a letter to the IC Chair by 31 March 2022 that their archiving policies are fully aligned with the NSIP rules. As of 1 April 2024, 23 territorial Host Nations had provided this confirmation.</p>	Closed
		<p>5. The IC considered the feasibility of introducing a mechanism whereby a part of the authorised project management funds is withheld until final projects closure and discharge. The Committee was not in favour of such an approach. According to PO(2022)0118-AS1, several Nations indicated that they would have difficulty to agree to any measure that may involve the financial retention or de-authorisation of funds.</p>	Closed
		<p>6. Since the new audit approach was implemented in 2020, expenditures incurred on NSIP funded projects are subject to audit and the external auditor's opinion is available for the IC prior to any decision on discharge of Host Nations responsibilities. NSIP projects are submitted for audit regardless of whether the related supporting documentation is incomplete or missing. In addition, the IC agreed to no longer approve 'a posteriori' lump sum conversions.</p>	

Glossary of Terms

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

- An **unmodified opinion** is when IBAN issues an opinion on compliance of expenditures incurred in the cost statement and prepared by the Host Nation stating that nothing has come to our attention that causes us to believe that the expenditures incurred have not been carried out in compliance with the NSIP regulations in force.
- A **modified opinion** means one of the following:
 - ✓ IBAN issues an opinion on compliance of expenditures incurred presented in the cost statement and prepared by the Host Nation, stating that some elements of the cost statement are affected by a scope limitation, or that specific issues have come to our attention that causes us to believe that some expenditures incurred have not been carried out in compliance with the NSIP regulations in force.
 - ✓ IBAN issues an opinion on compliance of expenditures incurred presented in the cost statement prepared by the Host Nation, stating that the effect of an error, missing documentation or a disagreement is so pervasive and material that IBAN concludes that all expenditures incurred of the project have not been carried out in compliance with the NSIP regulations in force.
 - ✓ IBAN cannot express an opinion on the expenditures incurred because the cost statement is missing, the inherent documentation was intentionally not provided, or because the scope of the audit is severely limited due to material uncertainties affecting whether expenditures incurred have been carried out in compliance with the NSIP regulations in force.

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

- **Key Audit Matters** are those matters that, in IBAN's professional judgement, were of most significance in the audit of the expenditures presented in the cost statement. Key Audit Matters are addressed to Council.
- **Emphasis of Matter** is communicated if IBAN considers it necessary to draw attention to a matter related to expenditures presented in the cost statement that, in our judgement, is of such importance that it is fundamental to the understanding of the expenditures incurred and presented in the cost statement.

- **Other Matter** is communicated if IBAN considers it necessary to communicate a matter other than those related to expenditures presented in the cost statements that, in our judgement, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report. This may relate to additional expenditures not included in the cost statement.

List of Abbreviations/Acronyms

ACO	Allied Command Operations
ACT	Allied Command Transformation
A/E	Architect and Engineering
Council	North Atlantic Council
IBAN	International Board of Auditors for NATO
IC	Investment Committee
INTOSAI	International Organization of Supreme Audit Institutions
IS	International Staff
ISSAI	International Standards of Supreme Audit Institutions
NAE	National Administrative Expenses
NATO	North Atlantic Treaty Organisation
NCIO	NATO Communications and Information Organisation
NSIP	NATO Security Investment Programme
NSPA	NATO Support and Procurement Agency
RPPB	Resource, Policy and Planning Board
SHAPE	Supreme Headquarters Allied Powers Europe