

1<sup>st</sup>/2023 SCM

Subject No 12



**INTEGRATED AIR & MISSILE DEFENCE  
CENTRE OF EXCELLENCE**

Souda Air Base, 73100, Chania  
<https://www.iamd-coe.org>



**1<sup>st</sup>/2023 Steering Committee Meeting  
POINT PAPER**

<b>Our Ref:</b>	NU. 575	Tel.:	+302821440712
		NCN:	302 - 6154012
<b>Date:</b>	28 Jul 2023	E-mail:	info@iamd-coe.org

**TO:** See Distribution

**SUBJECT:** External Audit of IAMD COE Financial Statements for FYs 2020-2023  
(for Shared Budget of FYs 2021-2023)

**No:** 12

**REFERENCES:** A. IAMD COE Operational MOU, signed 08 April 2020  
B. IAMD COE DIR 60-01 Financial Administrative Procedures (FAPs), dated 04 October 2022 (Revision 2)

**PURPOSE:** SC to approve the conduct of external audit of the IAMD COE Financial Statements and Shared Budget Execution of previous Fiscal Years (FY).

**BACKGROUND:** Based on the par. 10.13 of Ref. A: *"The audit functions for the budget are performed as directed by the SC."* and, by extension, according to the provisions of par. 8 of Ref. B:

*"8.1 The SC determines the period and the body that shall perform an external audit of IAMD COE's financial statements in accordance with IAMD COE Operational MOU.*

*8.2 The audit will be conducted to achieve assurance that the financial statements are in accordance with the approved financial framework.*

*8.3 Audit report shall be provided to the SC accompanied with a statement made by the Director covering possible comments on the audit report and actions taken."*

Furthermore, it is noted that pursuant to the provisions of the Operational MOU, the FN covered all costs for establishment and operation of the Centre for FY 2020, and the FAPs govern only the financial administration of shared funds provided for the IAMD COE, with the FN support not being subject to them (par. 9.2 and 1.2.h of the MOU respectively).

At the end of this year, the Centre will have completed a 3-year period of implementation of its shared budget, as it is/will be presented through the respective Financial Statements (FS) of FYs 2020-2023 (for FY 2023 the FS will be issued by the end of March 2024).

NATO UNCLASSIFIED  
RELEASABLE FOR INTERNET TRANSMISSION

1<sup>st</sup>/2023 SCM

Subject No 12

ANALYSIS &

STATUS:

Taking into account the abovementioned provisions and the fact that shared funds have been provided to the Centre for three (3) years since its establishment, scheduling of an external audit is deemed necessary and worthwhile, considering the:

- a. Accountability and transparency of financial administration;
- b. Necessity to achieve a periodic audit of the Centre's FS (approx. every 3 years) in order to avoid any financial issues outstanding and to confirm/achieve a reasonable assurance by an independent auditor.

To this end, having also regard to the procedures followed by other COEs (given their financial position and figures) and the cost-effectiveness of such an audit, the Centre explored the possibilities of potential auditors, addressing both international audit firms of Chartered Accountants and the International Board of Auditors for NATO (IBAN). According to the responses received, the summary of availability, costs and details of audit services that can be provided are as follows:

AUDIT ENTITY  AUDIT DETAILS	Audit Body for NATO	Chartered Accountants	Chartered Accountants
	International Board of Auditors for NATO (IBAN)	Grant Thornton (GT) <i>7<sup>th</sup> largest accounting firm world-wide</i>	PricewaterhouseCoopers (PwC) <i>2<sup>nd</sup> largest accounting firm world-wide</i>
Availability to carry out the audit (when)	- <b>Not</b> available for 2024 - Possibility of including the IAMD COE in their audit schedule in future years (likely in 2026)	Whenever asked	Whenever asked
Location to carry out the audit (where)	With <b>physical</b> presence on Centre's premises		Only <b>remotely</b>
Capability to carry out the audit based on the Centre's financial framework (what)	<b>Full</b> audit [ <b>capability</b> of auditing IAW International Public Sector Accounting Standards (IPSAS), as applied from the IAMD COE]		<b>Not full</b> audit [ <b>no capability</b> to provide full audit IAW applicable standards (IPSAS)]
Breakdown of procedures to be performed and outcomes indicatively (what)	<ul style="list-style-type: none"> <li>- Performing procedures to obtain audit evidence about the amounts and disclosures in <b>all</b> FS</li> <li>- Obtaining <b>reasonable assurance</b> that the FS are free from material misstatement and errors</li> <li>- Evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made</li> <li>- Evaluating the <b>overall</b> presentation of the FS including procedures established, keeping of accounting books, planning and the implementation of an adequate internal controls system, etc.</li> <li>- Delivering Auditor's Report expressing an opinion on the FS to ascertain the extent to which the IAMD COE FS present fairly, in all material respects, the financial position of the Centre, and the results of its operations</li> </ul>		<ul style="list-style-type: none"> <li>- Performing of <b>limited</b> "Agreed-Upon Procedures" audit</li> <li>- Tracing and agreeing only the Budget Execution Statement &amp; Cash and Cash Equivalents</li> <li>- Tracing and agreeing limited number of the supporting documentation of <b>specific</b> number of invoices/contracts (for 30 respective payments)</li> <li>- Delivering Auditor's Report based on data audited only</li> </ul>
Audit Fees for FY 2020-2023 Shared Budget of FY 2021-2023 (cost)	≈ <b>18.000 - 28.000 €</b> (range of 10.000 € was proposed to provisionally budgeted, if required, depending on audit findings)	≈ <b>8.000 - 9.000 €</b> (6.800 € audit fees and 1.200-2.200 € est. travel/accommodation costs of auditors, depending on the time period of the physical presence of the audit)	≈ <b>19.500 €</b> (6.500 € audit fees per year audited - not including FS of FY 2020)

NATO UNCLASSIFIED

1<sup>st</sup>/2023 SCM

Subject No 12

Considering the quotations collected from these entities, the amount of annual IAMD COE Shared Budget and the need to establish an external audit for the Centre on the basis of cost-effectiveness and efficiency, the following are concluded:

- a. An audit from IBAN might be selected, however their non-availability of carrying out the audit in short-term and the amount of fees constitute significant limiting/negative factors;
- b. The proposed audit from PricewaterhouseCoopers (PwC - the 2<sup>nd</sup> largest accounting firm world-wide) is overly limited to specific data in conjunction with a high estimated fee billing (for the services offered, as compared to the other prices quoted);
- c. An audit from Grant Thornton (GT - the 7<sup>st</sup> largest accounting firm world-wide) is considered the most efficient, both in operational and financial terms, and seems to harmonise with the needs of the Centre effectively.

It should be noted that the offers received from the abovementioned entities have been collected in the context of market survey/pre-solicitation conferences, and any final selection (especially regarding private sector firms) will be a result of an Invitation For Bidding and award procedure according to FAPs.

FINANCIAL  
CONSIDERATIONS  
& FUNDING:

In case of approval of conducting the proposed audit, financial obligations will arise owing to audit fees with the contracted entity. The respective estimated (in average) amount (≈8.500 €) has been budgeted in the (drafted/proposed) Shared Budget for FY 2024.

RECOMMENDATIONS  
& DECISION:

The SC members are requested to unanimously approve (in accordance with the provisions of par. 4.3 - 10.13 of Ref. A and 8.1 of FAPs):

- a. The external audit of IAMD COE FS of FYs 2020, 2021, 2022 and 2023 in conjunction with the respective Shared Budget execution for FYs 2021, 2022 and 2023.
- b. Carrying out the audit within the year 2024.
- c. The selection of the external audit entity among Chartered Accountants of international firms of recognised standing, based on cost-effectiveness criteria and the procurement process according to FAPs.

FOR THE IAMD COE:



B. Gen (OF-6) Nikolaos KOKKONIS GRC (AF)  
IAMD COE Director

Disclaimer: This is a document of the Integrated Air & Missile Defence Centre of Excellence (IAMD COE). It is produced for specific motives with regard to the IAMD COE Program of Work and does not necessarily reflect the notions of NATO or the Participating States of IAMD COE.

NATO UNCLASSIFIED  
RELEASABLE FOR INTERNET TRANSMISSION

1<sup>st</sup>/2023 SCM

Subject No 12

DISTRIBUTION (via e-mail if not otherwise stated)

External

Action: IAMD COE SC Members

Information: -

Internal

Action: FINCON

Information: DIRECTOR  
DEPUTY DIRECTOR