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



**IFB FINCON 24-02
External Audit
of Annual Financial Statements
of FYs 2020-2023**

**PART III
SPECIAL PROVISIONS & TECHNICAL SPECIFICATIONS
(STATEMENT OF WORK)**

April 2024

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1.1 The current Statement of Work (SOW) delineates the specific provisions and requirements that the Contractor must fulfill for the requested services, also outlining the responsibilities of both contracting parties that must be undertaken as prerequisites for the audit services requested.

2. Requirements - Prerequisites

2.1 The audit of the IAMD COE annual Financial Statements (FSs) shall be conducted in accordance with the International Standards on Auditing to ascertain the extent to which the FSs present fairly, in all material respects, the financial position, the financial performance, the cash flows, and changes in equity/net assets of the IAMD COE for the Fiscal Years (FYs) 2020-2023:

2.1.1 For the Centre's Shared Budget execution regarding the FYs 2021-2023¹.

2.1.2 Pursuant to the International Public Sector Accounting Standards (IPSAS) as they have been adopted by NATO and implemented by the IAMD COE².

2.2 The audit is slated to occur at the IAMD COE's premises during June 2024, commencing on the 3rd of this month as the designated starting date, albeit subject to potential adjustments upon mutual agreement between the Centre and the Contractor. It is imperative that the audit is successfully concluded within the specified timeframe delineated herein, as per the details outlined in paragraph 5.1 below. The Contractor is entitled to submit a written request to the IAMD COE seeking access to accounting databases and supporting files remotely, prior to the aforementioned starting date. This proactive measure is intended to enhance preparation, facilitate proceedings, and expedite the audit process beyond the conventional in-person provision of audit services at the Centre's premises.

2.3 Without prejudice to par. 2.2, given the complexities and sensitivities associated with the audit process at the IAMD COE's premises, not all supporting documentation may be accessible remotely in electronic form. This limitation can arise due to various factors such as security classifications, non-releasability or limited releasability of certain documents, and operational confidentiality aimed at protecting NATO's and the Centre's interests. These restrictions may also extend to database web security limitations that prevent the sharing of entire documentation sets electronically. Therefore, while the Contractor is entitled to seek remote access to accounting databases and supporting files, it is essential to recognise that certain documents may only be available during the auditors' physical presence at the IAMD COE's premises for in-person audit process.

¹ In accordance with the provisions of IAMD COE Operational MOU, Section 9: "9.1. *The Participants are responsible for the net-expenditures (expenditures minus revenues) necessary for the operation of the IAMD COE. Costs eligible for sharing are outlined in Annex D. 9.2. Without prejudice to 9.1, the FN covers all costs for establishment and operation of the IAMD COE for fiscal year 2020.*", the IAMD COE FSs of FY 2020 are under audit only for the figures that refer to the subsequent FY (2021); therefore, the budget execution for FY 2020 [totally funded by the Framework Nation (Greece)] is not under audit.

² NATO Accounting Framework (NAF) / Appendix 1 of Annex 1 of C-M(2016)0023/21 April 2016.

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In cases where security and confidentiality considerations prohibit the sharing of specific supporting documentation, the auditors will conduct a thorough records audit based on the information and confirmations provided by the Centre. The auditors will work closely with the Centre's representatives to ensure that all relevant and permissible information is made available to facilitate a comprehensive audit process while respecting the necessary confidentiality and security protocols in place.

2.4 The Contractor shall plan and execute the audit to obtain reasonable assurance that the FSs are free from material misstatement and errors. This process involves conducting procedures on a sample basis to gather audit evidence regarding the amounts and disclosures presented in the FSs. The specific procedures chosen will be depended on the auditor's professional judgment, which includes assessing the risks of material misstatement in the FSs, whether due to fraud or error³. Additionally, the audit will encompass evaluating the appropriateness of the accounting policies utilised and the reasonableness of accounting estimates made by the IAMD COE, as well as scrutinising the overall presentation of the FSs.

2.5 In the context of the audit to be conducted, the IAMD COE remains accountable and responsible for:

2.5.1 The preparation of FSs that accurately and comprehensively reflect the financial position, operational results and cash flows of the Centre for its shared budget and period under audit. This includes implementing appropriate accounting principles, maintaining accurate accounting records in compliance with legal requirements, and establishing and maintaining an effective internal control system. This system should ensure the reliability of financial information produced and prevent significant misstatements or omissions due to fraud or error.

2.5.2 Providing auditors with access to all relevant information necessary for the preparation of FSs. This includes supporting files, additional information required for auditing purposes, and unrestricted access to the Centre's officers, communicating with whom will be deemed necessary in order to obtain any audit evidence required.

2.5.3 Undertaking the obligation to put at the auditors' disposal all data and information necessary promptly and willingly for the performance of their services.

2.5.4 Ensuring the full administrative and operational support of the auditors' engagement team during the conduct of their work.

2.5.5 Directly informing the auditors' engagement team for any events that may affect the Auditors' Report of the statutory audit of FSs, and which may come to the acknowledgement or/and attention of the Centre within the period between the end of the FYs under the audit and the date the Report will be issued.

³ It is mutually accepted that due to the sampling nature of audits and inherent limitations within accounting and internal control systems, there exists a risk that material misstatements or omissions may not be detected. The primary objective of the external audit requested is to form and express an opinion on the FSs rather than to specifically detect and disclose discrepancies or errors which is under internal control, audit and review processes of the Centre. However, any such findings encountered during the audit process shall be duly reported.

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2.6 The auditors engaged by the Contractor are required to issue the "Auditors' Report" upon completion of the audit, adhering to relevant auditing standards and guidelines provided by the respective Institute of Certified Public Accountants within their jurisdiction. The format and content of this report may be subject to adjustments based on audit findings. Should modifications be necessary, a draft of the revised report will be submitted to the IAMD COE for acknowledgment, to be included in the "Representation Letter". It is important to note that prior to issuing the Audit Opinion, the auditors will request written confirmations from the IAMD COE regarding representations made during the audit process. These confirmations will be documented separately to ensure clarity and accuracy in the audit reporting process.

2.7 The audit shall be conducted by executives from the Contractor who possess specialised expertise in audit matters and are registered as Certified Public Accountants. Should there be any changes to the engagement team, the new members must meet comparable formal qualifications and practical experience standards to those of the departing members. To fulfill these services, the Contractor may, at its discretion, engage specialised collaborators, utilise resources from other firms, or involve third-party companies. These entities will assume equivalent responsibilities, including those pertaining to sub-contractors as outlined in par. 20 of Part II of this IFB. However, the Contractor maintains sole responsibility to the Centre for the delivery of audit services as the Contract to be concluded hereunder.

2.8 The Contractor, both as an entity and including the individuals comprising the engagement team, must maintain complete independence from the IAMD COE. This includes having no relationships of any kind, engaging in no transactions, and holding no financial interests that would impede their ability to act as auditors, as dictated by the ethical standards of chartered accountants and the Code of Ethics of the International Federation of Accountants. In the event that a situation arises where the Contractor's independence is at risk, whether as a firm or through its individual employees, it is obligated to implement all necessary measures to mitigate the threat to an acceptable level or eliminate it.

3. Administrative Support and Communication Protocol

3.1 The IAMD COE commits to providing the necessary infrastructure and ensuring compliance with applicable health and safety regulations during the Contractor's engagement team's stay at its premises. The Centre will facilitate access and provide the required infrastructure (such as stationery, telecommunications, office space - workstation including desktop or laptop device, etc.) for the smooth execution of the audit services.

3.2 Upon the Contractor's request, the IAMD COE may provide, at no cost, a vehicle with a driver for the transfer of auditors between Chania city centre and the IAMD COE's premises during the days of physical presence required for the audit.

3.3 An "Exit Closing Meeting", which may include lunch or dinner based on the auditors' schedule and availability, will be hosted/provided by the IAMD COE at the auditors' discretion. This meeting will provide a platform for the auditors and the Centre's relevant stakeholders to review and discuss the summary of audit findings, conclusions, and recommendations, facilitating a comprehensive understanding of the audit outcomes and ensuring effective communication of any follow-up actions or

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resolutions required.

3.4 Both parties shall comply with appropriate technical and organisational measures to maintain the confidentiality and security of information and protect personal data, both physically and electronically, including measures for secure archives, electronic communications, accesses, and connections.

3.5 All communications related to the audit process shall be conducted in English. However, by mutual agreement between the auditors' engagement team and the Centre's FINCON, communications may also be conducted in Greek to facilitate audit-related matters. In order to ensure consistency and clarity in the documentation produced as outcomes of the audit, all official documents resulting from the audit process, including but not limited to the Auditors' Report, Representation Letter, official written confirmations, and reports, shall be delivered by both parties in English.

4. Publication and Publicity

4.1 Mutual Consent for Use of Name

Either party is permitted to use the other party's name in any publication or publicity material, provided that such use is preceded by an advance written notification to and consent from the other party.

5. Delivery Time - Deadline

5.1 The audit shall commence in June 2024 as per par. 2.2 above, with the delivery of Auditors' Report and Audit Opinion to be concluded/delivered not later than 50 days after the designating starting date of the audit subject to the provisions of the following par. 5.2, 5.3 and 5.4.

5.2 The IAMD COE and the Contractor acknowledge that the audit engagement may encounter delays due to audit findings and factors beyond the control of the auditors' engagement team. These factors may include scenarios such as delays in the Centre's officers providing necessary data or reporting information, as well as delays or failures in their cooperation or assistance as outlined in the Contract and any subsequent Agreement to be concluded hereunder or in accordance with effective fair practice. In such instances, the Contractor shall not be held accountable for resulting delays or service suspensions. The Contractor reserves the right to notify the IAMD COE about any lack of collaboration from its staff that hinders the provision of services. If the situation persists without improvement, the Contractor has the right to terminate this Agreement at its discretion, due to the liability of the IAMD COE.

5.3 In the event that a restatement of the IAMD COE's FSs becomes necessary, subsequent to obtaining assent from the Centre's competent officers, the IAMD COE may submit a proposal to the Centre's Participating Nations for approval of such restatement. In this case, a period of 30 days shall be added to the initially specified deadline for the delivery of the Auditors' Report and Audit Opinion. This extension accounts for the additional time required to address any restatement approval process.

5.4 In addition to the afore-mentioned provisions, the IAMD COE reserves the

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right to request a rescheduling of the contractual delivery date in situations involving major operational requirements arising from the execution of its Programme of Work. These situations encompass instances where there are significantly serious reasons that objectively render a timely response impossible from the Centre's side to auditors' requirements. In such cases, the IAMD COE will promptly notify the Contractor of the need for rescheduling, providing a detailed explanation of the circumstances necessitating this change. In case a rescheduled delivery date is agreed upon due to such reasons, following negotiation and agreement with the Contractor, the delivery timeline will be extended accordingly.

5.5 Both parties will not be liable for any delay that might arise under the implementation of the audit engagement or failure of its completion, should it be due to "force majeure" circumstances as outlined in par. 14.4 of Part II.

5.6 If the Contractor fails to deliver the requested services within the timeframe specified above, it may pay the IAMD COE (after a documented decision of the IAMD COE Director) liquidated damages of the respective services based on the provisions and considering any exemptions according to the Article 218 of Hellenic Law No 4412/2016, and par. 14 of Part II of this IFB.

6. Clause on Provision for Supplementary Funding

6.1 This clause outlines the conditions under which supplementary funding, not exceeding a maximum of 10% of the original contract award value, may be authorised. Such discretionary funding is designated to address urgent, unforeseen requirements crucial for the successful completion of the audit services, including mainly potential further (in addition to them initially agreed) costs to be incurred for the purpose of conducting the engagement requested, such as travel and accommodation costs, etc..

6.2 The aggregate supplementary funding under this provision shall not exceed an additional 10% of the original entire Contract value, ensuring fiscal discipline to maintain budgetary compliance and project scope integrity throughout the Contract to be concluded hereunder.

6.3 The Contractor is required to submit a detailed and substantiated request for supplementary funding, outlining the unforeseen necessities and their relevance to the audit's core objectives.

6.4 Each request for additional funding will undergo a thorough assessment by IAMD COE on a case-by-case basis. The approval of any supplementary funding is solely at the discretion of IAMD COE and is contingent upon the justification of the request, its alignment with the project's overarching goals, and the availability and cost-effectiveness of the additional funds required.

6.5 Following the approval of supplementary funding, the terms of allocation and the disbursement schedule will be mutually negotiated and formally incorporated into the original contract through an amendment. This amendment will specify the details of the supplementary funding arrangement, ensuring compliance with the contract and promoting fiscal accountability.

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