



NORTH ATLANTIC COUNCIL  
CONSEIL DE L'ATLANTIQUE NORD

**NATO UNCLASSIFIED**

28 November 2025

**DOCUMENT  
PO(2025)0336-AS1**

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS OF THE DEFENCE  
INNOVATION ACCELERATOR FOR THE NORTH ATLANTIC (DIANA)**

**ACTION SHEET**

On 28 November 2025, under the silence procedure, the Council noted the RPPB decision and the IBAN Audit Report, and approved the public disclosure of the 2024 Financial Statements of DIANA, the associated IBAN Audit Report and the RPPB decision.

(Signed) Mark RUTTE  
Secretary General

NOTE: This Action Sheet is part of, and shall be attached to PO(2025)0336.

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20 November 2025

**DOCUMENT**  
**PO(2025)0336**  
**Silence Procedure ends:**  
**28 Nov 2025 – 15.30**

To: Permanent Representatives (Council)

From: Secretary General

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS OF THE  
DEFENCE INNOVATION ACCELERATOR FOR THE NORTH ATLANTIC (DIANA)**

1. I attach the Resource Policy and Planning Board (RPPB) decision and recommendation to Council on the International Board of Auditors for NATO (IBAN) Audit Report on the 2024 resubmitted Financial Statements of the Defence Innovation Accelerator for the North Atlantic (DIANA).

2. I do not believe this issue requires further discussion in Council. Therefore, **unless I hear to the contrary by 15.30 on Friday, 28 November 2025**, I shall assume that Council has noted the RPPB decision and the IBAN Audit Report, and approved the public disclosure of the 2024 Financial Statements of DIANA, the associated IBAN Audit Report and the RPPB decision.

(Signed) Mark RUTTE

1 Annex  
2 Enclosures

Original: English



**RESOURCE POLICY AND PLANNING BOARD**

**IBAN AUDIT REPORT ON THE 2024 FINANCIAL STATEMENTS OF THE  
DEFENCE INNOVATION ACCELERATOR FOR THE NORTH ATLANTIC (DIANA)**

**DECISION**

Reference: IBA-A(2025)0077

(IBAN Audit Report)

The Resource Policy and Planning Board:

1. Considered the IBAN Audit Report on the 2024 Financial Statements of the Defence Innovation Accelerator for the North Atlantic (and the entity's comments) for which IBAN issued an unqualified opinion on the resubmitted Financial Statements and on compliance, with three observations that do not impact the audit opinion;
2. Supports the IBAN's recommendations addressing the observations and recommends to Council to approve the public disclosure of the 2024 Financial Statements for the DIANA, and the associated IBAN Audit Report.



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

Brussels - Belgium



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IBA-A(2025)0077  
26 August 2025

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

Cc: NATO Permanent Representatives  
Chair, Board of Directors, Defence Innovation Accelerator for the North Atlantic  
Managing Director, Defence Innovation Accelerator for the North Atlantic  
Financial Controller, Defence Innovation Accelerator for the North Atlantic  
Chair, Resource Policy & Planning Board  
Branch Head, Resource Management Branch, NATO Office of Resources  
Private Office Registry

Subject: ***International Board of Auditors for NATO (IBAN) Audit Report on the audit of the Defence Innovation Accelerator for the North Atlantic's (DIANA) Financial Statements for the year ended 31 December 2024 – IBA-AR(2025)0016***

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

IBAN's report sets out an unqualified opinion on the Financial Statements of the Defence Innovation Accelerator for the North Atlantic (DIANA) and on compliance for financial year 2024.

Yours sincerely,

Sébastien Lepers  
Chair

Attachments: As stated above.

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**Summary Note for Council  
by the International Board of Auditors for NATO (IBAN)  
on the audit of the Financial Statements of the  
Defence Innovation Accelerator for the North Atlantic (DIANA)  
for the year ended 31 December 2024**

The Defence Innovation Accelerator for the North Atlantic (DIANA) is instructed to accelerate civil-military emerging and disruptive technological solutions to critical transatlantic defence and security challenges, leveraging existing elements from NATO nations and NATO bodies and guided by relevant NATO Strategies and Frameworks. DIANA expenses in 2024 amounted to EUR 24.5 million (EUR 9.4 million in 2023).

IBAN issued an unqualified opinion on the Financial Statements and on compliance for the year ended 31 December 2024. IBAN made three observations and recommendations. These observations do not impact the audit opinion on the Financial Statements and on compliance:

1. Need to strengthen internal controls over the preparation of the financial statements.
2. Need to ensure full compliance with the NATO Financial Regulations regarding DIANA's sound financial management of funds allocated to Innovators.
3. Instances of non-compliance with the NATO Civilian Personnel Regulations, and DIANA's Charter and Directives regarding recruitment.

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

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

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IBA-AR(2025)0016

26 August 2025

**INTERNATIONAL BOARD OF AUDITORS FOR NATO**

**AUDIT REPORT ON THE FINANCIAL STATEMENTS OF THE  
DEFENCE INNOVATION ACCELERATOR FOR THE NORTH ATLANTIC**

**(DIANA)**

**FOR THE YEAR ENDED 31 DECEMBER 2024**

**PUBLICLY DISCLOSED - PDN(2025)0068 - MIS EN LECTURE PUBLIQUE**

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

The International Board of Auditors for NATO (IBAN) has audited the Financial Statements of DIANA, for the 12-month period ended 31 December 2024, issued on 31 March 2025 and resubmitted to IBAN on 27 June 2025. These Financial Statements comprise the Statement of Financial Position as at 31 December 2024, the Statement of Financial Performance, the Statement of Changes in Net Assets/Equity and the Statement of Cash Flow, for the 12-month period ended 31 December 2024, including a summary of significant accounting policies and other explanatory notes. In addition, the Financial Statements include a Budget Execution Statement for the 12-month period ended 31 December 2024.

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

**Basis for Opinion on the Financial Statements**

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

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

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

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

**Management's Responsibility for the Financial Statements**

Management's responsibility for the financial statements is laid down in the NFRs. The Financial Statements of 2024 are drawn up in accordance with accounting

requirements and reporting standards consistent with the NATO Accounting Framework as approved by the Council. The Financial Controller is responsible for submitting the Financial Statements for audit to IBAN not later than 31<sup>st</sup> March following the end of the financial year.

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's



internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

## ***Compliance***

### **Opinion on Compliance**

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

### **Basis for Opinion on Compliance**

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

We believe that the audit evidence we have obtained is sufficient and appropriate to

provide a basis for our opinion.

### **Management's Responsibility for Compliance**

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

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

### **Auditor's Responsibilities for Compliance**

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

This responsibility includes performing procedures to obtain independent assurance about whether funds have been properly used for the settlement of authorized expenditure and whether they have been used in compliance with the regulations in force. Such procedures include consideration of the risks of material non-compliance.

Brussels, 26 August 2025



Sébastien Lepers  
Chair

**OBSERVATIONS AND RECOMMENDATIONS**

IBAN made three observations and recommendations. These observations do not impact the audit opinion on the Financial Statements and on compliance:

1. Need to strengthen internal controls over the preparation of the financial statements.
2. Need to ensure full compliance with the NATO Financial Regulations regarding DIANA's sound financial management of funds allocated to Innovators.
3. Instances of non-compliance with the NATO Civilian Personnel Regulations, and DIANA's Charter and Directives regarding recruitment.

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

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

## **1. NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF FINANCIAL STATEMENTS**

### **Reasoning**

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

1.2 Article 6 of the NATO Financial Regulations (NFRs) requires the Financial Controller to exercise the responsibility of budgeting, accounting and reporting activities of the NATO entity. This includes being responsible for the financial internal control system established, and for the preparation of the Financial Statements in accordance with the NAF.

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

## Observations

1.4 IBAN identified material misstatements during the audit of the DIANA Financial Statements first submitted to IBAN on 31 March 2025, as described below. These misstatements were corrected in the resubmitted Financial Statements submitted to IBAN on 27 June 2025.

1.5 The initially submitted 2024 DIANA Financial Statements contained a material misstatement due to an incorrect disclosure in Note 19 of the Cash Flow Statement. Specifically, loan proceeds of approximately EUR 10 million were presented under the "Cash Flow from Financing Activities" category, despite no such proceeds being received in 2024. The correct amount for loan proceeds under this category should have been zero, not EUR 10 million. This error was appropriately corrected in the resubmitted 2024 DIANA Financial Statements.

1.6 IBAN also identified the following non-material errors that were corrected in the resubmitted 2024 DIANA Financial Statements:

- a) The reversal of accruals amounting to approximately EUR 0.2 million was initially incorrectly recognised directly in accumulated surplus (deficit) within Net Assets, instead of being reflected in the current year surplus as a change in accounting estimate.
- b) A currency conversion error related to cash and cash equivalents held in GBP and USD led to an understatement of cash and cash equivalents by approximately EUR 0.1 million. This was correctly addressed in the resubmitted Financial Statements.
- c) The recognition of an account payable for services to be rendered in 2025, amounting to EUR 14,467, led to an overstatement of 2024 contractual supplies and services expenses by the same amount. This was also appropriately corrected in the resubmission.

1.7 In addition to the above, IBAN identified further non-material errors that were either not corrected or incorrectly corrected in the resubmitted 2024 DIANA Financial Statements:

- a) The correction of item (a) above was inaccurately addressed by reclassifying the amount directly within Net Assets, between accumulated surplus and current year surplus. However, the adjustment should have been reflected as a reduction in current year contractual supplies and services expenses in the 2024 DIANA Statement of Financial Performance, offset by a corresponding decrease in accruals within Payables in the 2024 DIANA Statement of Financial Position.
- b) The resubmitted 2024 DIANA Financial Statements include an overstatement of contractual supplies and services expenses by EUR 36,882. This amount

related to an advance payment should have been recognised as a prepayment in the DIANA Statement of Financial Position, rather than as an expense in the Statement of Financial Performance.

1.8 The above misstatements demonstrate the need to ensure adequate processes are in place for the preparation, review and reporting of the Financial Statements to avoid material misstatements or disclosure errors.

## Recommendations

1.9 IBAN recommends that DIANA strengthen internal controls over the preparation of the financial statements to provide a reasonable basis for obtaining assurance that the financial statements are in compliance with the NATO Accounting Framework and NATO Financial Regulations.

## 2. NEED TO ENSURE FULL COMPLIANCE WITH THE NATO FINANCIAL REGULATIONS REGARDING DIANA'S SOUND FINANCIAL MANAGEMENT OF FUNDS ALLOCATED TO INNOVATORS

### Reasoning

2.1 IBAN conducted a review of the expenses arising from the Defence Innovation Accelerator for the North Atlantic (DIANA) funding agreements with private sector Innovators to assess their compliance with the NATO Financial Regulations (NFRs). The review focused on ensuring that the disbursement and use of funds adhered to the sound financial management principles outlined in the NFRs, including efficiency, accountability, and transparency. This process involved assessing whether the funds were used for their intended purposes, whether appropriate financial oversight and reporting mechanisms were in place, and whether DIANA's management of the funds aligned with the compliance requirements for sound financial management.

2.2 According to Article 2 of Section II of the DIANA Charter:

*“The following principles guide DIANA in accomplishing its mandate:*

*[...]*

*g. Flexible. DIANA's Executive management body (DX) is afforded a high degree of flexibility and freedom to operate.*

*[...]*

*j. Efficient. DIANA's financial management takes into account sustainability, affordability and accountability, and shall respond to needs arising from this Charter.”*

2.3 According to Article 26.s of Section VIII on the Organisation and Responsibilities of the DIANA Executive Functions:

*“[...] s. The DX draws up the necessary implementing regulations for financial assistance in compliance with the NATO Financial Regulations (NFRs), DIANA’s Financial Rules and Procedures (FRPs) and supporting directives for notation by the BoD. [...]”.*

2.4 According to Section I of the NFRs and DIANA Financial Rules and Procedures (FRPs):

*“The following FRPs align with the core principles described in the Charter. In particular, it aims to grant the DIANA Executive (DX) agility, flexibility and a dynamic ability to adapt to successfully complete Challenge Programmes and empower the innovative ecosystem of the Alliance. The DX is responsible to perform efficient financial management, ensuring affordability, sustainability and accountability of public funds. This document provides the DX with the required operational flexibility whilst ensuring proper oversight by the DIANA Board of Directors PO(2022)0147.”*

2.5 According to Article 3.1 of the NFRs on Responsibility and Accountability:

*“The Secretary General, the Supreme Commanders and the other Heads of NATO bodies are responsible and accountable for sound financial management and shall put in place the necessary governance arrangements to ensure and maintain this. This shall include, but is not limited to, the establishment and maintenance of financial governance, resource management practices, internal controls and financial information systems to achieve the efficient and effective use of resources.”*

2.6 According to Articles 4.1 and 4.2 of the NFRs on Financial Management:

*“4.1 Activities undertaken by NATO bodies shall be conducted in accordance with an integrated financial management process that includes the following instruments:*

*[...]*

*(c) Regular performance reports on financial management;*

*(d) Regular financial execution reports; [...]”*

*4.2 The financial administration of NATO bodies must be based on clear delegations of authority and ensure the most cost efficient, cost effective and economic use of resources incorporating the following principles:*

*(a) propriety; (b) sound governance; (c) accountability; (d) transparency; (e) risk management and internal control; [...] (h) fraud prevention and detection.”*

2.7 According to Article 12 of the NFRs on Internal Control:

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*“12.1 The Secretary General, the Supreme Commanders, subordinate commanders by delegation and the other Heads of NATO bodies shall ensure the necessary internal management functions are in place to support effective internal control, designed to provide reasonable assurance that the NATO body will achieve its objectives in the following categories:*

*(a) safeguard assets; (b) verify the accuracy and reliability of accounting data and records; (c) promote operational efficiency; and (d) compliance with established managerial and command policies.*

*12.2 In order to meet the desired internal control standards the Financial Controller shall:*

*(a) establish a system of internal financial and budgetary control, embracing all aspects of financial management including transactions for which appropriations have been approved and those funded from such non-appropriated fund accounts as they may authorise within their jurisdiction;*

*(b) designate and formally delegate authority to officials who may disburse and receive funds on their behalf;*

*(c) establish and maintain comprehensive accounting records of all assets and liabilities.*

*12.3 Internal control activities shall include, but not be limited to:*

*(a) segregation of duties;*

*(b) avoidance of conflicts of interests;*

*(c) adequate audit trails and data confidentiality, integrity and availability in information systems;*

*(d) procedures for monitoring of performance and for follow-up of identified internal control weaknesses and deviations from the procedures laid down in the internal control system;*

*(e) periodic assessment and review of the risk and the sound functioning of the internal control system; (f) formal approval process and authorisation for transactions.”*

2.8 According to Article 2 of DIANA FRP XXXII on General Procurement Policy:

*“Challenge Funding, Grants, Prizes, and activities undertaken pursuant to the DIANA Charter paragraphs 26.b-f, 27.b, 43.a, 47, or 48 are not subject to this FRP XXXII; they are subject to separate approved regulations and procedures.”*

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2.9 DIANA selects innovators based on their proposed solutions and invites them to join the DIANA Challenge Programme (often referred to simply as the DIANA Programme). These innovators sign a framework agreement to become “DIANA Innovators”.

2.10 Selected innovators then enter the Accelerator Programme, which is delivered in two distinct phases (Phase 1 and Phase 2). Across these two phases, DIANA Innovators can access DIANA’s test centre network to test, evaluate, verify and validate their solutions against end-user needs. All DIANA Innovators, as part of the DIANA Challenge Programme, work to have their solutions adopted by end-users across NATO Bodies and NATO Allies.

2.11 Innovators selected to join Phase 1 of DIANA’s Accelerator Programme receive contractual funding of EUR 100,000 to continue the iteration (refining and improving) of their proposed solution in response to the Challenge. At the end of Phase 1, a competitive down-selection takes place and a selected number of DIANA Innovators will move forward to Phase 2 of DIANA’s Accelerator Programme.

2.12 Selected DIANA Innovators may receive additional funding of up to EUR 300,000 to further iterate and demonstrate their solution, develop transition strategies, and work with investors and end users to identify pathways to adoption.

2.13 DIANA has developed Regulations and Procedures related to Grants and Challenge Funding which includes Testing, Evaluation, Verification, and Validation (TEVV) funding. These procedures were approved by the DIANA Board of Directors (BoD), and DIANA developed funding agreements that should be aligned with these regulations and procedures.

2.14 According to Article 2 of the DIANA Phase 1 Grant Agreement on the Agreement Purpose:

*“2.2. The Parties agree that the Innovator is expected to use the payment to effectively participate in Phase I and work on the iteration of their proposed solution which is potentially capable of meeting the needs specified in the Challenge. [...]”*

2.15 According to Article 3 of DIANA Phase 1 Grant Agreement on Funding:

*“3.1. DIANA will provide EUR 100,000.00 payment towards iteration of the proposed Solution during the Funding Period, which will be paid in full thirty (30) days after signature of this Phase I Agreement.*

*3.2. The “Funding Period” is six (6) months from the date of the Accelerator Kick Off, which will be communicated to the Innovator. Any changes to the Funding Period shall be mutually agreed as an amendment to this Phase I Agreement.*

*3.3. This Phase I Agreement does not guarantee any additional funding or funding for subsequent periods after the end of the Funding Period. [...]”*



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2.16 According to Article 4 of the DIANA Phase 1 Grant Agreement on Reporting:

*“4.1. The Innovator shall produce at least one report (“Report”) no later than one (1) month after expiry of the Funding Period, unless DIANA expressly authorises a later date. The Report shall describe progress made [during] the Funding Period. This shall contain, but is not limited to, self-assessment against main achievements and description of advancements made in the Technology Readiness Level, defence application underlying the Challenge and commercial viability of the proposed Solution.[...]”*

2.17 In addition, DIANA Phase 1 grant agreements include a provision related to further funding for the co-development, testing, evaluation, verification and validation (i.e.: TEVV) of solutions developed by Innovators. This grant agreement provision states on paragraph 3.4 that *‘[...] DIANA may provide the opportunity for the Innovator to obtain additional payment in form of reimbursement in whole or in part, for costs of TEVV activities conducted to inform iteration of the proposed Solution. [...]’*

2.18 According to Article 2 of the TEVV funding agreement on the Purpose and Discharge of the Funding:

*“[...] 2.1 TEVV funding will be paid within 30 calendar days after conclusion of this Agreement to the Recipient for payment of TEVV costs in full in the amount [...], as indicated in Annex 1.*

2.2 *The TEVV funding must be used for TEVV activities outlined in Annex 1.*

2.3 *Recipient agrees and undertakes to deliver the following documents not later than 30 calendar days after conclusion of the testing activities outlined in Annex 1:*

(a) *Proof of payment for TEVV activities outlined in Annex 1;[...]*

2.19 According to Article 5.4 of the DIANA Procedure for Issuing TEVV Grants, which was approved by the DIANA Board of Directors (BoD):

*“5.4. Reporting*

*Thirty days after completion of the TEVV activities, the DIANA Innovator will submit a report to the TEVV Grant Committee on the TEVV activities and the usage of allocated funds.*

*If the DIANA Innovator has failed to conduct the TEVV activities, or the respective Test Centre does not confirm that the TEVV activities have taken place, the TEVV Grant Committee has the right to demand repayment of the grant.*

*As part of its Annual Report, the DX will report on the usage of TEVV Grants by DIANA Innovators.*

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*All costs related to the TEVV Grants will be part of the annual financial statements that will be audited during the IBAN's annual audit."*

2.20 According to DIANA Phase 2 Grow Agreement Articles on Funding and use of Grow Funding:

### **"3. FUNDING**

*3.1. DIANA agrees to pay the Innovator the funding specified in Section 3.3, subject to the Innovator's full compliance with the terms and conditions of this Agreement.*

*3.2. Grow Funding provided under this Agreement to the Innovator is for the purpose of the Innovator implementing the Grow Thesis (the "Project").*

*3.3. The funding to the Innovator under this Agreement shall be in the total amount of EUR 300,000 (three hundred thousand euros), distributed in two payments:*

*3.3.1. First payment of EUR 150,000 (one hundred and fifty thousand euros) within two (2) weeks after the effective date of the Agreement;*

*3.3.2. Second payment of EUR 150,000 (one hundred and fifty thousand euros) within two (2) weeks after 1st of December 2024 if the milestones listed in Section 7.2 are met.*

### **4. USE OF GROW FUNDING**

*4.1. The Innovator accepts full responsibility for the proper use and administration of all Grow Funding provided under this Agreement and agrees to utilise such funding solely for the purpose of implementing the Project. The Innovator shall further the goals and activities outlined in the Project.*

*4.2. The Innovator acknowledges that DIANA's agreement to provide Grow Funding is limited to the amount, period, and purposes specified in this Agreement. In case of termination, Section 18.4 shall apply to the funding. [...]*

### **5. REPORTING**

*5.1. DIANA's Authorised Representative (or Representatives, when required) is responsible for engaging with the Innovator during Grow in order to tailor specific activities to the furthering of the Innovator's Project and goals. DIANA will assign an Authorised Representative to the Innovator seven (7) days after the start date of the Grow. Each Party will notify the other if it is necessary to change their authorised representative.*

*5.2. The Innovator is required to submit regular progress reports detailing their advancements, challenges, and achieved milestones during the Grow Period. The*

*format and regularity of such reports will be introduced by the DIANA Authorised Representative. [...].”*

## Observations

2.21 In 2024, DIANA awarded EUR 7.4 million under 74 Phase 1 Grant Agreements, EUR 3 million under 10 Phase 2 Grow Agreements, and approximately EUR 1 million in TEVV funding to Innovators selected for Phase I of the Challenge Programme.

2.22 IBAN found that under both the Grant and Grow funding arrangements, DIANA disbursed funds in advance without requiring Innovators to justify expenditures or provide financial reports that reconcile with accounting records, including at a minimum, a business plan execution analysis. This situation demonstrates weaknesses in internal control that prevent DIANA from ensuring the efficient and effective use of resources allocated to Innovators.

2.23 Both agreements place the responsibility for the proper use of funds on the Innovator and do not include an audit clause. DIANA's oversight role is primarily limited to monitoring technical progress with Innovators. There are no specific requirements for financial oversight mechanisms, such as expenditure verification, cost substantiation, or the submission of a financial reports. As such, DIANA does not actively monitor or verify the financial execution of the funds it disburses.

2.24 Regarding TEVV funding, IBAN found that, according to the DIANA Procedure on TEVV funding and the related agreements, Innovators are required to submit both technical progress details of the TEVV activities and evidence demonstrating how the allocated funds were used, along with proof of payment for these activities. However, with regard to the evidence supporting the use of allocated TEVV funds, the only documentation provided consists of invoices issued by the Innovators to DIANA, matching the amounts specified in the TEVV funding agreements. No supporting documentation, such as invoices from the testing centres or proof of payment, were submitted by the Innovators to DIANA, despite the fact that TEVV funding is intended to be based on actual costs and reimbursed accordingly.

2.25 The above situations related to TEVV funding do not fully align with paragraph 5.4 of the DIANA BoD-approved Procedure on TEVV funding, which stipulates that *“Innovators will submit a report to the TEVV Grant Committee detailing [...] the use of allocated funds”* nor with paragraph 2.3 of the TEVV funding agreements, which requires Innovators to provide proof of payment for TEVV activities. This situation is not fully in compliance with the requirements of Article 12.1 of the NFRs, which mandates the establishment of effective internal control systems to safeguard assets.

2.26 In IBAN's view, the above situations indicate weaknesses in internal control that prevent DIANA to ensure the effective and efficient use of resources allocated to Innovators, and are not fully in compliance with the NFRs, specifically Articles 3.1, 4.1, 4.2, and 12, as well as the DIANA Financial Rules and Procedures, which state that

*“the DX is responsible for performing efficient financial management, ensuring affordability, sustainability, and accountability of public funds.”* These provisions collectively require NATO bodies to establish and maintain appropriate governance arrangements, internal control, and financial reporting arrangements to ensure sound financial management. This includes adherence to the principles of propriety, transparency, accountability, effective risk management, and the prevention and detection of fraud, with the overarching aim of ensuring the efficient and effective use of funds.

2.27 More specifically, DIANA's current funding arrangements with Innovators is not fully aligned Article 12.1 of the NFRs, which requires, among other elements, the establishment of effective internal control systems designed to safeguard assets, verify the reliability of accounting records, promote operational efficiency, and ensure compliance with established policies.

2.28 While DIANA is granted operational flexibility under its Charter and Financial Rules to support agile innovation, this flexibility should be exercised within the overarching NFRs principles of sound financial management. The advance disbursement of funds without any requirement for justification of financial execution, cost verification, or submission of supporting documentation constitutes a non-compliance with the financial oversight principles set out in the NFRs. If not addressed, this may lead to elevated risks of mismanagement, misuse of funds, and/or potential fraud.

### **Recommendations**

2.29 IBAN recommends that DIANA fully comply with Articles 3.1, 4.1, 4.2, and 12 of the NATO Financial Regulations (NFRs) regarding the management and oversight of funding provided to Innovators. This could be achieved by:

- a) Requiring Innovators to submit interim and final financial reports reconcilable with accounting records, including, at a minimum, a business plan execution analysis when appropriate, detailing the actual use of funds to ensure the efficient and effective use of resources, as required by NFRs Articles 3.1, 4.1(c), 4.1(d), and 4.2;
- b) Conducting verifications by DIANA or its authorised representatives to review Innovators' financial records upon request, and considering the inclusion of an audit clause in funding agreements, thereby reinforcing internal control and accountability regarding asset safeguarding and the accuracy of financial data, as outlined in NFRs Articles 12.1, 12.2, and 12.3;
- c) Considering making the disbursement of funds in tranches contingent upon the timely submission and satisfactory review of financial reports and supporting documentation;

- d) Ensuring that innovators submit reports on the use of allocated funds for Testing, Evaluation, Verification, and Validation (TEVV) in accordance with the DIANA Procedure on TEVV funding. Additionally, ensuring that TEVV costs claimed by innovators are supported by invoices or, at a minimum, payment evidence from testing centres, in line with the funding agreement provisions, to comply with Article 12.1 of the NFRs;
- e) Establishing internal procedures to assess, validate, and follow up on financial reports submitted by Innovators, ensuring continuous monitoring of financial execution in compliance with NFRs Article 12.3, including audit trails and risk assessments.

### 3. INSTANCES OF NON-COMPLIANCE WITH THE NATO CIVILIAN PERSONNEL REGULATIONS AND DIANA'S CHARTER AND DIRECTIVES REGARDING RECRUITMENT

#### Reasoning

3.1 On the 1 April 2022, the North Atlantic Council approved the Charter of the 'NATO Defence Innovation Accelerator for the North Atlantic' (DIANA). In this Charter, Paragraph 4 states that *'The DIANA Executive (DX), led by DIANA's Managing Director, manages DIANA activities to achieve its mandate, executing the Allied-approved Strategic Direction through Challenge Programs. These Challenge Programs enable technological breakthroughs and help deliver adoptable solutions to critical defence and security challenges, addressing, in part, the key military needs of operational end users.'*

3.2 In DIANA's Charter, the functioning of DIANA is described in Appendix 1 through Challenge Programs which are broken into 4 Phases. Challenge Managers are crucial parts of most of the phases and for the success of the Program as a whole.

3.3 For Phase 1, Paragraph 6 of Appendix 1 reads *'Each Program will be developed by a DIANA 'Challenge Manager'. [...] The Challenge Manager is responsible for ensuring that Challenge Programs are only conducted if there is strong potential for adoption across a number of Allies (or by NATO), if they support the dual-use intent, and if the solutions are likely to be commercially viable. [...] Upon approval, the Challenge Manager will launch a call for solutions proposed by innovators from across the Alliance [...].'*

3.4 For Phase 2, Paragraph 7 of Appendix 1 stresses the role of the Challenge Managers by stating *'The selection of innovators would be run by the Challenge Managers [...].'*

3.5 For Phase 3, Paragraph 8 of Appendix 1 states *'DIANA Challenge Managers will select the most promising solutions to continue to the next phase.'*

3.6 In section VIII of Annex 2 of DIANA's Charter, there is a description of the responsibility of DIANA's executives.

3.7 Paragraph 23g establishes that the Managing Director *'[...] delegates budgetary and financial authority over Challenge Programs to the respective Challenge Manager in charge.'*

3.8 Paragraph 25i, which describes the roles of Challenge Managers, describes that they *'are hired directly as NATO International Civilians.'*

3.9 Challenge Managers are key positions in DIANA as established per DIANA's charter. Challenge Programs are one of the main activities at DIANA, and the role of Challenge Managers throughout these programs are explained on Appendix 1 of the Charter. On section VIII of Annex 2 of DIANA's Charter, it is explained that Challenge Managers are delegated budgetary and financial authority by the Managing Director.

3.10 As per Annex 2 of the DIANA charter, section VIII paragraph 22 *'The DX is led by a Managing Director and two Deputy Directors and consists of civilian and military personnel who are citizens of NATO nations.'*

3.11 Paragraph 24 further elaborates on their roles and state that *'The Deputy Directors are one uniformed military Flag Officer/General Officer and one NATO International Civilian.'*

3.12 The NATO Civilian Personnel Regulations (NCPRs) are the personnel rules applicable to all NATO International Civilians (NICs), Consultants and Temporary personnel. Section B of the Preamble establishes the definitions of each category:

*'(c) International civilian personnel, staff, or members of the staff -means personnel of a NATO body recruited from among the nationals of members of the Alliance and appointed to the Organization and assigned to international posts appearing on the approved establishment of that NATO body.'*

*(d) Consultant - means a recognized expert or specialist engaged, normally from among nationals of the members of the Alliance, to serve in an advisory capacity not provided for by the establishment approved for the NATO body concerned.'*

*(e) Temporary personnel or temporary staff - means personnel engaged from among nationals of the members of the Alliance to satisfy temporary requirements of the Organization (e.g. to replace members of the staff who are absent, to undertake tasks temporarily in excess of the capacity of the establishment approved for the NATO body concerned, to ensure that the personnel establishment can be managed in a flexible way and necessary work requirements can be sustained during reorganizations).'*

3.13 This means that temporary staff and consultants are not "Members of the Staff" as per the NCPRs.

3.14 Article 12.1.1, Chapter IV, of the CPRs explains that *‘Members of the staff of NATO bodies exercise functions of an international character in the common interest of the NATO countries. They are subject to the authority of the Head of the NATO body employing them and are assigned to their duties by that individual: they are answerable to the Head of the NATO body for the performance of these functions and for compliance with all applicable NATO rules and regulations.’*

3.15 Article 80 of the CPRs extends the article above to temporary personnel as well by stating *‘The provisions of Chapter IV of the Rules governing members of the staff (Part I of these Regulations) shall, unless otherwise decided by the Head of the NATO body, be applicable to temporary personnel.’*

3.16 DIANA Executive directive (DXD) 01.02, applicable as of 18 September 2023, establishes the rules for the recruitment, selection and appointment of NATO International Civilian Staff. In paragraph 6.6.2 it states that *‘The Chairperson of the panel must hold a NIC grade, equal to or higher than the one being recruited, and all voting panel members must also hold a NIC grade. This entails that temporary staff, VNCs, interns and consultants cannot be the Chairperson or a voting panel member.’*

3.17 The directive also states on Article 6.7.6, that *‘Appointments to posts shall be made by the Managing Director in accordance with the authority vested in them by the North Atlantic Council (NAC), the Charter of the NATO Defence Innovation Accelerator for the North Atlantic (DIANA), and the NCPRs. The Managing Director may delegate in writing this authority. The Sr. HRBP also holds delegated authority from the Managing Director to appoint candidates to NATO Grades G1-G14, G16, G18, G19.’*

3.18 This directive was noted by the International Staff Advisory Panel on Administration on 14 September 2023 and approved by the DIANA Board of Directors on the 9 October 2023.

3.19 The NCPRs explain in Article 2 who has the right to appoint staff by stating that *‘Appointments to posts shall be made by the Heads of NATO bodies in accordance with the authority vested in them by the North Atlantic Council.’*

## Observations

### Non-compliance in DIANA’s NICs recruitment

3.20 IBAN reviewed 39 Decision Sheets related to NIC position recruitments within DIANA for employees in 2024. IBAN identified four NATO Temporary Staff who participated in recruitment panels as voting members, holding positions as Chief Operating Officer, Head of Office, Challenge Manager, and Legal Counsel. These NATO temporary staff took part as voting members in eight recruitment panels, resulting in 14 unique NIC appointments. This practice is not compliant with Article 12.1.1, Chapter IV, of the NCPRs and paragraph 6.6.2 of the DXD 01.02, which stipulates that all voting members must hold a NIC grade.

3.21 In addition, IBAN found that, in seven instances, the DIANA Managing Director appointed a Temporary Staff member or a Contractor to approve decisions made by the Chair of the recruitment panel. Although no regulation explicitly grants such individuals vetting authority, requiring their approval despite not being staff members could be construed as involving them in the recruitment decision-making process. This practice is not fully aligned with DXD 01.02, which states that temporary personnel should not be involved in decisions related to NIC recruitment, as well as Article 12.1.1 of the CPRs, which provides that only NICs are responsible to the Head of the NATO Body and exercise functions of an international character. Temporary Staff, as stated in DXD 01.02 and provided by Article 80 of the CPRs, do not have the authority at DIANA to take decisions on behalf of the DIANA Managing Director. This restriction is even more strict for contractors, who are not bound by the NCPRs and are therefore not authorised to make decisions on behalf of the Head of NATO Bodies.

3.22 Furthermore, IBAN found that Article 6.7.6 of the DXD 01.02 allows the delegation of candidate appointments to the DIANA Senior Human Resource Business Partner. This is not compliant with Article 2 of the CPRs, which grants appointment authority exclusively to the Heads of NATO Bodies. IBAN identified three instances in which the DIANA Managing Director did not formally appoint selected candidates, with appointments instead made solely by the DIANA Senior Human Resource Business Partner.

#### Non-alignment of DIANA Board of Directors' decisions with the DIANA Charter

3.23 Finally, IBAN found that throughout 2024 there were several instances of DIANA Board of Directors' (BoD) decisions which were not fully aligned with the established DIANA Charter approved by the North Atlantic Council. The instances were as follows:

- a) One Temporary Staff member held the position of Challenge Manager from 1 March 2024 to 30 June 2025, while another Voluntary National Contribution (VNC) served in the same role from 12 December 2022 to 30 April 2024. The VNC post as Challenge Manager was approved on the 29 May 2024 by the DIANA BoD through AC/346-D(2024)0021-FINAL. This is not in line with Section VIII of Annex 2 of DIANA's Charter, paragraph 25(i), which specifies that Challenge Managers should be "*hired directly as NATO International Civilians.*"
- b) Two VNCs were appointed as Military Deputy Directors for North America and Europe respectively, approved by DIANA BoD decisions AC/346-D(2024)0018-AS1 and AC/346-D(2024)0019-AS1 on 29 May 2024. These are not in line with Annex 2 of the DIANA Charter, section VIII paragraph 24, which states that there should be only two Deputy Directors, one civilian and one military.



**Recommendations**

3.24 IBAN recommends that DIANA fully comply with Articles 2 and 12.1.1 of the NATO Civilian Personnel Regulations (NCPRs), as well as with the DIANA Executive Directive 01.02 on the recruitment, selection, and appointment of NATO International Civilian (NIC) Staff by:

- a) Ensuring that all voting members on recruitment panels are NICs, and that no approvals recorded on NIC Recruitment Decision Sheets are made by temporary staff or contractors, in accordance with Article 12.1.1 of the NCPRs and paragraph 6.6.2 of DIANA Executive Directive 01.02;
- b) Ensuring that Challenge Managers are hired as NICs, as required by DIANA's Charter;
- c) Ensuring that appointments to posts are made solely by the DIANA Managing Director, in accordance with Article 2 of the NCPRs;
- d) Implementing the above recommendations by amending Article 6.7.6 of the DIANA Executive Directive 01.02, and ensuring consistency and alignment across other DIANA Executive Directives concerning the roles and responsibilities of non-NATO Members of the Staff with the NCPRs;
- e) Ensuring alignment between the DIANA Charter, approved by the North Atlantic Council, and the decisions taken by the DIANA Board of Directors.

## FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS

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

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

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p><b>(1) DIANA FY 2023</b>  <b>IBA-AR(2024)0029, paragraph 2.23</b></p> <p><b>NEED TO ENSURE FULL COMPLIANCE WITH THE PRINCIPLES OF PROCUREMENT AND CONTRACTING OF THE NATO FINANCIAL REGULATIONS</b></p> <p><b>IBAN's Recommendation</b>  IBAN recommends that DIANA ensure full compliance with Article 32 of the NATO Financial Regulations regarding procurement and contracting principles, specifically concerning the approval of deviations from the strict application of competitive bidding rules by:</p> <p>a) Conducting, when appropriate, formal procurement consisting of International Competitive Bidding for all procurement actions exceeding Level D of the EFL in accordance with Article 5 of FRP XXXII;</p> <p>b) Requesting in a timely manner, when appropriate, formal approval from the relevant governing body or finance committee of waivers to deviate from the strict application of competitive bidding rules in accordance with Article 13 of FRP XXXII. Such request should include relevant information, such as the contractual amount, period, method of procurement, and a</p>	<p>a) IBAN did not come across any instances of non-compliance with Article 5 of FRP XXXII during the course of the audit.  <b>Closed.</b></p> <p>b) IBAN reviewed the 2024 procurement actions that deviated from the strict application of competitive rules issued in 2024 and found that all of them were supported by waivers in accordance Article 13 of FRP XXXII.  <b>Closed.</b></p>	<p>Observation  <b>Closed.</b></p>

OBSERVATION / RECOMMENDATION	ACTION TAKEN BY AUDITEE	STATUS
<p>clear rationale for the deviation, referencing relevant operational, efficiency, economic, or technical reasons;</p> <p>c) Properly documenting the approval of deviations from the strict application of competitive bidding by the relevant governing body, ensuring such approvals are recorded in the DIANA Board of Directors and/or Finance Committee Decision Sheets as appropriate in accordance with Article 2 of FRP XXXII.</p>	<p>c) IBAN noted that deviations from the strict application of competitive bidding were appropriately documented in contract files in accordance with Article 2 of FRP XXXII, including records of decisions by the DIANA Board of Directors and/or the Finance Committee, where applicable. <b>Closed.</b></p>	
<p><b>(2) DIANA FY 2023</b> <b>IBA-AR(2024)0029, paragraph 1.8</b></p> <p><b>NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS</b></p> <p><b>IBAN's Recommendation</b> IBAN recommends that DIANA strengthen internal controls over the preparation of the financial statements to provide a reasonable basis for obtaining assurance that the financial statements are in compliance with the NATO Accounting Framework and NATO Financial Regulations.</p> <p><b>(3) DIANA FY 2022</b> <b>IBA-AR(2023)0023, paragraph 1.9</b></p> <p><b>IBAN's Recommendation</b> IBAN recommends that DIANA establish internal controls over the preparation of the financial statements to provide a reasonable basis for obtaining assurance that financial statements are free from material misstatements by ensuring compliance with the NATO Accounting Framework and NATO Financial Regulations.</p>	<p>IBAN identified a material misstatement in the 2024 DIANA Financial Statements first submitted to IBAN for audit. These prior years recommendations are maintained in progress, as IBAN has continuously identified material misstatements as from the 2022 DIANA Financial Statements. <b>In-Progress.</b></p>	<p>Observations <b>In-Progress.</b></p>

**DEFENCE INNOVATION ACCELERATOR FOR THE NORTH ATLANTIC (DIANA)  
FORMAL COMMENTS ON THE AUDIT REPORT AND THE INTERNATIONAL  
BOARD OF AUDITORS (IBAN) POSITIONS**

**OBSERVATION 1:  
NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF  
FINANCIAL STATEMENTS**

***DIANA's Formal Comments***

*Agreed.*

*DIANA agrees with the IBAN recommendation to strengthen the internal controls over the preparation of the financial statements.*

*DIANA recognises the importance of correcting material misstatements that may affect understanding of the Financial Statements readers and therefore resubmitted the 2024 Financial Statement.*

*The Office of Financial Controller (OFC) is refining its set of end of year internal control procedures.*

*The OFC will continue to strengthen internal controls over the preparation of the financial statements.*

**OBSERVATION 2:  
NEED TO ENSURE FULL COMPLIANCE WITH THE NATO FINANCIAL  
REGULATIONS REGARDING DIANA'S SOUND FINANCIAL MANAGEMENT OF  
FUNDS ALLOCATED TO INNOVATORS**

***DIANA's Formal Comments***

*Agreed, with respect to Recommendations (a), (b), and (c).*

*The DIANA Executive will augment future agreements with Innovators to require additional financial reporting specific to the use of DIANA provided contractual funding during Phase 1 and Phase 2 of the programme, as applicable. The DIANA Executive will also incorporate the review and validation of this reporting into its existing Innovator monitoring structures and make the continuation of the Innovator's status as a "DIANA Innovator" under the Innovator's framework agreement with DIANA contingent on such reporting.*

*The DIANA Executive anticipates that the reporting requirements will be more specific and substantial for Phase 2 Innovator Challenge Funding, as the funding provided during Phase 1 (currently EUR100,000) is expected to be*

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*utilised primarily by the Innovator to attend and participate in the intensive programming of the DIANA Challenge Programme Phase 1. Participation and performance is carefully tracked and monitored, and Innovators are subject to exclusion for failure to participate. Furthermore, eligibility to compete for Phase 2 funding is contingent on this performance, so DIANA already embeds a requirement to track compliance with the expected use of funds for Phase 1 into the Phase 1 Programme. Therefore, breaking up funding in tranches is also inappropriate for Phase 1 but is appropriate for Phase 2, as explained below.*

*For Phase 2, funding is contingent on each selected proposal articulating a proposed use of the funding, and thus performance in Phase 2 is tied more specifically to use of the funds. Funds are also provided in tranches consistent with performance benchmarks. Additional financial reporting imposed in connection with the above recommendations by IBAN will be based on this existing requirement. The DIANA Executive notes that in Phase 2, each Innovator works closely with DIANA Executive personnel and accelerator personnel to implement a set of goals and milestones. Therefore, practically, each Innovator's progression of their solution, consistent with the Phase 2 Agreement, has been monitored during the programmes already run, in compliance with the NATO Financial Regulations. However, the DIANA Executive accepts IBAN's recommendation to formalise specific financial reporting as an element of the Innovator's overall reporting requirements in Phase 1 and Phase 2, and will do so.*

*Agreed, with respect to Recommendation (d).*

*DIANA has developed a Procedure related to Testing, Evaluation, Verification, and Validation (TEVV), approved by the DIANA Board of Directors (BoD), which governs the eligibility and funding modalities for TEVV funding.*

*As a matter of practice, DIANA has been accepting innovator issued invoices as "proofs of payment" provided the test report is submitted and accepted by DIANA, as it provides evidence that agreed TEVV activities were conducted.*

*Agreed, with respect to Recommendation (e), DIANA will incorporate financial review into its performance review of innovators, as described in detail above.*

### **OBSERVATION 3: INSTANCES OF NON-COMPLIANCE WITH THE NATO CIVILIAN PERSONNEL REGULATIONS AND DIANA'S CHARTER AND DIRECTIVES REGARDING RECRUITMENT**

#### **DIANA's Formal Comments**

*Agreed, with a comment under observation (b).*

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- (a) Yes, with respect to recommendation (a). The DIANA Executive acknowledges that Directive 01.02 stipulates that NICs will be voting members of recruitment panels. Given that DIANA, as of late 2024, has a sufficiently staffed post-establishment, only NICs have participated as voting members of panels since 1 January 2025, and the DIANA Executive commits to ensuring this practice going forward. DIANA also acknowledges that the assignment of any hiring approvals to contractor personnel is not consistent with the NCPRs, and notes that no hiring panels had contractor personnel as voting members, and no final appointments were signed by contractor personnel.

However, as noted in the Reasoning above, Article 80 of the NCPRs applies Article 12.1.1 of the NCPRs to Temporary Staff (“the Rules governing members of the staff (Part I of these Regulations) shall, unless otherwise decided by the Head of the NATO body, be applicable to temporary personnel”). Thus, Article 80 requires that, under Article 12.1.1, temporary staff also “exercise functions of an international character in the common interest of the NATO countries. They are subject to the authority of the Head of the NATO body employing them and are assigned to their duties by that individual: they are answerable to the Head of the NATO body for the performance of these functions and for compliance with all applicable NATO rules and regulations.”

This is consistent with the definition of temporary staff which, as noted above, are defined as “personnel engaged from among nationals of the members of the Alliance to satisfy temporary requirements of the Organization (e.g. to replace members of the staff who are absent, . . .” If temporary staff are contemplated to replace members of absent staff, and Article 12.1.1 is applied to them via Article 80, then these provisions reasonably support that the NCPRs permit the Head of the NATO body to assign duties to personnel that would be undertaken by “members of the staff who are absent” including the temporary authority to support in hiring, where such assignment is justified by the circumstances.

When DIANA was established as a NATO body on July 1, 2023, only the Managing Director was a NIC. The organisation was staffed entirely by temporary personnel and VNCs. Thus, in order for the organisation during standup to function, reliance on these provisions to ensure temporary staff could exercise functions of an international character in the common interest of NATO countries was essential.

Reflecting this, the DX Temporary Staff Directive which was approved by the NATO AP on 6 June 2023 (DIANA Executive Directive 01.04; approved by AP under APWP(2023)0010), recognised that the Managing Director would have the authority to permit temporary personnel to sit on hiring panels, as essentially the entire organisation needed to be hired:

*Temporary staff are not permitted to have a decisionmaking role in personnel*

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*and financial matters. They will not take part in recruitment panels unless in the role of a non-voting technical advisor or expert. They will not sign official forms, approve invoices, or evaluate bids for Contract Awards. If such functions shall nevertheless be carried out by the temporary personnel, this must be clearly stipulated in the contract and explicitly stated by the Managing Director.*

*The DIANA Executive respectfully requests that this Directive is taken into account in the reasoning by IBAN above. (The DIANA Executive also notes that although this Directive was not submitted to the Board for approval, the DIANA Charter does not require Board approval of HR implementing Directives.)*

*Notwithstanding the Temporary Staff Directive, however, given that the DX is now staffed by NICs, any circumstances of relying on temporary staff to support hiring ended prior to 2025, and all personnel matters going forward are managed and approved by NICs at DIANA.*

- (b) With respect to recommendation (b), the DX offers the following comment. While the DIANA Charter states in Paragraph 25.i that “Challenge Managers are hired directly as NATO International Civilians” it does not necessarily exclude the augmentation of DIANA’s Challenge Manager ranks with additional Challenge Managers hired on a VNC or temporary basis, subject to ensuring consistency with the NCPRs regarding the delegation of authorities with respect to financial and HR matters that accompanies the responsibilities of Challenge Managers outlined in the Charter.*

*In other words, relying on VNC and temporary Challenge Managers to support the technical and defence requirements of DIANA’s challenge programmes, while deferring any delegation of financial or HR authorities, is not inconsistent with either the Charter or the NCPRs. This also is consistent with the direction provided by the Allies in terms of how VNCs augment DIANA’s Post Establishment – the staffing plans approved by the DIANA Board of Directors expressly include VNC Challenge Manager support (AC/346-D(2024)0019).*

*Particularly given the need to tie end user and capability driven efforts for adoption into Challenge Programmes, restricting the ability for VNCs to support DIANA as Challenge Managers would undermine DIANA adoption efforts. Indeed, the first two DIANA Challenge Managers, who were critical and without whom DIANA would not have run its first set of Challenges in 2023, were VNC and temporary personnel. Therefore, the DIANA Executive will also recommend that the Charter is amended to clarify this need, and expressly reference non-NIC Challenge Manager support. (c). Yes, with respect to recommendation*

- (c) The DIANA Executive acknowledges that a strict reading of the NCPRs requires the Managing Director to formally “appoint” all personnel and that this*

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*is historically understood by IBAN to require a physical signature on an “appointment” document. However, the DIANA Executive also notes that this is a ministerial matter and that the Managing Director is not expected to participate in every hiring panel to substantively validate every appointment. Therefore, consistent with the practice across NATO Bodies, the DIANA Executive will obtain a signature from the Managing Director for appointment for all NIC personnel, but also notes that practically the Managing Director will continue to rely on DIANA NIC personnel to evaluate and recommend appointments. The DIANA Executive therefore recommends that the strict reading of the NCPRs, or its language, be reconsidered to reflect that, in practice across NATO, the authority to evaluate and appoint personnel at lower grades is, in practical terms, delegated by the Heads of NATO Bodies to subordinates.*

- (d) Yes, with respect to recommendation (d). However, the DIANA Executive reiterates that the DX Recruitment Directive was approved by both the AP (APWP(2023)0012-REV) and the DIANA Board of Directors (AC/346-D(2023)0017-AS1), and the language of Article 6.7.6 reflects the reality of how appointments are made at the DIANA Executive and other NATO bodies whereby Heads of NATO Bodies rely on their delegates to hire most personnel across the organisations. Therefore, from an administrative standpoint, amending the NCPRs to be consistent with hiring practices at NATO, rather than requiring the ministerial signature of each Head of NATO Body on an appointment document for personnel of every grade, would be more efficient and aligned with practice.

#### **IBAN’s Position**

**IBAN take notes of DIANA’s formal comments and provides the following responses:**

**a) IBAN highlights that the document APWP(2023)0010, dated 6 June 2023, referenced in DIANA’s formal comments, is a working paper in which the NATO International Staff Advisory Panel on Administration is invited to note the DIANA Executive Directive 01.04 on Temporary Staff. However, this Executive Directive 01.04 was not approved by the DIANA Board of Directors. As such, it should not be considered as taking precedence over the DIANA Executive Directive 01.02, which was approved by the DIANA Board of Directors on 18 September 2023 and establishes the rules for the recruitment, selection, and appointment of NATO International Civilian Staff.**

**Specifically, paragraph 6.6.2 of the DIANA Executive Directive 01.02 states that “The Chairperson of the panel must hold a NIC grade equal to or higher than the one being recruited, and all voting panel members must also hold a NIC grade.”**

**Therefore, IBAN maintains that the provisions of the DIANA Board of Directors-approved Executive Directive 01.02, which do not allow non-NIC staff to serve**



as the Chairperson or voting panel members for NIC recruitment, take precedence over the DIANA Executive Directive 01.04 on Temporary Staff, which has not been approved by the NAC or its subsidiary governing bodies, such as the DIANA Board of Directors.

b) IBAN agrees with the principle that the DIANA Charter does not exclude the augmentation of DIANA's Challenge Manager ranks with additional Challenge Managers. However, IBAN reiterates that, as per the DIANA Charter, Challenge Managers should be *"hired directly as NATO International Civilians."*

IBAN takes note of DIANA's recommendation that the DIANA Charter be amended to clarify the need for non-NIC Challenge Manager support and emphasise that any amendment to the DIANA Charter falls within the NAC's authority.

c) IBAN did not suggest any specific formalisation requirements for appointments to posts, such as the need for a formal signature for every appointment by the DIANA Managing Director or the requirement for the DIANA Managing Director to participate in every hiring panel. IBAN emphasised the need to comply with Article 2 of the NATO Civilian Personnel Regulations (NCPRs), which states that *"Appointments to posts shall be made by the Heads of NATO bodies in accordance with the authority vested in them by the North Atlantic Council"*, but did not suggest how appointments should be formalised (for each recruitment or for a batch of recruitments). The NCPRs do not explicitly require a "ministerial signature" from the Head of NATO Bodies for every appointment, nor do they mandate the direct involvement of the Head of NATO Bodies in the recruitment evaluation process.

IBAN emphasises that there is a distinction between the recruitment evaluation process, where such authority may be delegated, and the formal appointment, which remains within the authority of the Head of NATO Bodies as per the NCPRs. The approach applied to efficiently implementing this NCPR provision remains a management decision, such as obtaining a signature from the Managing Director for all NIC personnel appointments prior to the issuance of the nomination letter and contract.

d) As stated above, the NCPRs do not explicitly require a "ministerial signature" on an appointment document for personnel of every grade from the Head of NATO Bodies, nor do they mandate the direct involvement of the Head of NATO Bodies in the recruitment evaluation process. This remains a management decision on how to implement this NCPR provision efficiently.

IBAN emphasises that any DIANA Directive should comply with regulations approved by the North Atlantic Council (NAC), including the NCPRs. Furthermore, IBAN is not aware of any request from DIANA to the NAC to deviate from the NCPRs in order to accommodate perceived inefficiencies within their provisions.

IBAN considers that no changes are needed based on DIANA's formal comments and therefore maintains this observation and recommendation.

## FOLLOW-UP OF PREVIOUS YEARS' OBSERVATIONS

### (2) DIANA 2023 FY

IBA-AR(2024)0029, paragraph 1.8

### NEED TO STRENGTHEN INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENTS

#### *DIANA's Formal Comments*

*Agreed.*

*DIANA agrees with the IBAN recommendation to strengthen the internal controls over the preparation of the financial statements. DIANA recognizes the importance of correcting material misstatements that may affect understanding of the Financial Statements readers and therefore resubmitted the 2023 Financial Statement.*

*The Office of Financial Controller (OFC) is developing a comprehensive set of end of year internal control procedures.*

*The OFC will continue to strengthen internal controls over the preparation of the financial statements.*

**GLOSSARY OF TERMS**

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

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

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

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

# DIANA Financial Statements 2024



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## Foreword

2024 was a significant year of growth and change for Defence Innovation Accelerator for the North Atlantic (DIANA) as it built capacity and grew from stand-up to functioning organization. In 2024 DIANA moved to its permanent office in London, while opened its European Regional Hub in Tallinn, Estonia and North American headquarters in Halifax, Canada. The organization's staff grew to 65, complementing the development and implementation of core business activities with DIANA's second Challenge Call and successful delivery of Phase I and II of the accelerator programme.

DIANA reached Initial Operating Capability (IOC) with the launch of the pilot Challenges in 2023; 44 innovative companies formed DIANA's first "Phase I" cohort, accessing mentors and experts, connecting to end user and investors, and developing their technologies and businesses simultaneously. 10 of these companies were further selected to DIANA's "Phase II" cohort, receiving another round of challenge funding and additional mentorship, testing support and networking with industry. Additionally, DIANA established the Office of the Military Deputy Directors, with the onboarding of the first Director in October 2024.

Further, five challenges were launched in 2024, drawn from the technical priorities derived from Allies through the Strategic Direction. 73 innovators were selected from across the Alliance to participate in the 2025 accelerator programme, receiving EUR 100,000 and a six-month training and networking acceleration curriculum.

The high level of interest from across the Alliance in DIANA's second year of operations is encouraging and confirms the need for an organization dedicated to deep technological dual-use innovation. After a challenging and rewarding year, DIANA continues to implement the mandate to reach Full Operating Capability (FOC) in 2025, while fostering and accelerating innovations in dual-use, deep technologies promoting security and peace for NATO's one billion citizens.

## DIANA Statement of Internal Control

This statement of internal control applies to the Financial Statements of DIANA Executive (DX), as the executive body of DIANA, for the year ended 31 December 2024.

### Scope of responsibility

- The Managing Director acknowledges responsibility to maintain a sound system of internal control that supports the achievement of DX's mandate under its NATO Charter.
- The Financial Controller acknowledges responsibility for the correct use of funds made available to DX and for maintaining a sound system of internal control that supports the achievement of DX's goals and objectives, whilst safeguarding the public funds and assets.
- Funds received are recorded, accounted, and managed through the DX's ERP.

### Purpose of the System of Internal Control

We confirm that a system of internal control is maintained and operated for the activities of DIANA. DIANA uses Committee of Sponsoring Organization of the Treadway Commission (COSO) framework as a reference internal control. The DX internal control system is designed to manage rather than eliminate the risk of failure to achieve the Organization's mission; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is designed to ensure that DX assets are used for the purposes intended and that the transactions relating to their usage reflect the highest standards of integrity to justify continued confidence of the DIANA Nations.

The system of internal control is designed to support the DX mission by providing reasonable assurance of the achievement of objectives in terms of the effectiveness and efficiency operations, the reliability of financial information, and compliance with applicable rules and regulations. This includes safeguarding the Organization's funds and assets.

The system of internal control is an ongoing process designed to identify the principal risks to the achievement of the DX mission, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. DX is a new NATO body and as such, many internal control processes are under development and a continuous improvement cycle is applied in order to strengthen the internal controls and ensure correct expense of public funds. The process within DX accords with the DIANA Financial Rules and Procedures (FRPs) and has been in place for the year ending 31 December 2024 and up to the date of approval of the Financial Statements.

### Risk and Control Framework

The DX system of internal control is based on an ongoing process designed to identify the key risks to the achievement of DX goals and objectives, to evaluate the nature and extent of those risks and to manage them efficiently and effectively. These principles are manifested in the DIANA Internal Audit Charter that was approved in August.



As part of the Governance responsibilities of performance monitoring and control, on a monthly basis, a core Programme Performance and Risks and Enabling Functions Report is distributed to the governing body.

The control environment continues to be strengthened in DIANA with the development, ongoing stabilisation and roll out of the Agency's ERP.

DX is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments is best practice in this area.

### Internal control framework

The key elements of the internal control system include:

- NATO Financial Regulations and the DIANA Financial Rules and Procedures
- Civilian Personnel Regulations,
- the NATO Code of Conduct,
- the DX financial and budgeting system,
- segregation of duties between the functions of budget holder, approving officer, and between requestors and procurement officers,
- management supervision,
- an internal audit function,
- annual accounts and budget reporting.

### Review of Effectiveness

The Financial Controller has responsibility for reviewing the effectiveness of the system of internal control. The review is informed by:

- The executive managers within the organization who have responsibility for the development and maintenance of the internal control framework;
- Periodic Internal Audits performed on selected areas of activity within DX;
- Comments made by the external auditors in their management letters and other reports; and
- Decisions and recommendations of the Finance Committee, as well as the Board of Directors (BoD).

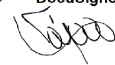
Appropriate actions are in place to address any weaknesses identified and to ensure the continuous improvement of the system. During 2024, no material instances of failure to the internal control system were reported that should be brought to your attention.

The internal control system still relies greatly on the control environment, in particular on knowledge acquired and values shared by the staff.

In our opinion these financial statements provide a true and fair view of the financial activities of DX for 2024.

DocuSigned by:  
  
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Jyoti Hirani-Driver  
Acting Managing Director

DocuSigned by:  
  
 D85C2C9C773F482...

Konstantinos Gouras  
Financial Controller



# DIANA Statement of Financial Position

As at 31 December 2024

(amounts in EUR)

	Notes	Current Year 2024	Prior Year 2023
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	34,276,585	24,682,076
Receivables	4	32,938,757	22,993,270
Prepayments	5	0	88,203
Other current assets		0	0
		<b>67,215,343</b>	<b>47,763,550</b>
<b>Non-current assets</b>			
Non-Current Receivables		0	0.00
Property, plant & equipment		0	0.00
Intangible assets	6	279,716	49,483
Other non-current assets		0	0.00
		<b>279,716</b>	<b>49,483</b>
<b>Total assets</b>		<b>67,495,058</b>	<b>47,813,033</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables	7	2,045,845	2,469,616
Deferred revenue		0	0
Advances	8	24,480,872	7,042,052
Provisions		0	0
Other current liabilities	9	32,755,505	22,993,270
		<b>59,282,222</b>	<b>32,504,938</b>
<b>Non-current liabilities</b>			
Payables		0	0
Non-current Deferred revenue		0	0
Other non-current liabilities	10	9,984,720	25,292,815
		<b>9,984,720</b>	<b>25,292,815</b>
<b>Total liabilities</b>		<b>69,266,942</b>	<b>57,797,753</b>
<b>Net assets</b>			
Capital assets		0	0
Reserves		0	0
Accumulated surplus / (deficit)		-9,984,720	-618,137
Current year surplus / (deficit)		8,212,837	-9,366,584
<b>Total net assets/ equity</b>	<b>11</b>	<b>-1,771,884</b>	<b>-9,984,720</b>

## DIANA Statement of Financial Performance

As at 31 December 2024

(amounts in EUR)

	Notes	Current Year 2024	Prior Year 2023
<b>Revenue</b>			
Non exchange revenue	12	32,601,566	0
Exchange revenue		0	0
Other revenue	13	84,141	0
Financial revenue	14	36,545	14
<b>Total revenue</b>		<b>32,722,252</b>	<b>14</b>
<b>Expenses</b>			
Personnel	15	7,703,865	2,135,364
Contractual supplies and services	16	16,761,704	7,219,278
Impairment		0	0
Provisions		0	0
Other expenses	17	29,001	0
Finance costs	18	14,845	11,955
<b>Total expenses</b>		<b>24,509,415</b>	<b>9,366,597</b>
<b>Surplus/(Deficit) for the period</b>		<b>8,212,837</b>	<b>-9,366,584</b>

## DIANA Cash Flow Statement

As at 31 December 2024  
(amounts in EUR)

<b>Note 19</b>	<b>2024</b>	<b>2023</b>
<b>Cash flow from operating activities</b>		
Surplus/(Deficit)	8,212,837	-9,366,584
<b>Non-Cash Movements</b>		
Depreciation/Amortization	0	0
Impairment	0	0
Use of Cash Reserves	0	0
Increase/(Decrease) in payables	-423,771	2,165,527
Increase/(Decrease) in other current liabilities	9,762,235	22,917,768
Increase/(Decrease) in advances	17,438,820	7,042,052
Increase/(Decrease) in Deferred Revenue		-17,030
Increase/(Decrease) in Refundable nations		
Increase/(Decrease) in other non-current liabilities	-15,308,095	0
Decrease/(Increase) in prepayments	88,203	-88,203
Decrease/(Increase) in receivables	-9,945,487	-22,993,270
<b>Net cash flow from operating activities</b>	<b>9,824,742</b>	<b>-339,740</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant & equipment/Intangible assets	-230,233	-49,483
Proceeds from sale of property, plant & equipment	0	0
<b>Net cash flow from investing activities</b>	<b>-230,233</b>	<b>-49,483</b>
<b>Cash flow from financing activities</b>		
Proceeds from Loan	0	22,000,000
<b>Net cash flow from financing activities</b>	<b>0</b>	<b>22,000,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>9,594,509</b>	<b>21,610,777</b>
<b>Cash and cash equivalent at the beginning of the period</b>	<b>24,682,076</b>	<b>3,071,300</b>
<b>Cash and cash equivalent at the end of the period</b>	<b>34,276,585</b>	<b>24,682,076</b>

## DIANA Statement of Changes in Net Assets/Equity

As at 31 December 2024  
(amounts in EUR)

### Note 11

<b>Balance at the beginning of the period 2023</b>	<b>-618,137</b>
Surplus/(deficit) for the period	-9,366,584
<b>Change in net assets/equity for the year ended 2023</b>	<b>-9,366,584</b>
<b>Balance at the end of the period 2023</b>	<b>-9,984,720</b>
<b>Balance at the beginning of the period 2024</b>	<b>-9,984,720</b>
Surplus/(deficit) for the period	8,212,837
Loan	9,984,720
Refundable nations	-9,984,720
<b>Change in net assets/equity for the year ended 2024</b>	<b>8,212,837</b>
<b>Balance at the end of the period 2024</b>	<b>-1,771,884</b>

DIANA Budget Execution Statement

as at 31 December 2024  
(amounts in EUR)

Note 20

	Initial Budget	Revised Budget	Transfers	Final budget	Commitments	Expenses	Total spent	Carry forward	Special carry forward	Lapsed
BUDGET FY 2024										
Chapter 1	8,190,000	7,879,625	-310,375	7,879,625	121,087	7,703,865	7,703,865	121,087	54,673	0
Chapter 2	3,534,000	3,848,925	314,925	3,848,925	568,601	3,245,974	3,245,974	568,601	34,350	0
Chapter 3	540,000	540,000	0	540,000	0	402,402	402,402	0	137,598	0
Chapter 4	17,736,000	17,731,450	-4,550	17,731,450	1,460,935	13,343,561	13,343,561	1,460,935	2,926,954	0
Total FY 2024	30,000,000	30,000,000	0	30,000,000	2,150,623	24,695,803	24,695,803	2,150,623	3,153,574	0

## Explanatory notes to the DIANA 2024 Financial Statements

### NOTE 1: General Information

In June 2021, Allied Heads of State and Government endorsed the launch of the civil-military NATO body DIANA. DIANA will accelerate emerging and disruptive technologic solutions to critical transatlantic defense and security challenges, leveraging existing elements from NATO Nations and NATO Bodies.

The Charter of DIANA was approved in March 2022 through PO(2022)0147 and the DIANA FRPs approved in September 2024 through AC/346-D(2024)0041.

DIANA is an independent, jointly funded NATO Body that helps Allies and NATO meet security and defense needs by fostering, testing, validating, and demonstrating cutting-edge technological solutions. DIANA strengthens NATO's ability to foster technological cooperation among Allies, promote interoperability and encourage the development and adoption of technological solutions to address the military needs.

All NATO Nations are members of DIANA. DIANA is under the overall authority of the North Atlantic Council.

DIANA has a BoD made up of representatives from all Allies to provide organizational governance. The Board determines the strategic direction for DIANA's activities.

The DX, led by the DIANA's Managing Director, manages DIANA activities to achieve its mandate, executing the Allied-approved Strategic Direction through Challenge Programs.

DIANA is funded by all Allies with the same cost share arrangements for NATO common funding with Nations committed to jointly fund the costs for DIANA's core activities. Recruitment of NATO International Civilian Staff is ongoing in line with DIANA BoD instructions and relevant directives, filling the Post Establishment as approved in the 2024 Budget (AC/346-D(2023)0022 (INV)).

Crucially, as DIANA transitions from IOC in 2023 to FOC in 2025, five Challenges were launched in 2024, align with the DIANA BoD Strategic Direction for the second Phase I cohort. As a result, 73 innovators received challenge funding in the amount of EUR 7,300,000, confirming the mandate given to the DX by the nations to foster and accelerate innovation in dual-use technology for the security of all. From the 2023 Phase I cohort of 44 companies, 10 were selected to DIANA's Phase II cohort in 2024, and received an additional round of challenge funding for a total of EUR 3,000,000. DIANA's Phase II program is a customised development path for the most promising innovators selected to progress beyond Phase I by focusing on fostering innovators commercial viability, fundraising and investment opportunities as well as furthering their technological development.

### NOTE 2: Accounting Policies

DIANA is in the process of developing its own accounting policy. In the interim, it applies the NATO Accounting Framework (NAF), which is based on the International Public Sector Accounting Standards (IPSAS) and includes the NATO Financial Regulations (NFRs) and the DIANA FRPs.

In line with this framework, advance payments made in the context of programmes and grants are immediately expensed. Any excess advance is regularized at the time the programme or grant is closed. If the excess advance is returned in a different fiscal year, it is recorded as miscellaneous revenue. If the excess is returned within the same fiscal year, the initial expenditure is reduced accordingly.

## Declaration of Conformity

The DIANA financial statements have been prepared in accordance with NAF, which is an adapted version of the International Public Sector Accounting Standards (IPSAS).

## Basis of Preparation

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

In line with the NFR, the financial year is from 1 January to 31 December. The amounts shown in these financial statements are presented in EUR.

## Use of Estimates

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

## Foreign Currency Transactions

The DIANA budget is approved in EUR and the operations are managed in EUR, GBP, CAD & USD. Foreign currency transactions as required are accounted for at the NATO exchange rates prevailing on the date of the transactions.

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

## Financial Risks

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

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

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

### a. Foreign currency exchange risk

The exposure to foreign currency risk is limited as the majority of the DIANA's expenditures are made in EUR. The current bank account is held in EURO, GBP, CAD & USD.

### b. Credit risk

DIANA incurs credit risks from cash and cash equivalent held with banks.

The maximum exposure as of year-end is equal to the total amount of bank. The associated credit risk is very limited.

Concerning cash and cash equivalent, DIANA's credit risk is managed by holding current bank

accounts with ING Bank (Belgium) & NatWest (UK) which has the following short-term credit ratings:

BANK NAME	COUNTRY OF HQ	SHORT TERM RATINGS AS AT 31/12/2024					
		FITCH		S&P GLOBAL		MOODY'S	
		Rating	Last review date	Rating	Last review date	Rating	Last review date
ING BANK	Netherlands	F1+	16/10/2024	A-1	26/06/2024	P-1	27/06/2024
Natwest	United Kingdom	F1	12/12/2024	A-2	07/10/2024	P-2	28/11/2024

c. Liquidity risk

The liquidity risk, also referred to as funding risk, is based on the assessment as to whether DIANA will encounter difficulties in meeting its obligations associated with financial liabilities. A liquidity risk could arise from a short-term liquidity requirement, however, as a joint funded NATO body and under the governance of its BoD, the long-term liquidity risk is minimal. The limited exposure to liquidity risk is because of the funding mechanism, which guarantees contribution in relation to the approval budget.

d. Interest rate risk

Except for certain cash and cash equivalent balances, DIANA's financial assets and liabilities do not have associated interest rates. The pre-financed amounts are to be returned interest-free. DIANA is restricted from entering into borrowing and investment agreements, Therefore the interest rate risk is insignificant.

### Current Assets

a. Cash and cash equivalents

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

b. Receivables

Receivables are stated at net realizable value, after provision for doubtful and uncollectible debts.

Contributions receivables are recognized when a call for contribution has been issued to the funding nations. These receivables represent the uncollected contribution from Nations. No allowance for loss is recorded with respect to Member countries' assessed contributions receivable.

c. Prepayments

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



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

### a. Property, Plant & Equipment

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

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

Capitalization thresholds relevant to the financial statement are as follows:

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

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

### b. Intangible Assets

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

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

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

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

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

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

In consideration of the above thresholds, DIANA surpassed the threshold in developing and implementing the ERP system & website. These have been reflected in the financial statements.

### **Non-Current Assets other than PPE**

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

### **Current Liabilities**

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

### **Non-Current Liabilities**

ACO Loan has been reported under non-current liabilities. As DIANA completely transitions out of loan funding, DIANA has repaid first tranche of the loan in 2024.

## Notes to the Statement of Financial Position

### NOTE 3: Cash and Cash Equivalents

The current bank account is held in EUR, GBP, USD & CAD. Cash deposited is immediately available. There are no short-term investments.

DIANA's cash and cash equivalents at the year-end are EUR 30,844,914, GBP 2,805,242, USD 50,950 and CAD 4,317.

### NOTE 4: Accounts Receivable

At year end, receivables related to a pension refund & the approved budget calls for contribution are open in the amount of 32,938,757 EUR.

	Amount
2024 Opening balance	22,994,424
2023 Calls raised in 2024	9,984,720
2025 Calls raised in 2024	50,000,000
2023 Calls received in 2024	-4,341,717
2024 Calls received in 2024	-21,253,120
2025 Calls received in 2024	-24,445,550
<b>Total</b>	<b>32,938,757</b>

### NOTE 5: Prepayments

There are no prepayments this year.

### NOTE 6: Property, Plant and Equipment & Intangibles

DIANA does not hold any property, plant and equipment. DIANA has developed an Enterprise Resource Planning (ERP) system for its enterprise resourcing requirements as well as the development of a website platform to showcase the maturing organization and its opportunities. These assets are in use from 2024 with net asset value of EUR 168,449 & EUR 95,175 respectively as at 31 December 2024 after depreciating using straight line method. Further developments and implementations of the ERP system and website are currently on going.

### NOTE 7: Payables

Payables and accrued expenses relate to commercial suppliers, staff or other NATO bodies. Payable to suppliers relates to goods and services for which an invoice has been received, checked, and queued for payment but for which payment was still pending at year-end.

Accrued expenses correspond to EUR 2,045,845 and is the estimated accrued obligation to third parties for goods and services received but not yet invoiced. Unrealised FX was adjusted to show the true position of payables as at 31 December 2024.

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

Amounts in EUR

	2024
Payables*	999,460
Accruals	1,046,385
<b>Total</b>	<b>2,045,845</b>

#### NOTE 8: Advances

At the end of the year, DIANA had received a total of EUR 24,445,550 in advances for contributions to the 2025 approved budget.

The following amounts were added to the advances:

- An unused 2022 carry-forward provision of EUR 17,030 which lapsed.
- An over-accrual in the 2022 Financial Statements of EUR 18,292

After these adjustments the total advances received adds to EUR 24,480,872.

#### NOTE 9: Other Current Liabilities

Other Current Liabilities total of EUR 32,755,505 represent unpaid calls related to the approved DIANA budgets, comprising EUR 25,554,450 for 2025, EUR 1,740,150 for 2024, and EUR 5,643,004 for 2023.

The following lapsed expenses were included in other current liabilities:

- Lapsed commitments from 2023 totaling EUR 157,852
- Lapsed commitments from 2024 amounting to EUR 24,231

Lapsed credits are budget funds for which no legal liability exists. They cannot be spent in subsequent years. Lapsed credits are deducted from the contributions due from Nations.

This total also includes outstanding balance of EUR 74 for credit card.

#### NOTE 10: Non-Current Liabilities

In line with PO(2022)0277 and PO(2022)0398, DIANA operations were pre-financed from Military Budget funds in 2023. The portion of the pre-financing that was unused in 2023 was repaid upon confirmation of the audited budget appropriations, with the balance to be repaid in line with a repayment schedule to be developed per AC/346(FC)D(2024)0001-REV1.

In 2024 DIANA repaid EUR 15,308,095 to ACO leaving outstanding loan amount to be EUR 9,984,720.

#### NOTE 11: Net Assets

The deficit of 1,771,884 reflects the unpaid contributions from 2023/24 and lapsed commitments. DIANA is awaiting receipt of the full balance of outstanding calls.

## Notes to the Statement of Financial Performance

### Revenue

#### NOTE 12: Non-Exchange Revenue

Non-exchange revenue include revenue received from 2023 & 2024 contribution calls, totaling 32,601,566.

#### NOTE 13: Other Revenue

Unrealised FX gain of EUR 84,141 has been included in other revenue.

#### NOTE 14: Financial revenue

In 2024 DIANA generated EUR 36,545 interest income from its NatWest reserve account.

### Expenses

#### NOTE 15: Personnel

The personnel costs include expenses for salaries and emoluments for approved DIANA permanent civilian positions and temporary personnel, for other salary related and non-related allowances including overtime, medical examinations, recruitment, installation, and removal. In line with PO(2022)0277, those do not include VNC support and support from existing members of International Staff. It also includes commercial consultants which are not subject to NCPRs.

#### NOTE 16: Contractual Supplies and Services

Contractual Supplies and Services include IT, licenses, software and branding, travel expenses, contracted consultants and other services and supplies.

#### NOTE 17: Finance costs

Financial costs include expenses for banking costs and foreign exchange losses.

#### NOTE 18: Other Expenses

Other expenses include foreign exchange losses.

#### NOTE 19: Cash Flow

In accordance with the NATO Accounting Framework, the cash flow statement is presented based on the indirect method.

**NOTE 20: 2024 Budget Execution**

The DIANA 2024 Budget Execution is based on the nature of the expenses and broken down into four chapters aligned with the approved budget as follows:

Chapter 1	: Personnel Expenses
Chapter 2	: Operations & Maintenance
Chapter 3	: Capital Expenses
Chapter 4	: Programme Management

The 2024 budget was approved in November 2024 (AC/346-D(2023)0022(INV)) at EUR 30,000,000. Further, the Nations approved the usage a “Special Carry Forward” of the lapsed funds from 2024 per Enclosure 1 of the 2025 approved budget (AC/346-D(2024)0048-REV2-AS1).

**Reconciliation between Budget Execution and Statement of Financial Performance**

The tables below provide an overview of the reconciliation:

EXPENSES RECONCILIATION		
		Amounts
<b>Budget Execution Statement Total Costs</b>		24,695,803
Depreciation & Amotisation Charges + PP&E Recognition	-	230,233
Other Expenses	+	29,001
Financial Costs	+	14,845
<b>Statement of Financial Performance Costs</b>		24,509,415

**NOTE 21: Employee Disclosure**

As of 31 December 2024, the DX was composed of NATO International Civilians (NIC) (37 staff members), BoD Secretariat (3 staff members), temporary staff (10 members), Voluntary National Contributions (VNC) (5 members), Consultants (2 member), and Commercial Contractors (8 members). VNC represent “in kind” services provided by nationally funded personnel.

**Pension scheme**

The DX NIC staff are affiliated with the Defined Contribution Pension Scheme (DCPS), which is centrally managed by NATO IS.

The DCPS affiliated staff make a compulsory contribution of 8% of basic salary to the Scheme. Staff may make additional voluntary contributions to the Scheme up to 5% of basic salary. NATO pays employer contributions of 12% of the basic salary of each active scheme member. Contributions to the DCPS are part of the payroll and are made monthly.

Leave

Paid leave is an employee benefit and as such part of overall personnel expenses. In accordance with personnel regulations, the remaining balance at year end may be carried forward but must be taken before 30 April of the following year. It can be exceptionally extended to 31 October in accordance with Civilian Personnel Regulations art. 42.3.5 and 42.3.6. After this date it lapses and is not paid to staff. Consequently, no provision for untaken leave is recorded.

Upon reviewing the provision of untaken leave, the amount assessed by DIANA is deemed inconsequential to be reflected in 2024 Financial Statements and will be assessed in 2025.

NOTE 22: Key Management Personnel

For IPSAS 20, key management personnel of the DX are considered in line with the approved staffing plan, NATO International Civilian staff at NATO grade 22 and above within the DX consisted of the Managing Director, Communications Director, Regional Director - Estonia, Financial Controller, and General Counsel (5 staff members).

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

NOTE 23: NATO Transactions

*Transactions with NATO bodies*

	Current Year 2024
	EUR
NATO International Staff	570,293
NATO Communications and Information Agency	334,821
	905,114

NOTE 24: Legal Proceedings

The Office of the General Counsel has conducted a review of its records, and it is not aware of any current or potential legal proceedings the organization should disclose as part of its 2024 Financial Statements.

NOTE 25: Write-offs

There are no write-offs to be disclosed as part of the 2024 Financial Statements.