

# International Disability Alliance

Management letter

Financial statements as of 31 December 2020



Ladies and Gentlemen,

We summarize below the significant observations, which we have made during the course of our audit of financial statements as of 31 December 2020 of the Swiss company audited by ourselves and of the foreign subsidiary companies for which a management letter has been prepared.

The following observations are based on the results of the audit procedures performed in the course of our normal audit work. Therefore, an in depth examination could lead to further observations and recommendations.

We will be glad to be available to provide additional information or to discuss matters raised.

We would like to thank the members of your staff for their pleasant cooperation and their readiness to support us in our work.

Lausanne, 6 October 2020

Ernst & Young Ltd



Serge Clément  
Associate Partner in charge



Tayssir Bouchiba  
Assistant Manager

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## Management letter

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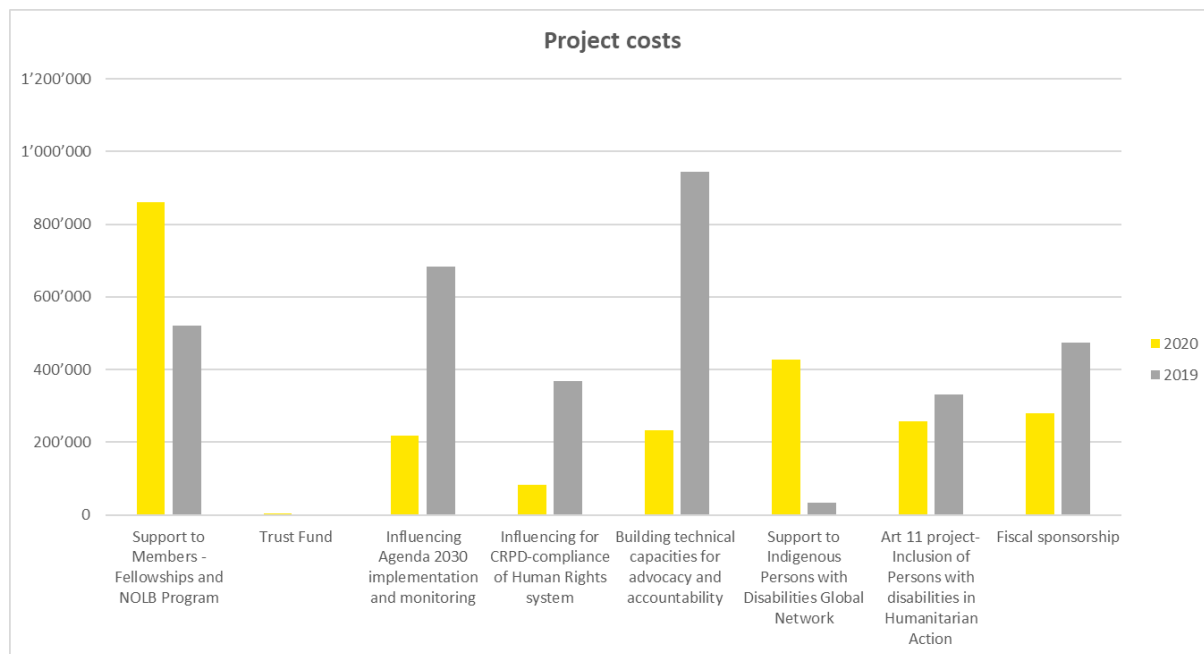
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# Executive Summary

Key figures

# Executive Summary – key figures



In 2020, the global situation related to worldwide pandemic resulted in a general decrease of activity costs notably:

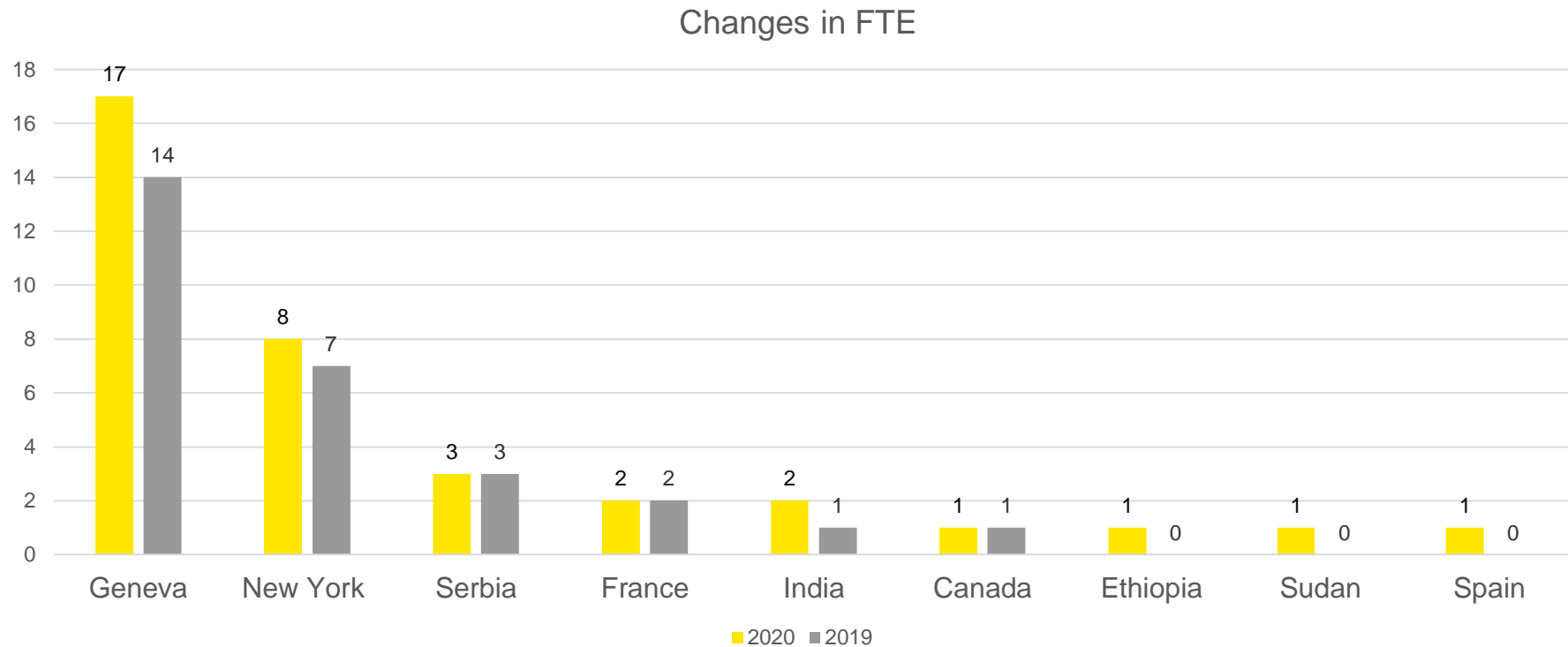
- ▶ Project costs: - 30%
- ▶ Support Costs: - 5%

The largest share of the Project cost decrease comes from the activities related to “Building technical capacities for advocacy and accountability” and “Influencing Agenda 2030 implementation and monitoring”.

The COVID-19 pandemic highly impacted the activities, by delaying funding and complicating the implementation of new projects.

Operating costs	2020	2019
Human Resources	2'687'374	1'870'127
Governance / General Assembly / Board meeting	92'565	264'949
Project Costs	2'362'370	3'357'689
Executive Direction and Senior Management	114'172	261'000
Support Costs	438'349	459'006
Reasonnable accomodation staffs	123'733	217'972
VAT & Finance	131'273	44'528
<b>Total costs</b>	<b>5'949'836</b>	<b>6'475'270</b>

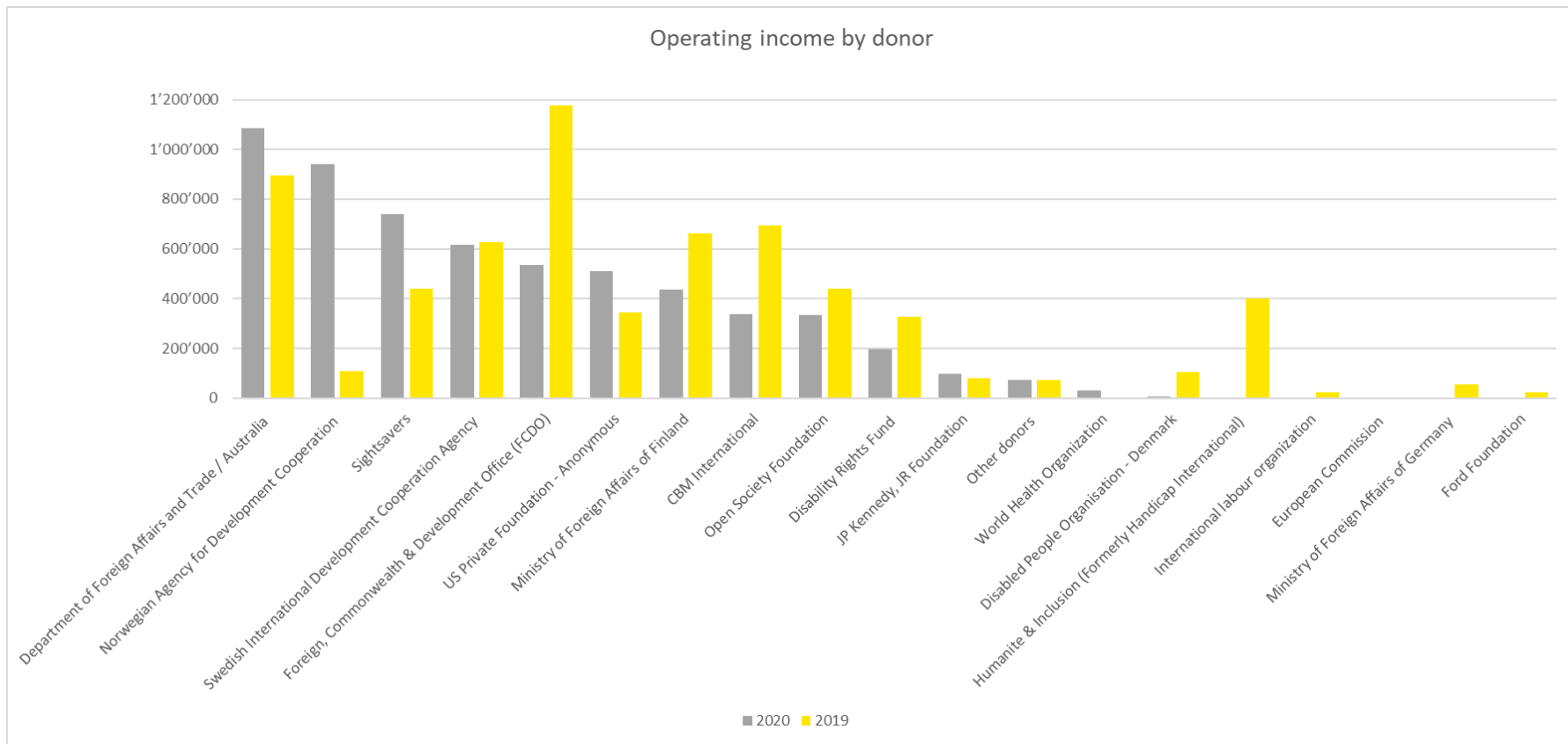
# Executive Summary – key figures



On contrary of the overall decrease of activities, the FTEs' change from 2019 to 2020 reflects the IDA trajectory of growth and development.

Although the situation is made more difficult by the health context, this situation should only be temporary, which is showed by the increase in FTEs.

# Executive Summary – key figures



The Grants contributions decreased from KCHF 6'475 to KCHF 5'949 (-8%). The largest donors decreases are broken down as followed:

- ▶ Foreign, Commonwealth & Development Office (FCDO) : from KCHF 1'177 to KCHF 536 (KCHF -641 and -54%)
- ▶ Humanite & Inclusion: from KCHF 400 to KCHF 4 (KCHF -397 and -99%)
- ▶ CBM International : from KCHF 693 to KCHF 336 (KCHF -357 and -52%)

**Audit Observations,  
recommendations,  
measures**

**Follow up prior years  
recommendations**



# Audit Observations, recommendations, measures

## Documentation of the Internal Control System

### Observation

The internal control system exists as defined by Swiss Law, and is appropriate considering the size and the complexity of the entity.

However, we noted that some controls are not properly documented. We list, below, the key controls that were not sufficiently documented:

- ▶ Verification and reconciliation of the accrued revenue and expenses and deferred revenue and expenses.
- ▶ Verification that all contracts have been signed by the appropriate responsible people

### Recommendation

We recommend to document all the controls performed in order to have a material evidence of the existence of the internal control system.

### Update 2020

We noted a significant improvement of controls documentation which will be maintained in 2021.

### Comments of management

In 2020, IDA took into consideration the 2019 Management letter and already implemented monthly controls on the following:

- ▶ Payments of salaries and benefits
- ▶ Assets
- ▶ Suppliers and clients accounts
- ▶ Income received
- ▶ OD above CHF 100
- ▶ Translation differences
- ▶ Internal banking transactions
- ▶ Balances on banks
- ▶ Cashboxes controls

IDA will keep improving those monthly controls and include the verification and reconciliation on accrued and deferred revenues and expenses from Q4 2020 onward.

From 1 January 2021, IDA will implement DocuSign system to ensure appropriate signing on the following documents:

- ▶ Funding contracts.
- ▶ Employment contracts and amendments
- ▶ Sub granting agreements.
- ▶ Governance minutes and policies.
- ▶ Payment of bonuses and provisions for untaken leaves
- ▶ Board meeting attendance fees.

# Audit Observations, recommendations, measures

## Approbation and signature of important decisions and documents

### Observation

Important decisions and documents, such as Executive Meetings minutes, General Assembly Meeting minutes and bonus approval have to be signed.

We noticed that these documents were not formally signed in 2019. We understand that this is linked to the extraordinary situation of COVID-19 pandemic.

### Recommendation

We recommend to set up a signature process for meetings held virtually. We also recommend to implement controls to verify that all important decisions have been approved and that this approval is documented.

### Update 2020

Our recommendation is valid for year 2020. It should be resolved for year 2021.

### Comments of management

From 1 January 2021, IDA will implement DocuSign system to ensure appropriate signing on the following documents:

- ▶ Funding contracts
- ▶ Employment contracts and amendments
- ▶ Sub granting agreements
- ▶ Governance minutes and policies
- ▶ Payment of bonuses and provisions for untaken leaves
- ▶ Board meeting attendance fees

# Audit Observations, recommendations, measures

## Signatures (Bank and Commercial register)

### Observation

Mr. Cuk, the Executive Director and Mr. Bach, Resident Manager have the authority to sign by sole signature in the commercial register. Moreover, Mr Cuk, Mr Bach and Mrs Avades, executive assistant have the authority to sign by sole in UBS bank account.

As a consequence, they can withdraw cash and engage the company with an individual signature.

We understand that it is difficult for the client to have a joint signature due to the localisation of the employees (one in NY, one in Greece and one in Switzerland).

### Recommendation

We recommend to set up a double signature for the bank account and for the commercial register despite the needed flexibility in the operational management.

### Update 2020

Our recommendation is still valid for year 2020.

### Comments of management

[The double signature at the bank is already effective in Switzerland \(UBS account\) from 1 January 2020. The double validation for e-banking has been implemented in 2016.](#)

Transactions through UBS account in Switzerland represent 90% of the total volume of transactions performed by IDA and comply with EY recommendations.

In the US, IDA has two bank accounts:

- ▶ With UBS NY a double signature is not possible but we do not consider it creates any significant issue since: 1) UBS New York is not a commercial bank and therefore IDA cannot proceed to any transactions at the bank agency and cannot withdraw money at the counter; 2) Payments are exclusively done by e-banking which require double validation (same process as UBS Switzerland), or by direct debit orders (for instance for salaries and office rent).
- ▶ With Citibank, a double signature is not possible neither, but this account is only used for petty cash and day to day expenses. There is a limited volume of transactions on monthly basis (5 transactions on average for an amount not exceeding \$5'000 per month). We would like to keep this account open as it prevents

# Audit Observations, recommendations, measures

## Cashboxes in New-York

### Observation

The reconciliation of cashboxes held in New-York could not be confirmed. The reconciliations could not be obtained from the New-York offices, since the ongoing COVID-19 pandemic prevents the NY employees to access their building. The total amount of cashboxes in NY is CHF 97 in 2020 (CHF 72 in 2019) , which is not material and does not represent a high risk of fraud.

### Recommendation

The reconciliations are necessary to confirm the existence of liquidities. It is essential that the internal controls function even during extraordinary circumstances, as per the COVID-19 pandemic.

### Update 2020

We obtained the reconciliation of cashboxes held in New-York. This point is resolved.

### Comments of management

Cashboxes are controlled monthly in Geneva. All cashboxes are centralized in Geneva except the NY office one.

The initial plan was to delegate this responsibility to our new contracting officer who joined IDA team in 2020 and was supposed to start from 1 March 2020 in NY office. She should have overseen those controls under the supervision of the Finance Manager.

The COVID-19 pandemic forced us to close the NY office early March 2020 and our contracting officer has been working with IDA remotely since.

Given the cashbox balance was very low (CHF 72), we decided to exceptionally not perform this reconciliation in 2020.

From 2021, at the reopening of the NY office, our contracting officer will oversee this responsibility.

# Audit Observations, recommendations, measures

## Foreign exchange losses and profits

### Observation

Exchange losses and profits represent significant balances in 2018 and 2019 and are as follows:

Exchange losses:

2020: CHF 199'216

2019: CHF 158'150

2018: CHF 162'770

Exchange profits:

2020: CHF 146'357

2019: CHF 60'850

2018: CHF 41'539

### Recommendation

Considering the significant balances of exchange losses and profits recorded, we recommend to set up a cash flow hedging strategy in order to avoid exchange rate fluctuations.

### Update 2020

Our recommendation is valid for year 2020. It should be resolved for year 2021.

### Comments of management

From 2021 the Exchange losses and profits account will be split between:

- ▶ Translation differences
- ▶ Exchange losses and profits resulting from grant agreements
- ▶ Exchange losses and profits resulting from internal bank transfers
- ▶ Exchange losses and profits resulting from payments of suppliers

This differentiation will contribute to have a finer analysis on the causes explaining exchanges profits and losses; in particular the causes which could be mitigated by IDA, and the ones which are beyond our control.

Finally, we are currently investigating to implement the SAGE module related to cash flow management for Q3/Q4 2021.

This module should help us in anticipating which currencies we should buy and sell along the year.

# Audit Observations, recommendations, measures

## Lack of Equity

### Observation

Historically IDA is only funded by grants and therefore does not have any equity except reserve funds amounting to KCHF 14 as of 31 December 2020 and also previous years.

This lack of equity results in a structural weakness for IDA. In fact, the entity would probably not be able to face any unforeseen financial loss which could occur on the course of its projects. For instance the organisation would not be able to cope with being requested to reimburse a grant after a breach of agreement or would not be able to match any unforeseen cost not covered by a grant.

### Recommendation

We recommend to constitute equity in order to solidify the financial structure of the entity. A solution could be the utilization of grant income that are not fully used during the financial year instead of deferring those revenues for future charges.

### Update 2020

No change in equity structure in 2020. This recommendation is still valid.

### Comments of management

IDA did not manage to make significant improvement at this level in 2019 and 2020. We consider this is going to take several years and require long term investment in private fundraising.

So far IDA has been successful in diversifying its portfolio of donors. In 2019, IDA developed a long term partnership with the Norwegian Agency for Development Cooperation (NORAD) which will become the 4th IDA largest donor with SIDA, DFAT and FCDO/DFID. In 2020, IDA secured long terms partnerships with DFID/FCDO and SIDA, guaranteeing funding until 2023-24. IDA will keep fundraising and looking for further diversification of its donor's portfolio.

IDA presentation of its annual accounts as per GAAP FER 21 from 2019 onward (2019 exercise to be released in December 2020) will differentiate the deferred income related to core funding with the deferred income related to earmarked funding. Deferred income related to core funding will be registered as long-term liabilities in the balance sheet (equity). Deferred income related to earmarked funding will be registered as short-term liabilities.

Such presentation of IDA accounts will underline the role played by our core donors. Core funding will not fully replace equity but will provide IDA with some financial flexibility.

# Audit Observations, recommendations, measures

## Follow-up on partnerships

### Observation

From IDA accounting point of view, the partnership agreements signed with third parties (Organisations of Persons with Disabilities, Universities etc..) incur financial advances to those third parties which are booked within the supplier accounts.

### Recommendation

With the implementation of the new finance Information System (SAGE) in 2020, the financial advances will be recorded as an asset.

### Comments of management

**Thank you!**