

confidential

Comprehensive report

International Disability Alliance,
Le Grand- Saconnex

31 December 2021



Building a better
working world



Ernst & Young Ltd
avenue de la Gare 39 a
P.O. Box
CH – 1002 Lausanne

Phone +41 58 286 51 11
www.ey.com/ch

International Disability Alliance, Le Grand-Saconnex

Lausanne, 22 July 2022

Comprehensive report
of the auditor to the
Board according to art.
728b CO with financial
statements as of
31 December 2021

Comprehensive report of the auditor

Dear Sir or Madam,

We are pleased to present the results of our audit of the financial statements of International Disability Alliance.

The comments and recommendations set out below are based on the results of the standard audit procedures performed. A more in-depth analysis might therefore result in additional comments and recommendations.

We will be happy to assist should you require any additional information or wish to discuss the points addressed.

We would like to take this opportunity to thank your employees for their professional cooperation and support at all times.

Ernst & Young Ltd

Licensed audit expert
(Auditor in charge)






Licensed audit expert



Content

1. Summary of the key points
2. Comments and information

1 Summary of the key points

Topic	Description	Ref.	Status
Reporting	Unqualified audit opinion		
Areas of focus of our audit	See next page for further remarks	Refer to page 5	
Internal Control System (ICS)	Confirmation of the existence of the internal control system	Refer to page 6	
Misstatements (recorded/unrecorded)	Misstatement identified were corrected and recorded by the management	Refer to page 8	
Other specific points	Fraudulent activities/litigation/lack of equity	Refer to page 9	

 = no action required
  = potential improvement
  = significant comments / action required
  = for information

2 Comments and information

Audit focus



EY result and conclusion



Our examination has been based on 31 revenue grant agreements and a selection of 70 expense invoices. We also tested the deferred income.

The corrected misstatement regarding the recognition of the multi-years agreements from donors and towards sub-grantees is explained in page 8.

= no action required

= potential improvement

= significant comments / action required

= for information

= management letter point

2 Comments and information

Extent of the structure and documentation of the internal control system


- ▶ International Disability Alliance opted up for a statutory control instead of a limited statutory examination in order to obtain more security and built stakeholders trust. Consequently, and in accordance with Swiss Code of Obligation, the validation of the existence of the internal control system is performed during our intervention.

EY result and conclusion

We confirm the existence of the internal control system (ICS) in our report to the General meeting of International Disability alliance.


According to the principles and standards governing our profession, the general requirements for the existence of the ICS pursuant to article 728a CO are that:

- ▶ The ICS is in place and verifiable (i.e., documented)
- ▶ The ICS is adapted to the Company's business risks and business activities
- ▶ The relevant employees are aware of the ICS
- ▶ The defined ICS is applied
- ▶ There is awareness of the ICS within the Company.

 = no action required

 = potential improvement

 = significant comments / action required

 = for information

2 Comments and information

Audit plan and performance

Audit principles / Audit approach

We have conducted our audit in accordance with Swiss Auditing Standards what applies to financial statements.

A statutory audit pursuant to article 728 CO is performed by a licensed audit expert and results in a summary report to the General meeting, which gives positive confirmation that the financial comply with Swiss law and the articles of association.

A statutory audit provides reasonable assurance, but is not a guarantee that it will detect a material misstatement that exists, whether due to fraud or error.

Confirmation of the existence of the internal control system (ICS) in the report to the General Meeting and a comprehensive report to the Board also form part of the statutory audit. The Board is responsible for the design, implementation and maintenance of a suitable and appropriate system of internal controls. The existence of an internal control system does not provide a guarantee, but only reasonable assurance that the financial statements do not contain any material misstatements that could arise due to the absence or deficiency of internal controls. The inherent limitations of internal control include, for example, human judgment, human error, or a deliberate override of internal control by employees of any level in the entity, including management. At smaller entities, there may also be a lack of controls due to the limited human resources available.

Audit focus / rotation of audit areas

For the following key processes we assessed only the existence of an internal control system and therefore give no opinion with regard to the continuing effective functioning of the controls. Here, the testing of the existence of the key controls may be rotated:

- ▶ Financial Statement Closing Process
- ▶ Revenues
- ▶ Purchase
- ▶ Payroll

Audit principles / audit approach

The scope and purpose of the audit engagement are based on the legal engagement of the auditor. We have set out the precise details of the audit engagement and how it is to be conducted in the engagement letter dated 26 January 2022 which you countersigned on 4 February 2022. Our audit was conducted in accordance with Swiss law and the Swiss Auditing Standards.

2 Further comments and information

Equity situation

Lack of equity

Historically IDA is only funded by grants and therefore does not have any equity except *other voluntary reserves* amounting to KCHF 14 as of 31 December 2021.

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 organization 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 2020

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.

Follow-up 2021

Still open as of 31 December 2021 but reduced by information provided during May 2022. It was communicated that an agreement with a donor had been found in order to use the related funding as other voluntary reserves entirely. This means an increase of one million of the aforementioned account. This point will be followed up during our next audit.

Corrected misstatement

Multi-years agreements recognition

Historically, multi-years grants were recorded by IDA upon reception of the funds by the donor, which was not fully complied with Swiss accounting standards. As of 1st January 2021 and based on our recommendation, IDA has been recording accounts receivable upon signature of grants received from donors for the entire amount of the grants to comply with the accrual basis accounting principle. IDA is also applying the same principle for the engagements taken towards sub-grantees and is recording accounts payable upon signature of agreements with partnerships for the entire amount agreed.

To ensure proper reading of the situation and transparency of the accounting flows, the following disclosure has been added to the notes to the financial statements:

- Receivables from donors: “As of 1st of January 2021, IDA has been recording accounts receivable upon signature of grants received from donors for the entire amount of the engagement. This generated an increase of CHF 10'295'523 (CHF 8'541'514 for 2022 and CHF 1'754'009 for 2023 and beyond) of accounts receivable from donors and of deferred income from donors. This has no impact on equity and income statement, since the income recognized is directly related to the expenses incurred during the year. If the same principle would have been applied as of 1st of January 2020, the impact on 2020 figures would have been an increase of CHF 15'680'530 of the aforementioned accounts, with no impact on equity and income statement.”
- Payables to sub-grantees : “As of 1st of January 2021, IDA has been recording accounts payable upon signature of sub-grants agreements for the entire amount of the contract. This generated an increase of CHF 713'140 of agreed expenses and of trade accounts payable to third parties (short term and long term). This has no impact on equity and income statement, since the amount recognized is directly related to the expenses incurred during the year. If the same principle would have been applied as of 1st of January 2020, the impact on 2020 figures would have been an increase of CHF 1'331'623.71 of the aforementioned accounts, with no impact on equity and income statement”.

2 Comments and information

Audit plan and performance

Date of the audit work

Period

We were able to conduct and complete our audit work on schedule within the following periods:

Interim audit in **May 2022**

Year-end audit in **May and June 2022.**

Independence

Confirmation

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

Additional services

Alongside the audit required by law, we also performed the following services for your company:

- ▶ 2 Agreed Upon Procedures – NAS920 (Fees: CHF 12'000)
- ▶ Audit of 4 income statements – NAS805 (Fees: CHF 32'000).

We have examined the matters above and come to the conclusion that they are in compliance with the legal requirements on independence.

2 Further comments and information

Audit plan and performance – Fraud

Responsibility of the auditor for the detection of fraud

The responsibility for the prevention and detection of fraud rests with the Board and management. It is important that management place a strong emphasis on fraud prevention.

The auditor is responsible for determining with reasonable assurance that the financial statements are free from material misstatement.

Limitations of fraud detection

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed. The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud. Material misstatement resulting from fraud is even harder to detect when accompanied by collusion.

Furthermore, the risk of the auditor not detecting a material misstatement resulting from management fraud is greater than for employee fraud, because management is frequently in a position to directly or indirectly override control procedures.

Consideration of the possibility of fraud in the audit

As auditors, we assess the risk of material misstatements due to fraud within the framework of the entire audit process. In this context, we comply with the relevant auditing standards and legal regulations.

In our annual professional development courses, our staff receives tailored training on fraud-related topics. In designing these trainings, the experience and knowledge gained by our forensics professionals is taken into account.

Based on our assessment of the risk of material misstatement due to fraud, our audit processes are complemented on a case-by-case basis by:

- ▶ involving, on a risk basis, our experienced forensics professionals in the audit in order to assess the potential possibilities of fraud;
- ▶ using forensic framework model in risk assessment, whose analysis are also of interest in discussions, for example, with the Audit Committees;
- ▶ complementing our existing digital audit approach with customer-, industry- and system-specific data analysis, for the purpose of detecting indications of fraud;
- ▶ continuously collecting and evaluating internal and external data and information to enable a more rapid reaction to external risk indicators such as short sellers and whistleblowers.