

confidential

Comprehensive report

International Disability Alliance,
Le Grand- Saconnex

31 December 2022



Building a better
working world



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International Disability Alliance, Le Grand-Saconnex

Lausanne, 25 July 2023

Comprehensive report
of the auditor to the
Board according to art.
728b CO with financial
statements as of
31 December 2022

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 on the following pages are based on the results of our audit procedures performed.

We will be happy to assist should you require any additional information or wish to discuss matters addressed in this report.

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)







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1 Executive summary


Key aspects at a glance

Topic	Description	Status
Report to the General Meeting	We have issued an unmodified opinion in the statutory auditor's report to the General Meeting in accordance with article 728b para. 2 CO (Swiss Code of Obligations)	
Breaches of the law, articles of incorporation or organizational regulations	We did not identify any breaches of the law, the articles of incorporation or the organizational regulations of relevance for the -audit of the separate financial statements	
Areas of focus of our audit	See next page for further remarks	
Internal Control System (ICS)	We confirm the existence of the internal control system in accordance with article 728a para. 1 ciph. 3 CO	
Audit differences	We identified no corrected or uncorrected audit differences.	
Other notes	Fraudulent activities/litigation	

 = no action required

 = potential improvement

 = significant comments / action required

 = for information

2 Information on the performance of the audit

Overview of the audit approach

Basis for the audit

We conducted our audit of the separate financial statements in accordance with the following auditing standards. Those standards require/This standard requires that we plan and perform the -audit of the separate financial statements to obtain reasonable assurance that the separate financial statements are free from material misstatement.

Auditing standard	Separate financial statements Swiss Standards on Auditing (SA-CH)	Financial reporting standard	Separate financial statements Swiss Code of Obligations (CO)
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From the beginning, our auditing method takes into account your expectations and places the emphasis on material business risks as well as their impact on the financial statements. Our audit focus areas are concentrated on the challenges and risks in your Company and for our audit procedures we use innovative IT tools. This enables us to perform our audit efficiently and guarantee that the results of the audit are reliable.

Risk assessment

Our risk assessment for the audit indicated the following main risks:

- ▶ Cutoff for revenues related to grants

We chose the following audit approach:

- ▶ We performed substantive analytical procedures, detailed audit tests (contracts with donator, payments and expenses related to the grants), clerical check over the excel files.

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 18 January 2023, which you countersigned on 2 March 2023 . Our audit was conducted in accordance with Swiss law and the Swiss Standards on Auditing (SA-CH)

2 Information on the performance of the audit

Audit plan and performance

Audit plan and performance

Audit principles / Audit approach

We have conducted our audit in accordance with Swiss Standards on Auditing (SA-CH). We confirmed our adherence to these financial statements in the report to the General Meeting. We audited International Disability Alliance a Statutory audit per Swiss Law.

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.

2 Information on the performance of the audit

Internal Control System

Existence of Internal Control System

We confirm the existence of the Internal Control System (ICS) in our report to the General Meeting.

In order to understand the significant classes of transactions, internal controls, and IT general controls, we performed detailed walkthroughs with the respective process owners at interim date and confirmed the processes as part of the year-end audit. Our procedures were performed in accordance with Swiss Standard on Auditing (PS-CH)890.

During our assessment of the existence of the internal controls, our attention was drawn to the quality of the documentation and potential improvements. 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

Assessment of the Internal Control System (ICS)

In making our risk assessment, we considered the ICS relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate, but not for the purpose of expressing an opinion on the effectiveness of the entity's ICS. An overview of the process-related procedures is summarized below:

Processes	Strategy	Result	Rotation
Entity level controls	n/a	●	No rotation
FSCP	○	●	No rotation
Revenue	○	●	Last tested in 2022
Purchases	○	●	Last tested in 2022
Payroll	○	●	Last tested in 2022

Comment on ICS audit rotation

For our assessment of the existence of the internal control system, we may rotate the audit areas on a three-year cycle. In the column rotation, we indicate the last year where we examined the existence of key controls for the process.

● = no action required

● = potential improvement

● = significant comments / action required

● = In performing the audit, we rely on the control system and therefore tend to perform fewer substantive audit procedures.





○ = In performing the audit, we do not rely on the control system and therefore tend to perform more substantive audit procedures.


i = for information


3 Results of the audit

Report to the General Meeting

Our report to the General Meeting contains the following key statement:

Report on the financial statements	We have issued an unmodified opinion in the statutory auditor's report to the General Meeting on the financial statements as of 31.12.2022 in accordance with article 728b para. 2 CO.	
Confirmation of independence	We confirm that we meet the legal requirements on independence and that there are no circumstances incompatible with our independence.	
Confirmation regarding the internal control system	In accordance with article 728a para. 1 ciph. 3 CO, we confirm in our report to the General Meeting that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors. The confirmation does not, however, involve an opinion on the effectiveness of the internal control system.	
Breaches of the law, articles of incorporation or organizational regulations	In the course of our audit of the financial statements, we did not identify any breaches of the law, the articles of incorporation or the organizational regulations of relevance for the financial audit.	

 = no action required

 = potential for improvement

 = material finding

 = for information only

3 Results of the audit

Audit focus areas

Focus area revenue

Risk

- ▶ Cutoff for revenues related to grants

Audit approach

- ▶ Substantive analytical procedures
- ▶ Detailed audit tests : contracts with donators, payment of the grants and expenses related to grant.
- ▶ Verifying IDA's calculation and reconciliation of the deferred incomes
- ▶ Cross checking information audited for NAS805 and NAS920 audits with IDA's statutory information

EY result and conclusion

- ▶ No uncorrected misstatements





3 Results of the audit

Special matters relating to financial reporting

Below, we comment on special matters relating to financial reporting:

Matter	Explanations
Reserves and surplus situation	<p>▶ Lack of Reserves and surplus</p> <p>Historically IDA is only funded by grants and therefore does not have any reserves and surplus except other voluntary reserves amounting to KCHF 14 as of 31 December 2021. This lack of reserves and surplus 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.</p> <p>Recommendation 2020</p> <p>We recommend to constitute reserves 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.</p> <p>Follow-up 2022</p> <p>A grant of \$M 1 has been received as of November 2022, the purpose of this amount is to strengthen IDA's financial sustainability, governance framework capacity and independence of decision-making.</p> <p>At year end, that reserves are sufficient as of 31 December 2022.</p>

 = no action required

 = potential for improvement

 = material finding

 = for information only

Internal Control System - Management letter points

Process and constataions

1. Documentation of the Internal Control System
2. Cash vs accrual basis
3. Setting up a Timesheet
4. Conversion of transactions in foreign currencies– Audit of grant report
5. Approbation of General Assembly



Audit observations, recommendations, measures

Recommendations from prior year audits – Follow-up

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
- ▶ Provision for the amount of unused overtime and holiday balances of all employees.

Recommendation 2020

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

Update 2021

We noticed an improvement of controls documentation in 2021. We also noticed the development of a process to standardize the format of the various monthly controls.

Update 2022

We understand that monthly and quarterly controls are performed. They are materialized by signatures and have been constantly improving. We understand that additional information will be included in the quarterly report, which will continue to improve the quality of the reporting. We recommend to continue to improve and to strengthen the documentation of the internal control.

Management update 2022

IDA has two cycle of accounting and financial controls.

1/ Monthly controls

The monthly controls are performed by the financial team and focus on accounting reconciliation and financial risk management.

They include the following controls:

- 1.Assets
- 2.Payroll and Social Contributions
3. Monthly Exchange Rates
- 4.Revaluation of Balances in Banks
- 5.Transitory Accounts Balances
- 6.Grants Follow-up and List of Credits Received
- 7.Cash Box and Bank Balance
- 8.Third-Party Accounts Balance and Matching

They are signed by the Finance & HR team including the Director of Operations and Finance. The process has been in place for 2 years and is functioning properly.

2/ Quarterly reporting

It is still a work in progress; quarterly reports aim at providing a macro-overview to the Treasurer and the Executive committee on IDA financial and budgetary situation

In 2024, they should include balance sheets, cash flow situation, income statements, update of budget and financing plan and should be signed by the Finance Director and the Treasurer. Those reports should be presented to the Executive Committee.

Audit observation, recommendations, measures

Recommendations from prior year audits – Follow-up

Cash vs accrual basis

Observation 2022

Since 2021 IDA record the revenue related to funding agreements and sub grants contracts on accrual basis accounting comparing to cash basis before 2021.

Major efforts were done in 2022 in order to implement the right booking pattern.

At year end, a reconciliation has been performed in order to ensure the correct booking. However, we observe that the excel file of reconciliation contained some errors.

Recommendation

We recommend to standardize the reconciliation process by performing the reconciliation during quarterly closing and by creating a reconciliation protocol to follow.

Indeed set up a clear protocol on how to proceed with the reconciliation will allow to avoid duplication of work and key verification oversight. Implementing a protocol also ensure the knowledge transfer relating to cut-off procedures.

Comments of Management 2022:

In 2022, IDA followed EY recommendations and switched to full accrual basis accounting for funding agreements and sub grants contracts. The system has been put in place for 2021 and 2022 at consolidated level and will be fully completed for 2023 financial exercise.

In parallel IDA has been improving its grant tracking system since November 2022. The new systems is based on Microsoft Teams and aims at monitoring the different phases of the grant cycle. The work will be completed by the end of 2023.

The reconciliation protocol recommended by EY will build on the new grant tracking system and be completed by the end of 2023.

Audit observation, recommendations, measures

New recommendations 2022

Setting up timesheets

Observation 2022

Our payroll procedures identified that it is not possible to track the time allocation of an employee on a project during the year.

The dedicated time of the employees on each project is booked based on the annual budget.

No timesheets are used to allocate salary costs by project, based on the time really spent.

Recommendation

We recommend to implement timesheets procedures for IDA's employees in order to allocate all hours by project.

This would provide the company with a concrete tool to track the working time of each employee and properly record the salary cost for each project.

Comments of Management 2022:

The decision to implement a time sheet system to monitor the time allocation for IDA employees will be discussed with IDA Senior Management Team and Treasurer. Similar recommendations have been made during due diligences performed in 2022 and 2023.

Audit observation, recommendations, measures

New recommendations 2022

Conversion of transactions in foreign currencies– Audit of grant report

Observation 2022

During our work related to NAS 805 audit for CBM SDC, we noticed that the calculation of the exchange rate does not follow the same logic throughout the year. Indeed, from January 2021 to June 2021, a monthly exchange rate was used. From July 2021 onwards, a quarterly exchange rate was used. For example the exchange rate of Q3 corresponds to the exchange rate of the income received in July.

However, the use of these exchange rates is only related to analytical accounting.

Recommendation

We recommend to use the same logic over the year regarding exchange rates.

Comments of Management 2022:

Noted and agreed.

IDA aims at avoiding such practices whenever possible.

IDA usually comply with the donors' guidelines which are usually part of the funding agreement.

Audit observation, recommendations, measures

New recommendations 2022

Approval of General Assembly

Observation 2022

We have observed that IDA received a donation of \$1M in November 2022 from Sightsavers, an English NGO. The purpose of this amount is to strengthen IDA's financial sustainability, governance framework capacity and independence of decision-making.

As of 31 December 2022, this amount is presented in the surplus of the year. The will of IDA is to book this donation in IDA's reserves.

Comments of Management 2022:

This is noted and will be on the agenda of the next General Assembly to be held in November 2023.

Recommendation

Regarding the article 863 par.2 of the Code of Obligation, we recommend to obtain the approbation of the General Assembly to perform this operation.

Supplementary notes on the performance of the audit

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 **December 2022**

Year-end audit in **May and June 2023**

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:

- ▶ 4 Agreed Upon Procedures – NAS920 (Total fees: CHF 34'000)
(Bridge 2021 /CBM 2021/ZOA 2022/ DFID 2022)
- ▶ Audit of 5 income statements – NAS805 (Total fees: CHF 46'000).
(NORAD 2022/ NORAD GDS 2022/ CBM 2021/ ZOA 2022/ Finland 2022)

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

Supplementary notes on the performance of the audit

Audit plan and performance – Fraud

The auditor's responsibilities relating to fraud in an audit of financial statements

The primary responsibility for the prevention and detection of fraud rests with the Board of Directors 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.

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.

Abbreviations



Art.	Article
Para.	Paragraph
FMIA	Financial Market Infrastructure Act
FMIO	Financial Market Infrastructure Ordinance
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
ICS	Internal control system
IESBA	International Ethics Standards Board for Accountants
ISA	International Standards on Auditing of the International Auditing and Assurance Standards Board
ISQM	International Standards on Quality Management
ITGCs	IT General Controls
CO	Code of Obligations
FAOA	Federal Audit Oversight Authority
SAD	Summary of Audit Differences
SA-CH	Swiss Standards on Auditing

