

**DOC-AGA-21-04-02-D**

## **Internal Audit Report 2020**

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### **Document for information for AGA Delegates**

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#### **1. Introduction**

Following their appointment by the AGA 2020, Jamie Bolling and Raymond Ceccoto have been examining the accounts of the EDF for the year 2020 as well as the general financial situation of the association.

#### **2. Working conditions of 2020 and Covid-19 pandemic**

As all over the world the European Disability Forum has been affected by the pandemic. From the start, EDF had shown a reactive and protective sense, following closely Belgian, European and worldwide recommendations. It has, therefore, been decided that all staff would work from home until staff safety insured. Thanks to its up-to-date server system, to the capacity of adaptation and the means proposed to the staff, the Secretariat has been able to function very well, and all the work foreseen as well as all the deliveries requested by donors have been achieved.

#### **3. Remarks related to the accounts 2020**

The internal auditors appreciated the result of the year being positive and leading to a higher financial sustainability and the opportunity to create a social reserve (reserve of money to protect legal staff costs in case of difficulties).

They noted that the amount of surplus available was partly due financial sustainability efforts made during the year and to strict management and anticipation of costs leading to a positive result of approximately 49 000 €.

Even with this positive result, the internal auditors encouraged the EDF to continue the efforts to find new complementary funding/income to increase the unrestricted income. It was noted as an improvement although the percentage of unrestricted funding remained very small.

The higher participation to projects with a scope of international development was confirmed. It was acknowledged that international development was leading to new opportunities for funding with an opportunity to include some general unrestricted funds (generally of around 10 % of the project).

The Finance Manager confirmed that all participation to projects were presented to the Executive Committee and that ad-hoc concept note were presenting the objectives of the projects as well as the plus value in relation with EDF's main objectives. She also explained that the objectives and activities of all projects considered were in line with the EDF's Strategic Framework discussed and approved by the EDF Board.

With regards to financial report, it was noted that most expenses were in line with the foreseen budget and that no major area of overspending was noticed. Nevertheless, some deviations have been examined. The Covid-19 situation had an impact on travel costs (being much less than foreseen). This led to some budget reallocation of budget, in particular with regards to online meetings accessibility features (sign language interpretation and velotype services). The Board also decided to dedicate the Human Rights report to the impact of the pandemic, and this required specific expertise whose costs has been agreed by the Board as well as by the European Commission managing the core grant.

Like last year, the Finance Manager explained that due to the recent change in Belgian law and the increased level of justification on expenses requested to the European Commission, the External audit had been adapted with a more in-depth check of all financial and administrative aspects of the EDF.

With regards to possible consequences of the Covid-19 pandemic and the cancellation of physical meetings for security reasons, it was noted that some cancellation fees had to be accounted, that the European Commission stated flexibility in their consideration of these fee not to be rejected but this remains pending until the European Commission has examined the accounts.

In 2019, the auditors and external accountant gave some clear guidelines to adapt the bookkeeping process for the year to come. Therefore, the system of virtual invoice has been put in place. This process being complex and quite time consuming, an increase of financial services costs was noted and should be reconducted for the following years.

It is also to be noted that the EDF has been subject to an ex-post financial control based on the accounts of the year 2017. A detailed examination of the accounts took place in September-October. This led to an adjustment of approximatively 4000 € of expenses being rejected. The Financial reports from the auditors gave a few recommendations specifically concerning the high level of justification needed with regards to travel costs and evidence of participations to meeting. The detailed audit report has been transmitted to the internal auditors.

#### **4. Lessons learned from previous internal audits**

In view to increase control on project management and financial reporting efficiency, the bookkeeping frame has been revised as well as the analytical process. It was decided that this revision would take place on an annual basis. The introduction of a virtual invoice system took place. This led to some difficulties in processing the documents virtually. The risk of time loss, double input of invoices and double payment of invoices has been highlighted and will be carefully examined in the coming year. It was decided that the Financial Manager and the external accountant would strengthen their controls by organizing more frequent meetings and monitoring reporting.

The continuous research of new sources of funding to maintain financial stability was continued as well as the opening of EDF to a greater range of partners/supporters/donors. As in previous years, the need for EDF to focus more on new income sources was highlighted.

The higher level of justification related to some expenses led to an increased and more in-depth management of expenses.

#### **5. Recommendations for the future**

It was noted that due to higher level of expense justification needed, a systematic filing of price offers requested from various suppliers was necessary to give evidence of the competitive procedure put in place in hiring providers or services.

It was also noted that great attention should be paid to receive all travel evidence from members, including boarding passes as well as evidence of meeting attendance (such as meeting programme, speaker's agenda, pictures of the events, etc).

For the year 2021 and due to the pandemic situation extension, it was decided to foresee no travel nor any pre-booking of hotel and meeting premises. This, in order to avoid any cancellation fees for the year.

In view of systemizing all financial actions and financial management procedures, it was advised to start building up a Financial Manual. It was noticed that procedures existed for many subjects but that these were not gathered in one single place.

## 6. Conclusion

The EDF Director, the Finance Manager thanked Jamie Bolling and Raymond Ceccoto for their participation and their advice.