



The Humanitarian Quality Assurance Initiative (HQAI)

# Annual Report 2016

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[www.hqai.org](http://www.hqai.org)



Activity Report for 2016





# 2016

## Annual Report

### Table of contents

President's message	4
Interview with the Executive Director	5
HQAI's Strategic Objectives	8
2015: Inception Year	9
2016: Lift off	10
Institutional Structure	12
Financial Highlights	14
Audited Financial Statements	15

# The President's message



Jacques Forster  
President of HQAI

The adoption of the Core Humanitarian Standard in 2014 was an important milestone in long-standing endeavours to improve the quality of humanitarian action. This adoption spurred the establishment of HQAI and the development of its verification and certification services that aim to support organisations that work with people in need. HQAI offers a new mechanism that objectively and consistently reviews the quality of humanitarian action, taking into account the views of people affected by crises.

Our organisation is still in its take-off stage, and the evidence we have gathered so far on the impact of our activities is limited. Based on the experience of our first full-year of operations and the positive feedback from organisations which have called upon HQAI's services, I am confident that HQAI's services will make a significant contribution to the common overarching goal of improving the quality of humanitarian action.

I express my deep gratitude to

the governments of Denmark, Germany and Switzerland whose financial support enabled the creation of HQAI and the start of its operations. The quality of the dialogue we have developed with our government interlocutors is a constant source of encouragement as we progress towards our sustainable business plan.

I also wish to express my appreciation for the competence and dedication of the staff of HQAI's Secretariat led by Pierre Hauselmann, our Executive Director; what has been accomplished by that small team is very impressive.

My heartfelt thanks to my colleagues, the Members of HQAI and of its Board of Directors for their dedication to HQAI's mission and for the warm and constructive atmosphere in which we deliberate.

**Jacques Forster**

President of HQAI



# Interview with the Executive Director

## Who are you?

Pierre Hauselmann, I have a MSc in environmental management, with an emphasis on NGO management and auditing. I worked for more than 25 years in the field of verification and certification schemes in the sustainable development sector. I was Head of Certification for the Humanitarian Accountability Partnership (HAP) for two years, and in December 2015, when the Humanitarian Quality Assurance Initiative (HQAI) started its operations, I became its Executive Director.

## When did HQAI start?

HQAI was founded as a non-profit association registered in Switzerland on 23 June 2015. It started its operations in December the same year and issued its first certificates in March 2016.

## What are its origins?

HQAI was founded after the intensive coordination work undertaken by the humanitarian sector in the last few years that

led to the development of the Core Humanitarian Standard (CHS). HQAI also finds its origins in the recommendations for efficient third-party quality assurance in the humanitarian sector, published by the Steering Committee on Humanitarian Response (SCHR). One of these recommendations was that the organisation operating such a quality assurance scheme should be independent from those developing the reference standard (i.e. the CHS) and the organisations building capacity on the application of the standard. This led to the establishment of HQAI, an organisation dedicated to the third-party quality assurance for organisations working with people in need.

## Tell us about how you are structured

HQAI is comprised of a small but dedicated team. In 2016, the Secretariat was composed of three people, managing a team of twelve independent auditors. These numbers will



Pierre Hauselmann  
HQAI's Executive Director

grow gradually to respond to the increasing demand for HQAI's services. The Secretariat is helped in its day-by-day tasks by a very active Board of Directors of eight dedicated individuals. To complete the structure, an Advisory and Complaint Board has been created to ensure the impartiality of HQAI's operations.

#### What does HQAI do ?

HQAI operates three core services: benchmarking, independent verification and certification.

For the time being, our reference standard is the CHS, but we do envisage to broaden our scope to other standards to address areas not covered by the CHS.

The three services start with the same baseline audit, which ensures their cross compatibility, but each has different objectives. Benchmarking is a single assessment, where no further step is required by the scheme. Independent verification is not a pass/fail test, but rather it looks at continuous improvement in the application of the standard over four years.

Certification is the assurance provided by HQAI that an organisation meets the requirements of the standard. It is a pass/fail test, but with flexibility. Minor weaknesses identified by an audit in the application of the standard need to be corrected within a certain timeframe, usually one year. A certificate is valid for four years provided that ongoing conformity with the standard is demonstrated.

At the end of 2016, HQAI had issued five certificates, finalised one benchmarking and 13 audits were underway. Nineteen more organisations have shown a strong interest in our services. This work was assisted by a pool of twelve registered auditors, of whom five were Lead Auditors.

As we do not want cost to create a barrier to access our services, HQAI has established a Subsidy Fund, governed by an independent committee to grant financial support to organisations that could not afford third-party quality assurance services without

subsidies. This Fund can subsidise up to 80% of the cost of our services for small organisations.

#### What are HQAI's values and core principles

Our values are the four humanitarian principles of humanity, impartiality, neutrality and independence. Accountability, openness, competence, responsibility, confidentiality and responsiveness to complaints are our working principles.

#### What difference does HQAI make in the Humanitarian Sector?

For the first time, an independent actor can objectively assess the application of the CHS by different types of organisations. Because the CHS is widely recognised as the benchmark in terms of quality and accountability in the sector, we work with some of the largest international agencies as well as with the smallest national organisations. Some are faith based, others are not. We also work with a number of national societies of the Red Cross / Red Crescent movement. The analysis we make encompasses the systems of the organisations (what makes them repeat good or bad practices), the rigour with which the organisations translate their systems into action and the delivery of their commitments to people and communities. Through a sampling of different situations, we interview people along the whole chain of quality and accountability, from the CEO of the organisation to the people receiving assistance, either directly or through partners. Given the variety of situations our auditors have to witness, HQAI gradually collects a wealth of information that we want to share with the sector, while respecting the confidentiality that is paramount in our line of business. To this effect, we organise annual learning events, the first of which will happen in June 2017. This will be for us not only an occasion to share, but also to learn from others and improve our services.

### Which organisations and populations are impacted?

The first organisation that is impacted is, of course, the one asking for our services. The report it receives from HQAI allows it to focus improvement efforts where they are most needed and provides a baseline against which to measure progress. Fundamentally, however, the people receiving assistance from these organisations are the main target. We should not forget the CHS puts people at the centre, and any mechanism measuring the application of the CHS must keep the people at the centre. So does HQAI.

### Can you give us an example of a mission completed in 2016 that is representative of your activities.

Because confidentiality needs to be respected, it is difficult to provide an example of our activities, except by describing in general terms our processes. However, we publish public summaries of the reports we provide to our clients, with their approval. Currently, fourteen such public summaries are available on our web-site (<http://hqai.org/registered-organisations>) and anyone who wants more information is encouraged to look at them. The number of these summaries is growing rapidly.

### Are you satisfied with progresses so far?

We are still very much in a start-up phase and a lot remains to be done. We are learning each day and need to adapt to these learnings, which can be a challenge for a small team. We have managed to improve our processes on an on-going basis while being able to respond to a growing demand. The organisations that have worked with us have provided positive feedback and have sometimes found more value in our services than they expected. HQAI's visibility is growing. So, while being prudent because we are at the very beginning, yes I'm satisfied with HQAI's progress so far, largely due to the fact that all actors, from the staff to the Board and our clients, are dedicated to making HQAI a success.

### How do you see 2017 in three words?

Three concepts instead: More audits, more recognition, new innovative methods for third-party quality assurance.

### Pierre Hauselmann

HQAI's Executive Director



An audit in Ethiopia.

# 4 Strategic Objectives



## Strategic Objective 1

Provide quality assurance services for organisations that work with vulnerable and at-risk communities to demonstrate accountability to affected populations, donors, the general public and other stakeholders.



## Strategic Objective 2

Influence the practice of organisations that work with vulnerable and at-risk communities by analysing data collected through the provision of quality assurance services and strategically disseminating findings and recommendations.



## Strategic Objective 3

Position HQAI as a timely, relevant innovation in the sector of organisations that work with vulnerable and at-risk communities.



## Strategic Objective 4

Establish and manage HQAI as an independent, non-profit organisation accredited for audit and certification of management systems under ISO norms.



# 2015: Inception Year

HQAI was founded in 2015 following the launch of the Core Humanitarian Standard on Quality and Accountability (CHS). It was also grounded in the findings and recommendations of the Steering Committee for Humanitarian Response's (SCHR) certification review (2012 – 2014) that demonstrated the relevance, feasibility of, and demand for third-party quality assurance services in the humanitarian sector particularly against the CHS.

HQAI is a non-profit non-government organisation (NGO) established as an association in Geneva, according to Swiss laws. It began its operations in December 2015 thanks to donations from the Danish, German and Swiss governments.

The creation of HQAI responds to the following underlying problem statements:

- There is no mechanism to objectively and consistently review and demonstrate the quality of humanitarian action.
- Humanitarian decisions and actions are not systematically informed by the perspectives of people in need. HQAI offers three core third-party quality assurance services.

Currently, HQAI focuses on providing these services against the CHS. Over time, it hopes to offer the same services against other standards, commitments and good practices for organisations that work with vulnerable and at-risk communities.

## HQAI offers three core services

### Benchmarking

Independent benchmarking is a single independent and objective diagnosis of the situation of one or a group of organisations with regard to a given standard, good practices or commitments. It is a first step towards aligning and integrating working approaches with those outlined in the specified standard, good practices or commitments.

### Independent verification

Independent verification (sometimes referred to as third-party verification) is an independent and objective assurance that one or a group of organisations are making demonstrated, continuous and measurable progress applying a given standard, good practices or commitments. The requirement is that the most serious weaknesses in the application of the standard are eliminated within a four-year cycle.

### Certification

Certification is the independent and objective assurance that an organisation meets the requirements specified in a given standard, good practices or commitments. A certificate is valid four years, providing periodic checks confirm the continuing conformity with the requirements of the standard.

# 2016: Lift off



*Project site visit in Ethiopia*

## January - March

In the first quarter of 2016, then a secretariat of two people, HQAI started developing its administrative and technical tools. The latter build and expand on the trials undertaken by the Humanitarian Accountability Partnership (HAP) in terms of verification against the CHS. To do so, HQAI agreed with HAP that it would continue maintaining the older HAP certification until the expiration of these certificates. This allowed the five most developed audits undertaken in 2016 to be assessed against HQAI's new mechanisms without further audit and to attribute the first five CHS certificates to Church of Sweden, Naba'a, Tearfund, CAFOD and Christian Aid.



*Community focus group discussion in Myanmar*

## April -June

In the second quarter of 2016, HQAI continued developing its mechanisms, including communication tools. We launched our website at the World Humanitarian Summit (WHS) in Istanbul in May. HQAI, in association with the Colombian Government, organised a side event at the WHS and later in June in New York, during the humanitarian segment of the ECOSOC meeting. Four independent lead auditors (consultants) trained on the CHS and HQAI processes, and an Administrator joined the team during this period. HQAI started to be in contact with potential new clients, organisations previously certified by HAP as well as new organisations not previously involved in third-party quality assurance.



*Project site visit in Bangladesh*

## July-September

HQAI started its first audit in August 2016. Since then the interest of organisations for our services has increased constantly.

In the third quarter of 2016, HQAI initiated work with several donors with the objective to encourage them to recognise HQAI assessments as equivalent to their own requirements to enter into framework agreement with organisations. HQAI did the same with several networks. This work has been concluded with the CHS Alliance, for which HQAI's reports replace the membership requirement for self-assessment. The objective is to create a situation where one audit operated by HQAI can replace the audits and reporting requirements of several networks or donors. This work is on-going.

In September, a Subsidy Fund was established to support organisations wishing to access HQAI's services but for which cost would be a barrier. HQAI's Board of Directors endorsed the Fund Management Committee, an independent body whose responsibility is to attribute subsidies.

In September, HQAI organised a training for auditors. After a final test, nine trainees participated in on-the-field practical training to eventually become fully autonomous Lead Auditors.



*Woman interview with interpreter in Bangladesh*

## October-December

In the final quarter of the year, interest for HQAI's services continued to grow. One audit was completed, 13 audits were under way and an additional 19 potential clients expressed interest. The Danish and the German Governments provided funds for the Subsidy Fund and at the end of the period, three small organisations applied for a subsidy.

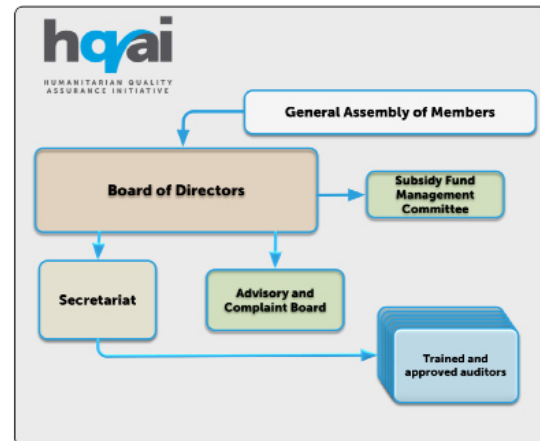
HQAI also commissioned an audit of compliance against the ISO 17021 standard (Conformity assessment - Requirements for bodies providing audit and certification of management systems). The audit demonstrated a high level of application of the requirement of the ISO standard, with one exception: a certification scheme must be based on annual third-party maintenance audits. HQAI's scheme, which align with the CHS Alliance's verification scheme, was based on such an audit every two years only. This has now been amended accordingly.

HQAI was mentioned by IRIN (Integrated Regional Information Networks) as one of the good news stories of 2016 in an article titled, "Three notable innovations in humanitarian aid in 2016".

# INSTITUTIONAL STRUCTURE

## Members

HQAI's membership is comprised of a maximum of 25 individuals collectively representing knowledge of the Core Humanitarian Standard, experience of verification and/or Quality Assurance processes, and a variety of stakeholders of the Humanitarian Quality Assurance Initiative, including users. At the end of 2016, HQAI had 11 members, eight of whom were founding members and members of the Board of Directors (BoD).



Marian Casey-Maslen	Member	Director of the CDAC Network, UK
Jacques Forster	President of the BoD	Professor Emeritus at the Graduate Institute of International and Development Studies in Geneva, Switzerland. Vice-President of the International Committee of the Red Cross (ICRC) from 1999 to 2007.
Lola Gostelow	Member	Independent humanitarian consultant, UK
Judith Greenwood	Director	Executive Director of the CHS Alliance, Switzerland
Kate Halff	Director	Executive Secretary Steering Committee on Humanitarian Response (SCHR), Switzerland
Gerrit Marais	Treasurer	Manager of the SGS global forestry certification programme, South Africa
Sawako Matsuo	Director	Secretary General of the Quality and Accountability Network in Japan (JQAN), Manager, Multi-Sector Engagement Group, Japan NGO Center for International Cooperation, Japan
Jyotsna (Jo) Puri	Director	Head of the Independent Evaluation Unit (IEU) at the Green Climate Fund, Korea, and Adjunct Associate Professor, School of International and Public Affairs (SIPA), Columbia University, USA
Qassem Saad	Member	Chairman, Naba'a, Developmental Action without Borders, Lebanon
Ed Schenkenberd	Director	Executive Director of HERE-Geneva, Switzerland
Sue-Anne Wallace	Vice-President of the BoD	Chair of Australia's Customer Owned Banking Code Compliance Committee and former Chair of the Australian Council for International Development's Code of Conduct Committee

## Advisory and Complaint Board

HQAI's governance structure is completed by an independent Advisory and Complaint Board, composed of the following individual members:

Chris Adams	Director of Development Effectiveness, ACFID, Australia
Gerrit Marais	Representative of HQAI's Board of Directors
Martha Namera	Directress Woman Support Association, Ethiopia
Philip Tamminga	Global Cluster AAP Advisor, with UNICEF Emergency Operations (EMOPS), Global Cluster Coordination Unit

## Secretariat

Day-by day operations were managed in 2016 by a small secretariat based in Geneva.

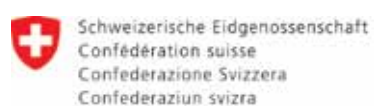
François Fleury	Administrator
Elissa M. Goucem	Quality Assurance Officer
Pierre Hauselmann	Executive Director

## Auditors

Audits were undertaken by a pool of registered auditors, numbering 12 at the end of the year.

Catherine Blunt		Australia
Claire Boulanger	Lead	France
Annie Devonport		United Kingdom
Matthieu Dufour		Senegal
Elissa M. Goucem	Lead	Switzerland
Claire Goudsmit	Lead	United Kingdom
Phil Miller	Lead	Australia
Naveed Ulhaq Mirza		Pakistan
Johnny O'Reagan	Lead	Ireland
Sylvie Robert		Ethiopia
Birgit Spiewok		Germany
Karin Wierenga		Netherlands

## HQAI Donors

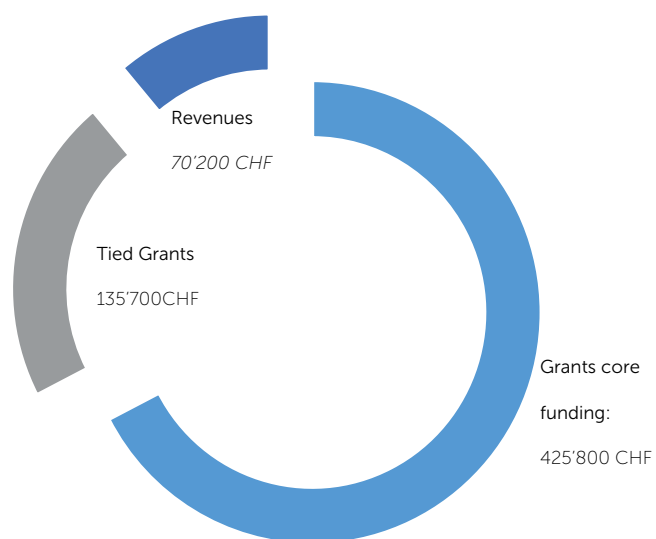


# FINANCIAL HIGHLIGHTS

## Received grants

	CHF
Grants from the public sector: untied	425'800
Grants from the public sector: tied (Subs. Fund)	135'700
Revenues from service rendered	70'200

**Revenues** 631'700



Cost from service rendered	(48'478)
Staff cost	(222'851)
Other General & Administratif expenditures	(104'529)
Depreciation and Amortisation	(6'921)

**Operating cost** (383'779)

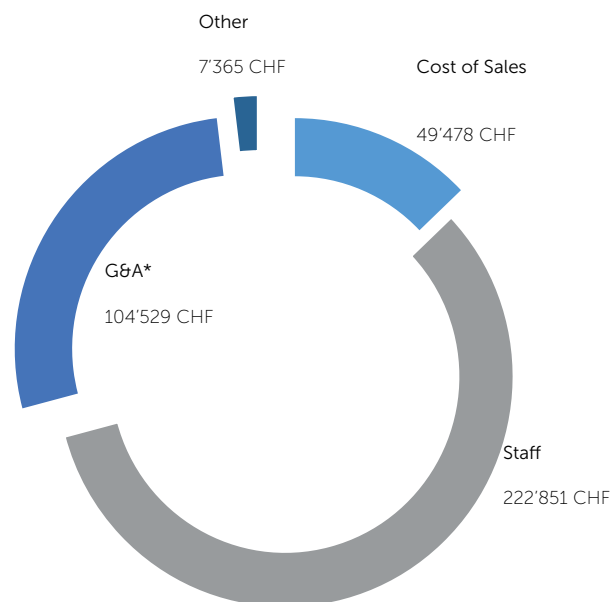
**Operating result** 247'921

Financing Profit/(Loss) (444)

**Result before variety of equity sourced by grants** 247'477

Attribution to restricted funds (135'700)

**Profit/(Loss) before Tax** 111'777



\* General & Administrative expenditures

# Audited Financial Statements

## Table of contents

Report of the Statutory Auditor

Statement of Financial Position as of 31.12.2016

Income Statement

Statement of Cashflow

Statement of Changes in Equity

NOTES TO THE FINANCIAL STATEMENTS

- I. Incorporation and principal activities
- II. Accounting principles



**duchosal berney**

**Report of the statutory auditor on the limited statutory examination  
To the Committee**

**Association Humanitarian Quality Assurance Initiative**

Dears Sirs,

duchosal berney sa

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case postale 6540  
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As statutory auditor, we have examined the financial statements (balance sheet, income statement and notes) of Association Humanitarian Quality Assurance Initiative for the first financial year for the period from December 1<sup>st</sup> 2015 to December 31<sup>st</sup>, 2016.

These financial statements are the responsibility of the Committee. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on the Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements and the proposed appropriation of available earnings do not comply with Swiss law and the company's articles of incorporation.

Duchosal Berney SA

Michaël Lehmann  
Licensed Audit Expert  
Auditor in charge

Philippe Lathion  
Licensed Audit Expert

Geneva, 23 February 2017  
GC/ML/162049/A5

Enclosures : Financial statements (balance sheet, income statement and notes),  
Proposed appropriation of available earnings



## Revenues for the period being reported

Date	Donor	Local Currency	CHF
07.12.15	German Ministry of Foreign Affairs	EUR 100'000.00	107'400.00
02.02.16	DANIDA	DKK 800'000.00	118'400.00
16.12.15	Swiss Agency for Development		100'000.00
10.08.16	Swiss Agency for Development		100'000.00
<b>Core funding</b>			<b>425'800.00</b>
22.11.16	German Ministry of Foreign Affairs	EUR 100'000.00	107'140.00
10.11.16	DANIDA	DKK 200'000.00	28'560.00
<b>Subsidy Fund</b>			<b>135'700.00</b>
<b>Own revenues</b>			<b>CHF</b>
	Clients		64'200.00
	Auditors training		6'000.00
<b>Own revenues</b>			<b>70'200.00</b>
<b>Total revenues</b>			<b>631'700.00</b>

## Statement of Financial Position as of 31.12.2016

Headings	CHF
Cash and banks	361'435.37
Deposits	
Receivables from clients	25'962.09
Receivables from other third parties	
Other current assets	18'923.80
<b>Total current assets</b>	<b>406'321.26</b>
Financial assets	1'368.00
Tangible assets	4'996.69
Intangible assets	19'164.41
<b>Total non current assets</b>	<b>25'529.10</b>
<b>TOTAL ASSETS</b>	<b>431'850.36</b>
Liabilities and Equity	
Payables to suppliers	1'187.95
Payables to other third parties	155'682.50
Accrued liabilities	25'986.33
Other short term liabilities	-
<b>Short term liabilities</b>	<b>182'856.78</b>
Long term loans	-
Long term provisions	-
<b>Long term liabilities</b>	<b>-</b>
Equity : sourced by grants	-
Equity	-
- Initial	-
- Tied	137'216.00
- Untied	111'777.58
<b>Total Equity for the Organization</b>	<b>248'993.58</b>
<b>TOTAL LIABILITIES</b>	<b>431'850.36</b>

## Income Statement

	13 months ending 31 December
Grants from the public sector	
- including tied grants (Subsidy Fund)	135'700.00
- including untied grants	425'800.00
Received grants	
Revenues from services rendered and goods delivered	70'200.00
<b>Revenues</b>	<b>631'700.00</b>
Grants given	
Staff cost	(228'250.99)
Other General & Administrative expenditures	(148'607.25)
Depreciation and Amortization	(6'920.65)
Provisions	
<b>Operating cost</b>	<b>(383'778.89)</b>
<b>Operating result</b>	<b>247'921.11</b>
Financing Profit / (Loss)	(443.53)
Non operating result	
Exceptional result	
<b>Result before variation of Equity Sourced by grants</b>	<b>247'477.58</b>
Attribution to Restricted funds	(135'700.00)
Variation of Equity sourced by grants	
<b>Profit / (Loss)</b>	<b>111'777.58</b>

## Statement of Casflow

	as of 31 December 2016
Result before variation of Equity Sourced by grants	247'477.58
Variation of Equity sourced by grants	1'516.00
Depreciation and Amortization	6'920.65
(Decrease) / Increase of provisions	0
Decrease / (Increase) of Deposits	0.00
Decrease / (Increase) of Receivables	(25'962.09)
Decrease / (Increase) of Inventories	-
Decrease / (Increase) of Other Current Assets	(18'923.80)
(Decrease) / Increase of Payables	156'870.45
(Decrease) / Increase of Other Current Liabilities	25'986.33
<b>Net cash from operating activities</b>	<b>393'885.12</b>
(Investment)/Divestment : Tangible Assets	(6'081.75)
(Investment)/Divestment : Financial Assets	(1'368.00)
(Investment)/Divestment : Intangible assets	(25'000.00)
<b>Net cash from investing activities</b>	<b>(32'449.75)</b>
(Decrease) / Increase of long term loans	0
<b>Net cash from financing activities</b>	<b>0</b>
Cash variation	361'435.37
<b>Cash opening Balance: 01.12.2015</b>	<b>0</b>
<b>Cash Closing Balance: 31.12.2016</b>	<b>361'435.37</b>
Cash Variation Check	361'435.37

## Statement of Changes in Equity

	01.12.15	Allocation	Intern. Transfers	Use	Finan. Alloc.	Variation	31.12.16
Equity Sourced by grants							
Tied funds							
Total: Equity Sourced by grants							
Equity of the organisation							
- Equity of the Association							
- Tied Equity							
+ Reserves							
+ Financing of new projects		137'216.00				137'216.00	137'216.00
- Untied Equity	-	425'800.00	-	(314'022.42)	-	111'777.58	111'777.58
<b>Total Equity for the organisation</b>	<b>-</b>	<b>563'016.00</b>	<b>-</b>		<b>-</b>	<b>248'993.58</b>	

## Notes to the financial statements

For the period 01 December 2015 - 31 December 2016

### I. Incorporation and principal activities

#### Country of registration

The Association was founded on 23 June 2015 further to the Constituting General Assembly meeting held same date. It is a Swiss association under Swiss law and its Article 60 et sq. It has been registered with the Geneva Commercial register since 12 May 2016.

The registered address of the Association is Chemin de Balexert 7, Maison Internationale de l'Environnement 2, 1219 Châteline, Switzerland.

#### Principal activities

The main activities of the Association are:

a) To provide third-party quality assurance of aid providers against recognised humanitarian principles and standards, so as to promote quality and accountable assistance and protection to vulnerable communities affected by or at risk of crisis.

b) To develop and administer quality and accountability third-party quality assurance

methodologies applicable to different aid providers in different contexts;

c) To monitor and report on the impact of third-party quality assurance against the Core Humanitarian

Standard (CHS) and other relevant standards on the quality of assistance and protection provided to populations affected by or at risk of crisis;

d) To promote third-party quality assurance against the CHS and other humanitarian standards to encourage demand and support for the services of the Humanitarian Quality Assurance Initiative;

### II. Accounting principles

The principal accounting policies adopted in the preparation of these financial statements are set out below.

#### Basis of preparation

The financial statements have been prepared in accordance with Swiss GAAP FER (Fachempfehlungen zur Rechnungslegung) and in particular in accordance with FER 21: Accounting for non-profit organisations applicable since 01.01.2016.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with Swiss GAAP

requires the use of certain critical accounting estimates and requires management to exercise its judgment in applying the organisation's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actuals results may ultimately differ from those estimates

#### Foreign currency translation

The financial statements are measured in the currency of the economic environment in which the Association predominantly operates (functional currency), i.e CHF. Transactions in foreign currencies are converted to the functional currency at the prevailing exchange rate on the transaction date.

Balance sheet items in foreign currency are converted using the end of reporting period exchange rate. Any resulting gains and losses are recorded in the income statement.

#### Sales and Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable on services actually rendered in the normal course of activities of the Association,

net of discounts.

Revenue also includes grants of donors.

Revenues earned by the Association are recognised on the following basis:

- Sales of services of third-party quality assurance, audit and training;
- Sales of said services are recognised in the period when they are carried out and when collectability of the related receivable from client is reasonably assured.
- Grants from donors are recognised in the period when they are cashed in

#### Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise petty cash, cash at banks and short-term deposits with an original maturity of three months or less. They are recorded at their nominal value.

In the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, less current account overdrafts (Fund "Net Cash"). The Association does not presently benefit from any overdraft facility.

#### Trade receivables

Trade receivables are recognised and carried at the original net invoice amount less an allowance for any specifically impaired receivables. Provision is made for balances overdue more than 12 months or for receivables where specific risks have been identified. Bad debts are written off when there is objective evidence that the Association will not be able to collect the receivables.

Allowances for impaired receivables as well as losses on trade receivables are recognised as other operating expenses.

#### Property Plant Equipment

Property, plant and equipment are recorded in the balance sheet at historical cost less accumulated depreciation and any impairments. Acquisition costs comprise the purchase price as well as the costs directly attributable to the utilisation of the property, plant and equipment. When acquisition cost are inferior or equal to CHF 800.00 or its equivalent in foreign currency the acquisition cost is not capitalised and is expensed.

Investments in existing property, plant and equipment are only capitalised if their value in use is sustainably

increased or their useful life is extended considerably.

Maintenance and repair costs that do not add value are charged directly to the result for the period.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

- Furniture, office machinery 2,5 years
- IT equipment 2,5 years

The residual values and the remaining useful life of property, plant and equipment are reviewed yearly and adjusted where necessary.

Intangible assets : software

- Licenses purchased granting rights to use new technologies and software. They are amortised

over their useful life (max.two and a half years).

- Customised developed software. These costs are recognised as intangible assets if it is likely that they will generate future economic benefits. The capitalised costs are amortised on a straight-line basis over the estimated useful life (max. two and a half years).

When acquisition cost are inferior to CHF 800.00 or its equivalent in foreign currency, the acquisition cost is not capitalised and is expensed.

Pension and other post employment benefits

Pension obligations

Employees of the Association are insured as part of the "Collective de Prévoyance - Copré-", which is a separate legal entity and financed by contributions from both employers and employees. Surpluses or deficits are calculated based on the Pension Fund's financial statements, which have been drawn up in accordance with Swiss GAAP FER 26.

No provision is made in case of Copré not being able to fulfil its obligations.

Termination benefits

Termination benefits are payable when employment is terminated (in normal employment conditions) in advance of the terms of the contract, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Association recognises such benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal, or providing benefits as a result of an offer made for a voluntary redundancy.

Provisions

Provisions are recognised:

- when there is a present legal or constructive obligation as a result of past events,
- when it is probable that an outflow of resources will be required to settle the obligation, and
- when a reliable estimate of the amount of the obligation can be made.

Income taxes

The Association, as a not-for-profit and charitable organisation, has applied for full tax exemption, which is expected to be granted.

Financial risk management

In view of the global nature of its activities, the Association is exposed to different financial risks, including foreign currency and credit and liquidity risks.

Foreign currency risk: Financial risk management is essentially focused on identifying and analysing exchange rate risk, mainly against the Euro with the aim of minimising its impact on the Association's net income. Only natural hedging is used. Credit risks in respect of clients arise when they may not be able to settle their obligations as agreed.

The credit standing of commercial partners is reviewed before any contract is executed with any of them.

As a matter of principle clients settle seventy percent (70%) of the estimated value of the services they will be invoiced before such services are rendered. Accordingly, the default risks to which the Association is exposed are estimated to be very limited.

Liquidity risk is defined as the risk that the Association could not be able to meet its financial obligations on time. The close monitoring of liquidity allow for timely triggering of outstanding grant payments as a number of grants are disbursed in more than one instalment and parts remain available.



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