



**International Federation of Red Cross
and Red Crescent Societies (IFRC), Geneva**

Independent Auditor's Report

To the Management of IFRC
On the IFRC's Financial Statements for the
Pacific: Tropical Cyclone Pam Emergency Appeal
(MDR55001)
for the period from 23 March 2015 to 31 December 2015



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Independent Auditor's Report on the IFRC's Financial Statements for the Pacific: Tropical Cyclone Pam Emergency Appeal (MDR55001) to the Management of

International Federation of Red Cross and Red Crescent Societies (IFRC), Geneva

As independent auditor, we have been engaged to audit the accompanying financial statements of the Pacific: Tropical Cyclone Pam Emergency Appeal (MDR55001) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the period from 23 March 2015 to 31 December 2015. The financial statements comprise the Pacific: Tropical Cyclone Pam Emergency Appeal income and expenditure statement for the period and explanatory notes ("the financial statements"). The financial statements have been prepared in accordance with IFRC accounting policies.

Management's Responsibility for the Financial Statements

Management of the IFRC is responsible for the preparation and fair presentation of the financial statements in accordance with those requirements of the IFRC accounting policies as described in the notes to the financial statements relevant to preparing such financial statements, and for such internal control as the Management determines necessary to enable the preparation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financials statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



International Federation of Red Cross and Red Crescent Societies, Geneva
IFRC's Financial Statements for the
Pacific - Tropical Cyclone Pam Emergency Appeal (MDR55001)
for the period from 23 March 2015 to 31 December 2015

Opinion

In our opinion, the financial statements of the Pacific: Tropical Cyclone Pam Emergency Appeal (MDR55001) give a true and fair view of the income, expenditure and funds held for operations for the period from 23 March 2015 to 31 December 2015 and have been prepared, in all material respects, in accordance with the IFRC accounting policies as described in the notes to the financial statements.

KPMG SA

Pierre-Henri Pigeon
Licensed Audit Expert

Karina Vartanova
Licensed Audit Expert

Geneva, 23 September 2016

Enclosure:

- Financial statements (income and expenditure statement and explanatory notes)

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDR55001) – PACIFIC: TROPICAL CYCLONE PAM**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD FROM 23 MARCH 2015 TO 31 DECEMBER 2015**

		Period from 23-Mar-2015 to 31-Dec-2015
OPERATING INCOME	Notes	CHF
Voluntary contributions	4	6,974,540
Total INCOME		<u>6,974,540</u>
OPERATING EXPENDITURE		
Programmes and coordination: Humanitarian Response		
Employee benefits		919,705
Relief supplies, transportation and storage		1,696,060
Contributions to National Societies		486,191
Supplementary services cost recoveries		159,370
Other costs & allocations	5	<u>668,508</u>
Total direct costs		<u>3,929,834</u>
Indirect cost recovery		256,417
Pledge fees		33,574
Total OPERATING EXPENDITURE		<u>4,219,825</u>
NET SURPLUS FROM OPERATING ACTIVITIES		<u>2,754,715</u>
Finance expense, net		<u>76,073</u>
NET SURPLUS FOR THE PERIOD		<u><u>2,678,642</u></u>
FUNDS HELD FOR OPERATIONS		
Net surplus for the period		2,678,642
FUNDS HELD FOR OPERATIONS		<u><u>2,678,642</u></u>

The notes on pages 4 to 8 are an integral part of these Appeal Financial Statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDR55001) – PACIFIC: TROPICAL CYCLONE PAM**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 23 MARCH 2015 TO 31 DECEMBER 2015**

1. Activities

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising 190 member Red Cross and Red Crescent societies governed by a Governing Board and with management support provided by a Secretariat with more than 60 delegations strategically located to support activities around the world. The Secretariat headquarters' address is 1, Route de Pré-Bois, 1214 Vernier, Geneva, Switzerland.

The IFRC's mission is to improve the lives of vulnerable people by mobilizing the power of humanity. Working through its 190 member National Societies, the IFRC acts before, during and after disasters and health emergencies to meet the needs and improve the lives of vulnerable people. It does so with impartiality as to nationality, race, gender, religious beliefs, class and political opinions.

The IFRC coordinates international support for large-scale disasters and health crises, strengthens the capacities and leadership of its member National Societies, and acts at the international level to raise resources and persuade decision makers to act at all times in the interests of vulnerable people.

Guided by *Strategy 2020* – a collective plan of action for the IFRC and its member National Societies to tackle the major humanitarian and development challenges of this decade – the IFRC is committed to 'saving lives and changing minds'.

On 13 March 2015, Tropical Cyclone Pam struck Vanuatu with maximum sustained winds of 250 kph, resulting in severe damage to infrastructure and displacing thousands of families as their houses were damaged or destroyed. On the same day, IFRC allocated CHF 132,996 from the Disaster Relief Emergency Fund (DREF) to support the Vanuatu Red Cross Society in responding to the immediate needs of communities affected by Tropical Cyclone Pam and undertaking rapid assessments to inform the development of a detailed action plan.

On 16 March 2015, an Emergency Appeal was launched seeking CHF 3.9 million in cash, kind or services to support Vanuatu Red Cross Society in delivering assistance and support to 60,000 people.

While Vanuatu was the hardest hit, the cyclone and subsequent storm surges and flooding, affected other countries across the Pacific, resulting in extensive damage to infrastructure and houses. On 16 and 17 March 2015, IFRC allocated from the DREF, the amounts of CHF 73,258 for Kiribati Red Cross Society, CHF 81,873 for Tuvalu Red Cross Society, and CHF 153,770 for Solomon Islands Red Cross Society, to support them in delivering immediate assistance to those affected and to undertake thorough needs assessments.

On 23 March 2015, the individual operations were combined to launch an integrated regional Emergency Appeal, seeking CHF 5.7 million in cash, kind or services to support Vanuatu Red Cross Society, Kiribati Red Cross Society, Solomon Islands Red Cross Society, Tuvalu Red Cross Society, and Papua New Guinea Red Cross Society, in delivering humanitarian assistance, relief, shelter and settlement, water and sanitation, and livelihood activities to 81,000 people over 24 months, ending in March 2017. IFRC allocated a further CHF 575,000 from the DREF in order to start up activities.

On 19 June 2015, the Emergency Appeal was revised upwards to CHF 6.9 million to deliver assistance to 100,200 people over the same duration of 24 months. On 25 January 2016, the Emergency Appeal was increased to CHF 8.5 million and extended to 30 June 2017.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Pacific: Tropical Cyclone Pam (appeal MDR55001) and are hereto referred to as the Appeal Financial Statements.

2. Basis of accounting

The Appeal Financial Statements are presented in Swiss Francs and have been prepared using the accrual basis of accounting, under which, the effects of transactions and other events are recognised when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

The information contained herein has been extracted from the Consolidated Financial Statements of the IFRC which are prepared in accordance with International Financial Reporting Standards (IFRS).

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDR55001) – PACIFIC: TROPICAL CYCLONE PAM**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 23 MARCH 2015 TO 31 DECEMBER 2015**

2. Basis of accounting (continued)

The Consolidated Financial Statements present operating expenditure by function (see note 3.3(a)). All operating expenditure included within the Pacific: Tropical Cyclone Pam is classified under the Humanitarian Response functional category. For information purposes, the Income and Expenditure Statement provides further analysis of operating expenditure.

3. Significant accounting policies

3.1 Foreign currency transactions

The presentation and functional currency of the IFRC is the Swiss Franc, as operating cash flows are primarily denominated in, and influenced by, the Swiss Franc. The IFRC's operations are not concentrated in any one economic environment, but appeals, including the Pacific: Tropical Cyclone Pam Emergency Appeal, are always launched in Swiss Francs and expenditure is budgeted and managed in Swiss Francs.

Foreign currency transactions are translated into Swiss Francs using rates which approximate to the rates prevailing on the dates of the transactions.

3.2 Income

Income comprises Voluntary contributions in cash or in-kind from donors, Corporate donation fees and Reimbursement of Contributions to National Societies.

Voluntary contributions

Voluntary contributions are identified according to the level of earmarking. Donors can earmark contributions for use in field operations at the appeal, programme, project or sub-project level. Such earmarked contributions are fully under the control of the IFRC, and, unless they are also subject to specific contractual obligations or earmarked for use in a future period (see paragraph below), are recognised in the Income and Expenditure Statement when pledged. At the end of the accounting period, unspent earmarked contributions are included in Funds held for operations.

Government grants and contributions that are based on contracts for specific projects, akin to government grants, are recognised as expenditure is incurred and contractual obligations are fulfilled. The IFRC typically receives such contributions from diplomatic missions, United Nations (UN) agencies, European Community Humanitarian Office (ECHO) and other government agencies such as the United States Agency for International Development (USAID). Amounts received, but not recognised, are deferred for recognition in future periods as expenditure is incurred and contractual obligations are fulfilled. Government grants that are not for specific projects but are earmarked at appeal level are recognised when a confirmed written pledge has been received from the donor.

Contributions that are subject to specific contractual obligations or earmarked for use in a future period are not fully under control of the IFRC. Contributions subject to specific contractual obligations are recognised in income as expenditure is incurred and contractual obligations are fulfilled, similar to government grants. Amounts received, but not recognised, are deferred for recognition in future periods as expenditure is incurred and contractual obligations are fulfilled. Contributions which are earmarked for use in a future period are deferred for recognition in income in the future period for which they are earmarked.

In-kind contributions of goods (comprising relief supplies) and services (in the form of staff or transport) are recognised on the date of receipt of the goods or service and are recognised equally as both contributions and expenses in the Income and Expenditure Statement. In-kind goods and services received in response to the Appeal are measured at fair value.

The fair value of in-kind goods is based on the donor indication of the value. This value is tested for reasonableness by comparing it to the cost that the IFRC would incur if it were to buy in the open market similar goods for the same intended use. If the market value is found to be significantly different to the value indicated by the donor, the value is revised to the market value.

The fair value of in-kind staff is taken as the average cost that would be incurred by the IFRC, if it were to employ a person in a similar position.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDR55001) – PACIFIC: TROPICAL CYCLONE PAM**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 23 MARCH 2015 TO 31 DECEMBER 2015**

3. Significant accounting policies (continued)

The IFRC sometimes agrees with a donor that the value of a confirmed written pledge previously received shall be changed - either increased or decreased. Such changes are recognised as additions to, or reductions of, income, during the period in which the change was agreed. The IFRC is not able to evaluate the potential impact of such changes on voluntary income reported in these Appeal Financial Statements.

3.3 Expenditure

(a) Functional expenditure categories

All IFRC expenditure is classified under functional expense categories that aggregate costs related to each category. Expenditure incurred as part of the Pacific: Tropical Cyclone Pam Emergency Appeal activities is classified under the Programmes and coordination: Humanitarian response functional expense category. This functional expense category comprises: Coordination during the immediate response phase of disasters and crises which require international assistance, in order to ensure adequate resources are available to meet the needs of disaster affected people. Within this functional expense category, the classification of operational expenditures by nature has been aligned with the Consolidated Financial Statements of the IFRC.

(b) Costing principles

The costing principle of the IFRC is one of full cost recovery, therefore each appeal, including the Pacific: Tropical Cyclone Pam Emergency Appeal, includes all associated direct costs, indirect costs and pledge fees.

Direct costs

Direct costs are those costs that can be readily and specifically identified with a particular project or service. Direct costs include the following:

Employee benefits including salary and benefit costs of international delegates and national staff.

In keeping with the IFRC's principle of full cost recovery, costs are recovered from operations for specific services provided in addition to the essential services funded by indirect cost recovery (below). Such recoveries include specific logistics services recoveries based on the value of procurement services provided, global fleet services including provision of the vehicle rental scheme and country level services related to the basic costs of having a presence (an IFRC office) in a given country.

Indirect costs

The direct costs of programmes and services are subject to 6.5% indirect cost recovery to fund the costs of providing indirect support services, essential to the success of operations. Such indirect support services include management and leadership, information and communication technology and professional and services functions in the areas of programme quality, reporting, resource mobilisation, finance, information technology and human resources.

Pledge fees

Costs are incurred to meet specific donor requirements. These requirements may include the tracking of expenses where a donation has been given for a specific activity or needs to be spent within a specific timeframe, or requires customised financial and / or narrative reports. Pledge fees are charged to donations to cover the costs associated with meeting these specific donor requirements.

(c) Working with National Society partners

In implementing its activities in the ordinary course of its business, the IFRC advances funds to member Red Cross and Red Crescent National Societies. Two mechanisms are used to advance funds to member National Societies for the implementation of activities – cash working advances and cash contributions.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDR55001) – PACIFIC: TROPICAL CYCLONE PAM**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 23 MARCH 2015 TO 31 DECEMBER 2015**

3. Significant accounting policies (continued)

Working advances to National Societies

The IFRC provides cash working advances to National Societies for them to implement activities on behalf of the IFRC. An expense is recognised for the value of working advances which has not been reported on by the recipient National Societies and is recorded in Operating expenditure – Other costs & allocations. When recipient National Societies report on their use of the funds, this expense is reclassified according to its nature.

Contributions to National Societies

The IFRC makes cash contributions to fund the activities of member National Societies. Such contributions are recognised as operational expenditure as they are incurred.

3.4 Finance expense, net

Exchange gains and losses resulting from the settlement of foreign currency transactions and from translation are included under Finance expense, net, in the Income and Expenditure Statement, with the exception of realised exchange gains and losses on voluntary contributions, which are included under Voluntary contributions.

3.5 Funds held for operations

The cumulative excess of income received over operating expenditure incurred is recorded as Funds held for operations. In the event that the funds cannot be spent, the IFRC obtains agreement from the donors to reallocate the unspent funds for a different use, or reimburses them to the donors.

4. Voluntary contributions

				Period from 23-Mar-2015 to 31-Dec-2015
	Cash	Goods	Services	TOTAL
	CHF	In-Kind	In-Kind	CHF
		CHF	CHF	
American Red Cross	305,435	21,408	-	326,843
Australian Red Cross	2,548,070	298,502	45,355	2,891,927
Australian Red Cross (from Australian Government)	292,954	-	-	292,954
Belgian Red Cross (Francophone)	15,136	-	-	15,136
British Red Cross (from British Government)	700,668	-	-	700,668
British Red Cross (from Great Britain - Private Donors)	62,018	-	-	62,018
China Red Cross, Hong Kong branch	24,504	-	-	24,504
Danish Red Cross (from Danish Government)	94,969	-	-	94,969
Danish Red Cross (from Faroe Islands Government)	28,106	-	-	28,106
Italian Government Bilateral Emergency Fund	339,144	-	-	339,144
Japanese Government	147,238	-	-	147,238
Japanese Red Cross Society	82,904	74,448	-	157,352
Luxembourg Government	51,288	-	-	51,288
Monaco Government	10,392	-	-	10,392
New Zealand Red Cross	657,935	-	-	657,935
Norwegian Red Cross	60,510	-	-	60,510
Sub-totals carried down	<u>5,421,271</u>	<u>394,358</u>	<u>45,355</u>	<u>5,860,984</u>

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 23 MARCH 2015 TO 31 DECEMBER 2015**

4. Voluntary contributions (continued)

	Cash	Goods	Services	Period from
	CHF	In-Kind	In-Kind	23-Mar-2015 to
	CHF	CHF	CHF	31-Dec-2015
				TOTAL
				CHF
Sub-totals brought down	5,421,271	394,358	45,355	5,860,984
Other donors (including those with contributions less than CHF10,000)	27,264	-	-	27,264
Red Cross of Monaco	31,340	-	-	31,340
Swiss Red Cross	130,000	-	-	130,000
The Canadian Red Cross Society	122,961	-	-	122,961
The Canadian Red Cross Society (from Canadian Government)	153,963	-	-	153,963
The Netherlands Red Cross Government)	1,253	19,280	15,671	36,204
United States Government - USAID	96,144	-	-	96,144
	<u>6,499,876</u>	<u>413,638</u>	<u>61,026</u>	<u>6,974,540</u>

The figures include cash contributions and movements in outstanding pledges between 23 March 2015 and 31 December 2015, together with the revaluation of outstanding foreign currency pledges as at 31 December 2015.

5. Other costs & allocations

	Period from
	23-Mar-2015 to
	31-Dec-2015
	CHF
Administration, office and general	89,495
Consultancy fees	111,673
Information	16,468
Travel	240,953
Vehicles and equipment	19,024
Workshops & training	60,230
Other costs and allocations	<u>130,665</u>
	<u>668,508</u>

The provisions related to working advances not yet reported by the recipient National Society, are included within Other costs and allocations above. As at end of 31 December 2015, this provision amounted to CHF 42,127.