



**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
Nigeria: Complex Crisis in the North East Appeal
(MDRNG022)
for the period from 28 April 2017 to 31 March 2019



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Independent Auditor's Report on the IFRC's Financial Statements for the Nigeria: Complex Crisis in the North East Appeal (MDRNG022) to the Management of

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

Opinion

We have audited the accompanying grant financial statements for the Nigeria: Complex Crisis in the North East Appeal (MDRNG022) of the International Federation of Red Cross and Red Crescent Societies ("IFRC"), which comprise the income and expenditure statement and notes to the financial statements, including a summary of significant accounting policies ('the financial statements') for the period from 28 April 2017 to 31 March 2019.

In our opinion, the accompanying financial statements for Nigeria: Complex Crisis in the North East Appeal (MDRNG022) for the period from 28 April 2017 to 31 March 2019 are prepared, in all material respects, in accordance with the IFRC accounting policies as described in the notes to the financial statements.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the IFRC in accordance with the requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Notes 2 and 3 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the IFRC to comply with the financial reporting provisions of the IFRC.

Responsibilities of the Management for the Financial Statements

The Management of the IFRC is responsible for the preparation of the financial statements in accordance with the basis of accounting described in the notes and for such internal control as Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 IFRC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

We communicate with the Management and those charged with governance of IFRC regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG SA



Karina Vartanova
Licensed Audit Expert



Jordan Chassard

Geneva, 21 January 2020

Enclosure:

- Financial statements (income and expenditure statement and explanatory notes) for the period from 28 April 2017 to 31 March 2019

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
ONE INTERNATIONAL APPEAL (MDRNG022) – NIGERIA: COMPLEX CRISIS IN THE NORTH EAST**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD FROM 28 APRIL 2017 TO 31 MARCH 2019**

		Period from 28-Apr-2017 to 31-Mar-2019
OPERATING INCOME	Notes	CHF
Donations and voluntary contributions	4	7,305,571
Other income		26,362
Total INCOME		<u>7,331,933</u>
OPERATING EXPENDITURE		
Programmes and coordination: Humanitarian Response		
Employee benefits		2,887,959
Relief supplies, transportation and storage		1,952,660
Supplementary services cost recoveries		669,317
Other costs & allocations	5	<u>1,523,100</u>
Total direct costs		<u>7,033,036</u>
Indirect cost recovery		457,187
Pledge fees		69,273
Total OPERATING EXPENDITURE		<u>7,559,496</u>
NET DEFICIT FROM OPERATING ACTIVITIES		(227,563)
Finance expense, net		(8,396)
NET DEFICIT FOR THE PERIOD		<u>(235,959)</u>
FUNDS HELD FOR OPERATIONS - DEFICIT		
Net deficit for the period		(235,959)
FUNDS HELD FOR OPERATIONS - DEFICIT		<u>(235,959)</u>

The notes on pages 4 to 7 are an integral part of these Appeal Financial Statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
ONE INTERNATIONAL APPEAL (MDRNG022) – NIGERIA: COMPLEX CRISIS IN THE NORTH EAST**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 28 APRIL 2017 TO 31 MARCH 2019**

1. Activities

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising 192 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 to support activities around the world. The Secretariat headquarters' address is 17, Chemin des Crêts, Petit-Saconnex, 1209 Geneva, Switzerland.

The IFRC's mission is to improve the lives of vulnerable people by mobilizing the power of humanity. Working through its 192 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'.

The Complex Emergency operation in the North East was designed to provide support to the Nigerian Red Cross Society (NRCS) in its response to the protracted humanitarian crisis in the North East of Nigeria where approximately 4 million people were in need of humanitarian assistance, due to food insecurity and displacement caused by conflict. This operation was a One International Appeal (OIA) involving Movement partners, International Committee of the Red Cross, and International Federation of the Red Cross and Red Crescent Societies, which launched the appeal.

One International Appeal refers to a situation in which the ICRC and the Federation agree that, in the interest of optimizing impact and resource mobilization in relation to a particular emergency, one international appeal shall be issued by either ICRC or IFRC, whichever is leading the coordination function in the particular context, and shall integrate the activities of the other organization in the appeal; and that the organization launching the appeal shall manage the appeal and collect the funds raised in relation to the specific emergency (the "Funding Partner"), and allocate funding to the other organization (the "Implementing Partner") based on the budget and activities integrated into the appeal as agreed by the IFRC and ICRC for each context (the "Project").

The OIA for Complex Emergency operation in the North East was launched on 28 April 2017 for CHF 10.4 million to assist 360,000 people. The OIA was revised thrice in 2017 and 2018, adjusting the plan and number of beneficiaries due to low funding coverage. The budget was revised to CHF 9.8 million to assist 300,000 people until December 2018. The final report was issued on 4 September 2019.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Nigeria: Complex Crisis in the North East (MDRNG022) 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).

The Consolidated Financial Statements present operating expenditure by function (see note 3.3(a)). All operating expenditure included within the Nigeria: Complex Crisis in the North East OIA is classified under the Humanitarian Response functional category. For information purposes, the Income and Expenditure Statement provides further analysis of operating expenditure.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 28 APRIL 2017 TO 31 MARCH 2019**

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 Nigeria: Complex Crisis in the North East OIA, 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 donations from donors, voluntary contributions in cash or in-kind from member National Societies, and other income.

(a) Donations and Voluntary contributions

Donations and voluntary contributions are identified according to the level of earmarking. Donors and National Societies 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.

Donations and contributions that are subject to specific contractual obligations or earmarked for use in a future period are not fully under control of the IFRC. Donations that are 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. Donations and 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 (in the form of staff or transport) are recognised on the date of receipt of the service and are recognised as contributions, and expenses in the Income and Expenditure Statement. In-kind services received in response to the Appeal are measured at fair 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.

The IFRC sometimes agrees with a contributing National Society or other 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 contribution income reported in these Appeal Financial Statements.

(b) Other Income (Income from the sale of goods)

Income from the sale of goods, principally from publications and promotional goods, is recognised when performance obligation is satisfied, including the transfer of control over the goods.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 28 APRIL 2017 TO 31 MARCH 2019**

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 Nigeria: Complex Crisis in the North East OIA 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 Nigeria: Complex Crisis in the North East OIA, 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 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.

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

There are no contributions to National Societies for these appeal financial statements.

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 donations, which are included under Donations.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 28 APRIL 2017 TO 31 MARCH 2019**

3. Significant accounting policies (continued)

3.5 Funds held for operations - deficit

Any cumulative excess of operating expenditure incurred over income received, is recorded as a deficit. It shall be covered from other IFRC funds in accordance with internal procedures.

4. Donations and voluntary contributions

	Cash	Services	Period from
	CHF	In-Kind	28-Apr-2017 to
		CHF	31-Mar-2019
			TOTAL
			CHF
Donation - ICRC	7,297,791	-	7,297,791
Voluntary contribution - British RC	-	7,780	7,780
	<u>7,297,791</u>	<u>7,780</u>	<u>7,305,571</u>

The Cash column includes gains and losses from pledge revaluation and settlement during the period (see note 3.4).

5. Other costs & allocations

	Period from
	28-Apr-2017 to
	31-Mar-2019
	CHF
Administration, office and general	201,247
Consultancy fees	57,691
Information	64,734
Travel	451,949
Vehicles and equipment	394,388
Workshops & training	208,231
Other costs and allocations	144,860
	<u>1,523,100</u>