



**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 Kenya:
Population Movement Emergency Appeal
(MDRKE018)
for the period from 1 January 2014 to 30 June 2015



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Independent Auditor's Report on the IFRC's Financial Statements for the Kenya: Population Movement Emergency appeal (MDRKE018) 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 Kenya: Population Movement Emergency Appeal (MDRKE018) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the period from 1 January 2014 to 30 June 2015. The financial statements comprise Kenya: Population Movement 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
Kenya: Population Movement appeal (MDRKE018)
for the period from 1 January 2014 to 30 June 2015

Opinion

In our opinion, the financial statements of the Kenya: Population Movement Emergency Appeal (MDRKE018) give a true and fair view of the income, expenditure and funds held for operations for the period from 1 January 2014 to 30 June 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 (MDRKE018) – KENYA: POPULATION MOVEMENT**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2015**

		Period from 1-Jan-2014 to 30-Jun-2015	Year ended 31-Dec-2013
OPERATING INCOME	Notes	CHF	CHF
Voluntary contributions	4	2,409,612	4,928,899
Total INCOME		2,409,612	4,928,899
OPERATING EXPENDITURE			
Programmes and coordination: Humanitarian Response			
Employee benefits		97,240	85,782
Relief supplies, transportation and storage		19	-
Contributions to National Societies		3,042,552	5,425,471
Supplementary services cost recoveries		42,183	558
Other costs & allocations	5	619,698	28,200
Total direct costs		3,801,692	5,540,011
Indirect cost recovery		247,109	360,101
Pledge fees		15,090	23,877
Total OPERATING EXPENDITURE		4,063,891	5,923,989
NET DEFICIT FROM OPERATING ACTIVITIES		(1,654,279)	(995,090)
Finance income, net		(19)	0
NET DEFICIT FOR THE PERIOD		(1,654,260)	(995,090)
FUNDS HELD FOR OPERATIONS			
Brought forward		1,656,287	2,651,377
Net deficit for the period		(1,654,260)	(995,090)
FUNDS HELD FOR OPERATIONS		2,027	1,656,287

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
EMERGENCY APPEAL (MDRKE018) – KENYA: POPULATION MOVEMENT**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 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'.

Internal unrest within Somalia followed by years of drought, a shrinking humanitarian space and lack of access to affected populations in South-Central Somalia have worsened food security conditions and led to a population influx towards neighbouring countries, including Kenya. Dadaab camp in North Eastern Kenya is the largest refugee camp in the world and in the period from January to September 2011 received approximately 163,000 new arrivals.

Based on the humanitarian situation in the Dadaab camp, a preliminary Emergency Appeal was launched on 19 October 2011 seeking CHF 27.6 million in cash, kind or services to support the Kenya Red Cross Society to deliver assistance and relief to 60,000 Somali refugees for 12 months in the IFO2 West Camp, specifically in the sectors of camp management, water and sanitation, health and nutrition, shelter, education, warehousing, relief (food and non-food) and support to host communities.

On 29 November 2011, the IFRC revised the Emergency Appeal, reducing the budget to CHF 26.1 million, in order to assist between 76,000 to 110,000 refugees until the end of November 2012. This revised Emergency Appeal included an expansion of the operation to include camp IFO2 East and a shift in sector focus to shelter, health, nutrition and water and sanitation.

On 31 December 2012, the IFRC extended the Emergency Appeal to support the Kenya Red Cross Society in delivering assistance to beneficiaries until the end of October 2013, reducing the appeal budget to CHF 10.4 million. On 11 July 2013, the IFRC further revised the Emergency Appeal to extend the timeframe to the end of December 2013 and to increase the budget to CHF 21.4 million.

A revised Emergency Appeal was subsequently published in February 2014 to extend the timeframe to the end of December 2014 and to increase the budget to CHF 22.9 million. An operations update on 25 March 2015 extended the timeframe until 30 June 2015. The final report was issued on 31 March 2016 covering the reporting period from October 2011 until February 2016.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Kenya: Population Movement Emergency Appeal (appeal MDRKE018) 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 (MDRKE018) – KENYA: POPULATION MOVEMENT**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 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 Kenya: Population Movement Emergency Appeal 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 Kenya: Population Movement 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 contributions in cash from donors.

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.

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 Kenya: Population Movement 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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRKE018) – KENYA: POPULATION MOVEMENT**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2015**

3. Significant accounting policies (continued)

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 Kenya: Population Movement 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.

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 income, net

Exchange gains and losses resulting from the settlement of foreign currency transactions and from translation are included under Finance income, 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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRKE018) – KENYA: POPULATION MOVEMENT**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2014 TO 30 JUNE 2015**

3. Significant accounting policies (continued)

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.

The unspent balance of CHF 2,027 under this appeal is being processed for reallocation to the long term development programmes in Kenya.

4. Voluntary contributions

	Cash CHF	Period from 1-Jan-2014 to 30-Jun-2015 TOTAL CHF	Year ended 31-Dec-2013 TOTAL CHF
European Commission - DGECHO	1,633,504	1,633,504	1,851,806
Norwegian Red Cross (from Norwegian Government)	-	-	1,411,529
Red Crescent Society of the Islamic Republic of Iran	-	-	250,000
The Canadian Red Cross Society	-	-	133,999
The Netherlands Red Cross (from Netherlands Government)	-	-	612,520
United States Government - PRM	776,108	776,108	669,046
	<u>2,409,612</u>	<u>2,409,612</u>	<u>4,928,899</u>

The Cash column includes movements in outstanding pledges during the period from 1 January 2014 to 30 June 2015, together with the revaluation of outstanding foreign currency pledges as at 30 June 2015.

There is also a deferred unspent balance of CHF 11,521 on a voluntary contribution received from the United States Government – PRM. The IFRC is seeking the donor's agreement to allocate these funds for other disaster management projects in Kenya.

5. Other costs & allocations

	Period from 1-Jan-2014 to 30-Jun-2015 CHF	Year ended 31-Dec-2013 CHF
Administration, office and general	33	-
Information	246	-
Travel	668	-
Vehicles and equipment	1,270	-
Workshops & training	120	-
Other costs and allocations	<u>617,361</u>	<u>28,200</u>
	<u>619,698</u>	<u>28,200</u>

Included under Other costs and allocations is an amount of CHF 594,701 (2013: Nil) transferred to another organisation to implement activities on behalf of the IFRC.