



**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
Philippines Typhoon Haiyan Appeal
(MDRPH014)
for the period from 1 January 2016 to 31 March 2017



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Independent Auditor's Report on the IFRC's Financial Statements for the Philippines Typhoon Haiyan Appeal (MDRPH014) 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 Philippines Typhoon Haiyan Appeal (MDRPH014) 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 1 January 2016 to 31 March 2017.

In our opinion, the accompanying financial statements for Philippines Typhoon Haiyan Appeal (MDRPH014) for the period from 1 January 2016 to 31 March 2017 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.



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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

Djeneba Gory

Geneva, 21 December 2017

Enclosure:

Financial statements (income and expenditure statement and explanatory notes) for the period from 1 January 2016 to 31 March 2017

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRPH014) – PHILIPPINES: TYPHOON HAIYAN**

**INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

		Period from 01-Jan-2016 to 31-Mar-2017	Year ended 31-Dec-2015
	Note	CHF	CHF
OPERATING INCOME			
Voluntary contributions	4	114,672	3,274,092
Corporate donation fees		-	(47,332)
Other income		587	-
Total OPERATING INCOME		115,259	3,226,760
OPERATING EXPENDITURE			
Programmes and coordination: Humanitarian Response			
Employee benefits		2,650,687	5,212,898
Relief supplies, transportation and storage		2,555,035	12,452,770
Contributions to national societies		-	-
Supplementary services & cost recoveries		609,003	960,139
Other costs & allocations	5	738,207	1,452,601
Voluntary contributions returned to a donor	6	249,168	1,015,406
Total direct costs		6,802,100	21,093,814
Indirect cost recovery		429,997	1,310,732
Pledge fees		17,662	97,036
Total OPERATING EXPENDITURE		7,249,759	22,501,582
NET DEFICIT FROM OPERATING ACTIVITIES		(7,134,500)	(19,274,822)
Finance expense, net		45,502	376,471
NET (DEFICIT) / SURPLUS FOR THE PERIOD		(7,180,002)	(19,651,293)
FUNDS HELD FOR OPERATIONS			
Brought forward		14,030,226	33,726,230
Net deficit for the period		(7,180,002)	(19,651,293)
Allocations to other IFRC appeals	7	-	(44,711)
FUNDS HELD FOR OPERATIONS		6,850,224	14,030,226

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 (MDRPH014) – PHILIPPINES: TYPHOON HAIYAN**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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 8 November 2013, Typhoon Haiyan struck Central Philippines with maximum sustained winds of 235 kph and gusts of up to 275 kph. The typhoon and subsequent storm surges resulted in extensive damage to infrastructure and more than 11 million people across 44 provinces have been directly affected by the Typhoon.

In November 2013, an amount of CHF 475,495 was allocated from IFRC's Disaster Relief Emergency Fund (DREF) to support the Philippine Red Cross in delivering assistance to those affected and to undertake initial needs assessments in the affected areas. This DREF was fully reimbursed in the same month. On 12 November 2013, a preliminary Emergency Appeal was launched seeking CHF 72.3 million in cash, kind or services to support the Philippine Red Cross in delivering humanitarian assistance, relief, shelter and settlement, water and sanitation, and livelihood activities to 500,000 people over 18 months.

On 18 July 2015, the Emergency Appeal was adjusted to CHF 94.5 million, considering the resources received and the projected activities for the remainder of the appeal timeframe. On 29 December 2016, the timeframe of the Emergency Appeal was extended till 31 March 2017. The final report was issued on 30 June 2017. The unspent balance will be transferred to the Operational Plan for 2017 and 2018 to continue longer-term programmes and for National Society development.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Philippines: Typhoon Haiyan Emergency Appeal (appeal MDRPH014) 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 Philippines: Typhoon Haiyan Emergency Appeal 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
EMERGENCY APPEAL (MDRPH014) – PHILIPPINES: TYPHOON HAIYAN**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR 31 DECEMBER 2016**

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 Philippines: Typhoon Haiyan, 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 and corporate donation fees.

(a) 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.

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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRPH014) – PHILIPPINES: TYPHOON HAIYAN**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR 31 DECEMBER 2016**

3. Significant accounting policies (continued)

(b) Corporate donation fees

In accordance with IFRC financial policy, a service fee of 5.0% is recovered on corporate donations. This service fee is recovered upon the receipt of the relevant contributions, in order to fund the costs of relationship management associated with corporate donors.

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

Income from the sale of goods, principally from publications and promotional goods, is recognised when the risks and rewards of ownership are passed to the buyer.

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 Philippines: Typhoon Haiyan 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 Syria: Complex 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 (MDRPH014) – PHILIPPINES: TYPHOON HAIYAN**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR 31 DECEMBER 2016**

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		Year ended
	01-Jan-2016 to	31-Mar-2017	31-Dec-2015
	Cash	TOTAL	TOTAL
	CHF	CHF	CHF
Australian Red Cross (from Australian Government)	59,472	59,472	-
British Red Cross	36,762	36,762	1,498,255
British Red Cross (from British Government)	-	-	148,079
Canadian Red Cross	-	-	769,126
Danish Red Cross	-	-	37,189
Finnish Red Cross	(19,280)	(19,280)	132,040
Japanese Red Cross Society	-	-	353,878
KPMG Disaster Relief Fund	30,355	30,355	-
KPMG International Cooperative (KPMG-I)	5,608	5,608	238,657
Norwegian Red Cross	-	-	12,806
Other donors (including those with contributions less than CHF 10,000)	1,755	1,755	(1,062,386)
	<u>114,672</u>	<u>114,672</u>	<u>2,127,644</u>

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRPH014) – PHILIPPINES: TYPHOON HAIYAN**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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5. Other costs & allocations

	Period from 01-Jan-2016 to 31-Mar-2017	Year ended 31-Dec-2015
	CHF	CHF
Workshops & training	313,558	189,383
Administration, office and general	282,910	221,816
Vehicles and equipment	180,237	54,264
Travel	131,985	163,659
Consultancy fees	62,530	116,190
Information	32,517	79,030
Other costs and allocations	<u>(265,530)</u>	<u>628,259</u>
	<u>738,207</u>	<u>1,452,601</u>

The movement in working advances to recipient National Society is included within Other costs and allocations above. This amounted to a reversal of provision of CHF 343,465 (In 2015, the provision was CHF 414,100).

6. Voluntary contributions returned to a donor

The amount of CHF 249,168 is a provision for return of funds to ECHO (In 2015, CHF 1,015,406 was returned to American Red Cross).

7. Allocations to other IFRC appeals

There is no amount allocated to another IFRC fund or appeal in 2016 (In 2015, an amount of CHF 44,711 was reallocated to another IFRC appeal based on donor requirement).