

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

Independent Auditor's Report

On the IFRC's Financial Statements for the
Horn of Africa Food Security
Appeal (MDR64003)
for the period 11 December 2008 to
31 December 2009



**KPMG SA
Audit**

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Independent Auditor's Report

Horn of Africa Food Security Appeal (MDR64003) of the International Federation of Red Cross and Red Crescent Societies (IFRC)

We have audited the accompanying financial statements (income and expenditure statement and related notes) of the Horn of Africa Food Security Appeal (MDR64003) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the period 11 December 2008 to 31 December 2009. These financial statements are the responsibility of the IFRC's management. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers the internal control system relevant to the entity's preparation 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the income and expenditure for the period 11 December 2008 to 31 December 2009 and have been prepared, in all material respects in accordance with the IFRC accounting policies, as described in the notes to the accompanying financial statements.

KPMG SA



Pierre-Henri Pingeon
*Licensed Audit Expert
Auditor in Charge*



Christine Fox

Geneva, 27 October 2010

Enclosure:

- Income and expenditure statement and related notes

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL – MDR64003 – HORN OF AFRICA: EXCEPTIONAL FOOD SECURITY CRISIS**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD 11 DECEMBER 2008 TO 31 DECEMBER 2009**

INCOME	Note	Period from 11-Dec-08 to 31-Dec-09 CHF
Voluntary contributions	2.3 & 3	9,633,966
Financial income, net	2.2	80,965
Total INCOME		<u>9,714,931</u>
OPERATING EXPENDITURE		
Supplies		2,526,025
Vehicles and equipment		52,440
Transport and storage	2.5	311,838
Personnel expenditure	2.6	1,177,456
Workshops and training		3,357
General expenditure		254,467
Contributions to national societies	6	3,597,298
Programme support recovery	4	600,097
Services and recoveries	5	95,282
Provisions for operations	6	37,427
Total OPERATING EXPENDITURE		<u>8,655,687</u>
EXCESS OF INCOME OVER EXPENDITURE		<u>1,059,244</u>
FUNDS HELD FOR OPERATIONS		
Brought forward	2.4	39,741
Reimbursement to IFRC DREF fund	1	(130,000)
Excess of income over expenditure		1,059,244
FUNDS HELD FOR OPERATIONS		<u>968,985</u>

The notes on pages 2 to 5 are an integral part of these Appeal Financial Statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL – MDR64003 – HORN OF AFRICA: EXCEPTIONAL FOOD SECURITY CRISIS**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD 11 DECEMBER 2008 TO 31 DECEMBER 2009**

NOTE 1 – ACTIVITIES

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising 186 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 17, Chemin des Crêts, Geneva, Switzerland.

The IFRC's mission is to improve the lives of vulnerable people by mobilizing the power of humanity. Its principal activities include:

- promoting individual and community humanitarian principles and values
- responding to disasters by providing assistance to vulnerable people, from refugees to victims of natural disasters
- disaster preparedness activities which aim to make National Societies and communities more aware of the risks they face, how to reduce their vulnerability, and how to cope when disaster strikes
- health and community care activities to enable communities to reduce their vulnerability to disease, and prepare for and respond to public health crises
- guiding and supporting the development of National Societies to enable them to fulfil their responsibilities in providing humanitarian services in their own countries.

Responding to reports of increasing levels of hardship for millions of people in the Horn of Africa region, the IFRC and a number of national societies undertook a multi-disciplinary assessment mission in November 2008, in order to confirm the extent and scale of the reported food crisis situation. Based on the assessment results, a robust food relief and recovery response plan was developed, with a focus on meeting the immediate needs while appropriate medium to longer-term recovery and risk reduction (capacity building) interventions developed. Emergency Appeal presented the provisional findings of the assessment, and the outlined a preliminary plan of action to be adjusted in response to the evolving situation on the ground.

Populations, in large areas of Kenya and the Horn of Africa, were identified as facing an exceptional humanitarian crisis that required urgent food assistance and a range of complementary interventions, in order to combat acute malnutrition levels and threats to coping mechanisms. The combined effect of high worldwide food prices and drought in the region were jeopardizing the lives, livelihoods and dignity of up to 20 million people in both rural and urban communities. The affected populations were those who were already living on the margins of survival due to conflict, displacement and chronic poverty. IFRC responded to the situation, in order to bring immediate relief to affected populations and mitigate the risk of the situation developing into famine.

- The Emergency Appeal was initially launched on 11 December 2008, for CHF 114.0 million, in order to assist 2.2 million beneficiaries over a period of five years.
- CHF 130,000 was allocated from the International Federation's Disaster Relief Emergency Fund (DREF) to support the assessment activities and mission. The DREF allocation was fully reimbursed in December 2008.
- An exceptional advance of CHF 10.0 million was extended by IFRC to support the national societies of Ethiopia, Djibouti, Kenya and Somalia to respond to food crisis.
- A revised emergency appeal was launched on 23 June 2009, in which the initial appeal target of CHF 114.0 million was revised downwards to CHF 75.7 million. The appeal was revised and scaled down as there was, by then, insufficient time left to purchase and distribute more food before the Belg harvest would be available in the local markets. The appeal revision did not in any way reflect a decrease in the needs of the affected population, but rather, IFRC's concern not to demoralize local farmers or markets.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes for all projects linked to the Horn of Africa Exceptional Food Security Crisis Emergency Appeal (MDR64003), hereto referred to as the Appeal Financial Statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD 11 DECEMBER 2008 TO 31 DECEMBER 2009**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

The Appeal Financial Statements are presented in Swiss Francs and have been prepared under the historical cost convention. 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).

2.2 Foreign currency transactions

The presentational and functional currency of the IFRC is the Swiss Franc, since 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 Horn of Africa: Exceptional Food Security Crisis Emergency Appeal (appeal MDR64003), 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 rate prevailing at the date of the transactions.

Exchange gains and losses resulting from the settlement of foreign currency transactions and from translation are included under "Financial income, net", in the Income and Expenditure Statement.

2.3 Income

Income comprises contributions in cash or in-kind from donors.

Unearmarked cash contributions are recognised as income when a confirmed written pledge has been received from the donor.

Earmarked cash contributions are recognised as income when a confirmed written pledge has been received from the donor unless: either they are earmarked for a future accounting period, in which case they are booked as deferred income and taken to the Income and Expenditure Statement in the period for which they were earmarked; or, in the case of earmarked contributions made which are subject to a specific service contract, income is recognised as the contractual obligations are fulfilled and expenditure incurred.

In-kind contributions of staff services are recognised on the date of receipt of the service, and are reported as equal 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 directly employ a person in a similar position.

2.4 Funds held for operations

The cumulative excess of voluntary contributions 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 donor for a reallocation of those funds for a different use, or reimburses them to the donor. No amounts were reimbursed to donors during the period 11 December 2008 to 31 December 2009.

2.5 Transport and storage

The cost of renting vehicles from the IFRC's Vehicle Fleet Base for use on the Horn of Africa Food Security operation is recorded under Transport and storage.

2.6 Personnel expenditure

Personnel expenditure includes salary and benefit costs of international delegates, in-kind delegates, national staff and consultants' fees and expenses.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD 11 DECEMBER 2008 TO 31 DECEMBER 2009**

NOTE 3 – VOLUNTARY CONTRIBUTIONS

	Cash	Outstanding Pledges (Revalued)	Services In-Kind	11-Dec-08 to 31-Dec-09 TOTAL
	CHF	CHF	CHF	CHF
Andora Government	11,152	-	-	11,152
Australian Red Cross (from Australian Government)	460,395	-	-	460,395
Belgian Red Cross (Flanders) (from Belgian Federal Government)	-	669,625	-	669,625
British Red Cross	468,118	-	12,400	480,518
Canadian Red Cross	-	-	12,613	12,613
Cyprus Red Cross	639	-	-	639
European Commission - DG ECHO	(591,091)	595,150	6,200	10,259
Finnish Red Cross (from Finnish Government)	-	1,406,041	-	1,406,041
Irish Red Cross	67,823	-	-	67,823
Japanese Government	1,185,818	-	-	1,185,818
Japanese Red Cross	247,100	-	-	247,100
Libyan Red Crescent	10,000	-	-	10,000
Luxembourg Government	152,952	-	-	152,952
Monaco Red Cross	36,906	-	-	36,906
New Zealand Red Cross	19,980	-	-	19,980
Nordea Life & Pensions SA	115,960	-	-	115,960
Oman - Private Donors	4,399	-	-	4,399
Swedish Red Cross	464,549	-	-	464,549
Swedish Red Cross (from Swedish Government)	3,427,752	-	-	3,427,752
Swiss Red Cross	128,073	-	-	128,073
Swiss Red Cross (from Swiss Government)	272,156	-	-	272,156
Unidentified donor	(70)	-	-	(70)
United Arab Emirates Red Crescent	239,926	-	-	239,926
WFP - World Food Programme	115,719	93,681	-	209,400
	<u>6,838,256</u>	<u>2,764,497</u>	<u>31,213</u>	<u>9,633,966</u>

The Outstanding pledges column above shows movements in outstanding pledges between 11 December 2008 and 31 December 2009, together with the revaluation of outstanding foreign currency pledges as at 31 December 2009.

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 has not evaluated the potential impact of such changes on voluntary income reported in these Appeal Financial Statements.

NOTE 4 - PROGRAMME SUPPORT RECOVERY

As a contribution to the costs of support for operations in the field, an additional 6.5% is added to the cost of each operation for service provision. This support includes services essential for an operation's success such as human resources, finance, logistics, information technology and other support.

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NOTE 5 - SERVICES AND RECOVERIES

Services and recoveries comprise fees charged to the Appeal by the IFRC Logistics and Resource Mobilisation Department (including the Regional Logistics Units) for procurement services provided to the operation. Fees are charged based on the value of the procurement.

NOTE 6 – PROVISIONS FOR OPERATIONS AND CONTRIBUTIONS TO NATIONAL SOCIETIES

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.

(a) Provisions for operations

The IFRC provides cash working advances to national societies for them to implement activities on behalf of the IFRC.

Amounts advanced are recognised as receivables until such time as recipient national societies report to the IFRC on their use of the funds. A provision is recognised for the value of working advances which has not been reported on by the recipient national societies and the related expense is recorded in Operating expenditure - Provisions for operations. When recipient national societies report on their use of the funds, the provision is reversed and the expense is reclassified according to its nature.

The value of unreported working advances at 31 December 2009 was higher than at 11 December 2008 by CHF 37k.

(b) 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.