

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

**Independent Auditor's Report**

**On the IFRC's Financial Statements for the Bay  
of Bengal Earthquake and Tsunami Appeal  
(M04EA028)  
for the year ended 31 December 2009**



**KPMG SA**  
**Audit**  
14, Chemin De-Normandie  
CH-1206 Geneva

P.O. Box 449  
CH-1211 Geneva 12

Telephone +41 22 704 15 15  
Fax +41 22 347 73 13  
Internet www.kpmg.ch

## Independent Auditor's Report

### **Bay of Bengal Earthquake and Tsunami Appeal (M04EA028) 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 Bay of Bengal Earthquake and Tsunami Appeal (M04EA028) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the year ended 31 December 2009.

#### **Management's Responsibility for the Financial Statements**

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.

#### **Auditor's Responsibility**

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.

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.



*Bay of Bengal Earthquake and Tsunami Appeal (M04EA028)  
of the International Federation of Red Cross and Red Crescent Societies (IFRC)*

**Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the income and expenditure for the year ended 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 Pigeon**  
*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**

**BAY OF BENGAL EARTHQUAKE & TSUNAMI APPEAL (M04EA028)**

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

<b>INCOME</b>	<b>Note</b>	<b>2009 CHF</b>	<b>2008 CHF</b>
Voluntary contributions	2.3 (a) & 3	14,222,707	48,705,167
Supplementary services income	2.3 (b)	2,689,395	3,347,309
Interest income	2.3 (c)	17,320	1,303,861
Other income		120,225	235,819
<b>Total INCOME</b>	<b>5</b>	<b><u>17,049,647</u></b>	<b><u>53,592,156</u></b>
<b>OPERATING EXPENDITURE</b>			
Supplies		19,847,589	46,693,438
Land, vehicles and equipment		1,516,561	1,346,859
Transport and storage	2.5	1,493,869	1,908,728
Personnel expenditure	2.6	12,762,196	14,535,009
Workshops and training		1,420,696	1,467,913
General expenditure		4,142,126	5,840,888
Depreciation	2.7	59,457	69,017
Contributions to national societies	6 (b)	5,288,237	230,957
Contributions to other organisations		75,206	12,575,267
Programme support recovery	4	2,229,169	( 1,562,930)
Provisions for operations	6 (a)	108,425	( 887,635)
Voluntary contributions reimbursed to donors	2.4	1,230,957	3,819,994
<b>Total OPERATING EXPENDITURE</b>	<b>5</b>	<b><u>50,174,488</u></b>	<b><u>86,037,505</u></b>
<b>RESULT FOR THE YEAR</b>	<b>5</b>	<b><u>( 33,124,841)</u></b>	<b><u>( 32,445,349)</u></b>
<b>FUNDS HELD FOR OPERATIONS</b>			
Brought forward	2.4	125,717,605	160,576,354
Reallocations to other IFRC Appeals	2.1	( 1,190,878)	( 2,413,400)
Result for the year		( 33,124,841)	( 32,445,349)
<b>FUNDS HELD FOR OPERATIONS</b>		<b><u>91,401,886</u></b>	<b><u>125,717,605</u></b>

The notes on pages 2 to 6 are an integral part of these Appeal Financial Statements.

# INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES

## BAY OF BENGAL EARTHQUAKE & TSUNAMI APPEAL (M04EA028)

### NOTES TO THE APPEAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 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.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes for all projects linked to the Bay of Bengal Earthquake and Tsunami Appeal (M04EA028), hereto referred to as the Appeal Financial Statements.

#### NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

##### 2.1 Basis of preparation

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).

Reclassification of certain comparative figures has been made in the Appeal Financial Statements, in order to be consistent with the current year presentation. Specifically, in previous years, reimbursements of voluntary contributions to donors and reallocations of funds to other IFRC appeals were recognised as reductions to income, in the period during which the reimbursements were paid or the reallocations effected. In these Appeal Financial Statements, reimbursements of voluntary contributions to donors are recognised as Operating expenditure, and reallocations of funds to other IFRC appeals are recognised as movements within Funds held for operations. Comparative figures for 2008 have been reclassified accordingly.

##### 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 Bay of Bengal Earthquake and Tsunami Appeal (M04EA028), 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 the prevailing at the date of the transactions.

##### 2.3 Income

Income comprises contributions in cash or in-kind from donors, sundry income and income from services.

##### *a) Voluntary contributions*

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

NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, in which case income is recognised as the contractual obligations are fulfilled and expenditure incurred.

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 reported as equal 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 value. This value is tested for reasonableness and adjusted accordingly, by comparing it to the cost that would be incurred by the IFRC, if it were to buy similar goods, in the open market, for the same intended use.

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.

*b) Income from the provision of services*

Income from services is recognised in the period in which the service is rendered. For the provision of services across accounting periods, income is recognised according to the stage of completion of the service, by reference to services performed to date as a percentage of total services to be performed.

The majority of income from the provision of services is derived from services provided to implementing national societies in countries where these national societies are working bi-laterally with the local national society, rather than multi-laterally with the IFRC and the local national society. Income from these types of services is included under Supplementary services income in the Income and Expenditure Statement.

*c) Interest income*

Since June 2006, interest earned, on unspent funds held in the IFRC's Tsunami Special Project Fund, has been allocated to the Tsunami Appeal. In June 2009, the Tsunami Special Project Fund was closed, and interest earned on the project fund balance was discontinued. A total of CHF17k interest income was earned during the period 1 January to 30 June 2009 (2008: CHF 1,304k earned during the year ended 31 December 2008).

**2.4 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 donor for a reallocation of those funds for a different use, or reimburses them to the donor. Reimbursements to donors are accounted for as operating expenditure and funds held for operations are diminished accordingly.

**2.5 Transport and storage**

The cost of renting vehicles from the IFRC's vehicle fleet base for use on the Tsunami 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.

**2.7 Depreciation**

Depreciation is charged to those projects which are using the related vehicles or equipment. It is calculated on the straight-line method to write off assets to their estimated residual values over their estimated useful lives as follows:

Vehicles	4-5 years
Computer equipment	3-4 years
Other equipment	3-5 years

INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES

BAY OF BENGAL EARTHQUAKE & TSUNAMI APPEAL (M04EA028)

NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009

NOTE 3 – VOLUNTARY CONTRIBUTIONS

	Cash	Outstanding Pledges (Revalued)	Services In-Kind	2009 TOTAL	2008 TOTAL
	CHF	CHF	CHF	CHF	CHF
American Red Cross	6,730,036	(2,241,797)	67,933	4,556,172	12,959,075
Australian Government	(406,636)	-	-	(406,636)	-
Australian Red Cross	2,183,398	3,141,027	35,053	5,359,478	585,266
Belgium Red Cross (Flanders)	-	-	-	-	704,329
Belgium Red Cross (French)	-	-	-	-	59,500
British Red Cross	86,090	(309,119)	(4,400)	(227,429)	196,565
Canadian Red Cross	3,514,966	(693,361)	-	2,821,605	23,451,522
Canadian Red Cross (from Canadian Government)	-	-	-	-	529
Danish Red Cross (from Denmark - Private Donors)	-	-	-	-	39
Finnish Red Cross	141,084	(14,871)	3,520	129,733	127,499
Finnish Red Cross (from Finnish Government)	-	-	-	-	10,784
French Red Cross	2,122,300	(2,280,115)	-	(157,815)	460,642
Hong Kong Red Cross	3,489,202	(3,457,590)	8,800	40,412	3,233,022
Icelandic Red Cross	259,368	-	-	259,368	-
Irish Red Cross	1,790,069	(2,035,661)	35,200	(210,392)	1,204,976
Japanese Red Cross	-	-	-	-	3,237,560
Korea Republic Red Cross	-	315,877	-	315,877	103,093
Maldives Government	-	-	-	-	1,157,100
Netherlands Red Cross	-	-	-	-	613,860
New Zealand Red Cross	79,960	5,453	80,666	166,079	108,209
New Zealand Red Cross (from New Zealand Government)	388,738	-	-	388,738	-
Norwegian Red Cross	(2,016,013)	252,387	-	(1,763,626)	243,650
Other	2,191	2,166,881	40,400	2,209,472	639,971
South African Red Cross	-	-	-	-	(51,645)
Spanish Red Cross	-	-	11,147	11,147	(111,971)
Swedish Red Cross	435,778	-	135,000	570,778	(26,946)
Swedish Red Cross (from Swedish Government)	-	-	-	-	155,776
Swiss Red Cross	-	-	-	-	11,000
Taiwan Red Cross Organisation	-	37,108	-	37,108	(279,704)
Uganda Red Cross	-	-	-	-	(3,570)
UNICEF (UN Agency)	107	-	-	107	15,976
Unidentified donor	(27)	-	-	(27)	(4,628)
United Arab Emirates Red Crescent	1,386,781	(1,265,705)	-	121,076	(96,312)
United States - Private Donors	1,482	-	-	1,482	-
	<b>20,188,874</b>	<b>(6,379,486)</b>	<b>413,319</b>	<b>14,222,707</b>	<b>48,705,167</b>

The Outstanding pledges column shows movements in outstanding pledges between 1 January 2009 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 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

BAY OF BENGAL EARTHQUAKE & TSUNAMI APPEAL (M04EA028)

NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009

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 budget 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.

NOTE 5 – INCOME AND EXPENDITURE ANALYSIS BY COUNTRY OF OPERATION

	Indonesia CHF	Sri Lanka CHF	Maldives CHF	*Other CHF	2009 TOTAL CHF	2008 TOTAL CHF
Voluntary contributions	15,209,063	7,709,447	(1,086,094)	(7,609,709)	14,222,707	48,705,167
Supplementary services income	2,224,192	455,833	-	9,370	2,689,395	3,347,309
Interest income	-	-	-	17,320	17,320	1,303,861
Other income	113,272	6,385	(534)	1,102	120,225	235,819
<b>Total INCOME</b>	<b>17,546,527</b>	<b>8,171,665</b>	<b>(1,086,628)</b>	<b>(7,581,917)</b>	<b>17,049,647</b>	<b>53,592,156</b>
<b>OPERATING EXPENDITURE</b>						
Supplies	689,173	16,162,511	786,187	2,209,718	19,847,589	46,693,438
Land, vehicles and equipment	130,982	225,214	12,223	1,148,142	1,516,561	1,346,859
Transport and storage	666,502	614,524	74,880	137,963	1,493,869	1,908,728
Personnel expenditure	4,673,543	4,816,945	763,908	2,507,800	12,762,196	14,535,009
Workshops and training	453,624	338,308	24,746	604,018	1,420,696	1,467,913
General expenditure	1,390,668	1,655,894	338,731	756,833	4,142,126	5,840,888
Depreciation	52,889	6,568	-	-	59,457	69,017
Contributions to national societies	4,668,244	619,993	-	-	5,288,237	230,957
Contributions to other organisations	113,792	(38,586)	-	-	75,206	12,575,267
Programme support	627,526	1,098,488	78,454	424,701	2,229,169	(1,562,930)
Provisions for operations	63,802	239,697	23	(195,097)	108,425	(887,635)
Contributions reimbursed to donors	88,156	289,408	853,059	334	1,230,957	3,819,994
<b>Total OPERATING EXPENDITURE</b>	<b>13,618,901</b>	<b>26,028,964</b>	<b>2,932,211</b>	<b>7,594,412</b>	<b>50,174,488</b>	<b>86,037,505</b>
<b>EXCESS OF EXPENDITURE OVER INCOME</b>	<b>3,927,626</b>	<b>(17,857,299)</b>	<b>(4,018,839)</b>	<b>(15,176,329)</b>	<b>(33,124,841)</b>	<b>(32,445,349)</b>

\*Income included under Other consists primarily of unearmarked income which has initially been allocated to the Tsunami General Fund and is now being applied to fund country programmes.

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 the value at 31 December 2008 by CHF 108k (2008: lower than 2007 by CHF 887k).

(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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES**

**BAY OF BENGAL EARTHQUAKE & TSUNAMI APPEAL (M04EA028)**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 7 – EVENT AFTER THE REPORTING PERIOD**

In April 2010, the International Development Association (IDA), an implementing partner in Sri Lanka, informed IFRC that there remain unspent funds of approximately CHF 7,840k that the IFRC had contributed to the IDA in 2006 and 2008, in order to implement activities in the Community Recovery and Reconstruction Partnership - Base Grant project. These funds were recognised as Operating expenditure – Contributions to other organisations, in the 2006 and 2008 Tsunami Income and Expenditure Statements. The unspent funds will almost certainly be refunded by IDA to IFRC, prior to 31 December 2010. Such refund will be recognised as income in 2010 Income and Expenditure Statement.

IFRC is in discussion with partners, who contributed the above mentioned funds to IFRC, regarding reallocation of these funds to other projects or reimbursement to those contributing partners. It is probable that most of the funds will be reallocated to other projects; however, on 12 August 2010, CHF 3,720k of the unspent IDA funds were reimbursed to one of IFRC's contributing partners. This amount, together with any other amounts that may ultimately be reimbursed, will be recognised as Operational expenditure in 2010 Income and Expenditure Statement.