

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

Independent Auditor's Report

On the IFRC's Financial Statements for the
Zimbabwe – Food insecurity
Appeal (MDRZW003)
for the period 6 August 2008 to 31 December 2009



**KPMG SA
Audit**

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Independent Auditor's Report

Zimbabwe – Food insecurity Appeal (MDRZW003) 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 Zimbabwe – Food insecurity Appeal (MDRZW003) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the period 6 August 2008 to 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 of 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.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the income and expenditure for the period 6 August 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 Pigeon
*Licensed Audit Expert
Auditor in Charge*



Christine Fox

Geneva, 24 November 2010

Enclosure:

- Income and expenditure statement and related notes.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL - MDRZW003 – ZIMBABWE FOOD INSECURITY**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD 6 AUGUST 2008 TO 31 DECEMBER 2009**

| INCOME | Note | Period from 6-Aug-08 to 31-Dec-09 CHF |
|------------------------------------|-------------|--|
| Voluntary contributions | 2.3 & 3 | 12,009,517 |
| Total INCOME | | <u>12,009,517</u> |
| OPERATING EXPENDITURE | | |
| Supplies | | 7,736,198 |
| Vehicles and equipment | | 254,718 |
| Transport and storage | 2.5 | 1,077,483 |
| Personnel expenditure | 2.6 | 846,668 |
| Workshops and training | | 69,925 |
| Travel | | 24,742 |
| Information and public relations | | 41,804 |
| Office costs | | 95,659 |
| Communications | | 37,866 |
| Professional fees | | 3,556 |
| Financial expense, net | | 159,075 |
| General expenditure | | 83,822 |
| Programme support recovery | 4 | 777,266 |
| Provisions for operations | 5 | 194,664 |
| Total OPERATING EXPENDITURE | | <u>11,403,446</u> |
| RESULT FOR THE PERIOD | | <u>606,071</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 - MDRZW003 - ZIMBABWE FOOD INSECURITY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD 6 AUGUST 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.

Following a number of years of inconsistent weather patterns, socio-economic decline and below expected national production of large and small grain cereals, coupled with a decline in economic activity and the impact of the HIV AIDS pandemic, in 2008 a joint crop and food supply assessment by the Food and Agricultural Organization (FAO) and the World Food Programme (WFP) estimated that the total number of food insecure persons in rural and urban areas would be 2.04 million for the period between July and September, rising to 3.8 million between October and December, and peaking at 5.1 million people between January and March 2009 - approximately 45 per cent of the total population. Additionally, the capacity of the government to import food would be constrained by rising food prices and unavailability of foreign currency in the country. The harvest was expected to reach only 40 per cent of the needs for 2008/2009.

In response to the above situation, on 6 August 2008, the IFRC launched a preliminary emergency appeal requesting CHF 27.8 million, in order to provide the following support to 260,100 targeted beneficiaries from August 2008 to May 2009:

- Timely emergency relief to meet the basic needs of those most affected by the food security crisis.
- Early recovery support to restore and improve agricultural resilience of the most vulnerable people in target areas.

Following a beneficiary verification process completed in December 2008, in March 2009 the operation time frame was extended to September 2009, and the number of targeted beneficiaries and the emergency appeal budget were revised down to 198,360 and CHF 12.2 million respectively.

On 9 December 2009, the emergency appeal was revised, extending the time period to September 2010, and increasing the budget by CHF 26.2 million, in order to provide support to 222,035 beneficiaries during the extended period.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Zimbabwe Food Insecurity Emergency Appeal (appeal MDRZW003) and are 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 6 AUGUST 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 Zimbabwe Food Insecurity Emergency Appeal (appeal MDRZW003), 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.

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 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 the 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.

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. No amounts were reimbursed to donors during the period 6 August 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 Zimbabwe Food Insecurity 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 6 AUGUST 2008 TO 31 DECEMBER 2009**

NOTE 3 – VOLUNTARY CONTRIBUTIONS

| | Outstanding | | | | Period from |
|--|------------------|---------------|------------------|----------------|-------------------|
| | Cash | Pledges | Goods | Services | 6-Aug-08 to |
| | | (Revalued) | In-Kind | In-Kind | 31-Dec-09 |
| | Cash | | | | TOTAL |
| | CHF | CHF | CHF | CHF | CHF |
| Australian Red Cross | 1,974 | - | - | - | 1,974 |
| Austrian Red Cross | 45,662 | - | - | - | 45,662 |
| Belgian Red Cross (Flanders) | 57,344 | - | 882,212 | 59,013 | 998,569 |
| Belgian Red Cross (Flanders) (from Belgian Federal Government) | 35,725 | - | - | - | 35,725 |
| British Red Cross | 602,916 | - | - | - | 602,916 |
| British Red Cross (from Great Britain - Private Donors) | 62,343 | - | - | - | 62,343 |
| Finnish Red Cross | 89,883 | - | 1,382,808 | - | 1,472,691 |
| Finnish Red Cross (from Finnish Government) | 318,570 | - | - | - | 318,570 |
| French Government | 1,369,863 | - | - | - | 1,369,863 |
| Germany Red Cross | 58,595 | - | - | - | 58,595 |
| Germany Red Cross (from German Government) | 527,353 | - | - | - | 527,353 |
| Irish Red Cross | - | - | - | 66,753 | 66,753 |
| Japanese Government | 1,185,818 | - | - | - | 1,185,818 |
| Japanese Red Cross | 193,800 | - | - | 50,427 | 244,227 |
| Monaco Red Cross | 39,250 | 29,757 | - | - | 69,007 |
| New Zealand Red Cross (from New Zealand Government) | 793,660 | - | - | - | 793,660 |
| Norwegian Red Cross (from Norwegian Government) | 1,046,178 | - | - | - | 1,046,178 |
| Online donations | 7,103 | - | - | - | 7,103 |
| South African Red Cross (from Paarl Media) | 39,600 | - | - | - | 39,600 |
| Swedish Red Cross | 20,000 | - | - | - | 20,000 |
| Swedish Red Cross (from Swedish Government) | 2,992,740 | - | - | - | 2,992,740 |
| Other donors | 50,170 | - | - | - | 50,170 |
| | <u>9,538,547</u> | <u>29,757</u> | <u>2,265,020</u> | <u>176,193</u> | <u>12,009,517</u> |

The Outstanding pledges column above shows movements in outstanding pledges between 6 August 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 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
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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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.

NOTE 5 – PROVISIONS FOR OPERATIONS

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.

Provisions for operations expenditure represents the movement, during the year, in the value of cash working advances made to national societies which have not been reported on at the year end. Detailed breakdowns of expenditure incurred by the national societies, in respect of these working advances, are therefore not available at the year end, but are normally reported thereafter. 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 CHF 195k.