

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

Independent Auditor's Report

On the IFRC's Financial Statements
for the Pakistan Earthquake Emergency Appeal
(M05EA022)
for the period 1 August 2009 to 31 December 2010



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Independent Auditor's Report

Pakistan Earthquake Emergency Appeal (M05EA022) 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 Pakistan Earthquake Emergency Appeal (M05EA022) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the year period 1 August 2009 to 31 December 2010.

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.



*Pakistan Earthquake Emergency Appeal (M05EA022)
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 period 1 August 2009 to 31 December 2010 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, 16 December 2011

Enclosure:

- Income and expenditure statement and related notes.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (M05EA022) – PAKISTAN EARTHQUAKE**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD FROM 1 AUGUST 2009 TO 31 DECEMBER 2010**

INCOME	Note	Period from 1-Aug-09 to 31-Dec-10 CHF	Period from 1-Aug-06 to 31-Jul-09 CHF
Voluntary contributions	2.3 & 3	765,367	28,620,927
Other income	2.3	166,150	764,792
Total INCOME		931,517	29,385,719
OPERATING EXPENDITURE			
Supplies		3,966,123	16,956,019
Vehicles and equipment		87,453	1,523,998
Transport and storage	2.5	803,161	2,634,168
Personnel expenditure	2.6	3,596,779	10,848,778
Workshops and training		425,445	555,651
Travel		95,341	392,772
Information & public relations		224,752	381,085
Office costs		482,464	1,194,981
Communications		65,194	389,163
Legal, professional and consultancy fees		557,621	479,455
Finance expense, net	2.2	392,338	585,724
Other general expenses		238,816	92,075
Depreciation	2.7	27,727	51,235
Programme and services support recovery	4	795,570	2,510,244
Services and recoveries	5	28,686	54,548
Provisions for operations	6	1,243,078	733,594
Total OPERATING EXPENDITURE		13,030,548	39,383,490
RESULT FOR THE PERIOD		(12,099,031)	(9,997,771)
FUNDS HELD FOR OPERATIONS			
Brought forward	2.4	20,624,760	30,622,531
Result for the period		(12,099,031)	(9,997,771)
FUNDS HELD FOR OPERATIONS		8,525,729	20,624,760

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
EMERGENCY APPEAL (M05EA022) – PAKISTAN EARTHQUAKE**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 AUGUST 2009 TO 31 DECEMBER 2010**

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.

An earthquake with a magnitude of 7.6 on the Richter scale, centered 95 kilometers north-east of Pakistan's capital, Islamabad, struck on 8 October 2005, with tremors felt across the region from Kabul to Delhi. The quake decimated northern Pakistan and northern India, killing over 54,000 people – with some estimates much higher – and injuring some 82,500 people and displacing more than three million people.

On 9 October 2005, the IFRC launched an Emergency Appeal (M05EA022) for four months seeking CHF 10.8 million in cash, kind and services to assist 30,000 families. A revised emergency and recovery appeal was launched on 28 March 2006 for CHF 227 million to assist over 1,085,000 beneficiaries through the end of 2008. On 9 December 2008, the emergency appeal figures were further revised downwards to CHF 167.6 million due to adjustments in the values of in-kind donations to the appeal.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Pakistan Earthquake Appeal (M05EA022) and are hereto referred to as the Appeal Financial Statements.

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, 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 Pakistan Earthquake Emergency Appeal (appeal M05EA022), 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.

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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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FOR THE PERIOD FROM 1 AUGUST 2009 TO 31 DECEMBER 2010**

2.3 Income

Income comprises contributions in cash or in-kind from donors and income from the provision of services.

a) Voluntary contributions.

Voluntary contributions are identified according to the level of earmarking. Donors can earmark contributions for use on 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, UN agencies, ECHO and other government agencies such as 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 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.

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.

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 working bi-laterally with the Pakistan Red Crescent Society, rather than working multi-laterally with the IFRC and the Pakistan Red Crescent Society. Income from these types of services is included under Other income in the Income and Expenditure Statement.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 AUGUST 2009 TO 31 DECEMBER 2010**

3. Voluntary contributions (continued)

	Cash CHF	Outstanding Pledges (Revalued) CHF	Services In-Kind CHF	Period from 1-Aug-09 to 31-Dec-10 TOTAL CHF	Period from 1-Aug-06 to 31-Jul-09 TOTAL CHF
Sub-totals brought down	537,035	(56,054)	282,357	763,338	20,281,095
Netherlands Red Cross	-	-	-	-	3,797,871
New Zealand Red Cross	-	-	-	-	146,925
Norwegian Red Cross	-	-	-	-	823,245
Opec Fund for International Development	-	-	-	-	158,640
Other donors (including those with contributions less than CHF 10,000)	(72)	-	-	(72)	(3,325)
Singapore Red Cross (from Singapore Government)	835,108	(835,000)	-	108	1,194,892
Swedish Red Cross	-	-	-	-	1,842,182
Swedish Red Cross (from Swedish Government)	88,400	(86,407)	-	1,993	379,402
	<u>1,460,471</u>	<u>(977,461)</u>	<u>282,357</u>	<u>765,367</u>	<u>28,620,927</u>

The Outstanding pledges column shows movements in outstanding pledges between 1 August 2009 and 31 December 2010, together with the revaluation of outstanding foreign currency pledges as at 31 December 2010.

4. Programme and services support recovery

In keeping with the IFRC's full cost recovery principles, an additional 6.5% is added to the cost of each operation as a contribution to fund the indirect costs of providing support services, such as human resources, finance, logistics and information technology services, essential to the success of operations. The support for the period from 1 August 2009 to 31 December 2010 amounted to CHF 795,570 (1 August 2006 to 31 July 2009: CHF 2,510,244) and is added to unrestricted reserves.

5. Services and recoveries

In keeping with the IFRC's full cost recovery principles, fees and other charges are made to operations for specific services provided in addition to the essential services funded by programme and service support recovery (see also note 4). Such fees include specific logistics service fees based on the value of procurement services provided, together with pledge earmarking and reporting fees. For the period from 1 August 2009 to 31 December 2010 such fees charged to the Pakistan Earthquake Appeal (M05EA022) amounted to CHF 28,686 (1 August 2006 to 30 July 2009: CHF 54,548).

6. 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.

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6. Provisions for operations (continued)

When 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 2010 was higher than at 31 July 2009 by CHF 1,243,078.