

**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
Emergency Appeal (MDRZW003)
for the year ended 31 December 2010



KPMG SA
Audit
111, rue de Lyon
CH-1203 Geneva

P.O. Box 347
1211 Geneva 13

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

Independent Auditor's Report

Zimbabwe – Food Insecurity Emergency 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 Emergency Appeal (MDRZW003) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the year ended 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 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.



*Zimbabwe – Food Insecurity Emergency Appeal (MDRZW003)
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 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 (MDRZW003) – ZIMBABWE FOOD INSECURITY**

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

		Year ended 31-Dec-10	Period from 6-Aug-08 to 31-Dec-09
INCOME	Note		
Voluntary contributions	2.3 & 3	2,076,974	12,009,517
Total INCOME		<u>2,076,974</u>	<u>12,009,517</u>
OPERATING EXPENDITURE			
Supplies		926,375	7,736,198
Vehicles and equipment		75	254,718
Transport and storage	2.5	207,754	1,077,483
Personnel expenditure	2.6	606,766	780,836
Workshops and training		35,342	69,925
Travel		6,963	24,742
Information & public relations		(836)	41,804
Office costs		14,704	95,659
Communications		5,127	37,866
Legal, professional and consultancy fees		80,126	69,388
Finance expense, net	2.2	49,480	159,075
Other general expenses		1,688	83,822
Programme and services support recovery	4	99,050	777,266
Services and recoveries	5	5,716	-
Provisions for operations	6	(194,664)	194,664
Total OPERATING EXPENDITURE		<u>1,843,666</u>	<u>11,403,446</u>
RESULT FOR THE PERIOD		<u>233,308</u>	<u>606,071</u>
FUNDS HELD FOR OPERATIONS	2.4		
Brought forward		606,071	-
Reallocation to other IFRC appeal		(834,542)	-
Result for the period		233,308	606,071
FUNDS HELD FOR OPERATIONS		<u>4,837</u>	<u>606,071</u>

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 (MDRZW003) – ZIMBABWE FOOD INSECURITY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 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.

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 percent 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 percent 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 final report for this emergency appeal was issued on 31 January 2011.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Zimbabwe Food Insecurity Appeal (appeal MDRZW003) and are hereto referred to as the Appeal Financial Statements.

These Contribution Financial Statements include expenditure transactions recorded during the period 1 October 2010 to 31 December 2010 for grant related activities that were completed prior to 1 October 2010.

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

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2010**

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 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 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.

2.3 Income

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

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.

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

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2010**

2. Significant accounting policies (continued)

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.

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 1 January 2010 to 31 December 2010. CHF 834,542 was reallocated to the 2010 Zimbabwe Country Plan under disaster management during the period 1 January 2010 to 31 December 2010.

2.5 Transport and storage

The cost of renting vehicles from the IFRC's Vehicle Fleet Base and from third parties, for use in the operation, is recorded under Transport and storage.

2.6 Personnel expenditure

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

3. Voluntary contributions

	Cash	Outstanding Pledges (Revalued)	Goods In-Kind	Services In-Kind	Year ended 31-Dec-10 TOTAL	Period from 6-Aug-08 to 31-Dec-09 TOTAL
	CHF	CHF	CHF	CHF	CHF	CHF
Austrian Red Cross	-	-	-	-	-	45,662
Belgian Red Cross (Flanders)	-	-	-	-	-	998,569
Belgian Red Cross (Flanders) (from Belgian Federal Government)	-	-	-	-	-	35,725
British Red Cross	-	-	-	-	-	602,916
British Red Cross (from Great Britain - Private Donors)	-	-	-	-	-	62,343
China Red Cross, Hong Kong Branch	27,035	-	-	-	27,035	-
Finnish Red Cross	44,752	-	769,176	-	813,928	1,472,691
Finnish Red Cross (from Finnish Government)	-	-	-	-	-	318,570
French Government	-	-	-	-	-	1,369,863
Germany Red Cross	-	-	-	-	-	58,595
Germany Red Cross (from German Government)	-	-	-	-	-	527,353
Irish Red Cross	-	-	-	22,500	22,500	66,753
Japanese Government	1,057,977	-	-	-	1,057,977	1,185,818
Japanese Red Cross	133,371	-	-	22,500	155,871	244,227
Sub-totals carried down	1,263,135	-	769,176	45,000	2,077,311	6,989,085

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

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2010**

3. Voluntary contributions (continued)

	Cash CHF	Outstanding Pledges (Revalued) CHF	Goods In-Kind CHF	Services In-Kind CHF	Year ended 31-Dec-10 TOTAL CHF	Period from 6-Aug-08 to 31-Dec-09 TOTAL CHF
Sub-totals brought down	1,263,135	-	769,176	45,000	2,077,311	6,989,085
Monaco Red Cross	29,420	(29,757)	-	-	(337)	69,007
New Zealand Red Cross (from New Zealand Government)	-	-	-	-	-	793,660
Norwegian Red Cross (from Norwegian Government)	-	-	-	-	-	1,046,178
Other donors (including those with contributions less than CHF 10'000)	-	-	-	-	-	59,247
South African Red Cross (from Paarl Media)	-	-	-	-	-	39,600
Swedish Red Cross	-	-	-	-	-	20,000
Swedish Red Cross (from Swedish Government)	-	-	-	-	-	2,992,740
	1,292,555	(29,757)	769,176	45,000	2,076,974	12,009,517

The Outstanding pledges column shows movements in outstanding pledges between 1 January 2010 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 2010 amounted to CHF 99,050 (2009: CHF 777,266).

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 2010 such fees charged to the Zimbabwe Food Insecurity Appeal (MDRZW003) amounted to CHF 5,716 (2009: CHF Nil).

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.

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

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2010**

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 reverse and the expense is reclassified according to its nature.

The value of unreported working advances at 31 December 2010 was lower than at 31 December 2009 by CHF 194,664.