

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

Independent Auditor's Report

On the IFRC's Financial Statements
for the Myanmar Cyclone Nargis Emergency Appeal
(MDRMM002)
for the period 1 January 2011 to 31 July 2011



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

Myanmar Cyclone Nargis Emergency Appeal (MDRMM002) 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 Myanmar Cyclone Nargis Emergency Appeal (MDRMM002) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the period 1 January 2011 to 31 July 2011.

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 financials 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, expenditure and funds held for operations for the period 1 January 2011 to 31 July 2011 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, 19 December 2012

Enclosure:

- Income and expenditure statement and related notes.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRMM002) – MYANMAR CYCLONE NARGIS**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD FROM 1 JANUARY 2011 TO 31 JULY 2011**

		Period from 01-Jan-2011 to 31-Jul-2011	Period from 01-Jan-2010 to 31-Dec-2010
INCOME	Notes	CHF	CHF
Voluntary contributions	2.3 & 3	32,440	530,550
Total INCOME		<u>32,440</u>	<u>530,550</u>
OPERATING EXPENDITURE			
Employee benefits	2.6	1,729,969	3,422,589
Relief supplies		4,781,749	8,312,337
Transportation and storage	2.5	189,288	436,090
Land and buildings		23,756	-
Vehicles and equipment		145,829	324,072
Travel		85,686	138,576
Communications		72,148	131,675
Workshops & training		234,879	866,965
Information		35,091	70,239
Legal, professional and consultancy fees		19,576	109,508
Administration, office and general		100,887	162,127
Finance expense, net	2.2	457,688	845,525
Provisions for operations	4	(2,522,657)	(1,433,709)
Services and recoveries	5	24,628	84,244
Programme and services support recovery	6	347,044	864,244
Total OPERATING EXPENDITURE		<u>5,725,561</u>	<u>14,334,482</u>
RESULT FOR THE PERIOD		<u>(5,693,121)</u>	<u>(13,803,932)</u>
FUNDS HELD FOR OPERATIONS			
Brought forward	2.4 & 7	11,557,021	25,360,953
Allocations to other IFRC appeals	7(a)	(434,832)	-
Result for the period		(5,693,121)	(13,803,932)
FUNDS HELD FOR OPERATIONS	7(b)	<u>5,429,068</u>	<u>11,557,021</u>

The notes on pages 4 to 7 are an integral part of these Appeal Financial Statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRMM002) – MYANMAR CYCLONE NARGIS**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2011 TO 31 JULY 2011**

1. Activities

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising 187 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. Working through its 187 member national societies, the IFRC acts before, during and after disasters and health emergencies to meet the needs and improve the lives of vulnerable people. It does so with impartiality as to nationality, race, gender, religious beliefs, class and political opinions.

The IFRC coordinates international support for large-scale disasters and health crises, strengthens the capacities and leadership of its member national societies, and acts at the international level to raise resources and persuade decision makers to act at all times in the interests of vulnerable people.

Guided by *Strategy 2020* – a collective plan of action for the IFRC and its member national societies to tackle the major humanitarian and development challenges of this decade – the IFRC is committed to 'saving lives and changing minds'.

Tropical cyclone Nargis struck west-southwest of Yangon city, on 2 May 2008, devastating large parts of the mid-south of Myanmar. In response to the situation, on 6 May 2008 the IFRC launched a preliminary emergency appeal for CHF 6.29 million. This was followed by a revised emergency appeal for CHF 52.9 million launched on 16 May 2008, to cover the provision of life-saving assistance and short-term relief for 6 months, as well as the medium and longer-term recovery needs that arose over a longer-term period. On 8 July 2008, the emergency appeal was further revised upwards to CHF 73.9 million in cash, kind or services to support the Myanmar Red Cross Society to assist 500,000 beneficiaries (100,000 households) for 36 months. On the 2 March 2011 the appeal budget was revised down to CHF 68.6 million and the revised appeal extended by two months to 31 July 2011.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Myanmar Cyclone Nargis Emergency Appeal (appeal MDRMM002) 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 using the accrual basis of accounting, under which, the effects of transactions and other events are recognised when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. 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 Myanmar Cyclone Nargis Emergency Appeal, 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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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2. Significant accounting policies (continued)

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, with the exception of exchange gains and losses on voluntary contributions, which are included under voluntary contributions.

2.3 Income

Income comprises contributions 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 services (in the form of staff or transport) are recognised on the date of receipt of the service, and are reported as equal contributions and expenses in the Income and Expenditure Statement. 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.

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 from 1 January 2011 to 31 July 2011 (2010: CHF Nil).

2.5 Transportation 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 Employee benefits

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

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3. Voluntary contributions

	Services In-Kind CHF	Period from 01-Jan-2011 to 31-Jul-2011 TOTAL CHF	Period from 01-Jan-2010 to 31-Dec-2010 TOTAL CHF
China Red Cross, Hong Kong branch	-	-	51,128
Finnish Red Cross	21,840	21,840	105,600
Other donors (including those with contributions less than CHF 10,000)	10,600	10,600	96,173
Taiwan Red Cross Organisation	-	-	277,649
	<u>32,440</u>	<u>32,440</u>	<u>530,550</u>

4. 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.

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 July 2011 was lower than at 31 December 2010 by CHF 2,522,657.

5. Services and recoveries

In keeping with the IFRC's principle of full cost recovery, fees and other charges are made to operations for specific services provided in addition to the essential services funded by programme and services support recovery (see also note 6). Such fees include specific logistics service fees based on the value of procurement services provided, together with pledge earmarking and reporting fees that are charged to donations where donors either require their donations to be used for specific purposes, or require specific financial or narrative reports on IFRC's use of the donations. For the period from 1 January 2011 to 31 July 2011 such fees charged to the Myanmar Cyclone Nargis Emergency Appeal amounted to CHF 24,628 (2010: CHF 84,244).

6. Programme and services support recovery

In keeping with the IFRC's principle of full cost recovery, the direct costs of programmes and services are subject to 6.5% indirect cost recovery to fund the costs of providing indirect support services, such as human resources, finance, administration and information technology services, essential to the success of operations. The support for the period from 1 January 2011 to 31 July 2011 amounted to CHF 347,044 (2010: CHF 864,244).

7. Funds held for operations

a) Allocations to other IFRC appeals

As explained in note 2.4, in the event that funds received for a given appeal 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. With the Japanese Red Cross's permission, CHF 434,832 was allocated from the Myanmar Cyclone Nargis Emergency

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7. Funds held for operations (continued)

Appeal to the Disaster Management project under the Myanmar Annual Appeal (MAAMM002) during the period from 1 January 2011 to 31 July 2011.

b) Funds held for operations

On 31 July 2011 the Myanmar Cyclone Nargis Emergency Appeal was closed. The closing balance of Funds held for operations at that date amounted to CHF 5,429,068.

With the approval of partners, this unspent balance of Funds held for operations will be transferred to the annual programme income for use in activities including those under disaster management, water and sanitation, health and care and organizational development, to be conducted by Myanmar Red Cross Society with IFRC support over the next few years.