

**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 year ended 31 December 2011



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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 ended 31 December 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 year ended 31 December 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 (M05EA022) – PAKISTAN EARTHQUAKE**

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

		Year ended 31 Dec 2011	Period from 01-Aug-2009 to 31-Dec-2010
INCOME	Notes	CHF	CHF
Voluntary contributions	2.3(a) & 3	304,222	765,367
Services income	2.3(b)	81,668	166,150
Other income		10,833	-
Total INCOME		396,723	931,517
OPERATING EXPENDITURE			
Employee benefits	2.6	882,518	3,596,779
Relief supplies		478,596	3,966,123
Transportation and storage	2.5	192,308	803,161
Vehicles and equipment		5,697	87,453
Travel		40,133	95,341
Communications		19,085	65,194
Workshops & training		156,242	425,445
Information		102,439	224,752
Legal, professional and consultancy fees		104,000	557,621
Administration, office and general		245,788	721,280
Finance expense, net	2.2	293,538	392,338
Depreciation	2.7	14,423	27,727
Provisions for operations	4	(2,270,378)	1,243,078
Voluntary contributions reimbursed to donors	2.4	55,595	-
Services and recoveries	5	3,036	28,686
Programme and services support recovery	6	9,664	795,570
Total OPERATING EXPENDITURE		332,684	13,030,548
RESULT FOR THE PERIOD		64,039	(12,099,031)
FUNDS HELD FOR OPERATIONS			
Brought forward	2.4 & 7	8,525,729	20,624,760
Result for the period		64,039	(12,099,031)
FUNDS HELD FOR OPERATIONS		8,589,768	8,525,729

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 (M05EA022) – PAKISTAN EARTHQUAKE

NOTES TO THE APPEAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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'.

An earthquake with a magnitude of 7.6 on the Richter scale, centered 95 kilometres 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 a preliminary 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 227.0 million to assist over 1,085,000 beneficiaries through the end of 2008. On 12 December 2006 the budget for the appeal was revised down to CHF 165.0 million and on 7 May 2008, the budget for the appeal was further revised down to CHF 164.5 million and the timeframe of the operation extended to the end of 2009. On 9 December 2008, the emergency appeal figures were further revised to CHF 167.6 million due to adjustments in the values of in-kind donations to the appeal. On 11 November 2009 the appeal timeframe was extended for another twelve months to the end of December 2010 due to delays in the implementation of activities because of an unstable security situation. On 13 January 2011, a revised plan of action under the emergency and recovery phase was presented and the timeframe of the appeal was extended to 30 June 2011. On 26 September 2011, the appeal timeframe was further extended to 31 December 2011. This timeframe extension was a result of the floods in the Sindh area of Pakistan diverting Pakistan Red Crescent resources to relief and recovery efforts. The operation came to a close on 31 December 2011 with the implementation of all activities completed.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Pakistan Earthquake Emergency Appeal (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 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).

Reclassification of certain comparative figures has been made in the Income and Expenditure Statement, in order to be consistent with the current year presentation.

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

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

2. Significant accounting policies (continued)

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

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 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.

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.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

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 December 2011 was lower than at 31 December 2010 by CHF 2,270,378.

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 5). 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 2011 such fees charged to the Pakistan Earthquake Emergency Appeal amounted to CHF 3,036 (Period from 1 August 2009 to 31 December 2010: CHF: CHF 28,686).

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 2011 amounted to CHF. The support for the period ended 31 December 2011 amounted to CHF 9,664 (Period from 1 August 2009 to 31 December 2010: CHF 795,570).

7. Funds held for operations

The Pakistan Earthquake Emergency Appeal was closed on 31 December 2011. Once final expenses have been booked, the remaining funds, which at 31 December 2011 amounted to CHF 8,589,768, will, with agreement of the donors, be transferred to the Pakistan Long-Term Planning Framework 2012-2015.