

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

Independent Auditor's Report

On the IFRC's Financial Statements for the
Kenya: Population Movement Emergency Appeal
(MDRKE018)
for the period from 19 October 2011 to 31 December 2012



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Independent Auditor's Report

Kenya: Population Movement Emergency Appeal (MDRKE018) 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 Kenya: Population Movement Emergency Appeal (MDRKE018) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the period from 19 October 2011 to 31 December 2012.

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.



International Federation of Red Cross and Red Crescent Societies (IFRC)
Kenya: Population Movement Emergency Appeal (MDRKE018)
for the period from 19 October 2011 to 31 December 2012

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 from 19 October 2011 to 31 December 2012 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, 9 September 2013

Enclosure:

- Income and expenditure statement and related notes.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRKE018) – KENYA: POPULATION MOVEMENT**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD FROM 19 OCTOBER 2011 TO 31 DECEMBER 2012**

		Period from 19-Oct-2011 to 31-Dec-2012
INCOME	Notes	CHF
Voluntary contributions	2.3 & 3	11,894,869
Total INCOME		<u>11,894,869</u>
OPERATING EXPENDITURE		
Employee benefits	2.5	19,409
Relief supplies		4,540
Transportation and storage		222
Vehicles and equipment		113,078
Travel		288
Communications		19
Legal, professional and consultancy fees		20,000
Administration, office and general		71
Finance expense, net	2.2	18
Contributions to national societies	4	8,466,663
Services and recoveries	5	58,604
Indirect cost recovery	6	560,580
Total OPERATING EXPENDITURE		<u>9,243,492</u>
RESULT FOR THE PERIOD		<u><u>2,651,377</u></u>
FUNDS HELD FOR OPERATIONS	2.4	
Result for the period		2,651,377
FUNDS HELD FOR OPERATIONS		<u><u>2,651,377</u></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 (MDRKE018) – KENYA: POPULATION MOVEMENT**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD FROM 19 OCTOBER 2011 TO 31 DECEMBER 2012**

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'.

Internal unrest within Somalia followed by years of drought, a shrinking humanitarian space and lack of access to affected populations in South-Central Somalia have worsened food security conditions and led to a population influx towards neighbouring countries, including Kenya. Dadaab camp in North Eastern Kenya is the largest refugee camp in the world and in the period from January to September 2011 it received approximately 163,000 new arrivals.

Based on the humanitarian situation in the Dadaab camp, a preliminary Emergency Appeal was launched on 19 October 2011 seeking CHF 27.6 million in cash, kind or services to support the Kenya Red Cross Society to deliver assistance and relief to 60,000 Somali refugees for 12 months in the IFO2 West camp, specifically in the sectors of camp management, water and sanitation, health and nutrition, shelter, education, warehousing, relief (food and non-food) and support to host communities.

On 29 November 2011, the IFRC revised the Emergency Appeal, reducing the budget to CHF 26.1 million, in order to assist between 76,000 to 110,000 refugees until the end of November 2012. This revised Emergency Appeal included an expansion of the operation to include camp IFO2 East and a shift in sector focus to shelter, health, nutrition and water and sanitation.

On 31 December 2012, the IFRC extended the Emergency Appeal to support the Kenya Red Cross Society in delivering assistance to beneficiaries until the end of October 2013. The Emergency Appeal budget was also reduced at this point to CHF 10.4 million. A revised budget figure of CHF 21.4 million was subsequently published in July 2013 noting that the previous budget had only reflected budget amounts to the end of 2012.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Kenya: Population Movement Emergency Appeal (appeal MDRKE018) 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).

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRKE018) – KENYA: POPULATION MOVEMENT**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 19 OCTOBER 2011 TO 31 DECEMBER 2012**

2. Significant accounting policies (continued)

2.2 Foreign currency transactions

The presentation 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 Kenya: Population Movement 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.

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 realised exchange gains and losses on voluntary contributions, which are included under Voluntary contributions.

2.3 Income

Income comprises contributions in cash 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, United Nations (UN) agencies, European Community Humanitarian Office (ECHO) and other government agencies such as the United States Agency for International Development (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.

The IFRC sometimes agrees with a donor the 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 donors to reallocate the unspent funds for a different use, or reimburses them to the donors.

No amounts were reimbursed to donors in the period from 19 October 2011 to 31 December 2012.

2.5 Employee benefits

Personnel expenditure includes salary and benefit costs of international delegates and national staff.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 19 OCTOBER 2011 TO 31 DECEMBER 2012**

3. Voluntary contributions

	Cash CHF	Outstanding pledges (Revalued) CHF	Period from 19-Oct-2011 to 31-Dec-2012 TOTAL CHF
Australian Red Cross	603,491	-	603,491
Australian Red Cross (from Australian Government)	603,491	-	603,491
British Red Cross	-	443,309	443,309
British Red Cross (from DEC (Disasters Emergency Committee))	830,827	294,803	1,125,630
China Red Cross, Hong Kong branch	854,155	-	854,155
European Commission - DG ECHO	960,961	241,546	1,202,507
Japanese Red Cross Society	240,079	-	240,079
New Zealand Red Cross	48,003	-	48,003
Norwegian Red Cross	743,072	-	743,072
Other donors (including those with contributions less than CHF 10,000)	8,154	-	8,154
Red Cross of Monaco	30,840	-	30,840
Swedish Red Cross	1,366,063	-	1,366,063
Swedish Red Cross (from Swedish Government)	1,308,458	-	1,308,458
Taiwan Red Cross Organisation	473,844	-	473,844
The Canadian Red Cross Society	1,617,407	-	1,617,407
The Netherlands Red Cross	1,226,366	-	1,226,366
	<u>10,915,211</u>	<u>979,658</u>	<u>11,894,869</u>

The Outstanding pledges column shows movements in outstanding pledges between 19 October 2011 and 31 December 2012, together with the revaluation of outstanding foreign currency pledges as at 31 December 2012.

4. Contributions to national societies

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 makes cash contributions to fund the activities of member national societies, such contributions are recognised as operational expenditure as they are incurred. During the period 19 October 2011 to 31 December 2012, the IFRC contributed CHF 8,466,663 to the Kenya Red Cross Society.

5. Services and recoveries

In keeping with the IFRC's principle of full cost recovery, costs are recovered from operations for specific services provided in addition to the essential services funded by indirect cost recovery (see also note 6). Such recoveries include pledge earmarking and reporting recoveries 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 19 October 2011 to 31 December 2012, the total of such recoveries fees charged to the Kenya: Population Movement Emergency Appeal amounted to CHF 58,604.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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6. Indirect cost 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, essential to the success of operations. Such indirect support services include management and leadership, both in Geneva and the zones, information and communication technology and professional and services functions in the areas of reporting, resource mobilisation, finance, information technology and human resources. The support for the period from 19 October 2011 to 31 December 2012 amounted to CHF 560,580.