

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

Independent Auditor's Report

On the IFRC's Financial Statements for the
Sri Lanka: Support for Internally Displaced People Emergency Appeal
(MDRLK002)
for the period from 12 April 2010 to 31 December 2012



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Independent Auditor's Report

Sri Lanka: Support for Internally Displaced People Emergency Appeal (MDRLK002) 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 Sri Lanka: Support for Internally Displaced People Emergency Appeal (MDRLK002) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the period from 12 April 2010 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 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.



International Federation of Red Cross and Red Crescent Societies (IFRC)
Sri Lanka: Support for Internally Displaced People Emergency Appeal (MDRLK002)
for the period from 12 April 2010 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 12 April 2010 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 (MDRLK002) – SRI LANKA: SUPPORT FOR INTERNALLY DISPLACED
PEOPLE**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD FROM 12 APRIL 2010 TO 31 DECEMBER 2012**

		Period from 12-Apr-2010 to 31-Dec-2012
INCOME	Notes	CHF
Voluntary contributions	2.3 & 3	8,480,264
Other income		50
Total INCOME		<u>8,480,314</u>
OPERATING EXPENDITURE		
Employee benefits	2.5	713,606
Relief supplies		4,347,046
Transportation and storage	2.6	136,343
Vehicles and equipment		205,337
Travel		9,735
Communications		25,788
Workshops & training		88,652
Information		61,928
Legal, professional and consultancy fees		133,402
Administration, office and general		415,400
Finance expense, net	2.2	136,803
Provisions for operations	4(a)	115,380
Contributions to national societies	4(b)	31,661
Services and recoveries	5	19,300
Indirect cost recovery	6	417,526
Total OPERATING EXPENDITURE		<u>6,857,907</u>
		<u>1,622,407</u>
RESULT FOR THE PERIOD		
FUNDS HELD FOR OPERATIONS	2.4	
Allocations (to)/from other IFRC appeals	7	(160,721)
Result for the period		1,622,407
FUNDS HELD FOR OPERATIONS		<u>1,461,686</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 (MDRLK002) – SRI LANKA: SUPPORT FOR INTERNALLY DISPLACED
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 12 APRIL 2010 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 5 zone offices and 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'.

25 years of conflict in Sri Lanka, which ended in May 2009, left internally displaced people and resident populations, in the affected areas, exposed to a range of risks due to the destruction of public infrastructure, absence of adequate shelter, medical services, livelihoods support and access to basic services. In response to the humanitarian situation, on 12 April 2010, the IFRC launched an Emergency Appeal seeking CHF 3.6 million in cash, and/or in-kind goods and services, to support the Sri Lanka Red Cross Society (SLRCS) to assist at least 5,000 families for 24 months. The primary focus areas were identified as housing, health and care, livelihoods support and building capacities of local communities and the SLRCS branches in the affected districts.

On 8 July 2011, the IFRC revised the Emergency Appeal increasing the budget to CHF 6.1 million in order to assist 7,000 families over 3 years. On 20 September 2012, the IFRC further extended and increased the Emergency Appeal to seek CHF 23.3 million in cash and/or in-kind goods and services, in order to support the Sri Lanka Red Cross Society to assist at least 20,000 families, until the end of October 2015.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Sri Lanka: Support for internally displaced people Emergency Appeal (appeal MDRLK002) 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 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 Sri Lanka: Support for internally displaced people Emergency Appeal, are always launched in Swiss Francs and expenditure is budgeted and managed in Swiss Francs.

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FOR THE PERIOD FROM 12 APRIL 2010 TO 31 DECEMBER 2012**

2. Significant accounting policies (continued)

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 and sundry income from the sale of goods.

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.

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 (see note 7).

2.5 Employee benefits

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

2.6 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 Transportation and storage.

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3. Voluntary contributions

	Cash CHF	Outstanding pledges (Revalued) CHF	Period from 12-Apr-2010 to 31-Dec-2012 TOTAL CHF
Australian Red Cross	3,846,285	-	3,846,285
China Red Cross, Hong Kong branch	799,841	783,921	1,583,762
India Government	-	539,588	539,588
Irish Red Cross Society	617,513	-	617,513
Red Crescent Society of the United Arab Emirates	11,547	-	11,547
Red Cross of Monaco	22,196	-	22,196
The Canadian Red Cross Society	485,520	-	485,520
The Republic of Korea National Red Cross (Private Donors)	1,373,853	-	1,373,853
	<u>7,156,755</u>	<u>1,323,509</u>	<u>8,480,264</u>

The Outstanding pledges column shows movements in outstanding pledges between 12 April 2010 and 31 December 2012, together with the revaluation of outstanding foreign currency pledges as at 31 December 2012.

4. Provisions for operations and 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.

(a) Provisions for operations

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 2012 was CHF 115,380.

(b) Contributions to national societies

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 12 April 2010 to 31 December 2012, the IFRC contributed CHF 31,661 to member national societies.

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 specific logistics services recoveries based on the value of procurement services provided, together with 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 12 April 2010 to 31 December 2012 the total of such recoveries charged to the Sri Lanka: Support for internally displaced people Emergency Appeal amounted to CHF 19,300.

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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 2012 amounted to CHF 417,256.

7. Allocations (to)/from other IFRC appeals

As explained in note 2.4, in the event that appeal funds cannot be spent, the IFRC obtains agreement from the donors for a reallocation of those funds for a different use, or reimburses them to the donors.

During the period from 12 April 2010 to 31 December 2012, in agreement with the donors, CHF 300,000 was reallocated to the Maldives Annual Appeal (MAAMV001) and CHF 139,279 was reallocated from the Sri Lanka Annual Appeal (MAALK002) to the Sri Lanka: Support for internally displaced people Emergency Appeal (MDRKL002).