

**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 year ended 31 December 2013



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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 year ended 31 December 2013.

Management's Responsibility for the Financial Statements

Management of the IFRC is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRC accounting policies as described in the notes to the financial statements, for determining the acceptability of the basis of accounting, and for such internal control as management determines is necessary to enable 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, if any, made by management, 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 financial statements give a true and fair view of the income, expenditure and funds held for operations for the year ended 31 December 2013 and have been prepared, in all material respects, in accordance with the IFRC accounting policies as described in the notes to the financial statements.

KPMG SA

Pierre-Henri Pingeon
Auditor in Charge

Christine Fox

Geneva, 30 September 2014

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 YEAR ENDED 31 DECEMBER**

		Year ended 31-Dec-2013	Period from 19-Oct-2011 to 31-Dec-2012
INCOME	Notes	CHF	CHF
Voluntary contributions	2.3 & 3	4,928,899	11,894,869
Total INCOME		4,928,899	11,894,869
OPERATING EXPENDITURE			
Employee benefits	2.5	85,782	19,409
Relief supplies		-	4,540
Transportation and storage		-	222
Vehicles and equipment		-	113,078
Travel		-	288
Communications		-	19
Legal, professional and consultancy fees		28,200	20,000
Administration, office and general		558	71
Finance expense, net	2.2	-	18
Contributions to national societies	4	5,425,471	8,466,663
Services and recoveries	5	23,877	58,604
Indirect cost recovery	6	360,101	560,580
Total OPERATING EXPENDITURE		5,923,989	9,243,492
RESULT FOR THE PERIOD		(995,090)	2,651,377
FUNDS HELD FOR OPERATIONS			
Brought forward	2.4	2,651,377	-
Result for the period		(995,090)	2,651,377
FUNDS HELD FOR OPERATIONS		1,656,287	2,651,377

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**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

1. Activities

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation comprising 189 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 189 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 reduced at this point to CHF 10.4 million.

On 11 July 2013, the IFRC further revised the Emergency Appeal to extend the timeframe to the end of December 2013 and to increase the budget to CHF 21.4 million, noting that the previous budget had only reflected budget amounts to the end of 2012.

A revised Emergency Appeal was subsequently published in February 2014 to extend the timeframe to the end of December 2014 and to increase the budget to CHF 22.9 million.

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.

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

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

2. Significant accounting policies (continued)

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 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 in 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 during the year ended 31 December 2013 (period from 19 October 2011 to 31 December 2012: CHF nil).

**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 2013**

2.5 Employee benefits

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

3. Voluntary contributions

	Cash CHF	Year ended 31-Dec-2013 TOTAL CHF	Period from 19-Oct-2011 to 31-Dec-2012 TOTAL CHF
Australian Red Cross	-	-	603,491
Australian Red Cross (from Australian Government)	-	-	603,491
British Red Cross	-	-	443,309
British Red Cross (from DEC (Disasters Emergency Committee))	-	-	1,125,630
China Red Cross, Hong Kong branch	-	-	854,155
European Commission - DGECHO	1,851,805	1,851,805	1,202,507
Japanese Red Cross Society	-	-	240,079
New Zealand Red Cross	-	-	48,003
Norwegian Red Cross	-	-	743,072
Norwegian Red Cross (from Norwegian Government)	1,411,529	1,411,529	-
Other donors (including those with contributions less than CHF 10,000)	-	-	8,154
Red Crescent Society of Islamic Republic of Iran	250,000	250,000	-
Red Cross of Monaco	-	-	30,840
Swedish Red Cross	-	-	1,366,063
Swedish Red Cross (from Swedish Government)	-	-	1,308,458
Taiwan Red Cross Organisation	-	-	473,844
The Canadian Red Cross Society	133,999	133,999	1,617,407
The Netherlands Red Cross	-	-	1,226,366
The Netherlands Red Cross (from Netherlands Government)	612,520	612,520	-
United States Government - PRM	669,046	669,046	-
	<u>4,928,899</u>	<u>4,928,899</u>	<u>11,894,869</u>

The Cash column includes movements in outstanding pledges during the period from 1 January 2013 to 31 December 2013, together with the revaluation of outstanding foreign currency pledges as at 31 December 2013.

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 year ended 31 December 2013, the IFRC contributed CHF 5,425,471 to the Kenya Red Cross Society (period from 19 October 2011 to 31 December 2012: CHF 8,466,663).

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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FOR THE YEAR ENDED 31 DECEMBER 2013**

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 year ended 31 December 2013, the total of such recoveries fees charged to the Kenya: Population Movement Emergency Appeal amounted to CHF 23,877 (period from 19 October 2011 to 31 December 2012: CHF 58,604).

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, information and communication technology and professional and services functions in the areas of programme quality, reporting, resource mobilisation, finance, information technology and human resources. The support for the year ended 31 December 2013 amounted to CHF 360,101 (period from 19 October 2011 to 31 December 2012: CHF 560,580).