

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

Independent Auditor's Report

On the IFRC's Financial Statements for the
Ethiopia: Drought Emergency Appeal
(MDRET010)
for the period 1 January 2013 to 30 September 2013



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Independent Auditor's Report

Ethiopia: Drought Emergency Appeal (MDRET010) 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 Ethiopia: Drought Emergency Appeal (MDRET010) of the International Federation of Red Cross and Red Crescent Societies ("IFRC") for the period 1 January 2013 to 30 September 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 period 1 January 2013 to 30 September 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 Pigeon
Auditor in Charge

Christine Fox

Geneva, 15 December 2014

Enclosure:

- Income and expenditure statement and related notes

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRET010) – ETHIOPIA: DROUGHT**

**INCOME AND EXPENDITURE STATEMENT
FOR THE PERIOD FROM 1 JANUARY 2013 TO 30 SEPTEMBER 2013**

		Period from 1-Jan-2013 to 30-Sep-2013	Year ended 31-Dec-2012
INCOME	Notes	CHF	CHF
Voluntary contributions	2.3 & 3	1,166,780	1,705,167
Total INCOME		1,166,780	1,705,167
OPERATING EXPENDITURE			
Employee benefits	2.5	280,450	760,339
Relief supplies		801,040	16,113
Transportation and storage	2.6	229,918	163,841
Vehicles and equipment		124,032	82,859
Travel		41,795	47,482
Communications		(1,908)	12,514
Workshops & training		77,932	12,337
Information		6,754	1,837
Legal, professional and consultancy fees		93,272	225,002
Administration, office and general		108,748	209,791
Finance (income)/expense, net	2.2	(8,103)	16,290
Provisions for operations	4(a)	(4,656)	(1,485)
Contributions to national societies	4(b)	47,626	1,942,428
Voluntary contributions reimbursed to donors	5	400,287	-
Services and recoveries	6	28,109	31,061
Indirect cost recovery	7	111,041	218,187
Total OPERATING EXPENDITURE		2,336,337	3,738,596
RESULT FOR THE PERIOD		(1,169,557)	(2,033,429)
FUNDS HELD FOR OPERATIONS			
Brought forward	2.4 & 9	1,471,488	3,504,917
Allocations to other IFRC appeals, net	8	(134,141)	-
Result for the period		(1,169,557)	(2,033,429)
FUNDS HELD FOR OPERATIONS		167,790	1,471,488

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 (MDRET010) – ETHIOPIA: DROUGHT**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2013 TO 30 SEPTEMBER 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'.

On 5 August 2011, following two consecutive seasons of significantly below average rainfall in the Horn of Africa, a preliminary emergency appeal for CHF 11.0 million was launched by the IFRC to support the Ethiopian Red Cross Society in assisting 165,000 beneficiaries for 6 months. The assistance was focused on providing appropriate and timely response in the areas of food relief and cash grants, water and sanitation, health and institutional capacity building as well as the planning and implementation of long term recovery and rehabilitation assistance to vulnerable pastoral communities.

CHF 200,000 was allocated from the International Federation's Disaster Relief Emergency Fund (DREF) to support the operation and on 26 September 2011, a revised emergency appeal was launched seeking CHF 25.4 million to assist 570,000 beneficiaries for 12 months. The revised appeal included the scaling up of activities in the water, sanitation and health sectors based on preliminary findings of assessments. On 28 December 2012, a revised Emergency Appeal was launched reducing the amount requested to CHF 12.3 million in cash, kind or services to support the Ethiopian Red Cross Society in assisting approximately 270,000 beneficiaries until the end of August 2013.

On 15 August 2013 the Emergency Appeal was revised to extend the timeframe of the operation until the end of September 2013. A final report for the Emergency Appeal was issued on 31 March 2014.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes for all projects linked to the Ethiopia: Drought Emergency Appeal (MDRET010), 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
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2013 TO 30 SEPTEMBER 2013**

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 Ethiopia: Drought Emergency Appeal (MDRET010), 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 (income)/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, 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.

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 (see notes 8 & 9).

2.5 Employee benefits

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

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
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2. Significant accounting policies (continued)

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.

3. Voluntary contributions

	Period from 1-Jan-2013 to 30-Sep-2013 CHF	Year ended 31-Dec-2012 CHF
American Red Cross	-	506,084
Andorran Red Cross	-	10,643
Austrian Red Cross	-	112,000
Belgian Red Cross (Francophone) (from Belgian Federal Government)	-	1,064,264
Canadian Government	911,433	700
Danish Red Cross	-	54,890
Finnish Red Cross	(1,778)	119,071
Finnish Red Cross (from Finnish Government)	(16,003)	39,362
Japanese Government	275,811	-
Other donors (including those with contributions less than CHF 10,000)	-	(73,803)
Red Cross of Monaco	-	24,041
Swedish Red Cross	(2,683)	(230,545)
The Republic of Korea National Red Cross	-	39,230
The Republic of Korea National Red Cross (from the Community Chest of Korea)	-	39,230
	1,166,780	1,705,167
	1,166,780	1,705,167

The above figures include cash contributions and movements in outstanding pledges between 1 January 2013 and 30 September 2013, together with the revaluation of outstanding foreign currency pledges as at 30 September 2013. For the year ended 31 December 2012, the amounts also include inkind contributions of services (in the form of staff).

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 30 September 2013 was CHF 4,656 less than at the 31 December 2012.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2013 TO 30 SEPTEMBER 2013**

4. Provisions for operations and contributions to national societies (continued)

(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 from 1 January 2013 to 30 September 2013, the IFRC contributed CHF 47,626 (2012: CHF 1,942,428).

5. Voluntary contributions reimbursed to donors

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 1 January 2013 to 30 September 2013, a total of CHF 400,287 was reimbursed to donors (2012: CHF nil).

6. 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 7). Such recoveries 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 2013 to 30 September 2013 the total of such recoveries charged to the Ethiopia: Drought Appeal amounted to CHF 28,109 (2012: CHF 31,061).

7. 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 period from 1 January 2013 to 30 September 2013 amounted to CHF 111,041 (2012: CHF 218,187).

8. Allocations to other IFRC appeals, net

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 1 January 2013 to 30 September 2013, CHF 34,466 was reallocated from the Ethiopia: Severe Food Shortages Emergency Appeal (MDRET007) to the Ethiopia: Drought Emergency Appeal. In addition, CHF 168,607 was reallocated from the Ethiopia: Drought Emergency Appeal to the Ethiopia Annual Programme. (2012: CHF nil).

9. Funds held for operations

The Ethiopia: Drought Emergency Appeal was closed on 30 September 2013 and the remaining funds amounted to CHF 167,790. With agreement of the donors, these funds will be transferred to projects to support management and coordination costs and a disaster preparedness project in Ethiopia.