



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

**Independent Auditor's Report**

To the Management of IFRC  
On the IFRC's Financial Statements for the  
Southern Africa – Drought / Food Insecurity Emergency Appeal  
(MDR63003)  
for the period 11 December 2019 to 31 August 2021

**KPMG SA**

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**Independent Auditor's Report on the IFRC's Financial Statements for the Southern Africa – Drought / Food Insecurity Emergency Appeal (MDR63003) to the Management of****International Federation of Red Cross and Red Crescent Societies (IFRC), Geneva****Opinion**

We have audited the accompanying grant financial statements for the Southern Africa – Drought / Food Insecurity Emergency Appeal (MDR63003) of the International Federation of Red Cross and Red Crescent Societies ("IFRC"), which comprise the income and expenditure statement and notes to the financial statements, including a summary of significant accounting policies ('the financial statements') the period 11 December 2019 to 31 August 2021.

In our opinion, the accompanying financial statements for Southern Africa – Drought / Food Insecurity Emergency Appeal (MDR63003) for the period 11 December 2019 to 31 August 2021 are prepared, in all material respects, in accordance with the IFRC accounting policies as described in the notes to the financial statements.

**Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the IFRC in accordance with the requirements of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter - Basis of Accounting**

We draw attention to Notes 2 and 3 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the IFRC to comply with the financial reporting provisions of the IFRC.

**Responsibilities of the Management for the Financial Statements**

The Management of the IFRC is responsible for the preparation of the financial statements in accordance with the basis of accounting described in the notes and for such internal control as Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 IFRC's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

We communicate with the Management and those charged with governance of IFRC regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG SA

Hélène Béguin  
Licensed Audit Expert  
Auditor in Charge

Steven Gras

Geneva, 21 July 2023

Enclosure:

- Financial statements (income and expenditure statement and explanatory notes) for the period from 11 December 2019 to 31 August 2021

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES  
EMERGENCY APPEAL (MDR63003) – SOUTHERN AFRICA DROUGHT / FOOD INSECURITY**

**INCOME AND EXPENDITURE STATEMENT  
FOR THE PERIOD FROM 11 DECEMBER 2019 TO 31 AUGUST 2021**

		<b>Period from 11-Dec-2019 to 31-Aug-2021</b>
<b>OPERATING INCOME</b>	<b>Notes</b>	<b>CHF</b>
Voluntary contributions	4	3,279,247
Donations	5	866
<b>Total INCOME</b>		<b>3,280,113</b>
<b>OPERATING EXPENDITURE</b>		
<b>Other resources: Humanitarian Response</b>		
Employee benefits		571,832
Relief supplies, transportation and storage		2,051,855
Supplementary services cost recoveries		34,985
Other costs & allocations	6	340,873
<b>Total direct costs</b>		<b>2,999,545</b>
Indirect cost recovery		189,614
Pledge fees		26,854
<b>Total OPERATING EXPENDITURE</b>		<b>3,216,013</b>
<b>NET SURPLUS FROM OPERATING ACTIVITIES</b>		<b>64,100</b>
Finance expense, net		8,795
<b>NET SURPLUS FOR THE PERIOD</b>		<b>55,305</b>
<b>FUNDS HELD FOR OPERATIONS</b>		
Brought forward		-
Net surplus for the period		55,305
<b>FUNDS HELD FOR OPERATIONS</b>		<b>55,305</b>

The notes on pages 4 to 8 are an integral part of these Appeal Financial Statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES  
EMERGENCY APPEAL (MDR63003) – SOUTHERN AFRICA DROUGHT / FOOD INSECURITY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 11 DECEMBER 2019 TO 31 AUGUST 2021**

**1. Activities**

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation currently comprising 191 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 to support activities around the world. The Secretariat headquarters' address is 17, Chemin des Crêts, Petit-Saconnex, 1209 Geneva, Switzerland.

The IFRC's mission is to improve the lives of vulnerable people by mobilizing the power of humanity. Working through its 191 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'.

Southern Africa is prone to recurrent extreme climatic shocks and has experienced low rainfall resulting in 2019 having the highest acute food insecurity situation in the region in the past decade that sparked government and international actors to provide humanitarian support. In 2020, crop production was impacted by the late onset of rains, prolonged dry spells, sporadic heavy rainfall as well as pest outbreaks.

This Emergency Appeal was launched seeking an initial amount of CHF 7.7 million to enable the IFRC to support four National Societies in Southern Africa (Botswana, Eswatini, Lesotho and Namibia) to deliver assistance to 81,000 people affected by a worsening drought for 14 months with a focus on livelihoods and basic needs. In February 2020, the IFRC adopted an Emergency Plan of Action fine-tuning the appeal ask to CHF 7.4 million targeting 73,750 people. The Emergency Appeal was extended two times with the final operation timeframe of 17 months and operation end date on 31 May 2021. The final Emergency Appeal report was issued on 30 August 2021. The IFRC had allocated a total CHF 768,800 from its DREF funds; this was fully reimbursed at the date of this financial statement.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Southern Africa Drought / Food Insecurity (MDR63003) and are hereto referred to as the Appeal Financial Statements.

**2. 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 Consolidated Financial Statements of the IFRC are prepared in accordance with International Financial Reporting Standards (IFRS). The information contained in these appeal financial statements has been extracted from the Consolidated Financial Statements of the IFRC, except for the following:

- a) payments made under leases, as covered by IFRS 16 Leases, are included in operating expenditure in the appeal financial statements and are recognised on a straight-line basis over the periods of the leases;
- b) obligations for contributions to post-employment benefit plans (the IFRC's pension arrangements), as covered by IAS 19 Employee benefits, are included within operating expenditure in the appeal financial statements and are recognised as contributions fall due for payment.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES  
EMERGENCY APPEAL (MDR63003) – SOUTHERN AFRICA DROUGHT / FOOD INSECURITY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 11 DECEMBER 2019 TO 31 AUGUST 2021**

**2. Basis of accounting (continued)**

The IFRC has concluded that with respect to these appeal financial statements the adopted bases of accounting for leases and post-employment benefit plan contributions provide more relevant and useful information to users of these appeal financial statements, notably contributors and donors to the Southern Africa Drought / Food Insecurity Emergency Appeal (MDR63003).

The Appeal Financial Statements present operating expenditure by function (see note 3.3(a)). All operating expenditure included within the appeal financial statements is classified under the Humanitarian Response functional category. For information purposes, the Income and Expenditure Statement provides further analysis of operating expenditure.

**3. Significant accounting policies**

**3.1 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 Southern Africa Drought / Food Insecurity 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.

**3.2 Income**

Income comprises voluntary contributions in cash or in-kind from member National Societies, and donations in cash or in-kind from donors.

Voluntary contributions and donations are identified according to the level of earmarking. National Societies and 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. 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 and accepted by the IFRC.

Contributions and donations that are subject to specific contractual obligations or earmarked for use in a future period are not fully under control of the IFRC. Donations that are 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 and donations 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 or donations of goods (comprising relief supplies) and services (in the form of staff or transport) are recognised on the date of receipt of the goods or service and are recognised equally as both income and expenditure in the Income and Expenditure Statement. In-kind goods and services received in response to the Appeal are measured at fair value.

The fair value of in-kind goods is taken as the value indicated by the contributing National Society or other donor. This value is tested for reasonableness by comparing it to the cost that the IFRC would incur if it were to buy in the open market similar goods for the same intended use. If the market value is found to be significantly different to the value indicated by the donor, the value is revised to the market value. The fair value of in-kind staff is taken as the average cost that would be incurred by the IFRC, if it were to employ a person in a similar position.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES  
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**NOTES TO THE APPEAL FINANCIAL STATEMENTS  
FOR THE PERIOD FROM 11 DECEMBER 2019 TO 31 AUGUST 2021**

**3. Significant accounting policies (continued)**

The IFRC sometimes agrees with a contributing National Society or other 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 contribution and donation income reported in these Appeal Financial Statements.

**3.3 Expenditure**

***(a) Functional expenditure categories***

All IFRC expenditure is classified under functional expense categories that aggregate costs related to each category. Expenditure incurred as part of this Emergency Appeal activities is classified under the Other resources: Humanitarian response functional expense category which comprises: Coordination during the immediate response phase of disasters and crises which require international assistance, in order to ensure adequate resources are available to meet the needs of disaster affected people. Within this functional expense category, the classification of operational expenditures by nature has been aligned with the Consolidated Financial Statements of the IFRC.

***(b) Costing principles***

The costing principle of the IFRC is one of full cost recovery, therefore each appeal, including this Emergency Appeal, includes all associated direct costs, indirect costs and pledge fees.

*Direct costs*

Direct costs are those costs that can be readily and specifically identified with a particular project or service. Direct costs include employee benefits including salary and benefit costs of international delegates and national staff.

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 (below). Such recoveries include specific logistics services recoveries based on the value of procurement services provided, global fleet services including provision of the vehicle rental scheme and country level services related to the basic costs of having a presence (an IFRC office) in a given country.

*Indirect costs*

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.

*Pledge fees*

Costs are incurred to meet specific donor requirements. These requirements may include the tracking of expenses where a donation has been given for a specific activity or needs to be spent within a specific timeframe or requires customised financial and / or narrative reports. Pledge fees are charged to donations to cover the costs associated with meeting these specific donor requirements.

***(c) Provisions for operations and contributions to National Societies***

The IFRC advances funds to member Red Cross and Red Crescent National Societies. In principle, two mechanisms are used to advance funds to member National Societies for the implementation of activities – cash working advances and cash contributions. Depending on the IFRC's assessment of risk, one of two approaches to make cash contributions may be adopted.

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

*(i) Cash working advances – 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 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.

*(ii) Cash transfers – Contributions to National Societies*

There are no contributions to National Societies in these appeal financial statements.

**3.4 Finance expense, net**

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 all exchange gains and losses pertaining to foreign currency pledges, which are included under Voluntary contributions and donations.

**3.5 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 reimburse them to the donors. The balance of funds at the end of the Emergency Appeal was carried forward to the IFRC Southern Africa 2021 annual appeal.

**4. Voluntary contributions**

			<b>Period from 11-Dec-2019 to 31-Aug-2021</b>
	<b>Cash</b>	<b>Services</b>	<b>TOTAL</b>
	<b>CHF</b>	<b>In-Kind</b>	<b>CHF</b>
American Red Cross	368,367	-	368,367
British Red Cross	357,929	-	357,929
British Red Cross (from British Government)	1,154,089	-	1,154,089
Finnish Red Cross	339,942	91,200	431,142
Japanese Red Cross Society	88,665	-	88,665
Red Cross of Monaco	42,780	-	42,780
Swedish Red Cross	243,961	-	243,961
The Canadian Red Cross Society (from Canadian Government)	102,960	-	102,960
The Netherlands Red Cross	113,774	-	113,774
The Netherlands Red Cross (from Netherlands Government)	321,035	-	321,035
Turkish Red Crescent Society	54,545	-	54,545
	<b>3,188,047</b>	<b>91,200</b>	<b>3,279,247</b>

The Cash column includes realised gains and losses from settlement of foreign currency pledges during the period and unrealised gains and losses from translation of outstanding foreign currency pledges at the reporting date (see note 3.4).



**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES  
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**5. Donations**

The amount pertains mainly to online donations received by the IFRC voluntarily made by private individuals or institutions.

**6. Other costs & allocations**

	<b>Period from 11-Dec-2019 to 31-Aug-2021 CHF</b>
Administration, office and general	89,909
Consultancy fees	21,958
Legal and professional	30,971
Travel	17,869
Vehicles and equipment	92,736
Workshops & training	59,761
Other costs and allocations	27,669
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	340,873
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