



**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
Syria Complex Emergency Appeal
(MDRSY003)
for the year ended 31 December 2021



KPMG SA
Esplanade de Pont-Rouge 6
PO Box 1571
CH-1211 Geneva 26

+41 58 249 25 15
kpmg.ch

Independent Auditor's Report on the IFRC's Financial Statements for the Syria Complex Emergency Appeal (MDRSY003) 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 Syria Complex Emergency Appeal (MDRSY003) 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') for the year ended 31 December 2021.

In our opinion, the accompanying financial statements for Syria Complex Emergency Appeal (MDRSY003) for the year ended 31 December 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 December 2023

Enclosure:

- Financial statements (income and expenditure statement and explanatory notes) for the year ended 31 December 2021

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRSY003) – SYRIA COMPLEX EMERGENCY**

**INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

		Year ended 31-Dec-2021	Year ended 31-Dec-2020
	Notes	CHF	CHF
OPERATING INCOME			
Voluntary contributions	4	1,657,857	7,172,936
Donations	5	1,034,814	2,209,721
Total INCOME		<u>2,692,671</u>	<u>9,382,657</u>
OPERATING EXPENDITURE			
Other resources: Humanitarian Response			
Employee benefits		3,457,347	2,845,698
Relief supplies, transportation and storage		3,867,877	2,444,502
Contributions to national societies		-	1,624,200
Supplementary services cost recoveries		59,223	73,616
Other costs & allocations	6	<u>(966,929)</u>	<u>4,223,390</u>
Total direct costs		<u>6,417,518</u>	<u>11,211,406</u>
Indirect cost recovery		377,908	621,310
Pledge fees		54,842	65,055
Total OPERATING EXPENDITURE		<u>6,850,268</u>	<u>11,897,771</u>
NET (DEFICIT) FROM OPERATING ACTIVITIES		<u>(4,157,597)</u>	<u>(2,515,114)</u>
Finance Income, net		30,402	216,333
NET (DEFICIT) FOR THE YEAR		<u>(4,127,195)</u>	<u>(2,298,781)</u>
FUNDS HELD FOR OPERATIONS			
Brought forward		3,642,285	5,941,066
Net (deficit) for the year		<u>(4,127,195)</u>	<u>(2,298,781)</u>
FUNDS HELD FOR OPERATIONS		<u>(484,910)</u>	<u>3,642,285</u>

The notes on pages 4 to 10 are an integral part of these Appeal Financial Statements.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRSY003) – SYRIA COMPLEX EMERGENCY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. Activities

Founded in 1919, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a membership organisation 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 2030* – 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'.

During 2011 and 2012, ongoing civil strife and unrest in Syria resulted in significant concerns relating to security, safety, protection and threats to livelihoods. Due to a worsening humanitarian situation in Syria and as a continuation and scaling up of activities initially undertaken as part of the Middle East & North Africa Civil Unrest Emergency Appeal (MDR82001) an Emergency Appeal was launched on 6 July 2012 seeking CHF 27. million in cash and in-kind goods and services to support the Syrian Arab Red Crescent (SARC) to assist over 200,000 beneficiaries for 12 months primarily in the areas of health, relief and livelihoods.

Between 2012 and 2019, the Emergency appeal budget was revised several times. On 11 November 2019, the budget was revised to CHF 195.1 million to support 3 million people and the timeframe was extended until 31 December 2020, with a focus on emergency food assistance, shelter household items, and hygiene items; as well access to emergency and basic health services, community services and livelihood activities. It also includes continued support to further strengthen SARC's structural and operational capacities to deliver services and respond to emerging humanitarian needs. On 22 December 2020, the Emergency appeal budget was further increased to CHF 208.9 million and timeframe extended until 31 December 2021 to support an additional 1 million people taking into consideration the evolving humanitarian situation in Syria and changes in the operational context due to the Covid-19 outbreak.

The financial statements presented comprise the Income and Expenditure Statement and supporting notes of the Syria: Complex Emergency Appeal (MDRSY003) 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 2021 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 in the consolidated financial statements 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 in the consolidated financial statements, 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 (MDRSY003) – SYRIA COMPLEX EMERGENCY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 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 Syria: Complex Emergency Appeal (MDRSY003).

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 Bangladesh population movement emergency appeal, are always launched in Swiss Francs and expenditure is budgeted and managed in Swiss Francs.

Monetary assets and liabilities denominated in foreign currencies are translated into Swiss Francs using the exchange rate at the reporting date. Foreign currency transactions are translated into Swiss Francs using actual rates that were applied to transactions or rates which approximate to the prevailing rate at the date 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 and unrealised exchange gains and losses on voluntary contributions and donations, which are included under Voluntary contributions and Donations, net in the Income and Expenditure Statement.

3.2 Income

Income comprises voluntary contributions and donations. Voluntary contributions are contributions to the IFRC voluntarily made by National Societies. Donations are donations or other financial assistance to the IFRC, voluntarily made by private individuals, States, or any other public or private institutions. Voluntary contributions and Donations are recognised when a signed agreement (pledge) has been received from the National Society or other donor. In the absence of a signed agreement, the contribution is recognised upon receipt of cash.

Government grants for specific projects and donations that are subject to specific contractual obligations similar to government grants, are reported as deferred income and recognised as income when expenditure is incurred and contractual obligations are fulfilled. Government grants that are neither for specific projects nor identifiable assets, and are both earmarked and managed at appeal level, are recognised when a confirmed written pledge has been received from the donor and accepted by the IFRC.

Donations where receipt of funding is conditional and contingent upon uncertain future events not wholly within the IFRC's control are not accounted for but are disclosed as contingent assets.

After initial recognition, subsequent changes to Voluntary contributions and Donations are recognised as additions to, or reductions of income, in the period in which the change is agreed. The IFRC is unable to evaluate the impact of such changes on the income reported in these appeal financial statements.

Voluntary contributions from National Societies and donations from non-National Societies are recognised based on the level of earmarking, as summarised in the below table:

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRSY003) – SYRIA COMPLEX EMERGENCY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3.2 Income (continued)

Earmarked	<p><i>Fully under the control of the IFRC</i></p> <p>Can be restricted in terms of nature, timeframe, or subject matter Amounts are recognised within restricted income Unspent amounts included within restricted reserves at the end of the accounting period</p>
	<p><i>Not fully under the control of the IFRC</i></p> <p>Can be restricted in terms of nature, timeframe, or subject matter Earmarked for use in a future period Amounts are recognised as deferred income in the current period Amounts are recognised within restricted income in the future period for which they are earmarked Subject to specific contractual obligations, similar to government grants Amounts are recognised within restricted income as expenditure is incurred and contractual obligations are fulfilled Amounts received but not recognised are included in deferred income</p>

Income recognition policy for voluntary contributions from National Societies and donations from non-National Societies is summarised in the below table:

Donors	Category	Earmarking	Income recognition
National Societies	Fully under the control of the IFRC	Unearmarked	Recognised upfront in the current period
	Not fully under the control of the IFRC	Earmarked for use in a future period	Deferred in the current period and recognised in the future period for which the funds are earmarked
Non-National Societies (Governments, multi-lateral agencies, corporations, and others)	Fully under the control of the IFRC (e.g., non-refundable donations, funding managed at appeal level including DREF, contribution towards multi-donor action)	Unearmarked or earmarked at an appeal level	Recognised upfront in the current period
	Not fully under the control of the IFRC	Earmarked for use in a future period	Deferred in the current period and recognised in the future period for which they are earmarked
		Subject to specific contractual obligations, similar to government grants	Recognised as expenditure is incurred and contractual obligations are fulfilled. Amounts received but not recognised in the current period are included in deferred income

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRSY003) – SYRIA COMPLEX EMERGENCY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3.2 Income (continued)

Voluntary contributions and Donations are mainly received in cash but may be received as in-kind goods (relief supplies) services (staff). The fair value of in-kind goods is taken as the value indicated by the 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, assets or property services, 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 directly employ a person in a similar position.

In-kind contributions are recognised at their estimated fair value in accordance with the following table:

In-kind contribution category	Income recognition	Expenditure recognition
Relief supplies	Recognised on date of receipt equally as both income and expenditure	
Services	Recognised on date of receipt equally as both income and expenditure	

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 programmes 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 IFRC applies a full cost recovery principle to its activities and operations. As such, each functional expense category 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. These include costs recovered from operations for the provision of specific supplementary services.

Indirect costs

The direct costs of programmes and services are subject to standard indirect cost recovery rate 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 contributions and 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. Depending on the IFRC's assessment of risk, one of two approaches to make cash contributions may be adopted, cash working advances or cash contributions.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRSY003) – SYRIA COMPLEX EMERGENCY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

3.3 Expenditure (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 as Provisions for operations included in other costs & allocations in the Income and Expenditure statement. 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) Contributions to National Societies

The IFRC makes cash contributions to fund the activities of member National Societies. Such contributions are recognised as Operating Expenditure as they are incurred. Cash transfers are made to National Societies that have been risk-assessed by the IFRC to have the organisational capacity and internal controls to effectively manage funds received from the IFRC to meet project objectives and satisfy stakeholders' accountability requirements. The recipient National Society manages the use of the funds based on its own internal regulations and reports its use of the funds back to the IFRC without the need to submit detailed supporting documentation for individual expenses incurred. National Societies operating under Cash Transfer are subject to periodic audits of their use of funds transferred.

3.4 Finance income, net

Exchange gains and losses resulting from the settlement of foreign currency transactions and from translations are included under Finance income, net, in the Income and Expenditure Statement, with the exception of realised and unrealised exchange gains and losses on voluntary contributions and donations, which are included under Voluntary contributions and Donations, net in the Income and Expenditure Statement.

3.5 Funds held for operations

The cumulative excess of income received over operating expenditure incurred is recorded as Funds held for operations. If 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.

The unspent funds at the close of the Syria Complex Emergency (MDRSY003) are to be reallocated to the Syria Crisis Country Plan 2022 for continuing refugee assistance activities.

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRSY003) – SYRIA COMPLEX EMERGENCY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. Voluntary contributions

	Cash	Services	Year ended	Year ended
	CHF	In-Kind	31-Dec-2021	31-Dec-2020
		CHF	TOTAL	TOTAL
			CHF	CHF
Australian Red Cross	-	-	-	243,080
Austrian Red Cross	-	-	-	29,084
Austrian Red Cross (from Austrian Government)	-	-	-	294,076
British Red Cross	-	-	-	40,090
Danish Red Cross	-	-	-	1,738,899
Danish Red Cross (from European Commission - DG ECHO)	50,865	-	50,865	(78,153)
Finnish Red Cross	8,871	106,870	115,741	97,125
Finnish Red Cross (from Finnish Government)	1,009,700	-	1,009,700	1,074,195
Irish Red Cross Society	119,220	-	119,220	-
Japanese Red Cross Society	-	-	-	133,942
Swedish Red Cross	203,592	44,500	248,092	2,149,426
Syrian Arab Red Crescent	-	91,200	91,200	68,400
The Netherlands Red Cross	-	-	-	249,045
The Netherlands Red Cross (from Netherlands Government)	-	-	-	1,135,916
The Netherlands Red Cross (from Netherlands - Private Donors)	17,599	-	17,599	-
Other donors (including online donations and those with contributions less than CHF 10,000)	5,440	-	5,440	(2,189)
	<u>1,415,287</u>	<u>242,570</u>	<u>1,657,857</u>	<u>7,172,936</u>

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 as at reporting date (see note 3.4).

5. Donations

	Year ended	Year ended
	31-Dec-2021	31-Dec-2020
	Cash and Total	Cash and Total
	CHF	CHF
Dawn Al-Sayyad	-	121,466
United States Government - USAID	1,034,814	2,088,255
	<u>1,034,814</u>	<u>2,209,721</u>

The figures include 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 as at reporting date (see note 3.4).

**INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
EMERGENCY APPEAL (MDRSY003) – SYRIA COMPLEX EMERGENCY**

**NOTES TO THE APPEAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

6. Other costs & allocations

Other costs & allocations

	Year ended 31-Dec-2021	Year ended 31-Dec-2020
	CHF	CHF
Administration, office and general	516,244	282,445
Consultancy fees	33,101	20,000
Information	4,593	12,029
Travel	50,577	56,853
Vehicles and equipment	193,795	35,116
Workshops & training	218,456	81,133
Other costs and allocations	<u>(1,983,695)</u>	<u>3,735,814</u>
	<u>(966,929)</u>	<u>4,223,390</u>

Included within Other Costs and allocations is a reversal of provision for cash working advances not yet reported by SARC amounting to CHF 2,365,554 (2020: provision for cash working advances not yet reported by SARC amounting to CHF 2,325,318), reversal of provision for outstanding pledges amounting to CHF 1,138,312 (2020: provision for outstanding pledges amounting to CHF 1,138,312) and CHF 1,468,890 repaid to European Commission DG ECHO in 2023 (note 7).

7. Subsequent event

In February 2023, following the identification of ineligible expenditure during a European Commission DG ECHO audit, the IFRC repaid CHF 1,468,890 to European Commission DG ECHO in relation to funds recognised as income in 2015. Of this amount, the IFRC is seeking to recover in the region of CHF 425,000 from an implementing partner, however, as this process remains ongoing and the outcome remains uncertain, the full value of the ineligible expenditure is recognised as a reduction in Funds held for operations resulting deficit of CHF 484,910. The ultimate loss will be covered by an allocation from an unrestricted reserve designated by the IFRC to support underfunded critical life saving operations if and when needed.