



Mekong River Commission

*Audited Financial Statements
as at and for the year ended 31 December 2012*

Mekong River Commission

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Mekong River Commission

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REPORT OF THE MRCS MANAGEMENT

The Management of the Mekong River Commission Secretariat (“MRCS”) presents its report and the financial statements of the Mekong River Commission for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES DURING 2012

The Mekong River Commission (“MRC” or “the Commission”) continues the implementation of its eleven key Programmes. The MRC has attracted funding from new Development Partners, namely the European Union for the Climate Change Adaptation Initiative, the USAID for the Fisheries Programme and the World Bank for the transboundary component of the Mekong IWRM Project.

The MRC continues to implement its two key strategies, the Integrated Water and Related Resources Management (IWRM)-based Basin Development Strategy (BDS), and the Strategic Plan 2011-2015 (SP 2011-2015).

Regarding the BDS, the MRC is in the process of finalising the Basin Action Plan based on the Regional Action Plan and the National Indicative Plans prepared by the National Mekong Committees and which will provide detailed plans for the implementation of the strategy.

The strategic plan for the 2011-2015 period provides a platform for the MRC’s plan to decentralise core functions of the MRCS to the national level. In 2012, important work has been done to define core functions and prepare an action plan to start the gradual decentralisation of activities to the national level.

In May 2012, the MRC successfully organised a major international conference on transboundary river basin management (Mekong2Rio), which specifically aimed to discuss the water-food-energy nexus in transboundary river basins.

REPORT OF THE MRCS MANAGEMENT (continued)

THE MRCS MANAGEMENT

The members of the MRCS Management who held office during the year 2012 and as of the date of this report are:

Hans Guttman	Chief Executive Officer
Pich Dun	Director of Operations Division until 30 June 2012, Director of Planning Division from 01 July 2012
Tran Duc Cuong	Director of Technical Support Division until 30 June 2012, Director of Environment Division from 01 July 2012
Sourasay Phoumavong	Director of Environment Division until 30 June 2012, Director of Technical Support Division from 01 July 2012
Satit Phiomchai	Director of Planning Division until 30 June 2012, Director of Operations Division from 01 July 2012, Officer-in-Charge of the Human Resources Development Section from 03 January until 01 March 2012
Nguyen Thu Mai	Chief of the Finance and Administration Section
Klomjit Chandrapanya	Chief of the International Cooperation and Communication Section
Natayaporn Jumratsri	Chief of the Human Resources Development Section from 02 March 2012

On behalf of the MRCS Management



Hans Guttman
Chief Executive Officer
22 February 2013

Reference: KTC-RBI/HAN/13/R014/MRC/E

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Joint Committee of the Mekong River Commission

We have audited the accompanying financial statements of the Mekong River Commission ("MRC" or "the Commission") which comprise the statement of fund balance as at 31 December 2012 and the statement of income and expenditure for the year then ended, a summary of significant accounting policies and other explanatory information as set out on pages 5 to 14. The financial statements have been prepared by the MRCS Management using the accounting policies as described in Note 2 to the financial statements.

The MRCS Management's Responsibility for the Financial Statements

The MRCS Management is responsible for the preparation of these financial statements in accordance with the accounting policies as described in Note 2 to the financial statements, and for such internal control as the MRCS 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 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 internal control relevant to the Commission'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 Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the MRCS 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 of the Commission as at 31 December 2012 and for the year then ended are prepared, in all material respects, in accordance with the accounting policies as described in Note 2 to the financial statements.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes the basis of accounting. The financial statements are prepared to assist the MRCS Management in meeting the reporting requirements of the MRC's Joint Committee and its partners. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Commission and its partners and should not be distributed to or used by parties other than the Commission or its partners.



KTC Assurance & Business Advisory


KTC Audit & Business Advisory Co., Ltd.
Member of Russell Bedford International

Hanoi, Vietnam
22 February 2013

Mekong River Commission

STATEMENT OF INCOME AND EXPENDITURE for the year ended 31 December 2012

	Note	2012	Currency: USD 2011
INCOME			
Contribution			
Contributions from Development Partners	3	23,357,860	18,469,162
Reimbursement of relocation loan		-	200,000
Contributions from Riparian Governments	4	1,827,076	1,185,522
		<u>25,184,936</u>	<u>19,854,684</u>
Revenue			
Interest	5	76,625	61,780
Miscellaneous		3,050	2,447
		<u>79,675</u>	<u>64,227</u>
TOTAL INCOME		<u>25,264,611</u>	<u>19,918,911</u>
EXPENDITURE			
<i>Project expenditure</i>			
Personnel services		9,184,159	8,405,365
Sub-contracts		1,724,479	2,409,267
Training		3,454,374	3,166,287
Equipment		650,073	495,334
Miscellaneous expenses		435,255	407,764
	6	<u>15,448,340</u>	<u>14,884,017</u>
<i>Administrative expenditure</i>			
Staff salary and fees		1,635,030	1,363,919
Common staff costs		785,767	669,029
Travel		92,790	51,121
Contractual services		99,408	81,194
General operating expenses		283,723	282,585
Supplies		40,172	36,526
Furniture and equipment		53,349	60,631
MRC meeting expenses		176,374	377,991
Support to National Mekong Committees		61,406	60,044
		<u>3,228,019</u>	<u>2,983,040</u>
Administrative Reserve Fund	7	47,046	295,671
Programme Reserve Fund	8	22,024	224,860
TOTAL EXPENDITURE		<u>18,745,429</u>	<u>18,387,588</u>
Foreign exchange gain/(loss)		(13,784)	93,047
Movement in Fund Balance for the year		<u>6,505,398</u>	<u>1,624,370</u>


 Hans Guttman
 Chief Executive Officer
 22 February 2013


 Nguyen Thu Mai
 Chief, Finance and Administration Section

Mekong River Commission

STATEMENT OF FUND BALANCE as at 31 December 2012

	Note	2012	Currency: USD 2011
Fund Balance as at 1 January		18,709,675	17,085,305
Movement in Fund Balance for the year		6,505,398	1,624,370
Fund Balance as at 31 December	12	<u>25,215,073</u>	<u>18,709,675</u>
Represented by			
Current assets			
Cash on hand and at banks	9	24,305,688	18,176,530
Advances, accounts receivable and prepayments	10	1,051,174	632,865
Deposits		5,610	5,610
		<u>25,362,472</u>	<u>18,815,005</u>
Current liabilities			
Other liabilities	11	147,399	105,330
		<u>147,399</u>	<u>105,330</u>
Net Current Assets		<u>25,215,073</u>	<u>18,709,675</u>

Hans Guttman
Chief Executive Officer
22 February 2013

Nguyen Thu Mai
Chief, Finance and Administration Section

Mekong River Commission

NOTES TO THE FINANCIAL STATEMENTS as at and for the year ended 31 December 2012

1. GENERAL INFORMATION

The Mekong River Commission (“MRC” or “the Commission”) was established in 1995 with the signing of the Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin. The MRC Member Countries are Cambodia, the Lao PDR, Thailand and Viet Nam, with China and Myanmar as Dialogue Partners.

Since its establishment, the MRC has strived to develop work programmes and strategies to best serve its mission to promote and coordinate sustainable management and development of water and related resources for the countries’ mutual benefit and the people’s well-being. Over the years, with a vision to bring about an economically prosperous, socially just and environmentally sound Mekong River Basin, the MRC has placed regional cooperation and basin-wide planning at the heart of its operation.

The Commission is governed by a Council which comprises of the environment and water ministers of the four Member Countries. The Council Members would review and mutually conclude on the management and development of water and related resources. These decisions and policies are then put into action by the MRC Joint Committee, which comprises senior officials at no less than Head of Department level of the four countries, and supported by national line agencies including the Ministry of Foreign Affairs.

The Commission’s technical and administrative functions fall under an operational arm, the MRC Secretariat (“MRCS”), which is led by a Chief Executive Officer. Currently there are about 177 staff members based in two Secretariat offices in Vientiane, Lao PDR and in Phnom Penh, Cambodia.

MRCS facilitates regional meetings of the Member Countries and provides technical advice on joint planning, coordination and cooperation. It also works closely with the four countries’ coordinating bodies, the National Mekong Committees (NMCs), and other state agencies.

Mekong River Commission

NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of accounting

The financial statements, which are expressed in United States Dollar (“USD”), have been prepared on a modified cash basis. The significant policies adopted in the preparation of the financial statements are set out below.

- *Income recognition*

Fund receipt from Development Partners is recognised as income when cash is credited to the Commission’s designated bank accounts. Direct payments made by Development Partners to contractors are recognised as income upon Development Partners’ notice to the Commission.

Contribution from Riparian Governments is recognised as income when cash is credited to the Commission’s bank accounts.

Bank interests are recognised as income when credited to the Commission’s bank accounts.

Other income and revenue are recognised upon cash receipts.

- *Expenditure recognition*

Expenditure is recognised when paid except for: staff health and life insurance premiums, personal telephone and fax costs charged to staff and repatriation fee, which are recognised on an accrual basis; and advances to National Mekong Committees, projects and employees, which are recognised when cleared.

b. Property and equipment

For control and management purposes, a memorandum account for property and equipment is maintained by way of a property and equipment listing. All property and equipment are expensed in full in the income and expenditure statement at the date of acquisition. Proceeds from disposal of property and equipment are recognised as a decrease in expenditure rather than an increase in income in the statement of income and expenditure.

c. Foreign currency transactions

Monetary assets and liabilities denominated in currencies other than USD are translated into USD at rates of exchange ruling at the balance sheet date. Transactions in currencies other than USD are translated into USD at the MRC operational rates of exchange on the date of the transactions. All exchange differences are recorded in the statement of income and expenditure.

Mekong River Commission

NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2012

3. CONTRIBUTIONS FROM DEVELOPMENT PARTNERS

	<i>Currency: USD</i>	
	2012	2011
Cash contributions and direct payments (*)	23,425,453	18,169,210
Interest earned on Development Partners' funds (***)	405,752	299,952
Unutilised fund and interest returned to Development Partners	<u>(473,345)</u>	<u>-</u>
	<u>23,357,860</u>	<u>18,469,162</u>

(*) Analysis of cash contributions and direct payments by Development Partner:

	<i>Currency: USD</i>	
	2012	2011
Asian Development Bank	16,253	11,782
Australia	3,512,850	5,424,930
Belgium	3,629,136	2,785,356
Denmark	1,701,145	1,811,602
Deutsche Gesellschaft für Internationale Zusammenarbeit ("GIZ") GmbH	932,055	445,017
European Union	-	110,342
Finland	3,752,914	2,215,780
France (**)	1,427,091	912,202
Japan	490,892	521,320
Kreditanstalt für Wiederaufbau ("KfW")	136,027	-
Luxembourg	520,000	520,000
Netherlands	-	942,650
New Zealand	350,000	-
Sweden	2,107,090	1,445,900
Switzerland	3,000,000	1,000,000
United States of America	1,350,000	-
World Bank	500,000	-
Miscellaneous	-	22,329
	<u>23,425,453</u>	<u>18,169,210</u>

(**) Of which direct payments amounted to USD 631,477 (2011: USD 160,755)

(***) This is interest earned on contributions from Development Partners. Its use is subject to specific agreements between the Commission and the Development Partners, either for project expenditure or for return to the Development Partners.

Mekong River Commission

NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2012

4. CONTRIBUTIONS FROM RIPARIAN GOVERNMENTS

	<i>Currency: USD</i>	
	2012	2011
Cambodia	385,102	359,935
Lao PDR	385,102	359,935
Thailand (*)	549,276	-
Viet Nam	507,596	465,652
	<u>1,827,076</u>	<u>1,185,522</u>

(*) Contribution from Thailand for the year 2011 of USD 501,739 was received and recognised in 2010.

5. INTEREST

This represents interest on the Commission's funds which is used to cover Operating Expenses Budget ("OEB") expenditure.

6. PROJECT EXPENDITURE (*)

6a. Analysis of Project Expenditure by Development Partner

	<i>Currency: USD</i>	
	2012	2011
Asian Development Bank	(21)	47,223
Australia	2,328,868	2,667,642
Belgium	2,157,864	1,986,839
Denmark	2,251,816	2,652,234
Deutsche Gesellschaft für Internationale Zusammenarbeit ("GIZ") GmbH	953,377	281,793
European Union	-	59,987
Finland	2,323,929	2,438,156
France	1,427,129	1,205,614
Japan	358,483	311,602
Kreditanstalt für Wiederaufbau ("KfW")	52,892	53,804
Luxembourg	154,316	103,644
Netherlands	(24,139)	1,068,002
New Zealand	364,484	115,963
Sweden	1,966,945	1,727,313
Switzerland	934,309	1,094
United States of America	106,073	-
World Bank	5,070	-
Miscellaneous	86,945	163,107
	<u>15,448,340</u>	<u>14,884,017</u>

(*) This excludes Management and Administration Fees. See also Note 14.

Mekong River Commission

NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2012

6. PROJECT EXPENDITURE (continued)

6b. Analysis of Project Expenditure by Programme

	<i>Currency: USD</i>	
	2012	2011
Agriculture and Irrigation Programme	358,483	311,602
Basin Development Programme	1,826,497	1,389,556
Climate Change and Adaptation Initiative	897,144	743,636
Environment Programme	1,470,447	1,589,911
Flood Management and Mitigation Programme	720,614	1,187,003
Fisheries Programme	1,236,342	1,315,058
Integrated Capacity Building Programme	1,445,533	1,190,764
Information and Knowledge Management Programme	3,161,647	3,027,312
Initiative on Sustainable Hydropower	821,878	758,780
Mekong Integrated Water Resources Management Project	1,040,955	1,226,453
Navigation Programme	1,456,831	1,144,300
Other Programmes	959,077	945,838
Watershed Management Project	52,892	53,804
	<u>15,448,340</u>	<u>14,884,017</u>

7. ADMINISTRATIVE RESERVE FUND

	<i>Currency: USD</i>	
	2012	2011
2.1\61\10\ARF\O Co-hosted location of MRCS (OSP & OSV)	25,598	95,671
2.1\87\11\ARF\O Repayment of the remaining loan balance to Lao Government	-	200,000
2.2\21\12\ARF\D Drought Management Programme	21,448	-
	<u>47,046</u>	<u>295,671</u>

Items under Administrative Reserve Fund represent: (i) the expenditure incurred for the project of co-hosted location of the MRCS following the MRC Council's decision at its Sixteenth Meeting to have two MRCS offices: Office of Secretariat in Phnom Penh ("OSP") and Office of Secretariat in Vientiane ("OSV"); (ii) the repayment of the relocation loan to Lao PDR in accordance with the MRC Joint Committee's approval at its Thirty-second Meeting in August 2010; and (iii) the expenditure incurred for the Drought Management Programme as approved by the MRC Joint Committee at its Thirty-sixth meeting in October 2012.

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NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2012

8. PROGRAMME RESERVE FUND

	<i>Currency: USD</i>	
	2012	2011
2.1\43\09\PRF\D Drought Management Project- Initial Activity	22,024	180,657
2.1\45\09\PRF\F Vital Services	-	44,203
	<u>22,024</u>	<u>224,860</u>

Items under Programme Reserve Fund represent the expenditure incurred for initial drought management activities and the vital services of the MRCS for flood forecasting during floods and other emergency situations.

9. CASH ON HAND AND AT BANKS

	<i>Currency: USD</i>	
	2012	2011
Cash on hand	1,169	1,478
Cash at banks	24,075,157	18,175,052
Cash in transit	229,362	-
	<u>24,305,688</u>	<u>18,176,530</u>

10. ADVANCES, ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>Currency: USD</i>	
	2012	2011
Advances for general purpose expenditure	140,000	160,000
Other advances	881,092	453,051
Accounts receivable	30,082	19,814
	<u>1,051,174</u>	<u>632,865</u>

Advances for general project expenditure represent imprest funds given to some satellite projects for petty cash expenses and other disbursements within their limits of authority. The related project expenditure is charged to the statement of income and expenditure upon submission of clearance forms. Other advances are education allowances of staff dependants, advances issued to conduct training and workshops and advances to employees against salary. Accounts receivable are prepaid insurance and medical claims.

11. OTHER LIABILITIES

	<i>Currency: USD</i>	
	2012	2011
Accounts payable	(666)	271
Accrued repatriation fee	145,803	102,926
Others	2,262	2,133
	<u>147,399</u>	<u>105,330</u>

Accrued repatriation fee represents the MRC expatriate staff separation fees payable on leaving the MRC to return to their home country.

Mekong River Commission

NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2012

12. CLOSING FUND BALANCES

Closing fund balances can be analysed by source of funds as follows:

	2012	2011
		<i>Currency: USD</i>
Asian Development Bank	-	62,367
Australia	8,867,158	7,767,466
Belgium	2,887,615	1,601,937
Denmark	649,482	1,511,291
Deutsche Gesellschaft für Internationale Zusammenarbeit ("GIZ") GmbH	281,596	395,296
European Union	48,197	46,143
Finland	1,800,047	631,246
France	262,738	372,225
Japan	559,527	462,049
Kreditanstalt für Wiederaufbau ("KfW") (*)	(17,991)	(96,414)
Luxembourg	778,567	412,948
Netherlands	171,772	144,589
New Zealand	49,159	103,736
Sweden	1,616,942	1,919,419
Switzerland	2,986,427	999,662
United States of America	1,242,326	-
World Bank	496,574	-
Miscellaneous (*)	(29,987)	56,554
	22,650,149	16,390,514
Operating Expenses Budget	2,564,924	2,319,161
	25,215,073	18,709,675

(*) Negative fund balance represents expenditure incurred in excess of contributions.

13. PROVIDENT FUND

The Commission manages a provident fund, which had a balance at 31 December 2012 of USD 2,302,327 (31 December 2011: USD 1,761,713), to provide a savings scheme in lieu of a pension fund on behalf of 177 (2011: 147) members of staff who are eligible for the scheme. Staff and the Commission contributions are banked in a separate bank account. The Commission's contributions to the fund are included in the statement of income and expenditure as personnel services in respect of project expenditure, and as staff salary and fees in respect of administrative expenditure. Payments from the provident fund and its balance are not reflected in the Commission's financial statements.

Mekong River Commission

NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2012

14. MANAGEMENT AND ADMINISTRATION FEES

Management and administration fees are calculated at a percentage (11% for most projects) of the project expenditure and are recognised as revenue under the OEB fund and as expense under the Development Partners' funds. These are used to cover the expenses of the MRCS in rendering technical and administrative services to the projects. Management and administration fees of USD 1,636,101 (2011: USD 1,499,699) are netted off on the preparation of the Commission's financial statements.



Hans Guttman
Chief Executive Officer
22 February 2013



Nguyen Thu Mai
Chief, Finance and Administration Section

