

# **Mekong River Commission Operating Expenses Budget**

*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 Operating Expenses Budget (“OEB”) 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 Phiromchai	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



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Hans Guttman  
Chief Executive Officer  
22 February 2013

Reference: KTC-RBI/HAN/13/R015/MRC-OEB/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 Operating Expenses Budget ("OEB") of the Mekong River Commission ("MRC" or "the Commission") which comprise the statement of income, expenditure and fund balance as at 31 December 2012 and for the year then ended, a summary of significant accounting policies and other explanatory information as set out on pages 5 to 12. 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 Operating Expenses Budget 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 – Operating Expenses Budget

## STATEMENT OF INCOME, EXPENDITURE AND FUND BALANCE as at and for the year ended 31 December 2012

	Note	2012	Currency: USD 2011
<b>INCOME</b>			
<b>Contributions from Riparian Governments</b>	3	<u>1,827,076</u>	<u>1,185,522</u>
<b>Revenue</b>			
Interest	4	76,625	61,780
Management and administration fees	5	1,636,101	1,499,699
Miscellaneous		3,050	2,447
		<u>1,715,776</u>	<u>1,563,926</u>
<b>TOTAL INCOME</b>		<u>3,542,852</u>	<u>2,749,448</u>
<b>EXPENDITURE</b>			
<b>Administrative Expenditure</b>			
Staff salary and fees	6	1,635,030	1,363,919
Common staff costs	7	785,767	669,029
Travel	8	92,790	51,121
Contractual services	9	99,408	81,194
General operating expenses	10	283,723	282,585
Supplies	11	40,172	36,526
Furniture and equipment	12	53,349	60,631
MRC meeting expenses	13	176,374	377,991
Support to National Mekong Committees and programmes	14	61,406	60,044
		<u>3,228,019</u>	<u>2,983,040</u>
Administrative Reserve Fund	15	47,046	295,671
Programme Reserve Fund	16	22,024	224,860
<b>TOTAL EXPENDITURE</b>		<u>3,297,089</u>	<u>3,503,571</u>
<b>Movement in Fund Balance for the year</b>		<b>245,763</b>	<b>(754,123)</b>
<b>Fund Balance as at 1 January</b>		<u>2,319,161</u>	<u>3,073,284</u>
<b>Fund Balance as at 31 December</b>		<u>2,564,924</u>	<u>2,319,161</u>



Hans Guttman  
Chief Executive Officer  
22 February 2013



Nguyen Thu Mai  
Chief, Finance and Administration Section

# Mekong River Commission – Operating Expenses Budget

## 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 – Operating Expenses Budget

## 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*

Contributions from Riparian Governments are 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 – Operating Expenses Budget

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

### 3. CONTRIBUTIONS FROM RIPARIAN GOVERNMENTS

	<i>Currency: USD</i>	
	<b>2012</b>	<b>2011</b>
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.

### 4. INTEREST

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

### 5. 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 Commission's Secretariat in rendering technical and administrative services to the projects.

### 6. STAFF SALARY AND FEES

	<i>Currency: USD</i>	
	<b>2012</b>	<b>2011</b>
Professional posts	1,107,086	886,202
General service posts	478,138	423,795
Temporary general services	40,201	42,200
Overtime payments	9,605	11,722
	<u>1,635,030</u>	<u>1,363,919</u>

# Mekong River Commission – Operating Expenses Budget

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

### 7. COMMON STAFF COSTS

	<i>Currency: USD</i>	
	<b>2012</b>	<b>2011</b>
Dependancy allowances - professional staff	14,212	11,548
Assignment/ relocation allowances	21,901	23,405
Housing allowances	65,623	38,684
Post allowances	89,071	46,430
Hardship allowances	58,065	36,644
Dependancy allowances - general support staff	58,962	55,650
Uniforms/ laundry allowances	1,831	1,900
Devaluation allowances - professional staff	99,342	85,238
Devaluation allowances - general support staff	48,821	42,948
Provident fund - professional staff	152,918	110,919
Provident fund - general support staff	65,621	55,738
Medical insurance	13,638	22,526
Life and accident insurance	8,750	7,178
Medical examinations	766	819
Education grants	9,750	15,583
Home leave travel	6,553	2,036
Recruitment	5,069	39,542
Separation costs	1,355	7,966
Other training	47,254	45,740
Other costs	16,265	18,535
	<u><b>785,767</b></u>	<u><b>669,029</b></u>

### 8. TRAVEL

	<i>Currency: USD</i>	
	<b>2012</b>	<b>2011</b>
External travel	71,369	25,013
Riparian travel	21,421	26,108
	<u><b>92,790</b></u>	<u><b>51,121</b></u>

### 9. CONTRACTUAL SERVICES

	<i>Currency: USD</i>	
	<b>2012</b>	<b>2011</b>
External audit	14,325	16,512
External printing	11,765	14,404
EDP system development	12,057	741
Security guards	33,054	31,095
Miscellaneous contractual services	28,207	18,442
	<u><b>99,408</b></u>	<u><b>81,194</b></u>

# Mekong River Commission – Operating Expenses Budget

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

### 10. GENERAL OPERATING EXPENSES

	<i>Currency: USD</i>	
	<b>2012</b>	<b>2011</b>
Office improvements	17,856	15,120
Office maintenance	8,650	13,254
Utilities	108,212	90,394
Equipment rental and maintenance	19,709	15,612
Vehicle operation and maintenance	8,138	8,246
Vehicle insurance	5,428	6,492
Internet and e-mail	65,631	77,708
Telephone installation, rent and maintenance	470	90
Local telephone calls	3,857	4,873
Long distance telephone calls	6,635	3,836
Pouch and courier	2,924	5,702
Postage	5,207	1,796
Facsimile	158	488
Hospitality expenses	3,054	8,811
Non-life insurance	5,350	6,548
Bank charges	16,259	18,880
Miscellaneous expenses	6,185	4,735
	<u><b>283,723</b></u>	<u><b>282,585</b></u>

### 11. SUPPLIES

	<i>Currency: USD</i>	
	<b>2012</b>	<b>2011</b>
Stationery	15,308	14,671
Document reproduction	-	199
Computer supplies	4,637	4,046
Books/ periodicals	4,957	4,792
Audio visual aids	-	378
Other supplies	15,270	12,440
	<u><b>40,172</b></u>	<u><b>36,526</b></u>

### 12. FURNITURE AND EQUIPMENT

	<i>Currency: USD</i>	
	<b>2012</b>	<b>2011</b>
Furniture and fixtures	3,613	6,744
Non-EDP equipment (*)	-	(9,764)
EDP equipment	30,160	43,453
EDP software - ready made	19,576	20,198
	<u><b>53,349</b></u>	<u><b>60,631</b></u>

(\*) The figure in 2011 represents proceeds from disposal of non-expendable equipment.

# Mekong River Commission – Operating Expenses Budget

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

### 13. MRC MEETING EXPENSES

	<i>Currency: USD</i>	
	2012	2011
Council meetings	-	163,709
Joint Committee meetings	117,799	104,910
Development Partner Consultative Group meetings	10,835	49,984
Dialogue meetings	-	16,078
Other meetings	47,740	43,310
	<u>176,374</u>	<u>377,991</u>

### 14. SUPPORT TO NATIONAL MEKONG COMMITTEES AND PROGRAMMES

	<i>Currency: USD</i>	
	2012	2011
Cambodia	15,000	15,000
Lao PDR	15,000	14,993
Thailand	13,406	9,174
Viet Nam	15,000	14,794
Support to programmes	3,000	6,083
	<u>61,406</u>	<u>60,044</u>

### 15. 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.

# Mekong River Commission – Operating Expenses Budget

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

### 16. 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.

### 17. 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.



Hans Guttman  
Chief Executive Officer  
22 February 2013



Nguyen Thu Mai  
Chief, Finance and Administration Section