

**Mekong River Commission
Administration Reserve Fund**

**Financial Statements
and
Independent Auditor's Report
Year ended 31 December 2018**

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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 2018.

Principal activities during 2018

The Mekong River Commission (MRC) continues to implement its core river basin management functions including river monitoring, flood forecasting, basin-wide planning, and coordinating implementation of water utilization procedures for data sharing, consultation on major infrastructure projects on the Mekong mainstream, water quality monitoring and maintenance of river flows. One of the key highlights is the 6-month prior consultation process on the proposed Pak Lay hydropower project which commenced in August 2018 involving transparent sharing of detailed information from the project to the public, independent assessment by experts of the MRC Secretariat, engaging with various stakeholders at the local, national and regional levels, after which they were deliberated on by senior representatives of the countries. The process is expected to result in an agreed statement by the MRC Joint Committee on measures to avoid, minimize and mitigate adverse transboundary impacts of the project and preparation of a joint action plan to further engage in information sharing and joint monitoring.

The year 2018 also marked the midpoint in the implementation of the MRC Strategic Plan 2016-2020 and thereby saw a number of major reviews carried out for MRC operations, the progress of the Strategic Plan implementation itself, as well as decentralization of basin monitoring to member countries. Ongoing strengthening of the MRC finance continued including the recruitment of new internal auditor and establishment of the independent Audit Committee. The independent Mid Term Review wrote in their report: “There have been some impressive achievements in the first half of the Strategic Plan period in terms of outputs produced, including but not limited to, the Council Study, Basin-wide Fisheries Management and Development Strategy, Mekong (Climate Change) Adaptation Strategy and Action Plan, improvements in implementing the Prior Consultation process with the Joint Committee Statement and Joint Action Plan for Pak Beng, Transboundary Environment Impact Assessment guidelines, and the update of the Preliminary Design Guidance for mainstream hydropower projects.” The independent Operational Review added: “significant achievements of the MRC in recent years have increased the reputation and relevance of the organisation considerably as well as consolidating its standing as one of the premier River Basin Commissions worldwide.



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Report of the MRCS Management (continued)

The MRCS Management

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

An Pich Hatda	Chief Executive Officer from 14 January 2019 Director of Planning Division from 01 July 2016 to 13 January 2019
Pham Tuan Phan	Chief Executive Officer from 18 January 2016 to 17 January 2019
Suchart Sirijungsakul	Director of Administration Division from 01 March 2016
Naruepon Sukumasavin	Director of Administration Division from 01 July 2016 to 19 February 2019
Tran Minh Khoi	Director of Environment Division from 19 November 2018
Truong Hong Tien	Director of Environment Division from 01 August 2016 to 30 September 2018
Socheat Hak	Director of Planning Division from 01 March 2019
Bountieng Sanaxonh	Director of Technical Support Division from 19 January 2018
Somsanith Ninthavong	Chief Financial Officer from 01 December 2016
Vu Thu Hong	Chief Human Resources Officer from 01 December 2016



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Statement of Management's Responsibilities

It is the responsibility of management to prepare financial statements for the year ended 31 December 2018 in all material respect the state of affairs of the MRC as at the end of the year and of the surplus or deficit for that year. In preparing those financial statements, management is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- Maintain financial records and prepare the financial statements in accordance with the policies and procedures of the Mekong River Commission; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Commission will continue its operations.

MRC Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Commission. Members of MRC management have a general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Commission and to prevent and detect fraud and other irregularities.

MRC Management confirms that the MRC has complied with the above requirements in preparing the financial statements.

On behalf of the management

Suchart Sirijungsakul
Director of Administration Division

Date: 11 APR 2019

An Pich Hatda
Chief Executive Officer

Date: 11 APR 2019



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Independent Auditor's Report

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

Opinion

We have audited the financial statements of the Administration Reserve Fund (“ARF”) of the Mekong River Commission (“MRC” or “the Commission”), which comprise the statement of income and expenditure and fund balance for the year ended 31 December 2018 and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of the Commission for the year ended 31 December 2018 are prepared, in all material respects, in accordance with the Commission's accounting policies as described in Note 2.

Basis for 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 Commission in accordance with the Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions that is relevant to our audit of the financial statements, 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 and Restriction on Distribution and Use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements have been 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, therefore, not be suitable for another purpose. Our report is intended solely for the Commission and its partners, and should not be used by or distributed to other parties. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the Commission's accounting policies as described in Note 2, 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.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Commission’s financial reporting process.

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 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 judgment 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 for 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 Commission’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Commission to cease to continue as a going concern.

We communicate with those charged with governance 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 Lao Co., Ltd.



KPMG Lao Co., Ltd.
 Vientiane Capital
 Lao PDR

Date: **11 APR 2019**

Mekong River Commission – Administration Reserve Fund (ARF)

Statement of income and expenditure and fund balance For the year ended 31 December 2018

	Note	2018 USD	2017 USD
INCOME			
Revenue			
Interest	3	90,473	40,739
TOTAL INCOME		90,473	40,739
EXPENDITURE			
Salary and Fee		-	(33)
Employment Benefit Cost	4	-	(241,436)
Official Travel	5	-	(3,408)
Consultants		(6,910)	(5,062)
Office costs	6	(1,650)	(50,676)
Maintenance and Running cost of equipment	7	-	(3,050)
Publication, Printing and others		-	(662)
Financial cost		(11)	(125)
Property and equipment		(1,100)	
		(9,671)	(304,452)
Allocated Administrative Revere Fund	8	-	94,367
TOTAL EXPENDITURE		(9,671)	(210,085)
Movement in Fund Balance for the year		80,802	(169,346)
Fund Balance as at 1 January		4,367,981	4,537,327
Fund Balance as at 31 December		4,448,783	4,367,981



Suchart Sirijungsakul
Director of Administration Division

Date: 11 APR 2019



An Pich Hatda
Chief Executive Officer

Date: 11 APR 2019

Mekong River Commission – Administration Reserve Fund (ARF)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 60 staff members (*2017: 72 staff members*) based in the Secretariat offices in Vientiane, Lao PDR and in the Flood Centre 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 – Administration Reserve Fund (ARF)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

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, project related expenses and repatriation fee, which are recognised on 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 – Administration Reserve Fund (ARF)
NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Employee benefit

The MRCs provided allowances and benefits to staff member in addition to salary. Type of allowances and benefits depends on the employment category.

- Post allowance: MRCS introduced the post allowance (PA) to compensate eligible staff members for any loss in income due to variations in the cost of living between difference countries and duty station.
 - For Riparian staff the percentage is currently set at 7% of the base salary
 - For International staff the percentage is regulated in accordance with the UN system.
- Hardship allowance: The hardship allowance (HA) is an allowance provided to Riparian Professional Staff and to International Staff assigned to a duty station outside their home country. It is an allowance to compensate for the degree of hardship experienced by staff assigned to a duty station abroad.

The HA shall be payable, regardless of whether the staff member is accompanied by his/her dependants, while assigned to duty station.

Other benefit are dependency allowance, housing allowance, health insurance education assistance.

- Provident Fund: All staff members holding a letter of Appointment for one year or more shall participate in a pension plan, known as the Provident Fund. The main purpose of this fund is to provide retirement, disability, and survivor's benefit for participating staff members.
 - Staff members shall contribute 7% of their base salary, through monthly payroll deductions.
 - The MRCS shall contribute to this fund the equivalent of 14% of the staff's member's base salary.

Mekong River Commission – Administration Reserve Fund (ARF)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2018

3. INTEREST

This is interest earned on the Administration Reserve Fund (ARF), which is used to cover the ARF's expenditures and its use is subject to the approval by MRC Joint Committee (JC).

4. EMPLOYEE BENEFIT COST

	2018 USD	2017 USD
Assignment/Relocation allowance	-	20,165
Separation - all costs	-	221,271
	<u>-</u>	<u>241,436</u>

5. OFFICIAL TRAVEL COST

	2018 USD	2017 USD
DSA for travel within the Riparian Countries	-	2,142
Travel expenses within the Riparian Countries	-	1,266
	<u>-</u>	<u>3,408</u>

6. OFFICE COSTS

	2018 USD	2017 USD
Renovation work	1,650	40,551
Miscellaneous office costs	-	10,125
	<u>1,650</u>	<u>50,676</u>

7. MAINTENANCE AND RUNNING COST OF EQUIPMENT

	2018 USD	2017 USD
Fuel vehicles	-	70
Maintenance equipment	-	2,980
	<u>-</u>	<u>3,050</u>

8. ADMINISTRATIVE RESERVE FUND (ARF)

	2018 USD	2017 USD
ARF support to the Council Study Programme in 2017*	-	94,367
	<u>-</u>	<u>94,367</u>

(*) The amount has been reported as expense in 2016. MRC has reversed this amount as income of ARF in 2017, due to the reason that same amount has been reimbursed by the donor.



Suchart Sirijungsakul
Director of Administration Division

Date: **11 APR 2019**



An Pich Hatda
Chief Executive Officer

Date: **11 APR 2019**