

BASKET FUND

IMPLEMENTED BY MEKONG RIVER COMMISSION

**AUDITED STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
31 DECEMBER 2020**

BASKET FUND

Implemented by Mekong River Commission

FUND INFORMATION

FUND MANAGEMENT:

An Pich Hatda, Chief Executive Officer
Tran Minh Khoi, Director of Administration Division
Hak Socheat, Director of Environment Management
Division
Bountieng Sanaxonh, Director of Planning Division
Winai Wangpimool, Director of Technical Support Division
Vu Thu Hong, Chief Human Resources Officer
Buntheung Sanethavong, Chief Finance Officer

IMPLEMENTING AGENCY:

Mekong River Commission

OFFICE:

184 Fa Ngoum Road,
Unit 18, Ban Sithane Neua,
Sikhottabong District
Vientiane Capital
Lao PDR

PRINCIPAL BANKERS:

Banque Franco Lao
Cambodian Public Bank
Public Bank

AUDITORS:

BDO (Laos) Co., Ltd.

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BASKET FUND*Implemented by Mekong River Commission***FUND MANAGEMENT'S REPORT**

The Fund Management hereby submits the report together with the audited statement of income and expenditures ("the statement") of Basket Fund ("the Fund") for the financial year ended 31 December 2020.

Responsibilities of the Fund Management in Respect of the Statement

The Fund Management is responsible to ascertain that the statement of the Fund for the financial year ended 31 December 2020 is prepared, in all material respects, in accordance with the basis of preparation and accounting policies set out in Note 2 to the statement. In preparing the statement, the Fund Management is required to select suitable accounting policies and then apply them consistently.

The Fund Management is responsible for ensuring that proper accounting records are kept which enable the statement to be prepared in compliance with the basis of preparation and accounting policies set out in Note 2 to the statement. The Fund Management is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Fund Management assumes the responsibility to provide, and has provided, the auditors with all accounting records, supporting and other documents, minutes, and any other pertinent information and explanations, either orally or in writing, deemed necessary for the audit.

Statement by the Fund Management

In the opinion of the Fund Management, the statement set out on pages 4 to 13 is prepared, in all material respects, in accordance with the basis of preparation and accounting policies set out in Note 2 to the statement.

On behalf of the Fund Management,



Tran Minh Khoi
Director of Administration Division



An Pich Hatda
Chief Executive Officer

Vientiane, Lao PDR
Date: 5 May 2021

INDEPENDENT AUDITORS' REPORT TO THE FUND MANAGEMENT OF BASKET FUND

Report on the Statement

Opinion

We have audited the accompanying statement of income and expenditures ("the statement") of Basket Fund ("the Fund"), and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 13.

In our opinion, the statement of the Fund for the financial year ended 31 December 2020 are prepared, in all material respects, in accordance with the basis of preparation and accounting policies set out in Note 2 to the statement.

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 *Auditors' Responsibilities for the Audit of the Statement* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution

We draw attention to Note 2 to the statement, which describes the basis of preparation and accounting policies adopted by the Fund. The statement is prepared to assist the Fund to meet its financial reporting requirements. As a result, the statement may not be suitable for another purpose. Our report is intended solely for the Fund Management and should not be described to or used by any other parties. Our opinion is not modified in respect of this matter.

Responsibilities of the Fund Management for the Statement

The Fund Management is responsible for the preparation of the statement in accordance with the basis of preparation and accounting policies set out in Note 2 to the statement. The Fund Management is also responsible for such internal control as the Fund Management determines is necessary to enable the preparation of the statement of the Fund that is free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT TO THE FUND MANAGEMENT OF BASKET FUND (continued)

Auditors' Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the statement of the Fund as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the statement.

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

- Identify and assess the risks of material misstatement of the statement of the Fund, 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Management.
- Evaluate the overall presentation, structure and content of the statement of the Fund, including the disclosures, and whether the statement of the Fund represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Fund Management 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.

For and on behalf of
BDO (Laos) Co., Ltd



Lim Seng Siew
Certified Public Accountant

Vientiane, Lao PDR
Date: 5 May 2021

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STATEMENT OF INCOME AND EXPENDITURES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 USD	2019 USD
INCOME			
Fund receipts	3	10,142,489	6,373,366
Interest income	4	75,108	59,976
Management and administration fees	5	273,302	374,462
Other income		-	103,150
		10,490,899	6,910,954
EXPENDITURES			
Salary and fees	6	2,026,667	1,761,562
Employment benefit costs	7	974,137	804,894
Recruitment and selection	8	32,536	27,024
Corporate training	9	17,034	69,404
Official travel	10	65,779	240,877
Other short term staffs	11	-	4,364
Consultants	12	1,544,070	1,710,523
Office costs	13	477,397	362,589
Maintenance and running cost of equipment	14	81,339	86,308
Publication, printing and others	15	108,187	59,344
Financial cost	16	32,547	33,765
Property and equipment	17	358,524	134,798
MRC summit		-	7,418
Governance meeting expenses	18	-	89,998
Meeting and workshop expenses	19	936,265	1,425,991
Support to decentralisation and National Indicative Plan	20	108,373	91,284
Memorandum of Understandings with member countries	21	326,994	213,209
Integrated capacity building	22	-	33,504
		7,089,849	7,156,856
Surplus/(Deficit) of income over expenditures		3,401,050	(245,902)
Fund balance at beginning of financial year		3,152,650	3,398,552
Fund from the Administrative Reserve Fund		137,912	-
Loan to the Earmarked Fund	23	(269,486)	-
Fund return to the donor		(48,943)	-
Fund balance at the end of financial year		6,373,183	3,152,650

The accompanying notes form an integral part of the statement.

BASKET FUND*Implemented by Mekong River Commission***NOTES TO THE STATEMENT****1. FUND BACKGROUND**

The Mekong River Commission (“MRC”) 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 MRC 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.

MRC 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.

The funds received and uses of funds in MRC were categorised into three types as the following:

1. Basket Fund (“BF”);
2. Earmarked Fund (“EF”); and
3. Administrative Reserve Fund (“ARF”).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation**

The statement of income and expenditures (“the statement”), which is expressed in United States Dollar (“USD”), has been prepared in accordance with the modified cash basis of accounting. Under this basis of accounting, Income are recognised when received rather than when earned, and payments are recognised when paid rather than when incurred, except for the following:

- (i) Staff health and life insurance premiums, personal telephone and fax costs charged to staff, project related expenses and repatriation fee, which are recognised on an accrual basis; and
- (ii) Advances to NMCs, projects and employees are recognised as receivables until they are cleared.

BASKET FUND***Implemented by Mekong River Commission*****2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)****2.2 Income**

The fund receipts consist of contributions from Member Countries (MCs) and Development Partners (DPs), which are recognised as income when cash is credited to the MRC's bank accounts.

Interest income is recognised when credited to the MRC's bank accounts.

Other income as well as management and administration fees are recognised when received.

2.3 Expenditures

Expenditures are recognised when payment is made rather than when it is incurred, except as disclosed in Note 2.1 to the statement.

2.4 Property and equipment

For control purposes, property and equipment is maintained in a property and equipment listing. All property and equipment are expensed in full in the statement at the date of acquisition. Any proceeds from disposal of property and equipment are recognised as a decrease in expenditures rather than an increase in income in the statement.

2.5 Foreign exchange differences

The Fund mainly transacts its activities and maintains its books of accounts primarily in USD. Transactions in currencies other than US\$ are converted into USD at the rates of exchange prevailing on the transaction dates. All foreign exchange differences are recognised in the statement.

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3. FUND RECEIPTS

	2020	2019
	USD	USD
Contributions from Member Countries:		
Cambodia	766,397	718,273
Lao PDR	766,397	718,273
Thailand	1,058,358	991,901
Viet Nam	1,058,358	991,901
	<u>3,649,510</u>	<u>3,420,348</u>
Contributions from Development Partners:		
Australia	-	700,750
Deutsche Gesellschaft Fur Internationale Zusammenarbeit ("GIZ") GmbH	1,190,250	767,039
Luxembourg	117,771	109,777
Netherland	1,086,100	-
New Zealand	700,800	-
Swedish International Development Cooperation Agency	2,173,510	-
Switzerland – Swiss Agency for Development and Cooperation	1,224,548	1,375,452
	<u>6,492,979</u>	<u>2,953,018</u>
	<u>10,142,489</u>	<u>6,373,366</u>

4. INTEREST INCOME

This represents interest earned on the fund balances of BF's bank accounts.

5. MANAGEMENT AND ADMINISTRATION FEES

The management and administration fees ("MAF") represent a charge levied monthly on the Earmarked Fund cash expenditures as a contribution to support Basket Fund activities. Those activities include MRCS administration, corporate governance and project delivery. The standard rate is 15%, levied monthly and based on actual expenditures from each EF. If DP has internal requirements that do not allow a rate of 15%, the Chief Executive Officer is authorised to negotiate an alternative rate, provided that this rate is not less than 7%. The MAF is recognised as an income under the BF and as expenditures under the EF.

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6. SALARY AND FEES

	2020	2019
	USD	USD
Professional posts	1,617,205	1,430,167
General service posts	311,349	277,215
Overtime payments	18,448	12,549
Junior Riparian professional staff posts	33,828	22,991
Associate modeller posts	45,837	18,640
	<u>2,026,667</u>	<u>1,761,562</u>

7. EMPLOYMENT BENEFIT COSTS

	2020	2019
	USD	USD
Dependency allowance (Professional services)	22,492	20,251
Dependency allowance (General services)	27,352	25,524
Housing allowance	169,524	119,475
Post adjustment allowance (7%)	75,834	69,606
Hardship allowance	75,771	69,424
Assignment/Relocation allowance	2,823	8,046
Provident fund - Professional services (MRC Contribution)	225,569	185,348
Provident fund - General services (MRC Contribution)	41,139	35,838
Health insurance	26,892	156
Life and accidental insurance	11,974	9,958
Cost of living compensation (Professional services) (5%)	80,561	70,672
Cost of living compensation (General services) (10%)	29,385	26,963
Educational grant/travel	170,908	129,210
Home leave travel	7,683	8,367
Separation costs	1,112	3,700
Other staff costs	1,140	6,576
Annual leave converted into cash	3,978	4,208
Uncertified sick leave	-	2,972
Incentive and reward	-	7,387
Uniform/Laundry allowance	-	1,213
	<u>974,137</u>	<u>804,894</u>

8. RECRUITMENT AND SELECTION

	2020	2019
	USD	USD
Job advertisement costs	16,683	18,272
Medical examination	15,853	3,529
Travel and lodging expenses of candidates	-	5,223
	<u>32,536</u>	<u>27,024</u>

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9. CORPORATE TRAINING

	2020	2019
	USD	USD
Training fees	16,263	56,181
Other training costs	771	13,223
	17,034	69,404

10. OFFICIAL TRAVEL

	2020	2019
	USD	USD
Travel expenses outside the Riparian Countries	12,396	126,831
Daily Subsistence Allowance ("DSA") for travel outside the Riparian Countries	9,228	33,229
Travel expenses within the Riparian Countries	20,091	51,201
DSA for travel within the Riparian Countries	24,064	29,616
	65,779	240,877

11. OTHER SHORT- TERM STAFFS

	2020	2019
	USD	USD
Short term support staffs	-	4,000
Translation costs	-	364
	-	4,364

12. CONSULTANTS

	2020	2019
	USD	USD
International consultant (Individual)	568,078	461,801
Travel expenses for international consultant	16,962	56,083
Riparian consultant (Individual)	126,215	221,097
Travel expenses for Riparian consultant	3,540	3,781
International consulting firm	90,012	320,835
Riparian consulting firm	9,986	-
National consultant	725,221	634,597
Travel expenses for national consultants	4,056	1,394
Travel expenses for Riparian consulting firm	-	10,935
	1,544,070	1,710,523

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13. OFFICE COSTS

	2020	2019
	USD	USD
Office supplies	32,691	25,944
Information technology supplies	6,743	5,431
Internet and email facility	48,930	50,338
Local telephone calls	1,741	1,837
Long distance telephone calls	1,812	1,722
Distribution and mailing costs	3,107	4,654
Renovation work	150,076	15,064
Office maintenance	32,343	46,398
Insurance office premises	881	1,639
All utilities costs	53,437	62,517
Security guard	43,722	40,182
Cleaning services	76,833	77,431
Garbage collection	1,245	1,419
Coffee, tea, water and other beverages	8,345	7,486
Miscellaneous office costs	15,491	19,482
Telephone install, rent and maintenance	-	1,000
Facsimile	-	45
	477,397	362,589

14. MAINTENANCE AND RUNNING COST OF EQUIPMENT

	2020	2019
	USD	USD
Maintenance vehicles	2,250	1,206
Insurance vehicles	6,728	6,967
Fuel vehicles	4,500	4,687
Other vehicle costs	583	2,309
Maintenance equipment	5,767	14,421
Insurance equipment	2,953	2,149
Software licenses	44,158	33,484
Software maintenance	14,400	21,085
	81,339	86,308

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15. PUBLICATION, PRINTING AND OTHERS

	2020	2019
	USD	USD
External printing costs	46,234	2,638
Membership fees	383	150
Subscriptions, books, periodicals	1,705	1,492
Publications and photography	9,678	69
External audit costs	8,250	27,895
Support to Staff Association	12,613	10,872
Miscellaneous expenses	29,324	12,197
Reporting costs	-	1,687
Representation expenses	-	2,344
	108,187	59,344

16. FINANCIAL COST

	2020	2019
	USD	USD
Bank charges	32,547	33,765

17. PROPERTY AND EQUIPMENT

	2020	2019
	USD	USD
Information technology equipment	339,479	83,896
Furniture and fitting equipment	19,045	47,351
Communication equipment	-	2,663
Low value equipment	-	888
	358,524	134,798

18. GOVERNANCE MEETING EXPENSES

	2020	2019
	USD	USD
MRC Council Meeting	-	89,493
MRC Joint Committee Meeting	-	505
	-	89,998

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19. MEETING AND WORKSHOP EXPENSES

	2020	2019
	USD	USD
Regional technical working group meeting	86,186	66,392
Regional consultation meeting	127,571	752,495
International conference/workshop	882	5,247
National consultation meeting	651,589	596,804
Team coordination meeting	66,254	3,485
Annual meeting	3,783	-
Other internal meeting expenses	-	1,568
	936,265	1,425,991

20. SUPPORT TO DECENTRALISATION AND NIP

	2020	2019
	USD	USD
Cambodia	19,996	18,000
Lao PDR	24,980	39,115
Thailand	28,433	14,169
Viet Nam	34,964	20,000
	108,373	91,284

21. MOUs WITH MEMBER COUNTRIES

	2020	2019
	USD	USD
Cambodia	120,448	94,500
Lao PDR	170,034	63,292
Thailand	21,600	9,880
Viet Nam	14,912	45,537
	326,994	213,209

22. INTEGRATED CAPACITY BUILDING

	2020	2019
	USD	USD
Capacity building to Cambodia NMC	-	11,539
Capacity building to Lao NMC	-	10,496
Capacity building to Thailand NMC	-	4,575
Capacity building to Viet Nam NMC	-	6,894
	-	33,504

BASKET FUND*Implemented by Mekong River Commission***23. LOAN TO THE EARMARKED FUND**

Loan to EF bears no interest and the principal will be paid by EF upon receiving funding from the donors. The loan is provided to the following projects:

	2020	2019
	USD	USD
Drought Management Project (EF-JAIFD)	22,704	-
Flood Forecasting Project (EF-JAIFF)	35,584	-
Wetland Project (EF-KFW.WL)	211,198	-
	<u>269,486</u>	<u>-</u>