

Mekong River Commission Basket Fund

**Financial Statements
And
Independent Auditors' Report
Year ended 31 December 2016**

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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 2016.

Principal activities during 2016

2016 proved to be a challenging but progressive time period for the Mekong River Commission Secretariat. It was a year of multiple reforms and many transitions - the first half of 2016 was spent on completing the twelve cross-cutting and sectoral programmes and putting in place a new structure based on core functions; the second half devoting to recruitment of new staff and starting the implementation of a new Strategic Plan.

Although the project and program era came to an end after almost 20 years, they produced a solid backbone and foundation that the new structure of core functions would build on. Some of the major programs, including Basin Development Plan, Environment, Fisheries, Flood Management and Mitigation, Mekong IWRM, Sustainable Hydropower, Information and Knowledge Management, and Navigation, produced many studies, assessments, guidelines and strategies that form the great MRC knowledge base that support planning, implementation and decision making.

We are pleased to note that this knowledge, which received a large investment from Member Countries and Development Partners over the years, stays with MRC including some of the key former staff members who have been competitively recruited for the new MRCS. The recruitment of all staff positions at the same time was a major effort but in the end, we feel that we came out of it successfully. Along with some old faces who we managed to keep, a new breed of talent joined the Secretariat ready to serve the cause of MRC. The new lean MRCS, which also took time to complete, now operates more efficiently with only four divisions – Administration, Environmental Management, Planning and Technical Support – and a cross-cutting Office of CEO.

2016 was also a year where a few key new strategic documents were successfully launched. The Mekong IWRM-based Basin Development Strategy for 2016-2020, approved by the MRC Council after a two years process of preparation, assessment and consultations, started implementation. Under the MRC framework, implementing the BDS was through the newly approved MRC Strategic Plan (MRC SP) and National Indicative Plans (NIP) 2016-2020. The MRC SP consolidated the multiple planning processes within MRC and streamlined them into one common approach that achieved better integration of perspectives, work plan, and monitoring system. The NIPs represent an institutionalized mechanism to integrate basin-wide perspectives and procedures into national planning and implementation.

As regards technical work, despite the year being devoted to reforms, as well as a year where funding was in short supply, accomplishments were recorded where some “evidence of change” could be seen. These included progresses in the climate change assessment, development of Joint Projects, testing of the Rapid Hydropower Sustainability Assessment Tool, learning from the lessons from the Prior Consultation (PNPCA) process, cooperation with China, development of better stakeholder engagement, and completion of several MRCS reforms for a more effective and efficient organization.



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2016 was a challenging year but we have put in place all the right things for a brighter 2017 and indeed the Mekong basin. We would like to take this opportunity to thank our Member Countries, Development Partners, Dialogue Partners and all relevant stakeholders for their help during this eventful period.



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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:

Pham Tuan Phan	Chief Executive Officer from 18 January 2016
Naruepon Sukumasavin	Director of Administration Division from 1 July 2016 Director of Planning Division until 30 June 2016
Truong Hong Tien	Director of Environment Division from 01 August 2016 Director of Technical Support Division until 31 July 2016 Officer-in-Charge of the MRC Secretariat until 17 January 2016
Hatda An Pich	Director of Planning Division from 01 July 2016
Bounlap Phethany	Director of Technical Support Division from 01 August 2016
Aloune Sayavong	Director of Environment Division until 31 July 2016
So Sophort	Director of Operations Division until 30 June 2016
Somsanith Ninthavong	Chief Financial Officer from 01 December 2016
Vu Thu Hong	Chief Human Resources Officer from 01 December 2016
Natayaporn Jumratsri	Chief of Human Resources Section until 09 December 2016
Nguyen Thi Thanh Huong	Officer-in-Charge of Chief Financial Officer until 30 November 2016
Tarika Wongsinsirikul	Chief of International Cooperation and Communication Section until 30 June 2016



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Statement of Management's Responsibilities

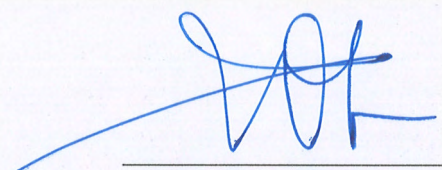
It is the responsibility of management to prepare financial statements for the year ended 31 December 2016, which give a true and fair view of the state of affairs of the MRC as at the end of the year and of the surplus or deficit for that year. In preparing those financial statements, management is 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.

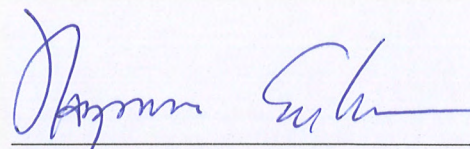
MRCS Management is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Commission. Members of MRC management have a general responsibility for taking such steps as are reasonably available to them to safeguard the assets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

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

On behalf of the management



Pham Tuan Phan
Chief Executive Officer
Date: 01 JUL 2017



Naruepon Sukumasavin
Director of Administration Division
Date: 01 JUL 2017



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Independent Auditors' Report

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

Opinion

We have audited the financial statements of the Basket Fund (“BF”) of the Mekong River Commission (“MRC” or “the Commission”), which comprise the statement of income, expenditure and fund balance for the year ended 31 December 2016, and notes, comprising significant accounting policies and other explanatory information. The financial statements have been prepared by the Management based on the accounting policies as described in Note 2.

In our opinion, the accompanying financial statements are prepared, in all material respects, the statement of income, expenditure and fund balance for the year ended 31 December 2016 in accordance with the 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Commission in accordance with the ethical requirements that are 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.

Auditors' 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 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 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 auditors' 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 auditors' report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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.

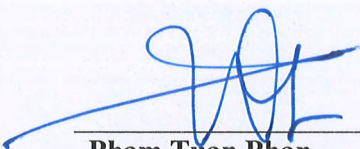


Mekong River Commission – Basket Fund

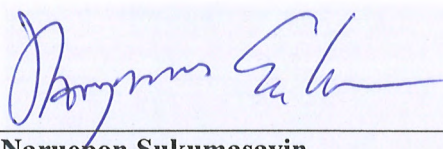
STATEMENT OF INCOME, EXPENDITURE AND FUND BALANCE

As at and for the year ended 31 December

	Note	2016 USD	2015 USD
INCOME			
Contributions from Riparian Governments	3	2,545,339	1,636,557
Contribution from Development Partners	3	5,900,973	-
		<u>8,446,309</u>	<u>1,636,557</u>
Revenue			
Interest	4	120,108	96,419
Miscellaneous		3,454	41,555
Management and administration fees	5	211,728	2,324,132
		<u>335,290</u>	<u>2,462,106</u>
Reallocation of Australia fund balance as at December 2015 from Earmarked fund to Basket Fund to support MRC decentralisation process		788,721	-
TOTAL INCOME		<u>9,570,323</u>	<u>4,098,663</u>
EXPENDITURE			
Basket Fund Expenditure			
Salary and Fees	6	2,193,066	1,717,230
Employment Benefit Cost	7	752,478	604,517
Contractual Services	8	129,905	122,977
General Operation Expenses	9	260,070	555,313
Personal Recruitment	10	48,067	52,766
National and Riparian Consultants	11	629,102	-
International consultants	12	560,553	-
Official Travel	13	35,602	33,472
Governance Meeting Expenses	14	250,869	332,034
National Consultation Meeting	15	35,272	-
Regional Consultation Meeting	16	147,488	-
Support to Decentralization & NIP	17	69,118	-
Support to National Mekong Committees	18	48,654	431,419
		<u>5,160,245</u>	<u>3,849,728</u>
Administrative Reserve Fund		94,367	184,941
TOTAL EXPENDITURE		<u>5,254,612</u>	<u>4,034,669</u>
Movement in Fund Balance for the year		<u>4,315,711</u>	<u>63,994</u>
Fund Balance as at 1 January		<u>4,631,692</u>	<u>4,567,698</u>
Fund Balance as at 31 December		<u><u>8,947,403</u></u>	<u><u>4,631,692</u></u>


Pham Tuan Phan
 Chief Executive Officer

Date: 01 JUL 2017


Naruepon Sukumasavin
 Director of Administration Division

Date: 01 JUL 2017

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 145 (2014: 157) staff members based in the 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

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 of accounting. 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, project related expenses 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 – Basket Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

3. CONTRIBUTIONS FROM RIPARIAN GOVERNMENTS

	2016	2015
	USD	USD
Cambodia	517,674	476,734
Lao PDR	513,951	476,734
Thailand	742,787	22,773
Viet Nam	770,927	660,316
	<u>2,545,339</u>	<u>1,636,557</u>

CONTRIBUTION FROM DEVELOPMENT PARTNERS TO BASKET FUND

	2016	2015
	USD	USD
Australia	964,649	-
Deutsche Gesellschaft für Internationale Zusammenarbeit ("GIZ") GmbH	1,604,750	-
Luxembourg	414,926	-
Switzerland - Swiss Agency for Development and Cooperation ("SDC")	1,800,000	-
Swedish International Development Cooperation Agency ("SIDA")	1,087,002	-
Southeast Asian Fisheries Development Centre	21,000	-
Germany - International Centre for Water Resources and Global Change	8,646	-
	<u>5,900,973</u>	<u>-</u>

4. INTEREST

This represents interest earned on the funds which is used for Basket Fund ("BF") expenditure.

5. MANAGEMENT AND ADMINISTRATION FEES

The Management and Administration Fees are calculated at a percentage (11% for most projects) of the project expenditure and are recognised as revenue under the Basket 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. SALARY AND FEES

	2016	2015
	USD	USD
Professional posts	1,704,401	1,070,532
General service posts	457,115	614,973
Temporary general services	-	15,715
Overtime payments	27,550	16,010
Junior Riparian Professional Staff posts	4,000	-
	<u>2,193,066</u>	<u>1,717,230</u>

Mekong River Commission – Basket Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

7. EMPLOYEE BENEFIT COST

	2016	2015
	USD	USD
Assignment/Relocation allowance	33,654	2,858
Cost of Living compensation (GS) - 10%	39,684	59,931
Cost of Living compensation (PS) - 5%	79,379	49,697
Dependency allowance (GS)	40,360	58,109
Dependency allowance (PS)	20,304	13,197
Educational grant/travel	4,500	4,890
Hardship allowance	68,276	37,948
Health insurance	14,717	3,393
Home leave travel	2,712	50,958
Housing allowance	84,402	8,659
Life and accidental insurance	11,822	18,534
Post adjustment allowance (7%)	69,101	41,548
Provident fund - General Service (MRC Contribution)	54,953	83,785
Provident fund - Professional (MRC Contribution)	225,553	140,251
Separation - all costs	1,779	24,772
Uniform/Laundry allowance	1,282	5,987
	<u>752,478</u>	<u>604,517</u>

8. CONTRACTUAL SERVICES

	2016	2015
	USD	USD
Cleaning services	50,264	13,437
External audit costs	14,750	44,750
External printing costs	10,925	19,369
Publications and photography	5,277	
Security guard	47,220	45,421
Subscriptions, books, periodicals	1,469	
	<u>129,905</u>	<u>122,977</u>

Mekong River Commission – Basket Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

9. GENERAL OPERATION EXPENSES

	2016	2015
	USD	USD
All utilities costs	82,779	121,405
Bank service charges	17,695	20,783
Coffee, tea, water and other beverages	4,760	6,088
Distribution and mailing costs (Pouch & courier)	1,820	5,150
Facsimile	103	74
Fuel vehicles	1,521	-
Garbage collection	1,232	-
Insurance equipment	2,299	2,279
Insurance office premises	4,281	-
Insurance vehicles	4,596	3,738
Internet and email facility	59,078	59,386
IT supplies	539	73,796
Long distance telephone calls	5,387	7,286
Maintenance equipment	7,421	20,677
Maintenance vehicles	3,909	7,262
Miscellaneous office costs	4,266	-
Miscellaneous expense	1,034	5,582
Office maintenance	22,793	36,144
Office supplies	13,346	29,474
Representation expenses	6,606	-
Software licenses	2,533	-
Software maintenance	10,867	-
Telephone install, rent & maintenance	1,205	2,447
Loss due to FX*	-	153,742
	<u>260,070</u>	<u>555,313</u>

* Forex loss due to closing of EURO bank accounts at Public bank, Vientiane.

10. PERSONAL RECRUITMENT

	2016	2015
	USD	USD
Employment market communication	41,825	52,590
Medical examination	4,609	67
Travel and lodging expenses of candidates	1,633	109
	<u>48,067</u>	<u>52,766</u>

11. NATIONAL AND RIPARIAN CONSULTANTS

	2016	2015
	USD	USD
National Consultant	563,377	-
Riparian Consultant (Individual)	65,725	-
	<u>629,102</u>	<u>-</u>

Mekong River Commission – Basket Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

12. INTERNATIONAL CONSULTANTS

	2016	2015
	USD	USD
International consultant (Individual)	129,591	-
International consulting firm	430,962	-
	560,553	-

13. OFFICIAL TRAVEL

	2016	2015
	USD	USD
DSA for travel outside the Riparian Countries	2,417	-
DSA for travel within the Riparian Countries	9,022	-
Travel expenses outside the Riparian Countries	8,388	1,252
Travel expenses within the Riparian Countries	15,775	32,220
	35,602	33,472

14. GOVERNMENT MEETING EXPENSES

	2016	2015
	USD	USD
Dialogues Partner Meeting (DPM)	7,507	52,057
Informal Development Partner Meeting (IDPM)	17,858	-
MRC Council Meeting	107,962	91,260
MRC Joint Committee Meeting	93,308	117,636
Government Meeting	9,436	71,081
MRC Joint Committee Special Session	6,902	-
MRC Joint Committee Task Force Meeting	7,897	-
	250,869	332,034

15. NATIONAL CONSULTATION MEETING

	2016	2015
	USD	USD
National consultation meeting	35,272	-
	35,272	-

16. REGIONAL CONSULTATION MEETING

This represents cost related to staff travelling and other related expense for meeting and trainings in Cambodia, Thailand, Vietnam and Laos. The training are conducted as part of program activities.

Mekong River Commission – Basket Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2016

17. SUPPORT TO DECENTRALIZATION AND NIP

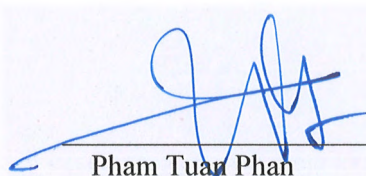
	2016	2015
	USD	USD
Support to decentralization & NIP in Cambodia	18,000	-
Support to decentralization & NIP in Lao PDR	17,993	-
Support to decentralization & NIP in Thailand	15,218	-
Support to decentralization & NIP in Viet Nam	17,907	-
	<u>69,118</u>	<u>-</u>

18. SUPPORT TO NATIONAL MEKONG COMMITTEES AND PROGRAMMES

	2016	2015
	USD	USD
MOU with Cambodia	19,906	68,262
MOU with Lao PDR	23,988	67,955
MOU with Viet Nam	4,760	67,846
MOU with Thailand	-	55,852
Support to NMCs & Programme	-	171,504
	<u>48,654</u>	<u>431,419</u>

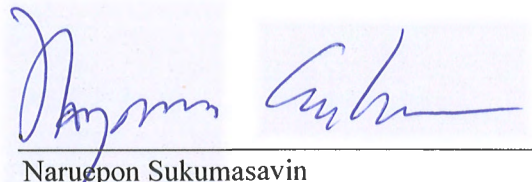
19. PROVIDENT FUND

The Commission manages a provident fund, which had a balance at 31 December 2016 of USD 123,300 (31 December 2015: USD 224,497.09), to provide a savings scheme in lieu of a pension fund on behalf of 54 members (2015: 8 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.



Pham Tuan Phan
 Chief Executive Officer

Date: 01 JUL 2017



Naruepon Sukumasavin
 Director of Administration Division

Date: 01 JUL 2017