

**BASKET FUND**

**IMPLEMENTED BY MEKONG RIVER COMMISSION**

**AUDITED STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
31 DECEMBER 2019**

**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 Division Bountieng Sanaxonh, Director of Planning Division Winai Wangpimool, Director of Technical Support Division Vu Thu Hong, Chief Human Resources Officer Somsanith Ninthavong, Chief Financial 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 2019.

**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 2019 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 12 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,



**An Pich Hatda**  
Chief Executive Officer



**Tran Minh Khoi**  
Director of Administration Division

Vientiane, Lao PDR  
Date: 3 April 2020

## 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 12.

The statement of the Fund for the financial year ended 31 December 2018 was audited by another firm of Certified Public Accountants, whose report dated 11 April 2019 expressed an unqualified opinion on that statement.

In our opinion, the statement of the Fund for the financial year ended 31 December 2019 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' Code of Ethics for Professional Accountants ("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.

Lim Seng Siew  
Partner

BDO (Laos) Co., Ltd.  
Certified Public Accountants

Vientiane, Lao PDR  
Date: 3 April 2020



**BASKET FUND**  
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**STATEMENT OF INCOME AND EXPENDITURES**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	2019 USD	2018 USD
<b>INCOME</b>			
Fund receipts	3	6,373,366	5,604,922
Interest income	4	59,976	117,659
Other income		103,150	32,230
Management and administration fees	5	374,462	346,176
		<b>6,910,954</b>	<b>6,100,987</b>
<b>EXPENDITURES</b>			
Salary and fees	6	1,761,562	2,093,082
Employment benefit costs	7	804,894	1,269,872
Recruitment and selection	8	27,024	24,162
Corporate training	9	69,404	83,399
Official travel	10	240,877	232,652
Other short term staffs	11	4,364	17,734
Consultants	12	1,710,523	1,954,434
Office costs	13	362,589	444,888
Maintenance and running cost of equipment	14	86,308	109,762
Publication, printing and others	15	59,344	104,524
Financial cost		33,765	29,313
Property and equipment	16	134,798	389,755
MRC summit		7,418	399,204
Governance meeting expenses	17	89,998	115,188
Meeting and workshop expenses	18	1,425,991	1,067,238
Support to decentralisation and National Indicative Plan	19	91,284	51,103
Memorandum of Understandings with member countries	20	213,209	440,752
Integrated capacity building	21	33,504	-
		<b>7,156,856</b>	<b>8,827,062</b>
Deficit of income over expenditures		(245,902)	(2,726,075)
Fund balance at beginning of financial year		3,398,552	6,124,627
<b>Fund balance at the end of financial year</b>		<b>3,152,650</b>	<b>3,398,552</b>

*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 Vietnam, 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. Administration 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 Riparian Governments and Development Partners, 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**

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Contributions from Member Countries:		
Cambodia	718,273	621,881
Lao PDR	718,273	621,881
Thailand	991,901	932,822
Vietnam	991,901	932,822
	<u><b>3,420,348</b></u>	<u><b>3,109,406</b></u>
Contributions from Development Partners:		
Australia	700,750	407,760
Deutsche Gesellschaft Fur Internationale Zusammenarbeit ("GIZ") GmbH	767,039	(3,100)
Luxembourg	109,777	472,981
Netherland	-	217,875
Switzerland – Swiss Agency for Development and Cooperation	1,375,452	1,400,000
	<u><b>2,953,018</b></u>	<u><b>2,495,516</b></u>
	<u><b>6,373,366</b></u>	<u><b>5,604,922</b></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 represent the expenses of the MRC's secretariat in rendering technical and administrative services to the projects, which are derived at 7% to 15% of total expenditures. These fees are recognised as income under the BF and will be recognised as expenditures under the EF.

**6. SALARY AND FEES**

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Professional posts	1,430,167	1,800,492
General service posts	277,215	261,831
Overtime payments	12,549	13,159
Junior Riparian professional staff posts	22,991	17,600
Associate modeller posts	18,640	-
	<u><b>1,761,562</b></u>	<u><b>2,093,082</b></u>

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**7. EMPLOYMENT BENEFIT COSTS**

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Dependency allowance (Professional services)	20,251	24,228
Dependency allowance (General services)	25,524	23,059
Housing allowance	119,475	251,149
Post adjustment allowance (7%)	69,606	92,823
Hardship allowance	69,424	92,798
Assignment/Relocation allowance	8,046	18,302
Uniform/Laundry allowance	1,213	1,247
Provident fund - Professional services (MRC Contribution)	185,348	225,365
Provident fund - General services (MRC Contribution)	35,838	30,881
Health insurance	156	29,785
Life and accidental insurance	9,958	11,424
Cost of living compensation (Professional services) (5%)	70,672	87,118
Cost of living compensation (General services) (10%)	26,963	23,597
Educational grant/travel	129,210	79,237
Home leave travel	8,367	7,389
Separation costs	3,700	7,056
Other staff costs	6,576	23,218
Annual leave	4,208	29,073
Uncertified sick leave	2,972	49,243
Incentive and reward	7,387	162,880
	<b>804,894</b>	<b>1,269,872</b>

**8. RECRUITMENT AND SELECTION**

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Job advertisement costs	18,272	20,079
Travel and lodging expenses of candidates	5,223	860
Medical examination	3,529	872
Other costs	-	2,351
	<b>27,024</b>	<b>24,162</b>

**9. CORPORATE TRAINING**

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Training fees	56,181	40,277
Travel/Lodging for training	-	6,309
Other training costs	13,223	36,813
	<b>69,404</b>	<b>83,399</b>

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**10. OFFICIAL TRAVEL**

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Travel expenses outside the Riparian Countries	126,831	81,057
Daily Subsistence Allowance (“DSA”) for travel outside the Riparian Countries	33,229	88,324
Travel expenses within the Riparian Countries	51,201	44,398
DSA for travel within the Riparian Countries	29,616	18,873
	<u><b>240,877</b></u>	<u><b>232,652</b></u>

**11. OTHER SHORT- TERM STAFFS**

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Short term support staffs	4,000	14,953
Temporary staffs	-	2,781
Translation costs	364	-
	<u><b>4,364</b></u>	<u><b>17,734</b></u>

**12. CONSULTANTS**

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
International consultant (Individual)	461,801	692,654
Travel expenses for international consultant	56,083	48,870
Riparian consultant (Individual)	221,097	204,343
Travel expenses for Riparian consultant	3,781	7,735
International consulting firm	320,835	382,787
Travel expenses for Riparian consulting firm	10,935	718
National consultant	634,597	617,327
Travel expenses for national consultants	1,394	-
	<u><b>1,710,523</b></u>	<u><b>1,954,434</b></u>

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**13. OFFICE COSTS**

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Office supplies	25,944	49,250
Information technology supplies	5,431	525
Internet and email facility	50,338	42,263
Telephone install, rent and maintenance	1,000	28,967
Local telephone calls	1,837	1,912
Long distance telephone calls	1,722	2,151
Facsimile	45	121
Distribution and mailing costs	4,654	3,344
Renovation work	15,064	87,582
Office maintenance	46,398	22,586
Insurance office premises	1,639	1,489
All utilities costs	62,517	64,002
Security guard	40,182	38,754
Cleaning services	77,431	76,960
Garbage collection	1,419	1,329
Coffee, tea, water and other beverages	7,486	5,021
Miscellaneous office costs	19,482	18,632
	<b>362,589</b>	<b>444,888</b>

**14. MAINTENANCE AND REUNNING COST OF EQUIPMENT**

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Maintenance vehicles	1,206	-
Insurance vehicles	6,967	9,405
Fuel vehicles	4,687	3,892
Other vehicle costs	2,309	2,192
Maintenance equipment	14,421	16,400
Insurance equipment	2,149	1,699
Software licenses	33,484	34,160
Software maintenance	21,085	42,014
	<b>86,308</b>	<b>109,762</b>

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**15. PUBLICATION, PRINTING AND OTHERS**

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
External printing costs	2,638	38,354
Reporting costs	1,687	-
Membership fees	150	-
Subscriptions, books, periodicals	1,492	1,214
Publications and photography	69	1,194
External audit costs	27,895	51,306
Representation expenses	2,344	249
Support to Staff Association	10,872	5,020
Miscellaneous expenses	12,197	7,187
	<b>59,344</b>	<b>104,524</b>

**16. PROPERTY AND EQUIPMENT**

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Information technology equipment	83,896	100,785
Vehicles and motorbike	-	197,000
Heavy machinery equipment	-	276
Furniture and fitting equipment	47,351	47,838
Communication equipment	2,663	40,974
Low value equipment	888	2,882
	<b>134,798</b>	<b>389,755</b>

**17. GOVERNANCE MEETING EXPENSES**

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
MRC Council Meeting	89,493	56,600
MRC Joint Committee Meeting	505	23,104
MRC Joint Committee Task Force Meeting	-	13,323
Informal Development Partner Meeting	-	1,333
Budget Committee Meeting	-	20,828
	<b>89,998</b>	<b>115,188</b>

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**18. MEETING AND WORKSHOP EXPENSES**

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Steering Committee meeting	-	1,331
Regional technical working group meeting	66,392	31,048
Regional consultation meeting	752,495	461,105
MRC Forum/MRC International conference	-	124,983
International conference/workshop	5,247	74,082
National consultation meeting	596,804	330,704
Other Core River Basin Management Functions meeting expenses	-	9,425
Team coordination meeting	3,485	26,438
Annual meeting	-	858
Other internal meeting expenses	1,568	7,264
	<b><u>1,425,991</u></b>	<b><u>1,067,238</u></b>

**19. SUPPORT TO DECENTRALISATION AND NIP**

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Cambodia	18,000	24,323
Lao PDR	39,115	-
Thailand	14,169	3,808
Vietnam	20,000	22,972
	<b><u>91,284</u></b>	<b><u>51,103</u></b>

**20. MOUs WITH MEMBER COUNTRIES**

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Cambodia	94,500	197,738
Lao PDR	63,292	88,544
Thailand	9,880	57,012
Vietnam	45,537	97,458
	<b><u>213,209</u></b>	<b><u>440,752</u></b>

**21. INTEGRATED CAPACITY BUILDING**

	<b>2019</b>	<b>2018</b>
	<b>USD</b>	<b>USD</b>
Capacity building to Cambodia NMC	11,539	-
Capacity building to Lao NMC	10,496	-
Capacity building to Thailand NMC	4,575	-
Capacity building to Vietnam NMC	6,894	-
	<b><u>33,504</u></b>	<b><u>-</u></b>