



Mekong River Commission Operating Expenses Budget

*Audited Financial Statements
as at and for the year ended 31 December 2013*

Mekong River Commission – Operating Expenses Budget

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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 2013.

PRINCIPAL ACTIVITIES DURING 2013

The Mekong River Commission (“MRC” or “the Commission”) has continued the implementation of its eleven key Programmes with technical cooperation and financial support from 15 Development Partners committed for the Strategic Plan 2011-2015.

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 has implemented the Basin Action Plan composed of the Regional Action Plan of the MRCS and the National Indicative Plans prepared by the National Mekong Committees.

The strategic plan for the period of 2011-2015 provides a platform for the MRC’s plan to decentralize core functions of the MRCS to the national level. In 2013, more work has been done to define core functions and prepare an action plan to start the gradual decentralization of activities to the national level. The decentralization plan at both national and regional level has been finalized for MRC Joint Committee and Council approval. In addition, in-depth financial analysis on Member Country contributions has also been conducted to assist Member Countries in the consideration of the steps required to achieve the Hua Hin commitment of financial self-sustainability by 2030.

In 2013, in accordance with the decision of the MRC’s Council made in 2011 that approved the MRC Strategic Plan for 2011-2015, an independent mid-term review of the implementation of this Strategic Plan has been undertaken with review report due in the first quarter of 2014.

The 18th Council Meeting of the MRC in December 2011 agreed in principle to implement a study on sustainable management and development of the Mekong River Basin including impacts of mainstream hydropower projects. In response to that decision, the MRCS developed a Concept Note which was discussed and endorsed at the 19th Meeting of the MRC Council on 16 January 2013. The 1st Regional Technical Working Group (“RTWG”) Meeting for the Council Study was organised on 26-27 September 2013 to finalize the Term of reference for the Council Study including the methodology, management and coordination roles, and work assignments.

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:

Hans Guttman	Chief Executive Officer Officer-in-Charge of International Cooperation and Communication Section from 7 October 2013
Pich Dun	Director of Planning Division
Tran Duc Cuong	Director of Environment Division until 3 July 2013
Truong Hong Tien	Director of Environment Division from 5 July 2013
Sourasay Phoumavong	Director of Technical Support Division
Satit Phiomchai	Director of Operations Division until 15 December 2013
So Nam	Officer-in-Charge of Operations Division for the period of 17-18 December 2013
Prasong Jantakad	Officer-in-Charge of Operations Division from 19 December 2013
Nguyen Thu Mai	Chief of Finance and Administration Section until 12 April 2013
Nguyen Thi Thanh Huong	Officer-in-Charge of Finance and Administration Section from 15 April 2013
Boun Xaiyareth	Chief of Finance and Administration Section from 3 February 2014
Klomjit Chandrapanya	Chief of International Cooperation and Communication Section until 19 April 2013
Sophearin Chea	Officer-in-Charge of International Cooperation and Communication Section from 22 April 2013 to 7 October 2013
Natayaporn Jumratsri	Chief of Human Resources Section

On behalf of the MRCS Management



Hans Guttman
Chief Executive Officer
28 February 2014

Reference: KTC-RBI/HAN/14/R022/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 2013 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 to 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 Mekong River Commission Secretariat ("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 2013 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 Audit & Business Advisory Co., Ltd.
Member of Russell Bedford International

Hanoi, Vietnam
28 February 2014

Mekong River Commission – Operating Expenses Budget

STATEMENT OF INCOME, EXPENDITURE AND FUND BALANCE as at and for the year ended 31 December 2013

	Note	2013	Currency: USD 2012
INCOME			
Contributions from Riparian Governments	3	<u>1,980,871</u>	<u>1,827,076</u>
Revenue			
Interest	4	107,828	76,625
Management and administration fees	5	1,808,960	1,636,101
Miscellaneous		7,550	3,050
		<u>1,924,338</u>	<u>1,715,776</u>
TOTAL INCOME		<u>3,905,209</u>	<u>3,542,852</u>
EXPENDITURE			
Administrative Expenditure			
Staff salary and fees	6	1,539,013	1,635,030
Common staff costs	7	713,643	785,767
Travel	8	84,444	92,790
Contractual services	9	78,808	99,408
General operating expenses	10	306,429	283,723
Supplies	11	31,599	40,172
Furniture and equipment	12	32,916	53,349
MRC meeting expenses	13	298,589	176,374
Support to National Mekong Committees	14	50,505	61,406
		<u>3,135,946</u>	<u>3,228,019</u>
Administrative Reserve Fund	15	23,269	47,046
Programme Reserve Fund	16	(107)	22,024
TOTAL EXPENDITURE		<u>3,159,108</u>	<u>3,297,089</u>
Movement in Fund Balance for the year		746,101	245,763
Fund Balance as at 1 January		<u>2,564,924</u>	<u>2,319,161</u>
Fund Balance as at 31 December		<u><u>3,311,025</u></u>	<u><u>2,564,924</u></u>



Hans Guttman
Chief Executive Officer
28 February 2014



Boun Xaiyath
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 2013

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 168 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.

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NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2013

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.

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NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2013

3. CONTRIBUTIONS FROM RIPARIAN GOVERNMENTS

	<i>Currency: USD</i>	
	2013	2012
Cambodia	412,785	385,102
Lao PDR	412,785	385,102
Thailand	601,566	549,276
Viet Nam	553,735	507,596
	<u>1,980,871</u>	<u>1,827,076</u>

4. INTEREST

This represents interest on the Commission's funds which is used for Operating Expenses Budget ("OEB") 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 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>	
	2013	2012
Professional posts	982,976	1,107,086
General service posts	501,338	478,138
Temporary general services	39,047	40,201
Overtime payments	15,652	9,605
	<u>1,539,013</u>	<u>1,635,030</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2013

7. COMMON STAFF COSTS

	2013	2012
		<i>Currency: USD</i>
Dependency allowances - professional staff	13,745	14,212
Assignment/ relocation allowances	6,826	21,901
Housing allowances	67,386	65,623
Post allowances	90,446	89,071
Hardship allowances	58,680	58,065
Dependency allowances - general support staff	60,377	58,962
Uniforms/ laundry allowances	1,989	1,831
Devaluation allowances - professional staff	50,663	99,342
Devaluation allowances - general support staff	47,822	48,821
Provident fund - professional staff	126,209	152,918
Provident fund - general support staff	67,679	65,621
Medical insurance	20,299	13,638
Life and accident insurance	8,373	8,750
Medical examinations	1,180	766
Education grants	25,043	9,750
Home leave travel	4,452	6,553
Recruitment	21,107	5,069
Separation costs	26,972	1,355
Other training	11,182	47,254
Other costs	3,213	16,265
	<u>713,643</u>	<u>785,767</u>

8. TRAVEL

	2013	2012
		<i>Currency: USD</i>
External travel	61,659	71,369
Riparian travel	22,785	21,421
	<u>84,444</u>	<u>92,790</u>

9. CONTRACTUAL SERVICES

	2013	2012
		<i>Currency: USD</i>
External audit	3,932	14,325
External printing	9,329	11,765
EDP system development	12,753	12,057
Security guards	35,794	33,054
Miscellaneous contractual services	17,000	28,207
	<u>78,808</u>	<u>99,408</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2013

10. GENERAL OPERATING EXPENSES

	<i>Currency: USD</i>	
	2013	2012
Office improvements	12,539	17,856
Office maintenance	11,563	8,650
Utilities	112,829	108,212
Equipment rental and maintenance	20,339	19,709
Vehicle operation and maintenance	11,853	8,138
Vehicle insurance	4,944	5,428
Internet and e-mail	74,281	65,631
Telephone installation, rent and maintenance	224	470
Local telephone calls	1,440	3,857
Long distance telephone calls	7,056	6,635
Pouch and courier	7,345	2,924
Postage	2,199	5,207
Facsimile	203	158
Hospitality expenses	11,145	3,054
Non-life insurance	5,800	5,350
Bank charges	15,747	16,259
Miscellaneous expenses	6,922	6,185
	<u>306,429</u>	<u>283,723</u>

11. SUPPLIES

	<i>Currency: USD</i>	
	2013	2012
Stationery	8,573	15,308
Document reproduction	1,220	-
Computer supplies	6,874	4,637
Books/ periodicals	4,938	4,957
Audio visual aids	545	-
Other supplies	9,449	15,270
	<u>31,599</u>	<u>40,172</u>

12. FURNITURE AND EQUIPMENT

	<i>Currency: USD</i>	
	2013	2012
Furniture and fixtures	4,260	3,613
Non-EDP equipment	830	-
EDP equipment	21,665	30,160
EDP software-ready made	6,161	19,576
	<u>32,916</u>	<u>53,349</u>

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NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2013

13. MRC MEETING EXPENSES

	2013	<i>Currency: USD</i> 2012
Council meetings	99,473	-
Joint Committee meetings	94,851	117,799
Development Partner Consultative Group meetings	45,152	10,835
Dialogue meetings	40,929	-
Other meetings	18,184	47,740
	<u>298,589</u>	<u>176,374</u>

14. SUPPORT TO NATIONAL MEKONG COMMITTEES

	2013	<i>Currency: USD</i> 2012
Cambodia	15,077	15,000
Lao PDR	15,397	15,000
Thailand	5,059	13,406
Viet Nam	14,972	15,000
Support to programmes	-	3,000
	<u>50,505</u>	<u>61,406</u>

15. ADMINISTRATIVE RESERVE FUND

	2013	<i>Currency: USD</i> 2012
2.1\61\10\ARF\O Co-hosted location of the MRCS (OSP & OSV)	12,722	25,598
2.2\21\12\ARF\D Drought Management Programme	10,547	21,448
	<u>23,269</u>	<u>47,046</u>

Items under the 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"); and (ii) the expenditure incurred for the Drought Management Programme as approved by the MRC Joint Committee at its Thirty-sixth meeting in October 2012.

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NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2013

16. PROGRAMME RESERVE FUND

	2013	<i>Currency: USD</i> 2012
2.1\43\09\PRF\D Drought Management Project- Initial Activity	4	22,024
2.1\45\09\PRF\F Vital Services at RFC	(111)	-
	<u>(107)</u>	<u>22,024</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 2013 of USD 2,408,882 (31 December 2012: USD 2,302,327), to provide a savings scheme in lieu of a pension fund on behalf of 168 (2012: 177) 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
28 February 2014



Boun Xaiyarath
Chief, Finance and Administration Section