



Mekong River Commission Operating Expenses Budget

*Audited Financial Statements
as at and for the year ended 31 December 2011*

Mekong River Commission

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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 2011.

PRINCIPAL ACTIVITIES DURING 2011

The Mekong River Commission ("MRC" or "the Commission") continues the implementation of its eleven key Programmes. MRC has attracted funding from new Development Partners, namely the Government of Luxembourg for projects under the Climate Change and Adaptation Initiative Programme, and the Government of Switzerland for projects under the Basin Development Programme and the Environment Programme.

In early 2011, MRC endorsed two key strategies, the Integrated Water and Related Resources Management (IWRM)-based Basin Development Strategy, and the 2011-2015 Strategic Plan, that shape a more comprehensive and new direction for the Commission.

The IWRM-based strategy provides regional and trans-boundary perspectives for basin development planning, representing collaboration between Member Countries on their shared understanding of the river's opportunities and risks associated with development.

The strategic plan for the 2011-2015 period will support the implementation of this Strategy as well as providing a platform for the MRC's plan to decentralize core functions of the MRCS to the national level.

THE MRCS MANAGEMENT

The members of the MRCS Management who held office during the year 2011 and on the date of this report are:

Jeremy Bird	Chief Executive Officer until 28 March 2011
Hans Guttman	Chief Executive Officer from 14 November 2011
Pich Dun	Director of the Operations Division, officer-in-charge of the MRCS from 29 March to 30 June 2011
Tran Duc Cuong	Director of the Technical Support Division, officer-in-charge of the MRCS from 1 July to 13 November 2011
Sourasay Phoumavong	Director of the Environment Division
Satit Phiromchai	Director of the Planning Division
Klomjit Chandrapanya	Chief of the International Cooperation and Communication Section
Weena Aksornkaew	Chief of the Human Resources Development Section until 13 September 2011
Vu Thu Hong	Officer-in-charge of the Human Resources Development Section from 14 to 25 September 2011
Nguyen Thu Mai	Chief of the Finance and Administration Section, officer-in-charge of the Human Resources Development Section from 26 September to 31 December 2011

REPORT OF THE MRCS MANAGEMENT (continued)

On behalf of the MRCS Management



Hans Guttman
Chief Executive Officer
24 February 2012

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Reference: KTC-RBI/HAN/12/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 2011 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 for 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 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.

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Opinion

In our opinion, the financial statements of the Operating Expenses Budget of the Commission as at 31 December 2011 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 describe the basis of accounting. The financial statements are prepared to assist the Commission in meeting the reporting requirements of the MRC's Joint Committee and Development Partners. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Commission and its Development Partners and should not be distributed to or used by parties other than the Commission or its Development Partners.

VAC Assurance & Business Advisors

KTC Audit and Business Advisory Co., Ltd.



Phạm Duy Hưng
Managing Partner

Hanoi, Vietnam
24 February 2012

Manuel Vincente Encarnacion

Manuel Vincente Encarnacion
Quality Reviewer

Mekong River Commission – Operating Expenses Budget

STATEMENT OF INCOME, EXPENDITURE AND FUND BALANCE as at and for the year ended 31 December 2011

	Note	2011	2010
<i>Currency: USD</i>			
INCOME			
Contributions from Riparian Governments	3	1,185,522	2,061,896
Revenue			
Interest	4	61,780	64,176
Management and administration fees	5	1,499,699	1,953,751
Miscellaneous		2,447	5,830
		1,563,926	2,023,757
TOTAL INCOME		2,749,448	4,085,653
EXPENDITURE			
Administrative Expenditure			
Staff salary and fees	6	1,363,919	1,079,591
Common staff costs	7	669,029	654,259
Travel	8	51,121	25,888
Contractual services	9	81,194	109,276
General operating expenses	10	282,585	272,795
Supplies	11	36,526	39,966
Furniture and equipment	12	60,631	97,653
MRC meeting expenses	13	377,991	279,224
Support to National Mekong Committees and programmes	14	60,044	57,751
Repayment of relocation project loan	15	-	60,000
		2,983,040	2,676,403
Administrative Reserve Fund	16	295,671	498,412
Programme Reserve Fund	17	224,860	94,228
TOTAL EXPENDITURE		3,503,571	3,269,043
Movement in Fund Balance for the year		(754,123)	816,610
Fund Balance as at 1 January		3,073,284	2,256,674
Fund Balance as at 31 December		2,319,161	3,073,284



Hans Guttman
Chief Executive Officer
24 February 2012



Nguyen Thu Mai
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 2011

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, 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, 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 150 staff members based in 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.

Mekong River Commission – Operating Expenses Budget

NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2011

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 costs charged to staff and repatriation fee, which are recognised on an accruals 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 – Operating Expenses Budget

NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2011

3. CONTRIBUTIONS FROM RIPARIAN GOVERNMENTS

	<i>Currency: USD</i>	
	2011	2010
Cambodia	359,935	337,057
Lao PDR	359,935	337,057
Thailand (*)	-	960,262
Viet Nam	465,652	427,520
	<u>1,185,522</u>	<u>2,061,896</u>

(*) Contribution from Thailand for the year 2011 amounting to USD 501,739 was received and recognised in 2010.

4. INTEREST

This represents interest on the Commission's funds which is used for Operating Expenses Budget ("OEB") expenditure.

5. MANAGEMENT AND ADMINISTRATION FEES

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>	
	2011	2010
Professional posts	886,202	675,912
General service posts	423,795	345,198
Temporary general services	42,200	48,474
Overtime payments	11,722	10,007
	<u>1,363,919</u>	<u>1,079,591</u>

Mekong River Commission – Operating Expenses Budget

NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2011

7. COMMON STAFF COSTS

	<i>Currency: USD</i>	
	2011	2010
Dependency allowances - professional staff	11,548	11,803
Assignment/ relocation allowances	23,405	6,347
Housing allowances	38,684	33,396
Post allowances	46,430	66,975
Hardship allowances	36,644	43,135
Dependency allowances - general staff	55,650	50,006
Uniforms/ laundry allowances	1,900	1,321
Devaluation allowances - professional staff	85,238	52,560
Devaluation allowances - general staff	42,948	32,542
Provident fund - professional staff	110,919	92,685
Provident fund - general staff	55,738	46,270
Medical insurance	22,526	17,554
Life and accident insurance	7,178	5,633
Medical examinations	819	489
Education grants	15,583	40,279
Home leave travel	2,036	5,369
Recruitment	39,542	64,571
Separation costs	7,966	20,108
Other training	45,740	42,912
Other costs	18,535	20,304
	<u>669,029</u>	<u>654,259</u>

8. TRAVEL

	<i>Currency: USD</i>	
	2011	2010
External travel	25,013	11,814
Riparian travel	26,108	14,074
	<u>51,121</u>	<u>25,888</u>

9. CONTRACTUAL SERVICES

	<i>Currency: USD</i>	
	2011	2010
External audit	16,512	15,129
External printing	14,404	18,999
EDP system development	741	27,106
Security guards	31,095	32,236
Miscellaneous contractual services	18,442	15,806
	<u>81,194</u>	<u>109,276</u>

Mekong River Commission – Operating Expenses Budget

NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2011

10. GENERAL OPERATING EXPENSES

	<i>Currency: USD</i>	
	2011	2010
Office improvements	15,120	24,071
Office maintenance	13,254	14,156
Utilities	90,394	69,892
Equipment rental and maintenance	15,612	13,185
Vehicle operation and maintenance	8,246	11,734
Vehicle insurance	6,492	5,561
Internet and e-mail	77,708	69,962
Telephone installation, rent and maintenance	90	1,347
Local telephone calls	4,873	3,031
Long distance telephone calls	3,836	7,920
Pouch and courier	5,702	3,098
Postage	1,796	948
Facsimile	488	857
Hospitality expenses	8,811	8,637
Non-life insurance	6,548	6,276
Bank charges	18,880	25,507
Miscellaneous expenses	4,735	6,613
	<u>282,585</u>	<u>272,795</u>

11. SUPPLIES

	<i>Currency: USD</i>	
	2011	2010
Stationery	14,671	15,490
Document reproduction	199	291
Computer supplies	4,046	7,601
Books/ periodicals	4,792	3,836
Audio visual aids	378	-
Other supplies	12,440	12,748
	<u>36,526</u>	<u>39,966</u>

12. FURNITURE AND EQUIPMENT

	<i>Currency: USD</i>	
	2011	2010
Furniture and fixtures	6,744	6,542
Non-EDP equipment (*)	(9,764)	27,232
EDP equipment	43,453	45,075
EDP software - ready made	20,198	18,804
	<u>60,631</u>	<u>97,653</u>

(*) This represents proceeds from disposal of non-expendable equipment in 2011.

Mekong River Commission – Operating Expenses Budget

NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2011

13. MRC MEETING EXPENSES

	<i>Currency: USD</i>	
	2011	2010
Council meetings	163,709	21,848
Joint Committee meetings	104,910	117,658
Development Partner Consultative Group meetings	49,984	10,036
Dialogue meetings	16,078	10,183
Other meetings	43,310	19,499
MRC Summit	-	100,000
	<u>377,991</u>	<u>279,224</u>

14. SUPPORT TO NATIONAL MEKONG COMMITTEES AND PROGRAMMES

	<i>Currency: USD</i>	
	2011	2010
Cambodia NMC	15,000	15,000
Lao NMC	14,993	14,996
Thailand NMC	9,174	1,244
Viet Nam NMC	14,794	14,978
Support to programmes	6,083	11,533
	<u>60,044</u>	<u>57,751</u>

15. REPAYMENT OF RELOCATION PROJECT LOAN

This represents the drawdown of a loan facility amounting to USD 600,000 from the Government of Lao PDR in 2003 which was used to finance the MRC Secretariat relocation to Vientiane, Lao PDR in 2004. The loan is unsecured and interest free. MRC shall repay the loan gradually, upon availability of surplus funds from MRC Operating Expenses Budget (“OEB”) and/ or funds made available from other sources, within five years. This duration can be extended to a maximum of ten years. The use of surplus from the OEB funds for repayment shall be subject to the approval of the MRC Joint Committee.

During the year, the remaining outstanding balance of USD 200,000 as at 31 December 2010 has been fully repaid to the Government of Lao PDR in accordance with the Joint Committee’s approval at its Thirty-second Meeting in August 2010.

Mekong River Commission – Operating Expenses Budget

NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2011

16. ADMINISTRATIVE RESERVE FUND

	<i>Currency: USD</i>	
	2011	2010
2.1\61\10\ARF\O Co-hosted location of MRCS (OSP & OSV)	95,671	345,270
2.1\71\10\ARF\O MRC First Summit - April 2010 Hua Hin, Thailand	-	153,142
2.1\87\11\ARF\O Repayment of the remaining loan balance to Lao Government	200,000	-
	<u>295,671</u>	<u>498,412</u>

Administrative Reserve Fund represents the expenditure incurred for relocating some of the operations from Office of Secretariat in Vientiane (“OSV”) to Office of Secretariat in Phnom Penh (“OSP”) following the MRC Council’s decision at its Sixteenth Meeting in November 2009 on the co-hosted location of the MRCS and the repayment of the relocation loan to the Government of Lao PDR in accordance with the Joint Committee’s approval at its Thirty-second Meeting in August 2010.

17. PROGRAMME RESERVE FUND

	<i>Currency: USD</i>	
	2011	2010
2.1\43\09\PRF\D Drought Management Project-Initial Activity	180,657	75,319
2.1\45\09\PRF\F Vital Services	44,203	18,909
	<u>224,860</u>	<u>94,228</u>

Programme Reserve Fund represents the expenditure incurred for initial drought management activities and vital services of the MRCS in Phnom Penh, Cambodia and Vientiane, Lao PDR for flood forecasting during floods and other emergency situations.

18. PROVIDENT FUND

The Commission manages a provident fund, which had a balance at 31 December 2011 of USD 1,761,713 (31 December 2010: USD 1,635,084), to provide a savings scheme in lieu of a pension fund on behalf of 147 (2010: 153) 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
24 February 2012



Nguyen Thu Mai
Chief, Finance and Administration Section