

DROUGHT MANAGEMENT PROGRAMME'S CORE FUNCTION PROJECT

IMPLEMENTED BY MEKONG RIVER COMMISSION

**AUDITED STATEMENT AND
INDEPENDENT AUDITORS' REPORT**

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2019

DROUGHT MANAGEMENT PROGRAMME'S CORE FUNCTION PROJECT
Implemented by Mekong River Commission

PROJECT INFORMATION

PROJECT 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 Lam Hung Son, Head of Regional Flood Management and Mitigation Center Vu Thu Hong, Chief Human Resources Officer Somsanith Ninthavong, Chief Financial Officer
IMPLEMENTING AGENCY:	Mekong River Commission ("MRC")
OFFICE:	184 Fa Ngoum Road Unit 18, Ban Sithane Neua Sikhottabong District Vientiane Capital Lao PDR
PRINCIPAL BANKERS:	Public Bank Cambodian Public Bank
AUDITORS:	BDO (Laos) Co., Ltd.

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DROUGHT MANAGEMENT PROGRAMME'S CORE FUNCTION PROJECT
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PROJECT MANAGEMENT'S REPORT

The Project Management hereby submits the report together with the audited statement of income and expenditures ("the statement") of Drought Management Programme's Core Function Project ("the Project") for the period from 1 January 2015 to 31 December 2019.

Responsibilities of the Project Management in Respect of the Statement

The Project Management is responsible to ascertain that the statement of the Project for the period from 1 January 2015 to 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 Project Management is required to select suitable accounting policies and then apply them consistently.

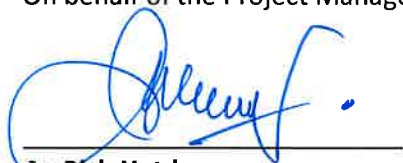
The Project Management is responsible for ensuring that proper accounting records are kept which enable the statement to be prepared in compliance with the basis of preparation and accounting policies set out in Note 2 to the statement. The Project Management is also responsible for safeguarding the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

The Project 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 Project Management

In the opinion of the Project Management, the statement set out on pages 4 to 7 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 Project 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 PROJECT MANAGEMENT OF DROUGHT MANAGEMENT PROGRAMME'S CORE FUNCTION PROJECT

Report on the Statement

Opinion

We have audited the accompanying statement of income and expenditures ("the statement") of Drought Management Programme's Core Function Project ("the Project"), and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 7.

In our opinion, the statement of the Project for the period from 1 January 2015 to 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 Project 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 Project. The statement is prepared to assist the Project 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 Project 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 Project Management for the Statement

The Project 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 Project Management is also responsible for such internal control as the Project Management determines is necessary to enable the preparation of the statement of the Project that is free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT TO THE PROJECT MANAGEMENT OF DROUGHT MANAGEMENT PROGRAMME'S CORE FUNCTION PROJECT (continued)

Auditors' Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the statement of the Project 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 Project, 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 Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Project Management.
- Evaluate the overall presentation, structure and content of the statement of the Project, including the disclosures, and whether the statement of the Project represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Project 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.

Other Matter

We also draw attention to the fact that we have not audited the annexed statement of budget vs actual expenditures, which are presented based on information provided by the Project Management. Accordingly, we do not express an opinion on them.

Lim Seng Siew
Partner

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

Vientiane, Lao PDR
Date: 3 April 2020

DROUGHT MANAGEMENT PROGRAMME'S CORE FUNCTION PROJECT
Implemented by Mekong River Commission

STATEMENT OF INCOME AND EXPENDITURES
FOR THE PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2019

	Note	1.1.2015 to 31.12.2019 USD
INCOME		
Fund receipts	3	1,315,720
Interest income	4	17,932
		<u>1,333,652</u>
EXPENDITURES		
Programme/Activity costs	5	1,357,960
Operational costs	6	12,761
Contingency/Administration fees	7	95,950
		<u>1,466,671</u>
Deficit of income over expenditures		(133,019)
Fund balance at beginning of financial period		<u>-</u>
Fund balance at the end of financial period		<u>(133,019)</u>
REPRESENTED BY:		
Bank balances	8	160,765
Advances to employees		5,847
Receivable from MRC		369
Loan from MRC	9	(300,000)
		<u>(133,019)</u>

The accompanying notes form an integral part of the statement.

DROUGHT MANAGEMENT PROGRAMME'S CORE FUNCTION PROJECT
Implemented by Mekong River Commission

NOTES TO THE STATEMENT

1. PROJECT 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.

MRC proposes to implement a series of institutional and technical capacity development to support its Member Countries in addressing the prevailing problem of high drought vulnerability in the Lower Mekong Basin ("LMB"). Commitments of key stakeholders in the four ASEAN Member Countries are expressed through their active participation in the development of the Drought Management Programme ("DMP") and firm decisions made by the Heads of MRC Member Countries' Governments, and the MRC council and Joint Committee. The project, which is funded by the Government of Japan, has in fact been extended until 30 June 2020, by the Japan-ASEAN Integration Fund (JAIF) for an amount of USD 1,542,766.66. The fund has become available after the effectiveness of the financial agreement signed on 30 September 2014.

The main expected outcomes/components of this Project are:

1. Drought impacts on socio economics, environment and people's livelihoods are assessed, vulnerability is determined jointly with Member Countries, and used for drafting awareness raising programs and policy responses to address drought vulnerability;
2. Human capacity and collaborative platforms are assessed and capacity development plan is developed for facilitating drought data and information sharing, providing technical and institutional capacity development support to relevant national agencies directly engaged in drought vulnerability mitigation and management activities; and
3. Formulation of a Regional Strategy for Drought Management and Mitigation to support MRC Member Countries reduce vulnerability of LMB communities to negative impacts of droughts through prioritisation and coordination of regional and national drought vulnerability issues, action plans and road-maps for improved drought management, and developing a prioritised program consisting structural and non-structural drought management interventions.

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, incomes are recognised when received rather than when earned, and payments are recognised when paid rather than when incurred, except for the following:

- (i) Advances to employees and receivable from MRC are recognised as receivables until they are cleared and received respectively; and
- (ii) Loan from MRC is recognised as payable until it is paid.

DROUGHT MANAGEMENT PROGRAMME'S CORE FUNCTION PROJECT
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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Income

The fund receipts represent contributions from the Government of Japan and interest income which are recognised as income when cash is credited to the Project's bank accounts.

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 Expendable and non-expendable equipment

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

2.5 Foreign exchange differences

The Project 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.

3. FUND RECEIPTS

**1.1.2015 to
31.12.2019
USD**

Government of Japan

1,315,720

4. INTEREST INCOME

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

5. PROGRAMME/ACTIVITY COSTS

**1.1.2015 to
31.12.2019
USD**

Airfare	53,387
Per diem	48,738
Meeting package/Workshop/Seminar	193,503
Consultant/Expert	399,693
MRC professional staff	302,086
National coordinator	18,743
Capital equipment	<u>341,810</u>

1,357,960

DROUGHT MANAGEMENT PROGRAMME'S CORE FUNCTION PROJECT
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6. OPERATIONAL COSTS

**1.1.2015 to
31.12.2019
USD**

Administrative	4,519
Personnel	8,242
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	12,761
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7. CONTINGENCY/ADMINISTRATION FEES

Contingency fees represent the expenses of the MRC Secretariat in rendering technical and administrative services to the projects which are charged at 7% of total expenditures.

8. BANK BALANCES

**31.12.2019
USD**

Cambodian Public Bank	56,493
Public Bank	104,272
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	160,765
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9. LOAN FROM MRC

Loan from MRC bears no interest and the principal will be paid when the Project receives funding from the donor.

10. COMMITMENT

**31.12.2019
USD**

Consultant fee	8,484
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ANNEX - BUDGET VS ACTUAL EXPENDITURES

FINANCIAL REPORT BY DEVELOPMENT PARTNERS CODES

Project Title: Drought Management Programme's Core Function Project
 Proponent/Implementing Agency: Drought Management Team, MRCS
 Duration/Period: 2015-2019

Fund Received - 1st (date: 16/Feb/2015)		587,500.00						587,500.00	
Fund Received - 2nd (date: 31/Dec/2016)		557,519.00						557,519.00	
Fund Received - 3rd (date: 23 Oct 2019)		170,701.06						170,701.06	
Accumulated earned interest from 2015 - 2019		17,932.02						17,932.02	
TOTAL FUND RECEIVED		1,333,652.08						1,333,652.08	
Budget Line	Approved Budget (e)	Actual Expense Year 2015 (b)	Actual Expense Year 2016 (c)	Actual Expense Year 2017 (d)	Actual Expense Year 2018 (e)	Actual Expense Year 2019 (f)	Total Actual Expense (g)=(b+c+d+e+f)	Balance Budget (h)=(e)-(g)	Expense vs Budget (%) (i)=(g)/(e)
I. PROGRAMME/ACTIVITY COST									
A. Airfare									
A1 Regional airfare for International Consultants		585.00			260.00		845.00		
A2 International airfare for International Consultants		3,634.00					3,634.00		
A3 International Airfare - Regional Consultant & MRCS P O		6,765.90	295.00	11,990.38			19,051.28		
A4 Regional airfare for Regional Staff		5,823.00		190.00	10,320.00	13,523.37	29,856.37		
Total expense for airfare	40,126.00	16,807.90	295.00	12,180.38	10,580.00	13,523.37	53,386.65	(13,260.65)	133%
B. Per diem									
B1 Per diem for international consultant		3,503.10	2,001.71	2,648.85		941.85	9,095.51		
B2 Per diem for meeting participants		21,448.01		4,291.51	9,902.52	4,000.69	39,642.73		
Total expense for per diem	59,758.00	24,951.11	2,001.71	6,940.36	9,902.52	4,942.54	48,738.24	11,019.76	82%
C. Meeting Package / Workshop / Seminar									
C1 Meeting packages		84,464.33	25,243.18	37,056.43	40,720.59	5,200.88	192,685.41		
C2 Secretaries supplies		810.15		7.00			817.15		
Total expense for Meeting Package / Workshop / Seminar	201,387.00	85,274.48	25,243.18	37,063.43	40,720.59	5,200.88	193,502.56	7,884.44	96%
D. Consultant/Expert									
D1 International Consultant/Expert		143,554.00	88,671.27	31,000.00	44,574.72	18,000.00	325,799.99		
D2 Regional Consultant/Expert		22,810.48	29,083.00	8,000.00	14,000.00	2,610.00	73,893.48		
Total expense for Consultant/Expert	396,904.00	166,364.46	117,754.27	39,000.00	58,574.72	18,000.00	399,693.47	(2,789.47)	101%
E. MRCS Professional Staff									
E1 Programme Coordinator		50,428.73	69,142.50	55,686.08	55,668.00	58,397.52	289,322.83		
E2 Support staff for GIS and data review for output 1&3					10,153.10	2,610.00	12,763.10		
Total expense for MRCS Professional Staff	278,278.00	50,428.73	69,142.50	55,686.08	65,821.10	61,007.52	302,085.93	(23,107.93)	108%
F. National Coordinator									
F1 National Coordinator		18,742.50					18,742.50		
Total expense for National Coordinator	18,742.50	18,742.50					18,742.50		100%
G. On-the-job training (JRP)									
G1 Lumsum for JRP									
Total expense for National Coordinator									
H. Capital Equipment									
H1 Lease of Desktop		2,694.50		62.68			2,757.18		
H2 Lease of Laptop		5,673.00		783.00			6,456.00		
H3 Hydro-met station		114,921.62	50.00	21,766.62	179,358.08	20,000.50	332,596.82		
Total expense for Capital Equipment	432,210.00	120,289.12	50.00	22,112.30	179,358.08	20,000.50	341,810.00	90,000.00	79%
SUB TOTAL PROGRAMME/ACTIVITY COST (A+B+C+D+E+F+G+H)	1,428,105.50	482,858.32	214,486.66	171,982.55	364,957.01	122,674.81	1,357,959.35	70,146.15	95%
II. OPERATIONAL COST									
I. Administrative									
I.1 Office supplies		1,771.30	1,019.04	352.52	(910.78)	2,287.20	4,519.28		
Total expense for Administrative	4,371.30	1,771.30	1,019.04	352.52	(910.78)	2,287.20	4,519.28	452.02	91%

ANNEX - BUDGET VS ACTUAL EXPENDITURES

FINANCIAL REPORT BY DEVELOPMENT PARTNERS CODES

Project Title: Drought Management Programme's Core Function Project
 Proponent/Implementing Agency: Drought Management Team, MRCS
 Duration/Period: 2015-2019

Budget Line	Approved Budget (a)	Actual Expense Year 2015 (b)	Actual Expense Year 2016 (c)	Actual Expense Year 2017 (d)	Actual Expense Year 2018 (e)	Actual Expense Year 2019 (f)	Total Actual Expense (g)=(b+c+d+e+f)	Balance Budget (h)=(a)-(g)	Expense vs Budget (%) (I)=(g)/(a)
Fund Received - 1st (date: 16/Feb/2015)							587,500.00		
Fund Received - 2nd (date: 31 Dec/2016)							557,519.00		
Fund Received - 3rd (date: 23 Oct 2019)							370,701.06		
Accumulated earned interest from 2015 - 2019							17,992.02		
TOTAL FUND RECEIVED							1,333,652.08		
I. Personnel									
J.1.1 Project Administrative Assistant	8,241.87	8,241.87	-	-	-	-	8,241.87	-	100%
Total expense for Administrative	8,241.87	8,241.87	-	-	-	-	8,241.87	-	
SUB-TOTAL OPERATIONAL COST (I+J)	13,213.17	10,013.17	1,019.04	352.52	(910.78)	2,287.20	12,761.15	452.02	97%
III. CONTINGENCY									
Contingency 7%	101,447.99	34,501.00	15,085.40	12,133.45	25,483.25	8,747.33	95,950.43	5,497.56	
SUB-TOTAL CONTINGENCY	101,447.99	34,501.00	15,085.40	12,133.45	25,483.25	8,747.33	95,950.43	5,497.56	95%
TOTAL EXPENDITURE (I + II + III)	1,542,766.66	577,372.49	230,591.10	185,488.52	389,529.48	133,709.34	1,466,670.93	76,095.73	95%
FUND BALANCE (TOTAL FUND RECEIVED - TOTAL EXPENDITURE)							(133,018.85)		