

**Mekong River Commission
Basket Fund**

**Financial Statements
And
Independent Auditors' Report
Year ended 31 December 2017**

Mekong River Commission – Basket Fund

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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 2017.

Principal activities during 2017

After considerable progress in the planning, operational, structural, staff and financial reforms in 2016, MRCS was newly equipped in 2017 to work on the implementation of the MRC Strategic Plan. Due to the low implementation level in 2016, many activities were carried over into 2017.

In the 2017, MRCS managed to implement many activities in cooperation with the Member Countries (“MCs”) and various partners. This included include: successful Procedures for Notification, Prior Consultation and Agreement (“PNPCA”) process on Pak Beng Hydropower project and the work on a joint action plan, enhanced stakeholder engagement, and finalization of the Council Study.

In addition, the ongoing reform is still in process, it is based on the identification of core work areas at the regional and national levels to allow for a decentralization of Core River Basin Management Functions (“CRBMFs”) from the MRC to the line agencies of its Member Countries. A Regional Roadmap was approved by the MRC Council in 2014, providing guidance for the decentralization process and for the different areas of the institutional reform (structural, operational, staffing, and financial reforms as well as the transition period), with the aim to move towards a leaner and more efficient organization.

All internal manuals of the organization are currently being reviewed to reflect and integrate all the approved policy changes as well as new procedures. The MRC has also been able to implement a very active and effective communication strategy that has made MRC’s work better understood and more visible in the region.

The achievements of the reform are quite remarkable, and MRCS appears as a generally functioning organization. Therefore, MRCS would like to take this opportunity to thank our Member Countries, Development Partners, Dialogue Partners and all relevant stakeholders for their friendship and support during year 2017.

2017 was a challenging year but we have put in place all the right things for a brighter 2018 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 until 17 January 2018
Somsanith Ninthavong	Chief Financial Officer from 01 December 2016
Vu Thu Hong	Chief Human Resources Officer from 01 December 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 2017 in all material respect 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: **2 5 MAY 2018**

Naruepon Sukumasavin
Director of Administration Division

Date: **2 5 MAY 2018**



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ຖະໜົນ 23 ສິງຫາ, ບ້ານໂພນໄຊ,
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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 and expenditure and fund balance for the year ended 31 December 2017, 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 2017 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.

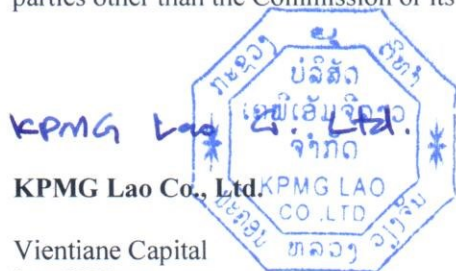
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.

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.



KPMG Lao Co., Ltd.
 Vientiane Capital
 Lao PDR
 Date: **25 MAY 2018**

Mekong River Commission – Basket Fund

Statement of income and expenditure and fund balance For the year ended 31 December 2017

	Note	2017 USD	2016 USD
INCOME			
Contributions from Riparian Governments	3	2,851,149	2,545,339
Contribution from Development Partners	3	5,837,352	5,900,971
		8,686,501	8,446,310
Revenue			
Interest	4	158,171	120,108
Other incomes		5,775	3,454
Management and administration fees	5	537,384	211,728
		701,330	335,290
Reallocation of Australia fund balance as at December 2015 from Earmarked fund to Basket Fund to support MRC decentralisation process		-	788,721
TOTAL INCOME		9,389,831	9,570,321
EXPENDITURE			
Salary and Fee	6	(1,946,386)	(2,193,066)
Employment Benefit Cost	7	(955,725)	(752,478)
Recruitment and selection	8	(32,067)	(48,067)
Corporate training	9	(2,571)	-
Official Travel	10	(119,852)	(35,602)
Other short-term staffs	11	(9,406)	-
Consultants	12	(1,874,285)	(1,189,655)
Office costs	13	(423,125)	(299,073)
Maintenance and Running cost of equipment	14	(95,722)	(33,146)
Publication, Printing and others	15	(77,769)	(40,062)
Financial cost		(30,703)	(17,695)
Fixed Assets	16	(219,005)	-
Governance meeting expense	17	(327,594)	(250,869)
Meeting and workshop expenses	18	(1,144,732)	(182,760)
Support to Decentralization & NIP	19	(34,839)	(69,118)
MOUs with member countries	20	(388,898)	(48,654)
		(7,682,679)	(5,160,245)
Refund from Insurance Company in 2017		7,399	-
Administrative Reserve Fund (ARF)		-	94,367
Reallocated ARF from Basket Fund Financial Statement	21	-	(94,367)
TOTAL EXPENDITURE		(7,675,280)	(5,160,245)
Movement in Fund Balance for the year		1,714,551	4,410,076
Fund Balance as at 1 January		4,410,076	-
Fund Balance as at 31 December		6,124,627	4,410,076



Pham Tuan Phan
Chief Executive Officer

Date: **2 5 MAY 2018**



Naruepon Sukumasavin
Director of Administration Division

Date: **2 5 MAY 2018**

Mekong River Commission – Basket Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

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 72 staff members (2016: 76 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.

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.

Mekong River Commission – Basket Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of accounting (continued)

- *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.

3. CONTRIBUTIONS FROM RIPARIAN GOVERNMENTS

	2017	2016
	USD	USD
Cambodia	561,623	517,674
Lao PDR	565,346	513,951
Thailand	876,160	742,787
Viet Nam	848,020	770,927
	<u>2,851,149</u>	<u>2,545,339</u>

Mekong River Commission – Basket Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

3. CONTRIBUTIONS FROM RIPARIAN GOVERNMENTS (continued)

CONTRIBUTION FROM DEVELOPMENT PARTNERS TO BASKET FUND

	<u>2017 USD</u>	<u>2016 USD</u>
Australia	2,018,633	964,649
Deutsche Gesellschaft für Internationale Zusammenarbeit ("GIZ") GmbH	1,161,654	1,604,750
Luxembourg		414,926
Switzerland - Swiss Agency for Development and Cooperation ("SDC")	1,400,000	1,800,000
Swedish International Development Cooperation Agency ("SIDA")	1,257,065	1,087,002
Southeast Asian Fisheries Development Centre	-	21,000
Germany - International Centre for Water Resources and Global Change	-	8,644
	<u>5,837,352</u>	<u>5,900,971</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

	<u>2017 USD</u>	<u>2016 USD</u>
Professional posts	1,682,489	1,704,401
General service posts	244,273	457,115
Overtime payments	19,624	27,550
Junior Riparian Professional Staff posts	-	4,000
	<u>1,946,386</u>	<u>2,193,066</u>

Mekong River Commission – Basket Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

7. EMPLOYEE BENEFIT COST

	2017	2016
	USD	USD
Dependency allowance (PS)	20,902	20,304
Dependency allowance (GS)	23,886	40,360
Housing allowance	120,078	84,402
Post adjustment allowance (7%)	85,267	69,101
Hardship allowance	84,667	68,276
Assignment/Relocation allowance	15,783	33,654
Uniform/laundry allowance	1,622	1,282
Provident fund - Professional (MRC Contribution)	224,198	225,553
Provident fund - General Service MRC Contribution)	31,209	54,953
Health insurance	38,055	14,717
Life and accidental insurance	11,087	11,822
Cost of living compensation (PS) - 5%	81,659	79,379
Cost of living compensation (GS) - 10%	22,327	39,684
Educational grant/travel	16,581	4,500
Home leave travel	6,355	2,712
Separation - all costs	6,666	1,779
All other staff costs	109,404	-
Annual Leave (AL) converted into cash	39,648	-
Uncertified Sick Leave (SL) converted into cash	2,479	-
Incentive and reward	13,852	-
	<u>955,725</u>	<u>752,478</u>

8. RECRUITMENT AND SELECTION

	2017	2016
	USD	USD
Job advertisement cost	25,832	41,825
Travel and lodging expenses of candidates	3,526	1,633
Third party recruitment services	1,654	-
Medical examination	-	4,609
Other costs personnel recruitment and selection	1,055	-
	<u>32,067</u>	<u>48,067</u>

9. CORPORATE TRAINING

	2017	2016
	USD	USD
Training fees	1,690	-
Other training costs	881	-
	<u>2,571</u>	<u>-</u>

Mekong River Commission – Basket Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

10. OFFICIAL TRAVEL COST	2017 USD	2016 USD
DSA for travel outside the Riparian Countries	16,505	2,417
DSA for travel within the Riparian Countries	25,297	9,022
Travel expenses outside the Riparian Countries	52,796	8,388
Travel expenses within the Riparian Countries	25,254	15,775
	119,852	35,602
11. OTHER SHORT-TERM STAFFS	2017 USD	2016 USD
Short term support staffs	2,400	-
Temporary staffs	7,006	-
	9,406	-
12. CONSULTANTS	2017 USD	2016 USD
International consultant (Individual)	534,229	129,591
Travel expenses international consultant	11,970	-
Riparian consultant (Individual)	179,127	65,725
Travel expenses riparian consultant	1,040	-
International consulting firm	608,961	430,962
Travel expenses international consulting firm	18,345	-
Riparian consulting firm	8,045	-
National consultant	512,568	563,377
	1,874,285	1,189,655
13. OFFICE COSTS	2017 USD	2016 USD
Office supplies	27,742	13,346
IT supplies	8,212	539
Internet and email facility	60,606	59,078
Telephone install, rent & maintenance	2,000	1,206
Local telephone calls	268	-
Long distance telephone calls	3,356	5,387
Facsimile	220	103
Distribution and mailing costs (Pouch & courier)	1,992	1,820
Renovation work	37,852	-
Office maintenance	39,839	22,792
Insurance office premises	2,090	4,281
All utilities costs	72,185	82,779
Garbage Collection	1,237	1,232
Coffee, tea, water and other beverages	3,600	4,760
Miscellaneous office costs	26,813	4,266
Security guard	43,527	47,220
Cleaning services	91,586	50,264
	423,125	299,073

Mekong River Commission – Basket Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

14. MAINTENANCE AND RUNNING COST OF EQUIPMENT	2017 USD	2016 USD
Maintenance vehicles	2,020	3,909
Insurance vehicles	4,846	4,596
Fuel vehicles	3,517	1,521
Maintenance equipment	11,154	7,421
Insurance equipment	3,541	2,299
Software Licenses	16,223	2,533
Software maintenance	53,429	10,867
Other vehicle costs	992	-
	95,722	33,146
15. PUBLICATION, PRINTING AND OTHERS	2017 USD	2016 USD
Miscellaneous expenses	14,143	1,035
Representation expenses	842	6,606
External audit costs	39,960	14,750
External printing costs	6,469	10,925
Subscriptions, books, periodicals	2,929	1,469
Publications and photography	9,389	5,277
Membership fees	37	-
Support to Staff Association (SA)	4,000	-
	77,769	40,062
16. FIXED ASSESTS	2017 USD	2016 USD
IT equipment	109,842	-
Furniture & fitting equipment	7,969	-
Communication equipment	95,362	-
Low value equipment	5,832	-
	219,005	-
17. GOVERNMENT MEETING EXPENSES	2017 USD	2016 USD
MRC Council Meeting	172,583	107,962
MRC Joint Committee Meeting	110,651	93,308
MRC Joint Committee Task Force Meeting	27,056	7,896
Informal Development Partner Meeting (IDPM)	10,539	17,858
Budget Committee Meeting	6,765	9,436
Dialogues Partner Meeting (DPM)	-	7,507
MRC Joint Committee Special Session	-	6,902
	327,594	250,869

Mekong River Commission – Basket Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2017

18. MEETING AND WORKSHOP EXPENSES

	2017 USD	2016 USD
Regional technical working group meeting	21,325	-
Regional consultation meeting	621,123	147,488
International conference/workshop	74,563	-
National consultation meeting	355,519	35,272
Other CRBMF meeting expenses	807	-
Team coordination meeting	23,333	-
Annual meeting	45,295	-
Other internal meeting expenses	2,767	-
	<u>1,144,732</u>	<u>182,760</u>

19. SUPPORT TO DECENTRALIZATION AND NIP

	2017 USD	2016 USD
Cambodia	11,690	18,000
Lao PDR	18,000	17,993
Thailand	5,149	15,218
Viet Nam	-	17,907
	<u>34,839</u>	<u>69,118</u>


20. MOUs WITH MEMBER COUNTRIES

	2017 USD	2016 USD
Cambodia	145,188	19,906
Lao PDR	105,872	23,988
Thailand	59,395	-
Viet Nam	78,443	4,760
	<u>388,898</u>	<u>48,654</u>


21. Administrative Reserve Fund (ARF)

ARF support to the Council Study Programme has been reclassified, and its presentation separately shown in the ARF financial statement.

	Original financial statement 2016	2017 Adjustments	Revised Financial Statements
ARF support to the Council Study Programme in 2016	94,367	(94,367)	-
	<u>94,367</u>	<u>(94,367)</u>	-


Pham Tuan Phan
Chief Executive Officer

Date: **25 MAY 2018**


Naruepon Sukumasavin
Director of Administration Division

Date: **25 MAY 2018**