

**PROVISION OF FLOOD FORECASTING, FLASH FLOOD GUIDANCE, DRY SEASON MONITORING
AND DISSEMINATION OF INFORMATION AND WARNING AND ALERT SERVICES**

IMPLEMENTED BY MEKONG RIVER COMMISSION

**AUDITED STATEMENT AND
INDEPENDENT AUDITORS' REPORT
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2019**

**PROVISION OF FLOOD FORECASTING, FLASH FLOOD GUIDANCE, DRY SEASON MONITORING AND
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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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PROJECT MANAGEMENT'S REPORT

The Project Management hereby submits the report together with the audited statement of income and expenditures ("the statement") of Provision of Flood Forecasting, Flash Flood Guidance, Dry Season Monitoring and Dissemination of Information and Warning and Alert Services ("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.

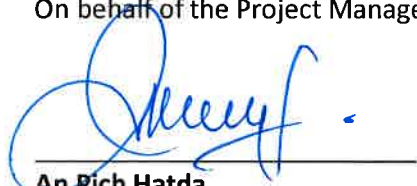
The Project Management is responsible for ensuring that proper accounting records are kept which enable the statement to be prepared in compliance with the basis of preparation and accounting policies set out in Note 2 to the statement. The Project Management is also responsible for safeguarding the 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 PROVISION OF FLOOD FORECASTING, FLASH FLOOD GUIDANCE, DRY SEASON MONITORING AND DISSEMINATION OF INFORMATION AND WARNING AND ALERT SERVICES

Report on the Statement

Opinion

We have audited the accompanying statement of income and expenditures ("the statement") of Provision of Flood Forecasting, Flash Flood Guidance, Dry Season Monitoring and Dissemination of Information and Warning and Alert Services ("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 PROVISION OF FLOOD FORECASTING, FLASH FLOOD GUIDANCE, DRY SEASON MONITORING AND DISSEMINATION OF INFORMATION AND WARNING AND ALERT SERVICES (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

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**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	1,550,053
Interest income	4	14,831
		<u>1,564,884</u>
EXPENDITURES		
Programme/Activity costs	5	546,366
Operational costs	6	943,818
Contingency fees	7	122,302
Administration fees	8	112,874
		<u>1,725,360</u>
Deficit of income over expenditures		(160,476)
Fund balance at beginning of financial period		<u>-</u>
Fund balance at the end of financial period		<u>(160,476)</u>
REPRESENTED BY:		
Bank balances	9	158,572
Advances to employees		3,878
Payable to MRC		(2,926)
Loans from MRC	10	(320,000)
		<u>(160,476)</u>

The accompanying notes from an integral part of the statement.

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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.

The Project aims to provide reliable daily flood forecasting and early warning information during the flood season, weekly river monitoring of the Mekong river mainstream in the dry season, and year round flash flood guidance during critical weather situations. It will also encourage the exchange of information, knowledge and experiences between relevant National Line Agencies of Cambodia, Lao PDR, Myanmar, Thailand, Viet Nam, and regional organisations including the ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management ("AHA Centre"), and the MRC Secretariat, and enhance skills and strengthen capacities of staffs of relevant National Line Agencies in MRC Member Countries.

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 are recognised as receivables until they are cleared; and
- (ii) Payable and loans from MRC are recognised as payables until they are paid.

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.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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	<u>1,550,053</u>
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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	75,458
Per diem	78,924
Meeting package/Workshop/Seminar	89,264
Consultant/Expert	202,240
Equipment	<u>100,480</u>
	<u>546,366</u>

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6. OPERATIONAL COSTS

**1.1.2015 to
31.12.2019
USD**

Personnel	<u>943,818</u>
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7. CONTINGENCY FEES

Contingency fees represent the expenses used to cover any unforeseen costs in order to support the budget activities and tasks that have come under the budget pressure through changes in scope or inputs required for the Project.

8. ADMINISTRATION FEES

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

9. BANK BALANCES

**31.12.2019
USD**

Cambodian Public Bank	33,371
Public Bank	<u>125,201</u>
	<u>158,572</u>

10. LOANS FROM MRC

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

ANNEX - BUDGET VS ACTUAL EXPENDITURES

FINANCIAL REPORT BY DEVELOPMENT PARTNERS CODES

Project Title: Flood Management & Mitigation Programme's Core Function Project
 Proponent/Implementing Agency: Flood Management & Mitigation 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)							205,683.00		
Fund Received - 2nd (date: 16/12/2016)							1,155,741.02		
Fund Received - 3rd (date: 23 Oct 2019)							188,628.76		
Accumulated earned interest from 2015 - 2019							14,831.33		
TOTAL FUND RECEIVED							1,564,884.11		
I. PROGRAMME/ACTIVITY COST									
A. Airfare	170,930.00	35,276.98	1,335.00	2,741.00	23,059.53	13,045.01	75,457.52	95,472.48	44%
B. Per diem	77,180.00	53,309.46	1,590.47	4,512.65	9,855.11	9,716.25	78,923.94	(1,743.94)	102%
C. Meeting Package / Workshop / Seminar	47,280.00	23,497.78	393.00	26,774.69	27,933.32	10,665.59	89,264.38	(41,984.38)	189%
D. Consultant/Expert	213,600.00	65,821.00	16,402.00	63,066.50		56,950.00	202,239.50	11,360.50	95%
E. Equipment	79,257.00	36,977.62	6,873.86	6,434.52	46,980.04	3,214.26	100,480.30	(21,223.30)	127%
F. Auditing	50,000.00						0.00	50,000.00	0%
SUB TOTAL OF PROGRAMME COST	638,247.00	214,882.84	26,534.33	103,529.36	107,828.00	93,591.11	546,365.64	91,881.36	86%
II. OPERATIONAL COST									
G. Personnel	1,011,010.00	220,389.81	198,000.20	216,551.11	251,632.66	57,243.93	943,817.71	67,192.29	93%
SUB TOTAL OF OPERATION COST	1,011,010.00	220,389.81	198,000.20	216,551.11	251,632.66	57,243.93	943,817.71	67,192.29	93%
III. CONTINGENCY									
Contingency 8%	131,941.00	122,303.08					122,303.08	9,637.92	93%
SUB TOTAL CONTINGENCY	131,941.00	122,303.08					122,303.08	9,637.92	93%
IV. ADMINISTRATION FEE									
Int & Reg Coop service 1%	17,812.00	5,575.77					5,575.77	12,236.23	31%
Mgmt & Tech Services 2%	35,624.00	11,151.50				6,463.14	17,614.64	18,009.36	49%
Finance and Admin Service 4%	71,248.00	22,303.02	15,717.41	22,405.64	25,162.22	4,095.31	89,683.60	(18,435.60)	126%
SUB TOTAL ADMINISTRATION FEE	124,684.00	39,030.29	15,717.41	22,405.64	25,162.22	10,558.45	112,874.01	11,809.99	91%
TOTAL EXPENDITURE (I + II + III+IV)	1,905,882.00	596,606.02	240,251.94	342,486.11	384,622.88	161,393.49	1,725,360.44	180,521.56	91%
FUND BALANCE (TOTAL FUND RECEIVED - TOTAL EXPENDITURE)							(160,476.33)		