

**Mekong River Commission**

**Mekong Integrated Water Resources  
Management Project  
(M-IWRMP, IDA Grant No. H762)**

Financial Statements for the year ended  
31 December 2018  
and  
Independent Auditors' Report

**Mekong River Commission**  
***Mekong Integrated Water Resources Management Project***  
***(M-IWRMP, IDA Grant No. H762)***

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## **Project information**

<b>Project</b>	Mekong Integrated Water Resources Management Project (M-IWRMP, IDA Grant No. H762)
<b>Funding agency</b>	International Development Association (IDA)
<b>Duration</b>	17 August 2012 – 30 June 2019
<b>Implementing agency</b>	Mekong River Commission (MRC)
<b>Project Director</b>	An Pich Hatda (Chief Executive Officer, MRC Secretariat)
<b>Registered office</b>	Mekong River Commission Office of the Chief Executive Officer 184 Fa Ngoum Road, P.O. Box 6101 Vientiane Capital, Lao PDR Tel: (856-21) 263 263 Fax: (856-21) 263 264
<b>Auditors</b>	KPMG Lao Co., Ltd. 10 <sup>th</sup> Floor Royal Square Office Building Samsenthai Road, Nongduong Nua Vilalge, Sikhotabong District, P.O. Box 6978 Vientiane Capital, Lao PDR



# Mekong River Commission

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## Statement of Management's Responsibilities

It is the responsibility of management to prepare financial statements of the Mekong Integrated Water Resources Management Project ("the Project") for the year ended 31 December 2018, which are prepared in all material respects in accordance with the accounting policies as described in Note 2 to the financial statements. 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; and
- Maintain financial records and prepare the financial statements based on the accounting policies as described in Note 2.

Project Management of Mekong Integrated Water Resource Management Project is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position and financial performance of the Project. Members of project management have a general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Project and to prevent and detect fraud and other irregularities.

Project Management confirms that the Project has complied with the above requirements in preparing the financial statements.

On behalf of the management

An Pich Hatda  
Chief Executive Officer

Date: **27 JUN 2019**

Suchart Sirijungsakul  
Director of Administration Division

Date: **27 JUN 2019**



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## **Independent Auditors' Report**

### **To the Project Management, Mekong Integrated Water Resources Management Project**

#### ***Opinion***

We have audited the financial statements of the Mekong Integrated Water Resources Management Project ("M-IWRMP, IDA Grant No. H762" or "the Project"), which comprise the statement of cash receipts and payments and the statement of designated bank account for the year ended 31 December 2018, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of the Project for the year ended 31 December 2018 are prepared, in all material respects, in accordance with 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 Project 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.

#### ***Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use***

We draw attention to Note 2(a) to the financial statements, which describes the basis of accounting. The financial statements have been prepared to assist the Project to report to donor. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Project and its donor, and should not be used by or distributed to other parties. Our opinion is not modified in respect of this matter.



**Mekong River Commission**  
**Mekong Integrated Water Resources Management Project**  
**(M-IWRMP, IDA Grant No. H762)**

**Statement of cash receipts and payments**  
**for the year ended 31 December**

	Note	2018 USD	2017 USD
<b>Receipts</b>	5	<b>1,578,470</b>	<b>1,762,056</b>
<b>Payments</b>			
Goods, works, incremental operating costs, Training and workshops	6	(558,890)	(766,600)
Consultants' services	7	(604,439)	(891,574)
Management and administration fees	8	(127,971)	(314,452)
		(1,291,300)	(1,972,626)
Gain on exchange rate		477	-
<b>Total payments</b>		<b>(1,290,823)</b>	<b>(1,972,626)</b>
<b>Excess (deficit) of receipts over payments</b>		<b>287,647</b>	<b>(210,570)</b>
Fund balance at the beginning of the year		197,106	407,676
<b>Fund balance at the end of the year</b>		<b>484,753</b>	<b>197,106</b>
<b>Represented by:</b>			
Cash at designated bank account		352,651	39,863
Expenses paid by using MRC (pooling account)	3	(11,868)	(44,438)
Advances	4	143,970	201,681
<b>Total</b>		<b>484,753</b>	<b>197,106</b>

*The accompanying notes are an integral part of these financial statements.*



An Pich Hatda  
Chief Executive Officer

Date: **27 JUN 2019**



Suchart Sirijungsakul  
Director of Administration Division

Date: **27 JUN 2019**

**Mekong River Commission**  
**Mekong Integrated Water Resources Management Project**  
**(M-IWRMP, IDA Grant No. H762)**

**Statement of designated bank account**  
**for the year ended 31 December**

	Note	2018 USD	2017 USD
<b>Receipts</b>	5	<b>1,578,470</b>	<b>1,762,056</b>
<b>Payments</b>			
Payments made out of MRC pooling account		(1,291,300)	(1,972,626)
Increase of cash at MRC pooling account		(32,570)	(32,830)
Decrease of advances		57,711	28,857
Gain on exchange rate		477	-
		<u>(1,265,682)</u>	<u>(1,976,599)</u>
<b>Excess (deficit) of receipts over payments</b>		<b>312,788</b>	<b>(214,543)</b>
Fund balance at the beginning of the year		39,863	254,406
<b>Fund balance at the end of the year</b>		<b>352,651</b>	<b>39,863</b>
<b>Represented by:</b>			
<b>Cash at designated bank account</b>		<b>352,651</b>	<b>39,863</b>

*The accompanying notes are an integral part of these financial statements.*



\_\_\_\_\_  
An Pich Hatda  
Chief Executive Officer

Date: **27 JUN 2019**



\_\_\_\_\_  
Suchart Sirijungsakul  
Director of Administration Division

Date: **27 JUN 2019**



**Mekong River Commission**  
***Mekong Integrated Water Resources Management Project***  
***(M-IWRMP, IDA Grant No. H762)***

**Notes to the financial statements**  
**for the year ended 31 December 2018**

**1. Principal activities**

The Mekong River Commission (MRC) was established by the 1995 Agreement on Co-operation for the Sustainable Development of the Mekong River Basin, between the governments of Cambodia, Laos, Thailand and Vietnam. In accordance with this Agreement, the mission of the MRC is “to promote and coordinate sustainable management and development of water and related resources for the countries’ mutual benefit and the people’s well-being by implementing strategic programmes and activities and providing scientific information and policy advice”.

The Mekong Integrated Water Resources Management Project (M-IWRMP) is one of the MRC’s programmes with financial support from AusAID (from 2009 to 2014) and the World Bank (2012-2019). The overall objective of the M-IWRMP is to improve the enabling framework and capacity for Integrated Water Resources Management (IWRM) in the Lower Mekong Basin (LMB) Countries and strengthen the role of MRC as the facilitator of significant water resources development, guided by IWRM principles.

The M-IWRMP consists of 3 components; Regional, Transboundary and National. The project has been funded by AusAID with a grant of AUD 7 million in support of the regional component. From August 2012, the World Bank funding more than USD 8 million come on line after the effectiveness of the financial agreement between the WB/IDA and the MRC Secretariat (MRCS).

The objective of the Project is to establish key examples of IWRM practices in the LMB at the regional, national and sub-national levels, thus contributing to more sustainable river basin development in the LMB.

The project constitutes the first phase of the Program and consists of the following parts, the Recipient acknowledging and confirming that the Association shall not provide any financial or technical support under the Project for the Processing of a Dam in the mainstream Mekong.

The main activities of the Project in the period are set out in the comparison of budget and actual expenditure.

**2. Summary of significant accounting policies**

The following significant accounting policies have been adopted by the Project in the preparation of these financial statements:

**(a) Basis of financial statements preparation**

The financial statements of the Project consist of the statement of cash receipts and payments and statement of designated bank account, which is expressed in United States Dollars (“USD”), are prepared in accordance with the accounting policies of the Project as set out below. The accounting policies have been applied consistently throughout the period.

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**Notes to the financial statements**  
**for the year ended 31 December 2018**

**2. Summary of significant accounting policies (continued)**

**(a) Basis of financial statements preparation (continued)**

The financial statements have been prepared in accordance with modified cash basis of accounting, which may differ in some material respects from International Financial Reporting Standards and the generally accepted accounting principles and standard of other Countries. Accordingly, the accompanying financial statements are not intended to present the financial position and result of operations and cash flows in accordance with generally accepted accounting principles and practice. Furthermore, their utilisation is not designed for those who are not informed about the Project's accounting principles and practices.

**(b) Cash**

Cash comprises cash on hand and balances with banks.

**(c) Foreign exchange**

The Project maintains its accounting records in USD in accordance with the MRC accounting system for all transactions. All cash is held in USD. Transactions in currencies other than USD during the period have been 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 receipts and payments.

**(d) Accounting reporting period**

The financial accounting year starts on 1 January and ends on 31 December.

**(e) Comparison of budget and actual payments**

The approved budget is developed on the same accounting and classification basis and for the same period as for the financial statements.

**(f) Receipts recognition**

Fund receipt from Development Partner (World Bank) is recognised as income when cash is credited to the project's designated bank account. Bank interest is recognised when credited to the project's bank account and recorded in the following month. Receipts and revenue are recognised upon cash receipts.

**(g) Expenditure recognition**

Expenditure is recognised when paid, except for: staff health and life insurance premiums, personal telephone costs charged to staff which are recognised on an accrual basis, and advance to National Mekong Committees, projects and employees, which are recognised when cleared.

Amount for expenditures is withdrawn from project's designated bank account and deposited to MRC's own account (MRC pooling account). All payments are made from MRC pooling account.

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**Notes to the financial statements**  
**for the year ended 31 December 2018**

**2. Summary of significant accounting policies (continued)**

**(h) Management and administration fees**

Management and administration fees are calculated at a percentage of 11% of the projects expenditure and are recognised as revenue under the Operating Expenses Budget fund (OEB) and as expense under the World Bank-funded project. These are used to cover the expenses of the MRC Secretariat in rendering technical and administrative services to the projects.

**3. Balance at MRC pooling account**

The pooling account of MRC receives funds from various donors, including World Bank. As at 31 December 2018, balance of Operating Bank Account for World Bank Funds included in MRC pooling account was USD (12,608), which is different from Expenses paid by using MRC (pooling account) stated in the Statement of cash receipts and payments by an amount of USD (740). This is the adjustment the Project Management made in 2017 to reduce the expenditure incurred in 2016.

Funds are periodically transferred from project's designated bank account to MRC pooling account. During 2018, MRC's own funds were utilised for the project. Subsequently during Quarter 1 of 2019, an amount of USD 315,044 was transferred by the donor to project's designated bank account which was then reimbursed to MRC pooling account.

	<b>2018 USD</b>	<b>2017 USD</b>
MRC pooling account	(11,868)	(44,438)
	<u><b>(11,868)</b></u>	<u><b>(44,438)</b></u>

**4. Advances**

	<b>2018 USD</b>	<b>2017 USD</b>
Cambodia National Mekong Committee	62,856	62,856
Lao Mekong IWRM Project Lao and Cambodia	40,700	40,700
Lao Mekong IWRM Project Lao and Thailand	29,495	29,495
Tonle Sap-Songkhla Project (Cambodia-Thailand)	7,919	16,250
Participants of Training Workshop	3,000	-
Vietnam National Mekong Committee	-	24,620
Nam Kam – Xebanghieng	-	20,853
WADV00137 – Cash Advance for MRC photo Contest	-	6,907
	<u><b>143,970</b></u>	<u><b>201,681</b></u>

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**Notes to the financial statements**  
**for the year ended 31 December 2018**

**5. Receipts**

	<b>2018 USD</b>	<b>2017 USD</b>
Funds received from IDA-World Bank	1,575,693	1,757,630
Interest income	2,778	4,426
	<b><u>1,578,470</u></b>	<b><u>1,762,056</u></b>

**6. Goods, works, incremental operating costs, training and workshops**

	<b>2018 USD</b>	<b>2017 USD</b>
Fisheries (Lao-Cambodia)	121,363	64,508
Communication	88,152	95,953
Tonle Sap-Songkhla project (Cambodia-Thailand)	86,593	63,862
Water Resources Management Delta Water Resources (Cambodia-Vietnam)	80,966	118,813
Water Resources Management Sesan-Sreпок (Cambodia-Vietnam)	78,279	75,438
Transboundary Environmental Impact Assessment (TbEIA) guidelines	53,077	149,878
Project management	38,298	84,203
Wetland management (Lao-Thailand)	12,162	43,335
The MRC procedures implementation support	-	36,897
Inception support	-	33,713
	<b><u>558,890</u></b>	<b><u>766,600</u></b>

**7. Consultants' Services**

	<b>2018 USD</b>	<b>2017 USD</b>
Project management	409,255	516,047
Communication	136,435	219,491
Tonle Sap-Songkhla project (Cambodia-Thailand)	27,614	15,876
Wetland management (Lao-Thailand)	8,985	24,811
Water Resources Management Delta Water Resources (Cambodia-Vietnam)	7,500	6,750
Water Resources Management Sesan-Sreпок (Cambodia-Vietnam)	7,500	8,119
National consultants	7,150	24,700
Transboundary Environmental Impact Assessment (TbEIA) guidelines	-	75,780
	<b><u>604,439</u></b>	<b><u>891,574</u></b>

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**Notes to the financial statements**  
**for the year ended 31 December 2018**

**8. Management and administration fees**

Management and administration fees in 2018 is USD 127,971. Total management and administration fees have already charged to MRC operation bank account in 2018 is USD 115,365 and the amount of USD 12,606 for December 2018 will be transferred in January 2019.

Total management and administration fee in 2017 amounted to USD 314,452, out of which management and administration fee for amounted to USD 182,404 and the rest pertained to 2016, amounting to USD 132,048. This amount was not charge to the expenditure account in 2016 and has been subsequently charged as expenditure in 2017.

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**Comparison of budget and actual payments**  
**for the year ended 31 December 2018**

**(Appendix)**

	Actual		Budget*		Variance			Project Appraisal Document ("PAD")	
	31 December 2018	Cumulative to date	31 December 2018	Cumulative to date	31 December 2018	Cumulative to date	Cumulative to date	Total budget	Remaining budget as at 31 December 2018
	USD	USD	USD	USD	USD	USD	%	USD	USD
<b>World Bank Components</b>									
<b>Component 1: Bilateral Transboundary Projects: MS</b>									
1. Fisheries (Lao-Cambodia)	121,363	308,130	195,000	381,767	73,637	73,637	19%	535,200	227,070
2. Water Resources Management Sesan-Srepok (CAM-VN)	85,779	254,405	80,000	248,626	(5,779)	(5,779)	-2%	354,000	99,595
3. Wetland Management (Lao - Thailand)	21,147	307,035	60,000	345,888	38,853	38,853	11%	354,000	46,965
4. Water Resources Management Delta Water Resources (CAM-VN)	88,466	283,649	110,000	305,183	21,534	21,534	7%	354,000	70,351
5. Tonle Sap-Songkhla Project (Cambodia-Thailand)	114,207	318,278	165,000	369,071	50,793	50,793	14%	457,000	138,722
6. Inception support (for 4 proposals)	-	107,205	20,000	127,205	20,000	20,000	16%	126,800	19,595
<b>Sub-total</b>	<b>430,962</b>	<b>1,578,702</b>	<b>630,000</b>	<b>1,777,740</b>	<b>199,038</b>	<b>199,038</b>	<b>11%</b>	<b>2,181,000</b>	<b>602,298</b>
<b>Component 2: Support to MRC-MIWRM Activities: MS</b>									
1. Transboundary EA Guidelines	53,077	443,166	100,000	490,089	46,923	46,923	10%	560,000	116,834
2. National Indicative Plan Consultations (NIPs)	-	97,197	-	97,197	-	-	0%	200,000	102,803
3. Communications	224,587	755,590	210,000	741,003	(14,587)	(14,587)	-2%	706,300	(49,290)
4. Rules for Water Utilization	7,150	308,835	50,000	351,685	42,850	42,850	12%	400,000	91,165
5. Support to Phase 1, 2, and 3 Projects	-	137,283	-	137,283	-	-	0%	289,000	151,717
<b>Sub-total</b>	<b>284,814</b>	<b>1,742,071</b>	<b>360,000</b>	<b>1,817,257</b>	<b>75,186</b>	<b>75,186</b>	<b>4%</b>	<b>2,155,300</b>	<b>413,229</b>

**Mekong River Commission**  
**Mekong Integrated Water Resources Management Project**  
**(M-IWRMP, IDA Grant No. H762)**

**Comparison of budget and actual payments**  
**for the year ended 31 December 2018**

*(Appendix)*

	Actual		Budget*		Variance			Project Appraisal Document ("PAD")	
	31 December 2018	Cumulative to date	31 December 2018	Cumulative to date	31 December 2018	Cumulative to date	Cumulative to date	Total budget	Remaining budget as at 31 December 2018
World Bank Components	USD	USD	USD	USD	USD	USD	%	USD	USD
<b>Component 3: Project Management Support: MS</b>									
1. Project Management	447,553	2,516,652	490,000	2,559,099	42,447	42,447	2%	2,791,300	274,648
2. MRC Administration (11%)	127,971	642,701	162,000	676,730	34,029	34,029	5%	812,400	169,699
<b>Sub-total</b>	<b>575,524</b>	<b>3,159,353</b>	<b>652,000</b>	<b>3,235,829</b>	<b>76,476</b>	<b>76,476</b>	<b>2%</b>	<b>3,603,700</b>	<b>444,347</b>
Open Risk Model PNPCA (Already Closed)	-	11,490	-	11,490	-	-	0%	60,000	48,510
<b>Sub-total</b>	<b>-</b>	<b>11,490</b>	<b>-</b>	<b>11,490</b>	<b>-</b>	<b>-</b>	<b>0%</b>	<b>60,000</b>	<b>48,510</b>
<b>Total Project Expenditure</b>	<b>1,291,300</b>	<b>6,491,616</b>	<b>1,642,000</b>	<b>6,842,316</b>	<b>350,700</b>	<b>350,700</b>	<b>5%</b>	<b>8,000,000</b>	<b>1,508,384</b>
<b>Exchange (gain)</b>	<b>(477)</b>	<b>(477)</b>	<b>-</b>	<b>-</b>	<b>(477)</b>	<b>(477)</b>	<b>-100%</b>	<b>-</b>	<b>477</b>
<b>Total</b>	<b>1,290,823</b>	<b>6,491,139</b>	<b>1,642,000</b>	<b>6,842,316</b>	<b>350,223</b>	<b>350,223</b>	<b>5%</b>	<b>8,000,000</b>	<b>1,508,861</b>

**Mekong River Commission**  
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**Comparison of budget and actual payments**  
**for the year ended 31 December 2018**

**Analysis of variances between actual and budget payments\***

*(\*Source of Information: Interim Financial Reports submitted to World Bank on quarterly basis and discussion with the Programme Manager)*

The project has received no cost objection from the World Bank on extension of the financial agreement to 31 December 2019 due to delay on project activity implementation from 2018, noted that original finance agreement was to finish on 31 March 2019.

In year 2018, although the project implementation was delayed from plan, many activities have made good progress. It is note that variances arise from delay on project implementation and some activities was completed in 2019 such as Transboundary Environmental Impact Assessment (TbEIA) and Thailand – Lao wetland project. However, negative variances also occurred on Water Resources Management Sesan – Srepok (CAM – VN) project and Communication unit.

The variance analysis looks after the fact at what caused a different between plans and actual. In 2018, the budget analysis shows the positive variance of USD 350,652. Explanation on root cause of the variance per category / component is provided below.

**Component 1: Bilateral Transboundary Projects**

11% of total variance occurred under the bilateral transboundary project components. Following are causes of such variance;

1. Over budgeting for the Mekong – Sekong fisheries project – the project appraisal document allocated budget for the Mekong – Sekong project as USD 535,200. However, the project expenditures through implementation by the bilateral partners was approximately USD 308,130 at the end of 2018. This can be concluded that the project budgeting was not in line with actual budget needed to complete the project expected outputs.
2. Error on budgeting for the inception support – the inception report was completed in 2016. However, the budget line was not removed from the financial report which caused variance of USD 20,000.
3. Delay on national project implementation from member countries and joint activity- Prior to joint meeting, national consultation is needed. To organize the national event, coordination between the National Mekong Committee and line agency is required since on-ground activity are being implemented by line agency and locals. In several occasions, line agency has other commitment for their activity and not available for the transboundary project activity. Therefore, the national activity was delayed. As a result, the joint activity was also delayed which cause delay on expenditures.



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**Comparison of budget and actual payments**  
***for the year ended 31 December 2018***

4. Delay on imprest account clearance this is a major cause of variance on this component. The imprest account is designed to be replenished on monthly basis allowing member countries to manage their cash flow properly. However, it was found that the member countries submitted the replenishment once in 2 – 3 months, in some case almost 6 months. This practice influenced the shortage of cash – on – hand for NMC to implement the activity as planned which affect the delay of project implementation. This phenomenon became a cycle of delay causing accumulate delay on expenditures and clearance.
5. Delay on national consultant claim for payment – many consultants didn't submit the document to claim for payment in 2018 and pending to submit in 2019 which had effect to the consultant budget variance

**Component 2: Support to MRC-MIWRM Activities**

It was found that USD 75,186 (4%) variance occurred under the component 2 which cause by;

1. project implementation completion of the TbEIA; and
2. Low expenditure on activity to the support the MRC Rule for Water Utilization due to cost sharing on the activity and consultant with the MRC Planning Division

**Component 3: Project Management Support**

Under the project management support, it was found that 2% of variance occurred due to cancellation of the project coordination meetings and impact from low expenditure of project implementation on MAF 11%.