

Mekong River Commission

*Audited Financial Statements
as at and for the year ended 31 December 2013*

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 Mekong River Commission for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES DURING 2013

The Mekong River Commission (“MRC” or “the Commission”) has continued the implementation of its eleven key Programmes with technical cooperation and financial support from 15 Development Partners committed for the Strategic Plan 2011-2015.

The MRC continues to implement its two key strategies, the Integrated Water and Related Resources Management (“IWRM”)-based Basin Development Strategy (“BDS”), and the Strategic Plan 2011-2015 (SP 2011-2015).

Regarding the BDS, the MRC has implemented the Basin Action Plan composed of the Regional Action Plan of the MRCS and the National Indicative Plans prepared by the National Mekong Committees.

The strategic plan for the period of 2011-2015 provides a platform for the MRC’s plan to decentralize core functions of the MRCS to the national level. In 2013, more work has been done to define core functions and prepare an action plan to start the gradual decentralization of activities to the national level. The decentralization plan at both national and regional level has been finalized for MRC Joint Committee and Council approval. In addition, in-depth financial analysis on Member Country contributions has also been conducted to assist Member Countries in the consideration of the steps required to achieve the Hua Hin commitment of financial self-sustainability by 2030.

In 2013, in accordance with the decision of the MRC’s Council made in 2011 that approved the MRC Strategic Plan for 2011-2015, an independent mid-term review of the implementation of this Strategic Plan has been undertaken with review report due in the first quarter of 2014.

The 18th Council Meeting of the MRC in December 2011 agreed in principle to implement a study on sustainable management and development of the Mekong River Basin including impacts of mainstream hydropower projects. In response to that decision, the MRCS developed a Concept Note which was discussed and endorsed at the 19th Meeting of the MRC Council on 16 January 2013. The 1st Regional Technical Working Group (“RTWG”) Meeting for the Council Study was organised on 26-27 September 2013 to finalize the Term of reference for the Council Study including the methodology, management and coordination roles, and work assignments.

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:

Hans Guttman	Chief Executive Officer Officer-in-Charge of International Cooperation and Communication Section from 7 October 2013
Pich Dun	Director of Planning Division
Tran Duc Cuong	Director of Environment Division until 3 July 2013
Truong Hong Tien	Director of Environment Division from 5 July 2013
Sourasay Phoumavong	Director of Technical Support Division
Satit Phromchai	Director of Operations Division until 15 December 2013
So Nam	Officer-in-Charge of Operations Division for the period of 17-18 December 2013
Prasong Jantakad	Officer-in-Charge of Operations Division from 19 December 2013
Nguyen Thu Mai	Chief of Finance and Administration Section until 12 April 2013
Nguyen Thi Thanh Huong	Officer-in-Charge of Finance and Administration Section from 15 April 2013
Boun Xaiyareth	Chief of Finance and Administration Section from 3 February 2014
Klomjit Chandrapanya	Chief of International Cooperation and Communication Section until 19 April 2013
Sophearin Chea	Officer-in-Charge of International Cooperation and Communication Section from 22 April 2013 to 7 October 2013
Natayaporn Jumratsri	Chief of Human Resources Section

On behalf of the MRCS Management



Hans Guttman
Chief Executive Officer
28 February 2014

Reference: KTC-RBI/HAN/14/R021/MRC/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 Mekong River Commission ("MRC" or "the Commission") which comprise the statement of fund balance as at 31 December 2013 and the statement of income and expenditure for the year then ended, a summary of significant accounting policies and other explanatory information as set out on pages 5 to 14. 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 to 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 Mekong River Commission Secretariat ("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.

Opinion

In our opinion, the financial statements of the Commission as at 31 December 2013 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 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.



KTC Audit & Business Advisory Co., Ltd.
Member of Russell Bedford International

Hanoi, Vietnam
28 February 2014

Mekong River Commission

STATEMENT OF INCOME AND EXPENDITURE for the year ended 31 December 2013

Currency: USD

	Note	2013	2012
INCOME			
Contribution			
Contributions from Development Partners	3	18,213,603	23,357,860
Contributions from Riparian Governments	4	1,980,871	1,827,076
		<u>20,194,474</u>	<u>25,184,936</u>
Revenue			
Interest	5	107,828	76,625
Miscellaneous		7,550	3,050
		<u>115,378</u>	<u>79,675</u>
TOTAL INCOME		<u>20,309,852</u>	<u>25,264,611</u>
EXPENDITURE			
<i>Project expenditure</i>			
Personnel services		10,202,264	9,184,159
Sub-contracts		1,969,793	1,724,479
Training		4,371,592	3,454,374
Equipment		729,492	650,073
Miscellaneous expenses		314,790	435,255
	6	<u>17,587,931</u>	<u>15,448,340</u>
<i>Administrative expenditure</i>			
Staff salary and fees		1,539,013	1,635,030
Common staff costs		713,643	785,767
Travel		84,444	92,790
Contractual services		78,808	99,408
General operating expenses		306,429	283,723
Supplies		31,599	40,172
Furniture and equipment		32,916	53,349
MRC meeting expenses		298,589	176,374
Support to National Mekong Committees		50,505	61,406
		<u>3,135,946</u>	<u>3,228,019</u>
Administrative Reserve Fund	7	23,269	47,046
Programme Reserve Fund	8	(107)	22,024
TOTAL EXPENDITURE		<u>20,747,039</u>	<u>18,745,429</u>
Foreign exchange gain/(loss)		27,297	(13,784)
Movement in Fund Balance for the year		<u>(409,890)</u>	<u>6,505,398</u>



Hans Guttman
Chief Executive Officer
28 February 2014



Boun Xaiyarath
Chief, Finance and Administration Section

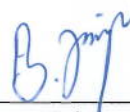
Mekong River Commission

STATEMENT OF FUND BALANCE as at 31 December 2013

	Note	2013	Currency: USD 2012
Fund Balance as at 1 January		25,215,073	18,709,675
Movement in Fund Balance for the year		(409,890)	6,505,398
Fund Balance as at 31 December	12	<u><u>24,805,183</u></u>	<u><u>25,215,073</u></u>
Represented by			
Current assets			
Cash on hand and at banks	9	23,743,328	24,305,688
Advances, accounts receivable and prepayments	10	1,192,260	1,051,174
Deposits		5,610	5,610
		<u><u>24,941,198</u></u>	<u><u>25,362,472</u></u>
Current liabilities			
Other liabilities	11	136,015	147,399
		<u><u>136,015</u></u>	<u><u>147,399</u></u>
Net Current Assets		<u><u>24,805,183</u></u>	<u><u>25,215,073</u></u>



Hans Guttman
Chief Executive Officer
28 February 2014



Boun Xaiyath
Chief, Finance and Administration Section

Mekong River Commission

NOTES TO THE FINANCIAL STATEMENTS as at and for the year ended 31 December 2013

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 168 staff members 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.

Mekong River Commission

NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2013

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*

Fund receipt from Development Partners is recognised as income when cash is credited to the Commission’s designated bank accounts. Direct payments made by Development Partners to contractors are recognised as income upon Development Partners’ notice to the Commission.

Contribution from Riparian Governments is 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 and fax costs charged to staff 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.

Mekong River Commission

NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2013

3. CONTRIBUTIONS FROM DEVELOPMENT PARTNERS

	<i>Currency: USD</i>	
	2013	2012
Cash contributions (*)	18,000,322	23,425,453
Interest earned on Development Partners' funds (***)	349,007	405,752
Unutilised fund and interest returned to Development Partners	(135,726)	(473,345)
	<u>18,213,603</u>	<u>23,357,860</u>

(*) Analysis of cash contributions by Development Partners:

	<i>Currency: USD</i>	
	2013	2012
Asian Development Bank	-	16,253
Australia	-	3,512,850
Belgium	2,575,440	3,629,136
Denmark	3,550,662	1,701,145
Deutsche Gesellschaft für Internationale Zusammenarbeit ("GIZ") GmbH	2,207,975	932,055
European Union	373,200	-
FAO Regional Office for Asia and the Pacific	12,000	-
Finland	4,629,520	3,752,914
France (**)	624,187	1,427,091
Japan	435,959	490,892
Kreditanstalt für Wiederaufbau ("KfW")	87,815	136,027
Luxembourg	520,000	520,000
Netherlands	-	-
New Zealand	-	350,000
Sweden	2,090,623	2,107,090
Switzerland	90,000	3,000,000
United States of America	650,000	1,350,000
World Bank	152,941	500,000
	<u>18,000,322</u>	<u>23,425,453</u>

(**) Of which the direct payments amounted to USD 54,299 (2012: USD 631,477).

(***) This is interest earned on contributions from Development Partners. Its use is subject to specific agreements between the Commission and the Development Partners, either for project expenditure or for return to the Development Partners.

Mekong River Commission

NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2013

4. CONTRIBUTIONS FROM RIPARIAN GOVERNMENTS

	<i>Currency: USD</i>	
	2013	2012
Cambodia	412,785	385,102
Lao PDR	412,785	385,102
Thailand	601,566	549,276
Viet Nam	553,735	507,596
	<u>1,980,871</u>	<u>1,827,076</u>

5. INTEREST

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

6. PROJECT EXPENDITURE (*)

6a. Analysis of Project Expenditure by Development Partner

	<i>Currency: USD</i>	
	2013	2012
Asian Development Bank	-	(21)
Australia	3,047,055	2,328,868
Belgium	2,701,874	2,157,864
Denmark	1,791,353	2,251,816
Deutsche Gesellschaft für Internationale Zusammenarbeit ("GIZ") GmbH	1,403,811	953,377
European Union	103,008	-
FAO Regional Office for Asia and the Pacific	50	-
Finland	2,506,460	2,323,929
France	713,743	1,427,129
Japan	661,143	358,483
Kreditanstalt für Wiederaufbau ("KfW")	49,978	52,892
Luxembourg	156,230	154,316
Netherlands	606	(24,139)
New Zealand	44,288	364,484
Sweden	1,824,271	1,966,945
Switzerland	1,887,958	934,309
United States of America	424,373	106,073
World Bank	191,914	5,070
Miscellaneous	79,816	86,945
	<u>17,587,931</u>	<u>15,448,340</u>

(*) This excludes the Management and Administration Fees. See also Note 14.

Mekong River Commission

NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2013

6. PROJECT EXPENDITURE (continued)

6b. Analysis of Project Expenditure by Programme

	2013	2012
		<i>Currency: USD</i>
Agriculture and Irrigation Programme	774,940	358,483
Basin Development Programme	1,669,075	1,826,497
Climate Change and Adaptation Initiative	1,932,546	897,144
The Drought Management Programme	114,365	-
Environment Programme	1,471,013	1,470,447
Flood Management and Mitigation Programme	827,109	720,614
Fisheries Programme	1,857,671	1,236,342
Integrated Capacity Building Programme	1,194,798	1,445,533
Information and Knowledge Management Programme	2,205,775	3,161,647
Initiative on Sustainable Hydropower	1,744,780	821,878
Mekong Integrated Water Resources Management Project	1,123,744	1,040,955
Navigation Programme	1,853,397	1,456,831
Other Programmes	768,740	959,077
Watershed Management Project	49,978	52,892
	<u>17,587,931</u>	<u>15,448,340</u>

7. ADMINISTRATIVE RESERVE FUND

	2013	2012
		<i>Currency: USD</i>
2.1\61\10\ARF\O Co-hosted location of MRCS (OSP & OSV)	12,722	25,598
2.2\21\12\ARF\D Drought Management Programme	10,547	21,448
	<u>23,269</u>	<u>47,046</u>

Items under Administrative Reserve Fund represent: (i) the expenditure incurred for the project of co-hosted location of the MRCS following the MRC Council's decision at its Sixteenth meeting to have two MRCS offices: Office of Secretariat in Phnom Penh ("OSP") and Office of Secretariat in Vientiane ("OSV"); and (ii) the expenditure incurred for the Drought Management Programme as approved by the MRC Joint Committee at its Thirty-sixth meeting in October 2012.

Mekong River Commission

NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2013

8. PROGRAMME RESERVE FUND

	<i>Currency: USD</i>	
	2013	2012
2.1\43\09\PRF\D Drought Management Project- Initial Activity	4	22,024
2.1\45\09\PRF\F Vital Services at RFC	(111)	-
	<u>(107)</u>	<u>22,024</u>

Items under Programme Reserve Fund represent the expenditure incurred for Initial Drought Management activities and the vital services of the MRCS for flood forecasting during floods and other emergency situations.

9. CASH ON HAND AND AT BANKS

	<i>Currency: USD</i>	
	2013	2012
Cash on hand	1,573	1,169
Cash at banks	23,741,755	24,304,519
	<u>23,743,328</u>	<u>24,305,688</u>

10. ADVANCES, ACCOUNT RECEIVABLES AND PREPAYMENTS

	<i>Currency: USD</i>	
	2013	2012
Advances for general purpose expenditure	150,000	140,000
Other advances	1,006,886	881,092
Accounts receivable	35,374	30,082
	<u>1,192,260</u>	<u>1,051,174</u>

Advances for general project expenditure represent imprest funds given to some satellite projects for petty cash expenses and other disbursements within their limits of authority. The related project expenditure is charged to the statement of income and expenditure upon submission of clearance forms. Other advances are education allowances of staff dependants, advances issued to conduct training and workshops and advances to employees against salary. Accounts receivable are prepaid insurance and medical claims.

11. OTHER LIABILITIES

	<i>Currency: USD</i>	
	2013	2012
Accounts payable	(666)	(666)
Accrued repatriation fee	123,326	145,803
Others	13,355	2,262
	<u>136,015</u>	<u>147,399</u>

Accrued repatriation fee represents the MRC expatriate staff separation fees payable on leaving the MRC to return to their home country.

Mekong River Commission

NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2013

12. CLOSING FUND BALANCES

Closing fund balances can be analysed by source of funds as follows:

	2013	2012
		<i>Currency: USD</i>
Asian Development Bank	-	-
Australia	5,616,597	8,867,158
Belgium	2,503,503	2,887,615
Denmark	2,231,910	649,482
Deutsche Gesellschaft für Internationale Zusammenarbeit ("GIZ") GmbH	950,859	281,596
European Union	317,726	48,197
FAO Regional Office for Asia and the Pacific	11,953	-
Finland	3,697,203	1,800,047
France	96,665	262,738
Japan	271,793	559,527
Kreditanstalt für Wiederaufbau ("KfW") (*)	14,489	(17,991)
Luxembourg	1,146,003	778,567
Netherlands	172,582	171,772
New Zealand (*)	(1)	49,159
Sweden	1,656,895	1,616,942
Switzerland	1,002,341	2,986,427
United States of America	1,450,663	1,242,326
World Bank	462,780	496,574
Miscellaneous (*)	(109,803)	(29,987)
	21,494,158	22,650,149
Operating Expenses Budget	3,311,025	2,564,924
	24,805,183	25,215,073

(*) Negative fund balance represents expenditure incurred in excess of contributions.

13. PROVIDENT FUND

The Commission manages a provident fund, which had a balance at 31 December 2013 of USD 2,408,882 (31 December 2012: USD 2,302,327), to provide a savings scheme in lieu of a pension fund on behalf of 168 (2012: 177) 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.

Mekong River Commission


NOTES TO THE FINANCIAL STATEMENTS (continued) as at and for the year ended 31 December 2013

14. 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 OEB fund and as expense under the Development Partners' funds. These are used to cover the expenses of the MRCS in rendering technical and administrative services to the projects. The Management and Administration Fees of USD 1,808,960 (2012: USD 1,636,101) are netted off on the preparation of the Commission's financial statements.



Hans Guttman
Chief Executive Officer
28 February 2014



Boun Xaiyarath
Chief, Finance and Administration Section