

**MEKONG RIVER COMMISSION
OPERATING EXPENSE BUDGET**

**Income and Expenditure Statement
for the year ended 31 December 2005**

**Mekong River Commission – Operating Expense Budget
Income and Expenditure Statement for the year ended 31 December 2005**

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REPORT OF THE INDEPENDENT AUDITORS

To the members of the Joint Committee of the Mekong River Commission

Scope

We have audited the income and expenditure statement (“the statement”) of the Operating Expense Budget of the Mekong River Commission (“the Commission”) for the year ended 31 December 2005, as set out on page 2 to 8. This statement is the responsibility of the Commission’s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the statement has been prepared in accordance with a modified cash basis of accounting. This is a basis of accounting used by the Mekong River Commission; it does not produce financial statements that are compatible with International Financial Reporting Standards.

Audit Opinion

In our opinion the income and expenditure statement presents fairly, in all material respects, the income and expenditure of the Commission in respect of its Operating Expense Budget for the year ended 31 December 2005 in accordance with the basis of accounting and accounting policies set out in Notes 2 and 3.

KPMG Lao Co., Ltd.
KPMG Lao Co., Ltd.
Vientiane

22 March 2006




**Mekong River Commission – Operating Expense Budget
Income and Expenditure Statement for the year ended 31 December 2005**

	Notes	2005 USD	2004 USD
Income			
Contributions			
Contributions - riparian governments	4	1,078,332	1,006,586
Contributions - other sources		50,000	145,659
		<u>1,128,332</u>	<u>1,152,245</u>
Revenue			
Professional revenue		-	43,401
Interest	15	13,883	5,293
Secretariat support costs	5	873,721	683,015
Miscellaneous revenue		11,875	21,014
		<u>899,479</u>	<u>752,723</u>
Total Income		<u>2,027,811</u>	<u>1,904,968</u>
Expenditure			
Salaries and fees	6	671,086	702,053
Common staff costs	7	402,500	392,080
Official travel	8	22,047	3,420
Contractual services	9	81,484	60,826
General operating expenses	10	180,726	168,343
Supplies	11	27,571	31,431
Furniture and equipment	12	70,290	18,634
MRC meeting expenses	13	146,489	157,243
Support to National Mekong Committees and Water Utilisation Programme	14	221,812	221,484
Repayment of relocation loan	18	60,000	-
Total Expenditure		<u>1,884,005</u>	<u>1,755,514</u>
Foreign exchange (loss)		(3,290)	(7,756)
Operating Surplus		<u>140,516</u>	<u>141,698</u>
Operating Expense Budget balance at 1 January		193,549	51,851
Operating Expense Budget balance at 31 December	17	<u>334,065</u>	<u>193,549</u>

The notes set out on pages 3 to 8 form an integral part of this statement

Approved by:


Dr. Olivier Cogels
Chief Executive Officer


Dr. Dirk Overweg
Chief Finance and Administration

These notes form an integral part of, and should be read in conjunction with, the accompanying income and expenditure statement.

1. Principal activities

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 Vietnam, with China and Myanmar as dialogue partners.

The role 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. It fulfils this role by providing scientific information and policy advice and implementing strategic programs and activities in accordance with the 1995 Agreement.

2. Basis of preparation

The financial statements, expressed in United States Dollars (“USD”), have been prepared in accordance with a modified cash basis of accounting. This is a basis of accounting used by the Mekong River Commission; it does not produce financial statements that are compatible with International Financial Reporting Standards. Under the basis of accounting, income is recognised when received rather than earned, except for interest income which is recognised when earned. Expenditure is recognised when paid rather than incurred, except for: staff health and life insurance premiums, personal telephone costs charged to staff and repatriation fee, which are recognised on an accruals basis; and advances to National Mekong Committees, projects and employees, which are recognised when cleared.

3. Summary of significant accounting policies

(a) 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.

(b) 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 income and expenditure statement.

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(continued)

4. Contributions from riparian governments

	2005	2004
	USD	USD
Cambodia	250,328	237,414
Lao PDR	250,328	237,414
Thailand	294,703	270,309
Vietnam	282,973	261,449
	<u>1,078,332</u>	<u>1,006,586</u>

5. Secretariat support costs

Revenue for secretariat support costs comes from donors. Secretariat support costs are calculated at 11% of expenditure for most projects. The revenue is used to cover the expenses of the Secretariat in rendering technical and administrative services to MRC projects.

6. Salaries and fees

	2005	2004
	USD	USD
Professional posts	448,612	444,501
General service posts	175,355	211,510
Personal service contracts	-	155
Temporary general services	40,599	31,403
Overtime payments	6,520	14,484
	<u>671,086</u>	<u>702,053</u>

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(continued)

7. Common staff costs

	2005	2004
	USD	USD
Dependency allowances – professional staff	9,652	12,893
Assignment/relocation allowances	8,876	22,593
Housing allowances	45,011	51,051
Post allowances	54,068	35,810
Hardship allowances	40,853	36,598
Dependency allowances – general staff	30,563	38,327
Uniforms/laundry allowances	823	476
Provident fund – professional staff	58,675	65,869
Provident fund - general staff	22,798	27,751
Medical insurance	36,324	16,096
Life and accident insurance	3,619	4,341
Medical examinations	117	64
Education grants	32,858	37,166
Home leave travel	10,326	11,993
Recruitment	10,244	18,538
Separation costs	33,287	12,514
Other costs	4,406	-
	<u>402,500</u>	<u>392,080</u>

8. Official travel

	2005	2004
	USD	USD
Programming Mission	18,362	-
External travel	1,411	2,032
Riparian travel	2,274	1,388
	<u>22,047</u>	<u>3,420</u>

9. Contractual Services

	2005	2004
	USD	USD
External printing	4,242	7,068
EDP system development	10,652	12,795
EDP hardware	200	-
External audit	38,500	12,359
Security guards	15,739	22,118
Miscellaneous contractual services	12,151	6,486
	<u>81,484</u>	<u>60,826</u>

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(continued)

10. General operating expenses

	2005	2004
	USD	USD
Office improvements	25,049	6,057
Office maintenance	7,211	683
Utilities	53,234	65,062
Equipment rental and maintenance	6,971	7,985
Vehicle operation and maintenance	10,232	13,050
Vehicle insurance	2,358	2,503
Internet and e-mail	26,244	24,046
Telephone installation, rent and maintenance	12	835
Local telephone calls	5,941	17,291
Long distance telephone calls	9,370	5,674
Pouch and courier	6,297	3,508
Postage	1,565	2,807
Facsimile	2,566	2,883
Hospitality expenses	12,431	2,266
Non-life insurance	2,856	3,401
Bank charges	7,870	6,164
Miscellaneous expenses	519	4,128
	<u>180,726</u>	<u>168,343</u>

11. Supplies

	2005	2004
	USD	USD
Stationery	16,033	21,027
Document reproduction	-	2,569
Computer supplies	1,552	1,139
Books/periodicals	3,626	4,665
Audio visual aids	552	297
Other supplies	5,808	1,734
	<u>27,571</u>	<u>31,431</u>

12. Furniture and equipment

	2005	2004
	USD	USD
Furniture and fixtures	773	1,214
Non-EDP equipment	7,523	13,526
EDP equipment	38,553	3,894
EDP Software – ready made	23,441	-
	<u>70,290</u>	<u>18,634</u>

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13. MRC meeting expenses

	2005	2004
	USD	USD
Council meetings	56,717	21,864
Joint Committee meetings	63,624	88,362
Donor Consultative Group meetings	6,794	18,018
Dialogue meetings	16,054	13,022
Other meetings	3,300	15,977
	<u>146,489</u>	<u>157,243</u>

14. Support to National Mekong Committees (“NMC”) and Water Utilisation Programme (“WUP”)

	2005	2004
	USD	USD
Support to NMCs	10,177	1,540
Cambodia NMC	10,088	15,023
Lao NMC	15,000	15,036
Vietnam NMC	12,839	8,318
Support to WUP	167,198	168,997
Other support	6,510	12,570
	<u>221,812</u>	<u>221,484</u>

The Secretariat provides funds for the staff costs of personnel working at the Secretariat specifically for the Water Utilisation Programme in accordance with the MRC’s agreement with the World Bank. In 2005, the Secretariat funded 75% (2004: 75%) of the salaries of these personnel amounting to USD161,151 (2004: USD159,184). In addition, the above amounts include other operating expenses incurred by the MRC for the WUP amounting to USD6,047 (2004: USD9,813).

15. Interest

Interest is earned on MRC funds and contributions from donors. Interest is credited to the OEB interest balance with the exception of interest earned on contributions received from Australia, Denmark, the European Commission, Finland, GTZ, Norway, Sweden, Switzerland and the UNDP, which is included in project contributions from donors.

16. Provident Fund

The Commission manages a provident fund, which had a balance at 31 December 2005 of USD1,400,660 (2004: USD1,354,923), to provide a savings scheme in lieu of a pension fund on behalf of 123 (2004: 100) members of staff eligible for the scheme. Staff and Commission contributions are banked in a separate bank account. The Commission's contributions to the fund are included in the income and expenditure statement, as personnel services in respect of project expenditure, and as staff salaries and fees in respect of administrative expenditure; the provident fund is not otherwise reflected in the financial statements of the Commission.

17. Operating Expense Budget balance at 31 December

The operating expense budget balance at 31 December represents the Administrative Reserve Fund maintained by the MRC and recorded as "Operating Expenses Budget Surplus" in the MRC financial statements.

18. Relocation project loan

This represents the drawdown of a loan facility amounting to USD600,000 from the Government of the Lao PDR which was used to finance the MRC Secretariat relocation to Vientiane (Lao PDR). The loan is unsecured and interest free. The MRC shall repay the loan gradually, upon availability of surplus funds from the MRC Operational Expense Budget ("OEB") and/or funds made available from other sources, within five years; this may be extended to a maximum of ten years. The generation of surpluses from the OEB funds shall be subject to the approval of the Joint Committee.

During the year, the first repayment for the relocation project was USD 60,000.