



**MEKONG RIVER COMMISSION
OPERATING EXPENSE BUDGET**

**Income and Expenditure Statement
for the year ended 31 December 2010**

**Mekong River Commission – Operating Expense Budget
Income and Expenditure Statement for the year ended 31 December 2010**

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REPORT OF THE INDEPENDENT AUDITORS

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

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 2010, as set out on pages 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.

In our opinion the income and expenditure statement is prepared for the year ended 31 December 2010, in all material respects, 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

15 February 2011



**Mekong River Commission – Operating Expense Budget
Income and Expenditure Statement
For the year ended 31 December 2010**

	Notes	2010 USD	2009 USD
Income			
Contributions			
Contributions - riparian governments	4	2,061,896	1,444,608
		<u>2,061,896</u>	<u>1,444,608</u>
Revenue			
Interest	5	64,176	25,051
Management and administration fees	6	1,953,751	1,781,431
Miscellaneous revenue		5,830	2,717
		<u>2,023,757</u>	<u>1,809,199</u>
Total Income		<u>4,085,653</u>	<u>3,253,807</u>
Expenditure			
Salaries and fees	7	1,079,591	964,604
Common staff costs	8	654,259	551,747
Official travel	9	25,888	25,557
Contractual services	10	109,276	99,405
General operating expenses	11	272,795	199,482
Supplies	12	39,966	31,794
Furniture and equipment	13	97,653	79,297
MRC meeting expenses	14	279,224	293,503
Support to National Mekong Committees, Water Utilisation Programme and other programmes	15	57,751	61,733
Repayment of relocation project loan	18	60,000	60,000
Total Expenditure		<u>2,676,403</u>	<u>2,367,122</u>
Administrative Reserve Fund	16	<u>498,412</u>	<u>-</u>
Programme Reserve Fund	17	<u>94,228</u>	<u>-</u>
Operating Surplus		816,610	886,685
Operating Expense Budget balance at 1 January		<u>2,256,674</u>	<u>1,369,989</u>
Operating Expense Budget balance at 31 December		<u>3,073,284</u>	<u>2,256,674</u>

The notes set out on pages 2 to 8 form an integral part of this statement

Approved by:



Jeremy Bird
Chief Executive Officer
MRC Secretariat



Nguyen Thu Mai
Chief, Finance and Administration Section
MRC Secretariat

Mekong River Commission – Operating Expense Budget
Notes to the Income and Expenditure Statement
For the year ended 31 December 2010

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 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 this 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. All property and equipment are expensed in full in the income and expenditure statement at the date of acquisition.

(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.

Mekong River Commission – Operating Expense Budget
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For the year ended 31 December 2010 (continued)

4. Contributions from riparian governments

	2010	2009
	USD	USD
Cambodia	337,057	316,258
Lao PDR	337,057	316,258
Thailand	960,262	419,236
Vietnam	427,520	392,856
	<u>2,061,896</u>	<u>1,444,608</u>

MRC received and recorded the annual contribution from Thailand for the year 2011 amounting to USD 501,739 in year 2010.

5. Interest

Interest is earned on MRC funds and contributions from development partners. The interest is used following the specific agreement between MRC with the development partners for either project expenditures or OEB expenditures, or is returned to the development partners.

6. Management and administration fees

Revenue for management and administration fees comes from development partners. Management and administration fees 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.

7. Salaries and fees

	2010	2009
	USD	USD
Professional posts	675,912	628,476
General service posts	345,198	287,272
Temporary general services	48,474	41,988
Overtime payments	10,007	6,868
	<u>1,079,591</u>	<u>964,604</u>

Mekong River Commission – Operating Expense Budget
Notes to the Income and Expenditure Statement
For the year ended 31 December 2010 (continued)

8. Common staff costs

	2010	2009
	USD	USD
Dependency allowances – professional staff	11,803	13,049
Assignment/relocation allowances	6,347	1,476
Housing allowances	33,396	25,770
Post allowances	66,975	70,772
Hardship allowances	43,135	43,489
Dependency allowances – general staff	50,006	43,665
Uniforms/laundry allowances	1,321	1,367
Devaluation allowances – professional staff	32,542	23,725
Devaluation allowances – general staff	52,560	42,413
Provident fund – professional staff	92,685	87,187
Provident fund - general staff	46,270	36,655
Medical insurance	17,554	12,890
Life and accident insurance	5,633	4,995
Medical examinations	489	122
Education grants	40,279	39,137
Home leave travel	5,369	5,378
Recruitment	64,571	25,043
Separation costs	20,108	15,522
Other training	42,912	34,418
Other costs	20,304	24,674
	<u>654,259</u>	<u>551,747</u>

9. Official travel

	2010	2009
	USD	USD
External travel	11,814	13,047
Riparian travel	14,074	12,510
	<u>25,888</u>	<u>25,557</u>

10. Contractual Services

	2010	2009
	USD	USD
External audit	15,129	35,228
External printing	18,999	24,168
EDP system development	27,106	17,795
Security guards	32,236	18,141
Miscellaneous contractual services	15,806	4,073
	<u>109,276</u>	<u>99,405</u>

Mekong River Commission – Operating Expense Budget
Notes to the Income and Expenditure Statement
For the year ended 31 December 2010 (continued)

11. General operating expenses

	2010	2009
	USD	USD
Office improvements	24,071	15,350
Office maintenance	14,156	18,932
Utilities	69,892	56,598
Equipment rental and maintenance	13,185	13,120
Vehicle operation and maintenance	11,734	6,991
Vehicle insurance	5,561	5,053
Internet and e-mail	69,962	27,786
Telephone installation, rent and maintenance	1,347	1,927
Local telephone calls	3,031	2,945
Long distance telephone calls	7,920	7,106
Pouch and courier	3,098	1,704
Postage	948	1,771
Facsimile	857	749
Hospitality expenses	8,637	5,537
Non-life insurance	6,276	8,520
Bank charges	25,507	16,973
Miscellaneous expenses	6,613	8,420
	<u>272,795</u>	<u>199,482</u>

12. Supplies

	2010	2009
	USD	USD
Stationery	15,490	12,370
Document reproduction	291	124
Computer supplies	7,601	3,464
Books/periodicals	3,836	3,185
Audio visual aids	-	173
Other supplies	12,748	12,478
	<u>39,966</u>	<u>31,794</u>

13. Furniture and equipment

	2010	2009
	USD	USD
Furniture and fixtures	6,542	4,626
Non-EDP equipment	27,232	35,049
EDP equipment	45,075	28,731
EDP Software – ready made	18,804	10,891
	<u>97,653</u>	<u>79,297</u>

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For the year ended 31 December 2010 (continued)

14. MRC meeting expenses

	2010	2009
	USD	USD
Council meetings	21,848	86,366
Joint Committee meetings	117,658	128,752
Development partner Consultative Group meetings	10,036	21,273
Dialogue meetings	10,183	12,355
Other meetings	19,499	44,757
MRC Summit	100,000	-
Council meetings	<u>279,224</u>	<u>293,503</u>

15. Support to National Mekong Committees (“NMC”), Water Utilisation Programme and Other Programmes

	2010	2009
	USD	USD
Cambodia NMC	15,000	15,000
Lao NMC	14,996	18,024
Thailand NMC	1,244	11,754
Vietnam NMC	14,978	13,975
Support to other programmes	11,533	2,980
	<u>57,751</u>	<u>61,733</u>

16. Administrative Reserve Fund

	2010	2009
	USD	USD
Administrative Reserve Fund		
2.1\61\10\ARF\O Co-hosted location of MRCS (OSP & OSV)	345,270	-
2.1\71\10\ARF\O MRC First Summit-April 2010 Hua Hin, Thailand	153,142	-
Total Administrative Reserve Fund	<u>498,412</u>	<u>-</u>

Administrative Reserve Fund represents the expenditure incurred for MRC First Summit-April 2010 held in Hua Hin, Thailand and expenditure incurred for relocating some of the operations from Office of Secretariat in Vientiane (“OSV”) to Office of Secretariat in Phnom Penh (“OSP”) following the MRC Council’s decision on the co-hosted location of the MRCS.

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For the year ended 31 December 2010 (continued)

17. Programme Reserve Fund

	2010	2009
	USD	USD
Programme Reserve Fund		
2.1\43\09\PRF\D Drought Management		
Project-Initial Activities	75,319	-
2.1\45\09\PRF\F Vital Services	18,909	-
Total Programme Reserve Fund	94,228	-

Programme Reserve Fund represents the expenditure incurred for drought management activities and vital services of the MRCS in Phnom Penh and Vientiane for flood casting during floods and other emergency situations.

18. Relocation project loan

This represents the drawdown of a loan facility amounting to USD 600,000 from the Government of the Lao PDR in 2003 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, MRC had made their sixth repayment amounting to USD 60,000 which brings the outstanding balance to USD 200,000 as at 31 December 2010 (2009: USD 260,000)

19. Provident Fund

The Commission manages a provident fund, which had a balance at 31 December 2010 of USD 1,635,084 (2009: USD 1,501,067), to provide a savings scheme in lieu of a pension fund on behalf of 153 (2009: 159) members of staff who are 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.