



**MEKONG RIVER COMMISSION**

**Financial Statements**  
**for the year ended 31 December 2009**

**Mekong River Commission**  
**Financial Statements for the year ended 31 December 2009**

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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 financial statements of the Mekong River Commission (“the Commission”) set out on pages 2 to 8, comprising the balance sheet as at 31 December 2009 and the related income and expenditure statement for the year then ended. These financial statements are the responsibility of the Commission’s management. 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. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements are prepared, in all material respects, in accordance with the basis of accounting and the accounting policies set out in Notes 2 and 3.

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



12 February 2010

**Mekong River Commission**  
**Balance Sheet as at 31 December 2009**

	Note	2009 USD	2008 USD
<b>Assets</b>			
Cash on hand and at banks	4	16,945,663	15,593,909
Advances, accounts receivable and prepayments	5	883,321	1,141,918
Deposits		5,610	5,610
<b>Total Assets</b>		<u>17,834,594</u>	<u>16,741,437</u>
<b>Liabilities</b>			
Relocation project loan	6	260,000	320,000
Other liabilities	7	62,875	351,794
<b>Total Liabilities</b>		<u>322,875</u>	<u>671,794</u>
<b>Net Assets</b>		<u>17,511,719</u>	<u>16,069,643</u>
Represented by:			
<b>Fund Balances</b>			
Asian Development Bank	8	(17,762)	(79,248)
Government of Australia		3,961,399	3,848,022
Government of Belgium		727,149	1,548,114
Government of Denmark		4,414,005	4,486,059
Deutsche Gesellschaft Für Technische Zusammenarbeit (GTZ) GmbH		237,662	33,210
Government of Germany	8	(609)	-
European Commission	8	(120,885)	223,048
Government of Finland		2,847,664	2,025,964
Government of France		301,365	281,131
International Bank for Reconstruction and Development		-	3,103
Government of Japan		391,022	586,394
Murray Darling Basin Commission		-	14,759
Government of Netherlands		637,410	440,807
Government of New Zealand		34,775	1,228
Government of Sweden		2,010,531	1,472,281
Government of the United States		42,774	-
Others		48,545	134,782
Operating Expense Budget Surplus		2,256,674	1,369,989
Relocation project fund	6	(260,000)	(320,000)
<b>Total Fund Balance</b>		<u>17,511,719</u>	<u>16,069,643</u>

*The notes set out on pages 4 to 8 form an integral part of these statements*

Approved by:



Jeremy Bird  
 Chief Executive Officer  
 MRC Secretariat



Nguyen Thu Mai  
 Chief, Finance and Administration Section

**Mekong River Commission**  
**Income and Expenditure Statement for the year ended 31 December 2009**

	Note	2009 USD	2008 USD
<b>Contributions</b>			
Development Partners	9	21,538,387	15,664,854
Riparian governments	10	1,444,608	956,042
		<u>22,982,995</u>	<u>16,620,896</u>
<b>Revenue</b>			
Interest	12	25,051	36,014
Miscellaneous		2,717	5,352
		<u>27,768</u>	<u>41,366</u>
<b>Total Income</b>		<u>23,010,763</u>	<u>16,662,262</u>
<b>Expenditure</b>			
<i>Project expenditure</i>			
Personnel services		10,976,156	9,124,960
Sub-contracts		3,613,310	1,454,338
Training		2,803,674	1,771,523
Equipment		1,357,991	706,918
Miscellaneous expenses		540,749	660,555
Water Utilisation Programme ("WUP")		-	525,457
		<u>19,291,880</u>	<u>14,243,751</u>
<i>Administrative expenditure</i>			
Staff salary and fees		964,604	834,758
Common staff costs		551,747	546,945
Travel		25,557	23,226
Contractual services		99,405	96,772
General operating expenses		199,482	181,253
Supplies		31,794	26,732
Furniture and equipment		79,297	90,115
MRC meeting expenses		293,503	201,775
Support to National Mekong Committees		61,733	50,470
WUP management support		-	(2,521)
Repayment of relocation project loan		60,000	100,000
		<u>2,367,122</u>	<u>2,149,525</u>
<b>Total Expenditure</b>		<u>21,659,002</u>	<u>16,393,276</u>
Foreign exchange gain/(loss)		90,315	(45,075)
<b>Movement in Fund Balances</b>		1,442,076	223,910
<b>Fund Balance as at 1 January</b>		16,069,643	15,845,733
<b>Fund Balance as at 31 December</b>		<u>17,511,719</u>	<u>16,069,643</u>

*The notes set out on pages 4 to 8 form an integral part of these statements*

Approved by:



Jeremy Bird  
 Chief Executive Officer  
 MRC Secretariat



Nguyen Thu Mai  
 Chief, Finance and Administration Section



These notes form an integral part of, and should be read in conjunction with, the accompanying financial statements.

## **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 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 is expended in full at the date of acquisition.


### **(b) Advances**

Monies advanced to National Mekong Committees, projects and employees are recorded under the advances, accounts receivable and prepayments account on the balance sheet. Advances spent on projects or secretariat operations are recorded as expenditure in the period that they are reported to the Mekong River Commission Secretariat.

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*Approved by:*

  
Jeremy Bird  
Chief Executive Officer  
MRC Secretariat

  
Nguyen Thu Mai  
Chief, Finance and Administration Section

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

*(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 income and expenditure statement.

**4. Cash on hand and at banks**

	2009 USD	2008 USD
Cash on hand	183	480
Cash at banks	16,945,480	15,593,429
	<u>16,945,663</u>	<u>15,593,909</u>

**5. Advances, accounts receivable and prepayments**

	2009 USD	2008 USD
Advances for general project expenditure	541,481	591,699
Other advances	311,705	550,219
Accounts receivable	30,135	-
	<u>883,321</u>	<u>1,141,918</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 income and expenditure statement upon submission of clearance forms. Other advances are education allowances of staff dependants, advance issued to conduct trainings and workshops and advances to employees against salary. Accounts receivable are prepaid insurance and medical claims.

**6. 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 use of surpluses from the OEB funds shall be subject to the approval of the Joint Committee.

During the year, the MRC made the fifth repayment amounting to USD 60,000 thereby bringing the total of repayments to USD 340,000. The outstanding balance of the relocation loan is USD 260,000.

Approved by:



Jeremy Bird  
Chief Executive Officer  
MRC Secretariat



Nguyen Thu Mai  
Chief, Finance and Administration Section



**7. Other liabilities**

	<b>2009</b>	<b>2008</b>
	<b>USD</b>	<b>USD</b>
Accounts payable	271	-
Accrued repatriation fee	58,923	217,850
Advance received for new project fund	-	104,420
Others	3,681	29,524
	<u>62,875</u>	<u>351,794</u>

Accrued repatriation fee represents the MRC expatriate staff separation fees payable on leaving the MRC to return to their home country. The repatriation fee to the administrative expenditure and project expenditure amounted to USD 9,089 (2008: USD 6,026) and USD 40,917 (2008: USD 77,919) respectively accrued in 2010.

**8. Negative fund balances**

The relocation project fund is described in Note 6 above. Other negative fund balances represent expenditures incurred in excess of receipts. These deficits are expected to be reimbursed by the development partners.

**9. Contributions from Development Partners**

	<b>2009</b>	<b>2008</b>
	<b>USD</b>	<b>USD</b>
Cash received from development partners	21,634,494	15,573,318
Interest (returned)/earned on development partners' funds	(93,004)	143,619
Contributions returned to development partners	(3,103)	(52,083)
	<u>21,538,387</u>	<u>15,664,854</u>

Main development partners in the year include the governments of Australia, Belgium, Denmark, Finland, Japan, Sweden, the Netherlands and France.

The cash received per development partner comprise the following:

	<b>2009</b>	<b>2008</b>
	<b>USD</b>	<b>USD</b>
Asian Development Bank	610,000	-
Government of Australia	2,945,111	4,382,089
CSIRO Land and Water, Australia	105,501	106,758
Government of Denmark	3,779,905	1,976,891
Deutsche Gesellschaft Für Technische Zusammenarbeit (GTZ) GmbH	590,231	294,231
Balance c/f	<u>8,030,748</u>	<u>6,759,969</u>

Approved by:



Jeremy Bird  
Chief Executive Officer  
MRC Secretariat



Nguyen Thu Mai  
Chief, Finance and Administration Section



9. Contributions from Development Partners (continued)

	2009 USD	2008 USD
Balance b/f	8,030,748	6,759,969
European Commission	82,275	228,804
Government of Finland	4,424,900	2,697,108
Government of France	1,137,330	720,931
International Bank for Reconstruction and Development	-	111,937
Government of Japan	287,496	302,628
Government of Netherlands	2,679,688	1,200,000
Government of New Zealand	71,595	77,995
Government of Sweden	3,277,386	2,051,304
Government of Belgium	1,392,100	1,249,000
Government of the United States	179,247	-
Others	11,729	73,642
	<u>21,574,494</u>	<u>15,473,318</u>
Reimbursement of relocation loan	60,000	100,000
	<u>21,634,494</u>	<u>15,573,318</u>

Contributions returned to development partners comprise the following:

	2009 USD	2008 USD
International Bank for Reconstruction and Development 7.1\23\01\WUP	3,103	49,954
USAID 3.1\53\04\USA\	-	2,129
	<u>3,103</u>	<u>52,083</u>

Approved by:



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Chief Executive Officer  
MRC Secretariat



Nguyen Thu Mai  
Chief, Finance and Administration Section

**10. Contributions from riparian governments**

	<b>2009</b>	<b>2008</b>
	<b>USD</b>	<b>USD</b>
Cambodia	316,258	297,350
Lao PDR	316,258	297,350
Thailand	419,236	-
Vietnam	392,856	361,342
	<u>1,444,608</u>	<u>956,042</u>

MRC received and recorded the annual contribution from Thailand for the year 2008 amounting of USD383,521 in 2007.

**11. Management & Administration Fees and other government contributions**

Revenue for management & administration fees and other government contributions comes from development partners. Management & administration fees are calculated at 11% of expenditure for most projects. The revenue is used to cover the expenses of the Commission's Secretariat in rendering technical and administrative services to the projects. These balances have been eliminated on preparation of the financial statements for the MRC as a whole as set out below.

	<b>2009</b>	<b>2008</b>
	<b>USD</b>	<b>USD</b>
Management & administration fees – Income	1,781,431	1,301,678
Management & administration fees – Expense	<u>1,781,431</u>	<u>1,301,678</u>

**12. 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.

**13. Provident fund**

The Commission manages a provident fund, which had a balance at 31 December 2009 of USD 1,501,067 (2008:USD 1,713,461), to provide a savings scheme in lieu of a pension fund on behalf of 159 (2008:140) 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.

Approved by:

  
Jeremy Bird  
Chief Executive Officer  
MRC Secretariat

  
Nguyen Thu Mai  
Chief, Finance and Administration Section