

**MEKONG RIVER COMMISSION
OPERATING EXPENSE BUDGET**

**Income and Expenditure Statement
for the year ended 31 December 2004**

**Mekong River Commission – Operating Expense Budget
Income and Expenditure Statement for the year ended 31 December 2004**

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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 2004, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. 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 2004 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
25 February 2005



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Mekong River Commission – Operating Expense Budget
Income and Expenditure Statement for the year ended 31 December 2004

	Notes	2004 USD	2003 USD
Income			
Contributions			
Contributions - riparian governments	4	1,006,586	941,359
Contributions - other sources		145,659	282,459
		<u>1,152,245</u>	<u>1,223,818</u>
Revenue			
Professional revenue	5	43,401	-
Interest	16	5,293	8,580
Secretariat support costs	6	683,015	815,928
Miscellaneous revenue		21,014	13,936
		<u>752,723</u>	<u>838,444</u>
Total Income		<u>1,904,968</u>	<u>2,062,262</u>
Expenditure			
Salaries and fees	7	702,053	929,515
Common staff costs	8	392,080	391,311
Official travel	9	3,420	3,639
Contractual services	10	60,826	100,143
General operating expenses	11	168,343	183,615
Supplies	12	31,431	26,111
Furniture and equipment	13	18,634	39,601
MRC meeting expenses	14	157,243	129,244
Support to National Mekong Committees and Water Utilisation Programme	15	221,484	219,015
Total Expenditure		<u>1,755,514</u>	<u>2,022,194</u>
Foreign exchange (loss)/gain		(7,756)	1,330
Operating Surplus		<u>141,698</u>	<u>41,398</u>
Operating Expense Budget balance at 1 January		51,851	10,453
Operating Expense Budget balance at 31 December	18	<u>193,549</u>	<u>51,851</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

Mekong River Commission – Operating Expense Budget
Notes to the financial statements for the year ended 31 December 2004

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 and personal telephone costs charged to staff, 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) 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.

(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 ruling on the date of transaction. All exchange differences are recorded in the income and expenditure statement.

Mekong River Commission – Operating Expense Budget
Notes to the financial statements for the year ended 31 December 2004 (continued)

4 Contributions from riparian governments

	2004	2003
	USD	USD
Cambodia	237,414	225,673
Lao PDR	237,414	225,673
Thailand	270,309	248,132
Vietnam	261,449	241,881
	<u>1,006,586</u>	<u>941,359</u>

5. Professional revenue

Professional revenue was received from the Government of Australia through the “Appropriate Hydrological Network Improvement Project” (2.1/16/01/AUL). The revenue is equal to the actual costs (salary and related items) of MRC personnel working on this project charged to the Operating Expense Budget.

6. 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.

7. Salaries and fees

	2004	2003
	USD	USD
Professional posts	444,501	623,480
General service posts	211,510	223,942
Personal service contracts	155	-
Temporary general services	31,403	66,595
Overtime payments	14,484	15,498
	<u>702,053</u>	<u>929,515</u>

Mekong River Commission – Operating Expense Budget
Notes to the financial statements for the year ended 31 December 2004 (continued)

8. Common staff costs

	2004	2003
	USD	USD
Dependency allowances – professional staff	12,893	15,803
Assignment/relocation allowances	22,593	2,351
Housing allowances	51,051	28,745
Post allowances	35,810	33,267
Hardship allowances	36,598	54,703
Dependency allowances – general staff	38,327	49,225
Uniforms/laundry allowances	476	1,882
Provident fund – professional staff	65,869	81,598
Provident fund - general staff	27,751	31,182
Medical insurance	16,096	8,416
Life and accident insurance	4,341	5,345
Medical examinations	64	327
Education grants	37,166	31,846
Home leave travel	11,993	13,604
Recruitment	18,538	18,064
Separation costs	12,514	4,887
Other costs	-	10,066
	<u>392,080</u>	<u>391,311</u>

9. Official travel

	2004	2003
	USD	USD
External travel	2,032	543
Riparian travel	1,388	3,096
	<u>3,420</u>	<u>3,639</u>

10. Contractual Services

	2004	2003
	USD	USD
External printing	7,068	3,086
EDP system development	-	37,452
EDP hardware	-	185
External audit	25,154	25,654
Security guards	22,118	32,609
Miscellaneous contractual services	6,486	1,157
	<u>60,826</u>	<u>100,143</u>

Mekong River Commission – Operating Expense Budget
Notes to the financial statements for the year ended 31 December 2004 (continued)

11. General operating expenses

	2004	2003
	USD	USD
Office improvements/renovation	6,057	880
Office maintenance	683	1,426
Utilities	65,062	95,123
Equipment rental and maintenance	7,985	15,906
Vehicle operation and maintenance	13,050	10,918
Vehicle insurance	2,503	2,528
Internet and e-mail	24,046	11
Telephone installation, rent and maintenance	835	1,000
Local telephone calls	17,291	24,268
Long distance telephone calls	5,674	6,271
Pouch and courier	3,508	2,114
Postage	2,807	3,560
Facsimile	2,883	6,330
Hospitality expenses	2,266	3,671
Non-life insurance	3,401	-
Bank charges	6,164	5,828
Miscellaneous expenses	4,128	3,781
	<u>168,343</u>	<u>183,615</u>

12. Supplies

	2004	2003
	USD	USD
Stationery	21,027	16,434
Document reproduction	2,569	66
Computer supplies	1,139	1,272
Books/periodicals	4,665	5,446
Audio visual aids	297	447
Other supplies	1,734	2,446
	<u>31,431</u>	<u>26,111</u>

Mekong River Commission – Operating Expense Budget
Notes to the financial statements for the year ended 31 December 2004 (continued)

13. Furniture and equipment

	2004	2003
	USD	USD
Furniture and fixtures	1,214	4,294
Non-EDP equipment	13,526	31,622
EDP equipment	3,894	3,685
	<u>18,634</u>	<u>39,601</u>

14. MRC meeting expenses

	2004	2003
	USD	USD
Council meetings	21,864	48,518
Joint Committee meetings	88,362	57,195
Donor Consultative Group meetings	18,018	9,642
Dialogue meetings	13,022	4,290
Other meetings	15,977	9,599
	<u>157,243</u>	<u>129,244</u>

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

	2004	2003
	USD	USD
Support to NMCs	1,540	-
Cambodia NMC	15,023	15,006
Lao NMC	15,036	14,724
Vietnam NMC	8,318	2,527
Support to WUP	181,567	186,758
	<u>221,484</u>	<u>219,015</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 2004, the Secretariat funded 75% (2003: 75%) of the salaries of these personnel amounting to USD159,184 (2003: USD146,070). In addition, the above amounts include other operating expenses incurred by the MRC for the WUP amounting to USD12,570 (2003: USD32,599).

16. 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.

17. Provident Fund

The Commission manages a provident fund, which had a balance at 31 December 2004 of USD1,354,923 (2003: USD 1,308,989), to provide a savings scheme in lieu of a pension fund on behalf of 100 (2003: 96) 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.

18. Operating Expense Budget balance at 31 December

The operating expense budget balance at 31 December represents the Administrative Reserve Fund maintained by the MRC.

19. Commitments

As at 31 December 2004, the Commission had total commitments of USD 66,032 (2003: nil) relating to operating expenses incurred but not yet paid in 2004. The commitments represent cheques and telegraphic transfers that were issued shortly before the year end but were not cleared before 31 December 2004. These payments will be reflected in the expenditure for 2005, in addition to the expenditure originally budgeted for that year.