

**MEKONG RIVER COMMISSION  
OPERATING EXPENSE BUDGET**

**Income and Expenditure Statement  
for the year ended 31 December 2007**

**Mekong River Commission – Operating Expense Budget  
Income and Expenditure Statement for the year ended 31 December 2007**

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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 2007, 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.

### 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 2007 in accordance with the basis of accounting and accounting policies set out in Notes 2 and 3.

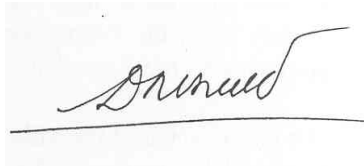
KPMG Lao Co., Ltd.  
Vientiane  
12 February 2008



**Mekong River Commission – Operating Expense Budget  
Income and Expenditure Statement for the year ended 31 December 2007**

	Notes	2007 USD	2006 USD
<b>Income</b>			
<b>Contributions</b>			
Contributions - riparian governments	4	1,627,588	1,157,253
Contributions - other governments		-	106,935
		<u>1,627,588</u>	<u>1,264,188</u>
<b>Revenue</b>			
Professional revenue	5	-	41,402
Interest	6	34,589	7,207
Management and administration fees	7	1,004,524	873,552
Miscellaneous revenue		15,770	10,323
		<u>1,054,884</u>	<u>932,484</u>
<b>Total Income</b>		<u>2,682,471</u>	<u>2,196,672</u>
<b>Expenditure</b>			
Salaries and fees	8	743,120	745,111
Common staff costs	9	403,453	412,726
Official travel	10	17,014	19,668
Contractual services	11	93,679	97,943
General operating expenses	12	170,068	276,557
Supplies	13	23,172	27,879
Furniture and equipment	14	74,120	66,022
MRC meeting expenses	15	262,535	168,548
Support to National Mekong Committees and Water Utilisation Programme	16	82,815	192,879
Repayment of relocation project loan	17	60,000	60,000
<b>Total Expenditure</b>		<u>1,929,976</u>	<u>2,067,333</u>
Foreign exchange gain		-	4,529
<b>Operating Surplus</b>		<u>752,495</u>	<u>133,868</u>
<b>Operating Expense Budget balance at 1 January</b>		467,933	334,065
<b>Operating Expense Budget balance at 31 December</b>	19	<u>1,220,428</u>	<u>467,933</u>

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



Mr. Do Manh Hung  
Officer-in-charge

Approved by:



Dr. Dirk Overweg  
Chief Finance and Administration

**Mekong River Commission – Operating Expense Budget**  
**Notes to the Income and Expenditure Statement for the year ended 31 December 2007**

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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 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) 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**  
**Notes to the Income and Expenditure Statement for the year ended 31 December 2007**  
**(continued)**

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**4. Contributions from riparian governments**

	<b>2007</b>	<b>2006</b>
	<b>USD</b>	<b>USD</b>
Cambodia	280,160	264,534
Lao PDR	280,160	264,534
Thailand	734,574	321,536
Vietnam	332,694	306,649
	<u>1,627,588</u>	<u>1,157,253</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. 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.

**7. 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.

**8. Salaries and fees**

	<b>2007</b>	<b>2006</b>
	<b>USD</b>	<b>USD</b>
Professional posts	484,825	496,549
General service posts	220,897	186,459
Temporary general services	30,077	54,135
Overtime payments	7,321	7,968
	<u>743,120</u>	<u>745,111</u>

**Mekong River Commission – Operating Expense Budget**  
**Notes to the Income and Expenditure Statement for the year ended 31 December 2007**  
**(continued)**

**9. Common staff costs**

	<b>2007</b>	<b>2006</b>
	<b>USD</b>	<b>USD</b>
Dependency allowances – professional staff	11,426	14,166
Assignment/relocation allowances	5,739	5,766
Housing allowances	28,186	22,567
Post allowances	40,981	72,227
Hardship allowances	29,011	44,793
Dependency allowances – general staff	40,014	36,940
Uniforms/laundry allowances	647	1,388
Provident fund – professional staff	54,135	74,159
Provident fund - general staff	26,215	23,320
Medical insurance	17,007	1,490
Life and accident insurance	3,946	4,247
Medical examinations	264	1,527
Education grants	21,381	24,173
Home leave travel	9,027	14,995
Recruitment	43,207	17,298
Separation costs	14,472	8,357
Other training	49,265	33,610
Other costs	8,530	11,703
	<u>403,453</u>	<u>412,726</u>

**10. Official travel**

	<b>2007</b>	<b>2006</b>
	<b>USD</b>	<b>USD</b>
Programming mission	-	3,088
External travel	5,728	14,600
Riparian travel	11,286	1,980
	<u>17,014</u>	<u>19,668</u>

**11. Contractual Services**

	<b>2007</b>	<b>2006</b>
	<b>USD</b>	<b>USD</b>
External printing	24,900	21,607
EDP system development	12,795	21,072
EDP hardware	-	-
External audit	26,950	31,793
Security guards	16,160	14,868
Miscellaneous contractual services	12,874	8,603
	<u>93,679</u>	<u>97,943</u>

**Mekong River Commission – Operating Expense Budget**  
**Notes to the Income and Expenditure Statement for the year ended 31 December 2007**  
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**12. General operating expenses**

	<b>2007</b>	<b>2006</b>
	<b>USD</b>	<b>USD</b>
Office improvements	13,290	116,153
Office maintenance	6,818	6,534
Utilities	47,866	53,345
Equipment rental and maintenance	6,335	5,612
Vehicle operation and maintenance	8,134	4,057
Vehicle insurance	2,212	2,146
Internet and e-mail	32,269	35,774
Telephone installation, rent and maintenance	-	1,587
Local telephone calls	4,794	4,987
Long distance telephone calls	4,608	4,373
Pouch and courier	4,579	8,528
Postage	5,919	6,357
Facsimile	3,021	2,122
Hospitality expenses	6,492	1,385
Non-life insurance	6,850	7,396
Bank charges	13,033	11,274
Miscellaneous expenses	3,848	4,927
	<u>170,068</u>	<u>276,557</u>

**13. Supplies**

	<b>2007</b>	<b>2006</b>
	<b>USD</b>	<b>USD</b>
Stationery	15,984	13,370
Document reproduction	-	1,181
Computer supplies	1,430	3,642
Books/periodicals	2,207	2,830
Audio visual aids	300	763
Other supplies	3,251	6,093
	<u>23,172</u>	<u>27,879</u>

**14. Furniture and equipment**

	<b>2007</b>	<b>2006</b>
	<b>USD</b>	<b>USD</b>
Furniture and fixtures	7,083	5,800
Non-EDP equipment	26,186	18,609
EDP equipment	30,654	32,057
EDP Software – ready made	10,197	9,556
	<u>74,120</u>	<u>66,022</u>



**Mekong River Commission – Operating Expense Budget**  
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**(continued)**

**15. MRC meeting expenses**

	<b>2007</b>	<b>2006</b>
	<b>USD</b>	<b>USD</b>
Council meetings	75,830	61,801
Joint Committee meetings	109,144	78,505
Development partner Consultative Group meetings	22,913	17,426
Dialogue meetings	18,395	2,228
Other meetings	36,253	8,588
	<u>262,535</u>	<u>168,548</u>

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

	<b>2007</b>	<b>2006</b>
	<b>USD</b>	<b>USD</b>
Support to NMCs	-	(4,256)
Cambodia NMC	18,000	20,853
Lao NMC	15,900	17,881
Vietnam NMC	9,000	10,238
Support to WUP	39,915	147,978
Other support	-	185
	<u>82,815</u>	<u>192,879</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 2007, the Secretariat funded 75% (2006: 75%) of the salaries of these personnel amounting to USD37,529 (2006: USD143,917). In addition, the above amounts include other operating expenses incurred by the MRC for the WUP amounting to USD2,386 (2006: USD4,061).

In 2006, Support to NMCs represents an initial expense of USD862 and this account was reimbursed by MRC development partners through a related project by a sum of USD5,118.

**17. 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 MRC made the third repayment amounting to USD60,000.

**18. Provident Fund**

The Commission manages a provident fund, which had a balance at 31 December 2007 of USD1,583,385 (2006: USD1,511,697), to provide a savings scheme in lieu of a pension fund on behalf of 135 (2006: 130) 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.

**19. 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 financial statements of MRC. In December 2007, MRC has received from Thailand the annual contribution for the year 2008 amounting to USD383,521. This contribution has been recorded in 2007 in Contributions – riparian governments. Excluding this contribution, the OEB surplus for the year 2007 is USD368,974.