

ADMINISTRATIVE RESERVE FUND
(Implemented by Mekong River Commission)

Financial statements

For the year ended 31 December 2022

Administrative Reserve Fund
(Implemented by Mekong River Commission)

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Administrative Reserve Fund *(Implemented by Mekong River Commission)*

GENERAL INFORMATION

FUND INFORMATION

The Mekong River Commission (“MRC” or the “Organisation”) 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 Viet Nam, with China and Myanmar as Dialogue Partners.

Since its establishment, the MRC has strived to develop work programmes and strategies to best serve its mission to promote and coordinate sustainable management and development of water and related resources for the countries’ mutual benefit and the people’s well-being. Over the years, with a vision to bring about an economically prosperous, socially just and environmentally sound Mekong River Basin, the MRC has placed regional cooperation and basin-wide planning at the heart of its operation.

The MRC is governed by a Council which comprises of the environment and water ministers of the four Member Countries. The Council Members would review and mutually conclude on the management and development of water and related resources. These decisions and policies are then put into action by the MRC Joint Committee, which comprises senior officials at no less than Head of Department level of the four countries and supported by national line agencies including the Ministry of Foreign Affairs.

The MRC Secretariat (“MRCS” or “the Management”) facilitates regional meetings of the Member Countries and provides technical advice on joint planning, coordination and cooperation. It also works closely with the four countries’ coordinating bodies, the National Mekong Committees (“NMCs”), and other state agencies.

The MRCS manages the funds received into three categories as the following:

1. Basket Fund (“BF”);
2. Earmarked Fund (“EF”); and
3. Administrative Reserve Fund (“ARF”).

The MRCS is located at 184 Fa Ngoum Road, Unit 18, Ban Sithane Neua, Sikhottabong District, Vientiane Capital, Lao PDR.

Administrative Reserve Fund
(Implemented by Mekong River Commission)

GENERAL INFORMATION (Continued)

THE MANAGEMENT

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
An Pich Hatda	Chief Executive Officer	Separated on 13 January 2022
Anoulak Kittikhoun	Chief Executive Officer	Appointed on 14 January 2022
Tran Minh Khoi	Director of Administration Division	Separated on 30 June 2022
Watt Botkosal	Director of Administration Division	Appointed on 1 July 2022
Hak Socheat	Director of Environment Management Division	Separated on 30 June 2022
Phetsamone Khanopphet	Director of Environment Management Division	Appointed on 1 July 2022
Bountieng Sanaxonh	Director of Planning Division	Separated on 30 June 2022
Theerawat Samphawamana	Director of Planning Division	Appointed on 01 July 2022
Winai Wangpimool	Director of Technical Support Division	Separated on 30 June 2022
Tran Minh Khoi	Director of Technical Support Division	Appointed on 01 July 2022
Buntheung Sanethavong	Chief Finance Officer	Appointed on 01 September 2020
Nguyen Thi Thanh Ha	Chief Human Resources Officer	Appointed on 09 March 2022

AUDITOR

The auditor of the Administrative Reserve Fund is Ernst & Young Lao Co., Ltd.

Administrative Reserve Fund (Implemented by Mekong River Commission)

REPORT OF THE MANAGEMENT

The Management is pleased to present this report of the Administrative Reserve Fund (“the Fund”) and its financial statements for the year ended 31 December 2022.

MANAGEMENT’S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Management is responsible for the preparation of the Fund’s financial statements as at and for the year ended 31 December 2022 which are prepared in accordance with Note 3 to the financial statements.

In preparing the accompanying financial statements, the Management is required to:

- ▶ adopt accounting policies as described in Note 3 to the financial statements and apply them consistently in accordance with the requirements of development partners; make judgements and estimates that are reasonable and prudent;
- ▶ maintain proper financial operations and controls;
- ▶ maintain adequacy of the management structure and general control environment;
- ▶ ensure that all non-expendable properties are used solely for and by the Project, and maintain proper control over those properties; and
- ▶ comply with the related grant agreement.

The Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the funds requested, authorized for, received and disbursed by the Management and to ensure that the accounting records comply with the applied accounting framework. The Management is also responsible for safeguarding the assets of the Fund, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management confirms that it has complied with the above requirements in preparing the accompanying financial statements.

STATEMENT BY THE MANAGEMENT

We hereby approve the accompanying financial statements for the year ended 31 December 2022, which are prepared in accordance with the accounting policies as described in Note 3 to the financial statements.

On behalf of the Management:



Watt Botkosai
Director of Administration Division



Anoulak Kittikhoun
Chief Executive Officer

Vientiane, Lao PDR

25 April 2023

Reference: 11866353/67237443

INDEPENDENT AUDITOR'S REPORT

To: Management of the Administrative Reserve Fund

Opinion

We have audited the accompanying financial statements of the Administrative Reserve Fund ("the Fund"), as set out on pages 6 to 12 which comprise the statement of fund balance as at 31 December 2022 and the statement of receipts and disbursements for the year then ended and the related explanatory notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared, in all material respects, in accordance with the accounting policies as described in Note 3 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Lao PDR, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 3 to the financial statements which describes the accounting policies adopted by the Fund. These accounting policies are not intended to present the fund balance and the receipts and disbursements of the Fund in accordance with international generally accepted accounting principles. As also disclosed in Note 3 to the financial statements, the financial statements are prepared to assist the Management in meeting the reporting requirements of the development partners. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the information and use of the Management and Development Partners and should not be distributed to or used by other parties. Our opinion is not modified in respect of this matter.

Other matter

The financial statements of the Fund for the year ended 31 December 2021 were audited by another audit firm which expressed an unmodified opinion on those financial statements on 16 May 2022.

Responsibilities of the Management for the Financial Statements

The Management is responsible for the preparation of the financial statements in accordance with the accounting policies as described in Note 3 to the financial statements, and for such internal control as the Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Lao



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ເອີ້ນ ແກ້ວ ຢັງ
ລາວ ຈຳກັດ
ERNST & YOUNG
LAO CO., LTD
ຜູ້ລວມ

Vientiane Capital, Lao PDR

25 April 2023

ADMINISTRATIVE RESERVE FUND
(Implemented by Mekong River Commission)

STATEMENT OF RECEIPTS AND DISBURSEMENTS
for the year ended 31 December 2022

		<i>For the year ended</i> 31 December 2022	<i>For the year ended</i> 31 December 2021
	<i>Notes</i>	<u>USD</u>	<u>USD</u>
Receipts			
Contribution from Member Countries	4	136,574	124,158
Interest income	5	107,267	122,530
Other income	6	8,868	7,190
Total receipts		<u>252,709</u>	<u>253,878</u>
Disbursements			
Financial cost	7	578	173
Total disbursements		<u>578</u>	<u>173</u>
Net receipts/(disbursements) for the year		<u>252,131</u>	<u>253,705</u>

Watt Botkosal
Director of Administration Division

Anoulak Kittikhoun
Chief Executive Officer

Vientiane, Lao PDR

25 April 2023

ADMINISTRATIVE RESERVE FUND
(Implemented by Mekong River Commission)

STATEMENTS OF FUND BALANCES
as at 31 December 2022

		<i>For the year ended</i> <i>31 December 2022</i>	<i>For the year ended</i> <i>31 December 2021</i>
	<i>Notes</i>	<u>USD</u>	<u>USD</u>
Fund balance			
Opening fund balance	3	4,875,825	4,622,120
Net receipts/(disbursements)	5	252,131	253,705
Closing fund balance		<u>5,127,956</u>	<u>4,875,825</u>



Watt Botkosal
Director of Administration Division



Anoulak Kittikhoun
Chief Executive Officer

Vientiane, Lao PDR

25 April 2023

ADMINISTRATIVE RESERVE FUND

(Implemented by Mekong River Commission)

NOTES TO THE FINANCIAL STATEMENTS
as at and for the year ended 31 December 2022

1. FUND INFORMATION

The Mekong River Commission (“MRC” or the “Organisation”) 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 Viet Nam, with China and Myanmar as Dialogue Partners.

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The MRC is governed by a Council which comprises of the environment and water ministers of the four Member Countries. The Council Members would review and mutually conclude on the management and development of water and related resources. These decisions and policies are then put into action by the MRC Joint Committee, which comprises senior officials at no less than Head of Department level of the four countries and supported by national line agencies including the Ministry of Foreign Affairs.

The MRC Secretariat (“MRCS” or “the Management”) facilitates regional meetings of the Member Countries and provides technical advice on joint planning, coordination and cooperation. It also works closely with the four countries’ coordinating bodies, the National Mekong Committees (“NMCs”), and other state agencies.

The MRCS manages the funds received into three categories as the following:

1. Basket Fund (“BF”);
2. Earmarked Fund (“EF”); and
3. Administrative Reserve Fund (“ARF”).

2. BASIS OF PREPARATION

The financial statements of the Administrative Reserve Fund (“the Fund”) have been prepared in accordance with the accounting policies as described in Note 3. These accounting policies are not intended to present the fund balance and the receipts and disbursements of the Fund in accordance with international generally accepted accounting principles. The financial statements are prepared to assist the Fund in meeting the reporting requirements of its development partners. As a result, they may not be suitable for another purpose.

The Management maintains its accounting records and present its financial statements (including those of the Fund) in United States dollars (“USD”).

ADMINISTRATIVE RESERVE FUND (Implemented by Mekong River Commission)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receipts

Receipts consist of contributions from Member Countries (MCs) and contributions from Development Partners (DPs) which are recognised as receipts when cash is credited to the MRC's bank accounts.

Interest income is recognised when credited to the Fund's bank accounts.

Other income is recognised when cash is received.

Disbursements

Except for advances made to National Mekong Committees (NMCs), projects and employees and accrued expenses, disbursements are recognized when payment is made and upon the approval of the Fund management based on the accompanying documents.

Accrued expenses

Accrued expenses includes staff health and life insurance premiums, personal telephone and fax costs charged to staff, and project related expenses and repatriation fee.

Advances

Advances to NMCs, projects and employees are carried as part of the fund balance until subsequent liquidation or clearance at approval of the Management.

Property and equipment

For control purposes, property and equipment is maintained in a property and equipment listing. All property and equipment are expensed in full in the consolidated statements at the date of acquisition. Any proceeds from disposal of property and equipment are recognised as other income in the statements of receipts and disbursements.

Foreign exchange differences

The Management maintains its accounting records of the Fund in USD. Transactions in currencies other than USD are converted into USD at the rates of exchange prevailing on the transaction dates. All foreign exchange differences are recognised in the statement of receipts and disbursements.

ADMINISTRATIVE RESERVE FUND (Implemented by Mekong River Commission)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

The Fund provided allowances and benefits to staff member in addition to salary. Types of allowances and benefits are dependent on the employment category.

(i) Post allowance:

The Fund introduced the post allowance to compensate eligible staff members for any loss in income due to variations in the cost of living between different countries and duty stations.

For Riparian staff, the percentage is currently set at 7% of the base salary.

(ii) Hardship allowance ("HA"):

The hardship allowance is an allowance provided to Riparian professional staffs assigned to a duty station outside their home country. It is an allowance to compensate for the degree of hardship experienced by staff assigned to a duty station abroad.

The HA shall be payable, regardless of whether the staff member is accompanied by his/her dependants, while assigned to duty station.

Other benefits are dependency allowance, housing allowance, health insurance and education assistance.

(iii) Provident fund:

All staff members holding a letter of appointment for one year or more shall participate in a pension plan, known as the provident fund. The main purpose of this fund is to provide retirement, disability and survivor's benefit for participating staff members.

Staff members shall contribute 7% of their base salary, through monthly payroll deductions.

The Fund shall contribute to this fund the equivalent of 14% of the staff's member's base salary.

ADMINISTRATIVE RESERVE FUND
(Implemented by Mekong River Commission)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

4. CONTRIBUTION FROM MEMBER COUNTRIES

	<i>For the year ended 31 December 2022</i>	<i>For the year ended 31 December 2021</i>
	<i>USD</i>	<i>USD</i>
<i>Contributions from Member Countries:</i>		
Cambodia	30,046	26,073
Lao PDR	30,046	26,073
Thailand	38,241	36,006
Viet Nam	38,241	36,006
	136,574	124,158

5. INTEREST INCOME

This represents interest earned on the fund balances of ARF's bank accounts.

6. OTHER INCOME

	<i>For the year ended 31 December 2022</i>	<i>For the year ended 31 December 2021</i>
	<i>USD</i>	<i>USD</i>
Sale of MRC publication	8,868	7,190
	8,868	7,190

7. FINANCIAL COST

	<i>For the year ended 31 December 2022</i>	<i>For the year ended 31 December 2021</i>
	<i>USD</i>	<i>USD</i>
Bank charges	578	173
	578	173

ADMINISTRATIVE RESERVE FUND
(Implemented by Mekong River Commission)

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the year ended 31 December 2022

7. SUBSEQUENT EVENTS

There is no matter or circumstance that has arisen since 31 December 2022 that requires adjustment or disclosure to be made in the Fund's financial statements.

On behalf of the Management:



Watt Botkosal
Director of Administration Division



Anoulak Kittikhoun
Chief Executive Officer

Vientiane, Lao PDR

25 April 2023