

ADMINISTRATIVE RESERVE FUND
IMPLEMENTED BY MEKONG RIVER COMMISSION
AUDITED STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
31 DECEMBER 2020

ADMINISTRATIVE RESERVE FUND
Implemented by Mekong River Commission

FUND INFORMATION

FUND MANAGEMENT:	An Pich Hatda, Chief Executive Officer Tran Minh Khoi, Director of Administration Division Hak Socheat, Director of Environment Management Division Bountieng Sanaxonh, Director of Planning Division Winai Wangpimool, Director of Technical Support Division Vu Thu Hong, Chief Human Resources Officer Buntheung Sanethavong, Chief Finance Officer
IMPLEMENTING AGENCY:	Mekong River Commission
OFFICE:	184 Fa Ngoum Road, Unit 18, Ban Sithane Neua, Sikhottabong District Vientiane Capital Lao PDR
PRINCIPAL BANKERS:	Public Bank Lao-Viet Bank
AUDITORS:	BDO (Laos) Co., Ltd.

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FUND MANAGEMENT'S REPORT

The Fund Management hereby submits the report together with the audited statement of income and expenditures ("the statement") of Administrative Reserve Fund ("the Fund") for the financial year ended 31 December 2020.

Responsibilities of the Fund Management in Respect of the Statements

The Fund Management is responsible to ascertain that the statement of the Fund for the financial year ended 31 December 2020 is prepared, in all material respects, in accordance with the basis of preparation and accounting policies set out in Note 2 to the statement. In preparing the statement, the Fund Management is required to select suitable accounting policies and then apply them consistently.

The Fund Management is responsible for ensuring that proper accounting records are kept which enable the statement to be prepared in compliance with the basis of preparation and accounting policies set out in Note 2 to the statement. The Fund Management is also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Fund Management assumes the responsibility to provide, and has provided, the auditors with all accounting records, supporting and other documents, minutes, and any other pertinent information and explanations, either orally or in writing, deemed necessary for the audit.

Statement by the Fund Management

In the opinion of the Fund Management, the statement set out on pages 4 to 7 is prepared, in all material respects, in accordance with the basis of preparation and accounting policies set out in Note 2 to the statement.

On behalf of the Fund Management,



Tran Minh Khoi
Director of Administration Division



An Pich Hatda
Chief Executive Officer

Vientiane, Lao PDR
Date: 5 May 2021

INDEPENDENT AUDITORS' REPORT TO THE FUND MANAGEMENT OF ADMINISTRATIVE RESERVE FUND

Report on the Statement

Opinion

We have audited the accompanying statement of income and expenditures ("the statement") of Administrative Reserve Fund ("the Fund"), and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 7.

In our opinion, the statement of the Fund for the financial year ended 31 December 2020 is prepared, in all material respects, in accordance with the basis of preparation and accounting policies set out in Note 2 to the statement.

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 *Auditors' Responsibilities for the Audit of the Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution

We draw attention to Note 2 to the statement, which describes the basis of preparation and accounting policies adopted by the Fund. The statement is prepared to assist the Fund to meet its financial reporting requirements. As a result, the statement may not be suitable for another purpose. Our report is intended solely for the Fund Management and should not be described to or used by any other parties. Our opinion is not modified in respect of this matter.

Responsibilities of the Fund Management for the Statement

The Fund Management is responsible for the preparation of the statement in accordance with the basis of preparation and accounting policies set out in Note 2 to the statement. The Fund Management is also responsible for such internal control as the Fund Management determines is necessary to enable the preparation of the statement of the Fund that is free from material misstatement, whether due to fraud or error.

**INDEPENDENT AUDITORS' REPORT TO THE FUND MANAGEMENT OF
ADMINISTRATIVE RESERVE FUND (continued)**

Auditors' Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the statement of the Fund as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the statement.

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

- Identify and assess the risks of material misstatement of the statement of the Fund, 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Management.
- Evaluate the overall presentation, structure and content of the statement of the Fund, including the disclosures, and whether the statement of the Fund represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Fund 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.

For and on behalf of
BDO (Laos) Co., Ltd.



Lim Seng Siew
Certified Public Accountant

Vientiane, Lao PDR
Date: 5 May 2021

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STATEMENT OF INCOME AND EXPENDITURES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 USD	2019 USD
INCOME			
Contribution from Member Countries	3	112,872	-
Interest income	4	105,273	91,500
Other income	5	102,203	-
		320,348	91,500
EXPENDITURES			
Consultants		-	1,540
Financial cost	6	18	41
Property and equipment	7	-	99,000
		18	100,581
Surplus/(Deficit) of income over expenditures		320,330	(9,081)
Fund balance at beginning of financial year		4,439,702	4,448,783
Fund transferred to the Basket Fund		(137,912)	-
Fund balance at the end of financial year		4,622,120	4,439,702

The accompanying notes form an integral part of the statement.

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NOTES TO THE STATEMENT

1. FUND BACKGROUND

The Mekong River Commission ("MRC") 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.

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.

MRC 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 funds received and uses of funds in MRC were categorised into three types as the following:

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The statement of income and expenditures ("the statement"), which is expressed in United States Dollar ("USD"), has been prepared in accordance with the modified cash basis of accounting. Under this basis of accounting, income are recognised when received rather than when earned, and payments are recognised when paid rather than when incurred, except for the following:

- (i) Staff health and life insurance premiums, personal telephone and fax costs charged to staff, project related expenses and repatriation fee, which are recognised on an accrual basis; and
- (ii) Advances to NMCs, projects and employees are recognised as receivables until they are cleared.

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2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Income

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

2.3 Expenditures

Expenditures are recognised when payment is made rather than when it is incurred, except as disclosed in Note 2.1 to the statement.

2.4 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 statement at the date of acquisition. Any proceeds from disposal of property and equipment are recognised as a decrease in expenditures rather than an increase in income in the statement.

2.5 Foreign exchange differences

The Fund mainly transacts its activities and maintains its books of accounts primarily in USD. Transactions in currencies other than US\$ are converted into USD at the rates of exchange prevailing on the transaction dates. All foreign exchange differences are recognised in the statement.

3. CONTRIBUTION FROM MEMBER COUNTRIES

	2020 USD	2019 USD
Cambodia	23,703	-
Lao PDR	23,703	-
Thailand	32,733	-
Vietnam	32,733	-
	<u>112,872</u>	<u>-</u>

4. INTEREST INCOME

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

5. OTHER INCOME

	2020 USD	2019 USD
Sale of intellectual property	5,664	-
Other income	96,539	-
	<u>102,203</u>	<u>-</u>

6. FINANCIAL COST

	2020 USD	2019 USD
Bank charges	<u>18</u>	<u>41</u>

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7. PROPERTY AND EQUIPMENT

	2020	2019
	USD	USD
Elevator	-	<u>99,000</u>