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Report of Factual Findings

To the management of the Lao PDR Financial Sector Safety Net Strengthening Project ("the Project")

We have performed the procedures agreed with you as per Terms of Reference ("ToR") - Audit of the Financial Statements of Lao PDR Financial Sector Safety Net Strengthening Project (FSNP), dated 11 April 2022, Scope which requires to inspect: (1) IDA funds transfer into the Holding Currency Account based on achievement of PBCs have been converted to Lao Kip and transfer immediately to the Capitalization Account opened at Bank of the Lao PDR, denominated in Lao Kip; and (2) IDA funds transferred to capitalize the Deposit Protection Office Equity Fund is only withdrawn for investment in government bonds, Central Bank bonds, and use for payout of protected amounts when member falls in the bankruptcy and the Deposit Protection Reserve Fund is depleted as authorized by MOF decision No. 0553, dated February 24, 2020.

Objective:

The objective of the Agreed-upon Procedures would be to inspect that:

1. IDA fund transferred into the "Holding Currency Account" based on achievement of PBCs have been converted to Lao Kip and transferred immediately to the Capitalization Account opened at Bank of the Laos PDR, denominated in Lao Kip;
2. IDA fund transferred to capitalize the Deposit Protection Office Equity Fund is only withdrawn for investment in government bonds, Central Bank bonds, and used for pay-out of protected amount when members fall into bankruptcy and the Deposit Protection Reserve Fund is depleted as authorized by MOF decision No. 0553, dated February 24, 2020.

Standards and Ethics:

Our engagement was undertaken in accordance with:

- International Standard on Related Services (ISRS) 4400 (Revised), Engagements to perform Agreed-upon-Procedures regarding Financial Information as promulgated by the International Federation of Accountants (IFAC); and
- the *Code of Ethics for Professional Accountants* issued by the IFAC. Although ISRS 4400 provides that independence is not a requirement for agreed-upon procedure engagements, the Contracting authority requires that the auditor also complies with the independence requirements of the *Code of Ethics for Professional Accountants*.

**Procedure Performed:**

As requested, we have performed the procedure under scope of (1) IDA funds transfer into the Holding Currency Account based on achievement of PBCs have been converted to Lao Kip and transferred immediately to the Capitalization Account opened at the Bank of the Lao PDR and (2) IDA funds transferred to capitalize the Deposit Protection Office Equity Fund is only withdrawn for investment in government bonds, Central Bank bonds, and use for payout of protected amounts when member falls in the bankruptcy and the Deposit Protection Reserve Fund is depleted as authorized by MOF decision No. 0553, dated February 24, 2020.



Factual Findings:

1. We have inspected all transactions for the period from 27 October 2020 to 31 December 2021 of IDA funds transferred into the “Holding Currency Account” based on achievement of PBCs have been convert to Lao Kip and transferred immediately to the Capitalization Account. Our summary of findings is as below:

Date	Description	Amount	Finding result
3-Sep-2021	IDA Fund transferred into Holding Currency Account based on achievement of PBCs.	USD 6,163,019	All Fund transferred into Holding Currency Account was based on achievement of PBCs.
24-Sep-2021	Fund transferred into Capitalization Account.	LAK 60,625,431,000	The amount transferred is USD 6,163,000 which is not full amount received from IDA. The remaining amounting to USD 18.90 was deposited in Holding Currency Account.

2. We have inspected all transactions for the period from 27 October 2020 to 31 December 2021 of IDA funds transferred to capitalize the Deposit Protection Office Equity Fund is only withdrawn for investment in government bonds, Central Bank bonds, and use for payout of protected amount when member fall into bankruptcy and the Deposit Protection Reserve Fund is depleted as authorized by MOF decision No. 0553, dated February 24, 2020. Our summary of findings is as below:

Date	Description	Amount (LAK)	Finding result
24-Sep-2021	IDA Fund transferred	60,625,431,000	
18-Oct-2021	Investment in Government, Ministry of Finance bond	15,000,000,000	The withdrawal is for investment in government bonds.
15-Nov-2021	Investment in Government, Ministry of Finance bond	15,000,000,000	The withdrawal is for investment in government bonds.
16-Nov-2021	Bank fee: Bank statement of October 2021	10,000	The withdrawal is not for investment expenses in government bonds, Central Bank bonds, and use for payout of protected amount when members fall into bankruptcy and the Deposit Protection Reserve Fund is depleted as authorized by MOF decision No. 0553, dated February 24, 2020.
15-Nov-2021	Bank fee: Bank statement of November 2021	10,000	The withdrawal is not for investment expenses in government bonds, Central Bank bonds, and use for payout of protected amount when member fall into bankruptcy and the Deposit Protection Reserve Fund is depleted as authorized by MOF decision No. 0553, dated February 24, 2020.
10-Dec-2021	Investment in Government, Ministry of Finance bond	15,000,000,000	The withdrawal is for investment in government bonds.
Balance as at 31 December 2021*		15,625,411,000	

* The bank balance of the Capitalization Account as at 31 December 2021 as agreed with bank statement.



Restriction on Use and Distribution of Our Report

Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you to inspect the existence and activities of IDA fund transferred into Capitalize Account.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the inspection of activities of IDA fund transferred into Capitalize Account.

We had performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the items specified above and does not extend to any financial statements of the Lao PDR Financial Sector Safety Net Strengthening Project, taken as a whole.

We look forward to discussing our Report with you and would be pleased to provide any further information or assistance which may be required.

Yours sincerely,

KPMG Lao

KPMG Lao Co., Ltd.

Vientiane Capital

Date: 16 June 2022

