



KPMG Lao Co., Ltd.
10th Floor, Royal Square Office Building,
Samsenthai Road, Nongduong Nua Village,
Sikhotabong District, P.O.Box 6978,
Vientiane, Lao PDR
Tel +856 (21) 454240-7
Website home.kpmg/la

ບໍລິສັດ ເຄມີເອັມຈີລາວ ຈຳກັດ
ຊັ້ນ 10, ອາຄານ ໂຮໂຢລສະແຄລ
ຖະໜົນ ສາມແສນໄທ, ບ້ານ ໜອງດ້ວງເໜືອ,
ເມືອງ ສີໂຄດຕະບອງ, ຕູ້ ປ.ນ. 6978,
ນະຄອນຫຼວງວຽງຈັນ, ສປປ ລາວ
ໂທ: +856 (21) 454240-7
ເວັບໄຊ: home.kpmg/la

Ms. Daomanivone Vilayvieng
Deputy Director General of DPO
Lao PDR Financial Sector Safety Net Strengthening Project
Deposit Protection Office, Bank of the Lao PDR
#144, 4th Floor, the ICONIC Building
Phonxay Avenue, Phonxay Village, Xaysettha District
Vientiane Capital, Lao PDR

Date: 15 June 2022

Dear Sir,

**Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)
Management Letter arising from the audit for the period from 27 October 2020 to 31 December 2021**

We have recently concluded our audit of the Lao PDR Financial Sector Safety Net Strengthening Project (“FSNP” or “Project”) for the period from 27 October 2020 to 31 December 2021 and the purpose of this letter is to set out a matter which has arisen during our audit work. This matter is contained in the attached report.

In performing our audit of the financial statements of the Project, in accordance with International Standard on Auditing (ISAs), we considered the Project’s internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Project’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Project’s internal control.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weakness in policies and procedures that may exist.

It is the responsibility of Management to select and apply appropriate accounting policies and to maintain adequate internal controls. Each system of accounting and internal control should be adequate to ensure that all transactions are recorded and that the recorded transactions are valid, accurate, authorised, properly classified and promptly recorded, so as to facilitate the preparation of reliable financial information and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements. It is not our intention to set out the strengths of the Project’s system of accounting and internal control in this letter, which is therefore critical by nature, but we should be pleased to conduct a detailed review of that system for management purposes at your request.



It should be appreciated that because of the nature and inherent limitations of an audit, together with the limitations inherent in any system of internal control, there is an unavoidable risk that even some material misstatement may remain undiscovered. Accordingly, our audit should not be relied upon to disclose fraud, defalcations or other irregularities. However, if they exist, their disclosure may result from the audit tests that we undertake. We aim, however, to use our knowledge of the Project gained during our work to make comment and suggestion which we hope will be useful to you.

This communication is intended solely for the information and use of management of the Project and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We take this opportunity of thanking you and your staff for the assistance provided to us during the course of the audit. In due course, we would appreciate your written comments on action taken by management on the recommendation contained in this letter.

Should you require any further information or explanation, please do not hesitate to contact me at email (yoottapong@kpmg.co.th) or Phouthasone Bouphala (pbouphala@kpmg.com).

Yours sincerely,

Yoottapong Soontalanka
Audit Partner



*Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Project (FSNP)
Management letter
for the period from 27 October 2020 to 31 December 2021*

Table of contents		Page
1	Foreign exchange transaction at year ended	1
2	Fixed asset physical count	2

1. Foreign exchange transaction at the end of period

Observations

We noted that foreign monetary assets are not revalued periodically and at the balance sheet date, monetary assets which are denominated in foreign currency are not revalue at the year-end closing rate.

Implication

Foreign currency translation which does not follow the generally accepted accounting policy may result in significant misstatement and incorrect financial statement.

Risk level

Low

Recommendation

The Project should revalue all monetary assets or liabilities which are denominated in foreign currency at balance sheet date using year-end closing rate. The Project should consider using a consistent exchange rate and following generally accepted accounting principles in calculating any foreign exchange gain or loss in order to reflect a more accurate financial statements that are reliable for decision making process.

Management's response

Action: We entirely agree with the auditor regarding to his report and we are pleased to revise and edit on the error data into monthly report in July 2022.

Person Responsible: Finance Consultant and Finance Assistant

Timing: July 2022

2. Fixed asset physical count

Observations

We noted that the project does not perform annual physical count on fixed asset.

Implications

In the absence of physical verification management may not be able to identify the obsolete and damaged assets. Further, there is no assurance that these assets are being effectively used in the operating activities or existing with the Project and also not complied with the Policy.

Risk level

Low

Recommendation

The Project should perform physical asset counting as at year-end to ensure that assets of the projects are maintained, monitored, safeguarded properly and following with the Policy.

Management's response

Action: Due to the fact that the FSNP has lack of experiences on project assets management. In addition, the project procured some furniture and IT equipment at the end of 4th quarter of 2021, it is a short period which does not to be countable and review those assets. Therefore, in the future, all assets will be counted at the year-end which will run from 2022.

Person Responsible: Finance Consultant and Finance Assistant

Timing: 2022