

**Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening Project
(FSNP)**

**Management Letter
For the year ended 31 December 2023**



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 kpmg.com/la

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

Ms. Daomanivone Vilayvieng
Deputy Director General of DPO
Project Director
Lao PDR Financial Sector Safety Net Strengthening Project
Deposit Protection Office
Bank of the Lao PDR

Date: 17 May 2024

Dear Sir,

**Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)
Management Letter arising from the audit for the year ended 31 December 2023**

We have recently concluded our audit of the Lao PDR Financial Sector Safety Net Strengthening Project ("FSNP" or "Project") for the year ended 31 December 2023 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.

Based on our work described in this report, nothing has come to our attention on any significant deficiency on the internal control for the in-scope processes.

This communication is intended solely for the information and use of management of the Project and others within the Project 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 Phoutthasone Bouphala (pbouphala@kpmg.com).

Yours sincerely,

Yoottapong Soontalanka
Audit Partner
KPMG Lao Co., Ltd.
Vientiane, Lao PDR

**Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening Project
(FSNP)**

**Representation letter
For the year ended 31 December 2023**



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Bank of the Lao PDR
Deposit Protection Office

KPMG Lao Co., Ltd.
10th Floor, Royal Square Office Building,
Samsenthai Road, Nongduong Nua Village,
Sikhotabong District, Vientiane, Lao PDR

Date: 17 May 2024

Dear Sirs,

In connection with your engagement to apply agreed-upon procedures, which were agreed to by Lao PDR Financial Sector Safety Net Strengthening Project ("the Project"), with respect to Agreed-Upon-Procedures for the year ended 31 December 2023. The objective of the Agreed upon Procedures would be to inspect that 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; IDA fund transferred to capitalize the Deposit Protection Office Equity Fund is only withdrawn for investment in government bonds, Central Bank bonds, and use for pay-out of protected amount when member fall into bankruptcy and the Deposit Protection Reserve Fund is depleted as authorized by MOF decision No. 0553, date February 24, 2020, we confirm:

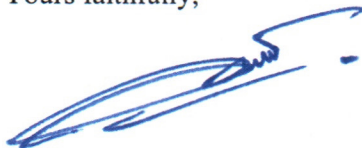
1. Our understanding that you were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the subject matter referred to above. Accordingly, you did not express such an opinion. Had additional procedures been performed, other matters might have come to your attention that would have been reported to us.
2. The procedures to perform the engagement were defined in Scope (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 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..
3. We have agreed with you to verified all transaction for the year ended 31 December 2023 based on scope (1) and (2).

Further, we confirm that, to the best of our knowledge and belief, the following representations made to you during your agreed-upon procedures engagement:

4. We are responsible for the subject matter and, when applicable, the assertions.
5. We are responsible for selecting the criteria and for determining that such criteria are appropriate for our purposes.

6. Engagement is performed in accordance with the International Standard on Related Services ("ISRS") 4400 Engagements to perform Agreed-upon procedures regarding Financial Information as promulgated by the IFAC.
7. We have made available to you all related financial records and data.
8. We have advised you of all actions taken at meetings of investor, board of management, and board of directors that may affect the subject matter.
9. We have reviewed a draft of your report of factual findings and we are not aware of any significant errors or misstatements contained in that report, and the procedures referred to in the draft report are those we requested and were agreed to by the other specified parties.
10. We take responsibility for the sufficiency, nature, timing and extent of the agreed-upon procedures for our purposes.
11. Your procedures were limited to those which we determined would best meet our informational needs and may not necessarily disclose all significant errors, irregularities, including fraud or defalcation, or illegal acts, that may exist.
12. Your report is intended solely for use by us and the donor, and is not intended for use by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes.
13. We have responded fully to all inquiries made to us by you during your engagement.
14. We have communicated to you all known matters contradicting the subject matter or the assertion.
15. There have been no communications from regulatory agencies that would affect the subject matter or the assertion.
16. The Project has complied with all aspects of contractual agreements that would have a material effect on the subject matter or the assertion in the event of noncompliance.
17. There are no material transactions that have not been properly recorded as part of the subject matter or the assertion.

Yours faithfully,



Ms. Daomanivone VILAYVIENG
Deputy Director General of DPO
Project Director
Deposit Protection Office
Bank of the Lao PDR

**Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening
Project (FSNP)**

**Financial Statements
and
Independent Auditors' Report
For the year ended 31 December 2023**

Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)

Contents	Pages
Project information	1
Statement of management's responsibilities	2
Independent Auditors' Report	3-5
Balance sheet	6
Statement of receipts and payments by component	7
Statement of receipts and payments by category	8
Statement of designated bank account	9
Notes to the financial statements	10-18
Appendix: Comparison of budget and actual payments	19-20

Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)

Project information

Project	Lao PDR Financial Sector Safety Net Strengthening Project ("FSNP"), IDA 65710
Funding agencies	International Development Association (IDA), the World Bank Group
Duration	27 October 2020 to 31 December 2024
Implementing agency	Deposit Protection Office, Bank of the Lao PDR
Project management	Ms. Daomanivone VILAYVIENG Deputy Director General of DPO, Project Director Mr. Bolisath SOUTHICHACK Deputy Chief of Division of DPO, Project Manager
Registered office	Lao PDR Financial Sector Safety Net Strengthening Project/FSNP Deposit Protection Office, Bank of the Lao PDR #144, 4th floor, ICONIC Building Phonxay Avenue, Phonxay Village Xaysettha District Vientiane Capital, Lao PDR, Tel.: (856 21) 410 212; Fax: (856 21) 410 213
Auditors	KPMG Lao Co., Ltd. 10th Floor, Royal Square Office Building, Samsenthai Road, Nongduong Nua Village, Sikhotabong District, P.O.Box 6978, Vientiane, Lao PDR



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Bank of the Lao PDR
Deposit Protection Office

Statement of management's responsibilities

It is the responsibility of management to prepare financial statements of Lao PDR Financial Sector Safety Net Strengthening Project ("FSNP or the Project") for the year ended 31 December 2023, which are prepared in all material respect in accordance with the accounting policies as described in Note 2 to the financial statements. In preparing these financial statements, management is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- Maintain financial records and prepare the financial statements based on the accounting policies as described in Note 2 to the financial statements; and
- Prepare the financial statement on going concern basis under it is inappropriate to assume that the Project will continue operations in the foreseeable future.

Project Management of Lao PDR Financial Sector Safety Net Strengthening Project ("FSNP") is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the balance sheet and performance of the Project. Members of project management have a general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Project and to prevent and detect fraud and other irregularities.

Project Management confirms that the Project has complied with the above requirements in preparing the financial statements.

On behalf of the management,

Ms. Daomanivone VILAYVIENG
Deputy Director General of DPO
Project Director
Deposit Protection Office
Bank of the Lao PDR
Date: 17 May 2024



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 kpmg.com/la

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

Independent Auditors' Report

To the Project Management of the Lao PDR Financial Sector Safety Net Strengthening Project

Opinion

We have audited the financial statements of the Lao PDR Financial Sector Safety Net Strengthening Project ("FSNP" or "the Project"), which comprise the balance sheet as at 31 December 2023, statements of receipts and payments by component, receipts and payments by category, and designed bank account for the year ended 31 December 2023, and notes, comprising summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements as at 31 December 2023 and result of the project for the year ended 31 December 2023 are prepared, in all material respects, in accordance with the accounting policies as described in Note 2.

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 Financial Statements* section of our report. We are independent of the Project in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standard) (IESBA Code) that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter- Basic of Accounting and Restriction on Distribution and Use

We draw attention to Note 2 (a) to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Project management to report to donor. As a result, the financial statements may not be suitable for other purpose. Our report is intended solely for the Project management and donor, and should not be used by or distributed to other parties. Our opinion is not modified in respect of this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the basis of accounting and policies described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern, and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities 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 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 these financial statements.

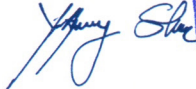

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Project to cease to continue as a going concern.



We communicate with 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 KPMG Lao Co., Ltd

Yootapong Soonatalink
Statutory auditor
ID No.SA0053/2023
Vientiane Capital, Lao PDR
Date: 17 May 2024

Bank of the Lao PDR

Deposit Protection Office

Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)

Balance sheet

<i>In USD</i>	<i>Note</i>	31 December 2023	31 December 2022
Opening of fund balance		53,478	197,529
Excess (deficit) of receipts over payments		128,083	(144,051)
Fund balance at the end of the year		181,561	53,478
Represent by:			
Cash and cash equivalents	6	181,561	53,478

The accompanying notes are an integral part of these financial statements.



Ms. Daomanivone VILAYVIENG

Deputy Director General of DPO

Project Director

Deposit Protection Office

Bank of the Lao PDR

Date: 17 May 2024

Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)
Statement of receipts and payments by component

<i>In USD</i>	<i>Note</i>	31 December 2023	31 December 2022	Cumulative to date
Receipts	3	14,328,526	-	20,810,471
Payments				
Capitalization of deposit protection office equity fund	4	13,961,360	-	20,124,360
Institutional capacity building for DPO and project management	5	247,837	138,858	508,111
		14,209,197	138,858	20,632,471
		(8,754)	5,193	(3,561)
Unrealise foreign exchange (gian) loss		14,200,443	144,051	20,628,910
Total payments		128,083	(144,051)	181,561
Excess (deficit) of receipts over payments				

The accompanying notes are an integral part of these financial statements.



Ms. Daomanivone VILAYVIENG
Deputy Director General of DPO
Project Director
Deposit Protection Office
Bank of the Lao PDR
Date: 17 May 2024

Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)
Statement of receipts and payments by category

<i>In USD</i>	<i>Note</i>	31 December 2023	31 December 2022	Cumulative to date
Receipts	3	14,328,526	-	20,810,471
Payments				
Expenditure for PBCs	4	13,961,360	-	20,124,360
Consultant services	5	167,535	65,713	296,626
Incremental operating cost	5	36,692	36,800	102,608
Training	5	43,610	33,327	76,937
Goods	5	-	3,018	31,940
		14,209,197	138,858	20,632,471
Unrealise foreign exchange (gain) loss		(8,754)	5,193	(3,561)
Total payments		14,200,443	144,051	20,628,910
Excess (deficit) of receipts over payments		128,083	(144,051)	181,561

The accompanying notes are an integral part of these financial statements.



Ms. Daomanivone VILAYVIENG
Deputy Director General of DPO
Project Director
Deposit Protection Office
Bank of the Lao PDR
Date: 17 May 2024

Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)
Statement of designated bank account

<i>In USD</i>	<i>Note</i>	31 December 2023	31 December 2022	Cumulative to date
Receipts	3	14,328,526	-	20,810,471
Payments				
Payments		14,200,443	144,051	20,628,910
Increase (decrease) of cash at project's operating account		84,629	(47,428)	94,860
Decrease of cash at project's holding account		(19)	-	-
Increase of cash on hand		186	280	507
Total payments		14,285,240	96,903	20,724,277
Excess (deficit) of receipts over payments		43,286	(96,903)	
Fund balance at the beginning of the year		42,908	139,811	
Fund balance at the end of the year		86,194	42,908	

Represented by:
Cash at designated bank account,
Bank of the Lao PDR

6

42,908

86,194

The accompanying notes are an integral part of these financial statements.



Ms. Daomanivone VILAYVIENG
Deputy Director General of DPO
Project Director
Deposit Protection Office
Bank of the Lao PDR
Date: 17 May 2024

Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)
Notes to the financial statements
For the year ended 31 December 2023

1. Principal activities

The Government of Lao PDR has received funding from the World Bank Group for the Financial Sector Safety Net Strengthening Project (US\$35 million). The objective of the Project is to strengthen the financial and institutional capacity of the Deposit Protection Office (DPO) to fulfil its deposit insurance mandate.

The Deposit Protection Office (DPO) is the Project Implementing Agency and will be responsible for the overall supervision, execution, and management of Financial Sector Safety Net Strengthening Project (FSNP). The project shall be governed by Bank of the Lao PDR and shall be implemented through the existing DPO and concerned departments. DPO shall be responsible for formulating policy and strategy, setting standards, allocating resources, monitoring, providing technical support including the training of officials concerned, playing a role in quality assurance systems and technical auditing, and carrying out impact evaluations, planning, budgeting, procurement, contract management, quality control, and reporting.

The project is part of a broader strategy to strengthen the overall financial safety net, through strengthening the supervision and resolution of deposit-taking financial institutions, as well as the mechanism to be compliant with the rules and regulations for timely payouts of depositors in the case of bank failures. In light of the existing vulnerabilities in the banking sector, it is imperative to bolster the DPO's financial and institutional capacity with World Bank (WB) support. As demonstrated by the lessons from the global financial crisis, the establishment of a credible deposit insurance system is critical for financial sector stability, including maintaining public confidence and protecting less sophisticated and small depositors.

The Project includes two components:

- (i) Capitalization of Deposit Protection Office Equity Fund using Performance-based Condition (PBCs), whereby the WB funds are disbursed in tranches based upon verification of achievement of the pre-agreed PBCs; and
- (ii) Institutional capacity building for DPO and project management so DPO is empowered to perform its legally-mandated function (deposit payout), as evidenced by progress towards compliance with International Association of Deposit Insurers (IADI) Core Principles.

The Project is implemented by the DPO, Other agencies involved in project implementation include the Bank of the Lao PDR (BOL) and Ministry of Finance (MOF).

2. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Project in the preparation of these financial statements:

Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)
Notes to the financial statements
For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

a) Basis of financial statements preparation

The financial statements are prepared in accordance with the accounting policies of the Project consist of the Balance sheet, statements of receipts and payments by component, receipts and payments by category, and statement of designed bank account, which is expressed in United States Dollars ("USD"). The financial statements have, therefore, not been designed for those who are not familiar with the accounting policies of the Project.

The financial statements have been prepared in accordance with modified cash basis of accounting where except for cash advance. Under this basis of accounting, receipts are recognised when funds are received in cash rather than when earned and payments are recognised when made rather than when incurred. This is a comprehensive basis of accounting that is designed to meet the requirements of the Project and its donors; it is not designed to produce financial statements that are compatible with International Financial Reporting Standards or other prominent generally accepted accounting principles.

b) Fixed assets

All purchases of equipment are recorded as payments in the statement of receipts and payments upon acquisition as goods. The Project maintains a Fixed Assets Register for control purposes.

c) Cash

Cash comprises cash on hand and balances with banks.

d) Foreign exchange

The Project maintains its accounting records in USD in accordance with the financial agreement. Transactions in currencies other than USD during the period have been translated into USD at rates approximating those ruling at the transaction dates, and if the fund, which has been replenished to operating account and apply different exchange rate, will be used combine rate. All exchange rate differences are recorded in the statement receipts and payments.

e) Accounting reporting period

The general financial accounting Project starts on 1 January and ends on 31 December.

f) Comparison of budget and actual payments

The approved budget is developed on the same accounting basis, same classification basis and for the same period as for the financial statements.

Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)
Notes to the financial statements
For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

g) Receipt recognition

Fund receipt from IDA is recognised as receipt when cash is credited to the Project's Holding bank accounts for component 1 and Project's operation bank account for component 2.

h) Payment recognition

Payments are recognized when documents substantiating the Project's transactions are submitted and approved and the payment is made.

Categories of payments:

1. Expenditure for PBCs: Capitalization of Deposit Protection Office Equity Fund. Performance-Based Condition (PBC) payments will only be made upon submission of supporting documentation satisfactory to the Bank confirming the achievement of respective PBC or PBCs. PBC payment is valued in SDR, disbursed in USD into a Holding Currency Account, and immediately transferred to the Capitalization account in Lao Kip.

2. Direct Payment and Reimbursement will also be used. Reporting of expenditure paid from the Designated Account will be done quarterly based on the Statement of Expenditure.

i. Goods

Goods consists of office equipment, furniture, vehicles, computers and software. All purchases of goods are recorded as payments in the statement of cash receipt and payments upon acquisition as goods.

ii. Consultant service

Consultant services consist of national project coordinator, national procurement, national communication consultant, and national finance consultant at Lao PDR Financial Sector Safety Net Strengthening Project.

iii. Non-consultant service

Non-consultant services including media and outreach expenses such as brochure, poster, and video.

iv. Training

Training consists of capacity development (training courses) for DPO staff/concerned parties, knowledge exchange including study tours, attend meeting, seminar and workshop (internal and oversea).

Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)
Notes to the financial statements
For the year ended 31 December 2023

2. Summary of significant accounting policies (continued)

v. *Incremental operating cost*

Incremental operating cost consist of leasing and/or routine repair and maintenance of facilities and office premises; fuel, office supplies, and consumables; communication expenses (including postage, telephone, and Internet costs); translation, printing, and photocopying expenses; bank charges, publications, and advertising expenses; travel insurance; project-related meeting expenses; project-related travel, subsistence, and lodging expense.

Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)
Notes to the financial statements
For the year ended 31 December 2023

3. Receipts

<i>In USD</i>	Date	31 December 2023	31 December 2022	Cumulative to date
Fund receipt for PBCs:				
- 02-PBC-FSNP-DPO	12-May-2023	13,961,341	-	13,961,341
- 01-PBC-FSNP-DPO	22-Sep-2021	-	-	6,163,019
Transfer to designated account				
- 02-WA-OC-FSNPQ1,2 23	26-May-2023	367,185	-	367,185
- 01-FSN-DPO	25-Jan-2021	-	-	144,960
- 02.1-WA-OC-FSNP-DPO	8-Sep-2021	-	-	173,966
Total		14,328,526	-	20,810,471

4. Capitalization of deposit protection office equity fund

<i>In USD</i>	31 December 2023	31 December 2022	Cumulative to date
PBC# A3, DPO has entered into an agreement with MOF acceptable to the association for back up funding support	2,326,567	-	2,326,567
PBC# A4, DPO has withdrawn all investments and deposits in commercial banks and invested them in government securities and central bank bonds	2,326,567	-	2,326,567
PBC# C3, DPO has implemented an improved accounting and reporting system that includes chart of accounts	775,848	-	775,848

Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)
Notes to the financial statements
For the year ended 31 December 2023

4. Capitalization of deposit protection office equity fund (continued)

<i>In USD</i>	31 December 2023	31 December 2022	Cumulative to date
PBC# D1, DPO Board has approved and issued to its members regulations acceptable to the association on record keeping of deposits including requirement to prepare deposit data in Single Deposit View (SDV) format	2,326,567	-	2,326,567
PBC# D2, DPO board has approved regulations acceptable to the association on procedures for claiming deposit insurance claims processing and payment	2,326,567	-	2,326,567
PBC# E1, BOL and DPO have each issued regulations acceptable to the association requiring their respective member institutions to provide standard information on deposit insurance coverage to their clients	775,849	-	775,849
PBC# E2, DPO Board has approved a public awareness strategy on deposit insurance	775,849	-	775,849
PBC# F1, The governor of the BOL has approved regulations acceptable to the association governing: problem bank resolution process framework	1,163,773	-	1,163,773
PBC# F2, The governor of the BOL has approved regulations acceptable to the association governing: prompt corrective action and early intervention measures	1,163,773	-	1,163,773
PBC# A2, DPO Board and BOL Governor have each approved regulations on adjusted deposit premiums	-	-	2,462,355

Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)
Notes to the financial statements
For the year ended 31 December 2023

4. Capitalization of deposit protection office equity fund (continued)

<i>In USD</i>	31 December 2023	31 December 2022	Cumulative to date
PBC# B1, DPO and Bank of the Lao PDR have signed an updated memorandum of understanding acceptable to the Association regulating the flow of information between the two entities	-	-	2,462,354
PBC# C2, DPO Board has approved its Code of Ethics	-	-	1,238,291
Total	13,961,360	-	20,124,360

5. Institutional capacity building for DPO and project management

<i>In USD</i>	31 December 2023	31 December 2022	Cumulative to date
Consultant services			
Firm consultant	95,295	19,049	114,344
Communication Specialist consultant	29,376	5,105	34,481
Financial management consultant	23,561	22,848	62,981
International deposit insurance advisor	15,199	-	15,199
Procurement consultant	2,366	13,472	40,217
Admin assistant	1,738	-	1,738
Project coordinator consultant	-	5,239	27,666
	167,535	65,713	296,626

Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)
Notes to the financial statements
For the year ended 31 December 2023

5. Institutional capacity building for DPO and project management (continued)

In USD

	31 December 2023	31 December 2022	Cumulative to date
Incremental operating cost			
Car rental	3,880	11,388	26,921
Office rental	17,895	9,631	38,426
Document translation	8,108	4,821	15,181
Advertisement	764	1,937	2,701
Photo Copier rental	1,291	1,340	2,631
Office stationeries	246	976	2,143
IT system maintenance	-	-	136
Others	4,508	6,707	14,469
	36,692	36,800	102,608
Training			
Meeting	24,624	14,931	39,555
Dissemination of decree on deposit protection	16,891	15,592	32,483
Training courses	2,095	2,804	4,899
	43,610	33,327	76,937
Goods			
IT equipment	-	2,487	20,318
Furniture equipment	-	531	10,817
Office equipment	-	-	805
	-	3,018	31,940
Total	247,837	138,858	508,111

Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)
Notes to the financial statements
For the year ended 31 December 2023

6. Cash and cash equivalents

<i>In USD</i>	31 December 2023	31 December 2022
Designated bank account: Bank of the Lao PDR	86,194	49,908
Holding bank account: Bank of the Lao PDR	-	19
Operating bank account	94,860	10,230
Cash on hand	507	321
Total	181,561	53,478

7. Commitments

The Project has outstanding commitments as follows:

<i>In USD</i>	31 December 2023	31 December 2022
International Deposit Insurance Advisor	210,661	225,860
Firm consultant	79,700	25,035
Communication Specialist consultant	19,064	22,495
Office rental	11,370	8,734
Admin assistant	6,062	-
Financial management consultant	4,529	1,563
Car rental	-	6,852
Procurement consultant	-	2,395
	331,386	292,934

Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)
Comparison of budget and actual payments
For the year ended 31 December 2023

(Appendix)

This table represented the used of funds by activities, as set out in the Project Appraisal Document ("PAD"), compared with current budget. *(Financing Agreement No.6571-LA; dated 28 April 2020)									
In USD	Actual		Budget (Unaudited)		Variance (Unaudited)			Project Document *	
	31 December 2023	Cumulative to date	31 December 2023	Cumulative to date	31 December 2023	Cumulative to date	31 December 2023 (%)	Cumulative to date (%)	Total budget
Component 1: Capitalization of deposit protection office equity fund	13,961,360	20,124,360	24,937,000	31,100,000	10,975,640	10,975,640	56%	55%	33,250,000
Component 2: Institutional capacity building for DPO and project management	247,837	508,111	455,689	715,963	207,852	207,852	54%	39%	1,750,000
Unrealise foreign exchange gain	(8,754)	(3,561)	-	-	8,754	3,561	-100%	-100%	-
Total:	14,200,443	20,628,910	25,392,689	31,815,963	11,182,246	11,187,053	56%	54%	35,000,000
									14,371,090
									13,125,640
									1,241,889
									3,561

Bank of the Lao PDR
Deposit Protection Office
Lao PDR Financial Sector Safety Net Strengthening Project (FSNP)
Comparison of budget and actual payments
For the year ended 31 December 2022

(Appendix)

Analysis of variances between budget and actual payments

Component 1:

During the year 2023, the Project have achieved for nine PBCs and the disbursement has been completed and transferred to Deposit Protection Office's bank account in June 2023. However, there were 3 PBC i.e. C5, D3, E3 was not successful claimed.

Component 2:

For component 2 that including goods, non-consulting services, consulting services, training and operating costs having total budget is USD 455,689 indicated Consultant service for USD 328,385, Training for USD 27,946 and Incremental Operating Cost for USD 99,358 in 2022. In actual payment during the period is amounting to USD 247,837 or 54% of the budget.

Goods

During the year, the project had not purchased any goods.

Consultant service

The expenditure of consultant service category for the year 2023 is USD 167,535 which is cover 51% of the annual budget for 2023. The overall of expenditures for consultants was following the plan excepted for the payment of deposit insurance advisor which it is unable to pay due to work deliverable of the consultant. In addition, the Project recruited new administrative admin assistant.

Training

For the year 2023, the payment of this category was overspent due to some activities in 2022 are carried to implemented in 2023. The major payments were for deposit protection training, dissemination of decree on deposit protect in 8 Provinces which organised by Deposit Protection Office and FSNP Project. Moreover, the project paid for air ticket for DPO delegates to participate meeting in Korea, Vietnam, and Mongolia. The rest of expenditures are the payment of organising meeting and training for DPO staffs. The expenditure of this category of the year 2023 is USD 43,610 which is over 56% of the annual budget.

Incremental Operating Cost

The expenditure of incremental operating for the year is USD 36,692 which is cover 37% of the annual budget for 2023. The expense incurred from this category, mostly are office rental, car rental, translation, and other administrative works, For the rest are some small expenses, such as: stationery, ink, bank fee, cleaning, stationery, monthly meeting, Etc.