

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

**Report of Factual Finding
For the year ended 31 December 2022**



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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 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denominated in Lao Kip; and (2) IDA funds transferred to capitalize the Deposit Protection Office Equity Fund is only withdrawn for investment in government bonds, Central Bank bonds, and use for payout if the amount of funds in the Deposit Protection Reserve is insufficient to meet such needs in the event of a member bank failure, as provided in the MOF decision No. 0553, dated 24 February 2020.

Objective:

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

1. IDA fund transferred into the "Holding 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 IDA fund transferred to capitalize the Deposit Protection Office Equity Fund is only withdrawn for investment in government bonds, Central Bank bonds, and used for pay-out if the amount of funds in the Deposit Protection Reserve is insufficient to meet such needs in the event of a member bank failure, as provided in the MOF decision No. 0553, dated 24 February 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 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 if the amount of funds in the Deposit Protection Reserve is insufficient to meet such needs in the event of a member bank failure, as provided in the MOF decision No. 0553, dated 24 February 2020.

Factual Findings:

1. We have inspected all transactions for the year ended 31 December 2022 of IDA funds transferred into the "Holding Account" based on achievement of PBCs have been convert to Lao Kip and transferred immediately to the Capitalization Account. There is no IDA funds transferred to the Capitalization Accounting for the year ended 31 December 2022.



2. We have inspected all transactions for the year ended 31 December 2022 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 if the amount of funds in the Deposit Protection Reserve is insufficient to meet such needs in the event of a member bank failure, as provided in the MOF decision No. 0553, dated 24 February 2020. Our summary of findings is as below:

| Date | Description | Amount (LAK) | Finding result |
|-------------|---|-----------------------|--|
| | | | |
| | Balance as at 31 December 2021* | 15,625,411,000 | |
| 4-Jan-2022 | Bank fee: Bank statement of December 2021 and for the year 2021 | (130,000) | The withdrawal is not for investment expenses in government bonds, Central Bank bonds, and use for payout if the amount of funds in the Deposit Protection Reserve is insufficient to meet such needs in the event of a member bank failure, as provided in the MOF decision No. 0553, dated 24 February 2020. |
| 13-Jan-2022 | Investment in Government, Ministry of Finance bond | (15,600,000,000) | The withdrawal is for investment in government bonds. |
| 17-Feb-2022 | Bank fee: Bank statement of January 2022 | (10,000) | The withdrawal is not for investment expenses in government bonds, Central Bank bonds, and use for payout if the amount of funds in the Deposit Protection Reserve is insufficient to meet such needs in the event of a member bank failure, as provided in the MOF decision No. 0553, dated 24 February 2020. |



| Date | Description | Amount (LAK) | Finding result |
|---|---|----------------------|---|
| 25-Oct-2022 | Amount received from maturity date of investment in Government, Ministry of Finance bond (included investment interest) | 15,825,000,000 | |
| 27-Oct-2022 | Investment in Government, Ministry of Finance bond | (15,000,000,000) | The withdrawal is for investment in government bonds. |
| 16-Nov-2022 | Amount received from maturity date of investment in Government, Ministry of Finance bond (included investment interest) | 15,825,000,000 | |
| 21-Nov-2022 | Investment in Government, Ministry of Finance bond | (15,000,000,000) | The withdrawal is for investment in government bonds. |
| 14-Dec-2022 | Amount received from maturity date of investment in Government, Ministry of Finance bond (included investment interest) | 15,825,000,000 | |
| 15-Dec-2022 | Investment in Government, Ministry of Finance bond | (15,000,000,000) | The withdrawal is for investment in government bonds. |
| Balance as at 31 December 2022** | | 2,500,271,000 | |

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

** The bank balance of the Capitalization Account as agreed with BOL bank statement as of 31 December 2022 (Including interest received from investment bond).



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 Co., Ltd.

KPMG Lao Co., Ltd.

Vientiane Capital

Date: 15 May 2023

