

MINISTRY OF FINANCE
DEPARTMENT OF FISCAL POLICY
PROJECT IMPLEMENTATION
UNIT (PIU)

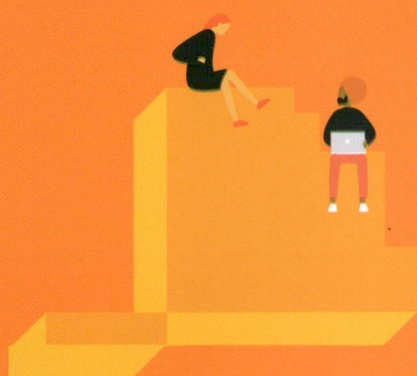
ENHANCING PUBLIC FINANCE
MANAGEMENT THROUGH INFORMATION
AND COMMUNICATION TECHNOLOGY
AND SKILLS (E-FITS)

MANAGEMENT LETTER

FOR THE YEAR ENDED 31 DECEMBER 2023



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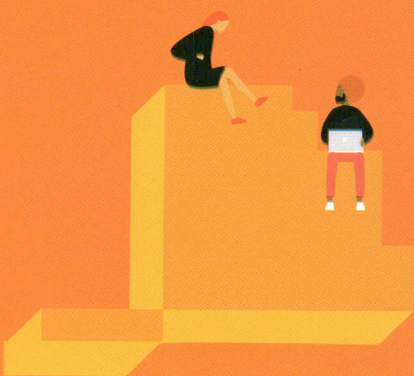
MINISTRY OF FINANCE
DEPARTMENT OF FISCAL POLICY
PROJECT IMPLEMENTATION
UNIT (PIU)

ENHANCING PUBLIC FINANCE
MANAGEMENT THROUGH INFORMATION
AND COMMUNICATION TECHNOLOGY
AND SKILLS (E-FITS)



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023



**MINISTRY OF FINANCE
DEPARTMENT OF FISCAL POLICY
PROJECT IMPLEMENTATION UNIT (PIU)**

**ENHANCING PUBLIC FINANCE MANAGEMENT THROUGH INFORMATION AND
COMMUNICATION TECHNOLOGY AND SKILLS (E-FITS)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**MINISTRY OF FINANCE
DEPARTMENT OF FISCAL POLICY
PROJECT IMPLEMENTATION UNIT (PIU)**

**ENHANCING PUBLIC FINANCE MANAGEMENT THROUGH INFORMATION AND
COMMUNICATION TECHNOLOGY AND SKILLS (E-FITS)**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

Statement by the Project management

The Government of Lao PDR (GoL) is strengthening the management of its public finances through establishing guiding principles and policies for improved public finance management (PFM). As part of its objective to strengthen the management of its public finances, the Ministry of Finance (MoF) has adopted the Vision to 2030 and Public Finance Development Strategy to 2025 (PFM Strategy) to improve policy consistency, efficiency, transparency and accountability in public expenditure and revenue management by strengthening institutional systems and capacity, as well as making progress towards meeting appropriate international financial management standards.

To support implementation of the PFM Strategy, the GoL has agreed on the World Bank Credit in the amount of US\$ 20 million to support the implementation of the Enhancing Public Finance Management through ICT and Skills (E-FITS) Project, from its effectiveness to its expected closing date on May 2025.

On behalf of the Project:



Phirany Phissamay
Head of Project Implementation Unit
Date: 23 February 2024



Chittakone Savathdy
Deputy Head of Project Implementation Unit
Date: 23 February 2024



INDEPENDENT AUDITOR'S REPORT

TO THE ENHANCING PUBLIC FINANCE MANAGEMENT THROUGH INFORMATION AND COMMUNICATION TECHNOLOGY AND SKILLS (E-FITS)

Our opinion

In our opinion, the financial statements of Enhancing Public Finance Management Through Information and Communication Technology and Skills (the E-FITS or the Project) for the year ended 31 December 2023 are prepared, in all material respects, in accordance with the accounting policies described in Note 2 to the financial statements.

What we have audited

The Project's financial statements comprise:

- the statement of receipts and disbursements for the year ended 31 December 2023
- the statement of fund balance as at 31 December 2023, and
- the notes to the financial statement, which include significant accounting policies, and other explanatory information.

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 Auditor's responsibilities for the audit of the financial 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

We are independent of the Project in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of Matter - Basis of accounting and restriction on distribution and use

We draw attention to Note 2 to the financial statements, which describe the basis of accounting. The financial statements are prepared in accordance with accounting policies described in Note 2 to the financial statements. As a result, the financial statements may not be suitable for another purpose.

Our report is intended solely for the E-FITS and donors and should not be distributed to or used by parties other than the E-FITS and donors. Our opinion is not modified in respect of this matter.



Responsibilities of the director for the financial statements

The director is responsible for the preparation of the financial statements in accordance with accounting policies described in Note 2 to the financial statements, and for such internal control as the director 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, the director is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Auditor's 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 auditor's 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 scepticism 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 Director.
- 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 auditor's 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 auditor's report. However, future events or conditions may cause the Programme to cease to continue as a going concern.

MINISTRY OF FINANCE
DEPARTMENT OF FISCAL POLICY
PROJECT IMPLEMENTATION UNIT (PIU)

ENHANCING PUBLIC FINANCE MANAGEMENT THROUGH INFORMATION AND COMMUNICATION TECHNOLOGY AND SKILLS
(E-FITS)

STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Cumulative to 31 December 2022 USD	For the year ended 31 December 2023 USD	Cumulative to 31 December 2023 USD
RECEIPTS			
Designated account replenishment	2,293,971	650,081	2,944,052
Direct disbursements	311,698	222,548	534,246
	2,605,669	872,629	3,478,298
DISBURSEMENTS			
Foundations for a core public financial management system	1,398,844	488,175	1,887,019
Public finance management skills program and change management	435,112	260,509	695,621
Project implementation	442,363	169,834	612,197
	2,276,319	918,518	3,194,837
(Deficit) / Surplus of receipts over disbursements	329,350	(45,889)	283,461



Phirany Phissamay
Head of Project Implementation Unit
Date: 23 February 2024

Chittakone Savathdy
Deputy Head of Project Implementation Unit
Date: 23 February 2024

The accompanying notes on pages 8 to 10 form an integral part of the statements of receipts, disbursements and fund balance.

MINISTRY OF FINANCE
DEPARTMENT OF FISCAL POLICY
PROJECT IMPLEMENTATION UNIT (PIU)

ENHANCING PUBLIC FINANCE MANAGEMENT THROUGH INFORMATION AND
COMMUNICATION TECHNOLOGY AND SKILLS (E-FITS)

STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 USD	2022 USD
RECEIPTS			
Designated account replenishment		650,081	863,518
Direct disbursements		222,548	-
		872,629	863,518
DISBURSEMENTS			
Foundations for a core public financial management system	3	488,175	406,023
Public finance management skills program and change management	4	260,509	143,162
Project implementation	5	169,834	167,808
		918,518	716,993
(Deficit) / Surplus of disbursements over receipts		(45,889)	146,525



Phirany Phissamay
Head of Project Implementation Unit
Date: 23 February 2024

Chittakone Savathdy
Deputy Head of Project Implementation Unit
Date: 23 February 2024

The accompanying notes on pages 8 to 10 form an integral part of the statements of receipts, disbursements and fund balance.

MINISTRY OF FINANCE
DEPARTMENT OF FISCAL POLICY
PROJECT IMPLEMENTATION UNIT (PIU)

ENHANCING PUBLIC FINANCE MANAGEMENT THROUGH INFORMATION AND
COMMUNICATION TECHNOLOGY AND SKILLS (E-FITS)

STATEMENT OF FUND BALANCE
AS AT 31 DECEMBER 2023

FUND BALANCE

	Note	2023 USD	2022 USD
Opening fund balance		329,350	182,825
(Deficit) / Surplus of disbursements over receipts		(45,889)	146,525
Closing fund balance		283,461	329,350

Represented by:

Cash on hand and at banks

Cash at banks	6	283,461	329,350
		283,461	329,350



Phirany Phissamay
Head of Project Implementation Unit
Date: 23 February 2024

Chittakone Savathdy
Deputy Head of Project Implementation Unit
Date: 23 February 2024

The accompanying notes on pages 8 to 10 form an integral part of the statements of receipts, disbursements and fund balance.

**MINISTRY OF FINANCE
DEPARTMENT OF FISCAL POLICY
PROJECT IMPLEMENTATION UNIT (PIU)**

**ENHANCING PUBLIC FINANCE MANAGEMENT THROUGH INFORMATION AND
COMMUNICATION TECHNOLOGY AND SKILLS (E-FITS)**

**STATEMENT OF FUND BALANCE
AS AT 31 DECEMBER 2023**

1. GENERAL INFORMATION OF THE PROJECT

The Government of Lao PDR (GoL) is strengthening the management of its public finances through establishing guiding principles and policies for improved public finance management (PFM). As part of its objective to strengthen the management of its public finances, the Ministry of Finance has prepared a comprehensive Public Finance Management Development Strategy to 2025 to improve policy consistency, efficiency, transparency and accountability in public expenditure and revenue management by strengthening institutional systems and capacity, as well as making progress towards meeting appropriate international financial management standards.

The GoL has requested a US\$20 million credit from the World Bank for the implementation of the Enhancing Public Finance Management through ICT and Skills (E-FITS) Project to contribute to the reliability, timeliness and transparency of financial reporting and to enhance public financial management skills.

The Project Implementation Unit (PIU) was established in December 2018. Under the oversight of the MoF's PFM Reform Secretariat, the PIU will be responsible for the implementation of the E-FITS Project (P167534) and the PFM Reform Grant (P167661). The PIU will be the central executing agency, responsible for overall implementation monitoring, fiduciary oversight, and provision of technical, procurement, and financial management support to MoF implementing departments responsible for the technical implementation of project / program components. Furthermore, the PIU will be responsible for the preparation of work plans and for the provision of logistics, administration and coordination across implementing departments.

2. SIGNIFICANT ACCOUNTING POLICIES

The Project will adopt 'modified cash basis' of accounting and will use "double entry" recording methodology to record transactions. The accounting system should be computerized using appropriate accounting software which is to be tailored according to the requirements of the Project. Adequate accounting books and records will be maintained and monitored by the FM Consultant.

The project will be following the accounting policies:

- a) The accounting system will be based on a modified cash basis of accounting in which revenues and expenses are recorded when cash is actually received or paid out. Where cash advance is issued, it will be recognized as receivables and are recorded as expense only after the liquidation and presentation of documents, receipts are recognized when received rather than when earned and expenditures are recognized when paid rather than when incurred and this is also recorded in the audited financial statements presented by external auditors;
- b) Accounting transactions will be recorded in the US Dollars in parallel with Lao Kip (local currency) and entered into the Project accounting system. Transactions arising in other foreign currencies shall be translated at the exchange rates ruling at transaction dates into US Dollars.

MINISTRY OF FINANCE
DEPARTMENT OF FISCAL POLICY
PROJECT IMPLEMENTATION UNIT (PIU)

ENHANCING PUBLIC FINANCE MANAGEMENT THROUGH INFORMATION AND
COMMUNICATION TECHNOLOGY AND SKILLS (E-FITS)

STATEMENT OF FUND BALANCE
AS AT 31 DECEMBER 2023

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- c) Monetary assets and liabilities denominated in other foreign currencies at the balance sheet date are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are dealt with in the receipts and expenditure account.
- d) The financial statements are prepared under the historical cost basis. No depreciation will be charged for the fixed assets as these items are expensed in full during the month of purchase and at the end of the project life all assets will be transferred to the Government of Lao PDR in line with the Government asset management policy.
- e) A separate Fixed Assets Register will be maintained by the Project to ensure that all money expended purchasing assets are recorded in detail listing date in use, location and condition and person responsible for the asset.
- f) The reports may be presented in US Dollars which is in accordance with the requirements of the Project.

3. FOUNDATIONS FOR A CORE PUBLIC FINANCIAL MANAGEMENT SYSTEM

	2023 USD	2022 USD
Goods*	121,363	-
Consulting services**	326,739	384,857
Training and workshop	25,730	15,987
Incremental operating costs	14,343	5,179
	488,175	406,023

*Goods was mainly increase from the third payment for upgrade software of public debt management system from (DMFAS 5.3) to (DMFAS 6.0).

**The mainly payment for consulting service was from the fifth payment in 20% to Deloitte consultant for develop FMIS system.

4. PUBLIC FINANCE MANAGEMENT SKILLS PROGRAM AND CHANGE MANAGEMENT

	2023 USD	2022 USD
Goods	-	2,293
Consulting services*	251,318	103,093
Training and workshop	-	36,068
Incremental operating costs	9,191	1,708
	260,509	143,162

*Consulting service increase from payment of 30% after completion of work according to contract to PWC Pvt.Ltd.

MINISTRY OF FINANCE
DEPARTMENT OF FISCAL POLICY
PROJECT IMPLEMENTATION UNIT (PIU)

ENHANCING PUBLIC FINANCE MANAGEMENT THROUGH INFORMATION AND
COMMUNICATION TECHNOLOGY AND SKILLS (E-FITS)

STATEMENT OF FUND BALANCE
AS AT 31 DECEMBER 2023

5. PROJECT IMPLEMENTATION

	2023	2022
	USD	USD
Consulting services	141,234	163,408
Audit service fee	17,480	-
Training & Workshop	540	-
Incremental operating costs	10,580	4,400
	169,834	167,808

6. CASH AT BANKS

	2023	2022
	USD	USD
Cash at designated account	214,293	258,903
Cash at operating bank account	69,168	70,447
	283,461	329,350



Phirany Phissamay
Head of Project Implementation Unit
Enhancing Public Finance Management
Through Information and Communication
Technology and Skills (E-FITS)

MANAGEMENT LETTER

We have completed our audit of the financial statements of **Enhancing Public Finance Management through Information and Communication Technology and Skills (E-FITS)** for the year ended 31 December 2023 and we are pleased to be able to report that no major matters arose from our work. Any minor matters arising during our work were discussed and resolved with Phirany Phissamay Head of Project Implementation Unit during the course of the audit.

As detailed in our letter of engagement dated 22 May 2020, our audit concentrates on areas of material risk of error in the financial statements to allow us to reach our opinion in a cost-effective manner. This approach means that we do not examine every activity and procedure within the organisation and accordingly, we may not have identified all weaknesses that exist, and in particular we cannot be held responsible for reporting all risks in the Project or all internal control weaknesses. Furthermore, it should be noted that the maintenance of an adequate system of internal control is the responsibility of management.

We would be pleased to discuss with you an extension of our audit to review any activities which potentially concern you. This might include a review of procedures relating to corporate governance, fraud limitations or any other matters.

This report has been prepared solely for the use of **Enhancing Public Finance Management through Information and Communication Technology and Skills (E-FITS)** and should not be made available to third parties. If a third party were to obtain a copy without our written consent, we would not accept any responsibility for any reliance that they may place on it.

We would like to take this opportunity to express our thanks for the assistance and cooperation afforded by all your staff during the course of our audit.

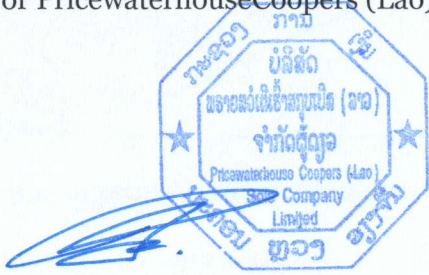
If you would like any further information, please contact *Chanthasone Vilavong* at telephone number +856 21 222 718-9.



Please kindly sign the acknowledgement copy of this letter in the space provided and return it to us as soon as possible.

Yours sincerely,

For PricewaterhouseCoopers (Lao) Sole Company Limited



By Apisit Thiengtrongpinyo
Partner

Vientiane Capital, Lao PDR
Date: 23 February 2024



Acknowledgement Copy
Received by



Signed: _____

Name in print: Phirany Phissamay

Date: 23 February 2024