

2018/19 ANNUAL REPORT

L E S O T H O COMMUNICATIONS A U T H O R I T Y





# CORPORATE MANDATE

Lesotho Communications Authority is a converged national regulatory agency for the communications sector in the Kingdom of Lesotho. Its broad mandate is to license operators, facilitate the development of and regulate the communications sector which comprises telecommunications, broadcasting and postal services.

### Vision

Access to affordable and reliable communication services.

### Mission

To facilitate the provision and accessibility of quality communications services.

### Value statement

The Authority shall maintain integrity, professionalism and transparency in regulatory and corporate affairs.

### Motto

Fairness to all and allegiance to none.

#### Organisational Information:

Official name: Lesotho Communications Authority Physical address: 30 Princess Margaret Road • Old Europa • Maseru • Lesotho Postal address: P.O. Box 15896 • Maseru 100 • Lesotho • Southern Africa

Telephone number/s:: Main switchboard: +266 222 4300/5222 1300 Customer Care: 22326784 Email addresses: info@lca.org.ls; admin@lca.org.ls; registrar@lca.org.ls; licensing@lca.org.ls; lca@lca.org.ls Website address: Website: www.lca.org.ls External auditors: Auditor-General of Lesotho Bankers: Nedbank Lesotho

A digital copy of this publication is available from our website.

© Lesotho Communications Authority 2019

# CONTENTS

CORPORATE MANDATE	i
LIST OF ABBREVIATIONS	iv
DEFINITION OF TERMS	vi
EXECUTIVE SUMMARY	xi
CHAIRMAN'S STATEMENT	1
BOARD OF DIRECTORS, BOARD COMMITTEES AND STATUTORY COMMITTEES	3
Membership of Committees	3
STATEMENT ON CORPORATE GOVERNANCE	5
The Board of the Authority	5
Commitment to Good Corporate Governance	6
Summary of Board Activities	6
Functions of the Board and Statutory Committees	6
CHIEF EXECUTIVE OFFICER'S REPORT	8
Human Resources Management	9
Conferences, Seminars and Workshops	10
Financial Performance for the Year Ended 31 March 2019	10
Automated Spectrum Management System	11
Public Affairs and Corporate Social Investment	11
REGULATORY AFFAIRS	11
Licensing Matters	12
Postal Regulation	12
Broadcasting Regulation	14
Complaints about Communications Services	15
Complaints on Broadcasting Content	16
Monitoring of Compliance to Regulatory Framework	16
TECHNICAL	17
New Guidelines for Usage of 70/80 Band	17
Coordination of T-DAB Frequencies with ICASA	17
Spectrum Planning and Management	17
Spectrum Monitoring	18
Numbering Audit	20
Type Approval of Equipment	20
Redelegation of Lesotho Network Information Centre	20

## CONTENTS

RESEARCH AND SECTOR DEVELOPMENT	21
Telecommunications Sector Performance	21
Fixed Services	21
Mobile services	22
Sector Teledensity	22
Competition Management	23
Network Infrastructure Rollout	24
STUDIES AND SURVEYS	27
E-government Survey	27
ICT Indicators in Households Survey	27
Internet Cafes	28
UNIVERSAL SERVICE FUND	28
Identification and profiling of unserved/underserved areas (voice & data)	28
Implementation of Projects for Promoting Digital Literacy in Schools	29
Completed Communications Infrastructure Projects	30
Supporting critical internet infrastructure	30
MAJOR INTERNATIONAL EVENTS	30
International Telecommunication Union Plenipotentiary Conference	30
ITU World Radiocommunication Conference 2019	31
ITU Telecom World	31
Second Extraordinary Congress of the Universal Postal Union	32
PAPU Activities	32
Global Symposium for Regulator 2018	33
SADC ICT, Information, Meteorology and Transport Ministers Meeting	33
CRASA Activities	34
WIOCC Board Meeting	35
LCA ORGANOGRAM	36
FINANCIAL STATEMENTS	37
FINANCIAL STATEMENTS - UNIVERSAL SERVICE FUND	58

## LIST OF ABBREVIATIONS

3G: Third generation mobile networks. 4G: Fourth generation mobile networks. 5G: Fifth generation mobile networks. AfDB: African Development Bank. AGM: Annual General Meeting. ANCOM: National Authority for Management and Regulation in Communications. AFMS: Automated Frequency Management System. ASMS: Automated Spectrum Management System. BTS: Base transceiver station. BDRP: Broadcasting Disputes Resolution Panel. ccTLD: Country Code Top Level Domain. CDMA: Code-division multiple access. CEO: Chief Executive Officer. CEP: Courier, Express and Parcel. CIRT: Computer Incident Response Teams. CMR: Competition Management Regime. CRASA: Communications Regulators' Association of Southern Africa. CRTT: CRASA Roaming Task Team. CSAIA: China Satellite Application Industry Association. CSI: Corporate Social Investment. CTO: Commonwealth Telecommunications Organisation. DCEO: Directorate on Corruption and Economic Offences. DPO: Designated Postal Operator. DHL: Dalsey, Hillblom and Lynn. DOPE: Department of Physics and Engineering. DSL: Digital Subscriber Line. EASSy: East African Submarine System. EDGE: Enhanced Data rates for GSM Evolution. EMF: Electromagnetic field. EMS: Express Mail Service. ESIM: Earth Stations in Motion. ETL: Econet Telecom Lesotho. FAC: Finance and Audit Committee. FOC: Fibre Optic Communications. FM: Frequency Modulation. GNI: Gross National Income. GPON: Gigabit Passive Optical Network. GSM: Global Systems for Mobile communications. GSMA: GSM Association. **GSR-18**: Global Symposium for Regulators 2018. GSR: Global Symposium for Regulators. GTI: Global TD-LTE Initiative. HRRC: Human Resources and Remuneration Committee. IANA: Internet Assigned Numbers Authority.

# LIST OF ABBREVIATIONS

ICANN:	Internet Corporation for Assigned Names and Numbers.
ICASA:	Independent Communications Authority of South Africa.
ICNIRP:	International Commission for Non-Ionising Radiation Protection.
ICT:	Information and Communication Technologies.
IEC:	Independent Electoral Commission.
IMR:	International Mobile Roaming.
IMT:	International Mobile Telecommunications.
IFRS:	International Financial Reporting Standards.
IP:	Internet Protocol.
ISDN:	Integrated Services Digital Network.
ITU:	International Telecommunication Union.
KV:	Kilovolt.
LAA:	Land Administration Authority.
LCA:	Lesotho Communications Authority.
LEC:	Lesotho Electricity Company.
LECC:	LEC Communications.
LIXP:	Lesotho Internet Exchange Point.
LM:	Lifetime Music Radio.
LNBS:	Lesotho National Broadcasting Service.
LRA:	Lesotho Revenue Authority.
LsNIC:	Lesotho Network Information Centre.
LTE:	Long Term Evolution.
M:	Maloti. (Singular: Loti)
MHz:	Megahertz.
MNO:	Mobile Network Operator.
MoU:	Memorandum of Understanding.
MVNO:	Mobile Virtual Network Operator.
NSDP:	National Strategic Development Plan.
NUL:	National University of Lesotho.
OPGW:	Optical Ground Wire.
PAPU:	Pan African Postal Union.
PMS:	Performance Management System.
PRMS:	Premium Rated Messaging Service.
POC:	Postal Operations Council.
PSTN:	Public Switched Telephone Network.
PU:	Probe Units.
QoS:	Quality of Service.
RLAH:	Roam Like at Home.
RSA:	Republic of South Africa.
SABA:	Southern African Broadcasting Association.
SADC:	Southern African Development Community.
SBP:	Strategic Business Plan.
SCPS:	SADC Communication and Promotion Strategy 2016-2020.
SDG:	Sustainable Development Goals.

**SDG**: Sustainable Development Goals.

## LIST OF ABBREVIATIONS

- SIDS: Small Island Development States.
- **SIMM**: Scaling Inclusion through Mobile Money.
- SITA: State Information Technology Agency.
- SME: Small medium enterprise.
- **SMS**: Short Message Service.
- **Tbps**: Terabits per second.
- **TCP**: Transmission Control Protocol.
- **TDIA**: Telecommunication Development Industry Alliance.
- TDMA: Time Division Multiple Access.
- **TSC**: Technical Sub-committee.
- TV: Television.
- UMTS: Universal Mobile Telecommunications System.
- UPU: Universal Postal Union.
- USF: Universal Service Fund.
- USFC: Universal Service Fund Committee.
- USD: United States Dollar.
- **USO:** Universal Service Obligations.
- UTRAN: UMTS Radio Access Network.
- VAS: Value Added Service.
- **WHO**: World Health Organisation.
- WRC-19: World Radiocommunication Conference 2019.
- Wi-Fi: Wireless Fidelity.

vi 📃

- WIMAX: Worldwide Interoperability for Microwave Access.
- WIOCC: West Indian Ocean Cable Company.
- WTDC: World Telecommunication Development Conference.

- **3G**: Generic name for third-generation networks or services under the IMT-2000 banner, for example W-CDMA and CDMA2000 1x.
- **4G**: A collection of fourth generation cellular data technologies. It succeeds 3G and is also called "IMT-Advanced," or "International Mobile Telecommunications Advanced."
- **5G**: A term used to describe the fifth-generation of mobile networks beyond the 4G LTE mobile networks.
- Act: Means the Communications Act No. 4 of 2012.
- Active subscriber: A subscriber who is able to make outgoing calls and/or receive incoming calls.
- Analogue: Transmission of voice and images using electrical signals.
- Authority: Lesotho Communications Authority.

- **Bandwidth**: A range of frequencies available to be occupied by signals. In analogue systems it is measured in Hertz (Hz) and in digital systems in bit/s per second (bit/s). The higher the bandwidth, the greater the amount of information that can be transmitted in a given time. High bandwidth channels are referred to as broadband, which typically means 1.5/2.0 Mbit/s or higher.
- **Base station**: The common name for all the radio equipment located at one and the same place used for serving one or several cells. Also referred as a Base Transceiver Station.
- **Broadband**: Having instantaneous bandwidths greater than around 1 MHz and supporting data rates greater than 1.5 Mb/s.
- **Broadcast**: A value of the service attribute "communication configuration", which denotes unidirectional distribution to all users.
- **Carrier**: An entity that owns a transmission medium and which rents, leases or sells portions of such a transmission medium for a set tariff.
- **ccTLD**: A country code top-level domain name on the internet that is reserved for a country or territory, such as .ls for Lesotho.
- **Cell**: Radio network object that can be uniquely identified by a user equipment from a (cell) identification that is broadcast over a geographical area from one radio access network point.
- **Cellular**: A mobile telephone service provided by a network of base stations, each of which covers one geographic cell within the total cellular system service area.
- **Competition**: A situation in a market in which firms or sellers independently strive for the patronage of buyers in order to achieve a particular business objective e.g. profits, sales and or market share.
- **Converged regulation**: A trend in regulation that seeks to define a single regulatory structure for telecommunications, broadcasting, information technology and postal services.
- **Cost-based pricing**: The general principle of charging for services in relation to the cost of providing the services.
- **Coverage**: The range of a mobile cellular network, measured in terms of geographic coverage (the percentage of the territorial area covered by mobile cellular) or population coverage (the percentage of the population within range of a mobile cellular network).
- **Digital**: Representation of voice or other information using digits 0 and 1. The digits are transmitted as a series of pulses. Digital networks allow for higher capacity, greater functionality and improved quality.
- **E-commerce**: Electronic commerce or the term used to describe transactions that take place online where the buyer and seller are remote from each other.

- **Fibre optics**: A channel where messages or signals are sent through light rather than electrical signals down a very thin strand of glass. Light transmission enables much higher data rates than conventional wire, coaxial cable and many forms of radio. The signal travels at the speed of light and do not degenerate nor subject to interference.
- **Fixed-broadband subscriptions**: Fixed subscriptions to high-speed access public internet (a TCP/IP connection), at downstream speeds equal to, or greater than, 256 kilobits per second (Kbps). This includes DSL, fibre-to-the-home or building, fixed WiMAX and any other fixed wired-broadband subscriptions and other fixed wireless technologies. It includes both residential subscriptions and subscriptions for business or organizations. This includes cable modem, satellite broadband and terrestrial fixed wireless broadband, where available. This total is measured irrespective of the method of payment. It excludes subscriptions that have access to data communications (including the Internet) via mobile-cellular networks.
- **Fixed line**: A physical line connecting the subscriber to the telephone exchange. Typically, a fixedline network, which is sometimes referred to as PSTN to distinguish it from mobile networks.
- **Fixed-telephone subscriptions**: The sum of active number of analogue fixed-telephone lines, voice-over-IP (VoIP) subscriptions, fixed wireless local loop (WLL) subscriptions, ISDN voice-channel equivalents and fixed public payphones.
- **FM**: A method of generating sounds from simple wave forms or Frequency Modulation.
- **Frequency**: The rate at which an electrical current alternates, usually measured in Hertz (Hz). It is also used to refer to a location on the radio frequency spectrum, such as 800, 900 or 1800 MHz.
- **Fund**: Means the Universal Service Fund as established under the Communications Act 2012.
- **Geographical Information System**: A system of hardware, software and procedures designed to support the capture, management, manipulation, analysis, modelling and display of spatially referenced data.
- **Glide path**: A regulated price control where regulators require operators to reduce prices over time rather than mandate an immediate move to the cost-orientated level.
- Global Systems for Mobile Communications: A European-developed digital mobile cellular standard.
- Information and Communication Technologies: The hardware, software, networks and media for the collection, storage, processing, transmission and presentation of information (voice, data, text, images), as well as related services.
- Interconnection rate: A charge levied by network operators on other service providers to recover the costs of the interconnection facilities (including the hardware and software for routing, signalling, and other basic service functions) provided by the network operators.
- Interconnection: The physical connection of telephone networks owned by two different operators. Network operators typically charge a-per-minute fee for use of their network by other network operators (referred to as an "interconnect payment" or "access charge").
- International Financial Reporting Standards: It is a set of accounting standards developed by an independent, not-for-profit organization called the International Accounting Standards Board.
- International Telecommunication Union: is the United Nations specialized agency for Information and Communication Technologies.
- Internet: A global system of interconnected computer networks that use the standard Internet protocol suite (TCP/IP) to link several billion devices worldwide.

- Leased line: A telecommunications channel leased between two or more points at a flat monthly rate. Also called a dedicated or private line.
- Licensed System: A sound or television broadcasting, telecommunication or postal system licensed to operate in Lesotho.
- Long-Term Evolution: It is a standard for high-speed wireless communication for mobile phones and data terminals, based on the GSM/EDGE and UMTS/HSPA technologies. It increases the capacity and speed using a different radio interface together with core network improvements.
- Mobile: Refers to mobile cellular systems.

- Mobile-broadband subscriptions: The sum of active handset-based and computer-based (USB/dongles) mobilebroadband subscriptions to the public internet. It covers actual subscribers, not potential subscribers, even though the latter may have broadband-enabled handsets. Subscriptions must include a recurring subscription fee or pass a usage requirement – users must have accessed the Internet in the last three months. It includes subscriptions to mobile-broadband networks that provide download speeds of at least 256 Kbps (e.g. WCDMA, HSPA, CDMA2000 1x EV-DO, WiMAX and LTE).
- Mobile-cellular telephone subscriptions: The number of subscriptions to a public mobile-telephone service. The indicator includes (and is split into) the number of post-paid subscriptions and the number of active prepaid accounts (i.e. that have been used during the last three months). The indicator applies to all mobile-cellular subscriptions that offer voice communications. It excludes subscriptions via data cards or USB modems, subscriptions to public mobile data services, private trunked mobile radio, tele-point, radio paging and telemetry services.
- **Network**: A set of nodes and links that provides connections between two or more defined points to facilitate telecommunication between them.
- **Network operator**: An organization that provides and operates a telecommunication network for the purpose of transporting bearers of telecommunication services.
- **Number**: A string of decimal digits that uniquely indicates the public network termination point. The number contains the information necessary to route the call to this termination point. A number can be in a format determined nationally or in an international format. The international format is known as the international public telecommunication number and includes the country code and subsequent digits, but not the international prefix.
- **Penetration**: A measurement of access to telecommunications, normally calculated by dividing the number of subscribers to a particular service by the population and multiplying by 100. Also referred to as teledensity.
- **Postpaid**: An account paid after the service with prior arrangement with a mobile network operator.
- Public Switched Telephone Network: A public telephone network that delivers fixed telephone service.
- Quality of Service: A totality of characteristics of a telecommunication service that bear on its ability to satisfy stated and implied needs of the user of the service or the collective effect of service performances, which determine the degree of satisfaction of a user of the service.
- **Roaming**: The ability of a user to access wireless telecommunication services in networks other than the one(s) where the user is subscribed.

- Server: A host computer on a network that sends stored information in response to requests or queries.
- Signal: The combination of waves that travel along a transmission channel and act on the receiving unit.
- **Subscriber**: A person or other entity that has a contractual relationship with a service provider on behalf of one or more users. (A subscriber is responsible for the payment of charges due to the service provider).
- **SMS**: Short Message Service means a service available on digital networks, typically enabling messages with up to 160 characters to be sent or received via the message centre of a network operator to a subscriber's mobile phone.
- **Spectrum**: The radio frequency spectrum of Hertzian waves used as a transmission medium for cellular radio, radio-paging, satellite communication, over-the-air broadcasting and other services.
- **Spectrum Management**: The planning, coordinating and managing joint use of the electromagnetic spectrum through operational, engineering, and administrative procedures. The objective of spectrum management is to enable electronic systems to perform their functions in the intended environment without causing or suffering unacceptable interference.
- **Spillage**: It is also referred to as signal spill-over. At borders, signals from the mobile stations belonging to one operator spill over into the adjacent nation state.
- Technical Sub-committee: A technical committee formed under LCA-ICASA Memorandum of Understanding.
- **Telecommunications**: It is a suite of technologies, devices, equipment, facilities, networks, and applications that support communication at a distance.
- **Teledensity**: Number of main telephone lines per 100 inhabitants within a geographical area. Effective teledensity reports fixed-line teledensity or mobile density, whichever is higher, in a particular geographical region.
- **Type-approval**: A certificate of conformity granted to a product that meets a minimum set of regulatory, technical and safety requirements. Generally, type-approval is required before a product is allowed to be sold in a particular country.
- Universal Service: The availability and widespread affordability of ICTs services. The level of universal services is statistically measured as the percentage of households with ICTs.
- Waiting list: The unmet applications for connection held due to a lack of technical facilities and or administrative procedures/bureaucracies. This will be a time period of more than two weeks that occurred during the reporting period. A waiting applicant has paid for the application and connection fees.
- Wireless: The generic term for mobile communication services, which do not use fixed-line networks for direct access to the subscriber.

X

# EXECUTIVE SUMMARY

LESOTHO COMMUNICATIONS AUTHORITY is pleased to present its annual report for the year ended 31 March 2019. It is a statutory requirement that the Authority should prepare and submit a comprehensive annual report on its operations to the Minister and equally important, is the necessity to uphold the principles of transparency and public accountability to stakeholders by providing a comprehensive report.

The report provides an account on how the Authority approached the implementation of its Strategic Business Plan, its performance on planned activities and a snapshot of the sector in the year under review. It also contains both the financial and non-financial information that is material to the Authority's mandate in regulating the communications sector. The SBP, on which this report is grounded, has seven strategic pillars which are: availability of services, consumer protection, promotion of competition, compliance, postal service regulation, broadcasting regulation and institutional capacity. The strategic pillars were implemented through programmes and activities and upon an evaluation at year-end, a good performance was achieved.

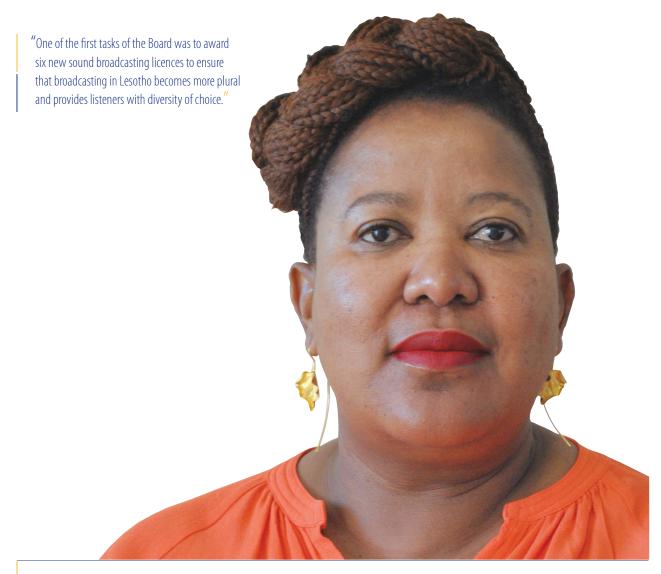
There were no major changes in the telecommunications market in terms of licensed operators. However, for the first time, the Authority issued licences to the postal services sector. One public postal operator licence with universal service obligations was issued to Lesotho Postal Services and five commercial postal service licences were issued to various entities. In the broadcasting sector, six new sound broadcasting licences were issued. Three were for private broadcasting, two for community broadcasting and one for commercial broadcasting.

The Authority continued to perform licensing functions such as issuing new licences and authorisations, and monitoring licensees for compliance with licence requirements. Broadcasting and spectrum monitoring exercises were conducted and indicated that, some radio stations in the highlands were not on air for some time due to a new project implemented by the Lesotho National Broadcasting Service (LNBS) to improve transmitter sites. Monitoring of quality of service was conducted and on analysis, revealed that a high number of parameters were met.

In the main, the sector continues to grow with an increasing number of people using communications services and the bouquet of services has increased. New areas of the country which were previously unserved and underserved were provided with communications services through infrastructure development subsidised by the Universal Service Fund and through expansion programmes of the operators. The Fund continued to extend connectivity of internet to new schools and the National University of Lesotho.

The Authority took part in various regional and international communications events whose agenda covered policy, regulation and/or development. These events were amongst others: the International Telecommunication Union (ITU) Plenipotentiary Conference, the ITU Telecom World, the Meeting of Southern African Development Community (SADC) Ministers Responsible for Communications and ICTs, the Second Extraordinary Congress of the Universal Postal Union (UPU), the 5<sup>th</sup> Extraordinary Session of Plenipotentiary Conference of the Pan African Postal Union (PAPU), the Global Symposium for Regulators (GSR), board meetings of the West Indian Ocean Cable Company (WIOCC) and meetings of the Communications Regulators' Association of Southern Africa (CRASA)

## CHAIRPERSON'S STATEMENT



<sup>•</sup> Ms. Motšelisi Ramakoae - Chairperson

I AM HONOURED TO PRESENT MY FIRST REPORT as the Chairperson of the Board of Lesotho Communications Authority. The current Board was constituted during the reporting period and one of its major tasks was to develop the Strategic Business Plan (SBP) of the Authority for the next three years and to recruit the new Chief Executive Officer.

The new SBP drew from global and national development plans and documents, such as the United Nations' Sustainable Development Goals (SDGs), the Lesotho Second Five-Year National Strategic Development Plan (NSDP II) and the Lesotho Vision 2020. These documents recognise that information and communication technologies (ICTs) are enablers of economic growth and development. The ITU strongly contends that ICTs can assist to accelerate progress towards each of the 17 United Nations Sustainable Development Goals (SDGs). Furthermore, the Lesotho Vision 2020 envisioned 90% of Basotho households having access to ICTs by 2020 while the NSDP II, has earmarked innovation and technology as one of the four productive sectors for economic growth. The NSDP II aims to increase access to information on science and technology based careers and existing labour market opportunities; promote equal

# CHAIRPERSON'S STATEMENT

opportunities in participation and use of ICT in the priority sectors; increase competition in the ICT market to reduce costs; and establish an international call centre to promote youth employment.

One of the first tasks of the Board was to award six new sound broadcasting licences to ensure that broadcasting in Lesotho becomes more plural and provides listeners with diversity of choice. It also introduced new interconnection rates as a way of promoting more competition in the sector. The Board also made decisions which had positive impact on the sector and the corporate affairs of the Authority.

The Authority is grateful to its various stakeholders which were instrumental in delivering on its mandate and accomplishing the results reported in this report. Amongst the key stakeholders, the Board is indebted to the Government of Lesotho, in particular the Minister of Communications, Science and Technology; the licensees and the industry; the development partners and the public at large.

The Board also received strong support from staff of the Authority for which we are grateful. We are equally indebted to both past and present Board members who showed dedication and commitment in the work of the Authority.

As the Board of the Authority, we assure all stakeholders of our unwavering determination to move the industry forward and drive Lesotho to be amongst the countries with best communications services  $\Box$ 

**Ms. Motšelisi Ramakoae** Chairperson, LCA Board

## BOARD OF DIRECTORS, BOARD COMMITTEES AND STATUTORY COMMITTEES

The Board of the Authority:





Mr. Seth Griffiths Lerotholi \* Director



Mr. Phakiso Molise 🔸 Director



Ms. Keneuoe Mohale + Director





Mr. Motanyane Makara + Director

Mr. Karabo Maitin-Lehutso + • Director

The Secretary of the Board - Ms. 'Mapule Mokoena.



Ms. 'Mamarame Matela **\* \*** Chief Executive Officer

## BOARD OF DIRECTORS, BOARD COMMITTEES AND STATUTORY COMMITTEES

## Membership of Committees

During the reporting period, memberships of the committees of the Board were as follows:

#### **Human Resources and Remuneration Committee**

Mr. Seth Griffiths Lerotholi - Chairperson Mr. Morathane Monyamane - Member Mr. Retšelisitsoe Motlojoa - Member Mr. Moshoeshoe Ntaote - Member

#### **Finance and Audit Committee**

Mr. Phakiso Molise - Chairperson Ms. Keneuoe Mohale - Member Ms. Motšeoa Masheane - Member Mr. Phaane Mosae - Member

#### **Universal Service Fund Committee**

Mrs. Khauhelo Lebentlele - Chairperson - Representing the Ministry of Communications, Science and Technology
Mr. Motanyane Makara - Deputy Chairperson - Representing the Authority
Mr. Tšeliso Molise - Member - Representing the Ministry of Local Government and Chieftainship Affairs
Mr. Khotso Moleleki - Member - Representing the Ministry of Finance
Mr. Thabo Nkhahle - Member - Representing the Lesotho Electricity Company

#### **Broadcasting Disputes Resolution Panel**

Mr. Mokuena Majara - Chairperson Mr. Pius Molapo - Member Mrs. Julia Sehloho - Member Mr. Sello Thulo - Member Vacant - Member

# STATEMENT ON CORPORATE GOVERNANCE

### The Board of the Authority

The Board of Directors of Lesotho Communications Authority is comprised of seven directors appointed by the Minister of Communications, Science and Technology in accordance with Section 6 of the Communications Act No. 4 of 2012 (Act). Chairperson and five other directors, are non-executive directors and the Chief Executive Officer, is the only executive director. The Board is responsible for the exercise of the powers and performance of the duties of the Authority. It is therefore responsible for, inter alia, strategic and business planning for efficient operation, appropriate budgeting, policy development and appointment of senior officers of the Authority.

## Commitment to Good Corporate Governance

In carrying out its functions, the Board and its committees were guided by Government policies, the Act, the Board Charter, Committee Charters, Rules and Policies of the Authority. The Board, Committees and Management also draw from good corporate principles as contained in the King Code and the principles and requirements contained in the International Financial Reporting Standards (IFRS).

Below is an extract of the Board Charter on the mandate of the Board:

- The Board shall assume ultimate accountability and responsibility for the performance and affairs of the Authority and shall in so doing effectively safeguard and promote the interests of the Authority and the communications sector;
- The Board in addition, has a responsibility to the broader stakeholders which include its licensees, consumers, employees and policy makers to achieve continuing prosperity for the Authority;
- The Board members shall exercise leadership, enterprise, integrity and judgement in directing the Board to achieve continuing prosperity and to act in the best interests of the Authority while respecting the principles of transparency and accountability;
- The Board shall formulate, monitor and review corporate strategy, major plans of action, governance policies, appropriate procurement and provisioning systems, annual budgets and business plans;
- The Board shall ensure that technology and systems used in the Authority are adequate to run the business properly for it to operate through the efficient use of its assets, processes and human resources;
- The Board shall ensure that the Authority's strategic objectives are achieved and that the same can be measured in terms of its performance;
- The Board shall serve the legitimate interests of the Authority's stakeholders and provide full accountability;
- The Board shall establish the scope and delegation of authority and shall ensure that it reserves specific powers and authority for itself. Delegated authority must be in writing and be evaluated regularly;

# STATEMENT ON CORPORATE GOVERNANCE

- The Board shall manage conflicts of interest between Management, Board members and the Policy Maker; and
- The Board is the guardian of the values and ethics of the LCA.

## Summary of Board Activities

In the reporting year, the Board held a total of eight meetings of which some were ordinary and some extra-ordinary to transact the business of the Authority. In brief, the Board made decisions on the following:

- Issues of financial resources such as budgets, audited financial statements and managements accounts.
- Issues of human resources such as the recruitment of the Chief Executive Officer.
- Strategic and internal policy issues like the development of the Strategic Business Plan, the Remuneration Policy 2018, Revised Human Resources Rules, and Training Policy 2018.
- Licensing issues where some licences were issued, renewed, amended, transferred and/or revoked.
- Ratification of the annual report and adoption of new interconnection rates.

## Functions of Board and Statutory Committees

### Human Resources and Remuneration Committee

The HRRC supports the Board with appropriate human resources policies and strategies which are consistent with best practices and business requirements. The Committee recommends policies to the Board whose objectives are to recruit high calibre employees, and retain and motivate employees to achieve enhanced performance. During the year, the committee met four times and dealt with human resources matters including the adoption of the Human Resources (Amendment) Rules 2018, Remuneration Policy 2018 and Training and Development Policy 2018.

### Finance and Audit Committee

The committee supports the Board in its oversight function by developing and reviewing internal financial controls; ensuring that the required risk management systems are in place; monitoring and reviewing the integrity of financial statements; monitoring compliance with laws and regulations; and monitoring the integrity of the financial reporting of the Authority.

In the period under review, the committee held six meetings, which dealt with procurement issues, management accounts, internal audit functions, financial statements and funding of proposed changes on the organisational structure.

# STATEMENT ON CORPORATE GOVERNANCE

### Universal Service Fund Committee

The USFC is a statutory committee established by the Act. Its functions are to manage and administer the Fund; consult with operators on their annual expansion programmes; select areas for infrastructure development under the Fund and to allocate financial resources for projects.

During the year under review, the Committee held five meetings and worked on the USF programme for the year and its budget, USF management accounts and progress reports, USF annual report and financial statements, and other business of the Fund.

### **Broadcasting Disputes Resolution Panel**

The BDRP is also a statutory committee and its mandate is to prepare a broadcasting code, resolve disputes on broadcasting content and refer all unresolved disputes to the Authority with recommendations. During the reporting period, the committee held seven meetings to discuss operational issues and adjudicate broadcasting complaints



"The Authority successfully implemented the third year of its 2016/17 to 2018/19 strategic business plan through an annual operational plan."

• Ms. 'Mamarame Matela - Chief Executive Officer

THE AUTHORITY SUCCESSFULLY IMPLEMENTED the third year of its 2016/17 to 2018/19 strategic business plan through an annual operational plan. In addition, as part of its planning process, it also developed a new SBP to cover the period from 2019/20 to 2021/22. The new SBP will take effect in the next reporting year.

The reporting period marked the final year of the 2016/17 to 2018/19 Strategic Business Plan. The SBP had outlined strategic pillars on which the Authority would anchor its work to achieve its mandate during the three-year cycle of the plan. The six pillars were: availability of services, promotion of and preservation of competition; compliance, postal regulation, broadcasting regulation and institutional capacity.

A number of strategic actions tied to key performance indicators were implemented. Under the pillar of availability of services, programmes to promote universality of services, management of finite resources, monitoring of sector development, issuance of licences, running of the ccTLD and tariff regulation were carried out. Similarly, under the consumer protection pillar, programmes for ensuring good quality of services, consumer education and redress of consumer complaints and type-approval of communications equipment were done.

The pillar of promotion and preservation of competition was achieved through programmes on competition management and resolution of licensee complaints. Equally, the compliance pillar was achieved through the enforcement of reporting requirements of licensees and monitoring of spectrum matters. The postal regulation pillar was achieved through development of postal regulatory instruments and situational analysis of postal sector services while the broadcasting regulation pillar was attained through the facilitation of monitoring broadcast content. Ultimately, the institutional capacity pillar was attained through programmes for human resources development, financial management, deployment of information technology and other support systems, good corporate governance and implementation of organisational monitoring and evaluation systems.

The subsequent segments of this report highlight activities undertaken by the Authority during the reporting period. They also reflect on the state of the communications sector development based on indicators being tracked and researched by the Authority.

#### **CORPORATE SERVICES**

#### Human Resources Management

No major changes occurred on the staffing situation of the Authority during the year. The three year contract of Mr. T. 'Mokela as the Chief Executive Officer ended in August 2018 and Mr. M. Ntaote, the Chief Regulatory Officer, was appointed as acting CEO until the year-end. The gender composition of staff remained at 18 females and 20 males. Table 1 provides a snap-shot of staff movements during the year.

Table 1 •• Employment changes in 2018/19						
Positions by level	Status at the beginning of the year	Appointments	Terminations	Status at year-end		
Executive management	5	0	1	4		
Middle management	12	0	0	12		
Professional staff	12	0	0	12		
Non-professional staff	10	0	0	10		
Total	39	0	1	38		

### Performance Management System

The Authority implements a Performance Management System (PMS) for its staff as the system helps in aligning its organisational objectives with the skills, competency requirements, development plans and the delivery of results of its human resources. The system helps in maintaining an environment of high performance and productivity.

### Conferences, Seminars and Workshops

The staff of the Authority participated in some conferences, seminars and workshops. Participation in these fora is essential for decision-making within international sector organisations, institutional capacity building and learning of new best practices, sharing insights into various aspects of the sector and keeping staff abreast of the latest

technological developments. Due to limited resources, training was kept at a minimum for the year and attendance to the above fora was prioritised to those regarded as critical. The Table 2 below outlines programmes attended.

Tab	Table 2 ** Conferences, seminars and workshops attended					
No.	Programme	Number of Attendees				
1.	Corporate Governance Workshop	9				
2.	Bureau of Statistics Labour Force Survey Workshop	2				
3.	ICT Regulation – Policy and Practice	2				
4.	International Financial Reporting Standards Seminar	5				
5.	Smart Cities Workshop	2				
6.	Ku-Band Interference Workshop	1				
7.	Sage ERP Training	4				
8.	AfPIF2018	1				
9.	Africa Internet Summit	1				

## Financial Performance for the Year Ended 31 March 2019

The state of Authority's finances in terms of liquidity or the cash flow position in terms of current ratio or working capital has remained positive throughout the year. This means that the current assets of the Authority exceeded its current liabilities. The Authority continued to pay the building loan with Nedbank Lesotho which was acquired to build its offices at Old Europa. The financial position of the Authority as at 31st March 2019 indicates that the Authority will remain as a going concern for the foreseeable future. The Authority continued to employ strict and prudent financial management.

The detailed audited financial statements of the Authority are appended to this report. The audit was conducted by the Office of the Auditor General.

## Automated Spectrum Management System

The Authority acquired an Automated Spectrum Management System (ASMS) replacing its out-dated Automated Frequency Management System (AFMS). ASMS is a system used for functions such as licensing, spectrum planning and assignment, spectrum monitoring, revenue collection, numbering and type-approval, compliance monitoring and complaints management. The first phase deliverable which comprised the base system and mobile monitoring station was delivered during the last reporting period. Phase two of the project, which comprised the station equipment and the transportable unit was delivered during the current reporting period.

## Public Affairs and Corporate Social Investment

The public affairs function of the Authority is to carry out strategic communication of the mandate and activities of Authority to its key stakeholders in a manner that ensures visibility, credibility and transparency and provides public education. This function was carried out through a variety of media including radio and television programmes; corporate website updates; entries in directories, booklets, corporate social media; and participation in public events.

One of the highlights of the Authority's events was the coordination of the visit of the ITU Secretary General, Mr. Houlin Zhao, to Lesotho. The Secretary General, on the invitation of the Minister of Communications, Science and Technology, visited Lesotho and met the Prime Minister, Ministers, Government Officials, Private Sector and Academia. The visit resulted in discussions of ICT programmes and projects in Lesotho whereby ITU offered its support.



Minister of Communications, Science and Technology, Hon. Chief Thesele 'Maseribane with the Secretary General of ITU, Mr. Houlin Zhao, together with industry players and academia in Maseru, Lesotho.

On Corporate Social Investment (CSI), the Authority continued to support the NUL Graduate Award for the Best Student in ICTs. The award is in its ninth year and the recipient was Ms. Nyakallo Moleko. Two laptops were also awarded two students of St. James High School for achieving outstanding results in their examinations for Lesotho General Certificate of Secondary Education (LGCSE). The awards were made during the school's Annual Expo. The Authority supported the Ministry on "Bridging the digital divide" Back to School event held at Thaba-Tseka where high schools in the district were informed about activities of the Ministry and the communications sector.

#### **REGULATORY AFFAIRS**

The mandate of the Authority is to facilitate the entry of service providers into the communications market. This is facilitated through a regulatory framework which provides certainty and predictability to service providers, consumers and other stakeholders.

## Licensing Matters

In the year under review there were no major changes in the Lesotho telecommunications market. There are two unified network operators, namely, Econet Telecom Lesotho and Vodacom Lesotho in the market. A unified licence authorises the licensee to provide all forms of electronic communication networks and services without restriction.

Another major player is LEC Communications (LECC) which is a network infrastructure licensee. LECC is authorized to operate communications network infrastructure and it leases network elements and capacity to other licensees on a non-exclusive basis. The market is also serviced by two licensed network services providers, LEO (Pty) Ltd and Comnet Lesotho, and a number of registered resale internet service providers.

The Authority carried out the licensing processes for numbering resources, radio frequency spectrum, short-term activities, resale internet service providers, type-approval applications, and for the first time the public and commercial postal services amongst other services.

The Network Services Licence of Mojalema ICT was revoked on the grounds of failure to commence services and to pay regulatory fees since the issuance of its licence in March 2014. Mission Aviation Fellowship surrendered its Private Network Licence. No reasons were stated for the decision to surrender the licence.

Tab	Table 3 •• Number of licensees/authorisations and registered communications service providers				
No.	Type of licence or authorization	March 2019			
1.	Public Communications Service Providers	1			
2.	Unified Licence	1			
3.	Network Services	3			
4.	Network Infrastructure	1			
5.	Public Postal Services	1			
6.	Commercial Postal Services	5			
7.	Numbering Resources (Premium Rate Messaging Services & Toll free numbers)	34			
8.	Radio Alarms	2			
9.	Television Broadcasting	3			
10.	Sound Broadcasting	26			
11.	Two way radios	42			
12.	Radio Amateurs	72			
13.	Telemetry Stations	3			
14.	Radio Pagers	1			
15.	Landing Rights	3			
16.	Aircraft Stations	8			
17.	Aeronautical Services Radio Determination	1			

## Postal Regulation



Headoffice of Lesotho Postal Services.

Six licences were issued to postal services operators during the reporting period. A public postal licence was issued to Lesotho Postal Services and commercial postal licences were issued to EMS Commercial Postal Services, DHL Lesotho, Mr Delivery (trading as Kayhil), Nelson Couriers (trading as Skynet) and RCJ Express Freight. Public postal services are the exclusive rights of the Lesotho Postal Services and this licence has universal service obligations to provide basic and ordinary mail services nation-wide at uniform and affordable prices for all citizens. However, the commercial postal services licensees provide value-added mail services with conditions such as time-bound delivery, track and trace and insurance.

### Status of Services in Postal Sector

The Authority participated in Lesotho Scaling Inclusion through Mobile Money (SIMM) project that was commissioned by the Ministry of Finance. The aim of the SIMM project was to catalyse inclusive and pro-poor growth by scaling up the formal and semi-formal financial services for low-income people and rural customers in Lesotho through mobile money. The validation session for the Financial Access Points and Agents Mapping took place as was scheduled during the first week of April 2018.

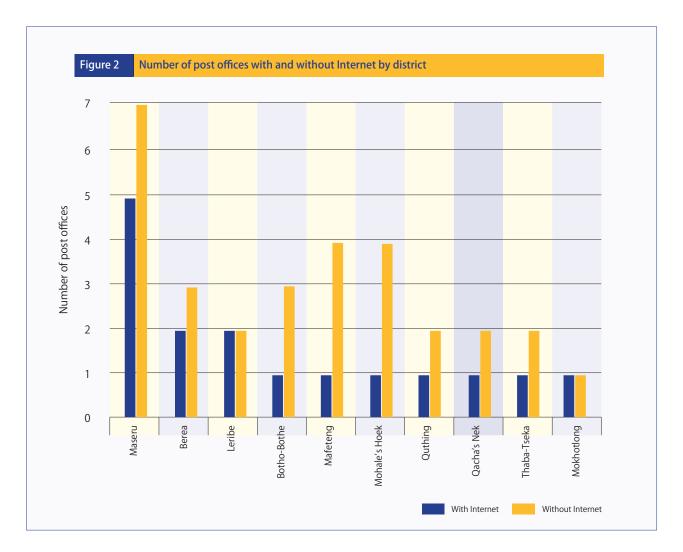
The involvement of the Authority in the project was in relation to the mapping of post offices and postal agencies. The Authority received and analysed data on ICT indicators within post offices and postal agencies. Of the 46 post offices, 12 did not have agencies while Maseru Post Office had 10 agencies. There were 106 agencies throughout Lesotho.

Maseru has the highest number of post offices (12), followed by Berea, Mafeteng and Mohales Hoek where each district has five post offices (Figure 1). Mokhotlong has the least number of post offices (2).



The analysis revealed that 35% of post offices had internet connection, 52.2% had a working telephone while 89% offered mobile money services. The mobile money services were offered with one operator and post offices were planning to offer these services following finalisation of details with another operator.

The proportion of post offices with internet connection stood at 35%. In most districts, the number of post offices with internet services were fewer than those without them. (See Figure 2). Half of the post offices in Leribe and Mokhotlong had internet connection while half did not.



### **Broadcasting Regulation**

In pursuit of its mandate of promoting diversity, competition and plurality in the broadcasting sector, the Authority invited applications in the categories of sound commercial, private and community broadcasting services. From these applications, three were awarded private broadcasting licences, one commercial broadcasting licence and two community radio licences. The Authority renewed the licence of Ultimate FM for a period of 15 years and approved the transfer of sound broadcasting licence of Radio Spes Nostra to Radio Maria Lesotho. Table 4 shows all broadcasting licences including those licensed during the year.

No.	Broadcaster	Year of first issue	Current Licence Period	Classification
1.	Radio Lesotho	2002	2012-2022	Public
2.	Peoples' Choice FM	2002	2012-2022	Private
3.	Third World Evangelical Movement t/a MoAfrika FM	2002	2012-2022	Private
4.	Radio Maria Lesotho	2002	2012-2022	Private
5.	National University of Lesotho t/a DOPE FM	2002	2012-2022	Community
6.	Harvest FM	2002	2012-2022	Private
7.	Thaha-Khube FM t/a Bokamoso FM	2004	2017-2027	Commercial
8.	Fill the Gap t/a Jesu ke Karabo FM	2004	2014-2024	Private
9.	KEL Media	2004	2014-2024	Private
10.	Ultimate FM	2006	2019-2034	Commercial
11.	Lifetime Music Radio t/a LM Radio	2012	2012-2022	Commercial
12.	Tšenolo Media Services t/a Tšenolo FM	2012	2012-2022	Private
13.	Mafeteng Multi Media Association t/a Mafeteng Community Radio	2011	2011-2021	Community
14.	Motjoli FM	2013	2013-2023	Community
15.	Botha Bothe Moeling Multi-Media Association t/a Moeling FM	2013	2013-2023	Community
16.	Onyx 357 Broadcast & Décor t/a 357 FM	2014	2014-2024	Commercial
17.	Molisa ea Molemo FM	2014	2014-2024	Private
18.	Tabernacle FM	2014	2014-2024	Private
19.	Voice of God t/a Prophetic Voice	2014	2014-2024	Private
20.	Maha Group t/a MXXL FM	2015	2015-2025	Private
21.	Info Hub	2015	2015-2025	Commercial
22.	Anglican Church of Lesotho Radio Station	2019	2019-2034	Private
23.	Thato Ea Hau	2019	2019-2034	Private
24.	Mohale FM	2019	2019-2034	Commercial
25.	People on the Move	2019	2019-2034	Private
26.	Radio Souru t/a RS Community Radio	2019	2019-2034	Community
27.	Pheshakoe Qhili (Mose ho Seaka)	2019	2019-2034	Community
28.	Lesotho TV	2002	2012-2022	Public
29.	Go-TV	2014	2014-2024	Commercial
30.	StarTimes Media Lesotho	2016	2016-2026	Commercial

## Complaints about Communications Services

The Authority employs a variety of approaches to protect the rights of the communications service users. These include programmes on consumer awareness, education and empowerment such as addresses in public events, radio shows, radio adverts, social media and corporate website. It also uses a complaints redress mechanism for complaints which have been escalated from licensees.

The Authority dealt with a general public outcry where one operator introduced a voicemail service which charged customers when using the service. The operator was directed to stop the service and refund the affected consumers.

The Authority conducted an inquiry into network operators' terms and conditions with specific focus on the treatment of purchased voice, data SMS bundles, treatment of expired bundles and handling of transitioning to out-of-bundle charging when bundles are depleted. The first phase of the inquiry was completed where after consultations were held with operators. The report will be completed during the next reporting period.

The table below outlines formal complaints lodged with the Authority:

Tabl	Table 5 👀 Complaints lodged by users						
No.	Nature of complaints	Service provider	Complainant	Status of complaint			
1.	Billing for services when subscriber was suspended	Econet Telecom Lesotho	FTTH subscriber	Resolved.			
2.	Subscriber allegedly denied services to certain numbers	Vodacom Lesotho	Local subscriber	Resolved.			
3.	Stop order made from closed account	Econet Telecom Lesotho	ADSL subscriber	Resolved, user refunded			

### Complaints on Broadcasting Content

The Broadcasting Disputes Resolution Panel (BDRP) was established under Section 39 (1) of the Act, with a mandate to review and resolve disputes regarding complaints on broadcast content. During the reporting period, the Panel received and adjudicated complaints narrated in the table below:

Tabl	Table 6 ** Complaints on Broadcasting Content						
No.	Nature of Complaint	Broadcaster	Complaint	Status of Complaint			
1.	That MoAfrika be prevented from broadcasting a story entitled "Litopo Mabone a Koloi"	MoAfrika FM	Basotho National Party and 4 others	The Panel banned the story from airing and fined MoAfrika FM M40, 000. MoAfrika FM was warned to avoid a similar offence within 12 months.			
2.	That KEL FM tarnished his reputation without him being afforded an opportunity to respond	KEL FM	Mophethe	Respondent was provided with a copy of the programme and afforded "a right of reply".			
3.	That MoAfrika FM made utterances that incited violence	MoAfrika FM	Ministry of Communications, Science and Technology	MoAfrika FM was fined M40, 000.00, which was wholly suspended, and directed to reprimand its presenter.			

### Monitoring of Compliance to Regulatory Framework

Quality of Service (QoS) provided by network operators was monitored using two approaches. The general parameters performance reports were provided by the operators while the Key Performance Indicators (KPI) were measured using fixed probe units for a period of 7 days in accordance with the proposed sampling methodology. The methodology is measured to the accuracy of ±5 % and confidence level of 95 %. The KPIs measured by the latter approach were: call setup time; call drop ratio; unsuccessful call ratio; SMS delivery time and SMS completion time. The general parameters measured were: account complaint rate, account complaint resolution time, bill complaint rate, post-paid bill complaint resolution time, disconnection compliant rate, disconnection complaint resolution time, order completion time (fixed services), order completion time (mobile services), customer reported faults, fault repair time, interactive voice response time and customer assistance operative time. Operators were engaged with results from these exercises.

An audit on rates approved by the Authority against the actual rates experienced by customers was conducted for voice and data products. Minor rate differences were observed which require further analysis.

### **TECHNICAL MATTERS**

Provision of services using information and communications technologies requires good management of finite resources such as numbers and radio frequency spectrum. Radio spectrum resources are used in commercial, social and public communications. During the reporting period, the Authority carried out a variety of activities to ensure availability of finite resources to operators and monitored compliance on the use of these resources.

It is noteworthy that during this year, following spectrum allocation by the Authority, Vodacom Lesotho became the first company to commercially launch 5G on the African continent, and one of the first globally to achieve this significant milestone.

### New Guidelines for Usage of 70/80 Band

In view of the fact that spectrum is a scarce resource, the Authority resolved to develop guidelines of licensing E-Band (71 - 76 and 81 - 86 GHz) for Point-to-Point Applications, by adopting a "Light Licensing Model" that has a minimal regulatory intervention. The Light Licensing Model is a flexible licensing criteria, where operators select their own spectrum coordination, then register it with the Authority indicating the commencement date of the usage. In addition, the spectrum licence cost has been significantly reduced by changing the payment structure, that is the links are paid per link rather than per bandwidth (MHz). The guidelines for usage of 70/80 Band were posted on the Authority's website.

### Coordination of T-DAB Frequencies with ICASA

The Authority and ICASA held a coordination meeting where terrestrial digital audio broadcasting (T-DAB) frequencies for Lesotho in the band 214 -230 MHz were discussed and agreed upon. The process will be completed and implemented in the next reporting period.

## Spectrum Planning and Management

Service providers require radio spectrum for provision of a variety of communication services and the Authority made allocations of spectrum for categories of services as outlined in the Table 7 below during the year:

Table 7 •• Spectrum allocated in 2018/19						
TERM	2 WAY RADIOS (MHz)	BROADCASTING (MHz)	ACCESS (MHz)	FIXED LINKS (MHz)		
Q1	0	0	0	291		
Q2	0	0.6	79	512.3		
Q3	0	1.5	0	125.25		
Q4	0.025	0	0	27.5		
Sub-Total (MHz)	0.025	2.1	79	956.05		
TOTAL (MHz)	1037.175					



### Preparations for the ITU World Radiocommunication Conference 2019

Preparations are underway for the holding of the World Radiocommunication Conference (WRC-19) in Egypt in October 2019. The ITU WRC-19 will review the Radio Regulations which are the international treaty governing the use of the radio frequency spectrum, the geostationary satellites and non-geostationary-satellite orbits. The WRC-19 will address, inter alia, the following topics: International Mobile Telecommunications (IMT) and 5G; earth stations in motion; non-geostationary systems in the fixed-satellite service; high-altitude platform stations; wireless access systems including radio local area networks; intelligent transport systems; meteorological-satellite and earth exploration-satellite services.

Different regions of the ITU are consolidating their positions on various conference agenda items and the Authority is part of the Lesotho delegation in this process. During the year, the Authority participated in the SADC and African Telecommunications Union (ATU) WRC-19 preparatory meetings and has been assigned by SADC to coordinate two agenda items.

### Spectrum Monitoring

Spectrum monitoring and compliance involves the monitoring of the use of the radio spectrum and the implementation of measures to control unauthorized use. In the 2018/19 reporting period, the Authority undertook spillage drive tests, monitoring of sound broadcasting and carrying out spectrum audits. During this process, two illegal radio stations were discovered in Mokhotlong and at Semphetenyane in the Maseru city and were ordered to shut down and follow proper licensing steps to obtain a broadcasting licence. The radio stations were made up discrete electronic components and posed a health hazard.

Spillage drive tests measurements were carried out on quarterly basis during the reporting year from Botha-Bothe to Quthing districts on Lesotho side and from Ficksburg to Sterkspruit areas on the South African side. The results of these measurements formed the discussion agenda of the joint LCA/ICASA Technical Sub-Committee (TSC). The committee noted that as operators continued to optimize their networks to minimize cross-border spill over signals across both Lesotho and RSA, in some areas, these adjustments triggered complaints of poor quality of signals and coverage.

This resulted with both regulators conducting joint QoS drive tests along the coordination zone to determine coverage gaps that have resulted from the spillage reduction process. TSC made an agreement that operators should implement best technical solutions without compromising on quality while containing the spillage problem.

### Spectrum Audit

The spectrum audit was done in two phases, with the first phase being done in July 2018 and the second in September 2018. The first phase focused on the historical data of the two operators from as early as 2002 and was captured into the new spectrum management system. The second phase was conducted in two stages. Initially, the parameters of links were accessed on link management systems of the operators and then the technical parameters of the equipment were checked at their transmission sites throughout the country. The data collected in both stages was then compared with one in the Authority's database.

For accuracy and integrity of the data in the ASMS, the links data, that is frequencies and bandwidths, were reviewed to match with relevant ITU bands recommendations. The second phase revealed that both operators were still compliant with regulatory requirements and standards associated with management of the frequency spectrum resource, in particular the licensing of radio frequency spectrum.



The Authority's spectrum monitoring unit.

### Sound Broadcasting Monitoring

Spectral measurements were conducted on localities where there are licensed FM frequencies. Monitoring the entire FM band was intended to determine the status of licensed frequencies and to identify any unlicensed frequencies present in the FM band. The exercise further aimed to monitor unused assigned frequencies to ensure that the respective channels remain clean and to identify those that have been put into operation. The measurements were at Hlotse, Botha-Bothe, Quthing, Mafeteng, Thaba-Tseka, Mashai, Katse, Mokhotlong, Semonkong, Qacha's Nek, and Maseru for the whole FM band.

The performance of Radio Lesotho in the following six sites was poor leaving communities in the highlands areas without FM broadcasting coverage. These areas: Sehonghong, Lebelonyane, Semonkong, Katse, Thaba-Putsoa and Ha Sootho. The intermittent transmission was caused by the upgrades being done on LNBS transmitter sites which necessitated shutting the sites. The upgrading involved site civil works and installation of container equipment, electricity and new standardised transmitters.

The sites whereby frequency assignments exist but installation had not been implemented are shown in Table 8.

Tabl	Table 8 •• Sites with assigned frequencies pending installation					
No.	Region	Transmitter site	Licensee	Frequency (MHz)		
1.	Central	Mokhoabong	Molisa-ea-Molemo	105.2		
2.	North	Chafo	Bokamoso FM	98.2		
3.			Harvest FM	106.4		
4.		Рора	Molisa-ea-Molemo	88.7		
5.			MoAfrika	89.3		
6.			PC FM	101.1		
7.	South	Likhoele	Jesu Ke Karabo	87.6		
8.			PC FM	104.3		
9.		Moyeni	Molisa-ea-Molemo	89.6		
10.		Souru	Molisa-ea-Molemo	88.7		
11.			PC FM	104.1		

### Electromagnetic Field (EMF) Safety Measurements

The Authority measures electromagnetic field levels around base transceiver stations to determine the levels of radiation being emitted by the stations. These are done to protect humans who could be adversely affected by the emissions. The EMF measurements were carried out at forty-two sites around the country. Measurements are done in various positions around the base stations. All base transceiver stations were compliant to the expected EMF radiation levels.

### Numbering Audit

The Authority conducted an audit for numbering resources that have been allocated to various service providers. The audit was primarily intended to identify the numbering blocks used for service provision. The audit results revealed the total number of phone numbers in use in each level as well as the numbers used for premium rate messages services. The audit further revealed that the utilisation of PRMS numbers is was very low and less than 79 numbers were in operation.

### Type Approval of Equipment

The Authority issued 171 type-approval certificates for telecommunications equipment that met the standards used or adopted by the Authority. There was a significant increase of 57% compared to the previous year.

### Redelegation of Lesotho Network Information Centre

The Internet Assigned Numbers Authority (IANA), an agency responsible for global coordination of the DNS Root, IP addressing, and other Internet protocol resources, approved the request for the change of sponsoring organization from National University of Lesotho to LsNIC during the period under review. The approval completed the process of redelegation of .ls domain. LsNIC now has the full responsibility for management of .ls.

LsNIC in conjunction with Network Start-up Resource Centre (NSRC) hosted Domain Name System Security (DNSSEC) workshop in Lesotho. This workshop was held to technically prepare LsNIC to implement DNSSEC in its authoritative servers. DNSSEC is a security measure used to protect some cyber-attacks that are related to domain name system (DNS). DNSSEC will be implemented in the next financial year.

Table 9 •• List of accredited domain name registrars					
No.	Registrar	Phone contact	Website	Physical address	
1.	Leo Pty Ltd	+266 2232 2772	www.leo.co.ls	Taoana Centre, Orpen Rd, Maseru	
2.	Zeecom IT Services	+266 2232 7382	www.zeecom.co.ls	Balfour Rd, Maseru	
3.	Smartloti Pty Ltd	+266 6221 3333	www.smartloti.co.ls	Husteds Building, Maseru	
4.	Comnet Pty Ltd	+266 2221 9100	www.comnet.co.ls	Maluti Road, Maseru West	
5.	Vodacom Lesotho	+266 5221 2329	www.vodacom.co.ls	Vodacom Park, 585 Mabile Road, Maseru	
б.	Venus Dawn Technologies (Pty) Ltd	+266 6260 2450	www.venusdawn.co.ls	Likotsi, Maseru	
7.	Custom IT Consulting (Pty) Ltd	+266 2232 7466	www.custom-it.co.ls	LNDC Building Block-C Level 4, Maseru	

LsNIC has accredited eight registrars who offer registration services to end-users. These registrars are:

### RESEARCH AND SECTOR DEVELOPMENT

### **Telecommunications Sector Performance**

Understanding how the communications sector grows, levels of competition and in-depth study of areas which have potential impact on the sector is vital to the work of the Authority. This understanding informs and guides policy and regulatory intervention. A variety of indicators used by the Authority point to a steady growth of the sector.

The Authority collects data indicators to measure the development of the communications sector in Lesotho. The indicators that are used include, amongst others, subscriptions to fixed and mobile services, prepaid and post-paid subscriptions, new connections, disconnections, mobile and fixed broadband subscriptions, and infrastructure. Analysis is made for teledensity or penetration rates and broadband penetration.

In general, the sector continue to demonstrate sustained growth and upward trend in access to and use of ICTs. Mobile access to basic telecommunication service and broadband access is increasing. The network infrastructure continued to increase in number of base stations and fibre connections while access technologies improved to 3G or higher-speeds. Another access factor which improved access was the decline in tariffs for internet and some bundled services despite an increase of tax on communications services. However, figures for mobile services are tapering, a factor that it attributed to sluggish economic growth of Lesotho.

### **Fixed Services**

In comparison to the last reporting period, the following picture emerged on fixed services: total voice subscriptions have increased by 17%; both postpaid and prepaid increased by 30% and 3% respectively; new subscriptions showed an increase of 32%; disconnections exhibited a decline of 75%; fixed broadband subscription increased by 35%; fixed

broadband penetration showed an increase from 0.18% to 0.31%, though it is still below 1% of the total teledensity; year-on-year figures for voice show an upward trend from 7,342 to 8,750 subscriptions and internet services' performance improved from 4,546 to 6,135.

Table 10 ** Fixed service subscriptions						
No.		March 2018/19	March 2019/20	Year-on-year comparison (%)		
1.	Fixed Line Subscriptions	7,342	8,750	17%		
2.	Post-paid	3,510	4,785	30%		
3.	Prepaid	3,832	3,965	3%		
4.	New subscriptions	397	532	32%		
5.	Disconnections	596	147	-75%		
6.	Fixed broadband Subscription	3,574	5,189	45%		
7.	Leased lines & Wi-Max subscriptions	972	946	-3%		
8.	Tele-density (%)	0.37	0.44	17		
9.	Fixed broadband penetration (%)	0.18	0.31	72		

### **Mobile Services**

In comparison with same period last year, the total number of subscriptions have decreased by 3%. The post-paid subscribers have increased by 8% while those on prepaid declined by 3%. The new subscriptions increased by 28% while disconnections increased by 21%. Cellular penetration rate declined from 82% to 79%. Overall, mobile services market share has decreased marginally from 99.70% to 99.57%; broadband subscriptions increased by 8% and broadband penetration increased from 56% to 60%. See Table 11 below.

Table 11 •• Subscription of mobile services						
No.		March 2018	March 2019	Year on Year comparison (%)		
1.	Mobile subscriptions	1,638,263	1,584,739	-3%		
2.	Postpaid	3,000	3,245	8%		
3.	Prepaid	1,635,263	1,581,494	-3%		
4.	New subscriptions	242,267	309,529	28%		
5.	Disconnections	200,846	243,928	21%		
б.	Mobile cellular penetration rate (%)	82	79	-3		
7.	Handset Internet users	1,121,912	1,211,119	8%		
8.	Mobile broadband penetration rate (%)	56	60	8		

### Subscriptions Trends

Table 12 below shows trends for subscriptions over a five-year period. It shows an increased national population and a dip in subscriptions and resultant teledensity. However, other indicators like internet subscriptions are increasing.

Tab	Table 12 💀 Subscriptions trends from March 2015/16 to March 2018/19								
No.		2014/15	2015/16	2016/17	2017/18	2018/19			
1.	Population	1,880,661	1,880,661	1,880,661	2,007,201	2,007,201			
2.	Sector subscriptions	2,330,438	2,180,711	2,261,609	1,645,769	1,593,489			
3.	Percentage change	29	-б	10	-33	-3			
4.	Fixed subscriptions	41,123	40,570	28,206	7,506	8,750			
5.	Mobile subscriptions	2,289,315	2,140,141	2,233,403	1,638,263	1,584,739			
б.	Teledensity (%)	124	116	120	82	79			
7.	Internet users	708,463	833,532	923,407	1,126,125	1,216,308			
8.	Percentage of Individuals using the Internet (%)	42	44	49	56	61			

## Sector Teledensity

Teledensity is based on the total number of telephone subscriptions over the total population of Lesotho. Figure 3 below depicts teledensity over a ten-year period. In the latter years, teledensity for Lesotho has declined and this is attributable to the implementation of the ITU methodology for measuring active subscribers as those who have been active or have generated revenues in the preceding 90 days. The previously used threshold was 215 days or seven months. Another factor was the adoption of the new population figure based on 2016 national census.



## **Tariff Regulation**

The Authority received 48 tariff related applications from the two network operators for new tariffs, variation of existing tariffs as well as launching of promotional tariff and services. The submissions were higher by 23% compared with the previous year.

## **Competition Management**

## Participation of Lesotho in the CRTT project

The Authority resumed its participation in the CRASA Roaming Task Team (CRTT) process in September 2018. The CRTT was commissioned by the SADC Ministers responsible for ICTs to commence regional dialogue on the high cost of roaming. The task team is developing a SADC Roaming Cost Model to establish the costs incurred by MNOs in the provision of roaming services in order to determine reasonable wholesale and retail roaming tariffs within the SADC region. The model will enable regulators to determine and implement appropriate and proportionate regulatory measures that would benefit both the operators and consumers. The Authority participated in a meeting to validate the preliminary results of the Model.

## The Interconnection Glide Path for 2019-2022

The new interconnection rate glide path came into effect in February 2019 and would end on the 31 January 2022. The interconnection rates for the first year of the glide path reduced the rates from 0.20 lisente to 0.15 lisente.

Tabl	Table 13 •• Call termination rates for 2019/20 to 2021/22						
No.		2019/20	2020/21	2021/22			
1.	Call termination rate	0.15	0.12	0.09			
2.	Difference	0.03	0.03	0.03			

## Network Infrastructure Rollout

The Authority collects information on the development of communication infrastructure to measure how the sector is developing. An analysis below focuses on each network operator.

## Econet Telecom Lesotho Infrastructure

In the reporting period, ETL upgraded all sites to have 3G capability. The number of CDMA base stations remains at 16 as it is a legacy wireless technology intended to supplement the copper lines for fixed telephony and as such, no further investment was made on this technology. ETL has deployed fibre optic cable (FOC) network in all towns of Lesotho while FOC networks in Qacha's-Nek and Thaba-Tseka area are localized networks only used for providing last mile connectivity to base stations. The ETL FOC network has been enabled to connect a significant number of its base stations with FOC and only use microwave links where there is no FOC footprint.

## Vodacom Lesotho Infrastructure

During the reporting period, VCL increased its network by additional 22 2G, 22 3G sites, and 12 LTE base stations. VCL maintained a minimum of 3G access on each base station on its entire network. 3G access is almost universally available where Vodacom Lesotho has a footprint for broadband access. Expansion of 2G and 3G networks in rural areas is mainly driven by USF objectives of providing service to unserved and underserved areas and to increase capacity to ease network congestion.

Microwave links are used for transmission to a majority of their base stations. Optical ground wire (OPGW) is also used to connect some base stations with FOC. The replacement of the legacy WiMax with a new point-to-multipoint system for provision of fixed wireless access services is in progress.

## Transmission Networks

The increase in dependency on communications infrastructure to deliver services heightens the need for increased resilience and reliability of the networks. Transmission links that connect base stations provides essential parts of the network architecture of the national network. Transmission networks in the country are composed of FOC and microwave links. The licences of the two network operators allow them to build their own networks while one licensee provides wholesale transmission on its OPGW cables to the network operators.

The rugged terrain in the highlands of Lesotho presents a challenge to the roll-out of FOC. Construction of pole routes in the highlands would require specialized machinery to drill and blast holes for erection of poles as the area is predominantly granite. Access roads would also be required for transportation of materials and machinery. As such, optical networks in the highlands areas become feasible when integrated with other major developmental projects such as dam constructions. This restricts the transmission mode to microwave links thus limiting the backhaul capacity. The situation is further aggravated by lack of grid electricity power in these areas, therefore requiring that repeater sites utilize solar power. This presents a risk of network outages during extended periods of cloudy conditions and snowfall. Limited roads infrastructure also puts a restriction on the choice of BTS locations. These factors have a negative impact on coverage, extended outages and network availability.

The ETL transmission infrastructure comprises of FOC and microwave point-to-point links. Its FOC backbone network covers eight district towns excluding Thaba-Tseka and Qacha's Nek but extends to places like Ha Mositi via Khanyane, Roma and Machache. The FOC network is integrated with access FOC networks in towns and further extends to base stations in the district towns. In Thaba-Tseka and Qacha's Nek, there are local FOC networks that serve base stations from the high capacity microwave link routes connecting Thaba-Tseka and Qacha's Nek from Berea Plateau and Quthing respectively.

ETL has also introduced Gigabit Passive Optical Network (GPON) in some residential areas in Maseru to deliver FTTH. Alternative wireless access solutions are used outside the footprint of the GPON networks.

## National Mobile infrastructure

The national mobile infrastructure networks of all network operators is composed of 2G, 3G and LTE base stations as shown in figure 4. The base stations are predominantly mounted on radio towers though there are some base stations on roof tops in Maseru. There are currently 526 sites where the above technologies are installed.

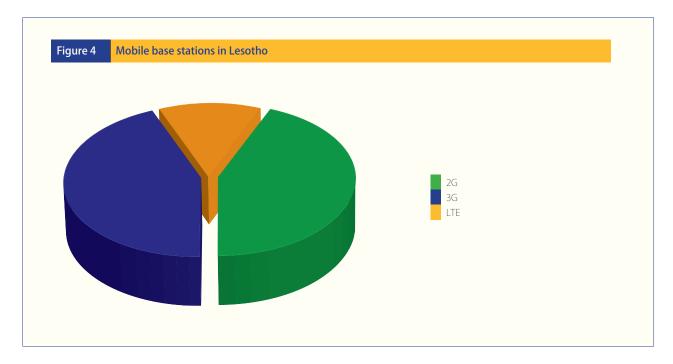
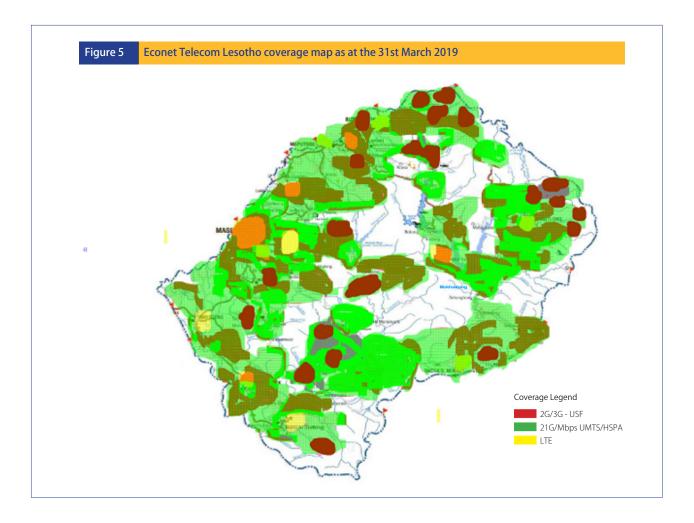
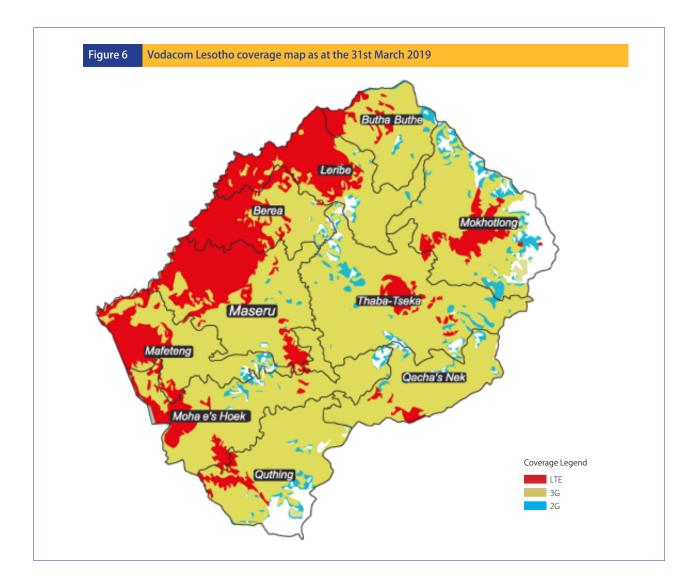


Table 14 provides details of base stations for each technology and their distribution by district as well as the technologies and power types at transmitter sites.

Tabl	Table 14 💀 Total number of BTSs, towers and site power by district									
	District		Base Stations	;		Sites/Towers		BTS site power		
No.		2G	3G	LTE	ETL only Towers	VCL only towers	Shared towers	Roof top and others	LEC	Solar
1.	Botha-Bothe	35	35	4	13	14	8	0	23	12
2.	Leribe	67	67	12	18	32	17	0	59	8
3.	Berea	50	50	23	14	27	9	0	47	3
4.	Maseru	185	185	95	46	90	23	26	165	20
5.	Mafeteng	34	34	5	10	19	5	0	26	8
6.	Mohale's Hoek	35	35	4	11	22	2	0	24	11
7.	Quthing	25	25	3	8	13	4	0	15	10
8.	Qacha's Nek	25	25	3	9	12	3	1	9	16
9.	Mokhotlong	35	35	2	11	18	6	0	17	18
10.	Thaba-Tseka	35	35	2	10	22	3	0	20	15
11.	Total	526	526	153	150	269	80	27	405	121



•



### **STUDIES AND SURVEYS**

## Sector Performance

The research studies conducted by the Authority inform regulation and national policy on the development of the communications sector. The following research studies were underway during the reporting period:

## **E-government Survey**

The Authority conducted an e-Government survey in nine government organisations, which constituted three ministries, three parastatals and three agencies. The objective of the survey was to review the state of e-government development in the public sector institutions throughout Lesotho.

The ministries included in the pilot survey were the Ministries of Trade and Industry; Forestry, Range and Soil Conservation and Communications, Science and Technology. The Ministries of Trade and Industry and of Forestry, Range and Soil Conservation have offices in all districts and as such, data was collected in all offices throughout the districts. The three parastatals included in the pilot survey were Lesotho Revenue Authority (LRA), Land Administration Authority (LAA) and Lesotho Housing and Land Development Corporation. The data was also collected in the Southern (Mohale's Hoek) and Northern (Leribe) branches of the LRA and LAA. The data was collected in three agencies, namely, Office of the Ombudsman, Independent Electoral Commission (IEC) and Directorate on Corruption and Economic Offences (DCEO). IEC has offices in the ten districts from which data collected.

The results revealed that all the piloted public sector institutions (ministries, parastatals and agencies) were connected to the grid electricity power both at head offices and district offices. In addition, all the institutions had computers, 89% of which were networked. The proportion of institutions with internet connectivity constituted 68% and of these, 30% of which had Wi-Fi. 68% of the institutions had websites.

It was noted that 64% of the institutions enabled the public to obtain information from their websites while 44% enabled the public to download forms from their websites. Only 11% of these institutions provided the public with an option to complete forms online using their websites.

## Survey on Internet Cafes

The Authority conducted an annual survey on internet cafes across the country. Internet cafes provide important resources to those without necessary computing and network facilities. The findings indicate that 65 internet cafés were operational at the end of March 2019 compared to 53 cafés in March 2018. This signifies an increase of 25% in the number of cafés.

At district level, Leribe had the highest increase of 83% followed by Mohale's Hoek and Botha-Bothe with an increase of 33% each. Maseru followed with an increase of 25%, Berea had an increase of 20% and lastly Mafeteng with 11% increase. Mokhotlong, Thaba-Tseka, Qacha's Nek and Quthing maintained the same number of Internet cafes.

### UNIVERSAL SERVICE FUND

The mandate of the Universal Service Fund is to ensure that all citizens of Lesotho have access to voice telephony services, internet access, broadcasting services and basic postal services. Over the years, concentration has been on development of communications infrastructure to unserved and underserved areas of the country in the form of mobile communications base stations.

## Identification and profiling of unserved/underserved areas (voice & data)

During the reporting period, the Fund profiled areas without mobile phone services. The profiling process determined the estimated number of people without services, economic activity of the area, government and community services and the number of villages affected. The information informs the areas to be prioritised. At the close of the year, 610 villages with a population of approximately 74,200 were determined as unserved and/or underserved.

The following areas were profiled during the year and the register of unserved and underserved areas updated:

Tabl	Table 15 🔸 Areas profiled during the year						
No.	District	General Area Name	District	General Area Name			
-	Mohale's Hoek	Mokh'opha/Meriting	Leribe	Tsikoane			
			Botha-Bothe	Ha Mashili			
-	Thaba-Tseka	Senqunyane	Mokhotlong	Ha Janteu			
		Liseleng		Khubelu Valley			
		Mononong		Ha Moeketsane			
		Ha Majara	Maseru	Рора			
		Matebeng		Ha Rampoetsi			
		Patising Valley		Ha Seiboko			

## Implementation of Projects for Promoting Digital Literacy in Schools

In an effort to continue promoting digital literacy in secondary and high schools, the Fund invited schools to register interest by completing forms to initiate the process. Thereafter, a concept paper was developed for the Ministry of Communications, Science and Technology (MCST) and the Ministry of Education and Training, providing the details of the process.

The process of providing connectivity to schools continued for those under contract with Vodacom Lesotho. Forty schools were allocated modems to connect to the new Broadband Internet Access (BIA) service.

## Implementation of Projects for Promoting Digital Literacy in Schools

The Fund decided to facilitate access to internet services by providing bandwidth for Wi-Fi in the tertiary education institutions. The Fund piloted the project for providing bandwidth to the first five institutions of higher learning with the highest population starting with the National University of Lesotho (NUL). NUL selected the Roma main campus and the Institute of Extra Mural Studies Maseru (IEMS) for the implementation of the project. The project is being implemented in three phases, with the first phase being provision of internet bandwidth to both campuses, the second phase being the rollout of Wi-Fi access points in both campuses and the third being monitoring and maintenance.



NUL was the first higher education and institution to be provided with WIFI by USF.

The Authority signed a memorandum of understanding with Lesotho Polytechnic (LP), Lesotho College of Education (LCE), Limkokwing University of Creative Technology (LUCT) and Centre for Accounting Studies (CAS) with the aim to develop similar projects at these institutions. These projects will be developed in the new reporting period.

## Completed Communications Infrastructure Projects

The Fund completed the infrastructure projects listed in Table 16 below during the reporting year. The projects were funded from variety of sources. Cost sharing between the Fund and the AfDB was done for some projects and the Fund provided subsidies for the rest.

Tabl	Table 16 •• List of projects completed					
No.	District	Area Name	Network Operator	Funding		
1.	Mokhotlong	Motlomo	VCL	USF		
2.	Botha-Bothe	Khukhune Valley	VCL	USF + eGOV/AfDB		
3.	Thaba-Tseka	Mashai Khoshaneng	VCL	USF + eGOV/AfDB		
4.	Mokhotlong	Koakoatsi - Mathuoaneng	VCL	USF		
5.	Mokhotlong	Koakoatsi - Seotsa	VCL	USF		
6.	Leribe	Nqechane	ETL	USF + eGOV/AfDB		
7.	Leribe	Ha Mositi	ETL	USF + eGOV/AfDB		

## Supporting critical Internet Infrastructure

The USF supports the Lesotho Internet Exchange Point (LIXP) which is a critical element in the architecture of internet provision in the country. During the year, the USF together with Internet Society, hosted a technical workshop for the Lesotho Internet community. The workshop was on building scalable network infrastructure.

## MAJOR INTERNATIONAL EVENTS

The Kingdom of Lesotho and the Authority are members of several intergovernmental organisations which have a special interest in the communications sector. Lesotho is a member of the United Nations Organisation, the Commonwealth, the African Union and the Southern African Development Community. ITU is the United Nations specialized agency for information and communication technologies and the Universal Postal Union is the United Nations specialized agency for the postal sector. African Telecommunications Union represents the African region on ICTs and Pan African Postal Union (PAPU), a specialized agency of the African Union (AU) on postal services. The Communications Regulators Association of Southern Africa is a regional specialised body for ICTs and postal services in the SADC region. During the year under review, the Authority participated in the events and activities organised by these organisations as stated below.

## International Telecommunication Union Plenipotentiary Conference

The Plenipotentiary Conference is the highest policy-making body of the International Telecommunication Union (ITU). It is held every four years and it is the key gathering at which ITU Member States decide on the future role of the organization, thereby determining the organization's ability to influence and affect the development of information and communication technologies (ICTs) worldwide. The main objectives of the Conference are to:

- Set the Union's general policies;
- Adopt four-year strategic and financial plans; and
- Elect the senior management team of the organization, the Member States of the Council, and the members of the Radio Regulations Board.

In 2018, the ITU Plenipotentiary Conference (PP-18) met for the 20th time in Dubai, United Arab Emirates, from the 29 October to the 16 November 2018. More than 2500 participants attended the PP-18, including heads of government, ministers and other delegates from most of 193 ITU Member States, as well as representatives from private companies, academic institutions and national, regional and international bodies. The delegation of the Kingdom of Lesotho was led by the Minister of Communications, Science and Technology and the officers of the Authority formed part of the Lesotho delegation.

The major outcome of PP-18 was the adoption of a new Strategic Plan, which set the vision, goals and targets of the Union for 2020–2023, and thus re-affirming the ITU's role in facilitating the implementation of the United Nations 2030 Agenda for Sustainable Development. The conference also made decisions and resolutions which were compiled

in the Final Acts report. It also elected officials of the ITU top five management posts, 12 members of the Radio Regulations Board and 48 ITU Council members.

## ITU World Radiocommunication Conference 2019

The ITU World Radiocommunication Conference will be held in Egypt from 28 October to 22 November 2019. The function of the conference is to review and revise the Radio Regulations, which is the international treaty governing the use of the radio-frequency spectrum and the geostationary-satellite and non-geostationary-satellite orbits. In preparation to the conference, the Authority participated in regional and continental preparatory meetings. In the SADC region, preparatory meetings were held in South Africa and Namibia where SADC harmonised common positions were considered. Furthermore, the ATU preparatory meeting was held in Victoria Falls, where recommendations were made on various agenda items.

## ITU Telecom World



Lesotho was represented by Hon. 'Maseribane in ITU Telecom World held in Durban, South Africa.

The ITU Telecom World 2018 took place in Durban, South Africa from the 10 to the 13 September 2018, under the theme of "Innovation for smarter digital development". The event brought together participants from governments, corporates and technological SMEs. It comprised of exhibits of innovative solutions, a platform for networking and sharing of knowledge on new ICTS solutions. The Authority formed part of the Lesotho delegation led by the Minister of Communications, Science and Technology. From here, the ITU Secretary General, Mr. Houlin Zhao, made an official visit to Lesotho on the invitation of the Hon. Minister.

Highlights of the event included ministerial roundtables which discussed government-driven smart digital development and financial inclusion using digital solutions; investing in African countries and promoting ICT opportunities for the empowerment of women; and a workshop entitled "The rise of the MVNOs: leveraging MVNOs in an 'everything connected' world".

Industry participants such, as China Satellite Application Industry Association (CSAIA), Global TD-LTE Initiative (GTI), China Mobile, Telecommunication Development Industry Alliance (TDIA), GSM Association (GSMA), Huawei and State Information Technology Agency (SITA) hosted expert sessions on unified the planning of 4G and 5G spectrum, African mobile market opportunities, spectrum pricing for mobile broadband investment, rethinking broadband, bridging the information gap between ICT SMMEs and market opportunities in public and private sectors. The ITU Telecom World Awards were given for innovative digital solutions which were judged for their social impact to SMEs and corporations alike. The awards were on areas like digital assisted agriculture, education and healthcare, as well as virtual and augmented reality (VR/AR), training, motion sensors, automotive repair and many more.

## Second Extraordinary Congress of the Universal Postal Union

The Second Extraordinary Congress of the Universal Postal Union (UPU) was held from the 3 to 7 September 2018 in Addis Ababa, Ethiopia and was the first UPU Congress to take place in the African continent. This congress was attended by the Minister, the Ministry and the Authority officials.

The 26th UPU Congress which was held in 2016 in Istanbul, Turkey had approved a resolution to convene the second Extraordinary Congress in September 2018. The agenda of the Extraordinary Congress was:

- The implementation of the UPU's Integrated Product Plan and the Integrated Remuneration Plan;
- The reform of the UPU;
- The reform of the system applied to contributions by UPU member countries, and
- The sustainability of the UPU Provident Scheme.

The Congress approved the UPU's proposal for reform, notably with regard to the election process and the functioning of its operational management body - the Postal Operations Council (POC) in an attempt to make the decision-making process more efficient. A number of proposals were approved, including on the product integration plan, the integrated remuneration plan and the creation of a special class of contribution class (lower value) for sparsely populated Small Island Development States (SIDS). It also discussed a number of issues that will be included on the agenda of the UPU's next Ordinary Congress, to be held in 2020 in Côte d'Ivoire.

## **PAPU** Activities

The 5th Extraordinary Session of Plenipotentiary Conference of the Pan African Postal Union (PAPU) was held on the 26-27 July, 2018 in Antananarivo, Madagascar. The conference focused, mainly, on the consideration of the proposed amendment of the Universal Postal Union Acts, as well as the harmonization of the position of the African region on the key issues of the extraordinary congress of UPU, scheduled for the 3 - 7 September 2018 in Addis Ababa, Ethiopia. Furthermore, during the conference, the member states considered proposals which were raised in the last PAPU Administrative Council held in Algiers in April 2018, in particular, the creation of the African Smart Post and the integration of the Arabic language as an official language of PAPU.

## Global Symposium for Regulator 2018

The 18th edition of the Global Symposium for Regulators (GSR-18), was held in Geneva, Switzerland, from 9 to 12 July 2018, attracting over 600 participants from more than 125 countries. The Authority was represented at the symposium. GSR-18 was organized by the ITU, presided by President of the National Authority for Management and Regulation in Communications (ANCOM), Romania, under the theme of "New Regulatory Frontiers".

The GSR addressed topics on flexible and innovative policy and regulatory approaches and how enhanced collaboration can support and incentivize digital transformation. The GSR resolved that governments, the private sector as well as all stakeholders in the digital economy should seek synergies and leverage their strengths and resources towards achieving sustainable digital development. The event culminated with the adoption by ICT regulators of a set of best practice guidelines on new regulatory frontiers to achieve digital transformation.

A series of thematic and pre-events took place on the side-lines of the symposium including the Global Dialogue on Artificial Intelligence, Internet of Things and Cybersecurity – Policy and regulatory challenges and opportunities. There were also meetings of Regional Regulatory Associations, the 9th Private Sector Chief Regulatory Officers and Industry Advisory Group for Development.

## SADC ICT, Information, Meteorology and Transport Ministers Meeting

The Ministers responsible for Information and Communication Technologies (ICT), Public Information, Transport and Meteorology from the Southern African Development Community (SADC) met on the 27 September 2018 in Windhoek, Namibia. Lesotho's delegation was led by the Minister of Communications, Science and Technology and the Authority was part of the delegation.

The Ministers received reports on the implementation of decisions taken during the previous sectoral ministerial meetings, provided guidance and approved decisions to facilitate infrastructure in support of regional integration and enhanced awareness and promotion of SADC programmes.

In the ICT and information sectors, the Ministers approved the:

- SADC broadband targets for the region which include broadband goals to ensure that the region reach 50% household penetration of broadband, 60% of youth and adults with a minimum level of proficiency in sustainable digital skills, and that entry level broadband costing less than 2% of the monthly GNI per capita; and urged Member States to ensure that their National Broadband Plan or Strategy are aligned to the targets.
- SADC Rural Broadband Guidelines and Recommendations to ensure that all SADC citizens in the rural areas have affordable access and benefit from broadband services.
- Recommendations on Cybersecurity and SADC regional cyber drill and the SADC Cybersecurity Action Plan, which compliments the SADC harmonised Cybersecurity Model laws, and includes capacity building, cyber drill, international cooperation and cybersecurity institutional mechanism such as the Computer Incident Response Teams (CIRTs).
- Harmonisation of Emergency Services Numbering in SADC for Police, Fire and Ambulance in line with International Telecommunication Union (ITU) and international best practices to ensure that there is a rank in terms of priority and that a single Emergency Number '112' is used for the Police, Fire and Ambulance services in SADC.
- Recommendation on a Harmonised Approach to Domestic Licensing and Mutual Licence Recognition of Earth Stations in Motion (ESIMs).
- Framework, Roadmap and Institutional Mechanism to support the development, implementation and monitoring of the SADC Framework for Fourth Industrial Revolution (FIR) for implementation.
- SADC Resolution to operationalise the implementation of the SADC Declaration on Fourth Industrial Revolution using ICTs for submission to the Meeting of SADC Ministers Responsible for ICT for implementation.

## **CRASA Activities**

The Authority participated in the activities organised by the Communications Association of Communications Regulators of Southern Africa:

Table 17 ** CRASA Committee Activities						
No.	Committee	Dates of meeting	Venue	Purpose		
1.	2nd CRASA Postal Committee Meeting	5 - 7 Nov. 2018	Maseru, Lesotho	Development of regional regulatory guidelines for Postal eCommerce and Trade Facilitation, Postal Interconnection and Access, and Postal Market Definition and Licensing.		
2.	2nd CRASA Legal and Policy Committee	8 - 9 Nov. 2018	Maseru, Lesotho	Work-Plan for the year 2018/2019 and legal matters referred by the Executive Committee and other committees.		
3.	Postal and Electronic Communications Committees	16 -17 Jul. 2018	Lilongwe, Malawi	Review ongoing operational plans of CRASA on postal and electronic communications issues.		
4.	CRASA Finance & Audit Committee	11 - 14 Feb. 2019	Maputo, Mozambique	Budget and audit of CRASA.		
5.	Electronic Communications Committee	3 – 9 Feb. 2019	Centurion, RSA	CRASA frequency planning.		
6.	CRASA Finance & Audit Committee	29 - 31 Aug. 2018	Windhoek, Namibia	To discuss progress of action items of the 6th CRASA AGM and operational plan for 2018/19.		
7.	Quality of Service/Quality of Experience	5 – 10 Aug.2018	Luanda, Angola	Development of Quality of Service Guidelines for SADC.		
8.	CRASA Annual General Meeting	11 — 14 Apr. 2018	Mbabane, Eswatini	CRASA Annual General Meeting.		
9.	CRASA Annual General Meeting	27 - 30 Mar. 2019	Dar es Salaam, Tanzania	CRASA Annual General Meeting (AGM) and pre-AGM workshops.		
10.	CRTT Project	11-14 Feb. 2019	Maputo, Mozambique	To validate SADC roaming cost model.		
11.	Smart Societies in Southern Africa	24 – 26 Mar. 2019	Dar Es Salaam, Tanzania	CRASA initiative to implement SDG #9 in SADC		
12.	SADC ICT Observatory and Broadband Indicators	10 -14 Dec. 2018	Gaborone, Botswana	To develop a framework that provides guidance for the SADC observatory data collection.		

## WIOCC Board Meeting

The Authority as a board member in WIOCC, attended three WIOCC board meetings which were held at Port Louis, Mauritius; Maputo, Mozambique and Johannesburg, South Africa. WIOCC was established as a special purpose vehicle (SPV) company in 2008 owned by 14 African telecommunications operators, with the support of five international development financial institutions, which are: International Finance Corporation (IFC), African Development Bank (AfDB), French Development Bank (AFD), German Development Bank (KfW) and European Investment Bank (EIB). It operates as a wholesaler, providing capacity to international, African telecommunications companies, OTTs, content providers and internet service providers within and outside of Africa. It is the largest shareholder in the EASSy submarine fibre-optic cable system owning 28% of the capacity. The cable system has a capacity of more than 10 Tbit/s and interconnects nine countries along the eastern seaboard of the African continent to the rest of the world **Q** 

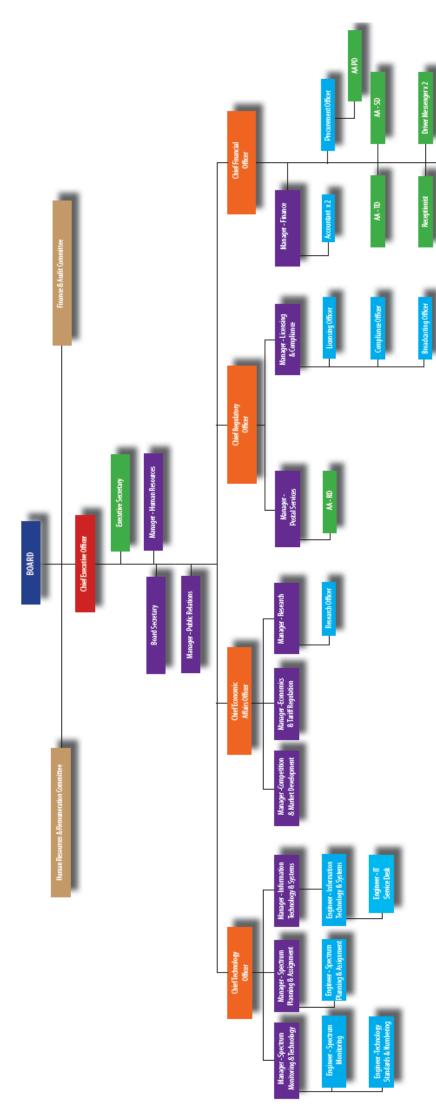


Minister of Communications, Science and Technology, Hon. 'Maseribane, together with LCA Board members and the USF Chairperson.



Participants of Scalable Network Infrastructure workshop organised by Lesotho Communications Authority in conjunction with the Internet Society (ISOC) held in Maseru, Lesotho.





•

**Driver Messenger x 2** 

Receptionist

Cleaner

## LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 DIRECTORS APPROVAL AND STATEMENT OF RESPONSIBILITY

The Communications Act No. 4 of 2012 requires the Authority to prepare financial statements for each financial year that present a true and fair reflection of the state of its affairs at the end of each financial year. The Board is responsible for taking such steps that are reasonably open to it to safeguard the assets of the Authority and to prevent and detect fraud and other irregularities.

The Board appreciates that in preparing the financial statements for the year ended 31 March 2019 set out on pages 6-22 the Authority has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Board also considers that all applicable International Financial Reporting Standards have been followed and confirms that the financial statements have been prepared on the going concern basis.

The Board reviewed the Authority's cash flow forecasts for the year to 31 March 2020, and, in the light of this review and the current financial position, it is satisfied that the Authority has adequate resources to continue in operational existence for the foreseeable future.

The auditors' responsibilities are stated in their report on pages 3 to 5.

The Board acknowledges that it is ultimately responsible for the system of internal control and places considerable importance on maintaining a strong control environment. To enable management to meet these responsibilities, the Board sets internal controls aimed at reducing the risk of error or loss in a cost-effective manner. The controls include proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

Based on information and explanations supplied by management, the Board is of the opinion that the system of internal control provides reasonable assurance that the financial records can be relied on for the preparation of the financial statements.

Against this background, the financial statements set out on pages 6-22 which are stated in Maloti, have been approved and authorised for issue on the 26 September 2019 by the Board and signed on its behalf by:

CHAIRMAN

CHIEF EXECUTIVE OFFICER

## LESOTHO COMMUNICATIONS AUTHORITY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 DIRECTORS' REPORT

### Directors

In terms of the Communications Act No.4 of 2012, the Board shall consist of the Chairman and five other members appointed by the Minister. The Chief Executive Officer shall be an ex-officio member. During the period under review, Board of Directors are:

- Mr. Lefa Mokotjo (1<sup>st</sup> October 2015 to 1<sup>st</sup> December 2018)
- Ms. Motšelisi Ramakoae Chairman (2<sup>nd</sup> January 2019 to present)
- Ms Motšelisi Ramakoae (8<sup>th</sup> October 2018 to 1<sup>st</sup> January 2019)
- Mr. Monare Thulo (27<sup>th</sup> July 2015 to 31<sup>st</sup> July 2018)
- Ms. Bokang Lethunya (27<sup>th</sup> July 2015 to 31<sup>st</sup> July 2018)
- Mr. Phakiso Molise (8th October 2018 to present)
- Ms. Keneuoe Mohale (8<sup>th</sup> October 2018 to present)
- Mr. Motanyane Makara (8<sup>th</sup> October 2018 to present)
- Mr. Seth Griffiths Lerotholi (8<sup>th</sup> October 2018 to present)
- Mr. Karabo Maitin Lehutso (1<sup>st</sup> March 2019 to present)
- Mr. Tšeliso 'Mokela (Ex-officio August 2015 to 31st August 2018)
- Mr. Moshoeshoe Ntaote (Ex-Officio a.i. From September 2018 to 31st March 2019)
- Mrs. 'Mamarame Matela (Ex-Officio from 1st April 2019 to present)

### Secretary

Ms. 'Mapule Mokoena

### **Disclosure of Interest**

The Authority is a government regulatory agency for the communications sector with no shareholding. The Board of Directors do not hold any financial interest in the Authority.

### **Auditors' Appointment**

In terms of the aforesaid Act, the Auditor General is the Auditor of the Authority and can appoint an independent and qualified auditing firm to audit the annual accounts of the Authority.



## Office of The Auditor General P.O. Box 502, Maseru 100, Lesotho

## REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LESOTHO COMMUNICATIONS AUTHORITY FOR THE YEAR ENDED 31 MARCH 2019

### Opinion

I have audited the financial statement of Lesotho Communications Authority set out on pages 41 to 57, which comprise the statement of financial position as at 31 March 2019 and the statement of comprehensive income, statement of changes in equity and financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 March 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in accordance with the requirements of the Lesotho Communications Act, 2012.

### **Basis for Opinion**

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Lesotho, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Key Audit Matters**

Key audit matter are those matters that, in my professional judgment, were of most significance in my audit of the financial statement of the current period. There were no key audit matters.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, which whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 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 decision of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statement, 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
  the 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 Authority'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 Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required
  to draw attention in my auditor's report to t he related disclosures in the financial statements or, if such disclosure are
  inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to date of our auditor's
  report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matter, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be through to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determined those matters that are of most significance in the audit of the financial statement of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determined that a matter should not be communicated in my report because these adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Monica M. Sebetsa (Ms) For Auditor-General

OFFICE OF THE AUDITOR-GENERAL AUDITOR GENERAL 26 SEPTEMBER 2019 2 6 SEP 2019 P.O. BOX 502 MASERU100, LESOTHO

## LESOTHO COMMUNICATIONS AUTHORITY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

		31.03.19	31.03.18
ASSETS	Notes	Maloti	Malot
Non - Current Assets			
Property, Plant & Equipment	7	130,431,704	122,254,667
Intangible Assets			
WIOCC Capacity-Lesotho Portion	8	84,768,786	17,335,63
Investment in WIOCC	9	3,615,100	3,615,10
	-	88,383,886	20,950,739
Current Assets			
Trade and other receivables	10	11,875,054	63,625,61
Cash and cash equivalents	11	52,239,417	27,878,68
		64,114,471	91,504,292
Total Assets		282,930,061	234,709,69
Funds			
Capital Fund	12	2,331,822	2,331,82
Accumulated Fund		156,108,171	105,378,63
Capital Grant	13	3,856,121	4,338,13
		162,296,114	112,048,58
Non-Current Liabilities			
Deferred Income	14	6,257,697	7,386,03
Loan for LCA office complex	15	35,915,337	38,612,39
Loan for office furniture	15	2,484,687	4,168,90
	-	44,657,721	50,167,32
Current Liabilities	-		
Trade and other payables	17	7,516,380	53,074,55
Bank overdraft		-	3,63
UA Reserve Fund		11,370,502	5,389,37
Provisions		12,932,280	14,026,22
Corporate tax		44,157,064	
	-	75,976,226	72,493,78

## LESOTHO COMMUNICATIONS AUTHORITY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

		31.03.19	31.03.18
	Notes	Maloti	Maloti
Income			
Regulatory Fees	2	91,634,393	75,882,009
Other income	3	9,965,044	4,178,002
Amortisation of Capital Grant	4	482,013	482,013
LsNIC Revenue		189,850	60,750
		102,271,300	80,602,774
Expenditure			
Staff Costs	5	36,815,513	33,562,240
Depreciation	7	7,511,645	2,414,466
Directors Emoluments		742,480	632,741
Audit Fees		78,750	75,000
Other Administrative Costs	6	26,952,581	23,966,541
		72,100,969	60,650,987
Surplus/Deficit before finance income & cost		30,170,331	19,951,787
Finance Income		1,729,007	1,605,718
Surplus/Deficit after finance income & cost		31,899,338	21,557,505
Corporate Tax		7,974,835	
Surplus after tax		23,924,503	21,557,505
Transfer to UAF	14	5,981,126	5,389,376
Retained surplus for the year		17,943,377	16,168,129

## LESOTHO COMMUNICATIONS AUTHORITY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Capital	Revaluations	Accumulated	Capital
	Funds	Reserve	Funds	Grants
	Maloti	Maloti	Maloti	Maloti
Balance at 31/03/2017	2,331,822	-	85,475,120	4,820,148
Prior Year Adjustment	-	-	3,735,384	-
Surplus for the year	-	-	16,168,129	-
Amortisation for the year	-	-	-	(482,013)
Balance at 31/03/2018	2,331,822	-	105,378,633	4,338,135
Prior Year Adjustment	-	-	32,786,161	-
Surplus for the year	-	-	17,943,377	-
Amortisation for the year	-	-	-	(482,013)
Balance at 31/03/2019	2,331,822	-	156,108,171	3,856,122

## LESOTHO COMMUNICATIONS AUTHORITY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	31.03.19	31.03.18
	Maloti	Malot
Surplus for the period	17,943,378	16,168,129
Prior period adjustments	32,786,161	3,735,384
Depreciation	7,511,645	2,414,466
Amortisation of capital grant	(482,013)	(482,013
Increase/(Decrease) in receivables	51,750,556	(14,712,009
Increase/(Decrease) in payables	3,482,442	8,945,407
Disposal of fixed assets	1,256,037	206,949
Net cash inflow/outflow from operating activities	114,248,206	16,276,312
Investing Activities		
Purchase of Plant, Property and Equipment	(16,944,720)	(14,588,791
Proceeds on sale of assets	-	8,17
Changes in investments	(67,433,147)	1,960,102
Net cash flows from investing activities	(84,377,867)	(12,620,518
Financing Activities		
Initial licence fees	(1,128,333)	(1,125,105
Repayment of building loan	(2,697,052)	
Repayment of furniture loan	(1,684,217)	(1,539,570
Net cash flows from financing activities	(5,509,602)	(2,664,675
Net increase in Cash & cash equivalents	24,360,737	991,119
Cash & cash equivalents at the beginning of the year	27,878,682	26,887,56
Cash & cash equivalents at the end of the year	52,239,419	27,878,68

#### 1. ACCOUNTING POLICIES

#### 1.1 Presentation of annual financial statements

The principal accounting policies of the Authority, which are set out below, have been consistently followed in all material respects and comply with International Financial Reporting Standards (IFRS) and the Communications Act No.4 of 2012. The financial statements are prepared on a going concern basis. The financial statements have been prepared on the historical cost basis except for financial assets, which are stated at fair values and incorporate the principal accounting policies, set out below:

The preparation of financial statements is in accordance with IFRS which requires the use of certain accounting estimates and assumptions.

#### 1.2 Adherence of new and revised standards

The Authority adhered to the following revised standards during the year and comparative figures have been restated where applicable. However, adherence to these standards did not have any effect on the funds and reserves as at 31 March 2019.

- IAS 1 Presentation of financial statements
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 16 Property, plant and equipment
- IAS 17 Leases
- IFRS 20 Government grants
- IAS 24 Related party disclosures
- IAS 37 Provisions, contingent liabilities and contingent assets
- IAS 39 Financial instruments: Recognition, measurement
- IFRS 7 Financial instruments disclosures

#### 1.3 Significant judgements

In preparation of financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. It also requires management to exercise its judgement in applying the Authority's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results in future could differ from these estimates.

#### Valuation of property, plant and equipment

The estimated useful lives of property, plant and equipment which are translated into depreciation rates are shown in these financial statements. These rates, residual values and possible impairment are reviewed annually.

#### Provision for impairment of receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to recover amounts due according to the rules of the Authority which are translated into terms of receivables. The calculation of the provision amount for impairment of receivables requires the use of estimates and judgements.

#### **Contingent liabilities**

Management applies its judgement to the facts it receives from advisors and third parties in assessing if an obligation is probable, more likely or remote. Judgement is used to determine if the obligation is recognized as a liability or disclosed as a contingent liability

#### 1.4 Recognition of assets and liabilities

Assets are recognized if it is probable that future economic benefits associated with the asset will flow to the Authority and the cost or fair value can be measured reliably.

Liabilities are only recognized if it is probable that future economic benefits associated with the liability will flow from the Authority and the cost or fair value can be measured reliably.

#### 1.5 De-recognition of assets and liabilities

Financial assets are de-recognised when the contractual rights to receive the cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are recognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are derecognized when the relevant obligation has either been discharged, cancelled or has expired.

#### 1.6 Property, Plant and Equipment

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and adjustment for any impairment losses where applicable. Depreciation is calculated on straight – line basis from the time the property, plant and equipment are available for use, so as to write off their cost over their expected useful lives, taking into account their residual values. The following annual rates are used::

ltem	Average useful life
Office Equipment	5 years
Computer Equipment	3 years
Monitoring Equipment	бyears
Motor Vehicles	4 years
Office Furniture	5 years
Land & Buildings	20 years

Consumable items are written off in the period of purchase.

Repairs and maintenance are charged to the statement of comprehensive income in the period in which they are incurred.

#### 1.7 Impairment of Assets

The Authority assesses at each financial year end as to whether there is any indication that an asset may be impaired. If such an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized in the income statement immediately.

#### 1.8 Foreign Currency Translation

Transactions in foreign currencies are translated to Maloti at the foreign exchange rate ruling at the date of the transaction. All exchange gains and losses arising on translation are dealt with in the income statement.

#### 1.9 Financial Instruments

#### Initial recognition and measurement

Initial measurement of financial instruments is at cost, which includes transaction costs. Subsequent measurement of the different classes of financial instruments are dealt with below.

#### **Financial Assets**

The principal financial assets are cash and bank balances, trade and other receivables. These assets are originated by the enterprise and are accounted for at trade date.

#### **Financial Liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into. The principal financial liabilities are trade and other payables.

#### 1.10 Trade and other receivables

Trade and other receivables originated by the enterprise are stated at fair value of consideration receivable less impairment for trade receivables if any. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will be able to recover all amounts due according to the rules of the Authority which are translated into terms of receivables.

#### 1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at hourly call with the banks. Cash and cash equivalents are measured at fair value.

### 1.12 Trade and other payables

Trade and other payables are stated at their fair values.

#### 1.13 Employee Benefits

The Authority operates a defined contribution pension scheme for its eligible employees. The pension contributions on behalf of its employees are charged to the statement of comprehensive income. The Authority contributes 10.58% of each member's pensionable salary for permanent staff and a 6.04% of each member's pensionable salary for contract employees to a defined contribution fund. The fund is administered by Metropolitan Employee Benefits Scheme.

Terminal gratuities are provided for contract employees as per the terms of their respective employment contracts and 4% for permanent staff.

Severance pay is payable on termination of employment according to the Lesotho Labour Code and it is provided for on an annual basis.

#### 1.14 Provisions

Provisions are recognized when the Authority has a present legal or constructive obligation as a result of past events, when it is probable that outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for estimated leave liability according to the Human Resources Rules of the Authority.

### 1.15 Revenue Recognition

#### **Regulatory Fees**

Regulatory fees comprise service and radio frequency spectrum licences fees charged to communications service providers. Initial fees charged in relation to the issuance of new licences are recognized as deferred income and are transferred to the income and expenditure on the basis of matching them with related costs over the licence period. Annual service and systems licence fees which are recognized in the period to which they relate. Royalty fees are charged as a percentage of the Net Operating Income of a network operator. The basis of the fees is the LCA (Licensing Fees) Rules, 2013.

#### Interest income

Interest is recognized on a time proportion basis taking into account the effective yield on the financial asset.

#### Government grants

Revenue grants are recognized as income in the year in which they have been received. Capital grants are recognized as deferred credit and are recognized in the statement of comprehensive income in order to match them with the related costs for which the grants are intended to cover. They are armortised over the useful lives of assets.

### Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the operating leases are charged to the income statement on a contracted amounts basis over the period of the lease.

#### Borrowing costs

Borrowing costs are dealt with in the statement of comprehensive income in the period in which they are incurred.

### 1.16 Comparative Figures

Figures for the previous year have been stated on the second column to allow ease of comparison with the current year and where either in the current or previous year there were no figures a (-) sign has been put.

	31.03.19	31.03.18
	Maloti	Maloti
2. Regulatory fees		
Application Fee	201,100	105,194
Licence Fee	3,724,692	3,335,272
Spectrum Fee	28,131,697	25,127,049
Annual Licence Fee	59,576,904	47,341,494
	91,634,393	75,882,009
3. Other Income		
Rent Received	2,278,975	2,071,795
Penalty fees	280,674	2,106,207
Proceeds from sale of assets	335,881	-
Profit on foreign transactions	2,246	
Dividends – WIOCC	3,824,861	
WIOCC Revenue	3,242,407	
	9,965,044	4,178,002

### 4. Armotisation of Capital Grant

This represents an amount amortised during the year for the WIOCC investment and WIOCC capacity paid the Government of Lesotho.

5.	Staff Costs		
	Salaries	20,882,164	19,173,281
	Allowances	7,671,355	6,370,580
	Pension	1,621,909	1,534,390
	Severance Pay	481,707	450,522
	Leave Pay	144,339	96,363
	Medical Aid	2,396,660	2,218,422
	Gratuity	2,109,627	2,362,731
	Staff Refreshments & Welfare	504,517	495,341
	Sports & Recreation	24,998	2,310
	Staff cell phone airtime	871,260	639,992
	Fringe Benefit Tax	78,108	171,659
	Housing	28,869	46,648
		36,815,513	33,562,239

	31.03.19 Maloti	31.03.18 Malot
6. Other Administration Costs		
Bank Charges	122,511	159,56
Interest Paid	4,434,487	4,688,69
Communication	1,401,823	907,96
Postage	9,029	3,44
Stationery	130,724	107,58
Repairs and maintenance	358,832	293,83
Software Licenses	826,435	702,86
Operation and Maintenance (WIOCC)	3,242,407	3,077,38
Water and Electricity	1,154,752	441,09
Repairs and Maintenance – Buildings	591,091	647,40
Office Rent	1,950,674	1,880,05
Insurance	1,475,258	989,87
Station Maintenance	582,205	479,53
Dispute Resolution fees	358,682	366,96
Other Expenses	362,998	261,20
Books and Journals	38,961	34,35
Fuel	164,001	137,89
Car Running	124,550	98,86
Staff Uniform	18,272	5,64
Subscriptions	1,709,943	1,628,01
Travel and Accommodation	2,326,205	1,595,66
Subsistence allowance	128,258	39,24
Staff Training	77,483	56,39
Business Entertainment	-	67,05
Cleaning & Security	1,515,589	1,294,39
Public Relations	66,703	881,01
Advertisements	463,513	368,46
Consultancy Fees	138,214	662,63
Board Expenses	529,202	125,29
Legal Fees	119,145	287,62
Research	1,829,162	128,60
Donations	17,251	25,72
Loss on disposal of fixed assets	.,	206,94
LSNIC Expenses	682,488	1,315,23
Provision for doubtful debts	1,733	.,5,75,25
Total Expenses	26,952,581	23,966,54

7. Property, Plant and Equipment	ment									
	Cost at	Additional/	Disposal	Cost at	Dep'n at	Disposal	Charge	Dep'n at	NBV at	NBV at
	31.03.18	Revisions of value		31.03.19	31.03.18		this year	31.03.19	31.03.18	31.03.19
	Maloti	Maloti	Maloti	Maloti	Maloti	Maloti	Maloti	Maloti	Maloti	Maloti
Office Equipment	401,518	47,895	I	449,413	325,107	I	15,033	340,140	76,411	109,273
LsNIC Computer	I	121,377	I	121,377	I	I	93,908	93,908	I	27,469
LsNIC Fixtures & Fittings	I	269,300	I	269,300	I	I	74,763	74,763	I	194,537
Computer Equipment	4,285,383	199,949	66,757	4,418,575	3,150,980	66,757	753,639	3,837,862	1,134,403	580,713
Motor Vehicles	3,306,674	2,016,291	1,915,039	3,407,926	2,145,033	1,345,533	505,150	1,304,650	1,161,641	2,103,276
Office Furniture	3,775,084	I	I	3,775,084	2,000,090	I	662,034	2,662,124	1,774,994	1,112,960
LCA New office complex	104,541,757	230,723	I	104,772,480	690,703	I	4,133,180	4,823,883	103,851,054	99,948,597
Monitoring Equipment	29,665,286	14,059,185	12,573,565	31,150,906	15,409,122	11,887,034	1,273,939	4,796,027	14,256,164	26,354,879
	145,975,702	16,944,720	14,555,361	148,365,061	23,944,244	13,299,324	7,511,646	17,933,357	122,254,667	130,431,704
*During the year, there was no depreciation charged on buildings because there has been	depreciation charge	ed on buildings because th	ere has been over c	over depreciation in the previous year	evious year.					

### 8. Western Indian Ocean Cable Company (WIOCC) Capacity-Lesotho Portion

This represents the capacity that Lesotho holds in WIOCC. The capacity that Lesotho holds in foreign currency is USD5,468,082.35. M84,768,785.36 of the capacity amount was paid by the Lesotho Government.

### 9. Investment in Western Indian Ocean Cable Company (WIOCC)

The Lesotho Government paid M 3,615,100.00 (USD 500,000.00) on behalf of LCA for acquisition of 5% shareholding in WIOCC. Therefore, the Authority holds 5% shareholding in the Western Indian Ocean Company.

	31.03.19	31.03.18
	Maloti	Maloti
10. Trade and Other Receivables		
Trade receivables	8,153,474	57,232,053
Less: Provision for doubtful debts	-	(1,188,848)
Deposits	310,624	310,624
Other Receivables	3,283,031	7,072,415
Staff Loans	127,925	199,366
	11,875,054	63,625,610
11. Cash and cash equivalents		
Petty Cash	222	222
Current Accounts	28,529,207	5,730,185
Short term deposits	23,709,988	22,148,275
	52,239,417	27,878,682

#### 12. Capital Fund

The Government of Lesotho transferred office furniture and equipment and the assets together with the Zozo building at Ha Abia Monitoring Station as part of establishment of LCA and the costs of those assets were capitalised to Capital Fund.

#### 13. Capital Grant

The Lesotho Government paid M 3,615,100.00 (USD 500,000.00), for acquisition of Pre-purchase capacity in the Western Indian Ocean Cable Company (WIOCC) and 5% shareholding in WIOCC for M 3,615,100.00 (USD 500,000.00). The Grant has been amortised over estimated economic useful life of 15 years starting from the financial year 2013.

Opening balance	4,338,135	4,820,148
Less: Amortisation of Capital Grant for the year	(482,013)	(482,013)
Closing balance	3,856,122	4,338,135

		31.03.19	31.03.18
		Maloti	Maloti
14.	Deferred Income		
	These are initial licence fees for 15 and 20 years:		
	Econet Telecom Lesotho	1,571,250	2,441,250
	Vodacom Lesotho	4,394,897	4,653,231
		5,966,147	7,094,481
	Rent deposit	291,551	291,551
		6,257,698	7,386,032

### 15. Loan for LCA office complex

\_

Nedbank Lesotho approved a loan of M41.58 million towards construction of LCA office complex and M7.12 million for LCA office furniture loan.

### 16. Trade and other Payables

Trade Payables	1,800,162	992,501
Fringe benefit tax	-	43,487
Other payables	5,716,219	52,038,563
	7,516,381	53,074,551

#### 17. Prior Year Adjustments

Credit Notes to reverse long outstanding invoices	28,650	528,586
D/ N to reverse cheques reversed in c/book only	-	(183,961)
Reversal of provision made in FY17 (Oracle Invoice)	-	3,108,616
Staff debtors interest	(28,505)	2,401
Provision of doubtful debts clearing	1,188,848	-
Accountable Clearing	940	-
Invoices adjustments	(45,367)	-
LsNIC Assets	390,679	-
VAT	-	279,741
WIOCC Capacity dividends	9,380,733	-
WIOCC Capacity rebates	19,848,742	-
WIOCC Capacity sitting fees	486,594	-
WIOCC Capacity leasing revenue	37,717,077	-
Provision for corporate tax previous years	(36,182,230)	-
TOTAL	32,786,161	3,735,383

#### 18. Provision for corporate tax

During the financial year 2018/19, the Authority recognized revenue of M67,433,147 from WIOCC. This income related to the previous years (2012/13 to 2017/18). The revenue amount comprised of dividends paid by WIOCC, rebate offered by WIOCC, board sitting fees paid by WIOCC and leasing of Lesotho capacity in WIOCC. The latter amounts were not received by the Authority, instead they were used to settle the amount of capacity acquired on credit by Lesotho from WIOCC. The capacity is now fully paid. This capacity is owned by Lesotho Government and LCA holds it in trust for the Lesotho Government.

Consequently, there is corporate tax of M16,858,286.59 provided on the above revenue from WIOCC. Since the capacity belongs to the Lesotho Government, it is expected that Lesotho Government will provide LCA with a subvention of the equivalent to settle the corporate tax liability of M16,585,286.59 levied on the income earned from WIOCC from 2012/13 to 2017/18.

#### 19. LsNIC (Lesotho Network Information Centre)

During the financial year 2018/19, the Authority deregistered the Lesotho Network Information Centre (LsNIC) after the Board made a resolution to deregister the Company. Upon deregistration, LsNIC assets were recognised as the Authority's assets. All other costs incurred in relation to LsNIC were shown as LsNIC expenses on the face of the Statement of Comprehensive Income while staff remuneration was included in staff costs. LsNIC now operate as part of the Authority as per the mandate of LCA.

### 20. Contingent Liabilities

### Staff Loans

The Authority is contingently liable to Nedbank Lesotho and Standard Lesotho Bank in respect of vehicle and housing loans respectively provided by the banks to its employees which amounts to M 6,290,530 as at 31 March 2019.

## 21. Universal Service Reserve Fund

In accordance with the 2012 Communications Act, the Authority is required to contribute 25% of its annual surplus into the Universal Service Fund.

Separate financial statements have been prepared for the Universal Service Fund.

### 22. Operating Lease

As at 31 March 2019, the future minimum lease payments under non - cancellable operating leases were::

	Due: - Within one year	Due: - Within one year
	М	Μ
Photocopier	241,707	-

#### 23. Capital Commitments

The Authority acquired a site adjacent to 'Manthabiseng Convention Centre. The lease for the site was issued in the name of the Authority during the financial year ended 31 March 2008. During the preliminary arrangements for construction, it was felt that the site was not ideal for the Authority. The Authority has since been allocated another site in town which has been exchanged for the site next to 'Manthabiseng Convention Centre. The lease was issued to LCA by the Land Administration Authority during the 2011/12 financial year. The construction work for the office complex has been completed during the first quarter of this financial year. The Authority has started re-paying the office furniture loan from 2015/16 financial year and office complex loan in the financial year 2016/17.

The Authority will be finalising the procurement process of the Automated Spectrum Management System (ASMS) in the ensuing financial year. Most milestones which were pre-set have been completed. TCI and LCA are now finalising the remaining activities to commissioning of the equipment and the system. The remaining work is expected to be completed in the coming financial year of 2019/20.

#### 24. Financial risk management

Exposure to credit, interest rate risk and currency risk arises in the normal course of the Authority's business.

#### Foreign currency risk

In the normal course of business, the Authority enters into transactions denominated in foreign currency. As a result, the Authority is exposed to fluctuations in foreign currency. However, there were no foreign currency assets or liabilities outstanding at year end.

#### Interest rate risk

The Authority is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market rates of interest on its cash resources and investments. The cash resources are managed to ensure that surplus funds are invested in a manner that achieves maximum returns while minimizing risks.

### **Credit Risk**

The financial assets of the Authority that are subject to credit risk consist mainly of cash resources, receivables and investments. The cash resources and investments are placed with reputable financial institutions. Where appropriate, adequate provisions for impairment of receivables are made.

#### **Fair values**

The fair values of most financial instruments are substantially identical to carrying values reflected in the balance sheet.

# LESOTHO COMMUNICATIONS AUTHORITY - UNIVERSAL SERVICE FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 BOARD APPROVAL AND STATEMENT OF RESPONSIBILITY

The Communications Act No.4 of 2012 requires the Authority to prepare financial statements for each financial year that present a true and fair reflection of the state of affairs of the Universal Service Fund at the end of the financial year. The Board is responsible for taking such steps that are reasonably open to it to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The Board appreciates that in preparing the financial statements for the year ended 31 March 2019 set out on pages 62-73, the Universal Service Fund has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Board also considers that all applicable International Financial Reporting Standards have been followed and confirms that the financial statements have been prepared on a going concern basis. The auditors' responsibilities are stated in their report on pages 60 and 61.

The Board acknowledges that it is ultimately responsible for the system of financial internal control and places considerable importance on maintaining a strong control environment. To enable management to meet these responsibilities, the Board sets internal controls aimed at reducing the risk of error or loss in a cost-effective manner. The controls include proper delegation of responsibilities, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

Based on information and explanations supplied by management, the Board is of the opinion that the systems of internal control provide reasonable assurance that the financial records can be relied on for the preparation of the financial statements.

Against this background, the financial statements set out on pages 62-73 which are stated in Maloti, have been approved and authorised for issue on the 26 September 2019 by the Board and signed on its behalf by:

CHAIRMAN

CHIEF EXECUTIVE OFFICER

## Directors

In terms of the Communications Act No.4 of 2012, the Board shall consist of the Chairman and five other members appointed by the Minister. The Chief Executive Officer shall be an ex-officio member. During the period under review, Board of Directors are:

- Mr. Lefa Mokotjo (1<sup>st</sup> October 2015 to 1<sup>st</sup> December 2018)
- Ms. Motšelisi Ramakoae Chairman (2<sup>nd</sup> January 2019 to present)
- Ms. Motšelisi Ramakoae (8<sup>th</sup> October 2018 to 1<sup>st</sup> January 2019)
- Mr. Monare Thulo (27<sup>th</sup> July 2015 to 31<sup>st</sup> July 2018)
- Ms. Bokang Lethunya (27<sup>th</sup> July 2015 to 31<sup>st</sup> July 2018)
- Mr. Phakiso Molise (8<sup>th</sup> October 2018 to present)
- Ms. Keneuoe Mohale (8th October 2018 to present)
- Mr. Motanyane Makara (8th October 2018 to present)
- Mr. Seth Griffiths Lerotholi (8th October 2018 to present)
- Mr. Karabo Maitin Lehutso (1<sup>st</sup> March 2019 to present)
- Mr. Tšeliso 'Mokela (Ex-officio August 2015 to 31st August 2018)
- Mr. Moshoeshoe Ntaote (Ex-Officio a.i. From September 2018 to 31st March 2019)
- Mrs. 'Mamarame Matela (Ex-Officio from 1st April 2019 to present)

## Secretary

Ms. 'Mapule Mokoena

# **Disclosure of Interest**

The Authority is a government regulatory agency for the communications sector with no shareholding. The Board of Directors do not hold any financial interest in the Authority.

## **Auditors' Appointment**

In terms of the aforesaid Act, the Auditor General is the Auditor of the Authority and can appoint an independent and qualified auditing firm to audit the annual accounts of the Authority.



# Office of The Auditor General P.O. Box 502, Maseru 100, Lesotho

# REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LESOTHO COMMUNICATIONS AUTHORITY - UNIVERSAL SERVICE FUND FOR THE YEAR ENDED 31 MARCH 2019

## Opinion

I have audited the financial statement of Lesotho Communications Authority - Universal Service Fund (the Fund) set out on pages 62 to 73, which comprise the statement of financial position as at 31 March 2019 and the statement of comprehensive income, statement of changes in equity and financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 March 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in accordance with the requirements of the Lesotho Communications Act, 2012.

## **Basis for Opinion**

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Lesotho, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

# **Key Audit Matters**

Key audit matter are those matters that, in my professional judgment, were of most significance in my audit of the financial statement of the current period. There were no key audit matters.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, which whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 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 decision of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statement, 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
  the 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 Fund'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 Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matter, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be through to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determined those matters that are of most significance in the audit of the financial statement of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determined that a matter should not be communicated in my report because these adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Monica. M. Sebetsa (Ms) For Auditor-General

OFFICE OF THE AUDITOR-GENERAL AUDITOR GENERAL 26 SEPTEMBER 2019 P.O. BOX 502 MASERU100, LESOTHO

# LESOTHO COMMUNICATIONS AUTHORITY - UNIVERSAL SERVICE FUND STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

		31.03.19	31.03.18
ASSETS	Notes	Maloti	Maloti
Non-Current Assets			
Property, Plant & Equipment	6	106,809	122,059
	0	106,809	122,055
		100,000	122,033
Current Assets			
Trade and other receivables	7	37,302,478	36,063,657
Cash and cash equivalents	8	12,937,773	5,665,180
		50,240,251	41,728,837
Total Assets		50,347,060	41,850,896
Funds			
Accumulated Fund		26,179,619	19,606,951
		26,179,619	19,606,951
Current Liabilities			
Trade and other payables			
Provisions	10	22,895,973	21,873,815
		1,271,468	370,130
		24,167,441	22,243,945
Total Funds and Liabilities		50,347,060	41,850,896

# LESOTHO COMMUNICATIONS AUTHORITY - UNIVERSAL SERVICE FUND STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

		31.03.19	31.03.18
	Notes	Maloti	Maloti
Income			
Fund Contributions	2	27,588,013	19,104,123
Other income		-	500,000
		27,588,013	19,604,123
Expenditure			
Fund Disbursements	3	19,098,839	9,933,952
Staff Costs	4	2,784,872	1,673,447
Depreciation		15,251	89,816
Committee Fees		319,929	209,155
Other Administrative Costs	5	409,693	194,696
		22,628,584	12,101,066
Surplus/Deficit before finance income & cost		4,959,429	7,503,057
Interest Income		237,378	59,587
Surplus/Deficit after finance income & cost		5,196,807	7,562,644
Retained surplus for the year		5,196,807	7,562,644

# LESOTHO COMMUNICATIONS AUTHORITY - UNIVERSAL SERVICE FUND STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Accumulated Funds
Balance at 31/03/2017	11,582,928
Surplus/(Deficit) for the year	7,562,644
Prior year Adjustment	461,379
Balance at 31/03/2018	19,606,951
Surplus/(Deficit) for the year	5,196,807
Prior year Adjustment	1,375,861
Balance at 31/03/2019	26,179,619

# LESOTHO COMMUNICATIONS AUTHORITY - UNIVERSAL SERVICE FUND STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	31.03.19	31.03.18
	Maloti	Maloti
Surplus/(Deficit) for the period	5,196,807	7,562,644
Depreciation	15,250	89,816
Increase/(Decrease) in receivables	(1,238,822)	(6,033,431)
Increase/(Decrease) in payables	1,923,496	3,284,567
Prior Year Adjustment	1,375,861	461,379
Net cash inflow/outflow from operating activities	7,272,592	5,364,975
Investing Activities		
Purchase of Plant, Property and Equipment	-	(8,755)
Disposals of assets	-	-
Net cash flows from Investing activities	-	(8,755)
Movement in Cash & cash equivalents	7,272,592	5,356,220
Cash & Cash Equivalents at the beginning of the year	5,665,180	308,960
Cash & Cash Equivalents at the end of the year	12,937,772	5,665,180

## 1. ACCOUNTING POLICIES

### 1.1 Presentation of annual financial statements

The principal accounting policies of the Universal Service Fund, which are set out below, have been consistently followed in all material respects and comply with International Financial Reporting Standards (IFRS) and the Communications Act No.4 of 2012. The financial statements are prepared on a going concern basis. The financial statements have been prepared on the historical cost basis except for financial assets, which are stated at fair values and incorporate the following principal accounting policies, set out below:

The preparation of financial statements are in accordance with IFRS requires the use of certain accounting estimates and assumptions.

### 1.2 Adoption of new and revised standards

The Universal Service Fund has adhered to the following revised standards during the year and comparative figures have been restated where applicable. However, adherence to these standards did not have any effect on the funds and reserves as at 31 March 2019

- IAS 1 Presentation of financial statements
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 16 Property, plant and equipment
- IAS 24 Related party disclosures
- IAS 37 Provisions, contingent liabilities and contingent assets
- IAS 39 Financial instruments: Recognition, measurement
- IFRS 7 Financial instruments disclosures

### 1.3 Significant judgements

In preparation of financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. It also requires management to exercise its judgement in applying the Universal Service Fund's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results in future could differ from these estimates.

#### Provision for impairment of receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Fund will not be able to recover all amounts due according to the rules of the Universal Service Fund which are translated into terms of receivables. The calculation of the provision amount for impairment of receivables requires the use of estimates and judgements.

#### **Contingent liabilities**

Management applies its judgement to the facts it receives from advisors and third parties in assessing if an obligation is probable, more likely or remote. Judgement is used to determine if the obligation is recognized as a liability or disclosed as a contingent liability.

#### 1.4 Recognition of assets and liabilities

Assets are recognized if it is probable that future economic benefits associated with the asset will flow to the Universal Service Fund and the cost or fair value can be measured reliably.

Liability are only recognized if it is probable that future economic benefits associated with the liability will flow from the Universal Service Fund and the cost or fair value can be measured reliably.

#### 1.5 De-recognition of assets and liabilities

Financial assets are de-recognised when the contractual rights to receive the cash flows have been transferred or have expired or when substantially all the risks and rewards of ownership have passed.

All other assets are de-recognised on disposal or when no future economic benefits are expected from their use.

Financial liabilities are de-recognized when the relevant obligation has either been discharged, cancelled or has expired.

#### 1.6 Property, Plant and Equipment

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and adjustment for any impairment losses where applicable. Depreciation is calculated on straight – line basis from the time the property, plant and equipment are available for use, so as to write off their cost over their expected useful lives, taking into account their residual values. The following annual rates are used:

ltem	Average useful life
Computer Equipment	3 years
Motor Vehicles	4 years

Consumable items are written off in the period of purchase.

Repairs and maintenance are charged to the income statement in the period in which they are incurred.

#### 1.7 Impairment of Assets

The Universal Service Fund assesses at each financial year end as to whether there is any indication that an asset may be impaired. If such an indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized in the income statement immediately.

#### 1.8 Foreign Currency Translation

Transactions in foreign currencies are translated to Maloti at the foreign exchange rate ruling at the date of the transaction. All exchange gains and losses arising on translation are dealt with in the income statement.

### 1.9 Financial Instruments

## Initial recognition and measurement

Initial measurement of financial instruments is at cost, which includes transaction costs. Subsequent measurement of the different classes of financial instruments is dealt with below.

### **Financial Assets**

The principal financial assets are cash and bank balances, trade and other receivables. These assets are originated by the enterprise and are accounted for at trade date.

### **Financial Liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into. The principal financial liabilities are trade and other payables.

#### 1.10 Trade and other receivables

Trade and other receivables originated by the enterprise are stated at fair value of consideration receivable less impairment for trade receivables if any. A provision for impairment of trade receivables is established when there is objective evidence that the Universal Service Fund will not be able to recover all amounts due according to the rules of the Universal Service Fund which are translated into terms of receivables.

## 1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at hourly call with the banks. Cash and cash equivalents are measured at fair value.

### 1.12 Trade and other payables

Trade and other payables are stated at their fair values.

#### 1.13 Employee Benefits

Terminal gratuities are provided for contract employees as per the terms of their respective employment contracts.

#### 1.14 Taxation

No provision for taxation is required as the Universal Service Fund is exempt from taxation.

## 1.15 Provisions

Provisions are recognized when the Universal Service Fund has a present legal or constructive obligation as a result of past events, when it is probable that outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimate of the amount of the obligation can be made.

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for estimated leave liability according to the personnel rules of the Universal Service Fund.

## 1.16 Revenue Recognition

#### Revenue

Revenue comprises contributions from network operators which represents 1% of their net operating incomes and the Authority which represents 25% of its annual surplus.

### Interest income

Interest is recognized on a time proportion basis taking into account the effective yield on the financial asset.

### **Borrowing costs**

Borrowing costs are dealt with in the income statement in the period in which they are incurred.

### 1.17 Comparative Figures

Figures for the previous year have been regrouped and stated wherever necessary to conform to the current year's presentation.

	31.03.19	31.03.18
	Maloti	Maloti
2. Fund Contributions		
Annual contributions	27,588,013	19,104,123
Other Income	-	500,000
	27,588,013	19,604,123

		31.03.19	31.03.18
		Maloti	Maloti
-			
3.	<b>Fund Disbursements</b> These are costs relating the current financial year projects implemented by	(the Fund	
	Frequencies	64,225	_
	Broadband study	-	148,412
	LIXP	88,420	-
	ADB Funded project -Ngechane	734,207	-
	ADB Funded project -Ha Mositi	734,207	-
	NUL Wif Project	3,303,882	-
	Thaba-Chitja network expansion	3,260,628	-
	VCL Broadband Contract	1,080,000	-
	ADB Funded project E-Governance	-	2,276,374
	Spectrum - Likhoele, Ha Majane	-	35,267
	Spectrum - Thamathu, Malimong, Ramatseliso, Mamathe, Senqunyane	-	111,700
	BTS - Thaba-tseka & Mohale's hoek	-	5,927,356
	E-Learning	626,034	1,434,843
	Senqu & Koakoatsi network expansion	9,207,236	-
	TOTAL	19,098,839	9,933,952
4.	Staff Costs		
	Salaries	1,067,880	861,496
	Allowances	700,550	463,273
	Pension	53,747	46,654
	Medical Aid	28,559	27,452
	Gratuity	901,337	248,772
	Staff Cellphone Airtime	32,800	25,800
		2,784,872	1,673,447

	31.03.19	31.03.18
	Maloti	Maloti
5. Other Administrative Costs		
Bank Charges	1,819	1,922
Insurance	7,053	15,427
Other Expenses	217,571	33,171
Fuel	1,191	2,707
Car Running	20,180	17,352
Travel & Accommodation	161,879	124,117
	409,693	194,696

# 6. Property, Plant & Equipment

Cost

	Motor Vehicles	Computer Equipment	Total
Balance at 31.03.18	441,763	55,106	496,869
Additions	-	-	-
Disposals	-	-	-
Balance at 31.03.19	441,763	55,106	496,869
Accumulated Depreciation			
Balance at 31.03.18	353,410	21,399	374,809
Disposals	-	-	-
Charge for the year	-	15,251	15,251
Balance at 31.03.19	353,410	36,650	390,060
Net Carrying Values			
Balance at 31.03.18	88,353	33,707	122,060
Balance at 31.03.19	88,353	18,456	106,809

		31.03.19	31.03.1
		Maloti	Malot
7.	Trade and Other Receivables		
	Trade Receivables	37,300,978	32,625,12
	Sundry Deposits	1,500	1,50
		37,302,478	32,626,62
8.	Cash and cash equivalents		
	Nedbank Current Account	7,447	20,60
	Nedbank 24hr Call Account	12,930,326	5,644,57
		12,937,773	5,665,18
9.	Prior year adjustments		
	VCL Credit/Debit Note	1,192,072	(588,89)
	ETL Credit/Debit Note	48,347	(280,52
	Sehong-hong project	-	993,60
	Committee stale cheques	-	11,70
	PAYE stale cheques	-	16,01
	LIXP PAYE stale cheques	-	36,54
	ETL Spectrum FY17	-	27,293
	LECC Invoices FY17 & 18	58,522	
	LEO Invoices FY17 & 18	119,389	
	LCA reimbursables	(42,469)	
	TOTAL	1,375,861	461,37
0.	Trade and Other Payables		
	Trade Payables	18,230,938	1,782,33
	Other Payables	3,283,031	17,448,47
	Retention*	1,382,004	2,643,00
		22,895,973	21,873,81

\*Retention represents an amount retained from network operator's payments. The amount retained will be paid after one year of commissioning the Base Transceiver Station (BTS) and being invoiced by the relevant Operator.

### 11. Contingent Liabilities

The Tribunal made a ruling in relation to the Lesotho Communications Authority and Lesotho Revenue Authority case that LCA is not liable to pay Value Added Tax (VAT). Therefore, the provision for VAT has been reversed in the current financial year.

#### 12. Financial risk management

Exposure to credit, interest rate risk and currency risk arises in the normal course of the Universal Service Fund's business.

#### Foreign currency risk

denominated in foreign currency. As a result, the Fund is subjected to exposure to fluctuation in foreign currency. However, there are no foreign currency assets or liabilities outstanding at the year end.

### Interest rate risk

The Universal Service Fund is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market rates of interest on its cash resources and investments. The cash resources are managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimizing risks.

## **Credit Risk**

The financial assets of the Universal Service Fund that are subject to credit risk consist mainly of cash resources, receivables and investments. The cash resources and investments are placed with reputable financial institutions. Where appropriate, adequate provisions for impairment of receivables are made.

#### **Fair values**

The fair values of most financial instruments are substantially identical to carrying values reflected in the balance sheet.



# Contact details: Lesotho Communications Authority

30 Princess Margaret, Old Europa • P.O. Box 15896, Maseru 100, Lesotho Telephone: +266 222 4300/5222 1300 Email: Ica@Ica.org.Is • Website: www.Ica.org.Is

© Lesotho Communications Authority 2019