LESOTHO COMMUNICATIONS AUTHORITY

2022 / 2023
ANNUAL REPORT

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ABOUT LESOTHO COMMUNICATIONS AUTHORITY

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 and facilitate the development of and regulate the communications sector. The sector is composed of telecommunications, broadcasting and postal services.

Vision

Access to affordable and reliable communications services

Mission

To facilitate the provision and accessibility of quality communications services
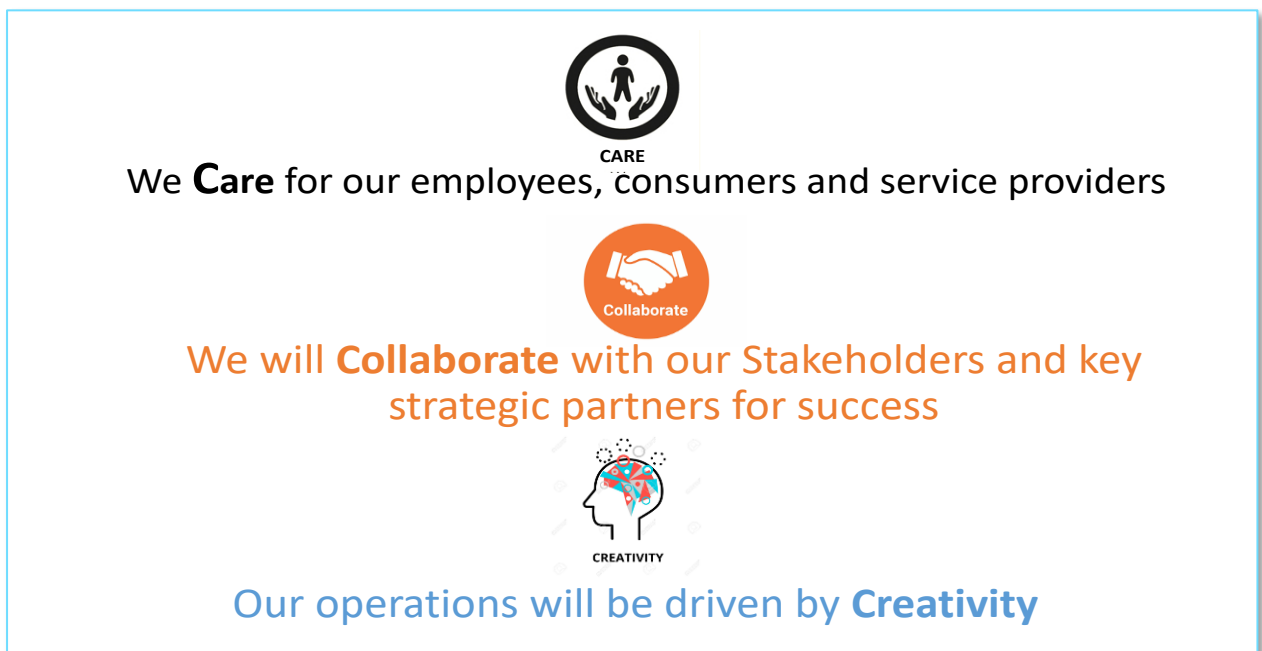
Value statement

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

Motto

Fairness to all and allegiance to none.

Our Corporate Values

We **Care** for our employees, consumers and service providers

We will **Collaborate** with our Stakeholders and key strategic partners for success

Our operations will be driven by **Creativity**

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.

Telephone number/s:

Main switchboard: +266 222 4300/5222 1300

Customer Care: 2232 6784

Consumer Complaints Free Line: 101

Customer complaints WhatsApp number: 6200 2021

Email addresses:

info@lca.org.ls; admin@lca.org.ls; registrar@lca.org.ls; licensing@lca.org.ls; lca@lca.org.ls;

Website address:

www.lca.org.ls

External auditors:

Auditor-General of Lesotho

Bankers:

Nedbank Lesotho

List of Abbreviations

3G: Third generation mobile networks.

4G: Fourth generation mobile networks.

5G: Fifth generation mobile networks.

AGM: Annual General Meeting.

BTS: Base transceiver station.

BDRP: Broadcasting Disputes Resolution Panel.

ccTLD: Country Code Top Level Domain.

CDMA: Code-division multiple access.

CEO: Chief Executive Officer.

CSI: Corporate Social Investment.

DHL: Dalsey, Hillblom and Lynn.

DSL: Digital Subscriber Line.

EDGE: Enhanced Data rates for GSM Evolution.

EMF: Electromagnetic field.

ETL: Econet Telecom Lesotho.

FOC: Fibre Optic Communications.

FM: Frequency Modulation.

GSM: Global Systems for Mobile communications.

ICASA: Independent Communications Authority of South Africa.

ICT: Information and Communication Technologies.

IDM: Institute of Management Development.

IMT: International Mobile Telecommunications.

IFRS: International Financial Reporting Standards.

IP: Internet Protocol.

IoT: Internet of Things.

ITU: International Telecommunication Union.

LCA: Lesotho Communications Authority.

LECC: LEC Communications.

LIXP: Lesotho Internet Exchange Point.

LNBS: Lesotho National Broadcasting Service.

LTE: Long Term Evolution.

M: Maloti. (Singular: Loti)

MACRA: Malawi Communications Regulatory Authority.

MHz: Megahertz.

MNO: Mobile Network Operator.

MVNO: Mobile Virtual Network Operator.

NIST: National Institute of Standards and Technology.

NSDP: National Strategic Development Plan.

NUL: National University of Lesotho.

OPGW: Optical Ground Wire.

OTT: Over-the-top.

PRMS: Premium Rated Messaging Service.

PSTN: Public Switched Telephone Network.

QoS: Quality of Service.

SADC: Southern African Development Community.

SIM: Subscriber Identity Module.

SDG: Sustainable Development Goals.

TCP: Transmission Control Protocol.

TV: Television.

UMTS: Universal Mobile Telecommunications System.

USF: Universal Service Fund.

USFC: Universal Service Fund Committee.

WHO: World Health Organisation.

Wi-Fi: Wireless Fidelity.

WiMAX: Worldwide Interoperability for Microwave Access.

Definition of Terms

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 can 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.

Broadcasting: Any unidirectional electronic communications intended for reception by the public or any part thereof, conveyed by means of radio frequency spectrum or any electronic communications system or any combination thereof.

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: The geographic area that is covered by a single base station in a cellular network.

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 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 does not degenerate nor is subject to interference.

Fixed-broadband subscriptions: Fixed subscriptions to high-speed access to 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, fixed WiMAX and any other fixed wired-broadband subscriptions and other fixed wireless technologies. It includes both residential subscriptions and subscriptions for businesses or organizations. This includes cable modem, satellite broadband and terrestrial fixed wireless broadband, where available.

Fixed line: A physical line connecting the subscriber to the telephone exchange. Typically, a fixed line network is sometimes referred to as PSTN to distinguish it from mobile networks.

Fixed-telephone subscriptions: The sum of active numbers 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 alternate, 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.

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: 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: 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: 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) mobile-broadband 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 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, telepoint, 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 entity 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) to which 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 the 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.

Universal Postal Union: is a United Nations specialized agency and the postal sector's primary forum for international cooperation.

Waiting list: The unmet applications for connection held due to a lack of technical facilities and or administrative procedures/bureaucracies. This would be a 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.

CHAIRPERSON'S STATEMENT

I am honoured to present this annual report of the Lesotho Communications Authority on behalf of the Board, for the past financial year.

This report marks yet another successful year of the Authority as reflected in the detailed section of this report. The achievements tabled therein reflects the efforts of all people associated with the Authority from the policy-maker, the Board, the executive management, staff and industry players.

Despite the set-back brought by the effects of Covid-19 and other external factors, the industry exhibited a high level of resilience which we are hopeful will lead to full recovery in the post-Covid era. Our country is progressively becoming a digital society and our sector is playing a pivotal role. It is therefore critical that the Authority leads the way in facilitating quality, affordable and universally accessible services around the country.

The strategic plan, which is coming to an end, was geared towards the consumer in terms of service, service standards and protection. Similarly, it was oriented towards the staff of the Authority so that they could be empowered and motivated to deliver quality services. The plan had been anchored on the national development plans, international and regional plans. It looks into account the aspirations of both the internal and external stakeholders. I am proud to note that the Authority has achieved most of its ojectives and goals. The measurement scores are a testimony of the work done.

The work of the Authority was not without challenges. Our country still faces challenges of inadequate insfrastructure and the economy is not performing well. The sector received a major boost to develop communications infrastructure through funding for eGovernment project. Through the collaboration with the USF, a number of towers will be developed which would provide communications services to people and places where none existed.

I am, on behalf of the Board, grateful to the Government of Lesotho and all stakeholders for assisting us to deliver in our mandate. I thank my fellow Board members for their dedication and commitment in service of the Authority. I am also appreciative to the staff of the Authority for supporting and working with us in service of our country.

Ms. Puleng Lebitsa
Chairperson

UPHOLDING GOOD CORPORATE GOVERNANCE

The Board of the Authority

The Authority is governed by a unitary Board of Directors which is responsible for the exercise of the powers and performance of the duties of the Authority. The Board is comprised of seven directors appointed by the Minister of Information, Communications, Science, Technology and Innovation, in accordance with Section 6 of the Communications Act, 2012. The Chairperson and five other directors, are non-executive directors and the Chief Executive Officer, is an ex-officio member of the board. Members of the Board have diverse range of relevant professional skills, experience, and views relevant to the regulation of the communications sector.

The Board is responsible for the exercise of the powers and performance of the duties of the Authority, which include amongst others, regulation and development of the communications sector, strategic and business planning for efficient operation of the Authority, 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 policies of the Government of Lesotho, the Act, the Board Charter, the Committee Charters, the Rules and Policies of the Authority. The Board, Committees and Management also draw from good corporate principles as contained in the King IV 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. The delegated authority must be in writing and be evaluated regularly.

- 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.

BOARD OF DIRECTORS

Ms. Puleng Lebitsa
Chairperson

Mr. Matšela Matšela
Director

Mr. Lesekelo Makara
Director

Ms. 'Mafelile Molala
Director

Mr. Realeboha Makamane
Director

Ms. Keneuoe Mohale
Director

Mr. Nizam Goolam
Chief Executive Officer (a.i.)

Board Committees

The Board has established Board committees in line with the Section 11 (6) of the Communications Act, 2012 in furtherance of its functions. There are currently three committees which are assigned different functions under their respective terms of reference. The committees are composed as outlined below:

Human Resources and Renumeration Committee

- Mr. Realeboha Makamane, Chairperson
- Mr. Lesekelo Makara, Member
- Ms. Keneuoe Mohale, Member
- Ms. Limpho Motanyane, Expert
- Ms. Limakatso Mosese, Expert
- Mr. Nizam Goolam, CEO (a.i) and Ex-officio Member

The HRRC advises the Board on strategic human resource issues and provides support on 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 and retain high caliber employees and motivate employees to achieve enhanced performance.

Finance, Risk and Audit Committee

- Ms. Keneuoe Mohale, Chairperson
- Mr. Matšela Matšela, Member
- Ms. Mafelile Molala, Member
- Mr. Joseph Rakauoane, Expert
- Ms. Makatleho Morake, Expert

The FRAC advises the Board on strategic issues on finance, risk and audit. It assists the Board in discharging its oversight responsibilities and overseas the financial reporting process to ensure the balanced, transparent and integrity of financial statements. It also ensures that the required risk management systems are in place and assists in monitoring compliance with laws and regulations as well as international standards.

Directors Affairs and Governance Committee

- Mr. Matšela Matšela, Chairperson
- Mr. Lesekelo Makara, Member
- Ms. Mafelile Molala, Member

Conflicts of Interest

The Board manages issues of Conflicts of Interest, in line with the Act, which prescribes that "a member shall not participate in any discussion or decision regarding any matter in which the member or any immediate relative has a direct or substantial interest and if the member does so, the member commits an offence and is liable, on conviction, to a fine of M50,000 or imprisonment for a term of five years or both". Where such conflict arises, a member is expected to bring such interest to the attention of the Board and have it registered.

Summary of Board Activities

During the period under review, the Board including its sub-committees held a total of 25 meetings to transact various business of the Authority as outlined in Figure 1 below. The rate of implementation of Board and Committee resolutions remained high at 95%.

Figure 1: Meetings of the Board and Board Committees

The Communications Act, 2012 had also established two statutory committees notably the Universal Service Fund Committee and the Broadcasting Disputes and Resolution Panel.

The Universal Service Fund Committee

The Fund was established under Section 33 of the Communication Act, 2012 and its function is the promotion of universal access to communications services especially in unserved and underserved areas of the country. Furthermore, the Act establishes the Universal Service Fund Committee (USFC) to manage the affairs of the Fund. The Act provides that the members of USFC should be made-up of a representative from the

Ministry responsible for Communications[1] who shall be the chairman, a representative from Lesotho Communications Authority who shall be the deputy-chairman, and representatives from the Ministries of Local Government and Finance, a representative from the Lesotho Electricity Company.

During the year 2022/23, USFC held a total of 13 meetings and achieved 100% implementation rate of the resolutions made. Year-on-year comparison shows that USFC maintained a 100% implementation rate of the resolutions made.

Figure 2: USF Performance
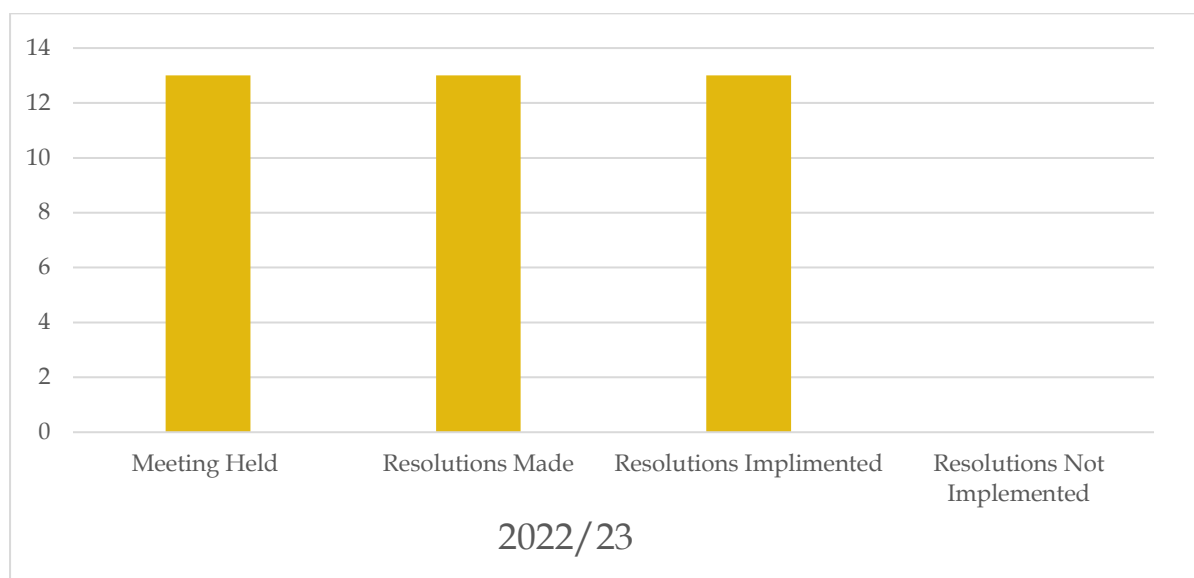
The Broadcasting Disputes and Resolution Panel

Section 39 (1) of the Act similarly established the Broadcasting Disputes and Resolution Panel (BDRP) whose mandate is to prepare a broadcasting code, resolve disputes on broadcasting content and refer all unresolved disputes to the Authority with recommendations.

The BDRP is composed of the Chairman and four (4) members who are appointed by the Minister of Communications[2] after soliciting nominations and recommendations of well qualified and independent persons from the public.

In the reporting period, BDRP held a total of 4 meetings whereby there were two rulings made and implemented, resulting in an annual implementation rate of 100%.

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[1] Officially, the Minister of the Ministry of Information, Communications, Science, Technology and Innovation (MICSTI)

[2] Officially, the Minister of MICSTI as above.

The term of the previous committee expired in August 2022 and new members were appointed.

Figure 3: Meetings of the Broadcasting Disputes Resolution Panel
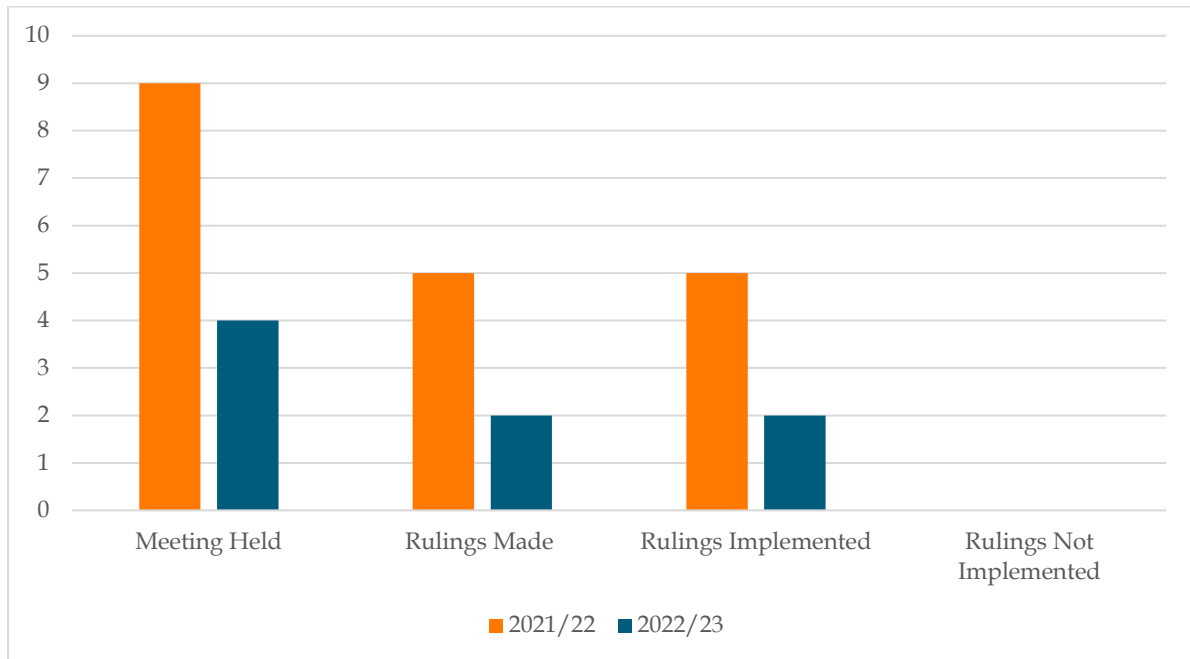
CHIEF EXECUTIVE OFFICER'S STATEMENT

"All indicators confirm that the Authority continued to surpass the baseline parameters set out in its strategic plan".

This annual report covers the financial year which began 1 April 2022 and ended 31 March 2023 and provides an account of activities planned for the third year of the Strategic Plan 2020-2023 of the Authority. The plan had adopted a people-centric approach which placed the greater focus on employees, consumers, and value creation. At the end of the reporting period, the Authority had achieved 95% performance rating on strategic initiatives and 100% on the routine initiatives.

All indicators confirm that the Authority continued to surpass the baseline parameters set out in its strategic plan, which demonstrates a commitment to ensure increased access and usage of communications services, rapid development of communications infrastructure and the realization of a competitive market where communications services are affordable.

During the year, some of the key milestones in the telecommunications sector included, amongst others, attaining the voice penetration rate of 78% and the broadband penetration of 78%. The former declined by 13% from the same period in the previous year, while the latter increased by 4%. Having increased the coverage areas with the necessary communications infrastructure, the decline in voice telephone could be attributed to external factors and usage patterns where OTT services are increasing.

The mobile network operators continue to increase the mobile tower sites which have 3G and 4G broadband coverage. The 3G and 4G land coverage has also increased.

The Universal Service Fund continued to pursue activities in pursuit of its mandate of promoting universal access to communications services in unserved and underserved parts of the country or underserved critical services. The Fund had on-going tower

construction projects in areas like Liseleng valley, Phororong & Menyameng valleys, Sebapala, Khubelu valley, Semonkong and Mantšonyane. The USF was also working on 28 other new projects which are being co-sponsored with the African Development Bank under the e-Government project. The projects will be done in eight of the ten districts of Lesotho.

These achievements would not have been possible without the close cooperation of all stakeholders especially the Government of Lesotho, the communications industry, the management and the staff of the Authority, and the direction and guidance of the Board.

N. Goolam
Chief Executive Officer a.i.

Our New Strategic Focus

The reporting period for the year 2022/23, corresponds with the implementation period of the final and third year of the Strategic Plan 2020/21 to 2022/23 of the Authority. The strategic plan had outlined a new path in the direction the Authority. The plan was based on a comprehensive diagnostic exercise and a planning process which found, amongst others, a stagnant organization characterised by low staff morale and where consumer interests were not protected. The diagnostic process entailed engagement with the internal and external stakeholders. The resultant plan recognised the core duties of the Authority as outlined in the Communications Act, 2012 (*see Figure 4*):

Figure 4: Duties of the Authority
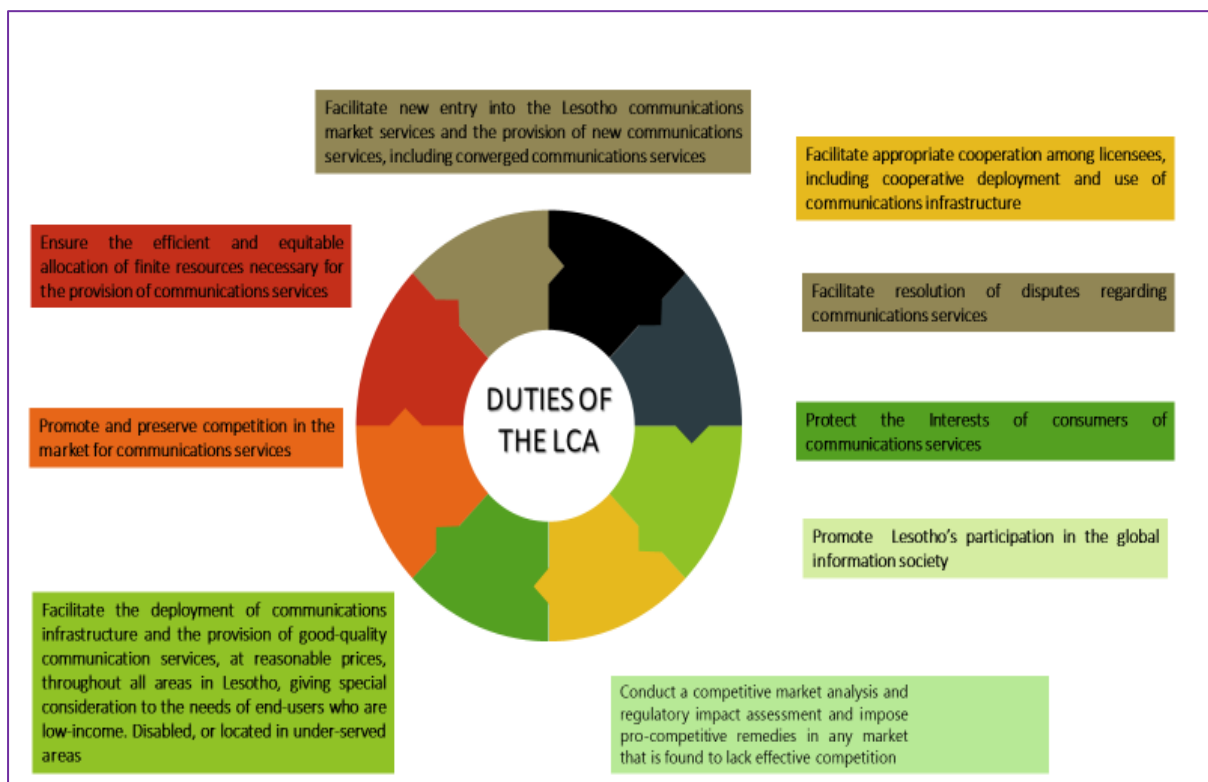
The strategic plan had also recognised that to create value, the following capitals were essential: human capital, innovation capital, social and relationship capital as well as financial capital as outlined in *See Figure 5*.

Figure 5: Our sources of capital

OUR CAPITALS OF VALUE CREATION

Human Capital is the most sustainable and biodegradable capital. Our Employees are the lifeline of our organization and as such we aim to increase the value of human capital by supporting employee performance and productivity, encouraging growth and empowering them. We will also reinforce value by motivating and training our employees. We believe that with enough knowledge, information and innovation and creativity, the consumer's satisfaction will be increased.

Innovation Capital : We strongly believe that Our survival depends on Our power of rebuilding. This rebuilding will be accomplished through adapting our actions to the present conditions and continuously improving the methods of accomplishing these goals and introducing new ways of doing business in the dynamic communications sector. This is why we invest in creativity and innovation.

Relationships for Us are essential hence fostering relationships that are built on trust is key in Our strategy.**Social and Relationship Capital** consists of shared values, commitments and knowledge that form the basis of the reputation and trust that we wish to develop.

Financial Capital is described as the sources of the funds which results in the acquisition of other forms of capitals. For Us financial capital is a medium of exchange that releases its value through conversion into other forms of capital .

The strategic plan came out with the following strategic outcomes. The targets for access and usage of communications services, increased communications infrastructure, affordable services were as follows: *See Figures 6, 7, 8 and 9 below.*

Figure 6: Usage targets for communications services

50%
Increase proportion of individuals that will be using the internet from 42% to 50% by March 2023

87%
Increase mobile phone ownership from 82% to 87% by March 2023

70%
Increase mobile broadband penetration from 62% to 70% by March 2023

40%
Increase proportion of individuals with ICT skills from 30% to 40% by March 2023
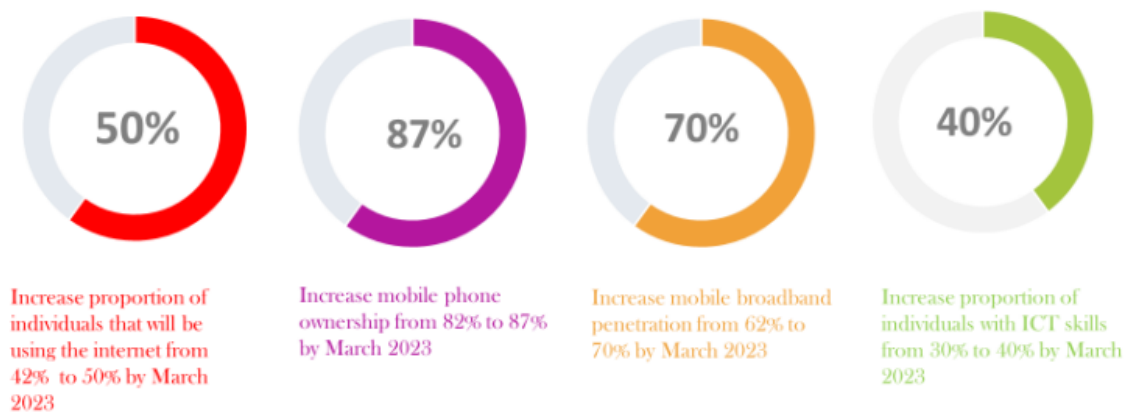
Figure 7: Increased communications infrastructure:

80%

Increase proportion of population with broadband coverage from 61% to 80% by 2023

5%

Increase the percentage of households connected to internet from 3.2% to 5% by March 2023

80%

Increase land coverage from 62% to 80% by March 2023

Figure 8: Affordable communications services

M65.00

Improve Average Revenue Per User from M44.30 to M65.00 by March 2023

M850

Reduce entry-level terminals for fixed or mobile broadband from M1,200 to M850 by March 2023.

4% GNI
Per capita

Reduce entry-level broadband services from 6.5% to 4% of monthly Gross National Income (GNI) per capita by March 2023

M470

Improve telecommunication entry level basket from M570 to M470 by March 2023

Figure 9: Competitive Industry

0.25

Reduce market concentration from 0.63 to 0.25 by March 2023

40%

Reduce market share from 76.3% to 40 % by March 2023

Organizational structure

The operating structure of the Authority comprises of five divisions which are: the Chief Executive Officer's Division; the Regulatory Affairs Division (RAD), the Technical Division (TD); the Economics and Sector Development (ESD) Division and the Finance and Administration Division (FAD). The CEO's division also houses four (4) distinct offices, which are: The Human Resources, the Public Affairs, the Risk and Internal Audit and the Corporate Secretariat. See Figure *10* below:

Figure *10*: Operating organisational structure
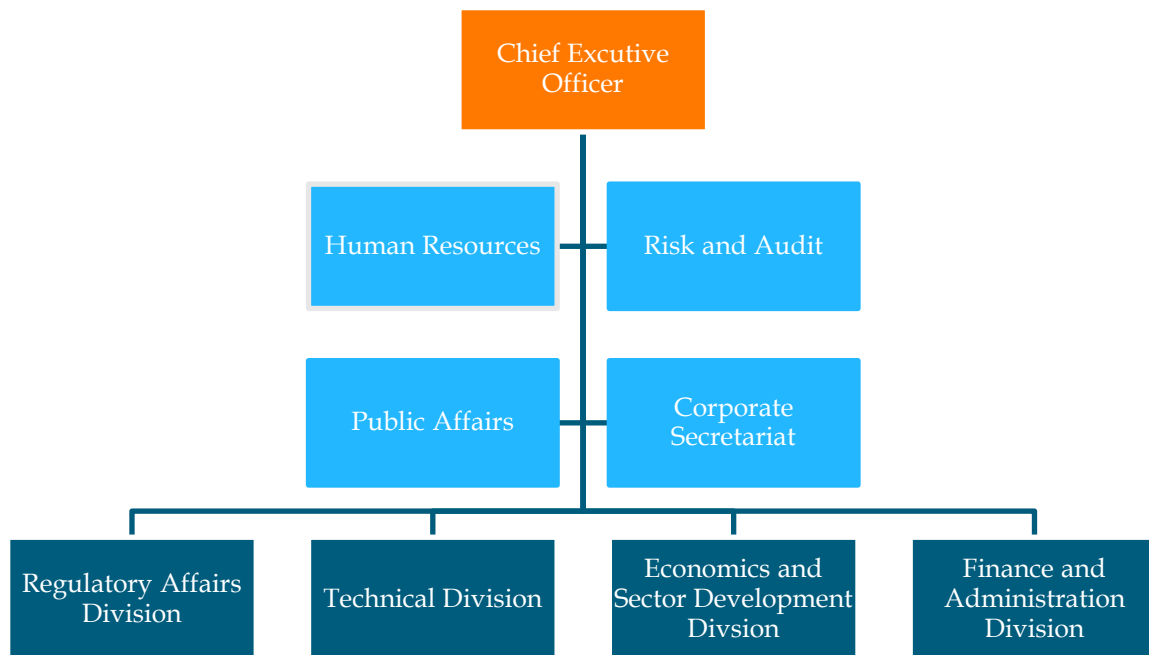
Towards a productive work environment:

The strategic plan had identified seven (7) strategic initiatives which are fundamental in fulfilling the mandate of Authority as outlined in the Act: See Figure *11* below.

Figure 11: Strategic initiatives
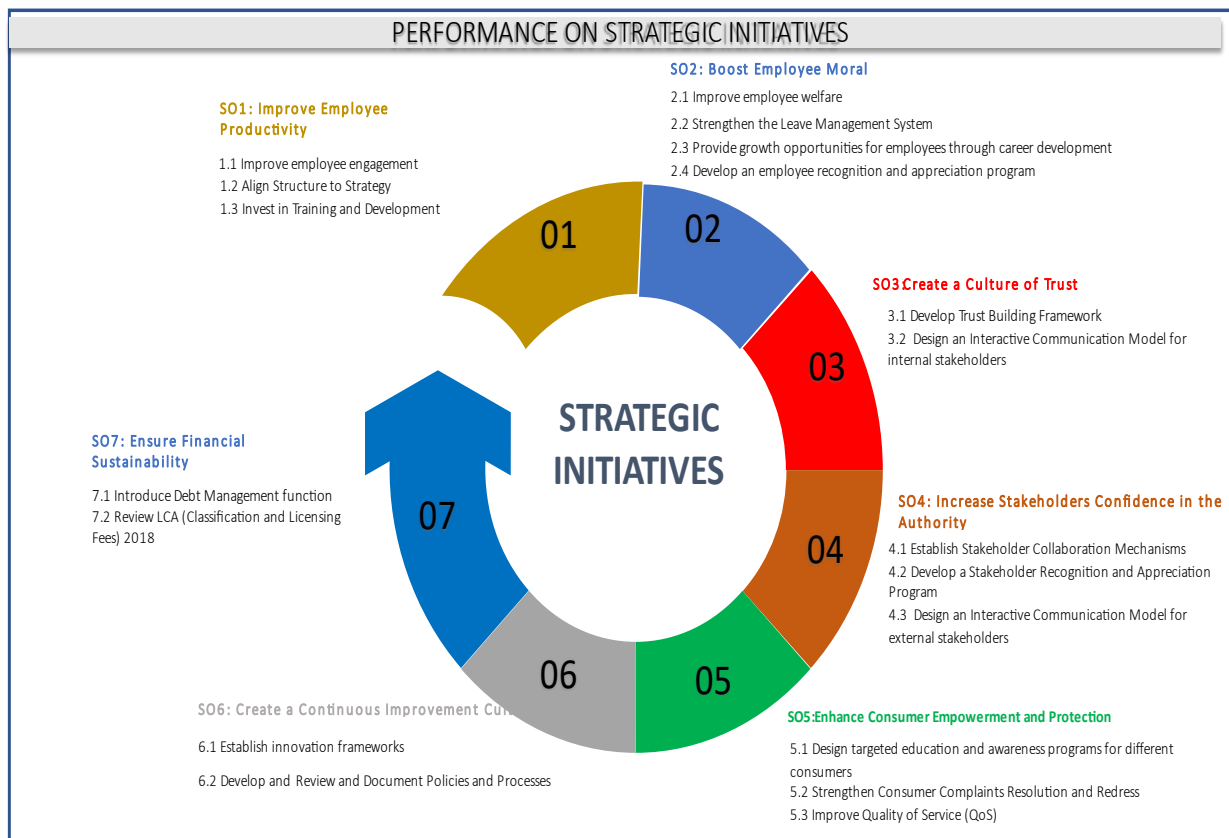
To accomplish these strategic initiatives, the Authority had decided on twenty-two coherent actions and at the end of the year, 21 coherent actions had been achieved. This translated into 95% completion rate.

To date, the performance on the routine initiatives of the 2022/23 Operational Plan is 100%, which means the Authority had been effective in delivering on the planned activities. The performance on the strategic initiatives was 60% for the year and for the three years of the strategic plan, the Authority had achieved 95% on strategic initiatives.

The ensuing sections of this report reflects on the performance all the divisions of the Authority. It also includes the report on the activities of the Universal Service Fund (USF).

CORPORATE SERVICES

The office of the Chief Executive Officer undertook the following in the reporting period, through its sections:

Human Resources Management

At the close of year, the Authority had a staff complement of forty-one (41) employees and there were two vacant positions of Chief Human Resources Officer and Chief Executive Officer. The strategic plan had placed the importance of the human resources of the Authority at the centre of the plan. The success of the plan depended on how the Authority followed through with its pledge to "instill the new culture of a caring, creativity and collaboration".

Training of staff and career development activities were carried out as well as performance recognition initiatives. Staff welfare activities continued to be carried out and improved. This activity scored 85 on internal climate survey.

Audit Management

The Internal Audit function assists the Authority to implement internal controls and achieve efficiency in the use of its resources. The Internal Audit unit conducted five internal audits during the year whereby 17 issues were found, and recommendations were made to rectify the audit findings.

Risk Management

During the period under review, the following were developed and documented:

- The Process Standard, which established clear roles and responsibilities with respect to the process documentation.
- The Business Continuity Plans were documented, and the Risk Register was completed.
- The Health and Safety Risk Assessment and the physical security risk assessment were documented.
- The Risk Register was updated, and the Cyber Security Risk Assessment Framework was developed based on the National Institute of Standards and Technology (NIST) Cyber Security Structure.

Public Affairs Management

The Authority communicated with its various key stakeholders regarding its mandate and activities using a variety of media vehicles including radio and television programmes, website, social media platforms and public events. Over 18 public relations initiatives undertaken.

The initiatives included issues such as the SIM registration; licensing classification and fee rules; stakeholder engagement on Lesotho Post; cybersecurity; unpacking the Broadcasting Code; World Radio Day and tackling problems of misinformation. They also included international relations activities such as the hosting of Malawi Communications Authority (MACRA) and the Universal Access Service Committee of CRASA.

Furthermore, the Authority was active in corporate social investment initiatives including the support to the media and its pledge for fair reporting of elections through workshops and billboards; King's birthday; sponsorship for students of Botho University to attend a cybersecurity competition in South Africa; donations to Ka Lapeng Centre for abused women and girls; donation of laptops to Lesotho Distance Teaching Centre; donation to the Higher Life Foundation and participation in St. Bernadette Charity project.

Financial Performance for the Year Ended 31 March 2023

The Office of the Auditor General of Lesotho is the official auditor of the Authority who audits the financial statements on an annual basis and issue a report which includes an opinion, financial position, statements of profit or loss, other comprehensive income, cash flow and changes in equity. The report of the Auditor General is appended to this report.

The Authority has maintained a favourable budget variance in respect of budget against expenditure. It has maintained a solid financial health as shown by its liquidity ratio of 1.14 by the year ended 31 March 2023, which indicates that the Authority had the ability to pay off its current liabilities (payable within one year) with its current assets.

UNIVERSAL SERVICES FUND

The mandate of the Fund is to facilitate availability of communications services in remote and underserved areas as well as provision of critical communications services. To have a digital society, it is essential that institutions of higher education have access to Wi-Fi services and the Fund assisting on this matter.

Regarding the mobile network expansion projects which are constructed in remote and underserved areas, there were six (6) Base Transceiver Stations (BTS) under constructed and three (3) of these sites have been commissioned and handed over to network operators. At the end of the year, the status of the projects was as per *Table 1* below.

Table 1: USF projects under construction

District	Project Area	Project Status
Leribe	Liseleng Valley	The tower construction has been completed but awaiting the powering by electricity.
Berea	Phororong & Menyameng Valleys	The site has been commissioned and handed over to the operators.
Quthing	Sebapala	The site has been commissioned and handed over to the operators.
Mokhotlong	Khubelu Valley	The site has been completed and is awaiting installation of power batteries and thereafter commissioning.
Maseru	Semonkong	The site has been completed and is awaiting installation of power batteries and thereafter commissioning
Thaba-Tseka	Mantšonyane (2 sites)	The site has been commissioned and handed over to the operator.

The network expansion under the e-Government Phase II project which is co-funded by AfDB and USF has commenced and 24 BTSs will be constructed. However, following the engineering inspections, it was recommended that 28 BTSs should be built, and Lot 8 should be three 3 towers instead of one (1) tower for optimum coverage.

Contracts between the Authority and mobile network operators have been signed for the construction of 28 BTSs whereby each operator was awarded 14 BTSs to construct. Table 2 below summarised lists projects in various areas. ETL has completed three (3)

of the 14 sites. The 3 BTSs have been commissioned and are already working. Vodacom has completed 12 of the 14 sites. The 12 BTSs they have been commissioned and are already working.

Table 2: e-Government Phase II projects

Vodacom Lesotho		Econet Telecom Lesotho	
District	Project Area	District	Project Area
Maseru	Semonkong (Kholi)	Mohale's Hoek	Taung (Ha Mokhethi)
	Ha Maama		Mekaling (Meriting)
	Popa (Mpoetsi)		Liphiring
	Senqunyane	Quthing	Qhoali (Ha Kelebone)
Mafeteng	Thaba Mohlomi		Leloaleng Tech School
	Tajane		Ha Makoae *2
Qacha's nek	'Melikane Valley	Mokhotlong	Mokhotlong Valley
	Sehlaba-Thebe (Mosiuoa)		Sanqabethu
	Ha Thube Tsoelike Valley		Bafali/Bafatsana
Leribe	Matsoku (Ha Palama)	Botha-Bothe	Motete (Ha Sekhobe)
	Thaba-Phatšoa Ubond		Motete (Solane)
	Laitsoka Pass 1		Khatibe Valley
	Laitsoka Pass 2		Liqhobong
	Laitsoka Pass 3		

Provision of broadband to higher education institutions

Under the projects for the provision of broadband infrastructure and broadband, the higher education institutions which were receiving monthly bandwidth sponsored by USF for a period of 3 years were: Centre for Accounting Studies, Lerotholi Polytechnic and Lesotho College of Education. The USF Committee has granted an extension of provision of broadband to NUL for a period of a year after the initial period of 3 years expired.

Tenders for the provision of broadband infrastructure and broadband for St. Elizabeth Training Institute and Institute of Development Management (IDM), Lesotho campus

have been awarded to Computer Business Solutions and Jamburee respectively. Tenders for the provision of broadband infrastructure and broadband at Limkokwing University of Creative Technology had to be re-advertised subsequent to tender evaluation. Procurement processes have started for provision of broadband infrastructure and broadband to three (3) post offices for a period of three years.

REGULATORY AFFAIRS

The Authority is a converged regulator, overseeing the broader communications market, including access, distribution, content and price and coordination of all the relevant regulatory activities in the telecommunications, broadcasting, and postal sectors. The communications environment has made a significant shift from the past where telecommunications, broadcasting and postal services were clearly separate markets, based on different technologies, with distinct governance and regulatory frameworks.

Beyond licensing, the Authority monitors the licensees for compliance to the regulatory framework to ensure provision of quality services, protection of consumers and ensure competitive markets. Licenses and authorizations include license conditions which entail the rights, terms and obligations, and standards which the licensee must adhere to. The market offers several different types of licensed services.

Management of communications sector licenses

It is the function of the Authority to grant licenses and authorizations for the provision of communication services. The number of active licenses has been steadily increasing over the years. At year-end, there were 196 active licenses which translates to annual increase of 13.3%. The Numbering Resources (Premium Rate Messaging Services & Toll-free numbers) had the highest number of licenses, and they were 73, followed by two-way radios with 48 and sound broadcasting with 25 licenses. In terms of year-on-year growth, numbering resources has recorded 15.9% increase followed by two-way radios with 17.1% increase. Regarding other licensing categories, there was no material changes.

The telecommunications market in Lesotho is dominated by the two licensed network operators, which are Vodacom Lesotho and Econet Telecom Lesotho, which both hold unified licenses issued by the Authority. The holder of a unified license holds the rights to provide all forms of electronic communications networks and services without restriction. The market also has a network infrastructure licensee which is the Lesotho Electricity Company Communications (LECC). LECC provides communications network infrastructure and leases network elements and capacity to other licensees on a non-exclusive basis.

The broadcasting environment follows the international trends by having public, commercial and community licensees, in line with the Windhoek Declaration. The market is dominated by commercial and private players. However, some sub-markets are still nascent such as those of television broadcasting and moves to digital broadcasting.

Table 3: Communications License Categories

Licence Category	2021/22	2022/23
Unified Licence	2	2
Network Services (Data Services & MVNO)	3	3
Network Infrastructure	1	1
Public Postal Services	1	1
Commercial Postal Services	5	5
Numbering Resources, Messaging Services & Toll-Free Numbers	63	73
Radio Alarms	2	2
Television Broadcasting	2	1
Sound Broadcasting	25	25
Two Way Radios	41	48
Radio Amateurs	12	19
Telemetry Stations	3	3
Radio Pagers	1	2
Vehicle Tracking	2	1
Landing Rights	2	2
Aircraft Stations	7	7
Aeronautical Services Radio Determination	1	1
Total	**173**	**196**

There were no significant changes in the licensing of postal sector entities. The market still has one (1) public postal services licensee and five (5) commercial postal services licensees.

There are still other licenses for: radio alarms (2), television broadcasting (1), radio amateurs (19), telemetry stations (3), radio pager (1), vehicle tracking (2), landing rights (2), aircraft stations (7) and aeronautical services and radio determination (1).

Licensing performance:

During the period under review, 48 new license applications were received, and 43 licenses were issued which translates to 89.6% issuance rate of new licensees.

The chart below depicts licensing performance for the reporting period alongside that of the last reporting period.

Figure 12: Licensing performance
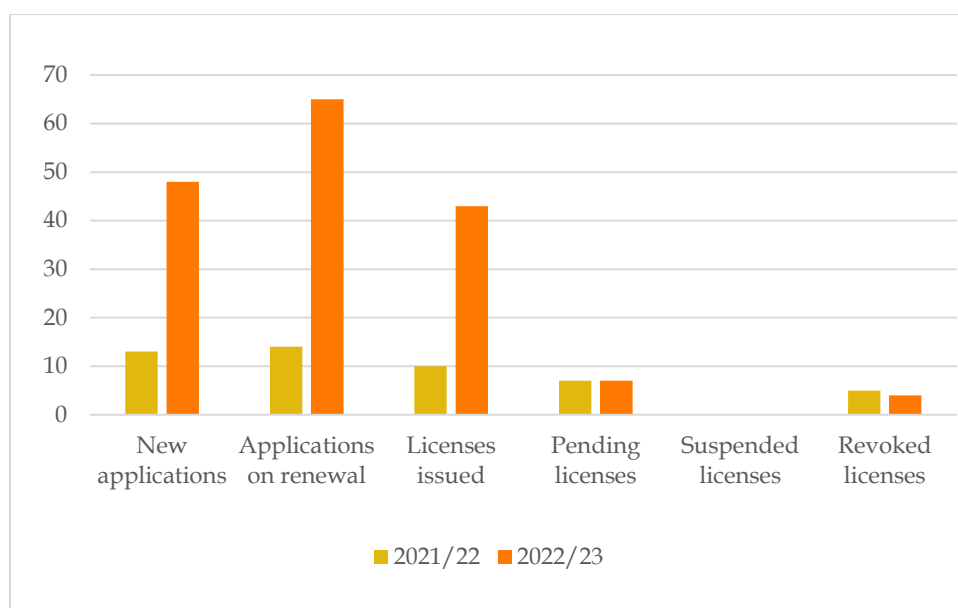
Facilitating Access to communication Services

This section of the report provides an overview of the network infrastructure in Lesotho and categorized by network operator, the technologies deployed, the number of shared mobile towers, the types of energy used to power the towers, which also reflects on the green targets for the sector and the country.

There was a total of 613 base tower stations (BTSs) in the year 2021/2022 from 580 in the previous year of 2020/2021. This shows that there was an increase of 33 BTSs, which translate to a 5.7% growth compared to the previous year. Of the 613 BTSs, 62 are USF funded and they have increased by 10 BTSs from the previous year. The number of BTSs with LTE technology have also increased by 68 sites from 235 in the previous year to 303 in the reporting period, which translates to 29% growth. Vodacom owned towers increased by 14 towers from 263 to 277 while ETL owned BTSs increased by 6 from 129 to 135. A total of 87 is shared which constitutes 14% of the BTSs. In terms of powering, 78% of BTSs are powered with grid electricity and 22% are solar powered.

Figure 13: Telecommunications Infrastructure *in Lesotho*
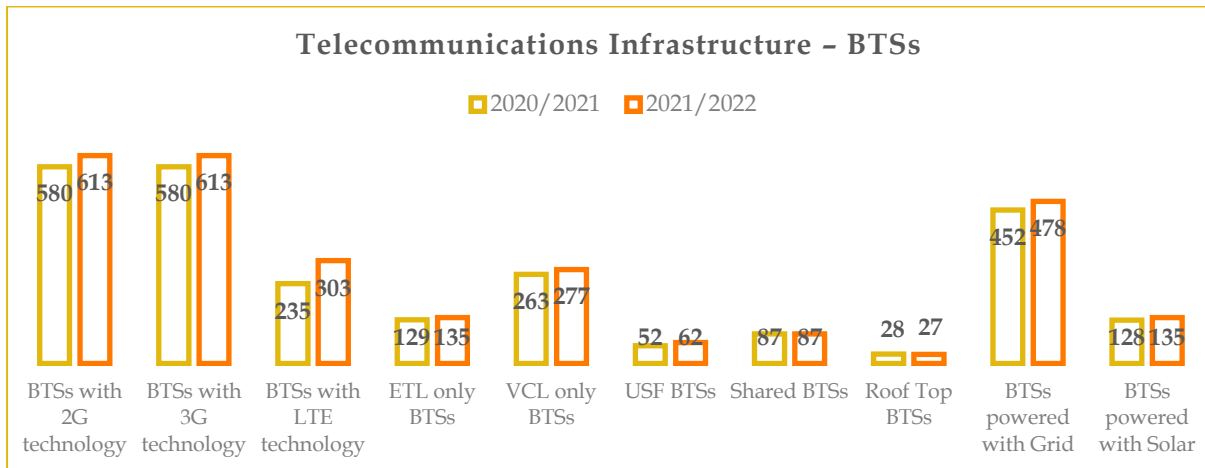
Changes in the Regulatory Framework

The Authority developed new regulatory instruments with an objective of facilitating the development the communications market. In the year under review, the new Licensing Classification and Fees Rules have been published in the government gazette and were to operate from the 1 April 2023. The revised Quality of Service Rules were at an advanced stage of the government processes. The draft Postal and Courier Services Rules have been completed and processes of approval had begun.

SIM Card Registration Regulations commenced in June 2022 and at the end of March 2023, ETL had registered 378,912 SIM cards and Vodacom had registered 863,031 SIM cards. Registration was expected to continue until the deadline of June 2023. The Broadcast Code, 2022 came into effect by publication in the government gazette in April 2022 and the Authority took steps for its implementation including holding a workshop for broadcasters.

The Authority conducted public consultations on the Rules and applications for licenses for: DHL application for licence renewal; Postal & Courier Services Rules; Radio Lesotho application for licence renewal; Lesotho Television application for licence renewal; MoAfrika FM application for licence renewal; Harvest FM application for licence renewal and Boiketlo Media application for licence renewal.

MARKET COMPLIANCE

The Authority monitors the licensed operators to ensure that they comply with their license conditions and set regulatory frameworks. In the reporting period, the Authority conducted monitoring activities of various entities in the communications sectors and the following summarizes some of the findings:

Telecommunications Sector compliance

The Authority monitors the quality of service of the two network operators, which are Vodacom Lesotho and Econet Telecom Lesotho for compliance to the set targets and standards set in LCA Quality of Service Rules, 2016.

Out of the 12 quality of service parameters monitored in 2022/23, Vodacom performed below the target in one 1 parameter, thereby achieving an average of 91.7% compliance rate. ETL on the other hand performed, below average on 4 of the 12 parameters, achieving an average of 66.7% compliance rate. See the annual performance on the Table 4 below.

Table 4: Part 1 General Parameters

	Econet Telecom Lesotho		Vodacom Lesotho		
Quality of Service Parameter	**2021/22**	**2022/23**	**2021/22**	**2022/23**	**QoS Target**
Account Complaint Rate	0.01	0.03%	0.03	0.06%	rate ≤ 2%
Account Complaint Resolution Time	3.33	4	2.33	2	95% ≤ 5 working days
Bill Complaint Rate	0.3	0.31%	0.11	0.09%	rate ≤ 2%
Postpaid Bill Complaint Resolution Time	5.67	4.75	2.7	1.99	95% ≤ 5 working days
Disconnection Complaint Rate	0.02	0.02%	N/A	12.56%	rate ≤ 2%

Parameter	2021/22	2022/23	2021/22	2022/23	LCA QoS Targets
Disconnection Complaint Resolution Time	4.67	4	N/A	1.95	95% ≤ 2 working days
Order Completion Time (Fixed services)	8.6	11.275	1	1	95% ≤ 7 working days
Order Completion Time (Mobile Services)	3.33	3	1	1	95% ≤ 1 working day
Fault Repair Time	5	5	3.67	2.5	95% ≤ 5 working days
Customer Reported Faults	2.02	2.25%	0.23	0.46%	rate ≤ 2%
Fault Repair Time	5	5	3.67	2.5	95% ≤ 5 working days
Interactive Voice Response Time	25	25	20	20	duration ≤ 30 seconds
Customer Assistance Operator Access Time	0.38	1.63	0.19	0.09	time ≤ 3 minutes

The Authority measured the voice QoS provided by the network operators on the QoS parameters, and the annual results are provided in Table 5 below. The annual results have been averaged over a period on 12 months, from April 2022 to March 2023 over six inspected areas.

The average annual results show that Vodacom has performed below the LCA target on Call setup time and SMS delivery time. On the other hand, ETL performed below the target with the SMS completion ratio.

Table 5: Part 3 Mobile Service Parameters

Parameter	2021/22	2022/23	2021/22	2022/23	LCA QoS Targets

Call setup time	3.54	3.65475	3.73	10.92067	≤8 sec
Dropped call ratio	0.09	0.228625	0.19	0.228917	≤2%
Unsuccessful call ratio	0.49	0.154917	2.93	0.256083	≤2%
SMS delivery time	4.57	4.7625			≤5 sec
SMS completion ratio	98.59	98.04158	94.19	99.35233	≤99%

Postal Sector Performance

The status of the postal & courier sub-sector remained unchanged with 5 licensees. The Lesotho Post is the designated national postal operator and has 46 post offices throughout the country. Out of the 46 post offices, 16 had internet access and three provided internet services to the public.

In 2022/23, the monitoring of these five postal and courier licensees was carried out. Two of the five licensees monitored were non-compliant on two parameters, resulting in an annual compliance rate of 60%.

Broadcasting Sector Performance

At year ending 31 March 2023, the broadcasting subsector had twenty-six (26) licensees in radio broadcasting which were classified as follows: (1) public; six (6) commercial; thirteen (13) private, and six (6) community stations. There was also one television licensed station, the Lesotho Television, which is also a public broadcaster. There was no growth registered in this sub sector. The full list of licensed broadcasting is tabulated in Table 6 below.

Table 6: Broadcasting Licensees in Lesotho

	Name of broadcaster	Date of first issue	Current license period	Category
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[i] 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

Monitoring in the Broadcasting sub-sector

The Authority monitored 18 radio stations for broadcasting content in line with the requirements of the Broadcasting Code. The programmes were monitored against three parameters notably: right of reply, balanced reporting, and use of language. Some of the broadcasting stations were found to have contravened the balanced reporting parameters. Year-on-year comparison indicates an improvement in the compliance rate from 50% to 67%. Table 7 is a summary of programme monitoring.

Table 7: Programme Monitoring

Radio stations monitored	Programmes monitored	Number of programmes with contraventions	Types of contraventions
18	34	11	Balanced reporting

Inspections were carried out in 14 radio stations. The six parameters which were being inspected were: documents of incorporation; shareholders agreements & amendments; employee records; programme schedules and recordings; advertisement logs and rates, and complaints files. In some radio stations there were contraventions which were found. Year-on-year comparison shows a decline in the compliance rate of parameters inspected, that is, from 86% to 67%. Those contravention found for the year are tabulated in the Table 8 below.

Table 8: Inspection Report

Broadcasting Licensee	Contraventions
MoAfrika FM	• There were no documented complaints for inspection.
Harvest FM	• There were no minutes for the meetings held.
Bokamoso FM	• There were no minutes for the meetings held. • There were no documented complaints. • There were no 3 months recordings.
Radio Lesotho	• There were no documented complaints.
Info Hub FM	• Inspection not done.
Thato ea Hao	• No contravention found.
Molisa ea Molemo FM	• Advert rates and logs. • programme recordings. • Complaints file.
MXXL Radio	• Complaints file. • Programme recordings.
Info Hub FM	• Complaints file • Programme recordings.
Moeling community radio	• Programme recordings.
Mafeteng Community Radio	• Programme recordings.
Mose ho seaka community radio	• Complaints file. • Programme recordings.

| Radio Souru | • Complaints file. |
| | • Programme Recordings. |

Broadcasting Regulation

Freedom of expression is enshrined the Constitution of Lesotho. However, the freedom of speech is not absolute especially when it conflicts with other rights and community standards as outlined in the Constitution and Broadcasting Code and other laws. Broadcasting Disputes Resolution Panel has been established to hear disputes not resolved by broadcasters. Table 9 below, outlines disputes heard by the BDRP and their resolution.

Table 9: Broadcasting Disputes

Case	Nature of complaint	Contravention	BDRP Ruling/Order
Qaka vs Harvest FM	Tarnishing of character and reputation	Lesotho Telecommunications Authority (Broadcasting) Rules, 2004 Rule 8 (2) and (3), Lesotho Telecommunications Authority (Broadcasting) Rules, 2004 Rule 6 (f) 8 (2) and (3)	1. The respondent is ordered to issue a retraction for two weeks. 2. The respondent is ordered to pay costs of M1,400.00. 3. The respondent is fined M25,000.00 which was suspended for 12 months.
Mapiloko Chopo vs Molisa ea Molemo FM	Balanced Reporting & Right to Reply	The Broadcasting Code 2022 Reg 6(a) The Broadcasting Code 2022 Reg 8(2)(a) and (b) The Broadcasting Code 2022 Reg 26(3) The Broadcasting Code 2022 Reg26(4) The Broadcasting Code 2022 Reg 26(5) The Broadcasting Code 2022 Reg 29((3)(b)	1. The respondent is directed to retract the statements made against the person of the complainant within 24 hours of receipt of this judgement. 2. The respondent is directed to make a public apology 6 times on Tšolong programme for seven working days. 3. The respondent is fined M15,000 which is suspended for 12 months provided the

| | | | respondent does not commit a similar transgression. |
| | | | 4. The respondent is directed to file a compliance report with the Authority by the 12 September 2022. |

Protection of Communications Consumers

It is the mission of the Authority to protect consumers of communications services and empower them. The commitment towards this objective is clearly outlined in the strategic plan of the Authority. A wide range of measures are in place to achieve consumer protection. They range from measures such as such as tariff regulation, monitoring of quality of service, upholding of standards, and providing consumer complaints mechanisms. The first layer of complaints redress is entrusted to the licensed operators however, those complaints which have not been addressed by operators maybe escalated to the Authority. A variety of platforms and avenues have been opened to the public to lodge their complaints.

In the reporting period, the Authority received a total of 130 enquiries and 67 of them were complaints. There were 26 complaints from ETL customers, 38 from Vodacom customers and 3 from VIB mobile. Out of the 67 complaints, 61 were resolved, thereby achieving 91% resolution rate.

The Authority has three platforms through which complaints are lodged and they are:

Consumer complaints whatsapp number
62002021

Consumer complaints E-mail address
complaints@lca.org.ls

Consumer complaints Free telephone number
101

COMPETITION MANAGEMENT

Managing sector tariffs and pricing

Communications sector licensees are required to file their new products or amendments to old products with the regulator before they are released to the market. This is necessitated by the nature of the market in Lesotho and the requirement is, amongst other factors, aimed at protecting consumers and ensuring a competitive market. The Authority would review the tariff filings, which it may approve or reject.

There were 137 products in the telecommunications market by the 31 March 2023, and 86 were offered by Vodacom Lesotho and 51 by Econet Telecom Lesotho. The market had experienced 6.2% growth of telecommunications products since the beginning of the year. In 2022/23, the Authority received 78 submissions from the MNOs and 34 were tariff fillings, 27 were promotion requests and 17 were for campaigns.

The Authority approved 20 out of the 34 tariff requests filed resulting in an annual approval rate of 59%. The total number of rejected tariff fillings was 2, which constituted an annual rejection rate of 10%. The tariff resubmitted requests were 8, translating into the annual resubmission rate of 40%. There were no tariff requests from the broadcasting and postal & courier sub-sectors. The Table 10 below shows the tariff request analysis.

During the reporting year, the Authority processed 27 promotional requests, of which 20 were approved, resulting in the annual approval rate of 74.1%. The Table 11 illustrates the analysis of the promotions that were requested by operators for the reporting year.

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

Table 10: Tariff Request Analysis

	Tariff requests filed	Tariff requests approved	Tariff requests rejected	Tariff requests resubmitted
■ Q1 2022/23	14	6	1	3
■ Q2 2022/23	10	7	1	2
■ Q3 2022/23	7	5	0	2
■ Q4 2022/23	3	2	0	1
■ Annual Performance	34	20	2	8

Tariff Requests Analysis
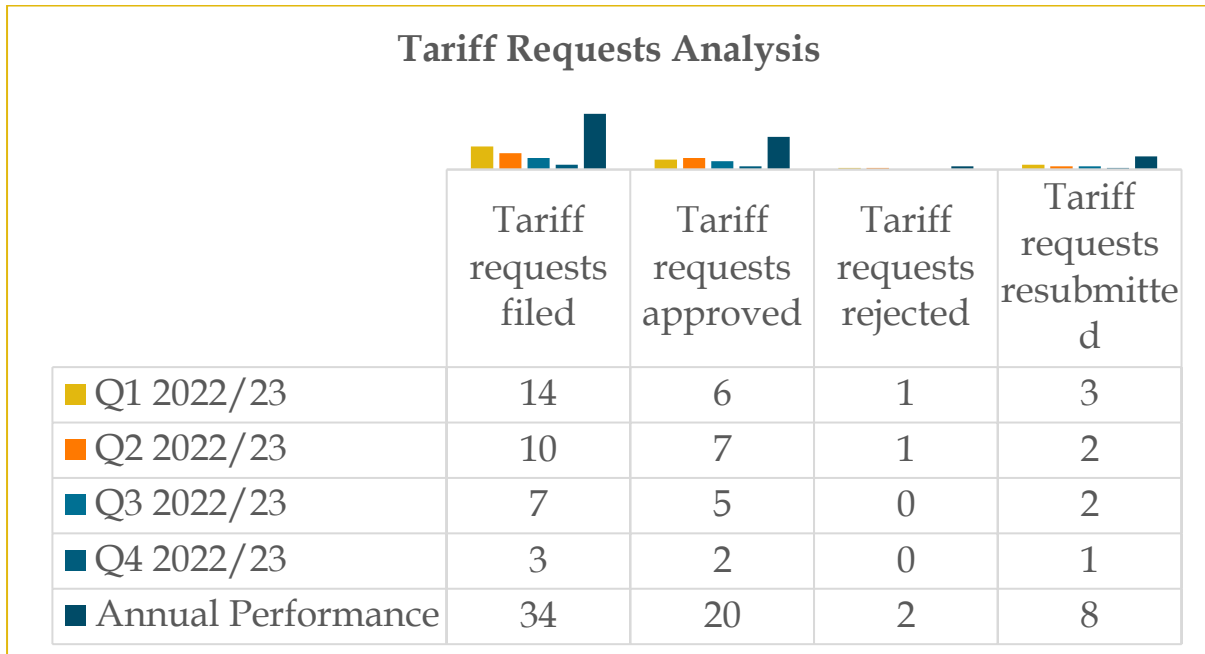
Table 11: Tariff Promotion Request Analysis

	2021/22	2022/23
Promotion requests filed	14	27
Promotion requests approved	12	20
Promotion requests rejected	2	2
Promotion requests resubmitted	0	7

The Authority received 17 campaign notifications and 13 were approved, thereby yielding a 76.5% approval rate for campaign notifications. There was only one campaign request that was rejected and four resubmissions. Table 12 below outlines the annual analysis of campaign requests received by the Authority.

Table 12: Campaign Requests Analysis

	2021/22	2022/23
Campaign requests filed	19	17
Campaign requests approved	14	13

Campaign requests rejected	1	1
Campaign requests resubmitted	4	2

The mobile network operators registered 12 new tariff-related products in the market during the period under review, resulting in a 9.4% product growth. Table 13 shows the product market developments:

Table 13: Product Market Developments

	2021/22	2022/23
New products	13	12
Withdrawn products	1	2
Modified products	2	7

Promoting Competition

The Authority has the mandate to promote and preserve competition in the communications market and within the broadcasting, postal and telecommunications sectors. To achieve this objective, a competitive market analysis and regulatory impact assessment are done. The 2021 Client Satisfaction Survey results showed that 62% of the respondents had a perception that LCA do not manage competition effectively. The Authority has deferred the LCA Competition Market Study to 2024/25 financial year. Table 14 reflects the structure of the communications market.

Table 14: Communications Market Structure

Communications Market Structure		
	2021/22	**2022/23**
Telecommunications	5	6
Broadcasting	27	27
Postal & Courier	5	5
Peers connected to LIXP	5	5

Monitoring sector development

Effective regulation depends upon the understanding of the market, its growth, competitiveness, and bottlenecks. The same understanding assists in crafting areas for intervention and policy change. It is therefore important to conduct market research by collecting data on a variety of indicators such as subscriptions to fixed and mobile services, prepaid and post-paid subscriptions, new connections, disconnections, mobile and fixed broadband subscriptions, and infrastructure. The analysis of this data would show how many people have access to a variety of communications services through measures like teledensity, penetration rates and broadband penetration.

During the reporting period, the telecommunications sub-sector recorded a growth of -29% on fixed telephone subscriptions and a -15% on the mobile telephone subscriptions with the net effect of total subscriptions decreasing by 15%.

Table 15: Year on Year Voice Subscriptions and Net Additions

	2021/22	2022/23	Yearly net additions	
Fixed telephone subscriptions	9 559	6 744	-2 815	–29%
Mobile telephone subscriptions	1 821 374	1 556 844	-264 530	-15%
Total telephone subscriptions	1 830 933	1 563 588	-267 345	-15%

Broadband subscriptions

In addition, in the telecommunications sub-sector, the broadband subscriptions grew by 6%, which is attributed to 14% increase of the fixed broadband subscriptions and 6% increase in the mobile broadband subscriptions.

Table 16: Year on year broadband subscriptions

	2021/22	2022/23	Yearly net additions	
Fixed broadband subscriptions	7 998	9 088	1 090	14%
Mobile broadband subscriptions	1 464 449	1 547 627	83 178	6%
Total broadband subscriptions	1 472 447	1 556 715	84 268	6%

Voice Penetration Rate

Voice penetration rate is defined as the number of active fixed and mobile telephone users per 100 people in a country. The penetration rate is calculated by dividing the number of fixed and mobile telephone subscriptions by the total population in a given country and this amount is multiplied by 100. In 2022/23, voice penetration rate was 78% which suggests that for every 100 inhabitants of Lesotho, 78 have a telephone to make calls. This rate has declined by 13 percentage point from the same period in the previous year.

Broadband Penetration Rate

Broadband penetration rate is defined as the number of active broadband users per 100 people in a country. The penetration rate is calculated by dividing the number of fixed and mobile broadband subscriptions divided by the population in a given country and this amount is multiplied by 100.

In 2022/2023, broadband penetration rate was 78%, which means that for every 100 people in Lesotho, 78 uses broadband internet. This rate has increased by four percentage points from the same period in the previous year.

TECHNICAL SERVICES

Management of Finite Resources

People everywhere depend on ICT services and the provision of these services is dependent upon the availability of finite communications resources such as numbers, the radio frequency spectrum, seamless interconnectivity and good quality of service. The Authority has the mandate to regulate the national finite resources and infrastructure and provide them to service providers who in turn provide services to the public for commercial, social, and public use. During the year, the Authority continued to issue licenses for these services, monitored the compliance and standards of the operators and took necessary action to enforce its rules and requirements.

Numbering Resources

Numbers are a critical resource in the communications sector. They are now used much more generally as unique identifiers, in money transfers, over-the-top (OTT) messages, Internet of Things (IoT) devices, value-added contents and in many services. Numbering, naming, addressing, and identification resources have evolved to meet emerging requirements and technological innovation.

During the period under review, the Authority received 39 numbering applications comprising 18 PRMS and 21 toll-free numbers. The current usage of numbers is as reflected in Table 17.

Table 17: Numbers allocation

	Available Numbers (Capacity)	Utilised Blocks	Active Connections	Usage (%)
Emergencies	Currently the 2 MNOs are responsible for assignments. The Authority is in process of recouping these numbers.	ETL has made a provision of the following numbers; 112 (Police), 115 (Fire Brigade), 116 (Child help line)	112 & 116	-
Fixed Services (ETL)	10,000,000	2	19,782	0.2
Premium Rate Message Service	10,000	Individual	72	0.72
Premium Rate Voice Services	10,000	Individual	0	0

Mobile Services (Vodacom)	10,000,000	5	2,894,915	28.9
Mobile Services (ETL)	10,000,000	6	554,226	5.54
Toll Free	10,000	Individual	55	0.55

The Figure 14 below demonstrates how numbers are used in different services and their growth over the time of the strategic plan.

Figure 11: **Usage of Numbers**

	Fixed Services (ETL)	Premium Rate Message Service	Premium Rate Voice Service	Mobile Services (Vodacom)	Mobile Services (ETL)	Toll-Free
2020/2021	0.28	0.32	0.01	27.9	9.41	0.26
2021/2022	0.19	0.9	0.01	28.6	5.9	0.48
2022/2023	0.2	0.72	0	28.9	5.54	0.55
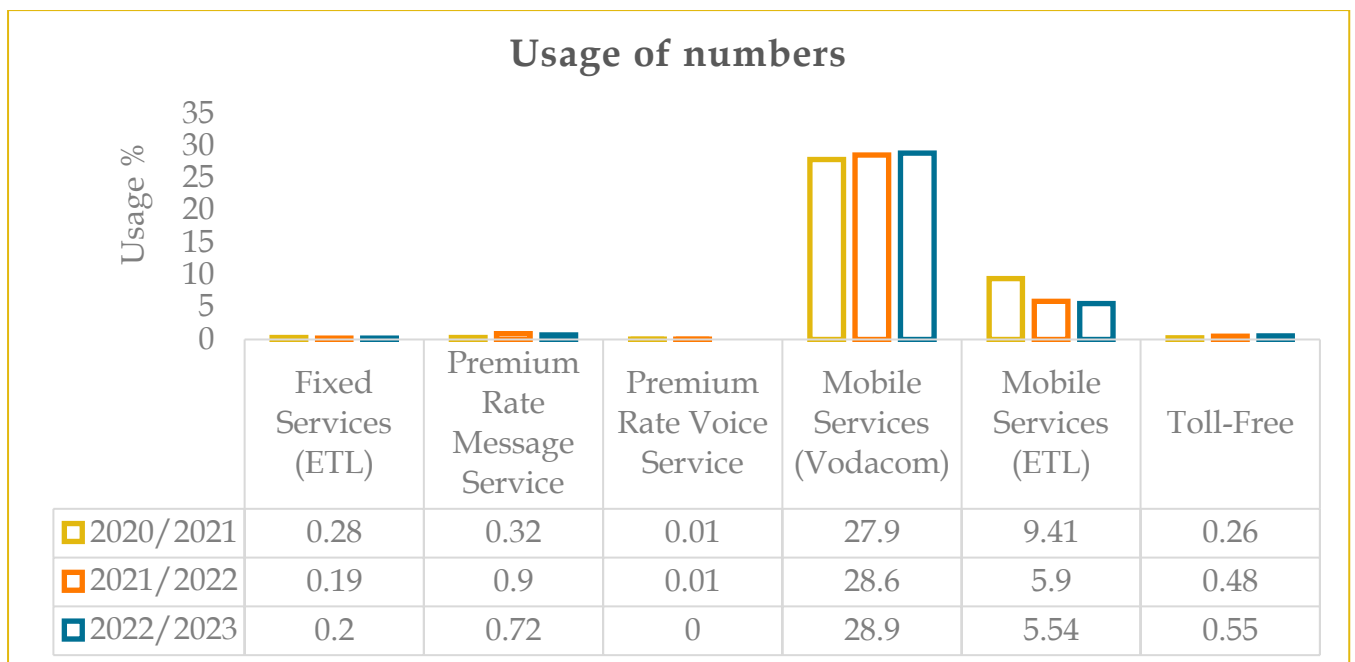
There was an increase of 0.03% usage of numbers from Vodacom Lesotho mobile services from 2021/22 to 2022/23 whereas ETL mobile services usage declined from 5.9% to 5.54% resulting in a decrease of 0.36%. There was also a notable decrease in usage for ETL fixed services. Figure 14 captures the trend from the first reporting year of the strategic plan in 2020/21 to 2022/23. There was also a notable decrease in usage for ETL fixed services.

Electromagnetic Field (EMF) Safety measurements

In its duty to protect people from harm emanating from harmful emissions generated by communications equipment, the Authority carried out measurements relating to electromagnetic field levels. Mobile network antennas and mobile devices exchange digital information (e.g., voice or data) using radio waves – a form of electromagnetic energy. Due to the work done by researchers for more than 50 years, human exposure standards and safety measures have been developed that protect against all established health risks from exposure to radio signals. These measures are contained

in the International Commission on Non-Ionizing Radiation Protection (ICNIRP) protocols.

In the 2022/23 reporting year, electromagnetic measurements were done from 60 base stations from around the country. The figure represents a four-fold increase from 15 measurements done in the previous year. The outcome from the measurements revealed that all sites were within the acceptable levels for the public safety.

Spectrum Allocation

In Lesotho, the radio frequency spectrum is assignment by the Authority to the communications sector players for provision of a variety of communications services. The assignments are done in line with the Communications Act and the Spectrum Policy, on the first come, first served basis. The spectrum is deployed in socio-economic activities such as broadcasting, communications, security and defense, aeronautical radio navigation, radio location, maritime and in many other activities.

In the period under review, the Authority assigned the spectrum for all 45 spectrum applications which were received thereby achieving 100% assignment. The total amount of frequencies assigned was 333.07 MHz.

The Authority also submitted 25 FM frequencies to the ITU for notification in Part B of the Geneva 84 Plan and it's awaiting the final response. Through the ITU, the international agreement for the assignment of FM sound broadcasting, the Geneva 84 Plan, is being optimized due to congested frequencies and increasing demand for new FM radio stations to enable the assignment of new frequencies. The Authority has provided a list of assignable channels. Furthermore, were frequency coordination requests made between the Authority and ICASA to ensure interference free communications.

Table 18: Spectrum Assignment

(MHz)	2021/22	2022/23
2 Way Radios	0.05 MHz	0.2 MHz
Broadcasting	1.8 MHz	1.2 MHz
Fixed Links	609 MHz	331.67 MHz
Access Spectrum	79 MHz	0 MHz

Type approval of Equipment

In the reporting period, the Authority received 176 applications for type approval, and all were registered and thus attaining a 100% approval rate. The number of registrations for the year marked a slight drop of 3% in the number of type-approvals in comparison with the last reporting period. Communications equipment is type-approved when it meets a minimum set of regulatory, technical and safety requirements and is cleared for use in Lesotho.

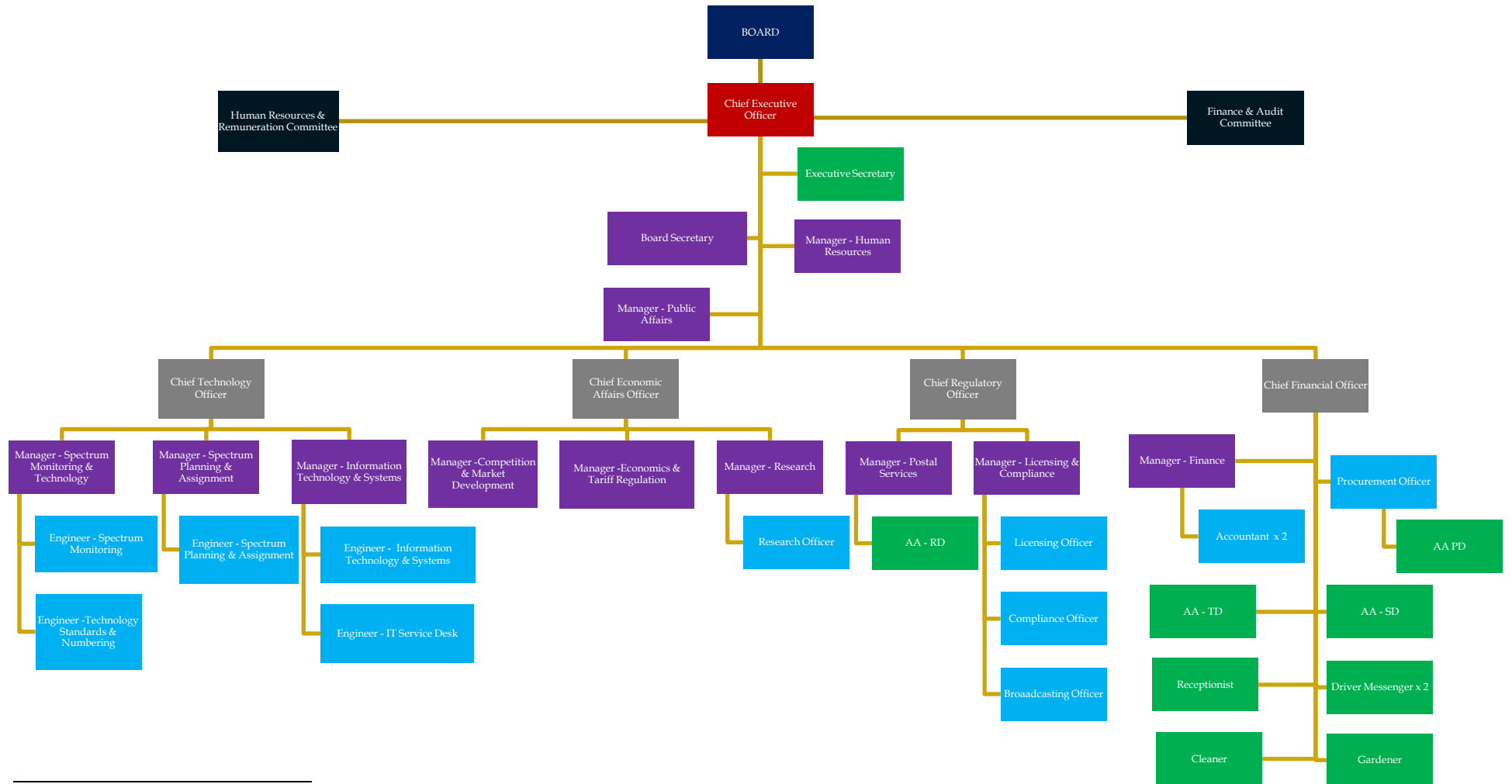## Ensure efficient operation of the National Internet Critical Infrastructure

The Authority manages the critical communications resources for the country including the Lesotho Country Code Top Level Domain (ccTLD) dot ls *(.ls)*. Domain name registrations across the country code top-level domains (ccTLDs) serve as important local business and site identifiers. The Authority provides the necessary infrastructure for registrations which are done through the accredited registrars (approved resellers). See Table 19 below.

At year end, the accredited registrars were eight (8) and the total number of registrations stood at 2,210 which represents a year-on-year growth of 4%. While the number of registrars has not grown, the number of registrations has increased.

Table 19: Accredited Registrars

Registrar	Website	2021/22	2022/23
Comnet	www.comnet.co.ls	90	90
Custom IT	www.custom-it.co.ls	91	89
Leo	www.leo.co.ls	750	716
Venus Dawn	www.venusdawn.co.ls	0	0
Zeecom Technologies	www.zeecom.co.ls	1,158	1,210
Vodacom Lesotho	www.vodacom.co.ls	5	4
Econet Telecom Lesotho	www.econet.co.ls	49	43
REG-LS		55	58
		2,198	**2,210**

Appendix 1: LCA Organogram

```
                                    BOARD
                                      |
Human Resources &  ———————— Chief Executive ———————— Finance & Audit
Remuneration Committee           Officer                 Committee
                                      |
                              Executive Secretary
                                      |
                    Board Secretary — Manager - Human Resources
                                      |
                          Manager - Public Affairs
```

Chief Technology Officer	Chief Economic Affairs Officer	Chief Regulatory Officer	Chief Financial Officer

Chief Technology Officer
- Manager - Spectrum Monitoring & Technology
  - Engineer - Spectrum Monitoring
  - Engineer - Technology Standards & Numbering
- Manager - Spectrum Planning & Assignment
  - Engineer - Spectrum Planning & Assignment
- Manager - Information Technology & Systems
  - Engineer - Information Technology & Systems
  - Engineer - IT Service Desk

Chief Economic Affairs Officer
- Manager - Competition & Market Development
- Manager - Economics & Tariff Regulation
- Manager - Research
  - Research Officer

Chief Regulatory Officer
- Manager - Postal Services
  - AA - RD
- Manager - Licensing & Compliance
  - Licensing Officer
  - Compliance Officer
  - Broaadcasting Officer

Chief Financial Officer
- Manager - Finance
  - Accountant x 2
- Procurement Officer
  - AA PD
- AA - TD
- AA - SD
- Receptionist
- Driver Messenger x 2
- Cleaner
- Gardener

FINAL MANAGEMENT LETTER
ON THE AUDIT OF THE FINANCIAL STATEMENTS
OF LESOTHO COMMUNICATIONS AUTHORITY
FOR YEAR ENDED 31 MARCH 2023

1.INTRODUCTION

The Office of the Auditor-General carried out an audit of the Financial Statements of Lesotho Communications Authority (LCA) for the year ended 31st March 2023 pursuant to Section 117 of the Constitution of Lesotho and Audit Act, 2016.

1. STATEMENT OF RESPONSIBILITIES

Maintenance of the books of accounts and compliance with laws and regulations are the responsibility of management. The establishment and maintenance of the internal control structures, necessary to provide reasonable assurance that adopted policies and prescribed procedures are adhered to, rests with management.

We are required to audit and report to Parliament on the public accounts of the Government of Lesotho and all management accounts. Accordingly, we are required by statutes to carry out the audit free of any restrictions.

2. SCOPE OF THE AUDIT

Our audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require auditors to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatements.

3. AUDIT OBJECTIVES

The audit of the LCA was conducted in order to provide reasonable assurance whether:

- ➢ Funds have been used for intended purposes.
- ➢ Receipts and payments were in accordance with the relevant primary and secondary legislation or rules issued under such legislation.
- ➢ Proper procedures were followed in the procurement of goods and services.
- ➢ Adequate controls are in place to ensure proper utilisation of funds.

4. AUDIT PROCEDURES

Our audit included:

> ➤ A review and evaluation of the accounting systems and internal controls.
> ➤ Examination, on a test basis, of evidence supporting the amounts and disclosure in the accounts.
> ➤ Examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations, which are applicable to financial matters.

We planned our audit to detect material misstatements in the accounts, but the audit cannot be relied upon to disclose fraud or other irregularities, which may exist due to inherent limitations to an audit. For example:

> ➤ We did not examine every transaction.
> ➤ Although we obtained an understanding of accounting systems and related controls to assist us in designing our audit, we studied and evaluated only a sample of controls.

5. MATTERS ARISING FROM THE AUDIT

Matters that came to the attention of auditors as well as related risks and recommendations are discussed in the paragraphs that follow.

5.1 Prioritisation of audit findings

Ranking of audit observations by order of importance/priority is shown on **Table 1**. Priority definitions are as described below:

Priority definitions

- **High** – A major weakness that needs immediate attention. Management should allocate resources to implement the necessary control/actions.

- **Medium** - An important matter considered necessary to avoid exposure to significant risk. Management should address it but is not prevalent to be considered a major weakness.

- **Low** – A minor issue that needs to be addressed to enhance control environment or better value for money.

Table 1 : Prioritisation of Audit Findings

Item	Observation	Priority		
		High	**Med**	**Low**
6.3.1	**BUDGETARY PERFORMANCE**	X		
6.4	**FINANCIAL AUDIT FINDINGS**			
6.4.1	Improper treatment of prior period errors	X		
6.4.2	Failure to contribute to the fund by LCA	X		
6.4.3	Unauthorised use of LCA funds to pay USF costs	X		
6.4.4	Inadequate review in place over bank reconciliation		X	
6.5	**PROCUREMENT AUDIT FINDINGS**			
6.5.1	Absence of procurement plan		X	
6.6	**HUMAN RESOURCE MANAGEMENT**			
6.6.1	Inadequate staffing of HRM depertment	X		
6.6.2	Delay in paying terminal benefits	X		
6.6.3	Temporary employees engaged without contracts	X		
6.6.4	Inactive human resource systems	X		
6.7	**INFORMATION SYSTEMS AUDIT**			
6.7.1	ICT governance	X		
6.7.2	IT systems chancge management	X		
6.7.3	Penetration tests not done	X		
6.7.4	Access to server files	X		

5.2 Prior year matters

A follow up was made to check the extent to which management has implemented recommendations on the findings in the management letters for 2021/2022. Details showing the extent to which recommendations have been implemented are shown on **Table 2.** Management is commended for addressing some of the issues raised in the previous management letters. Management should take action on the issues that are still outstanding.

Table 2: Status of implementation on prior years recommendations

Item No.	Year	Finding	Implemetation status
6..4.1	2021/2022	Improper disclosures in the financial statements.	Matter still recurring refer to 6.4.1
6.4.2	2021/2022	Recognition of an Asset that is not functional	Rectified
6.4.3	2021/2022	Improper revaluation of land and buildings	Rectified

6.4.4	2021/2022	Misclassification of payables as recievables	Rectified
6.4.6	2020/2021	Failure to charge penalties on unpaid regulatory fees	In progress
6.4.7	2020/2021	Doubtful recievables	In progress
6.4.8	2020/2021	Income tax not filed	Not rectified
6.4.9	2020/2021	Non reconciliation of credit cards	Rectified
6.4.11	2020/2021	Failure to withhold tax	Rectified
6.4.12	2020/2021	Improper regoding of Assets	Rectified
6.4.13	2020/2021	Improper maintenance of logbooks	Rectified
6.5.1	2020/2021	Ansence of procurement plan	Matter still recurring refer to 6.5.1
6.5.2	2020/2021	Procurement procedures not followed	Rectified
6.6.1	2020/2021	Employee personal files not properly maintained	Rectified
6.6.2	2020/2021	Delay in paying terminal benefits	Matter still recurring refer 6.6.2
6.6.3	2020/2023	Failure to return LCA property upon termination.	Matter still in a court of law.
6.6.4	2020/2021	Irregular payment of allowance to witness	Rectified.

6.3 Current Audit Findings

The matters that came to the attention of the auditors and the corresponding risks as well as recommendations are discussed in the paragraphs that follow.

6.3.1 Budgetary Performance

If a budget is properly prepared and monitored, the variance between actual amounts and the budget should not be significantly high. The following were observed in relation to the budgetary performance for LCA:

a) Revenue

The regulatory fees remained constant from the previous year but fell short of the budget by 8% , other income increased by 72% exceeding its current budget by 91% while interest increased by 21% exceeding the budget by 18%.

Table 4a: actual revenue vs prior year revenue

Description	Current Actual	Prior year	Variance	% Variance
Regulatory fees	92, 254,651	92,256,870	(2,219)	0
Other income	6,318,246	3, 672, 781	2,645,465	72
Interest	3, 284, 789	2, 713, 050	571,739	21
Total	**101, 857, 686**	**98,642,701**	**3,214,985**	**3**

Table 4b: Comparison of actual revenue with the budget

Source	Budget	Actual	Variance	% variance
Regulatory fees	100, 126, 000	92, 254,651	(7, 871, 349)	(8)
Other income	3,309, 000	6,318,246	3, 009, 246	91
Interest	2, 791, 000	3, 284, 789	493,789	18
Total	**106, 226,000**	**101, 857, 686**	**(4, 368, 314)**	**(4)**

Source: Annual Budget and Financial Statements

The Authority improved from under collection of **M102, 919, 286.00** in 2021/2022 to under collection of **M4, 368,314.00**

b) Expenditure

while the operating expenditure budget execution increased from 56% in 2021/2022 to 83% in the current year, there is still a concern on the low budget execution under capital expenditure that has reduced from 20% in 2021/2022 to 12% in the current year. Details of actual expenditure against the budget by expenditure type are shown in **Table 5.**

Table 5: Expenditure budget execution

Expenditure	Budget (M)	Actual (M)	% Execution
Operating expenditure	119,700,000	99,127,932	83
Capital expenditure	8,800,000	1,057,960	12
Total	**128,500,000**	**100,185,892**	**78**

Source: Annual Budget and Financial Statements

Recommendation

Management should provide reasons for the variances. Management should ensure that in future the budget is properly prepared, monitored and any necessary alterations are made.

Management Responses

As regards revenue, it must be noted that the shortfall between budget and actual is mainly due to the performance of MNOs and Spectrum usage that dropped especially on point to point links as a result only M92 million of the M100 million budgeted was actually collected. Management increased access spectrum fees in oder to curb the declining revenue.

On expenditure performance, it must be noted that the Authority had vacancies which were not filled during the year under review e.g. Chief Exeuctive and Chief Human Resources Officer. Again the Authority had budgeted for Competition Framework which could not be completed due to inadequated funds to implement the project (this after procurement process where bids required M6 million and the approved budget was only M4.5 million). On capital expenditure the Authority had budgeted for tarrif monitoring tool but the system could not be procured due change in strategic focus.

6.4   Financial Audit Findings

To add value to users, financial statements must be timely prepared and submitted to relevant stakeholders in accordance with applicable laws, regulations and standards.

6.4.1 Improper treatment of prior period errors (IAS 8)

Subject to paragraph 43 of IAS 8 an entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by restating the comparative amounts for the prior period(s) presented in which the error occurred.

For each material error corrected per paragraph 43 above an entity is required by paragraph 49 of the same standard to disclose the following:

- Nature of Prior period error.
- The amount of correction for each financial statement line item affected
- The amount of the correction at the beginning of the year.

Contrary to the requrements of the standard above the following irregularities were observed in relation to the application of the standard.

1. Right of use Asset

LCA entered into a contract with Orson Electronics (PTY) LTD on 1 January 2021 for a leased printer. The rights of use for this asset was not recognised in the financial year 2020/2021.

The error has been corrected in the current year with the following irregularities;

- Instead of restating the opening balance of the cost of Right of Use Asset the Right of Use asset has been included in the Financial Statements as new addition thereby overstating the current year additions by M604,125.00.
- The accumulated depreciation opening balance should have been increased by the prior period depreciation but the whole charge was recognised as current depreciation then as a result the current depreciation charge was overstated by M251,718.83 thus also reducing the surplus by the same amount.

2. Disclosures

Note 20 to the financial statements has a list prior year adjustments that does not show the nature of the error, the line items affected and the amount of correction at the beginning of the year.

Risk High
- Assets additions have been overstated by M604, 125.00
- Current depreciation overstated by M201, 375.08
- Comparability of financial Statements affected.
- Noncompliance with the relevant framework.

Recommendations
Management should ensure that the financial statements are properly corrected and the necessary disclosures are made.

Management Response
Management had earlier treated the matter as change in accounting policy while in actual fact IFRS 16 had already been adopted by the Authority. The management agreed with the auditors that as regards accounting transactions, they are all correctly treated, what needed to be changed was notes to the financial statements. To this effect, Note 9 to the financial statements has been corrected accordingly to show the type and amounts of errors that were corrected in line with IAS 8.

6.4.2 Failure to contribute to the Fund by LCA
Communications Act 2012 section 32 (b)(ii) requires LCA to make an annual contribution of not less than 25% of its annual surplus to USF.
It was however observed that for the past five years LCA has had in its current Liability an amount ranging from M11 million and M14 million due to USF as USF reserve fund.

Further more at 31st March 2022 LCA had in its books M13, 367, 944.39 due to USF while USF only had M2, 161, 811.00 due from LCA leaving M11, 206, 133.39 unaccounted for between the two entities,

Risk – High

Failure to make contribution to USF when due hinders it from achieving its mandate.

Recommendations

Management should give reasons for not contributing to the fund per requirement of the Act, explain the unaccounted variance and make necessary arrangement to abide by the act.

Management Response

In 2018/19 financial year the former Chief Executive Officer (CEO)had a dispute with USF where it was argued that USF should refund LCA for all the monies paid for the establishment of LsNIC. A decision then was that the 25% contribution to the USF amounting to M5,981,126 for that year, will be withheld till the dispute was solved. Unfortunately it was not the case until the former CEO was suspended till her contract expired. The Authority waited for the appointment of the new CEO who will then take the matter to the Board since the amount is above M2 million threshold for the Board to decide on the matter.

Management also agreed and passed journals that corrected the payables account and also correct accounts receivable in the USF accounts i.e. re-issue the invoice to show that the Authority still owes the USF the said amount.

6.4.3 Unauthorised use of LCA funds to pay USF costs

Section 16(3) of communications Act 2012 requires the Authority to use its fund to cover its operations and promoting communications sector.

Contrary to that despite being in full control of USF bank accounts the Authority's funds have been used to pay for USF operations thereby creating an unnesesary Recievable and Payable of **M1, 828, 648.00** in the books of LCA and USF respectively

Risk/impact- High

The arrangement is against the act and also can be misused to misappropriate the funds of both entities

Recommendation

Management should rectify the error and avoid doing the same thing again.

FINAL MANAGEMENT LETTER ON THE AUDIT OF FINANCIAL STATEMENTS OF LESOTHO COMMUNICATIONS AUTHORITY-UNIVERSAL SERVICE FUND YEAR ENDED 31ST MARCH 2023

DRAFT MANAGEMENT LETTER ON THE AUDIT OF FINANCIAL STATEMENTS OF UNIVERSAL SERVICE FUND FOR THE YEAR ENDED 31ST MARCH 2023

1. INTRODUCTION

The Office of the Auditor-General carried out an audit of financial statements of Universal Service Fund (The Fund) for the year ended 30st March 2023. The audit was carried out pursuant to the Constitution of Lesotho and the Audit Act, 2016.

2. STATEMENT OF RESPONSIBILITIES

Preparation and fair presentation of the financial statements in accordance with the International Accounting Standards (ISAs) are the responsibility of management. The establishment and maintenance of the internal control structures, necessary to provide reasonable assurance that adopted policies and prescribed procedures are adhered to, rest with the management. The responsibility for prevention and detection of fraud and irregularities also rest with the management.

We are required to audit and report on the financial statements of management. Accordingly, we are required by statute to carry out the audit free of any restrictions.

3. SCOPE OF THE AUDIT

Our audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require auditors to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatements.

4. OBJECTIVES OF THE AUDIT

The books of accounts of the Fund were examined to provide assurance whether:

- Funds have been used for intended purposes and in accordance with applicable laws, regulations, guidelines, and policies.
- Receipts and payments were in line with applicable laws, regulations, guidelines, and policies.
- The financial statements were prepared in line with applicable standards.
- Controls in place are sufficient and operating effectively.
- Essential records are properly maintained.

5. AUDIT APPROACH

Our audit included:

- A review and evaluation of accounting systems and internal controls.
- Examining, on a test basis, evidence supporting the amounts and disclosure in the accounts.
- Examining, on a test basis, evidence supporting compliance in all material respects with the relevant laws and regulations which are applicable to financial matters.

We planned our audit to detect material misstatements in the accounts, but the audit cannot be relied upon to disclose fraud or other irregularities which may exist due to inherent limitations to an audit. For example:

- We did not examine every transaction.
- Although we obtained an understanding of accounting systems and related controls to assist us in designing our audit, we studied and evaluated a sample of controls.

6. MATTERS ARISING FROM THE AUDIT

Matters that came to the attention of the auditors are discussed in the paragraphs that follows:

6.1 Prioritisation of Audit Findings

Table 1 Prioritisation of audit findings

Item no	Observation	Priority		
		H	M	L
6.3.1	**GOVERNANCE ARRANGEMENTS**			
1	Fund planning and budgeting	X		
2	Fund identity	X		
3	Fund administration and Accounting	X		
4	Fund reporting and Auditing	X		
5	Executive Secretary appointment	X		
6.3.2	**BUDGETARY PERFORMANCE**	X		
6.4	**FINANCIAL AUDIT FINDINGS**			
6.4.1	Improper treatment of prior period errors		X	
6.4.2	Failure to contribute to the Fund by LCA	X		
6.4.3	Unauthorised use of LCA Funds to pay USF costs	X		
		X		
6.5	**PROCUREMENT OF GOODS AND SERVICES**			
6.5.1	Delay in completion of Base transceiver stations	X		

Priority definitions

- **High** - a major weakness that needs immediate attention. Management should allocate resources to implement necessary controls/actions.
- **Medium** – an important matter considered necessary to avoid exposure to significant risk. Management should address it but is not prevalent to be considered a major weakness.

- **Low** - minor issue that needs to be addressed to enhance control environment or better value for money.

6.2 Prior year matters

Follow-up was made on recommendations made in the 2021/2022 joint management letter with the aim of ascertaining to what extend the recommendations were implemented. None of the recommendations were implemented

Management should act on the issues that are still outstanding. **Table 2** shows the progress on the implementation of the prior year audit findings.

Table 2: Prior year matters status

Finding No.	Description	Status
6.4.1	Improper presentation and disclosure	Matter still recurring ref 6.4.1
6.4.10	Contribution due to USF not collected	Matter still recurring ref 6.4.2
6.4.5	Delay in completion of BTS	Matter still recurring ref 6.5.1

6.3 Current Audit Findings
The matters that came to the attention of the auditors and the corresponding risks as well as recommendations are discussed in the paragraphs that follow.

6.3.1 Governance Arrangement.

The universal Service Fund was formed in pursuance of section 33 of Communications Act of 2012. Section 36 (7) of the same Act gives the Universal Service Fund committee the responsibility of adopting and publishing an annual plan, collecting contribution, allocating funds to projects, monitoring expenditure, adopting manual of procedures, commissioning an annual independent audit and adopting and publishing of an annual report.

In its manual of procedures adopted in 2016 the committee delegated its responsibilities to the Authority thereby contradicting the above requirements of the act. The manual was reviewed in February 2021 to be in line with the requirement of the Act.

The following irregularities were observed in relation to the Fund governance arrangements;

1. **Fund Planning and Budgeting.**

Section 3.3(i) read together with 5.1.3 requires the committee to provide strategic direction for the fund by preparing a strategic business plan setting out the vision, mission and objectives of the fund. The strategic plan is to be reviewed every three years.

Contrary to the above requirement, at the time of audit in September 2023, the fund had no strategic plan in place neither does it have the vision nor the mission statement.

Risk

Without a strategy that clearly links the objectives which are clear, quantifiable and measurable to the mandate given in the Communications Act, The Fund has no objective measure of success, no way of demonstrating results, value and performance and the extend in which their initiatives are meeting the mandate.

Recommendation

The Fund management is recommended to adhere to the requirement of the adopted manual of Procedures.

Management Response

USF Strategy is incorporated in the LCA strategy under Strategic Outcome 5. The Committee has adopted the LCA strategy hence there is no separate strategic plan. However the management acknowledges the querry and it will be attended to.

2. **Fund Identity.**

An official seal helps an organisation to set itself apart from other entities and maintain a personality that the public can easily associate such organisation with, the need for The Fund to have a seal is strengthened by section 13 of Universal Service Fund manual of operating procedures.

Contrary to the requirement of the manual, The Fund remained without an official seal and is still using the seal of the Authority to date.

Risk
- Without an official seal The Fund cannot be separated from the Authority, which was the reason why the Manual stipulated that it has its own official Seal.
- All contracts entered with the Fund using the documents with LCA seal can be considered null and void.

Recommendation

The management of The Fund should ensure that there is an official seal.

Management Response

Management agrees that to date there is no seal for the Fund and that will be developed for USF Committee to approve as per the USF operating manual

3. Fund Administration and Accounting

Section 3.4 read together with section 3.5 of the Universal Service Fund Manual of Operations gives the responsibility of Fund accounting to the Committee and the Executive Secretary, with the Secretary responsible for day to day transacting of the business of The Fund.

Contrary to that the following irregularities were observed in relation to the fund accounting.
- The day to day transactions of the fund are fully carried out by the Authority personnel.
- Management of the Fund bank accounts rest solely with the Authority with Executive Secretary not being part of the signatories.
- The Financial accounts and management accounts of the fund are prepared by the Authority's accountant.

Risk

This has led to the Authority's personnel paying for the activities of the Fund using the Authority's accounts thereby creating the unnecessary Payables in the Fund's books (LCA Reimbursable costs).

Recommendations
Adherence to the policies and act is recommended for both entities

Management Response

The Fund currently does not have adequate staff to administer day to day transactions of the fund hence the use of LCA personnel as per 2016 operating manual. Management will propose a new Fund structure to the Committee for approval to enable the USF Secretariat to operate as per 2021 operating manual. However, it should also be noted that section 3.3 of the USF operating manual states that the Authority shall provide advisory and support to the fund. The level of support and advisory should be explained and agreed by the LCA Board and the USF Committee.

4. Fund Reporting and Auditing
Section 6.1 and 6.2 of Universal Service operating Manual read together with section 36(7) of communications act of 2012 requires the Executive Secretary to prepare Financial Statements and annual report, commission the Audit and submitted to The Auditor General.

It was however observed that the Fund has never published its own annual report, neither did it commission its own audit as all its annual operational outcomes were included in the annual report for the authority and its financial statements though signed by the Executive Secretary are submitted by CEO of the Authority to the Auditor General

Risk
The mandate of the Authority is regulating the Communication industry while The Fund's mandate is promoting Universal access to Communications. Having the annual reports of both entities reported together may distort the message conveyed to the users.

Recommendation
The fund management should ensure that it publishes its own annual report in compliance with the Act and Manual.

Management Response

It is true that the fund matters have been included in Authority's annual report. Going forward the fund will prepare and publish its own annual report in line with the communications act and 2021 operating manual.

5. **Executive Secretary appointment and independence.**

While the Communications Act 2012 section 35(3) requires the Executive Secretary to be appointed by the Authority, section 35(4) (c) (iii) of the same Act stipulates that the Executive Secretary is operationally responsible to the USF Committee thereby making it clear that though appointed by the Authority, the Executive Secretary is not part of the Authority.

It was however observed that the Executive Secretary is part of the Authority's organogram and also sits on Executive management of the Authority.

Risk

There is no clear line between the two entities.

Recommendation

Adherence to Act and Manual is recommended.

Management Response

The LCA Board through its powers to appoint the USF Executive Secretary have a latitude to place their appointee within their structure and as such they have placed the office of the USF Executive Secretary under their executive Management. There is a need to review the Act to correct this anomaly of who appoints the Executive Secretary to find remedy to this.

Conclusion.

It is evident that the committee realised that the repealed manual of procedures was not in line with the Act and commissioned a legal consultant in September 2020 for the cost of M10, 000.00 to align the manual with the act per resolutions number USF/08/2020.

One of the resolutions for that sitting was for the Executive Secretary to engage a consultant to perform job analysis that will entail job profiling, staff compliment, job grading and remuneration package.

The manual of operations was indeed aligned with the Act, reviewed and Approved by USF committee in February 2021. However, there was no evidence of implementation of the second resolution thus hindering the Executive Secretary from operationalising the manual as he needed staff to do so.

6.3.2 Budgetary Performance

Budget performance for revenue and expenditure is discussed in the paragraphs that follow.

a) Revenue

The fund contributions decreased by 6% from the previous year but exceeded the current budget by 2% while the Interest increased by 12% from the previous year and exceeding the current budget by 376%. The fund received no Grant from the Government for both the current year and the previous year despite having doubled the Grant budget. **Table 4a and 4b** below illustrates.

Table 4a: actual revenue vs prior year revenue

Description	Current Actual	Prior year	Variance	% Variance
Fund Contribution	24, 687, 319	26, 111, 523	(1, 424, 204)	(6)
Government Grant	0	0	0	0
Interest	1, 331, 649	1, 189, 564	142, 085	12
Total	**26, 018, 968**	**27, 301, 087**	**(1, 282, 119)**	**(5)**

Source: Financial Statements

Table 4b: Variances between actual revenue and the budget

Description	Budget	Actual	Variance	% Variance
Fund Contribution	24, 211, 397	24, 687, 319	475, 922	2
Government Grant	10,000,000	0	(10, 000, 000)	(100)

Interest	279, 812	1, 331, 649	1, 051, 837	376
Total	**34, 491, 209**	**26, 018, 968**	**(8, 472, 241)**	**25**

Source: Annual Budget and Financial Statements

Recommendation

Management should explain the causes of the variances. Furthermore, management should ensure that controls are put in place to prevent significant variances between the actual revenue and the budget.

b) Expenditure

The overall budget execution improved from 22% to 52%. The disbursements also improved from 17% to 45 % in the current year with administration costs exceeding its budget by 25%. **Table 5.** Illustrates further

Table 5: Expenditure budget performance

Expenditure Category	Budget (M)	Actual (M)	%Execution
Disbursement	65, 053, 010	29, 465, 129	45
Administration	6,288, 615	7, 873,937	125
Total	**71, 341, 625**	**37, 339, 066**	**52**

There is still low budget execution on disbursement. This remains an audit concern because the disbursements are the activities that enables the Fund to achieve its mandate.

Risk - High

There is a risk that the mandate of achieving activities have been delayed or not executed per budget.

Recommendation

Management should explain the causes of the variances. Furthermore, management should ensure that controls are in place to prevent significant variance between the actual expenditure and the budget.

Management Response

a) The budget performance regarding the USF fund contribution was affected by the Mobile Network Operators performance hence a decrease in contribution to the USF fund. Government grant like prior years has never

been allocated to the USF hence a correction done in the current year's budget.

b) Total expenditure has underperformed due to delays in receiving invoices on the projects carried out during the year under review, though they were already committed by the USF.

6.4 Financial Audit Findings

6.4.1 Improper treatment of prior period errors (IAS 8)

Subject to paragraph 43 of IAS 8 an entity shall correct material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by restating the comparative amounts for the prior period(s) presented in which the error occurred.

For each material error corrected per paragraph 43 above an entity is required by paragraph 49 of the same standard to disclose the following:

- Nature of Prior period error.

- The amount of correction for each financial statement line item affected

- The amount of the correction at the beginning of the year.

Contrary to the requirements of the standard above note 9 of the financial statements has a schedule of prior year error adjustments that does not explain the nature of error and Line items affected in the Financial Statements.

Risk Medium

The financial statements do not comply with relevant framework.

Recommendation

Financial statements should be adjusted to comply with IAS8.

Management Response

Note 9 shows all prior period adjustments which are changes in accounting estimates and not necessarily errors as stated by the Auditor. This mostly relates to provision made in line with accrual concept hence reversals for over or under provisions when the actual amount has been determined.

It should be noted that as per IAS 8, a change in accounting estimate is an adjustment of the carrying amount an asset or liability, or related expense, resulting from reassessment of the expected future benefits and obligations associated with that asset or liability.

As per IAS 8 disclosures relating to changes in accounting estimates includes the following:

1. The nature and amount of a change that has effect in the current period or is expected to have effect in future periods.

2. If the amount of the effect in future is not disclosed because estimating it is impracticable, an entity shall disclose that fact.

It should be noted that Note 9 has disclosed the nature and amount of prior period adjustments in line with IAS 8.

6.4.2   Failure to contribute to the Fund by LCA

Communications Act 2012 section 32 (b)(ii) requires LCA to make an annual contribution of not less than 25% of its annual surplus to USF.
It was however observed that for the past five years LCA has had in its current Liability an amount ranging from M11 million and M14 million due to USF as USF reserve fund.

Furthermore, at 31st March 2022 LCA had in its books M13, 367, 944.39 due to USF while USF only had M2, 161, 811.00 due from LCA leaving M11, 206, 133.39 unaccounted for between the two entities,

Risk – High

Failure to make contribution to USF when due hinders it from achieving its mandate.

Recommendations
Management should give reasons for not contributing to the fund per requirement of the Act, explain the unaccounted variance and make necessary arrangement to abide by the act.

Management Response

In 2018/19 financial year the former Chief Executive Officer (CEO)had a dispute with USF where it was argued that USF should refund LCA for all the monies paid for the establishment of LsNIC. A decision then was that the 25% contribution to the USF amounting to M5,981,126 for that year, will be withheld till the dispute was solved. Unfortunately, it was not the case until the former CEO was suspended till her contract expired. The Authority waited for the appointment of the new CEO who will then take the matter to the Board since the amount is above M2 million threshold for the Board to decide on the matter.

The other amount on the USF reserves fund relates to the provision for year 2020/21 amounting to M6,784,987 which has not yet been reversed to reduce the provision. Management will prepare a journal to correct the provision. The remainder is an amount of M601 831 which is the provision for year 2022/23.

6.4.3 Unauthorised use of LCA funds to pay USF costs

Section 16(3) of communications Act 2012 requires the Authority to use its fund to cover its operations and promoting communications sector.

Contrary to that despite being in full control of USF bank accounts the Authority's funds have been used to pay for USF operations thereby creating an unnecessary Receivable a Payable of **M1, 828, 648.00** in the books of LCA and USF respectively

Risk/impact- High
The arrangement is against the act and also can be misused to misappropriate the funds of both entities.

Recommendation

Management should rectify the error and avoid doing the same thing again.

Management Response

It should be noted that the fund does not have its own procurement system. As a result, it uses Authority's procurement system (eworkflow) to purchase goods or services. To ensure segregation of duties, Fund's purchase requisitions are initiated in eworkflow by administrative assistant. Executive Secretary USF reviews and approves the requests in the eworkflow. Then LCA management further reviews and approves the request. Finally, eworkflow generates a purchase order. The purchase order is then sent by eworkflow to the Authority's Accounting System (Sage 300). Good received notes (GRN) and USF supplier invoices are processed in Authority's sage 300 and posted to USF suspense account.

Transactions posted to USF suspense account are checked and eventually transferred/cleared to USF reimbursable costs. As per the attached USF reimbursable costs general ledger, with respect to huge funds disbursements, the funds are either transferred from USF current account or call account into LCA current account before payments are initiated to avoid distorting Authority's working capital and cash flows negatively.

We have also attached a payment voucher and other supporting documents to substantiate the fact that the in case of huge funds disbursements, funds are either transferred from USF current account or call account into LCA current account before payments are initiated to avoid distorting Authority's working capital and cash flows negatively.

6.5 Procurement Audit Findings

6.5.1 Delay in completion of Base Transceiver Stations construction

Timely completion of construction of infrastructure is crucial to enable beneficiaries to benefit from the services that the infrastructure provides. Furthermore, it assists in preventing increase in the costs of construction due to inflation and other factors.

It was observed that construction of three Base Transceiver Stations (BTS) was not completed within the planned completion timeframes and had not been completed during the time of the audit in September 2023. The delay has taken more than a year from the original expected completion date.

It is worth mentioning that this issue was raised in the last audit and the management explained that the delay was caused by covid.

Risk - High

Failure to implement the said projects in time has adversely affected the USF achievement of its core business of enabling universal access to communication services. There is also a likelihood of the cost of construction increasing due to increase in prices.

Recommendation

Management should ensure that projects implementation is monitored so that they are completed within the agreed timeframes, scope and budget.

Management Response

The Management acknowledges the query and measures will be put in place to resolve this issue and assure that it does not happen again.

6   ACKNOWLEDGEMENTS

We extend our thanks to Executive Secretary, Management and staff of the Authority for the support accorded to us during the course of the audit. We look forward to the same support in future.

Management Response

It should be noted that the fund does not have its own procurement system. As a result, it uses Authority's procurement system (eworkflow) to purchase goods or services. To ensure segregation of duties, Fund's purchase requisitions are initiated in eworkflow by administrative assistant. Executive Secretary USF reviews and approves the requests in the eworkflow. Then LCA Management further reviews and approves the request. Finally, eworkflow generates a purchase order. The purchase order is then send by eworkflow to the Authority's Accounting System (Sage 300). Good received notes (GRN) and USF supplier invoices are processed in Authority's sage 300 and posted to USF suspense account.

Transactions posted to USF suspense account are checked and eventually transferred/cleared to USF reimbursable costs. As per the attached USF reimbursable costs general ledger, with respect to huge funds disbursements, the funds are either transferred from USF current account or call account into LCA current account before payments are initiated to avoid distorting Authority's working capital and cash flows negatively.

We have also attached a payment voucher and other supporting documents to substantiate the fact that the in case of huge funds disbursements, funds are either transferred from USF current account or call account into LCA current account before payments are initiated to avoid distorting Authority's working capital and cash flows negatively.

Going forward USF should have its procurement systems such that its workflow will be channelled to the USF operating bank account.

6.4.4   Inadequate review in place over bank reconciliation

A bank reconciliation is a control procedure done by Finance department to attest the correctness of cash balance per books compared with the cash balance per bank statement. This also helps to detect any errors, fraud, or material misstatement in the cash balance. When errors are detected action should be taken to rectify them so that they do not become a recociling items more than once.

It was however observed that a payment of M3000.00 to Juzi Food Catering made on 02/07/2021 had been recorded as a reconciling item for a complete year ended 31 st March 2023. It is narrated as "payment reflected in the Bank statement but not yet captured".

Risk High

This shows that there is inadequate review control in place over the preparation of bank reconciliation statement thus making fraudulent transactions go undetected.

Recommendation

The responsible officer should see that any difference between bank records and cash book do not take too long before being attended to.

Management Response

On the 2nd July 2021, a payment to the tune of M7,000.00 was paid twice via internet banking by error. This error was identified by our July 2021 bank reconciliation statement. Since one payment was reflected on the cash book whereas two payments were reflected on the bank statement for the month of July 2021.

As per the attached correspondence, Juzt Food Catering was notified and the supplier requested to refund M7,000.00 in two equal instalments. It should be noted that as per the attached proof of deposits, Juzt food has refund the whole amount of M7,000.00 in 3 instalments as follows:

1st instalment of M2,000.00 dated 02/02/2022
2nd instalment of M2,0000.00 dated 29/03/2022
3rd instalment of M3,000.00 dated 02/08/2023

Bank reconciliations for all our current accounts are prepared on monthly basis in line with section 26 of LCA Financial Policy & Procedural rules of 2021. The reconciliations are prepared by the accountant, checked by the Finance Manager and authorized by the Chief Financial Officer. So far, our bank reconciliation statements have identified all differences between cash book balance and bank statement balance. This implies that the Authority regards bank reconciliation as a good internal control which ensures that all transactions that have gone through the bank statement have been reviewed and checked. Thus, reducing the probability of errors or fraud.

Mnagement agreed with the auditor that a reconciling items should be cleared within 3 months.

6.5 Procurement audit findings

Procurement of goods, services or works must be done in compliance with applicable laws, regulations, rules, policies and procedures. The following were observed in relation to procurment:

6.5.1 Absence of procurement plan

A procurement plan is one of the important tools for a successful and proper procurement. Section 11 of LCA Procurement Policy and Procedural Rules 2021 requires the Finance Division to develop a procurement plan upon approval of the budget.

Risk - <mark>Medium</mark>

There is risk of poor procurement and budget management

Recommendation

Management should ensure that a procurement plan is prepared in compliance with the relevant policies and rules.

Management Response

Indeed the Management agrees that there was no procurement plan for the year under review however Management has rectified the issue by developing a procurement plan for the subsequent year (2023/24). The plan was sent to the auditor for verification.

6.6   Human Resource management

6.6.1 Inadequate staffing of HRM Department

Section 2.12 of Human Resources Rules,2018 requires that during and after employee's employment with the Authority, the employee or ex-employee respectively shall not disclose any proprietary or confidential information relating to the Authority's human resources, projects, structures, services and its remunerations business or operations without written consent of the Chief Executive Officer.

It was observed that the Authority in its human resources office has only one position of Human Resources Manager with no subordinates to keep the office functional if anything happens to the manager. In the absence of the Human Resource manager, the office usually use the Administrative Assistant or Accounts personnel to help in the human resources office.

Risk <mark>High</mark>

This is exposing employees' confidential information to a staff member who does not have any ethical guidelines to abide by.

Reccomendation

Management is advised to increase the number of people in the human resource department.

6.6.2 Delay in payment of terminal benefits

Section 79 (5) of the Labour Code of 1992 requires payment of severance pay to an employee whose termination of employment has been at the employee's initiative to be made immediately or hold the severance pay in trust for a maximum of 12 months.

Contrary to the requirement of the law mentioned above, there were delays ranging from 2 to 10 months in paying terminal benefits to some employees. Furthermore, the funds were not held in trust on behalf of the said employees. Details are shown on **Table6.**

Table 6: Delayed terminal benefits

Employee	Termination date	Date of Payment	No. of months
Mr Thabisi Soko	30 Sept. 2022	6th January 2023	3
Mrs Mmamarame Matela	31st March 2022	30th January 2023	10
Mr Sello Lejakane	31st December 2022	9th March 2023	2

Risk - High

Failure to follow applicable laws may lead to costly legal battles that may result in the Authority's image being tarnished.

Recommendation

Management should make sure that terminal benefits are paid promptly.

6.6.3 Temporary Employees engaged without contracts

Lesotho Communications authority Human recourses rules section 4.4.2 requires every appointment on part-time basis to be confirmed by a letter of appointment specifying the terms and conditions thereof.

Contrary to that the temporary employees were engaged to conduct a study on the access and usage of ICTs by households and individuals without employment contracts on a part time basis for a period of three months from January-March 2023.

Risk- High

- In the absence of employment letters the temporary officers were working and earning salaries unlawfully.
- They can misrepresent the authority without it being able to hold them accountable.

Management Response
Management agrees that recently temporary employees were engaged without written contracts and in future will ensure that contracts are in place when engaging temporary staff.

6.6.4 Inactive Human Resource Systems
There are 3 human resource systems namely Employee management system, Job management system and Performance management systems that remain inactive.

It was explained that if the systems were all up and running efficiently employee data would first be entered in the employee management system and then it would populate other systems like the payroll system. This is the "once-only" principle that helps reduce errors and ensure data consistency and reduce the risk of duplications.

However it was observed that since systems are not active the employee data is directly entered into the payroll system.

Risk High
Directly entering employees into a payroll system, rather than an employee management system, can pose a number of risks.

- It can lead to errors in payroll data, as employee information may be entered incorrectly or duplicated.
- It can result in inaccurate or incomplete data, as the payroll system may not have all of the employee information needed for accurate calculations.
- Inefficient, as employee data would still need to be manually entered into employee management system.

Reccomendation

It is recommended that the systems be used as they will reduce the risks.

Management Response

The Authority procured the three systems/modules but only Payroll, Leave Managments and Overtime Modules are in use. The PMS system's implementation was started but never completed due to lack of adequate PMS policies and user training at the time. Management has recently completed the PMS policy and about to resuscitate the PMS implementation.

6.7   Information Systems Audit Findings

6.7.1   ICT Governance

The Board oversees the activities and the impact of information technology on the day to day business of the Authority, it formed an IT steering committee. After its formation the committee's main task is to understand the IT roadmap of the executive management and its impact on the company's business in the foreseeable terms. The committee's role is also to review the cyber security measures implemented by the company and engage specialists to assess the vulnerability of the firm vis-à-vis cyber threats. IT steering committee's further role is to challenge the IT projects proposed by executive management and its efficacy and necessity.

According to the IT Policy approved by the Board in June 2021 IT committee is supposed to meet quarterly. Amongst the responsibilities of the steering committee is to develop the following documents:
- IT strategy
- IT Risk management Framework and cyber security policy
- Information Management Policy

The following has been observed in relation to ICT governance

1. Since June 2021 the committee met twice, this is against the policy and without the meetings the committee will not be able to discuss matters of strategic importance in IT Governance.
2. None of the above mentioned documents has been developed by the IT steering committee.

Risks High

- Without an IT strategy an organisation can end up with a hodge-podge of IT systems that do not work well together, idling thus leading to inefficiencies and wasted resources.
- Without an IT strategy it can be difficult to plan for the future ensuring that the organisation's IT systems are up, secure and updated.
- Without an IT strategy it becomes difficult to align the IT investments with IT business goals leading to sub-optimal performance of systems and missed opportunities.
- Without cybersecurity policy an organisation that relies on IT systems like LCA remain vulnerable to attacks from hackers putting both the organisation's data ,clients data and systems infrastructure at risk

While the Organisation Risk management policy also include IT risks, they were found not robust enough to be the only control and therefore the IT risk management policy is still needed.

Recommendation

Management should ensure that the steering committee resume its responsibilities and give it all the support to speed up the development and implementation of the mentioned documents.

Management Response

1. Failure to hold meetings

Management agrees that for the year under review, there were few ITSC meetings held but that has been rectified in the subsequent years as the ITSC meets on a quarterly basis and/or as required. It should be noted that Management realised that the composition of the ITSC was an impediment to meetings hence the composition was changed and approved by the Board.

2. Failure to develop documents

a) The IT strategy was awaiting the Strategic Plan (SP) 2023-2026 hence it was not developed during the year under review. Now that the SP has been completed, Management will develop the IT stragey that is aligned to the SP.

b) Development of IT Risk Management Framework and Cybersecurity Policy for EXCO approval.

- IT Risk Management Framework – The Authority will develop IT Risk Management Framework once the IT strategy is completed. It must be noted that the Authority has accepted cybersecurity as a risk that needs to be address within the Authority's Risk Management Framework. A cybersecurity risk assessment is underway to identify risks and controls related to cybersecurity within the Authority.

- Cybersecurity Policy – The current IT Policy addresses almost all issues related to cybersecurity. However, it will be reviewed to include risks related to cybersecurity.

3. Development of Information Management Policy

The Authority has adopted a consolidated IT Policy document that has all policies related to IT in one document hence no need for a separate Inofrmation Management Policy. The Inforamtion Management statements that are within the IT policy will be reviewed to ensure that all matterS related to Information Manangement are taken into account and captured.

All these documents will be completed by end of March 2024.

6.7.2 IT systems Change Management.

Before introducing a new IT system, management needs to take a number of steps to ensure successful implementation of such system. Those steps include but not limited to:

- There need to be a needs assesments to identify the specific requirements of the new system.
- There need to be a detailed implementation plan that outlines the tasks and resources(both human and financial) needed to successfully deploy the new system
- The people who will be involved in the use of the new system should be trained and be supported
- The system will then be regularly monitored to evaluate if it is achieving what it is expected to and necessary adjustments be made if not.

It was found that LCA aquired 3 IT systems three years ago and to date the systems remain inactive. It was further discovered that only two people were trained to operate such, one being the user and the other IT engeneer. The trained user has since left LCA and no other personnel has been trained.

Furthermore no needs assessment were made then according to the engeneer.

RISK `High`

- Wasted resources in the form of money used to purchase the systems and the annual software licences.
- Unachieved objectives and anticipated benefits.

Recommendation

Management should ensure that proper procedures are followed when implementing new systems.

Management Response

The Authority has the CHANGE management policy statements within the IT policy (IT policy standards and procedures section 13) which are religiously followed when there is a system's change.The HR personnel that was trained on the PMS has since left the employ of the Authority but this has been addressed by employing a new HR Manager. Management has recently completed the PMS policy and about to resuscitate the PMS implementation.

6.7.3 Penetration Tests not performed

It is the requirement of IT Policy Principles under Threat and vulnerability management section 2 that the Authority conduct penetration tests (pen-tests) exercises on an annual basis, either by use of internal resources or employing an independent third-party pen team.

This test attempts to find and exploit vulnerabilities in a computer system to identify any weak spots in a system's defenses which attackers could take advantage of.

Risks `High`

- Without Pen tests, it can be difficult to identify and address security vulnerabilities in systems and networks leaving the organisation open to attacks from hackers.
- It gives an entity a false sense of security hindering it from taking proactive steps to improve their security posture.

Recommendation

Management is recommended to ensure compliance with the IT policy.

Management Response

Access to Server Files

IT Policy, Section 3(iv), requires an IT to act as the custodian of electronic records stored on the servers of the organisation with Managers and creators of electronic files giving instructions on security restrictions required for information stored on the servers.

However, it was observed that data held on ALL Staff Folder had no security restrictions, leaving it open for manipulation by any staff member who has access to the Server File.

Risk High

Having a backup folder that is accessible to all staff can pose a number of risks.

- it can increase the risk of data theft or unauthorized access, as all staff members would have the ability to access the data.
- it can lead to confusion and chaos, as multiple people would have the ability to modify and delete data.
- it can result in data loss if the backup folder is accidentally deleted or corrupted.
- it can lead to compliance issues if the data stored in the backup folder is sensitive or confidential.

Reccomendation

Management is recommended to implement a more secure backup that allows for role-based access control (RBAC), so that only authorized users can access the data. Alternatively, using a secure file sharing solution that allows for granular permissions, so that staff members can only access the data they need will be recommended.

Management Response

As of June 2023 only the Administrator can edit or delete a document in the folder on the server.

7 ACKNOWLEDGEMENT

We extend our thanks to management and staff of the Authority for the support accorded to us during the course of the audit. We look forward to the same support in future.