



INTERNAL AUDIT REPORT

Rent Relief

LESOTHO REVENUE AUTHORITY

Commissioner General's Office – Internal Audit Function September 2021

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1. INTRODUCTION AND BACKGROUND

The Lesotho Revenue Authority (LRA), which was established by Act of Parliament in 2001 and became operational in 2003, is principally responsible for the assessments, collections, and remittances of specified public revenues to the Government of Lesotho (GoL).

In 2020, the GoL resolved to implement measures necessary to reduce transmission of COVID-19 pandemic including implementation of national lockdown because of Covid 19 pandemic. The resulting effect of lockdown to the business community include severe cash flow challenges which could lead to adverse consequences to all affected businesses. As a result, the LRA was mandated by GoL to administer a fund to the tune of **M51, 272, 967.00 (Fifty-one million, two hundred seventy-two thousand, nine hundred and sixty-seven Maloti)** allocated to assist in the implementation of rent relief measures to business property owners and tenants of commercial property/buildings which were operational before national lockdown, but their businesses were shut down during the national lockdown.

The Refund Processing Unit (RPU) within the LRA was mandated to provide refunds to clients after ensuring that they are tax compliant, i.e., do not have any outstanding tax debts and their tax returns filing are up to date. Therefore, the assignment to process the rent relief measures was specifically vested on RPU.

2. AUDIT OBJECTIVE

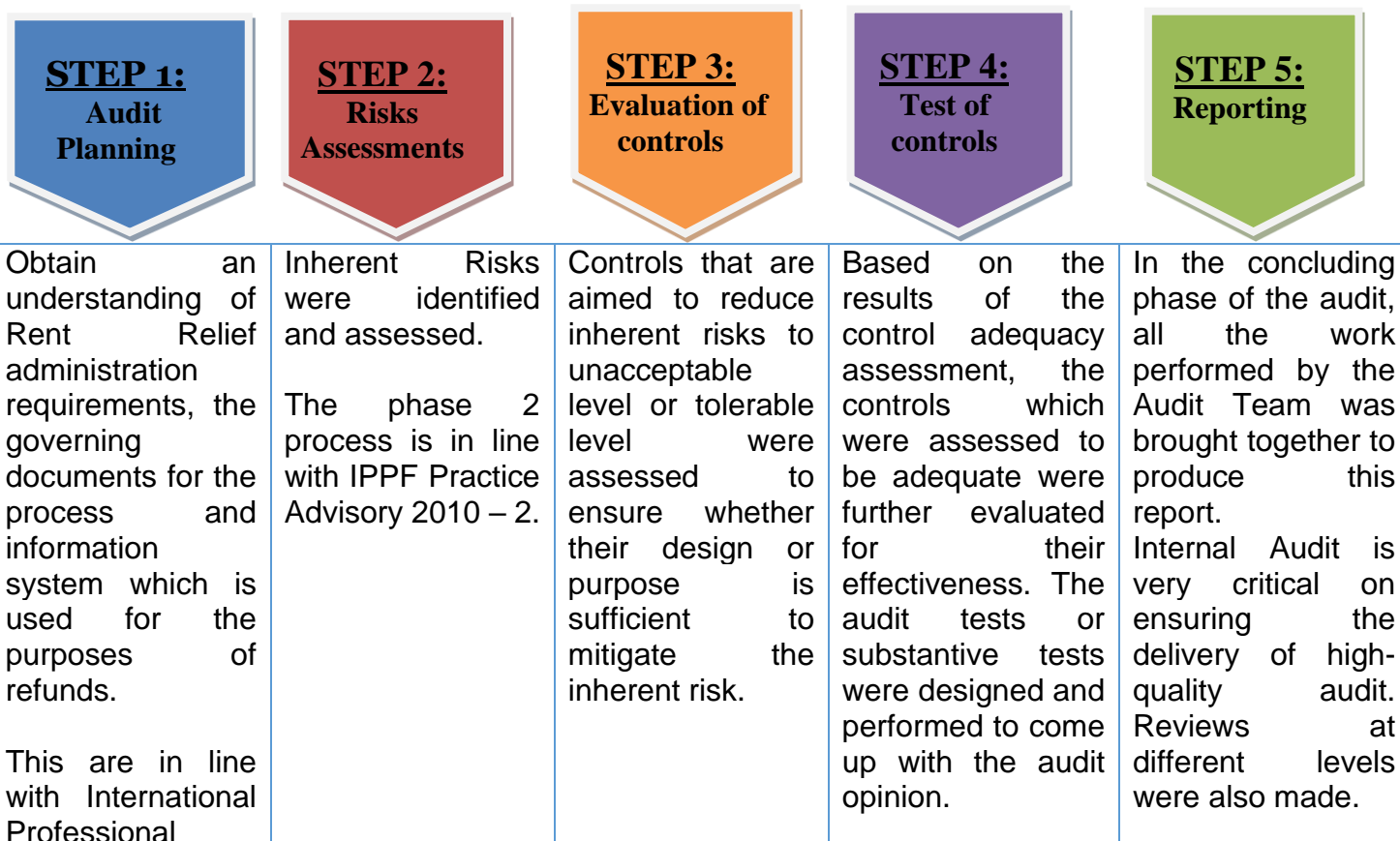
The objective of the audit was to provide reasonable assurance to the Ministry of Finance on COVID-19 related expenditure (Rent Relief as a form of tax relief to businesses) regarding the adequacy, effectiveness and efficiency of internal control, compliance with policies, procedures, financial laws, and contracts.

The primary objective of this audit was to ascertain whether the rent relief fund disbursement/refunds were paid in line with the below stipulated guidelines:

- The business was legally registered for both tax and trade purposes.
- The business was tax compliant (no outstanding tax debt, no outstanding returns, not found guilty of tax or customs fraud during the last 4 years).
- The business was small, medium, and micro sized enterprise (SMME) with number of employees not exceeding 50 and annual turnover of less than M5 million.
- The business was not operational during lockdown period; and
- The business was not renting property from Government, City Councils, Residential, BEDCO and LNDC.

3. AUDIT APPROACH

To present factual and evidential information to Ministry of Finance, LRA Board and LRA Management, Internal Audit adopted a 5 Five – step audit approach or methodology as depicted below.



<p>Practices Framework (IPPF) 2200, Internal audit must develop and document a plan for each engagement, including the scope, objectives, timing, and resource allocations.</p>				
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4. AUDIT SCOPE

The scope of the audit was to review rent relief refunds processing for the financial year 2020/21.

4.1. LIMITATION OF SCOPE

There was no limitation of scope encountered during the execution of this audit.

4.2. SCOPE EXCLUSIONS

The scope of our engagement excluded the following activities:

- Fraud investigation.
- Implementation of any policies and procedures.
- Implementations of controls.
- Mitigations or management of risks.

5. GOOD PRACTICES OBSERVED

The following good practices were observed during the review:

- Required supporting requirements were presented and checked before refund payments.

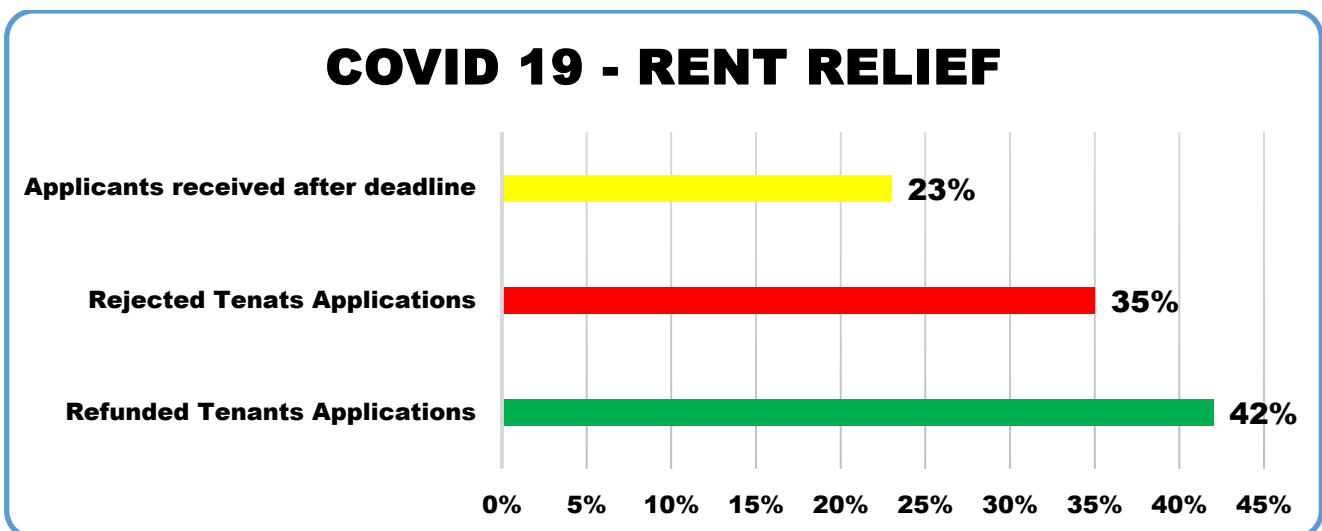
- Approvals were performed accordingly by appropriate internal governance structures.
- The LRA VAT account which was temporarily used as a retaining account for rent relief fund, still has more than **M 50,643,918.09** balance ready to be reimbursed to Ministry of Finance. Please take note of the annexure 1 of this report.

6. AUDIT OPINION AND CONCLUSION

Opinion	Assessment	Description
No Improvement Needed	(0 – 10%)	No controls weaknesses were noted; controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives will be met.

The whole audit population was tested and based on audit procedures applied, no material misstatement and or departures from the set standards were noted, therefore the process achieved the desired objectives.

Twenty – four (24) Landlords comprising of one hundred and eight (108) Tenants forwarded their applications for a rent relief. Forty – five (45) Tenants were refunded, thirty – eight (38) applications rejected and twenty – five (25) were submitted after deadline as per below diagram.



7. ACKNOWLEDGEMENTS & DISCLAIMER

Internal Audit Department (IAD) takes responsibility for this report as at the date of completion of the audit activity. We do not assume responsibility for any matters whatsoever which may arise beyond the audit completion date.

On behalf of Internal Audit, I would like to pass sincere gratitude to the Commissioner General, Commissioner Core Operations, Head compliance Risk Management, Refunds Processing Unit and Revenue Accounting for making this review a success.

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Regards,



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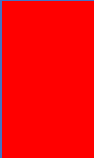


ANNEXURE 1

REFUNDED CLIENTS UNDER RENT RELIEF

Application dates	Transaction Date	Transaction Time	Description	Debit	Credit	Balance
	12-OCT-2020	12:02:32	004PVR21001068 LRA CONTINGENCY		51,272,967.00	54,169,218.58
20 – Oct - 2020	02-DEC-2020	08:54:37	TLOUTLE HOLDINGS	412,899.41		52,836,163.79
18 – Nov - 2020	02-DEC-2020	08:55:07	J.R. RAMOHALALI BUILDING	1,452.00		52,834,711.79
13 – Jan - 2021	29-MAR-2021	16:15:01	NASEEMA INVESTMENT ENTERPRISES (PTY) Ltd.	31,600.00		57,154,510.13
13 – Jan - 2021	30-MAR-2021	08:07:14	BADAL ENTERPRISES	12,113.00		57,142,390.13
13 – Jan - 2021	30-MAR-2021	08:09:56	STAR DIAMOND	8,300.00		57,134,083.13
27 – Oct - 2020	30-MAR-2021	08:13:00	MATJI INVESTMENTS	67,151.00		57,066,925.13
18 – Dec - 2020	09-JUN-2021	09:30:20	MAKEISARA MATSUMUNYANE FRANCINAH	8,000.00		52,464,776.89
04 – Dec - 2020	09-JUN-2021	09:33:08	MAZENOD PRINTING WORKS	13,672.50		52,451,097.39
13 – Jan - 2021	09-JUN-2021	09:35:55	SSS INVESTMENT & REAL ESTATE DEVELOPMENT	29,000.00		52,422,090.39
13 – Dec - 2021	09-JUN-2021	09:41:46	SAMAY ENTERPRISES	44,861.00		52,377,222.39
Amount Paid Out and Closing Balance				629,048.91		50,643,918.09

ANNEXURE 2

AUDIT OPINION CRITERIA

Major improvement needed (41% - 100%)		Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives will be met.
Some Improvement Needed (11% - 40%)		A few specific control weaknesses were noted; generally, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives will be met.
No Improvement Needed (0 - 10%)		No controls weaknesses were noted; controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives will be met.

APPENDIX 1

Contacted Officers.

Name	Designation	Department	Division
Thabo Khasipe	Commissioner General	Commissioner's General Office	Commissioners' General office
Obed 'Nete	Commissioner Core Operations	Core Operations	Core Operations
Bahlakoana Shelile	Head Compliance Risk Management	Compliance Risk Management	Core Operations
Reemetsoe Mohanoe	Head Refunds & Returns Processing	Returns Processing Unit	Core Operations
Moutloatsi Dichaba	Head Legal	Legal	Business Enablement
'Mamphotleng Mahao	Acting Head Client Services Centres	Frontier Client Services	Client Services
'Mammota Sekonyela	Accountant	Revenue Accounting	Core Operations
Retšelisitsoe Mokitimi	Manager Anti- Smuggling	Anti-Smuggling	Operations Support