

# Press Release

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## Kingdom of Lesotho: Technical Assistance Report by the International Monetary Fund (IMF) on the Implementation of BASEL II

It has come to the attention of the Central Bank of Lesotho that there is a social media post dated 4th August 2020 entitled, “**IMF Exposes Rot in Lesotho Banking Sector**” stating that an investigation by the IMF Mission to Lesotho in March 2019 has “*revealed a malpractice in the local banking industry, which has seemingly been concealed by the Central Bank of Lesotho*”.

The Central Bank of Lesotho confirms that the IMF AFRITAC South delivered a Technical Assistance Mission on Risk-Based Supervision in March 2019, and that the institution has since published the mission report on its website in July 2020. It is therefore inaccurate and misleading to refer the Bank’s official request for Technical Assistance from the IMF as an investigation.

Furthermore, the Bank wishes to set the record straight and inform members of the public that none of the Banks in Lesotho use the big 4 audit firms to do their audits and later use a local audit firm to issue and sign off the auditor’s report. What the Central Bank of Lesotho is, however, aware of is that:

- local banks engage local audit firms to do their audits; and
- local audit firms then later partner with foreign audit firms in areas where they lack capacity.

It is also worth-mentioning that the Financial Institutions Act (FIA) of 2012 does not prohibit approved local audit firms from partnering with foreign audit firms. In addition, neither the International Standards of Auditing (ISAs), nor the International Financial Reporting Standards (IFRS) prohibit audit firms from partnering in circumstances where there are perceived capacity gaps. The allegations of malpractice regarding auditing of banks in Lesotho are therefore unfounded.

The public is assured that the local banking industry is operating professionally within a robust regulatory framework and underpinning international best practice and standards. There is therefore no need for alarm.

For any questions, please contact the **Corporate Communication Office at the Central Bank of Lesotho** at the following numbers: **58880647 / 22232094**.