

REQUEST FOR EXPRESSIONS OF INTEREST INDIVIDUAL CONSULTANT

CAPACITATION OF LRA ON AUDITING MINING SECTOR

KINGDOM OF LESOTHO

LESOTHO TAX MODERNISATION PROJECT

Financing Agreement reference: 2100150038494

Sector: Tax Administration

Project ID No.: P-LS-KF0-003



The Government of the Kingdom of Lesotho has received financing from the African Development Bank towards implementation of the Lesotho Tax Modernisation Project and intends to apply part of the agreed amount for this grant to payments under the contract: An Individual Consultant for capacitation of Lesotho Revenue Authority (LRA) Auditors and Investigators on mining sector.

The Individual Consultant's services included under this project are as follows:

- Provide training and help advance the delivery of strategic objectives to meet the LRA's operational, training and development strategy within the diamond industry.
- Assist the LRA Auditors with the identification and Implementation actionable and effective measures to enforce financial transparency and compliance in the diamond industry by way of auditing and analysing the diamond miners; systems, processes, procedures and compliance from mine through to final sales, including; inventory and security controls and ensure optimal revenue is achieved by producers not only in Lesotho but also at point of sale, to verify the integrity of systems, security of product, prevent collusion and ensure that the maxim prices are realised for the rough diamonds of Lesotho.
- Advice on measures that will create transparent and accountable mining sector governance.
- Enhance the scope and effectiveness of audits and revenue recovery from the diamond mining sector.
- Establish and implement mechanisms for full disclosure of verifiable production and financial performance data.
- Improve audit procedures and processes including risk selection and analysis methodology.
- Accurately analyse information provided by miners including financial records of mining companies and third parties.
- Investigate and recommend adjustments on tax concessions offered to mining companies which result in a reduction of taxation income from mining companies.
- Investigate value lost through breakage in the liberation and recovery process on mines, especially the high value diamonds.
- Investigate and implement measures to ensure security of product and financial transparency from mine to final point of sale.
- Assist, advice and train GOL representatives on how best to protect the GOL interests and financial returns in mining companies and ensure that the mining companies are at all times acting in good faith and in the best interests of the people of Lesotho.
- Assess and monitor in-country transfer of skills and knowledge by mining companies, specifically in sorting and valuation skills, to facilitate accurate on mine sales assortments and valuation prior to rough diamonds being exported from Lesotho.
- Monitor the sale value of Lesotho diamonds sold on the international market and develop a rough diamond price book for each resource from producer's sales data to create a monitoring system and undertake reliable price forecasts.
- Perform in-depth analysis of sales data, processes, systems, security and rough diamonds from recovery through to point of sale, to monitor and audit each resource and flag variances in quantity, quality and value, and report any anomalies or negative trends.
- Provide expertise, advice and training to GOL officials to facilitate the pro-active participation by Government in decision-making processes that impact the value out-come of diamonds in which the GOL has a financial interest, in order to maximise the value realised for the diamonds of Lesotho.
- Audit processes and sales values of non "arms-length" transactions by producers or their agents, in which the GOL retained a financial interest through manufacturing, from rough to final polished sale, to ensure that the whole process maximised the prices realised for the rough diamonds and that the mining companies acted at all times in the best interests of the GOL.
- Ensure transparent, regulated and effective sales channels by producers in order to achieve the maximum value for all diamonds.
- Accurately value all rough diamonds at the point of export to confirm that diamonds exported are declared at a fair value.
- The mining Expert will analyse information including financial records as submitted by the mining companies as well as other third party information, to confirm accuracy of the value, qualities and quantities of diamonds declared at the point of export,
- Confirm that the diamond sales figures correspond to the value, qualities and quantities declared during exported, and compare data to historic sales values.
- Assist the LRA to forge effective communication and cooperation linkages within Government between various ministries and statutory agencies with roles in the diamond mining industry.
- Help foster regional cooperation with other Tax Authorities to facilitate the exchange of knowledge and experience.
- Capacitate the LRA Auditors with the relevant skills, tools and techniques for them to be able to monitor, audit, evaluate production and financial performance of mining companies and perform quality mining tax audits. The Expert will be required to do on the job training to up skill LRA Audit Team: i.e.
 - Hand-hold LRA Audit Team to conduct quality mining tax audits;
 - Identify the LRA Audit Team 's skills gaps during hand-holding;
 - Deliver appropriate training. Such training should position the LRA Audit Team, technically, to deal with tax avoidances/ evasion issues/schemes including Transfer Pricing, Thin Capitalisation and other related avoidance schemes prevalent in the Mining Sector.
 - Develop an understanding of international relationships and operations of mining companies and their affiliates within the LRA.
 - Strengthen auditor's ability to recognise and prevent trade mispricing, substitution, collusion, value manipulation and transfer-pricing practices.
 - Develop an in-depth understanding within the LRA, of the market drivers, industry players, the complex dynamics, intricacies, strengths, vulnerabilities in order to block the loop-holes exploited along the entire diamond pipeline.
- Specifically the Expert will be deployed to do the following with regards to mining sector tax audits:
 - (a) **Tax Issues Identification. i.e. assist the LRA Audit team to;**
 - Identify potential tax issues or problems
 - Determine the underlying reasons/motives for such tax issues
 - Use relevant approaches/systems to determine taxes due
 - (b) **Tax Issues Development. i.e. assist LRA Audit Team to;**
 - Build on the tax issue identified, follow it through and determine tax consequences thereon
 - Ask the right questions for the purposes of conducting quality audits,
 - Analyse the responses from the Taxpayers,
 - Analyse the Taxpayers records effectively,
 - Request the relevant records/ documents.

The above services are to be provided to LRA from **July 2018 to July 2019**. The Lesotho Revenue Authority now invites eligible consultants to indicate their interest in providing these services. Interested consultants must provide information indicating that they are qualified to perform the services. Eligibility criteria, establishment of the short-list and the selection procedure shall be in accordance with the Procurement Policy and Methodology for the African Development Bank Group Funded Operations, dated October 2015, which is available on the Bank's website at <http://www.afdb.org>. Interested consultants may obtain further information at the address below during office hours **08:00 hours to 16:30 hours**. Expressions of interest must be delivered to the address below by **08 June 2018 at 16:30** and mention **An Individual Consultant for capacitation of LRA Auditors and Investigators on mining sector**.

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