



Lesotho Revenue Authority

Annual Report 2012 – 2013





The large taxpayer department offices at Maseru Mall

Vision, mission and objectives



VISION

To be a Leading Performance Oriented Revenue Administration Characterised by Integrity, Innovation and Service Excellence.

MISSION

To collect revenue through:

- a capable and motivated workforce
- efficient and effective business processes
- strong and sustainable relationships with stakeholders

STRATEGIC OBJECTIVES

In order to deliver on its mandate and to work towards attainment of its vision, the Authority has identified following strategic objectives to focus on:

1. **Revenue Optimisation:** *To collect all revenues rightly due under the Revenue laws of Lesotho.*
2. **Capable and Motivated Workforce:** *To focus on continuously developing and motivating the LRA workforce as an important resource for achieving the ambitions of the LRA as contained in the Vision and Mission Statement.*
3. **Service Excellence:** *To provide service that meets our valued taxpayers in regard to speed, transparency, reliability and dependability. Taxpayers must find it easy to do business with LRA.*
4. **Organisational Sustainability:** *To enhance the robustness of the LRA and ensure sustained good performance for the foreseeable future.*
5. **Enhance Compliance:** *To improve the capacity of the LRA in the combat of tax evasion and to continuously educate and publicise the business of the LRA in order to promote voluntary compliance.*
6. **Strong and Sustainable Stakeholder Relationships:** *To enhance the robustness of the relationships of the LRA with taxpayers and other stakeholders.*

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LRA off-site storage facility was established to store physical files and backups

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Staff members at the one-stop Business Facilitation Centre which seeks to simplify trade

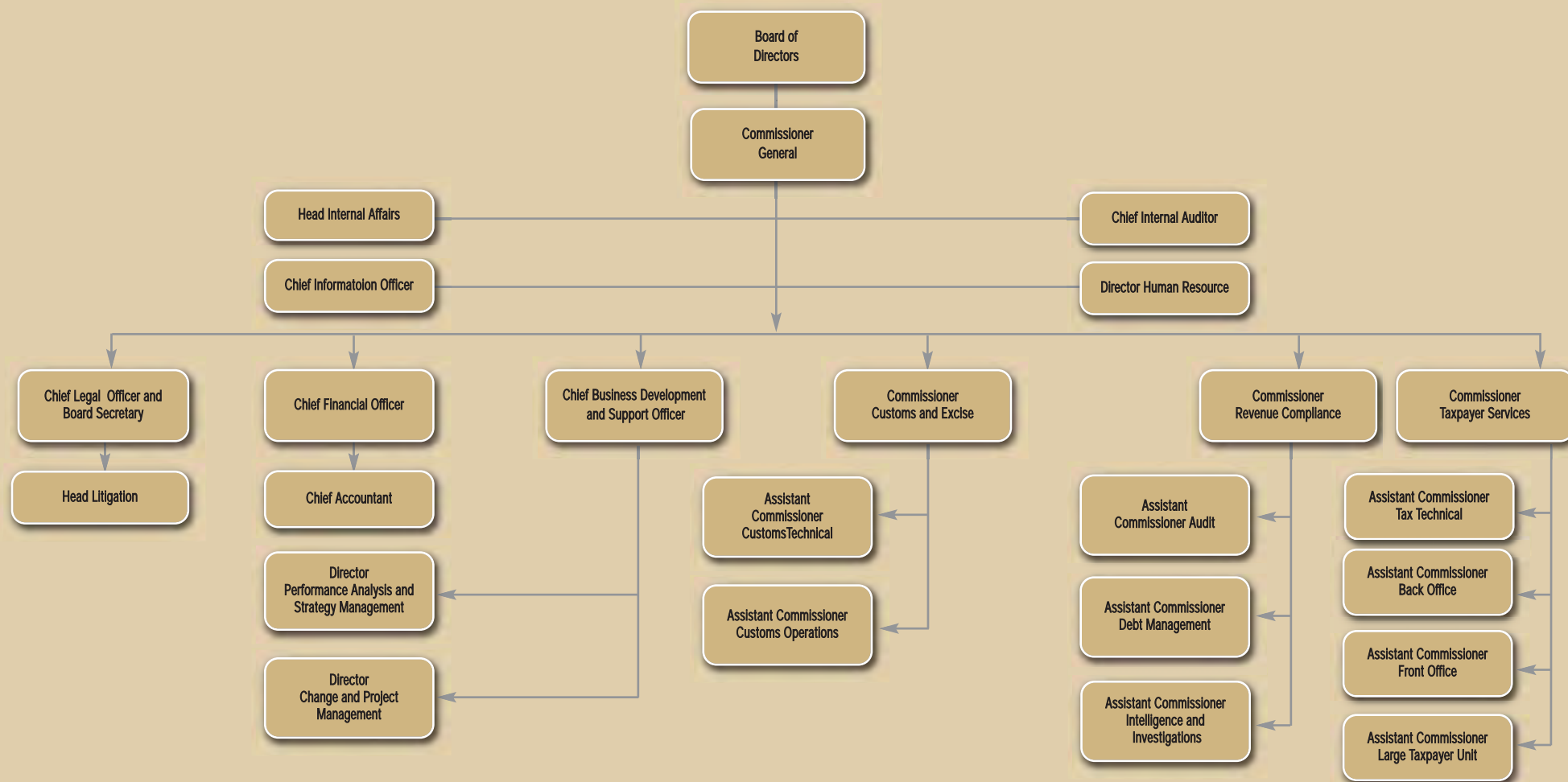


Scanning of files into electronic documents allows LRA to have a single of view of Taxpayers records



The construction of staff housing facility at Caledonspoort Border Post

Organisational Structure



Board of Directors



Mr Thabo Letjama
(Commissioner General)



Mr Tseko Bohloa
(Chairperson)



Adv Mamotselisi Khiba



Mrs Neo Phakoana Foulo



Mr Hlompho Mpeta



Mr Bohlale Phakoe



Mrs Motena Tsolo

Senior Management



Mr Thabo Letjama
Commissioner General



Mr Borocho Matsoso
Assistant Commissioner
Intelligence and Investigations



Mr Tsepo Raletsoane
Assistant Commissioner
Front Office



Mr Ithuteng Pefole
Director Change and Project
Management



Mrs Idia Penane
Chief Information Officer



Mr Nthako Sekome
Commissioner Revenue
Compliance



Mr Moneuoa Kopo
Head Internal Affairs



Mr Litsebe Jimson
Chief Business and
Development Support Officer



Ms Mosonngoa Monkhi
Assistant Commissioner Audit



Adv Realeboha Mathaba
Head Litigation



Mrs Maleshoane Morakabi
Commissioner
Taxpayer Services



Dr Seth Macheli
Chief Legal Officer and Board
Secretary



Mr Pule Chere
Assistant Commissioner Debt
Management



Mr Reemetsoe Mohanoe
Assistant Commissioner
Back Office



Mr Rethalibe Makhese
Assistant Commissioner
Customs Technical



Mrs Makali Lepholisa
Assistant Commissioner
Customs Operations



Mr Abiel Mashale
Assistant Commissioner Large
Taxpayer Services



Ms Kabanyane Tladi
Chief Accountant



Mrs Ntefeng Tsiboho
Chief Internal Auditor



Mr Mangangole Tsikinyane
Chief Finance Officer



Mr Retsilisitsoe Motsoeneng
Director Performance Analysis
and Strategy Management



Mr Thabo Moleko
Commissioner Customs
and Excise



Mr Setsoto Ranthochoa
Assistant Commissioner Tax
Technical

Highlights

- **LRA Exceeded Revenue Targets:** The LRA exceeded its revenue targets by M33.7 million.
- **Organisational Structure Alignment to Strategy (OSAS) Project:** The LRA continued the implementation of the OSAS project which commenced in the previous year. During the review period, the project gained momentum ending the year with the completed placement of the Executive Leadership Team members into the new organisational structure.
- **LRA Automation Programme:** The LRA kicked off its automation programme in the review period which encompasses seven (7) automation projects. In the review period, the projects were all kicked off and are all in progress as at the end of the year.
- **The Customs Modernisation Programme:** The LRA also initiated the Customs Modernisation Programme covering the administrations of trade, revenue collection, border management and security, whose aim is to better contribute to the economic development of Lesotho.
- **The LRA's 10th Anniversary Celebrations:** The launch of the 10th Anniversary Celebrations marked a series of activities geared towards celebrating the milestones achieved by the Authority in its ten (10) years of existence.
- **The LRA Tax Talks with the Chinese, Indians and the High Income Earners:** In order to build strong and sustainable relationships with

various taxpayer groupings through dialogue and engagement on mutual challenges, the Authority ran a series of tax talks with the various taxpayer communities during the year.

- **The LRA carries the Third Customer Satisfaction Survey:** In its quest to serve the taxpayer better, the Authority undertook its third Customer Satisfaction Survey and an Internal Climate Survey. As at the end of the year, the findings were discussed with various stakeholder groupings in preparation for compilation of the final report.

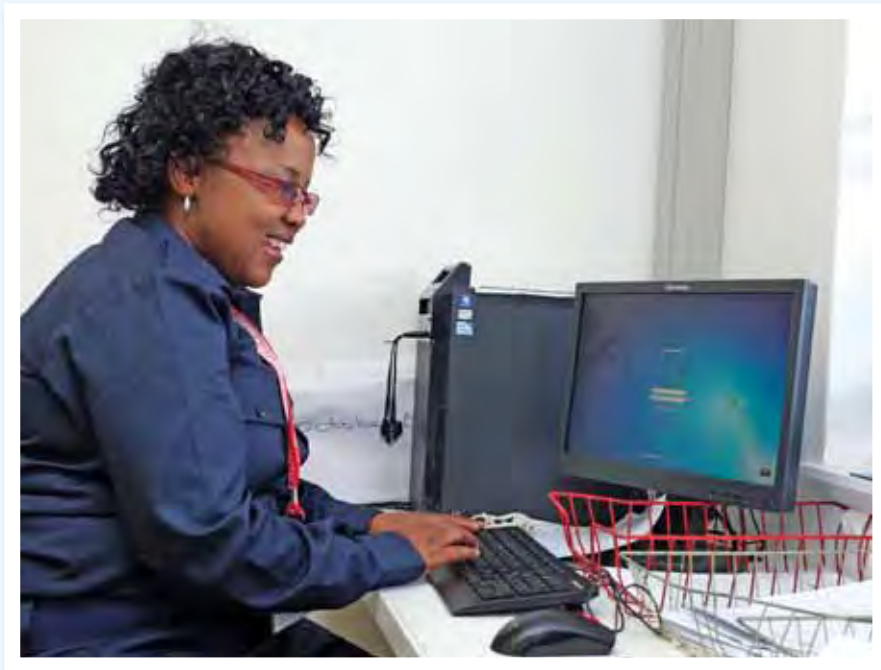


LRA launched data cleansing project to improve data management capability within the Authority



Vehicles rent out space at LRA's stateware house while awaiting customs clearances

List of abbreviations



CAT	Certified Accounting Technician
CCES	Centre for Customs and Excise Studies
CIT	Company Income Tax
CG	Commissioner General
EA	Enterprise Architecture
EPA	Economic Partnership Agreement
ESA	Eastern and Southern Africa
ETPM	Enterprise Tax and Policy Management

EU	European Union
EXCO	Executive Committee
GDP	Gross Domestic Product
GNI	Gross National Income
GOL	Government of Lesotho
IRMS	Integrated Revenue Management System
IVCT	Import VAT Credit Facility
LCCI	Lesotho Chamber of Commerce and Industry
LRA	Lesotho Revenue Authority
MGC	Matekane Group of Companies
MOET	Ministry of Education and Training
MOU	Memorandum of Understanding
NCS	New Cashiering System
NUL	National University of Lesotho
OSAS	Organisational Structure Alignment to Strategy
OTA	US Treasury Overseas Technical Assistance
PABX	Private Automated Branch Exchange
PAYE	Pay As You Earn
RCF	Revenue Commissioners Forum
RILO	Regional Intelligence Liaison Office
SACU	Southern African Customs Union
SADC	Southern African Development Community
SAPS	South African Police Service
SARS	South African Revenue Services
SRA	Swaziland Revenue Authority
TISA	Tobacco Institute of South Africa
TRS	Time Release Study
UNCTAD	United Nations Conference on Trade and Development
VAT	Value Added Tax
WCO	World Customs Organisation
ZRA	Zambia Revenue Authority

Corporate profile



Mandate

The Lesotho Revenue Authority (LRA) is an operationally autonomous body that was established by the Lesotho Revenue Authority Act No. 14 Of 2001 to be the:

***“Main body responsible for the assessment and collection, on behalf of the Government, of specified revenue;
for the administration and enforcement of laws relating to such revenue and for related matters.”***

The Authority, which became operational in January 2003, incorporates the functions of the old Income Tax, Customs and Excise and Sales Tax Departments. The LRA was established to enhance the efficiency and effectiveness of revenue collection and to provide an improved service to the public.

The Authority is required to maintain the highest standards of financial integrity and corporate governance.

Despite operating outside the framework of the Civil Service, as a public institution the Authority is fully accountable to Parliament through the Honourable Minister responsible for Finance.

The Authority is governed by a Board nominated by the Honourable Minister responsible for Finance and it is headed by a Chief Executive known as the Commissioner General.



The LRA in partnership with Nedbank Lesotho awards students for best essay writing on economic issues during the Post Budget Dinner

Taxpayer Charter

We commit to providing our customers with:

- Efficient, effective and timely professional advice and service.
- Courteous treatment, rendered in the spirit of mutual respect.
- Clear and concise information and educational materials, so that taxpayers are aware and understand their legal obligations.
- Fair and impartial treatment, delivered to all without preference or favour.
- Confidentiality and integrity in ensuring that taxpayer information is used only for the purposes allowed by Law.

In exchange, LRA expects the following from all taxpayers:

- Full compliance with all legal tax obligations.
- Honesty and integrity in providing accurate and complete information.
- Timely filing of returns and payments of all taxes due.

In the interests of transparency and good governance, you have the right to:

- Request an explanation of any tax decision.
- Object to and appeal any tax decision.

- Request for advice on the procedures to be followed in lodging an objection or appeal.
- Insist on knowing the name and identification number of the person serving you



LRA's Stateware House is used for storage of goods while awaiting Customs clearances



LRA launched its 10th Year Anniversary Celebrations in January 2013

The Board Chairperson's Statement



Mr Tseko Bohloa

The global economic situation is still unsettling. The demand lessened for precious metals like diamonds due to an economic slowdown, especially in the Euro Zone. These had an impact of suppressing revenues

from the mining sector, which is a significant contributor to Corporate Tax. On the other hand, and coming closer to home, construction of Maseru Mall and extension of Pioneer Mall impacted positively on the collection of VAT. The continuing construction of Roma-Semonkong – Qacha's Nek road continued to contribute towards an increase in the collection of VAT.

The current reporting period marks the second year of the new LRA Strategic Plan, starting from 2011/12 and ending on 2013/14. In the current year, the following are among the key achievement against this three year plan.

- The restructuring process in LRA culminated in the placement of the new Executive Leadership Team by the end of the financial year.
- The tenders for the Integrated Revenue Management Information System were awarded to UNCTAD and TATIS for the Customs and Tax automaton components respectively, and implementation of the new system has already started.
- The implementation of the Alfresco Electronic Records Management System started, and records are being back scanned at a temporary off site facility.
- The Authority with the assistance of the World Bank and cooperation from SARS, launched a Customs Modernisation Strategy, from which ensued the Customs Modernisation Program (CMP).

This period also is the 10th year of LRA existence since its inception in January 2003. Over the last ten years, the LRA has been able to increase revenue collection from M2 793.7 billion to M9 433.4 billion per annum. In the

current reporting period, the Authority collected and remitted M3 995.4 billion in Income taxes and VAT, while the remaining M5 438 billion came from the SACU revenue Pool.

The above are but some of the achievement of the last financial year. The road to attainment of results for this year was not without challenges. From a governance perspective, the Chairperson of the Board, Adv. Thabo Makeka KC passed away. He left the Board that is well vested in governance and which continued to keep the organisation on the path of the achievements reported here.

The ability of the Government of Lesotho to stimulate and grow the economy, and to also provide for the needs of Basotho, to a large extent depends on its ability to collect tax from its citizens. With the revenues that the LRA has collected over the years, the Government has been able to provide for public services, develop public goods and infrastructure and improve on social benefits to vulnerable members of our society.



The Board Chairperson's Statement

As we celebrate the successes of the past, we also are cognizant of the fact that many challenges lie ahead. The current tax code has to be reviewed to ensure that it addresses the latest development both in the local economy and internationally. Many taxpayers are within the informal sector, and require some deliberate effort to be set in place to ensure that they graduate from informality and join the formal sector. Efforts will also have to go towards development of a proper tax code for those who remain in the informal sector, so as to promote fairness and in-

tegrity of the tax system in Lesotho.

A special word of thanks goes to the Government of Lesotho, through the Honourable Minister of Finance and the Principal Secretary for the Ministry of Finance, for their support and policy guidance.

I also thank all our registered and paying taxpayers for their compliance and making the successes reported herein possible.

The World Bank, the IMF and the US Treasury OTA, are worthy of our praise for their support to various initiatives aimed at enhancing compli-

ance and improving service to the Taxpayers.

The Commissioner General, his Executive Leadership Team and all the LRA staff, are worthy of a mention for the hard work, dedication and commitment to serve their nation, and achieving results reported here. I implore them to keep up the good work of mobilising resources for the growth of Lesotho.

Mr Tseko Bohloa

LRA Board Chairperson



The temporary border control facility at Caledonspoort Border Post

Foreward from the Commissioner General



Thabo Letjama

In 2012/13, the Authority launched several programmes and projects to further its modernisation initiative so that it can serve Taxpayers better and also enhance compliance to tax laws. The automation initiatives that started during the year, are implementing the long term recommendations from our business process re-engineering initiative, which we started few years back as part of our Enterprise Architecture Program.

Further to the automation initiatives, the Authority continued with the alignment of the organisational structure to the strategic intent. This project took most of the time of the Board, management and staff. It is gratifying to note that as at the end of the year, and following a long journey of consultations, the new Executive Leadership Team is on board and has started work in their new divisions.

The changes we brought about disrupted busi-

ness as usual. Some of them created anxieties to staff, ensuing from uncertainty on where people will be in the new world after the structure review exercise. Yet against this background, it is with pride and gratification that I report here that the Authority still managed to exceed the set overall targets by M33.7 million. Whereas VAT exceeded its targets by M238.7 million, Income Tax fell below targets by M 205.0 million. Various compliance management initiatives, including various enforcement initiatives, were carried out by the Authority during the year to ensure timely payment of the right amount of tax due to the Government of Lesotho.

Realising that 2013 is the tenth year of the existence of the LRA in operation, we launched the 10th Anniversary Celebrations during the year under review. The launch marked the start of a series of activities geared to celebrate and brand the LRA as a responsible corporate citizen. The commemoration themed, "Celebrating 10 Years Of Building A Better Lesotho", also saw the Authority launch various activities that would support vulnerable members of our community.

The above achievements and many reported in this report, are driven by our commitment to

make a difference in the lives of Basotho. We strongly believe that with the taxes we collect, we help Government to provide for the needs of our fellow countrymen. Challenges still lie galore going forward. We have to continue implementing our huge portfolio of organisational development projects, and we still have to bet in OSAS, while we have to ensure that revenue targets are exceeded. These make up for an exciting year to look forward to.

I wish to join the Board chair in thanking the Government of Lesotho, for the financial support and policy guidance they afforded us during the year.

Without the leadership, encouragement, and support of the Board, results reported in here would have been impossible. We therefore remain grateful for the guidance that the Board gave, and its availability to address issues as and when they came during this year, which was very demanding on them.

The taxpayers put aside their hard earned money to contribute towards building a prosperous and better Lesotho. We thank those who have registered, filed and paid their dues. We stand tall today because of their contribution. I



Foreward from the Commissioner General

would also implore those who have not yet joined the cause to start paying their fair share: it is only patriotic and right to do so.

I am humbled by the LRA people: management and staff. They worked hard during the year to ensure that once again, the Government received more than it expected of us to collect. I am grateful for their commitment and performance, which have both defied the hard realities that we faced and transcended the bounds of duty. Many of our staff also celebrated 10 years of making a difference with us in this year. I am without words in thanking them for their loyalty and also for making their strong contribution in making our organisation what it is today. I look forward to seeing them serve this organisation for many more years to come.

To all our partners, the law enforcement agencies, Heads of Border Agencies, Government Ministries and the LRA-Business Partnership Forum, we remain grateful for their support, for without them, our goals would have been impossible to achieve.

Thabo Letjama
Commissioner General



Lesotho Chamber of Commerce and Industry presented an award to the Commissioner General for LRA's contribution towards changing the lives of the less privileged citizens through its corporate social investment initiatives

Performance Overview

Revenue Optimisation

During the period under review, the LRA remitted M3, 995.4 million against the set target of M3,961.7 million, hence exceeding the target by M33.7 million. This section provides highlights of the LRA's revenue collection performance in the 2012/13 period.

Figure 1 below depicts the quarterly performance.

Figure 1: Combined remittances against the target in 2012/13 by quarters (Million Maloti)

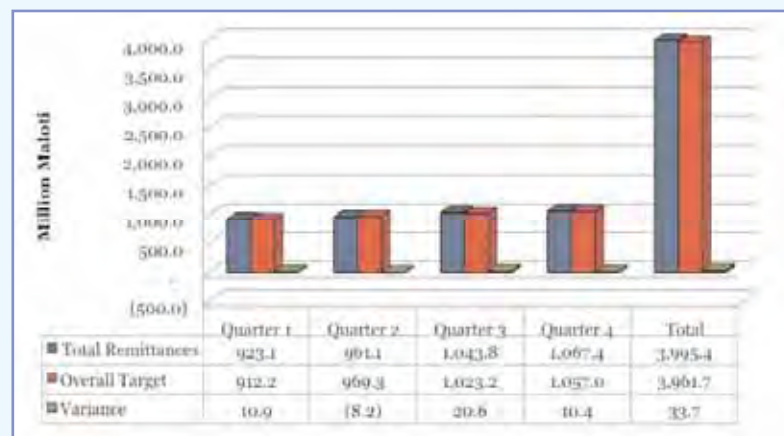
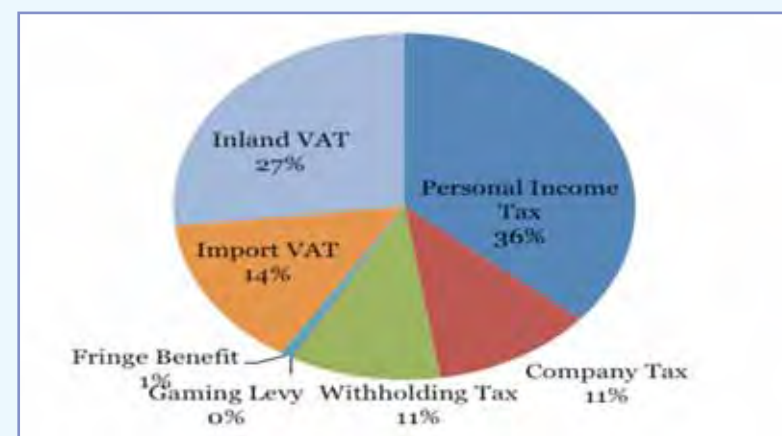


Figure 1 above shows performance of overall remittances per quarter for the last financial year and depicts that overall targets were exceeded in each quarter except in quarter 2.

Figure 2 shows the share of each tax component accumulated over the reporting period.

Figure 2: Revenue composition by tax component in 2012/13



According to Figure 2, the largest contributor was Personal Income Tax with 36 per cent contribution, followed by Inland VAT contributing 27 per cent.

1.1 : Income Tax Performance

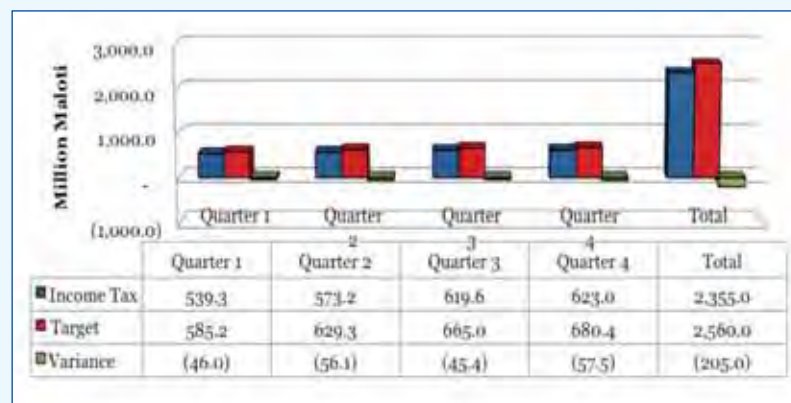
Income Tax struggled throughout the financial year to meet the quarterly targets as illustrated by Figure 3 below which displays quarterly Income Tax remittances against the set targets.

As depicted in figure 3, Income Tax under-performed in all quarters of the year. The overall under-performance for Income Tax was M205.0 million for the year. One of the contributing factors to this sluggish performance was the Government wage bill that was below expectations.

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Another factor was that the Mining and Quarrying Industry, an all-time major contributor to Company Income Tax (CIT), performed below expectations due to a plummet in diamond sales as a result of the low world diamond prices in the international markets.

Figure 3: Income Tax Remittances in 2012/13 (Million Maloti)



1.2 VAT performance

VAT performance has been exceptionally strong throughout the review period recording a surplus of M238.7 million as shown in Figure 4.

Figure 4: VAT remittances in 2012/13 (Million Maloti)

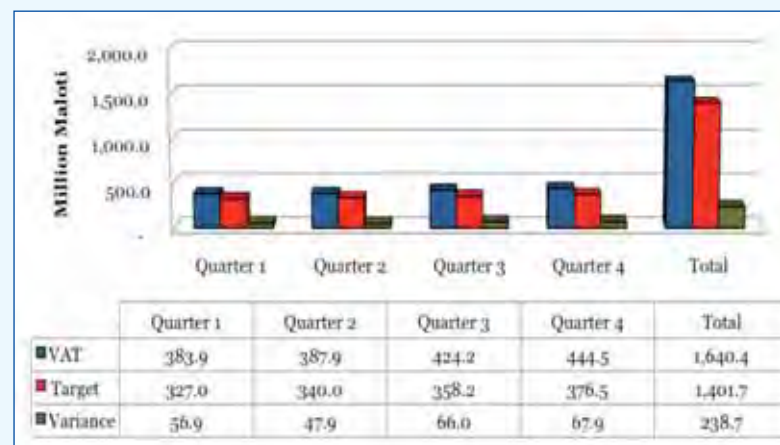


Figure 4 above shows that VAT collections exceeded the target in each and every quarter of the financial year. At the end of the Year, VAT Exceeded targets by M238.7 million.

This performance was attributed to efforts and strategies undertaken by the Authority to collect all taxes due to the Government. In addition, the economy as measured by the Gross National Income (GNI) grew by 4.7 per cent recently, thereby stimulating consumption. Increased consumption resulted in more VAT collections.

The construction of the two (2) shopping malls in Maseru City and that of the Roma-Semonkong-Qacha's Nek road also had a huge impact on VAT performance. Increase in construction activities directly led to a chain reaction in the retail components of Hardware & Furniture, the manufacturing of Bricks & Sands, and the Transport Sector.

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1.3 Customs and excise duties

Customs and Excise revenue has increased to M5 438.0 million in 2012/13 from M4 103.0 million in the last financial year. Income Tax and VAT revenues have been increasing steadily since the establishment of the Authority. Table 1 below depicts the remittances for each of the three (3) types of taxes administered by the Authority.

Table 1: Remittances by Revenue Source 2003/04 to 2012/13 (Million Maloti)

Year	Customs & Excise	Income Tax	VAT	Total
2003/04	1,421.7	852.5	519.5	2,793.7
2004/05	2,012.5	920.1	678.3	3,610.9
2005/06	2,306.3	924.6	655.6	3,886.5
2006/07	2,781.2	973.1	714.6	4,468.9
2007/08	3,822.3	1,221.4	847.9	5,891.6
2008/09	4,901.1	1,542.7	987.7	7,431.5
2009/10	2,911.9	1,780.3	1,035.0	5,727.2
2010/11	3,571.6	1,995.6	1,281.2	6,848.3
2011/12	4,103.0	2,401.2	1,369.6	7,873.8
2012/13	5,438.0	2,355.0	1,640.4	9,433.4

As shown in Table 1 above, remittances of revenues to the Government of Lesotho (GOL), increased more than threefold from M2,793.7 million in 2003/04 to M9,433.4 billion in 2012/13.

Table 2 below shows the percentage breakdown of total remittances by revenue type. It shows for each of the last ten (10) years, what percentage Customs Duties, Income Tax and VAT form of the total tax revenue remittances to GOL.

Table 2: Remittances by Revenue Source (in percentages) 2003/4 to 2009/10

Year	Customs & Excise	Income Tax	VAT	Total
2003/04	50.9	30.5	18.6	100
2004/05	55.7	25.5	18.8	100
2005/06	59.3	23.8	16.9	100
2006/07	62.2	21.8	16.0	100
2007/08	64.9	20.7	14.4	100
2008/09	66.0	20.8	13.3	100
2009/10	50.8	31.1	18.1	100
2010/11	52.2	29.1	18.7	100
2011/12	52.1	30.5	17.4	100
2012/13	57.6	25.0	17.4	100

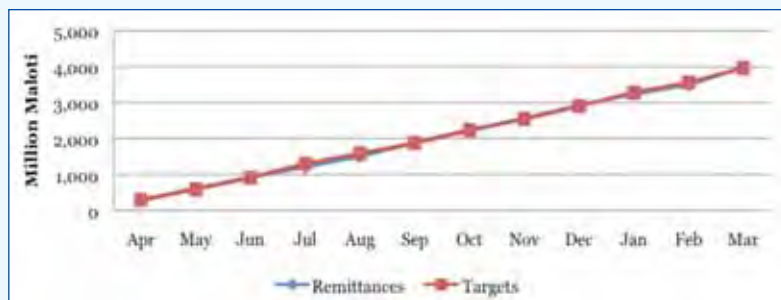
As shown in Table 2 above, Customs and Excise duties account for over half of the total revenue to GOL. Considering the volatility of this revenue, and an expectation that it shall decline with time, the LRA's major challenge is to enhance collection of other domestic taxes to make up for the reduction in this type of revenue.

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1.4 Overall cumulative remittances

The overall cumulative remittances were lagging behind targets but managed to perform above the cumulative target in the last quarter of the financial year as illustrated by Figure 5 below.

Figure 5: Overall cumulative remittances by months in 2012/13 (Million Maloti)



As shown in Figure 5 above, the actual remittances exceeded targets by almost 1 per cent.

Figure 6 illustrates that revenue collection increased from M1,372.0 million to M3,995.4 million since the LRA inception in 2003/04 to date. This amounts to a 192 per cent increase. The ratio of tax revenue to GDP, on the other hand, declined by one percentage point from 19.8 per cent in 2003/04 to 18.8 per cent in 2012/13.

Figure 6: Tax Revenue Compared to Tax Revenue as Percentage of GDP - 2003/04 to 2012/13 (Million Maloti)

As shown in Figure 6, revenue collection started increasing in 2006/07, and it has been increasing steadily since then. As a percentage of GDP, revenue slowed down to 18.8 per cent in the current year, from 19.8 per cent in the

previous year. One of the drivers for this performance is exemptions from tax of some development projects expenditure.

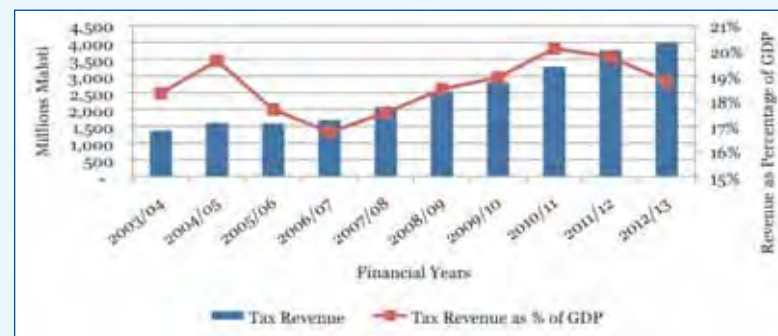


Figure 7 below demonstrates the revenue collected and the cost of collecting that revenue over the previous five (5) years. This cost is calculated by dividing the cost of internal operations by the total tax revenue and is an indicator of the efficiency in collecting tax revenue.

Figure 7: Cost of revenue collection - 2005/06 to 2011/12 (Million Maloti)





Delegates who attended the International Customs Organization Forum aimed at exchanging information relating to customs crime and violation of customs regulations



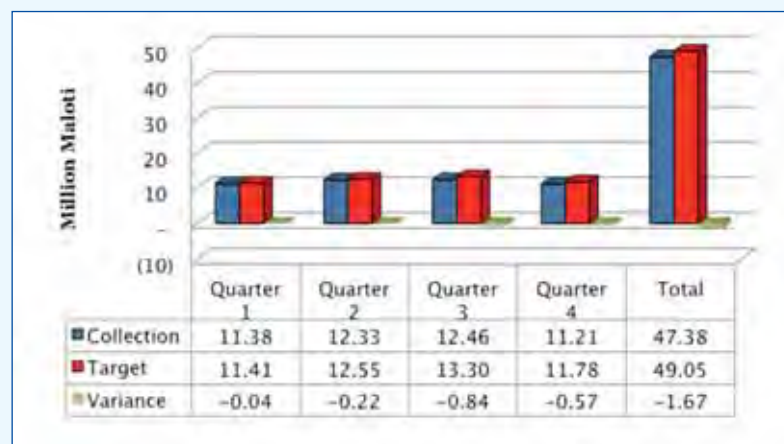
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In the financial year 2007/08 and 2008/09, LRA appears to be cost effective since it managed to raise tax revenue at the same cost. After the financial year 2008/09 to 2010/11 the increase in tax revenue was achieved at an increased cost. In 2011/12 financial year, the efficiency increased sharply as the cost of collecting M3,770.7 million declined from 3.8 per cent to 1.9 per cent. This ratio compares well with those of other low income countries like Lesotho.

1.5 Non-tax revenue collection

The LRA also carries out the collection of toll fees on behalf of the Road Fund. Figure 8 shows toll fee collections in 2012/13 vis-à-vis the set targets. As the figure shows, toll fee collections are marginally below the overall target.

Figure 8: Toll fee collections in 2012/13



As shown in Figure 8, the remittances of toll fees were M1.67 million below target. This is largely due to decreased traffic at the border subsequent to the opening of the two malls in Maseru. This coupled with long queues at the border, has resulted in decrease in numbers of people shopping in the neighbouring towns of South Africa.

1.6 Revenue implications of tax relief measures

During the period under review, the Government implemented the following measures to provide tax relief:

- The threshold from which a person will start paying tax was increased from an annual salary of M22,778 to M26,160 and the high income tax bracket threshold was increased from M40,368 to M48,744. The impact of this was revenue forgone of M114.7 million;
- Tax collections from terminal benefits in 2011/12 amounted to M29.7 million, while those collected in 2012/13 amounted to M17.7 million. This resulted in a decline of M12.0 million (40 per cent) as revenue forgone.
- Various exemptions tax expenditure in the form of exemptions, and tax incentives continued to be provided during the year. The cost of these exemptions is not yet quantified.

The overall quantified revenue decline arising from the tax relief amounted to M126.7 million.

2.0 CAPABLE AND MOTIVATED WORKFORCE

LRA people are its most important asset. In order to improve the capability of the LRA people and unleash their potential, the LRA launched the following initiatives to ensure that its people are capable and motivated to serve.

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2.1 Customs Supervisory and Management Course

In an endeavour to professionalise Customs, the LRA signed a Memorandum of Understanding (MoU) with the Kenya based Centre for Customs and Excise Studies (CCES) of the University of Canberra. The launch of the MoU was marked by a two-week training course on Customs Supervisory and Management Skills wherein a total of 30 customs officers successfully completed the course. The course was aimed at enhancing the participant's skills as leaders and team players in the Authority while also developing them as future leaders within the Authority.

2.2 Training on Border Security

Fifteen (15) customs officers received training on Border Security Procedures in August 2012. The training was organised under the auspices of a joint initiative between the Governments of the United States of America and the Republic of South Africa.

The training was delivered to the border agencies, namely; Customs and Excise, the Lesotho Mounted Police Service (LMPS), the National Security Service (NSS) and the Immigration Department. The training offered skills in sourcing support from relevant stakeholders to participate in combating harmful and illicit trade.

2.3 Customs Staff Attend a Training Course in China

In November – December 2012, nineteen (19) customs officers attended training on Customs Management at the Shanghai Customs College in China. The aim of the course was to equip the participants to gain general understanding of how China Customs operates and how it has transformed through the past decades. This knowledge is crucial in supporting the current Customs Modernisation Programme.

2.4 Organisational Structure Alignment to Strategy Project (OSAS)

In 2011-12, the LRA commenced its Organisational Structure Alignment to Strategy (OSAS) project which is aimed at aligning the LRA's organisational structure to the strategic intent of the organization.

Table 3 below shows the new divisions of the Authority and the new heads of those divisions.

Table 3: New Divisions and New Divisional Heads

Division	Executive Head title	Name of holder.
Customs Operations	Commissioner Customs Operations	Mrs. Makali Lepholisa
Domestic Taxes	Commissioner Domestic taxes	Mr. Thabo Moleko
Enforcement	Commissioner Enforcement	Mr. Realeboha Mathaba
Finance	Chief Financial Officer	Mr. Mangangole Tsikinyane
Planning and Modernisation	Chief Planning and Modernisation Officer	Mrs. Idia Penane
Corporate Services	Chief Corporate Services Officer	Mrs. 'Manneheng Mopeli
Assurance Services	Chief Assurance Services Officer	Mrs. Ntefeleng Tsiboho
Human Resources	Chief Human Resources Officer	Ms. Mphamo Tente
Legal and Policy	Chief Legal and Policy Officer	Dr. Seth Macheli



Thirty Customs officers attended Customs Supervisory and Management Course facilitated by the Kenya Based Centre for Customs and Excise Studies (CCES) of the University of Canberra

The Report

The new structure has enabled the Authority to also achieve the following key design principles:

- i) Segmentation of the taxpayer population into Small, Medium and Large. The Domestic Taxes boast these three divisions plus the taxpayer services department.
- ii) Establishment of dedicated enforcement unit to ensure effective compliance management.
- iii) Similar functions have been put together for synergy and elimination of duplications of effort. This also enables the Authority to have a single view of the taxpayer.
- iv) Establishment of Project Management Office (PMO) for effective management of LRA business development initiatives through better coordination of initiatives and better allocation and control of resources.
- v) To an extent possible, assigned accountabilities to key processes to one process owner for accountability purposes.

3.0 SERVICE EXCELLENCE

The section covers initiatives that are meant to improve our service offering to the taxpayer.

3.1 The Customer Satisfaction Survey

In order to improve service delivery, the LRA conducts periodic customer satisfaction surveys which are aimed at obtaining feedback from the taxpayers and other stakeholders on their level of satisfaction with services provided by the Authority. This is always run concurrently with an internal climate survey, as it is the Authority's belief that an internal climate determines the level of service provided to clients. The findings of the survey are being work shopped with various stakeholders in preparation for publication of the final report.

3.2 The LRA Automation Programme

Pursuant to the launch of the Business Process Management (BPM) Programme, where nine (9) key processes within the Authority were re-engineered in the previous year, the LRA subsequently commenced the implementation phase of its Automation Programme. The programme comprises the following sub-programmes and projects:

3.2.1 Integrated Revenue Management System (IRMS)

This project is aimed at developing a system that shall integrate customs and tax system into seemingly one system that shall provide for a single view of the taxpayer across the entire business.

3.2.1.1 Tax Automation:

The Tax Automation Project commenced in the third quarter of the year under review with the implementation of the Oracle Enterprise Tax and Policy Management (ETPM) system. The first module to go live will be the registration module, which is currently being piloted internally and is scheduled to go live to the public in the 2013/14 financial year. The processing of VAT within the system is expected to take place in the first quarter of the 2014/15 financial year followed by Income Tax processing later on in the year.

The ETPM system is positioned to ultimately replace the current VIPS+ system within the LRA but in a phased approach. The final cutover from the VIPS+ system to the ETPM system is only planned for the 2014/15 financial year. This long cutover period has created a necessity for the Authority to continue to stabilise and enhance the VIPS+ system to ensure that it meets increasing business requirements.



LRA sponsors Merit Awards Targeting Top Tertiary students

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3.2.1.2 Customs Automation:

During the period under review, the LRA also awarded the contract for the implementation of the Automated System for Customs Data (ASYCUDA) to the United Nations Conference on Trade and Development (UNCTAD). The project will be kicking off officially in the first quarter of the 2013/14 financial year.

3.2.1.3 Electronic Records Management:

In the review period, the Authority kicked off the implementation of the Alfresco Records Management system. The Project is aimed at reducing the handling of paper within the Authority in order to secure the integrity of physical taxpayer records. During the review period, the following progress was made:

- i) The digitisation of all LRA taxpayer records through Back-Scanning. The scanned images will be accessible to LRA staff through their computers. One million out of a targeted five (5) million records have been scanned to date; and
- ii) An off-site storage facility has been established for all LRA archived records. The special facility, which has been built in accordance with Records Management best practice, is currently housing all the archived LRA records for safe-keeping.

3.2.2 Data Cleansing:

During this period, the LRA continued to carry out its data cleansing initiative. The initiative is aimed at cleansing taxpayer data contained within the LRA systems as well as establishing a Data Management capability within the Authority. A system has been

implemented in this regard and is currently being used to cleanse taxpayer information. To-date nearly 15, 000 taxpayer information records have been cleansed to varying degrees. Data Management policies, procedures, and templates have been developed and are currently being institutionalised. This capacity building shall be on-going as the Authority strives to ensure the integrity of data stored within the organisation.

3.2.3 Customs Scanners:

In order to increase the efficiency and effectiveness of the Customs inspection process, the Authority commenced the process of procuring and implementing non-intrusive scanning technology. In the review phase, the project carried out the identification of the business requirements, as well as the tendering process. The project is further intended to establish a variety of scanning technologies which will improve inspection country-wide, such as mobile scanners, baggage scanners, and fixed scanners. Currently various bids that were submitted are being evaluated.

3.2.4 LRA Network Upgrade Project:

In a bid to reduce the burden of compliance on taxpayers through the decentralisation of services, the LRA continued the network upgrade project which is aimed at ensuring that the LRA's networking infrastructure is able to support this decentralisation. This will allow for the services to be taken closer to the taxpayers and pave the way for future initiatives aimed at reducing the burden of compliance; such as taxpayer self-service and online filing. In the period under review, the network links to the LRA Training Centre, the new Project Office at the MGC building, the five (5) commercial border-posts, and the freight stations have been upgraded to allow for the imminent deployment of systems to those areas.



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3.2.5 Private Automated Branch Exchange (PABX) System Upgrade:

In order to reduce the cost of communication within the Authority whilst at the same time increasing the effectiveness and efficiency of such communication, the Authority continued the implementation of its PABX upgrade project. In the review period, the new hardware, including upgraded phone sets, were deployed to the LRA Headquarters, the Training Centre, and the Maseru Bridge. These areas shall act as a test-bed for the deployment of the new system to the rest of the satellite offices, which shall take place in the 2013/14 financial year.

3.2.6 New Cashiering System (NCS) Expansion:

During the review period, the LRA continued the implementation of the enhanced cashiering system. The system was rolled out to the five (5) border-posts and the LRA Headquarters. It is envisaged that it will be rolled-out to the freight offices in the next financial year. The System will help reduce the administrative overheads and process bottleneck of managing the two (2) disparate systems which perform related functions. It will also help curb loss of revenue by increasing system security and data integrity.

3.3 Large Taxpayer Department Offices at the Maseru Mall

In order to improve service to the large taxpayers and improve their compliance, the Authority has secured an office space for the Large Taxpayers Department at the Maseru Mall. The new offices are expected to house functions that include the Enquiries and Assistance; Returns and Processing; Refunds Processing; Collection and Debt Management; Audit and Records Management.

The new offices will amongst others provide enough space for service

points and ensure a responsive service to diverse taxpayer needs. It shall also relieve Finance House of traffic and make it easy to access by other taxpayers.

4.0 ORGANISATIONAL SUSTAINABILITY

4.1 The LRA's 10th Anniversary Celebrations

4.1.1 The Internal Launch

The LRA kick-started the celebrations for its 10th Year Anniversary with an internal launch that took place in December 2013.

The launch marked the start of a series of activities geared towards creating awareness on the Authority's mandate and the importance of that mandate to state building.

The commemoration aims to celebrate the milestones achieved by the Authority in its ten (10) years of existence. The celebrations are also geared to reposition the brand and enhance the profile of the Authority as well as intensifying taxpayer education.

The 10th Year Anniversary theme, is Celebrating 10 Years Of Building A Better Lesotho, which resonates well with LRA's commitment to building a better Lesotho.

4.1.2 The External Launch

The external launch of the LRA 10th Anniversary campaign was celebrated in an event organised for the external stakeholders on 23rd January, 2013. The unique formal and red carpet event was attended by the Deputy Minister of Finance, the senior Government officials, the business community, and the LRA senior management.

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4.1.3 The Customs Modernisation Programme

The Customs Strategy that was developed in May 2012 was approved along with the ensuing Customs Modernisation Programme in July 2012. The Programme, initially called the LRA/SARS Cooperation Project, will deliver a fully modernised customs functions within the LRA, meeting international standards and delivering effective and efficient processes in trade administration.

Overall, the Programme aims to contribute to the economic development of Lesotho through the introduction of improved and automated processes for Administration of Trade, Revenue Collection, Border Management and Security. This aim will be attained through:

- Introduction of an integrated border management approach which is aligned to best customs management practices.
- Maintenance of effective social protection and national security; and

Reduction and minimisation of the burden on business and public in meeting revenue payment, border management, and security provisions.

So far, activities within the projects included engagement of a Preferred Trader consultant and training for Customs Management Team. The Lesotho Trade Portal Project also started with a successful meeting with high level Government officials to attain buy-in and approvals on certain aspects of the Project. Many other projects like adoption of risk management, simplification of procedures, review of customs legislation and capacitation of staff, are already taking place under the project.

5.0 ENHANCED COMPLIANCE

This section covers initiatives that were aimed at enforcement of tax

laws and those that relates to taxpayer education.

5.1 Simplify Return Forms

In order to reduce the complexity of compliance, the LRA embarked on an initiative to redesign and simplify individuals return forms for employees, pensioners, and sole traders as well as those for companies, partnerships and trusts. The forms are planned to be used in the year 2013/14 alongside the registration module of the Oracle Tax solution.

5.2 The LRA Receives an Award for Corporate Social Investment

The LRA received an award for its contribution towards changing the lives of less privileged citizens in the country. The Lesotho Chamber of Commerce and Industry (LCCI) handed over a prestigious award to the LRA's Commissioner General, Mr. Thabo Letjama, at a function held at the Maseru Sun Hotel in May 2012.

The LCCI invented the Corporate Social Investment Awards in order to appreciate and acknowledge the role that local organisations play in supporting less privileged members of the society.

5.3 LRA Meets Various Business Groupings And Communities

In order to promote dialogue between the Authority and the private business, and to ultimately build a relationship that is based on understanding and commitment to build a better Lesotho, the LRA engaged with various business groupings in a closed session, to discuss tax issues pertinent to each of the categories met. These sessions allowed for a robust and frank dialogue on how the LRA and the engaged stakeholders could collaborate and enhance compliance to tax.

Subsequent to these meetings, the Stakeholder Relationship Management Unit shall develop a plan that shall address the issues that are not currently covered in the various improvement initiatives which the Authority is pursuing.



As part of celebrations of the LRA Day, the staff joint forces with Machekoaneng community to plant over 5 000 forest trees at the village

The Report

5.4 LRA Hosts the International Customs Organisation Forum

The LRA hosted a successful International Customs Organisation's Forum: the 11th World Customs Organisation (WCO), the Regional Intelligence Liaison Office (RILO) and the Eastern and Southern Africa (ESA) National Contact Point Administrative Meeting at the Lehakoe Club in October, 2012. The meeting, which was attended by fifteen (15) representatives from the member countries of SADC and East Africa, strived to facilitate and accelerate the exchange of information relating to customs crime and violation of customs' regulations.

Realising that illegal importation of drugs and tobacco continues to undermine the economic growth of participating countries, the meeting touched on issues such as smuggling of medicines, tobacco and drugs between different countries. The participating countries were also encouraged to solve cross-border problems to ensure a smooth flow of trade. LRA is already working with Tobacco Institute of Southern Africa (TISA) to regulate the importation and regulation of tobacco in Lesotho.

5.5 Celebration of the LRA Day

LRA in collaboration with the Ministry of Forestry and Land Reclamation organised a tree-planting activity at Machekoaneng, Maseru in September 2012, in celebration of the ninth LRA day. The event was also attended by the Honourable Minister of Forestry and Land Reclamation. The tree-planting initiative which was done jointly by the LRA staff and the Machekoaneng community saw over 5, 000 forest trees being planted at the village.

5.6 LRA Sponsors Merit Awards Targeting Top Tertiary Students

In an effort to recognise excellence in education, the LRA bestowed awards of excellence to three (3) graduates from institutes of higher learning in October 2012.

The three (3) students were Mokete Lethola from the Centre for Accounting Studies (CAS), Rethabile Moleko and Mohau Johannes Goane from the National University of Lesotho (NUL).

The LRA awards are targeted at candidates who had excelled in their

studies that had elements of taxation during their spell at their institutes.

The Commissioner General Addressed the Business Breakfast.

The Commissioner General, Mr. Thabo Letjama, was invited by Lesotho Sun to deliver a presentation on the LRA's mandate of collecting revenue for the country. The presentation covered the role of the LRA; the importance of taxes in the economy; and the LRA's current development agenda to position itself better for enhanced services to the public. The event also included a question and answer session which covered question on the review of the Fringe Benefit Taxes; ways of improving service delivery within the Authority and the strategies adopted by the Authority to implement its confidentiality with its clients.

5.7 Prosecutions

5.7.1 High profile cases

During the period under review, the division attended to a number of cases relating to defending claims for unfair dismissals; abetting smuggling and tax evasion; soliciting or accepting bribes; illegal importation of vehicles and fraud.

Prominent amongst them were four (4) high profile cases involving failure to declare correct income for tax purposes by three (3) companies and an individual taxpayer. One company filed a security in the total amount of M500,000.00 pending the finalisation of a case it had instituted in court. The other had its immovable property attached while the third one is under liquidation. Similarly the said individual's immovable property is also under judicial attachment.

5.7.2 Cases Handled By The LRA During 2012/13

During the period under review, several cases were handled in the enforcement of revenue laws and towards the fight against corruption. The table below shows cases that were either prosecuted on behalf of, or defended by the Authority during the year.

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Table 4: Prosecuted cases

Forum	No. of Cases	Source/Nature of Claim/Offence
Labour related cases	18	<ul style="list-style-type: none"> Defending claims for unfair dismissal. The contended dismissals in the Authority were based on: Abetting Smuggling and tax evasion. Unsatisfactory work performance. Soliciting/or accepting bribes. Unauthorised use of Authority property for personal gain.
Magistrate's Court	11	<ul style="list-style-type: none"> Smuggling. Failure to comply with customs officers' lawful instructions. Abetting/smuggling/soliciting/accepting bribes. Defending claims for release of vehicles detained for non-compliance to tax laws. Illegal importation of vehicles. Fraud. Filing false returns. Defending claim for damages.
High Court	17	<ul style="list-style-type: none"> Fraudulent registering of a vehicle. Smuggling of goods. Defending cases for stay of execution. Instituting proceeding for removal of executor Damage for breach of contract. Defending cases challenging valuation conducted by the Authority.
High Court cases resulting from high profile investigations	10	<ul style="list-style-type: none"> Fraud. Failure to declare correct income for tax purposes Dealing with rebated goods contrary to Customs and Excise Act. Filing of false returns. Challenging search warrant. Seeking permanent stay of prosecution.
Revenue appeals tribunal	8	<ul style="list-style-type: none"> Challenging assessments. Claiming refunds

6 STRONG AND SUSTAINABLE STAKEHOLDER RELATIONSHIPS

Under this section, all initiatives that were undertaken in order to enhance the relationship that the Authority has with various stakeholders are covered.

6.1 Management of the Relationships with the South African Revenue Services.

The Commissioner General met the Commissioner SARS to discuss various issues related to border management, and the issues arising out of the rollout of the SARS customs modernisation programme. As a result of the talk, implementation of some initiatives by SARS was postponed pending consultations with stakeholders in Lesotho, while some were modified to facilitate legitimate trade. Various officers of SARS also visited Lesotho and helped the LRA in engagement of stakeholders on issues related to changes brought about by rolling out the new customs system in South Africa.

6.2 Cooperation with the Lands Administration Authority (LAA).

The Authority continued negotiations with the LAA for the two (2) organisations to cooperate in information sharing and mutual assistance for mutual benefit under each of their mandates. The negotiations have been completed and the Memorandum of Understanding shall be signed by the competent authorities in the new financial year.

Director's Statement

of responsibility and approval

The Board of Directors of the Lesotho Revenue Authority (LRA) is required to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the Board's responsibility to ensure that the financial statements fairly present the state of affairs of the Authority at the end of the financial year and the results of its operations and cash flows for the year ended, and in conformity with the Generally Accepted Accounting Practice (GAAP), International Financial Reporting Standards (IFRS) and in the manner required by the Lesotho Revenue Authority Act No.14 of 2001.

The financial statements are prepared in accordance with the GAAP and the IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board of Directors acknowledges that it is ultimately responsible for the system of internal financial controls established by the Authority and places considerable importance on maintaining a strong control environment. To enable it to meet these responsibilities, the Board sets standards for internal controls aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Authority and all employees are required to maintain the highest ethical standards in ensuring the Authority's business is in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the LRA is on identifying, assessing, managing and monitoring all forms of risks across the Authority. While operating risk cannot be fully eliminated, the

Authority endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board is of the opinion that the system of internal controls provides reasonable assurance that the financial records may be relied on for the presentation of the financial statements. However, any system of internal financial controls can only provide reasonable assurance and not absolute assurance against misstatement or loss.

The Board has reviewed the LRA's cash flow forecast for the year to 31st March, 2012 and is satisfied that the LRA has access to adequate resources to continue in operational existence for the foreseeable future. The financial statements support the viability of the LRA.

The external auditors are responsible for independently reviewing and reporting on the LRA's financial statements. The financial statements have been examined by the LRA's external auditors and we await the audit report from the Auditor General.

The financial statements set out on pages 36 - 48 which have been prepared on the going concern basis, were approved by the Board of Directors on 14th August, 2013 and were signed on its behalf by:



Chairman



Director



Report of the Auditor General

on the Financial Statements of Lesotho Revenue Authority for the year ended 31 March 2013

Moore Rowland Chartered Accountants under Section 15(1) of the Audit Act 1973 have audited the accompanying financial statements of Lesotho Revenue Authority, which comprise the balance sheet as at 31 March 2012, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 36 – 48.

Management responsibility on the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements on the audit. The audit has been conducted in accordance with International Standards and Auditing. Those standards require auditors to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatements.

Lucy L Liphafa

Auditor General

13 September 2013

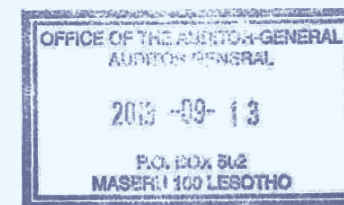
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at 31 March 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Lesotho Revenue Authority Act of 2001.



Statement of Comprehensive Income

for the year ended 31 March 2013

INCOME	Notes	2013 M	2012 M
Government funding		183 508 245	163 998 892
Interest received		2 393 375	2 816 101
Tollgate fees income		5 485 409	6 455 526
Storage income		1 414 024	1 058 318
Commission received		106 029	92 231
Other income		500 191	710 329
Projects funding	1.5	–	29 991 024
Total income		193 407 274	205 122 420
EXPENDITURE			
Staff related expenses		147 185 508	123 616 909
Inspection and enforcement expenses		76 556 725	6 393 430
Administration expenses		11 529 567	68 066 506
Vehicle running expenses		5 745 802	3 724 979
Total expenditure		241 017 602	201 801 823
Surplus/(deficit) for the year	3	(47 610 328)	3 320 597

Statement of Financial Position

as at 31 March 2013



ASSETS	Notes	2013 M	2012 M
Non Current assets			
Property, plant and equipment	2	127 618 139	75 151 211
Trust account	15	953 379	–
Current Assets			
Accounts receivable	6	356 148	391 504
Bank and cash	7	38 824 662	92 681 364
Collections bank account balances	8	(28 428 433)	53 242 799
Total current accounts		10 752 377	146 315 666
TOTAL ASSETS		139 323 895	221 466 878
CAPITAL AND LIABILITIES			
Capital and reserves			
GOL funding	9	177 647 104	137 356 806
Accumulated surplus		(39 457 633)	6 301 462
Total capital and reserves		138 189 471	143 658 268
Non-current liabilities			
Provisions for terminal benefits	11	15 089 360	18 109 929
Trust account	15	953 379	–
		16 042 739	18 109 929
Current liabilities			
Provision for leave pay	12	1 640 896	1 398 222
Collection account balances remittable	8	(28 428 433)	53 242 799
Accounts payable and accruals	13	11 879 222	5 057 660
Total current liabilities		(14 908 315)	59 698 681
TOTAL CAPITAL AND LIABILITIES		139 323 895	221 466 878

Statement of changes in Capital and Reserve

for the year ended 31 March 2013

	Notes	GOL funding M	Accumulated surplus M	Total M
Balance at 01 April 2010		119 478 140	33 180 054	152 658 194
Prior year adjustment		–	(98 208)	(98 208)
Profit for the period		–	(27 921 879)	(27 921 879)
Balance at 31 March 2011		119 478 140	5 159 967	124 638 107
Funds from Government		17 878 666	–	17 878 666
Prior year adjustment	14	–	(2 179 102)	(2 179 102)
Surplus for the period		–	3 320 597	3 320 597
Balance at 31 March 2012		137 356 806	6 301 462	143 658 268
Funds from Government		40 290 298	–	40 290 298
Prior year adjustment		–	1 851 233	1 851 233
Surplus for the period		–	(47 610 328)	(47 610 328)
Balance at 31 March 2013		177 647 104	(39 57 633)	138 189 471

Cash Flow Statement

for the year ended 31 March 2013



ASSETS	Notes	2013 M	2010 M
Cash flows from operating activities			
(Deficit)/Surplus for the year		(47 610 328)	3 320 597
Adjustments for item not involving cash movement:			
Interest (received)/paid		(2 393 375)	(2 816 101)
Depreciation		13 517 372	13 838 471
Prior year adjustments	14	1 851 233	(2 179 102)
(Gain)/Loss on fixed asset disposal		(374 388)	(556 175)
Surplus /(Deficit) before changes in working capital		(35 009 486)	11 607 691
(Increase)/Decrease in accounts receivable		35 355	306 750
(Decrease) /Increase in accounts payable		(77 630 762)	2 660 091
Provisions and collection accounts			(60 544 537)
Net cash inflow from operating activities		(112 604 893)	(45 970 005)
Cash flows from investing activities			
Interest received		2 393 375	2 816 101
Purchase of property, plant and equipment		(65 984 556)	(11 951 173)
Proceeds on disposal of assets		377 840	805 377
Net cash outflow from investing activities		(63 213 341)	(8 329 695)
Cash flows from financing activities			
GOL capital funding		40 290 298	17 878 666
Increase/(Decrease) in cash and cash equivalents		(135 527 936)	(36 421 034)
Cash and cash equivalents at beginning of the year		145 924 165	182 345 199
Cash and cash equivalents at end of the year		10 396 229	145 924 165

Statement of Accounting Policies

for the year ended 31 March 2013

1 ACCOUNTING POLICIES

The annual financial statements incorporate the principle accounting policies set out below:

1.1 Statement of compliance

The financial statements are consistent with International Financial Reporting Standards (IFRS), as adopted by the International Accounting Standards Board.

1.2 Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost, or deemed cost, less accumulated depreciation and impairment losses. Where parts of an item of furniture and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation

Depreciation is charged to the income statement on the straight-line basis over the estimated useful lives of each part of the relevant asset. The estimated useful lives are as follows :-

Item	Percentage
	%
Property	10
Motor vehicles	25
Furniture and fittings	10
Office equipment	20
Computer equipment	33

The residual value, if not insignificant, is re-assessed annually.

1.3 Impairment

The carrying amount of the Authority's assets are reviewed at each balance sheet date to determine whether there is any indication of

impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

1.4 Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition, these instruments are measured as set out below.

Trade and other receivables

Trade and other receivables originated by the Authority are stated at cost, less provision for doubtful debts.

Cash And Cash Equivalents

Cash and cash equivalents are measured at fair value.

Financial Liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt, less principal payments and amortisation.

1.5 Income

Income comprises funds received from the Government of Lesotho, interest on investments, storage income, grants and commission received during the period. Income is accounted for using the accrual basis of accounting and taking into the terms of relevant agreements. The GoL funded some of the projects which the LRA needed



LRA hold educational roadshows across the country to ensure that Taxpayers understand their tax obligations



Taxpayers ready to file their tax-returns forms at Maseru Advice Centre



Notes to the Financial Statements

for the year ended 31 March 2013

to implement in the current financial year, whereas some needed donor assistance. The projects are as follows:-

Projects Income	M 2013	M 2012
BPM Project Fund	0	7 000 000
LRA SARS Income	0	1 966 377
Irms Income	0	4 000 000
Scanners Fund	0	4 418 474
Queue Management Fund	0	1 500 000
VIPS+ Enhancements Fund	0	500 000
NCS Enhancement Fund	0	1 500 000
PABX Expansion Fund	0	4 106 173
Oracle Upgrade Fund	0	2 000 000
Non Tax Revenue Fund	0	3 000 000
	0	<u>29 991 024</u>

1.6 Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted.

1.7 Cash And Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at banks, net of overdrafts, all of which are available for use by the Authority unless otherwise stated.

1.8 Employee Benefits

Short Term Employee Benefits

The costs of all short term employee benefits is recognised during the

year in which the employee renders related service.

The provision for employee entitlements to wages, salaries, and annual sick leave represents the amount which the organisation has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on wage and salary rates.

Long Term Employee Benefits

The Authority is bound to two long term benefits:

- The Severance Pay Entitlement provided by Section 79 of the Labour Code 1992
- The gratuity granted to contract staff on completion of their contracts.

The respective provisions for the above employees entitlements have been accounted or progressively under non-current liabilities at undiscounted amounts. Gratuity payable within 12 months has been accounted for under current liabilities.

1.9 Financial Assets and Liabilities

Financial Assets

The Authority's principal financial assets are cash and cash equivalents, which comprise collection accounts, bank balances and cash on hand, and deposits and prepayments. These assets are stated at their nominal value and provisions are made against assets where there is a permanent impairment in the expected recoverable amounts from the assets.

Financial Liabilities

Financial liabilities are classified according to the contractual agreements entered into. Significant financial liabilities include accounts payable, accruals, and collection accounts at their nominal value.

Notes to the Financial Statements

for the year ended 31 March 2013

2. PROPERTY, PLANT AND EQUIPMENT

Depreciation rates %	Owned Assets	2013			2012		
		Cost	Accumulated Depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
		M	M	M	M	M	M
10	Immovable property	89 862 345	(45 291 001)	44 571 344	89 689 034	(38 037 040)	51 651 994
25	Motor vehicles	7 143 831	(5 216 444)	1 927 387	8 007 368	(6 620 475)	1 386 893
10	Furniture and fittings	13 536 690	(9 038 170)	4 498 520	13 192 200	(7 858 342)	5 333 858
20	Office equipment	4 958 038	(3 125 503)	1 832 535	4 919 844	(2 606 835)	2 313 009
33	Computer equipment	19 014 548	(14 628 234)	4 386 314	17 645 230	(15 332 344)	2 312 886
	Managed assets						
	Work-in-progress			–			
	Border refurbishment	16 751 469	–	16 751 469	12 152 571		12 152 571
	IRMS	50 229 526	–	50 229 526			
	Scanners	3 421 044	–	3 421 044			
		204 917 491	(77 299 352)	127 618 139	145 606 247	(70 455 036)	75 151 211

The carrying amounts of property, plant and equipment can be reconciled as follows:

Depreciation rates (%)	Owned assets	Carrying amount at 1/4/2012	Additions during the year	Disposal/ reclassification during the year	Depreciation for the year	Carrying amount at 31/03/2013	
		M	M	M	M	M	
10	Immovable property	51 651 995	173 310	–	7 253 962	44 571 343	
25	Motor vehicles	1 386 893	1 893 751	–	1 355 255	1 927 389	
10	Furniture and fittings	5 333 588	582 769	–	1 417 848	4 498 509	
20	Office equipment	2 313 010	195 098	–	675 573	1 832 535	
33	Computer equipment	2 312 884	4 890 163	–	2 816 734	4 386 313	
	Managed assets						
	Work-in-progress						
	Refurbishment	12 152 571	4 598 896	–	–	16 751 467	
	IRMS	–	50 229 526	–	–	50 229 526	
	Scanners	–	3 421 043	–	–	3 421 043	
		75 150 941	65 984 556	–	–	13 517 372	127 618 125



Notes to the Financial Statements

for the year ended 31 March 2013

3. (Deficit)/Surplus for the year

	2013 M	2012 M
(Deficit)/Surplus for the year is stated after charging the following:		
Depreciation	13 517 372	13 838 471
Board fees and expenses	1 219 784	1 036 256
Auditors' remuneration	263 825	333 900
	15 000 981	15 208 627

4. Related parties

4.1 Identity Of Related Parties

The Lesotho Revenue Authority is a 100% Government controlled entity.

4.2 Material Related Party Transactions

Government of Lesotho

Funding	29 991 024
	29 991 024

5. Financial Instruments

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

5.1. Currency Risk

At the balance sheet date there were no balances that were exposed to exchange rate fluctuations.

5.2 Interest Rate Risk

The Authority does not limit its risk in respect of interest rate changes. Accordingly, interest rate fluctuations will directly impact on the Authority's results. At the balance sheet date, however, there were no significant balances that were exposed to interest rate fluctuations.

5.3 Credit risk

No collateral is required in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. At the balance sheet date there were no concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

5.4 Fair Values

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

Notes to the Financial Statements

for the year ended 31 March 2013

ASSETS	Notes	2013 M	2012 M
6 Accounts receivable			
Deposit		220 790	143 290
Prepayments		98 540	189 497
Accrued interest		4 679	7 779
Accounts receivable		27 240	46 040
Other debtors		4 900	4 900
		356 148	391 504
7 Bank and cash			
LRA operating account		(4 676 817)	(2 952 783)
88 day deposit account - Nedbank		2 180 503	5 088 294
Other short term deposits		22 833 625	66 695 797
LRA call account		2 162 059	7 291 568
LRA SARS account		40 694	1 883 150
IRMS account		147 231	3 439 101
Border refurbishment project account		16 106 643	11 215 754
Cash on hand		30 724	20 482
		38 824 662	92 681 364
8 Collection accounts			
LRA refund account		(21 881 459)	(8 717 320)
VAT call account		72 055 411	10 204 075
VAT current account		(91 545 658)	838 144
Income tax call account		62 588 752	6 503 922
Income Tax current account - FNB		(57 952 663)	28 211 949
Income Tax refund account		(780 416)	1 024 874
Refunds cash on hand		1 468	1 467
Toll fees current account		65 299	384 472
		(37 449 266)	38 451 582
SACU accounts			
Current account		50 136	(498 534)
SACU 32 day account - Nedbank		80 002	10 237 760
Customs and call account		8 890 695	5 051 991
		9 020 833	14 791 217

The above accounts represent monies collected on behalf of GOL and SACU and held pending their transfer to the respective institutions.



LRA firmly believes in face to face communication with stakeholders (internal and external)

Notes to the Financial Statements

for the year ended 31 March 2013

9 Government funding

The Memorandum of Understanding between the Government of Lesotho (Ministry of Finance and Development Planning) and the Lesotho Revenue Authority provided for the transfer of all assets (non-movable and movable) free of charge, previously held by the Departments for Customs and Excise, Sales Tax and Income Tax to the Lesotho Revenue Authority. These assets have been revalued by Lethola Cost Associates.

10 Border post refurbishment

These are funds that the Government of Lesotho has set aside for the refurbishment of other Border Posts. The money has been deposited into the Authority's accounts as it is the one which is leading the refurbishment project. The refurbishment costs have been capitalised as work in progress in the assets, and the funds received are treated as capital injection.

	2013 M	2012 M
11 Provisions for terminal benefits		
Gratuity	7 615 369	11 498 973
Severance pay	7 473 991	6 610 956
	15 089 360	18 109 929
12 Provision for performance bonus and leave pay		
Leave pay	1 640 896	1 398 222
	1 640 896	1 398 222
13 Accounts payable and accruals		
Creditors	3 368 376	2 394 368
Accruals	7 940 707	2 376 290
Salary control account	686	(196 019)
Other creditors	569 453	483 021
	11 879 222	5 057 660
14 Prior year adjustments (M1,851,233)		
These are reconciling items that were pending from previous years, which were only resolved in the current year e.g. writing off a liability from previous periods		
15 Trust account		
This is rental income that the LRA is investing for the refurbishment/upkeep of the railway site.		



The influx of traffic at Maputsoe Bridge Border Post



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