

# Vision and mission

## VISION

To collect all taxes and duties due under the Laws of Lesotho, in order to provide funding for the delivery of public goods and services.

## MISSION

To provide a tax and duty environment characterised by integrity, efficiency and effectiveness, which treats all taxpayers equally, and offers rewarding career and growth opportunities to our Staff.



*Newly refurbished Tele Bridge Border Post*







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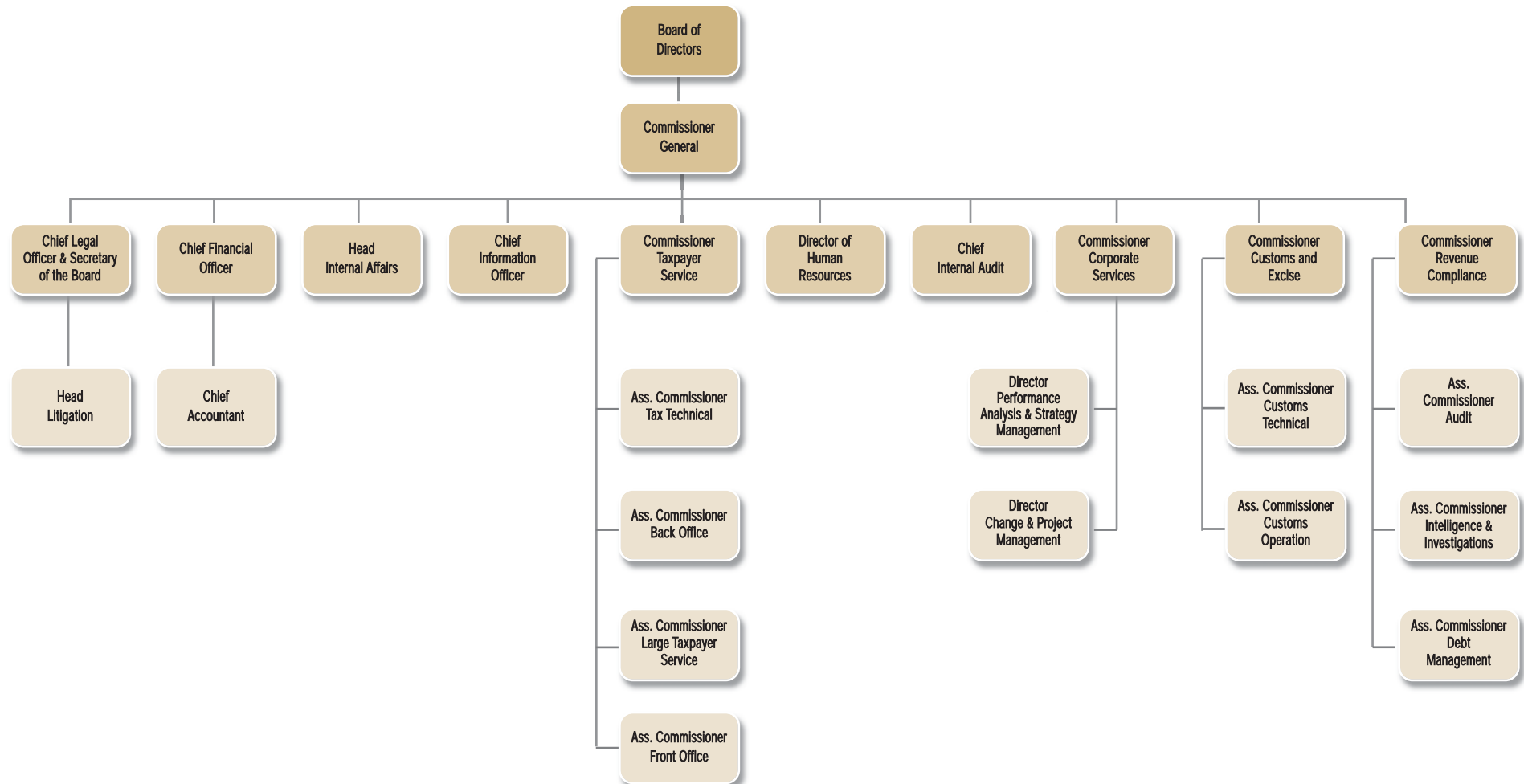
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*Lesotho Revenue Authority Training Centre*



# Organisational Structure



# Board of Directors



Mr Sam Mphaka



Adv Thabo Makeka  
Chairperson



Mrs Motena Tsolo



Ms Retselisitsoe Matlanyane



Mr Tseko Bohloa



Mr Thabo Letjama



Mr Thabo Phohleli



Mr Teleko Ramotsoari



# Senior Management



**Mr Thabo Letjama**  
Commissioner General



**Mrs Maleshoane Morakabi**  
Commissioner  
Taxpayer Services



**Mr Nthako Sekome**  
Commissioner Revenue  
Compliance



**Mrs Palesa Sematlane**  
Commissioner  
Corporate Services



**Mr Thabo Moleko**  
Commissioner  
Customs & Excise



**Dr Seth Macheli**  
Chief Legal Officer and  
Board Secretary



**Mr Mangangole Tsikinyane**  
Chief Finance Officer



**Mr Setsoto Ranthocha**  
Assistant Commissioner  
Tax Technical



**Mr Pule Chere**  
Assistant Commissioner  
Debt Management



**Mrs 'Mamajela M Koneshe**  
Director Human Resource



**Mr Rethabile Makhese**  
Assistant Commissioner  
Customs Technical



**Mr Realeboha Mathaba**  
Head Litigation



**Ms Kabanyane Tiadi**  
Chief Accountant



**Mr Tsepo Raletsoane**  
Assistant Commissioner  
Front Office



**Ms Mosonngoa Monkhi**  
Assistant Commissioner  
Audit



**Mrs Idia Penane**  
Chief Information  
Officer



**Mrs 'Makali Lepholisa**  
Assistant Commissioner  
Customs Operations



**Mr Moneuoa Kopo**  
Head Internal Affairs



**Mrs Ntefeleng Tsiboho**  
Chief Internal Auditor



**Mr Borotho Matsoo**  
Assistant Commissioner  
Intelligence & Investigation



**Mr Retselisitsoe Motsoeneng**  
Director Performance Analysis  
and Strategic Management



**Mr Ithuteng Pefole**  
Director Change & Project  
Management Division



# Highlights

- **Appointment of the first Mosotho Commissioner General:** The first Mosotho Commissioner General, Mr. Thabo Letjama was appointed on 1st September 2009.
- **The LRA Exceeds its Revenue Targets:** The legacy of revenue performance continues delivering an amount of M2, 809.0 billion to the Government of Lesotho.
- **LRA Continues to Serve in the Management Committee of the Commonwealth Association of Tax Administrators (CATA):** The LRA was elected as the Southern African Regional Director of CATA representing the five countries in the sub-region.
- **Filing of Monthly Returns for VAT and PAYE at Commercial Banks:** As an initiative to improve compliance, the LRA collaborated with three (3) local commercial banks to introduce filing of monthly tax returns for VAT and PAYE through the banks.
- **Cash Payment for Refunds Below M500:** In an endeavour to provide improved services to taxpayers, refunds below M500 are now paid in cash.
- **Continuous Implementation of the Enterprise Architecture (EA) Project:** The Business Process Management Project component of the EA started during the review period.
- **The Implementation of the IPMS:** As a prelude to the full implementation of the IPMS, a trial run was undertaken for members of Senior Management.
- **Enterprise Risk Management:** The implementation of the risk management initiative meant to inculcate a culture of managing risk at all levels of the LRA started during the period.
- **Partnership with Zimbabwe Revenue Authority (ZIMRA):** A Memorandum of Understanding for provision of mutual assistance was signed with ZIMRA as a means to strengthen partnership between the two revenue authorities.
- **Customs to Business Partnership:** The Letter of Intent with the local transport associations was signed to celebrate the 2009/10 World Customs Day.
- **The LRA/SARS Collaboration:** In strengthening the collaboration, both parties have embarked on a joint project covering broad cooperation areas.
- **Border Post Refurbishment Project:** The first phase of the Project covering Maseru and Maputsoe Border Posts was completed in October 2009. The second phase involving Van Rooyen's Gate and Tele Bridge Border Posts commenced immediately thereafter.



*A Taxpayer Consultant serving taxpayers at the Advice Centre in Maseru*



# List of abbreviations



|       |   |
|-------|---|
| BPM   | Business Process Management                       |
| CATA  | Commonwealth Association of Tax Administrators    |
| EA    | Enterprise Architecture                           |
| ERM   | Enterprise Risk Management                        |
| EXCO  | Executive Committee                               |
| ICT   | Information Communication Technology              |
| IT    | Information Technology                            |
| IPMS  | Integrated Performance Management System          |
| LCCI  | Lesotho Chamber of Commerce and Industry          |
| LCN   | Lesotho Council of Non-governmental Organisations |
| LIA   | Lesotho Institute for Accountants                 |
| LRA   | Lesotho Revenue Authority                         |
| MOET  | Ministry of Education and Training                |
| MOFDP | Ministry of Finance and Development Planning      |
| MOU   | Memorandum of Understanding                       |
| NUL   | National University of Lesotho                    |
| PAYE  | Pay As You Earn                                   |
| SACU  | Southern African Customs Union                    |
| SARS  | South African Revenue Authority                   |
| VAT   | Value Added Tax                                   |
| WCO   | World Customs Organisation                        |
| ZIMRA | Zimbabwe Revenue Authority                        |

# Corporate profile



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, the Authority is fully accountable to Parliament through the Honourable Minister of Finance and Development Planning, as a public institution.





# Strategic objectives

The Authority has the following strategic objectives:

## **Revenue collection**

To continue to meet its revenue collection targets.

## **Fair and effective revenue environment**

To create a revenue environment that is conducive to fair competition and to invest in systems, technology and its people to ensure that no business is disadvantaged by being tax-compliant.

## **Voluntary compliance**

To reduce the costs of collection and to free resources in order to undertake positive reinforcement activities such as taxpayer education. In order to raise the level of voluntary compliance, the LRA strives to be, and be seen to be, even-handed and efficient.

## **Strong and sustainable organisation**

To focus on ensuring that it implements the systems necessary for sustaining the organisation in future.

## **Corporate image**

To adopt a taxpayer centric approach – rather than a tax centric approach – in its operations, and also identify ways in which it can communicate more effectively with taxpayers.

## **Fight corruption and combat tax evasion**

To demonstrate leadership in the fight against corruption.

## **Competent and productive workforce**

To focus on the LRA workforce as an important resource for achieving the ambitions of the LRA as contained in its Vision and Mission.

# 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.



# The Chairperson's Statement



*Advocate Thabo Makeka*

is equivalent to 11 percent over target.

In order to continue to encourage voluntary compliance, the LRA continues to build strong collaborative networks and relations with its stakeholders such as tax agents, professional bodies and associations and other Revenue Authorities in the SADC Region. To strengthen these initiatives, the first LRA and Tax Agents Forum was held in August 2009, with the primary purpose to exchange views and discuss challenges that are of mutual interest to the parties. The interactions the Authority has had with its stakeholders have enabled introspection, and have also enabled the Authority to keep improving the service it provides to the nation.

I am pleased to report that the 2009/10 fiscal year for the Lesotho Revenue was exceptionally good, with remittances to the Government at the end of the fiscal year exceeding the set target of M2,527.8 million by M287.5 million. The excess

The first phase of the Border Post Refurbishment Project was completed in October 2009, with the official opening of the Maseru and Maputsoe Border Posts. The Border Posts were officially opened by the Honourable Deputy Prime Minister and the Honourable Minister of Finance and Development Planning respectively. The second phase of the Project started with the finalisation of the design stage for the Van Rooyen's Gate Border Post as well as the design and pre-construction works for the Tele Bridge Border Post. In preparation for the project, Tele Bridge and Sephapho's Gate were for the first time electrified. The electricity lines installed by the Authority in these areas will serve as the foundation for electrification of villages along the line.

The LRA has been committed to fight the scourge of corruption and tax evasion which stifles all our efforts to realise the much needed revenue for the Government of Lesotho for the provision of services and development endeavours. Prosecution efforts by the Authority have yielded results in areas where both LRA officers and taxpayers who were flaunting the country's laws have been

successfully prosecuted.

The LRA continued to host the Post Budget Dinner, together with Nedbank Lesotho. The aim of the Event was to provide analysis of the Budget and to solicit views and opinions from selected sectors of the economy and from the public in general. We are indeed privileged to partner with the private sector to engage with our taxpayers and clients of Nedbank to enlighten ourselves and everyone on the economic direction of the country as informed by the Honourable Minister's Budget Presentation.

The Authority continues to make strides in the area of Corporate Governance. During the year under review the Board of the LRA has been strengthened with the creation of the Information and Communication Technology (ICT) Committee of the Board. This Committee will advise the Board on areas of investments in, and management of information technology. Technology underlies the Authority's business development and service excellence initiatives, and ICT investments must be well managed to ensure they achieve their intended value propositions.



## The Chairperson's Statement (continued)

I would like to take this opportunity to congratulate the first Mosotho Commissioner General, Mr. Thabo Letjama on his appointment to lead the Authority in 2009 and to commend him for the good work that he has done since he took office. On behalf of the Board and the staff of the LRA, I would like to wish him every success in his position.

It would be remiss of me not to recognise the continued support and encouragement that we receive from the Government of Lesotho, and

in particular from the Ministry of Finance and Development Planning. The collaboration and cooperation we have been afforded by the Lesotho taxpaying community, has played an important role in enabling us to achieve our revenue collection mandate.

My concluding remarks are reserved to the Management and Staff of the LRA for their continuous tenacity and dedication to their jobs which has realised commendable results that will benefit the country at large. I wish to

encourage them to work even harder and to continue to provide the funding needed to support Lesotho's economic development and betterment of lives for its citizens.

A handwritten signature in black ink, appearing to read 'Thabo Makeka'.

**Advocate Thabo Makeka, KC**  
*LRA Board Chairperson*



*Multiple lanes at the border area speed up declaration processes and enhance trade facilitation*



# The Commissioner General's Statement



*Thabo Letjama*

This report covers achievements in various initiatives that the Authority undertook throughout the year. It has taken hard work, team work, passion, and perseverance commitment to all concerned to take the Authority to the level of success reported herein. To this end I remain grateful to the support provided by the Ministry of Finance and Development Planning and the strong and unrelenting guidance provided by the Board.

The Authority's Management and Staff did all in their power to ensure that we fulfill our promise, of providing finance to support our country's development. I am grateful for their dedication and commitment to serving with integrity and dignity to the served. I wish to also recognise the tremendous cooperation we have been afforded by the taxpayers in complying with their tax obligations. Without this support we would not succeed in our revenue collection mandate. We

thank them all for making their contribution in the endeavour to build a better Lesotho for its citizens.

Our Development Partners, the United Kingdom Department for International Development (DFID), and the US Overseas Technical Assistance (OTA), have also held our hands in providing necessary funding and expertise for the various projects we drove throughout the year. We remain grateful for this support.

The achievements in this report were not without their challenges. We shall take the crucial lessons learned in the journey we travelled in the last years, and shall use them to improve on our performance in the years ahead. The Authority is in a journey of continuous renewal, and to this end management has reflected on the challenges ahead and we believe that we shall build the Authority's enduring performance by focusing on the following key success enablers in the 2010/11 financial year:

- (i) Effective, efficient and automated business processes.
- (ii) Motivated and highly capable workforce.
- (iii) Strong management and leadership capability.

(iv) Our ability to execute and get result.

(v) Strong and synergistic relationships with our stakeholders.

We believe that if we excel in these areas, we shall build an Authority that shall meet its customers' expectations and continue to perform well against its mandate.

Our strides in building a service excellence driven organisation have already started. We believe that the Authority shall continue to perform well against its objectives.

The attached report, which it is my pleasure to present, summarises our journey of improving service excellence in the past year and in the process, provides an indication of our focus in 2010/11, as we shall be completing initiatives, we did not complete in the 2009/10 financial year.

A handwritten signature in black ink, appearing to read 'Thabo Letjama', enclosed within a circular stamp.

**Thabo Letjama**  
*Commissioner General*



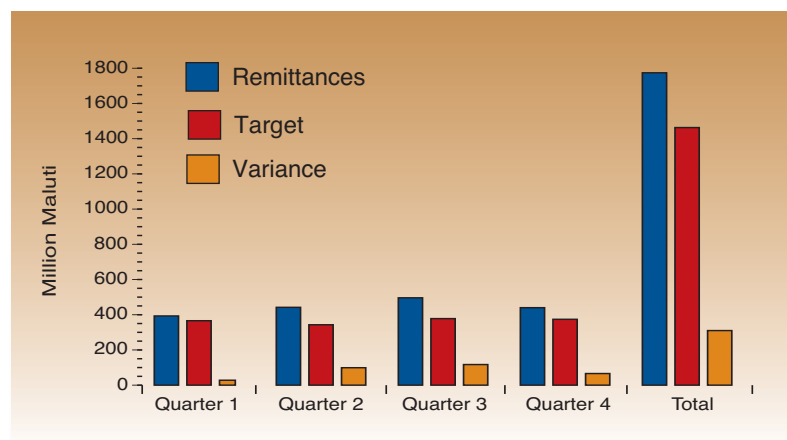
*A customs officer serving taxpayers at Maseru Border Post*

# The Report

## Revenue Collection

The overall remittances of Income Tax and VAT to Government at the end of the fiscal year amounted to M2,815.3 million against an annual target of M2,527.8 million. This resulted in the LRA exceeding its targets by M287.5 million which is 11 percent of the target. This performance was mainly attributed to collection efforts and strategies employed by the Authority during the financial year. The overall performance is depicted in Figure 1 below.

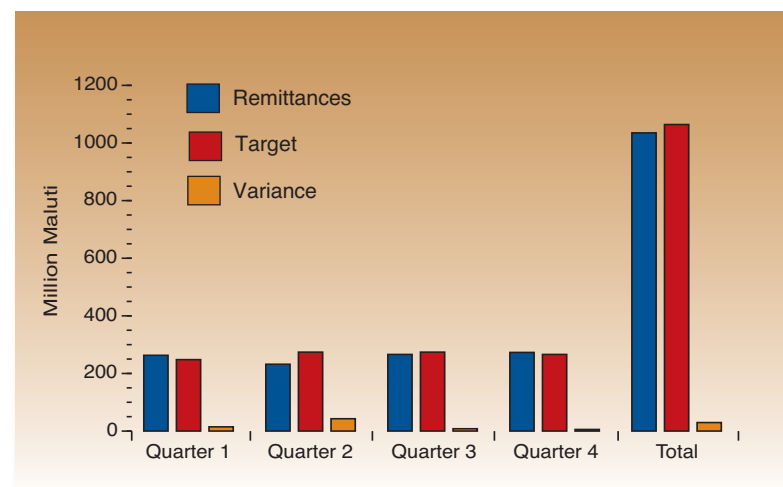
**Figure 1: Total Remittances of Income Tax and VAT**



### 1.1 Income Tax Performance

Income Tax performance has been exceptionally strong this fiscal year, with an excess above target of M317.0 million which is 21 percent over the annual target of M1,463.3 million. This represents a year-on-year growth of 15 percent. The main contributor was the higher than expected company tax collections. The performance is reflected in Figure 2 below.

**Figure 2: Remittances of Income Tax**



### 1.2 VAT Performance

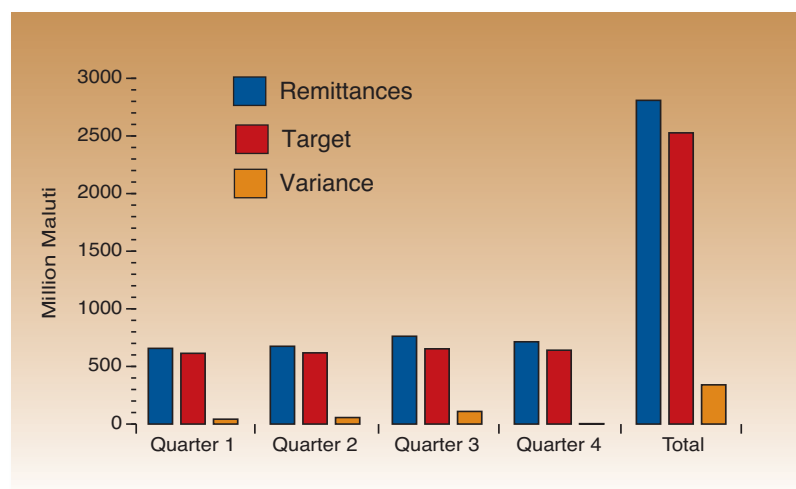
VAT performance was weak throughout the fiscal year and this could, to an extent, be associated with the economic slowdown and resultant low consumption. Deeper analysis of the performance revealed that the weakness was attributable to a greater extent, the hard economic conditions during the year and to some degree, low compliance by some taxpayers. The Authority shall be focusing on enhancing compliance through visible enforcement of the law on defaulters and widening the tax net. Figure 3 shows a shortfall of VAT remittances of about 3 percent against the annual target of M1,064.5 million. On a year-on-year comparison, VAT remittances grew by 5 percent from 2008/09 to 2009/10.



## The Report (continued)



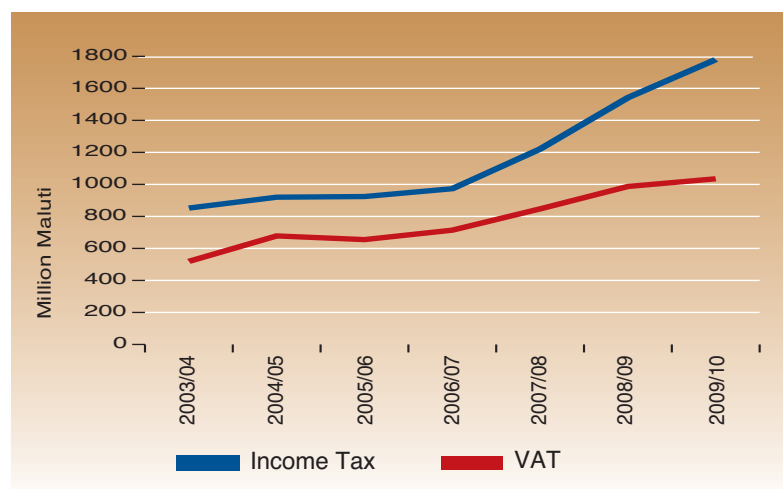
Figure 3: Remittances of VAT



### 1.3 Revenue Trend By Tax Type

In 2009/10, Income Tax remittances accounted for 63 percent of the total remittances to Government while VAT contributed 37 percent. Figure 4 below shows the share of each tax type since the Authority's inception in 2003/04. The two tax types have been growing steadily over the past seven years, with remittances for both taxes almost having doubled since the inception of the Authority.

Figure 4: Source of Revenue by Tax Type 2003/04 to 2009/10



### 1.4 Customs and Excise Duties

In accordance with the SACU agreed revenue sharing arrangement, Customs and Excise duties collected by all Member States are transferred quarterly into the Common Revenue Pool and are shared annually amongst the members. The LRA is tasked with the collection and submission of these duties to the SACU Revenue Pool and also has to keep proper trade statistics for revenue sharing purposes. Table 1 below shows that over the past years, Customs and Excise duties have on average, accounted for 59 percent of the total Government revenue. In 2009/10, however, there was a 41 percent or M1,989.2 million decline in SACU receipts, as a result of the global financial crisis and economic recession.



*The LRA Non-Tax Revenue Project Team hard at work*

## The Report (continued)



**Table 1: Remittances by Revenue Source 2003/04 to 2009/10**

| 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 |

**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   |

Whereas there was a sharp drop in the SACU receipts, which constitute the major source of Government revenue, Table 2 above shows that Income Tax and VAT performance have improved over the years and reached an unprecedented peak of M2,815.3 million in 2009/10, which itself represents an 11 percent growth from last year's remittances. The SACU revenues have declined to 50.8% of total remittances, while income tax and VAT share of remittances to Government of Lesotho grew to 31.1% and 18.1% from 20.8% and 13.3% respectively.

## 2.0 Fair and Effective Revenue Environment

### 2.1 Border Post Refurbishment

The first phase of the Border Post Refurbishment Project was completed in October 2009. The opening of the Maseru and Maputsoe Border Posts was officiated by the Honourable Deputy Prime Minister and the Honourable Minister of Finance and Development Planning respectively. The end of refurbishment works at those borders included construction of extra vehicular lanes, offices and canopies to facilitate inspection, and easy passage of traffic.

The second phase of the Project started with the finalisation of designs for Van Rooyen's Gate Border Post as well as the design and pre-construction works for Tele Bridge Border Post. It is expected that construction of these border post facilities will commence early in 2010/11 fiscal year.

During the year, the Authority has also built an almost eleven (11) kilometer electricity line to Tele Bridge and another estimated five (5) kilometer line to Sephapho's Gate. These lines shall not only be providing the borders with electricity, but shall also be the baseline from which the neighbouring villages shall be electrified from.



## The Report (continued)

### 2.2 Enforcement Initiatives During the Year

#### 2.2.1 Anti-Smuggling Efforts

The Authority continued to run anti-smuggling operations during the year. Many goods were seized and forfeited by the owners for failing to declare and pay due taxes and duties on them. Thirty-one cars were found to have been illegally imported and registered, and were detained by the Authority.

#### 2.2.2 Establishment of the Enforcement Committee

The Authority has established an Enforcement Committee whose responsibility is to ensure coordination of efforts in the investigation and law enforcement on cases of tax evasion, fraud, corruption and other offences that may have deprived the nation of its rightly deserved and due revenue.

This Committee has since started working on enhanced collaboration with other law enforcement agencies and collaboration with other revenue administrations to recover the tax revenue beyond the borders of Lesotho.

#### 2.2.3 LRA-ZIMRA Memorandum of Understanding

During the year, the LRA signed a Memorandum of Understanding for mutual assistance with Zimbabwe Revenue Authority. In order to ensure the following:

- That both organisations Customs laws are properly observed by mutual traders.
- Preventing investigation and repression of customs offences.
- Capacity building for officers in each of the administrations.
- Security of the international trade supply chain.

- Development of instruments on which to base mutual recognition of customs controls.

#### 2.2.4 LRA-SARS Collaboration

During the year the Honourable Minister of Finance and Development Planning, Dr. Timothy Thahane met with the South African Minister of Finance, Mr. Pravin Gordhan and they both resolved that LRA and South African Revenue Service (SARS) should collaborate and cooperate on among others, the following issues, to ensure compliance to revenue laws in both countries and to facilitate trade.

- Joint Customs controls, which would ensure that where possible both Customs administrations from SARS and LRA work together to enforce Customs laws.
- Information Technology which would culminate in Automation of LRA Customs using the same system that SARS use to enable easy exchange of information and speedy processing of cross-border trade.
- Capacity building where LRA shall work with SARS to improve the capacity of staff within the Authority.
- Customs enforcement intended to lead to development of among others, a strategy for combating of smuggling and illegal dealings in rebated textile goods.
- Trader management which is intended for development of a strategy for mutual recognition of Customs controls.
- Other areas of cooperation the two administrations, may from time to time agree upon to enhance facilitation and compliance of trade.



*LRA Information Technology guys doing what they know best*





*Taxpayers getting ready to file their Income Tax returns*





## The Report (continued)

In order to implement this Agreement, SARS and LRA have formed a joint project team headed by a Steering Committee. The Heads of Customs in both administrations are members of the Steering Committee which is responsible for ensuring that the project is implemented well to achieve its desired outcomes.

The World Bank and the World Customs Organisation have shown interest in the project and have pledged support for the collaboration initiative. The following outputs have so far been achieved under the initiative.

- LRA user specification requirement for an integrated revenue management system, which includes an automated Customs solution, is currently evaluated by SARS. Options on how to roll-out the SARS Customs solution are being explored.
- A trilateral MOU between SARS, LRA and WCO has been signed with a purpose for WCO to help the two administrations with technical skills and also to ensure that the LRA/SARS collaboration is done in line with the ongoing WCO-SACU Customs Modernisation Project.
- Joint application of funding support for the collaboration initiative was submitted to the World Bank, which has approved funding for project preparation works that would lead to implementation of the project.

### 3.0 Voluntary Compliances

#### 3.1 Tax Education Initiatives

The LRA continues to build collaborative relationships with its stakeholders.

In the year under review, agreements were signed with LCCI, Mohloli Chamber and LCN, among others. Implementation of the existing LRA and LIA MOU commenced with the first LRA and Tax Agents forum held in August, 2009. The issues raised from the forum will be addressed by the Authority. The parties agreed to meet twice a year.

#### 3.2 MOET – LRA Partnership

As part of LRA's commitment to provide tax education and information to taxpayers, LRA partnered with Ministry of Education and Training (MOET) to reach out to students, who are future taxpayers. Firstly LRA participated in a highly informative career guidance session organised by the Ministry. The objective was to enlighten the participants on the mandate of, and career opportunities that exist within LRA. This was followed by briefing sessions for students, teachers and coaches to inform them of the LRA's objectives, and taxes it collects and administers. The last initiative was the school debate competitions which were held in Maseru, Mohale's Hoek, Leribe and Mafeteng. The main objective of these competitions was to educate and inform the students about tax administration issues and the role played by taxes in improving the livelihoods of Basotho. The initiative was also intended to promote future tax compliance.

#### 3.3 Extension of Filing System with Local Banks

In an effort to reduce compliance costs, the LRA in collaboration with Nedbank Lesotho, Standard Lesotho Bank and First National Bank introduced filing of monthly returns for VAT and PAYE at these banks. This initiative is meant to reduce multiple trips to tax offices. Taxpayers are now able to complete two transactions in one visit, remitting tax and also filing a return at any commercial bank throughout the country.



*Taxpayers paying their fair shares of tax at the LRA Banking Hall*



## The Report (continued)

### 3.4 Payment of refunds in cash

To further reduce the cost of compliance, the LRA introduced the payment of refunds below M500 in cash. This was done after a survey which showed that it was costly for the LRA to produce cheques of small amounts and to the taxpayer who would have to queue twice, at the LRA and at the bank.

## 4.0 Strong and Sustainable Organisation

### 4.1 Corporate Governance

Since its inception in 2003, the Authority has always endeavoured to be the best organisation in Lesotho based on performance, customer service and governance. The governing Board of the LRA, which is appointed by the Minister of Finance and Development Planning, guided by the LRA Act, is the body responsible for the ultimate governance of the Authority. The Board of Directors in 2004 approved a Board Charter guided, in particular, by the King Code on Corporate Governance (King II) and other best practice codes around the world.

The LRA Board committees, namely, the Finance and Audit Committee, the Human Resources and Remuneration Committee and the Information and Communication Technology Committee, are governed by Terms of Reference that stem from the Board Charter and provide guidance and clarity on issues of authority, composition and responsibility.

#### 4.1.1 Governance this year

In tune with the Board Charter, the LRA Management has also undertaken to guide its governance structures by developing clearly defined terms of

reference for those structures on the key issues of authority, composition and responsibility. During the current year, therefore, Management adopted written terms of reference for the Executive Management Committee (EXCO), to clarify its powers and responsibilities in carrying out its mandate. In addition, Management initiated the following governance projects:

#### 4.1.2 IT Governance

In the last report, there was mention of an Enterprise Architecture (EA) project, which was aimed at the alignment of the LRA's processes and technology around the theme of taxpayer centricity, through the reduction of the burden of compliance and the improvement of service delivery. The EA was also geared towards better alignment of the LRA's operations to the effective collection of revenues under the LRA's mandate. The EA project resulted in a technology-intensive roadmap that contained projects required to move the LRA to its desired state of operations and service delivery. In order to ensure responsibility and accountability around the successful execution of the projects in this roadmap, an IT Governance project was executed. This is also in line with the requirements of King III, which for the first time emphasises IT governance in detail due to the pervasiveness of IT in business today.

Key recommendations from this project included:

- The establishment of IT governance structures within the Authority to ensure that the right people are involved when IT decisions are made.
- The establishment of IT governance processes to ensure that all IT investment decisions are well informed and accurately carried out, to achieve the intended outcomes.



## The Report (continued)

### 4.1.3 Governance Committee

The EXCO also mandated a group of senior managers to look into the LRA governance structures and recommend the best practice for implementation. The committee's first recommendations have already been implemented to expand EXCO to include the Director Human Resources, the Chief Information Officer and the Chief Internal Auditor in view of the pervasiveness of the functions of those officers and the need to better inform EXCO's decisions. The Head of Internal Affairs has also become a member of EXCO. The Governance Committee is currently working on other governance committees and their responsibilities so that recommendations can be made for improvement.

### 4.2 Implementation of Enterprise Risk Management

This initiative was meant to create a culture of risk management throughout the LRA so that staff at all levels apply the practice in their daily work. As a component of corporate governance, risk management strengthens accountability and responsibility. With ERM LRA will:

- Align risk appetite and strategy.
- Identify and manage multiple and cross- enterprise risks.
- Provide integrated responses to multiple risks.
- Seize opportunities.
- Reduce operational surprises and risks.
- Improve deployment of capital.
- Enhance risk response decisions.

The existence of Enterprise Risk Management provides a platform to focus where the need is and to ensure that organisational objectives are achieved.

### 4.3 Business Process Management

In section 4.1 there was mention of an Enterprise Architecture (EA) project which, among other things, it proposed a business process improvement and technology roadmap aimed at improving internal efficiencies and service delivery. The Business Process Management (BPM) project was the first one of EA projects to start in 2009. The project entailed the identification of 28 core LRA processes that drive service delivery, re-engineering of 9 of the LRA's core processes and the development of specifications for an Integrated Revenue Management (IRM) system. The IRM will be a Customs and Tax management system which will replace all the current tax systems and integrate with all other systems used by the Authority.

As indicated, the BPM has thus far documented twenty eight core processes, nine of which have been re-engineered to reflect the future state. These processes will be implemented during the 2009/10 financial year to ensure that they become day to day activities, yielding tangible results in LRA operations. The LRA plans to complete the re-engineering of the rest of its core processes over the next three to five years. During the year LRA has prioritised the first ones to be the front line processes such as registration, returns processing and declaration of goods. These are the process that once addressed; they shall provide a verifiable improvement in the service the Authority provides to taxpayers.

The BPM is aimed at enabling the management of processes in such a manner that improves efficiency of service and enhances the taxpayer experience when they come into contact with the LRA.



*Advice Centres are purely established to serve and assist Taxpayers with all tax related matters*

## The Report (continued)

### 4.4 Change and Project Management Capacity

The 2009/10 LRA developed and implemented change and project management methodologies to drive modernisation initiatives. The roll-out of the Methodology facilitated the successful completion of the following projects:

- (a) The Phase 1 of the Business Process Management.
- (b) The Border Post Refurbishment for Maseru and Maputsoe Bridges.
- (c) The Training Centre Refurbishment.
- (d) The Integrated Performance Management.

### 5.0 Corporate Image

#### 5.1 Post Budget Dinner – 2009/10 Annual Budget

In 2009/10 LRA continued to host the Post Budget Dinner in conjunction with Nedbank Lesotho. The aim of the event was to provide analysis of the Budget and solicit views and opinions from selected sectors of the economy and the public in general. Invitees comprised representatives of the Government, the judiciary, parastatals, the financial sector, international donor organisations, academics, students, and the private sector. Over 200 invitees were able to turn up for the occasion.

The sponsors had organised an essay competition for final year Economics students from NUL. The theme was on alternative means of generating revenue in the wake of declining SACU receipts. Three students were selected for the grand prizes of a laptop, an investment account and a financial calculator.

Analysis of the Budget was delivered by an Economics Lecturer from NUL, followed by an interview session with the Honourable Minister of Finance and Development Planning.

#### 5.2 LRA Participation in the Public Service Day Celebrations

LRA participated in the celebration of the Public Service Day at 'Manthabiseng Convention Centre. Taxpayer education was delivered to hundreds of Government employees who attended the event. The Right Honourable the Prime Minister Pakalitha Mosisili, was amongst the dignitaries who visited the LRA stall, accompanied by several Cabinet Ministers and the senior Government officials. Brochures were issued to all who came to the stall for future reference.

#### 5.3 LRA Participation in World Customs Day

The LRA joined worldwide celebrations to commemorate the establishment of the World Customs Organisation. The commemoration is celebrated annually on 26th January 2010. The theme for this year's celebration was on "Customs and Business: Improving Performance through Partnerships" which recognises Custom's shared role with its clientele following the global economic meltdown.

The LRA staff and management braved the rainy weather to work with transporters on a cleaning campaign of the Bus and Taxi Stop areas, on this momentous day. This was also in a bid to make a contribution to society and to engage with the local transport associations. The highlight of this event was the signing of the Letter of Intent with the Maseru Transport Association with a view to improve cooperation in the area of compliance by all affiliates of the associations. This created a positive reality of "An LRA-to-Trader Relationship".



## The Report (continued)



### 5.4 The LRA is Re-elected to serve in the Management Committee of CATA

The LRA participates in the Commonwealth Association of Tax Administrators (CATA), mandated to promote improvement of tax administrations within the commonwealth countries. During September 2009, the LRA was re-elected to represent the Southern African Region (comprising Botswana, Lesotho, Namibia, South Africa and Swaziland) in the Management Committee. Commissioner Revenue Compliance, Mr. Nthako Sekome represents the region in the Management Committee.

## 6.0 Fight corruption and combat Tax evasion

### 6.1 Capacity Building for Investigators and Anti-Smuggling Officers

LRA Investigators and Anti-Smuggling Officers were trained in investigations and enforcement of revenue laws by the Legal and Corporate Secretariat Division of the Authority. The workshops were held with full conviction that it is only when they appreciate and understand their laws that the officers would be effective and motivated in executing their demanding duties.

### 6.2 External Cases

In ensuring that corruption and poor service to clients are not tolerated in LRA, various cases ranging from litigation by former staff alleging unfair dismissal to challenges by taxpayers whose assets were forfeited for failure to comply with the law were defended by the Authority. Table 3 below provides a summary of cases defended during the year.

High Court cases Table 3 below were prosecuted through prosecutorial powers that have been delegated to some members of the Authority by the Director of Public Prosecutions.

**Table 3: Cases Handled by the LRA during 2009-10**

| Forum           | Number of cases | Source/<br>Nature of Claim/<br>Offence  | Comment  |
|-----------------|-----------------|---|--|
| DDPR            | 12              | Dismissed for corruption/<br>abetting smuggling/<br>poor performance            | Five cases won, one lost, one settled and five pending   |
| Labour Court    | 1               | Compensation  | Waiting for a ruling on  |
| Magistrate's    | 12              | Corruption,<br>Smuggling, tax evasion,<br>distress/detention                    | Three cases were won by the Authority, settlement was reached on three more and six are yet to be argued in court. |
| High Court      | 9               | Tax evasion/<br>smuggling/<br>detention, theft,<br>corruption and impersonation | All still proceeding in court  |
| Revenue Appeals | 3               | Challenging assessments   | Revenue appeals Tribunal yet to sit to hear the cases  |

### 6.3 Internal Cases

The LRA investigated cases of fraud and mal-administration among members of staff within the Authority in the quest to root out corruption and other misconduct.

## The Report (continued)

Twenty-one incidences were reported during the year. Nine of them were investigated and concluded. The remaining twelve cases are still being investigated. The table below shows the category of cases that were investigated in this year.

**Table 4: Types of Cases**

| Types of Cases (Offences)        | Number of Cases |
|----------------------------------|-----------------|
| Fraud of tax clearances          | 1               |
| Conflict of interest             | 1               |
| Suspicion of fraud               | 6               |
| Smuggling and abetting smuggling | 5               |
| Phone fraud                      | 1               |
| Procurement fraud                | 1               |
| Leave fraud                      | 2               |
| Theft                            | 2               |
| Bribery                          | 2               |

The increasing number of reports shows that the public is gaining confidence in the LRA's ability to fight corruption.

### 6.4 Preventive Initiatives

In an attempt to instill integrity in the LRA staff, a series of workshops were held on integrity for all incoming employees and for customs staff in the Northern and Southern Regions.

To maintain integrity within the LRA, during the reporting period, all the incoming employees were vetted to try to find out if they did not have any criminal records. There were 101 prospective employees that went through the vetting process, including those engaged on temporary basis.

#### 6.4.1 The Anti-Corruption Strategy

The Anti Corruption Strategy was reviewed. The aim of the Strategy was to build and improve integrity within the Authority. Some of the activities included in the Strategy are Integrity Training Programme, development of the Whistle Blowing Policy and Fraud Response Plan.

#### 6.4.2 Dismissal for Dishonest Conduct

During the year 2009/10, the LRA dismissed 11 employees who were found guilty on dishonest conduct. Some of the dismissed employees have also been charged in courts of law for crimes they committed during their dishonest conduct and also to recover the public revenue they would have defrauded the Authority where established.

## 7.0 Competent and productive workforce

### 7.1 The Training Centre Project

The construction of the state-of-the-art training centre for the LRA was completed towards the end of the year under review. The project entailed construction of lecture rooms, one meeting room, a computer laboratory, offices as well as a modern auditorium. It is expected that once the finishing touches to the project are completed, the centre will officially be handed over to the LRA early in the new financial year.



*Caledonspoort caters for border services between the northern districts of Lesotho and Fourie'sburg, Bethlehem, Kwazulu Natal and other parts of South Africa*



## The Report (continued)

### 7.2 Introduction of Performance Management System

In an effort to create a culture of execution and coordinating efforts towards its strategic objective, the LRA launched the IPMS in March 2009 on a trial run basis for the staff at the managerial level. The implementation of the IPMS enabled the management of the Authority to improve performance on business results through implementation of clearly defined agreements that link one's job purpose with the Authority's development objectives. The trial evaluation results were generally positive and thus created a solid platform to roll out the system to the rest of staff. The evaluation results were further used to inform the IPMS training programme for the rest of the staff levels during the year. The roll-out of the IPMS to all staff is due in 2010/11 fiscal year.

### 7.3 Development of the Human Resources Strategy

The Human Resources Management Strategy was launched during the year under review to assist the LRA achieve its objectives through people by:

- Building a skilled, committed and motivated workforce to fulfill its mandate and sustain high performance.
- Securing competitive basic remuneration and best working conditions for all its employees.
- Developing and implementing a well designed performance management system as a means to getting better results from the work force.
- Creating harmonious working relations between management, employees and other stakeholders.

The implementation of the Strategy will start in the new financial year.

### 7.4 Review of Human Resources Staff Manuals

The Authority embarked on the project to review all its Human Resources Manuals during the year 2009/2010 as well as to develop new ones as a result of the new strategic business requirements and to also continue to make the Authority an employer of choice in the labour market. The Wellness Policy and Health and Safety Policy were developed in order to improve working conditions and staff wellness and were approved towards the end of 2009/2010. This is because the Authority is essentially committed to providing a healthy, safe and supportive workplace, which will enhance employee health and job satisfaction and enable employees to contribute most effectively in their roles of delivering high-quality services, in line with the strategic objective to have a, "Competent and Productive Workforce"

## 8. Financial Statements

The Audited Financial Statements for the year in review are attached.



*It is the responsibility of Taxpayers to declare goods at the ports of entry and a responsibility of customs officers to verify information provided*

# 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 its 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 then ended, and in conformity with International Financial Reporting Standards and in the manner required by the Lesotho Revenue Authority Act Number 14 of 2001 (as amended).

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Board of Directors acknowledges that it is ultimately responsible for the system of internal financial control 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 control 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 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 conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in LRA is on identifying, assessing,

managing and monitoring all known forms of risk across LRA. 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 control provides reasonable assurance that the financial records may be relied on for the presentation of the financial statements. However, any system of internal financial control can provide only reasonable assurance against and not absolute assurance against material misstatement of loss.

The Board has reviewed LRA's cash flow forecast for the year to 31 March 2010 and is satisfied that LRA has access to adequate resources to continue in operational existence for the foreseeable future. The financial statements support the viability of LRA. The external auditors are responsible for independently reviewing and reporting on LRA's financial statements. The financial statements have been examined by LRA's external auditors and their report is given on page 37. The financial statements set out on pages 38 to 48 which have been prepared on the going concern basis, were approved by the Board of Directors on 29 October 2010 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 2010



JEO and Associates 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 2010, 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 38 to 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 whether the financial statements are free from material misstatements.

A handwritten signature in black ink, appearing to read 'L Liphafa'.

**Lucy L Liphafa**  
*Auditor General*

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 judgment, 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 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 2010, 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.



# Income and Expenditure Statement

for the year ended 31 March 2010

| INCOME                              | Notes | 2010<br>M          | 2009<br>M          |
|-------------------------------------|-------|--------------------|--------------------|
| Government funding                  |       | 173 000 000        | 129 529 240        |
| DFID grant received                 | 9     | 10 658 700         | 8 874 631          |
| Interest received                   |       | 4 978 676          | 5 446 827          |
| Storage income                      |       | 886 392            | 627 707            |
| Commission received                 |       | 70 989             | 61 834             |
| Other income                        |       | 505 850            | 54 341             |
| Total income                        |       | <b>190 100 606</b> | <b>144 594 580</b> |
| <b>EXPENDITURE</b>                  |       |                    |                    |
| Staff related expenses              |       | 99 553 813         | 95 394 284         |
| Inspection and enforcement expenses |       | 3 455 990          | 2 945 488          |
| Administration expenses             |       | 46 983 469         | 36 604 643         |
| Vehicle running expenses            |       | 1 645 668          | 1 499 429          |
| Total administration expenses       |       | <b>151 638 940</b> | <b>136 443 844</b> |
| DFID Grant expenditure              | 9     | 10 658 700         | 8 874 631          |
| Total expenditure                   |       | <b>162 297 640</b> | <b>145 318 475</b> |
| Surplus/(deficit) for the year      |       | <b>27 802 966</b>  | <b>(723 895)</b>   |

# Balance Sheet

as at 31 March 2010



| ASSETS                               | Notes | 2010<br>M          | 2009<br>M          |
|--------------------------------------|-------|--------------------|--------------------|
| <b>Non Current assets</b>            |       |                    |                    |
| Property, Plant and Equipment        | 2     | 63 635 835         | 51 367 998         |
| <b>Current Assets</b>                |       |                    |                    |
| Accounts Receivable                  | 3     | 6 402 413          | 355 764            |
| Bank and Cash                        | 4     | 98 735 884         | 65 448 351         |
| Collection Accounts                  | 5     | 92 888 571         | 91 773 162         |
| Total Current Accounts               |       | 198 026 868        | 157 577 277        |
| <b>TOTAL ASSETS</b>                  |       | <b>261 662 702</b> | <b>208 945 275</b> |
| <b>CAPITAL AND LIABILITIES</b>       |       |                    |                    |
| <b>Capital and Reserves</b>          |       |                    |                    |
| GOL Funding                          | 6     | 119 478 140        | 92 612 033         |
| Accumulated Surplus                  |       | 33 180 054         | 6 133 831          |
| Total Capital and Reserves           |       | 152 658 194        | 98 745 864         |
| <b>Non-current Liabilities</b>       |       |                    |                    |
| Provisions                           | 7     | 13 364 389         | 18 004 899         |
| <b>Current Liabilities</b>           |       |                    |                    |
| Collection Accounts                  | 5     | 92 888 571         | 91 773 162         |
| Accounts Payable and accruals        | 8     | 2 751 549          | 421 350            |
| Total Current Liabilities            |       | 95 640 120         | 92 194 512         |
| <b>TOTAL CAPITAL AND LIABILITIES</b> |       | <b>261 662 703</b> | <b>208 945 275</b> |



# Statement of changes in Capitals and Reserves

for the year ended 31 March 2010

|                                       |       | GOL funding        | Accumulated surplus | Total              |
|---------------------------------------|-------|--------------------|---------------------|--------------------|
|                                       | Notes | M                  | M                   | M                  |
| Balance as at 01 April 2008           |       | 88 312 033         | 6 857 726           | 95 169 759         |
| Border refurbishment grant            |       | 4 300 000          | –                   | 4 300 000          |
| Deficit for the year ended 31/03/2009 |       | –                  | (723 895)           | (723 895)          |
| Balance as at April 1, 2009           |       | 92 612 033         | 6 133 831           | 98 745 864         |
| GOL capital injection                 |       | 26 866 107         | –                   | 26 866 107         |
| Prior year adjustments                | 10    | –                  | (756 743)           | (756 743)          |
| Surplus for the year ended 31/03/2010 |       | –                  | 27 802 966          | 27 802 966         |
| Balance at March 31, 2010             |       | <b>119 478 140</b> | <b>33 180 054</b>   | <b>152 658 194</b> |



*Trade statistics is one of the key responsibilities of customs officers*

# Cash Flow Statement

for the year ended 31 March 2010

| ASSETS   | Notes | 2010<br>M           | 2009<br>M           |
|--|-------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>          |       |                     |                     |
| (Deficit)/Surplus for the year                       |       | 27 802 966          | (723 895)           |
| Adjustments for item not involving cash movement:    |       |                     |                     |
| Interest (received)/paid                             |       | (4 978 676)         | (5 446 827)         |
| Depreciation   |       | 7 893 243           | 6 600 042           |
| Prior year adjustments                               | 10    | (756 743)           | –                   |
| (Gain)/Loss on fixed asset disposal                  |       | (427 300)           | (16 741)            |
| Surplus /(deficit) before changes in working capital |       | 29 533 490          | 412 579             |
| (Increase)/Decrease in accounts receivable           |       | (6 046 649)         | (66 699)            |
| (Decrease) /increase in accounts payable             |       | 2 330 199           | (3 596 128)         |
| Provisions and collection accounts                   |       | (3 525 101)         | (22 479 923)        |
| Asset reclassifications                              |       | 1 062 534           | –                   |
| <b>Net cash inflow from operating activities</b>     |       | <b>23 354 473</b>   | <b>(25 730 171)</b> |
| <b>Cash flows from investing activities</b>          |       |                     |                     |
| Interest received                                    |       | 4 978 676           | 5 446 827           |
| Purchase of property, plant and equipment            |       | (21 281 352)        | (20 209 806)        |
| Proceeds on disposal of assets                       |       | 485 038             | 137 747             |
| <b>Net cash outflow from investing activities</b>    |       | <b>(15 817 638)</b> | <b>(14 625 232)</b> |
| <b>Cash flows from financing activities</b>          |       |                     |                     |
| GOL capital funding                                  |       | 26 866 107          | 4 300 000           |
| Increase/(Decrease) in cash and cash equivalents     |       | 34 402 942          | (36 055 403)        |
| Cash and cash equivalents at beginning of the year   |       | 157 221 513         | 193 276 916         |
| <b>Cash and cash equivalents at end of the year</b>  |       | <b>191 624 455</b>  | <b>157 221 513</b>  |



# Statement of Accounting Policies



## 1 STATEMENT OF ACCOUNTING POLICIES

### 1.1 Basis of Accounting

The financial statements are prepared on the historical cost basis of accounting, and comply with Generally Accepted Accounting Practices (GAAP) and therefore with the International Financial Reporting Standards (IFRS) as adopted by the Lesotho Institute of Accountants and which are therefore applicable in Lesotho.

### 1.2 Income

Income represents funds received from the Government of Lesotho, interest on investment, storage Income investments, storage income, grants and commission received during the period. Income is accounted for using the accrual basis of accounting and taking into account the terms of the relevant agreements. DFID grant received is accounted for in accordance with the policy stated in note 9.

### 1.3 Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Depreciation is calculated on straight line method to write off the cost of each asset to its estimated useful economic life as follows:

|                        | %  |
|------------------------|----|
| Property               | 10 |
| Motor vehicles         | 25 |
| Furniture and fittings | 10 |
| Office equipment       | 20 |
| Computer equipment     | 33 |

### 1.4 Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

# Notes to the Financial Statements

## 1.5 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 for progressively under non-current liabilities at undiscounted amounts.

Gratuity payable within 12 months has been accounted for under current liabilities.

## 1.6 Financial Assets and Liabilities

### Financial Assets

LRA'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 stated at their nominal value.



## Notes to the Financial Statements (continued)

for the year ended 31 March 2010

### 1. SURPLUS FOR THE YEAR

Surplus for the year is stated after charging the following:

Board fees and expenses

Auditors' remuneration (2009 includes forensic audit service)

|   | 2010<br>M        | 2009<br>M        |
|---|------------------|------------------|
| Board fees and expenses                                       | 1 210 499        | 598 957          |
| Auditors' remuneration (2009 includes forensic audit service) | 225 000          | 518 048          |
|   | <b>1 435 499</b> | <b>1 117 005</b> |

### 2. PROPERTY Owned Assets

| Depreciation rates % |                        | 2010<br>Cost       | Accumulated<br>Depreciation | Carrying<br>amount | 2009<br>Cost      | Accumulated<br>depreciation | Carrying<br>amount |
|----------------------|------------------------|--------------------|-----------------------------|--------------------|-------------------|-----------------------------|--------------------|
|                      | Immovable Property     |                    |                             |                    |                   |                             |                    |
|                      | Motor vehicles         |                    |                             |                    |                   |                             |                    |
| 10                   | Furniture and fittings | 48 612 353         | 24 026 334                  | 24 586 019         | 45 724 494        | 20 368 728                  | 25 355 766         |
| 25                   | Office equipment       | 9 476 541          | 4 712 071                   | 4 764 470          | 6 128 392         | 5 138 732                   | 989 660            |
| 10                   | Computer equipment     | 9 165 199          | 4 090 824                   | 5 074 375          | 6 554 058         | 3 029 804                   | 3 524 254          |
| 20                   | <b>Managed assets</b>  | 4 042 687          | 3 113 147                   | 929 540            | 3 620 206         | 2 929 316                   | 690 890            |
| 33                   | Work-in-progress       | 13 746 013         | 11 009 536                  | 2 736 477          | 10 680 471        | 9 088 408                   | 1 592 063          |
|                      | Border refurbishment   |                    |                             |                    |                   |                             |                    |
|                      |                        | 25 544 953         | –                           | 25 544 953         | 19 215 365        | –                           | 19 215 365         |
|                      |                        | <b>110 587 747</b> | <b>46 951 912</b>           | <b>63 635 835</b>  | <b>91 922 986</b> | <b>40 554 988</b>           | <b>51 367 998</b>  |

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

| Depreciation rates (%) | Owned Assets           | Carrying<br>amount at<br>1/4/2009<br>M | Additions<br>during the<br>year<br>M | Disposal<br>during the<br>year<br>M | Accumulated<br>depreciation<br>on disposal<br>M | Reclassification<br>M | Depreciation<br>for the<br>year<br>M | Carrying<br>amount at<br>31/03/2010<br>M |
|------------------------|------------------------|--|--------------------------------------|-------------------------------------|---|-----------------------|--------------------------------------|--|
|                        | Immovable property     |  |                                      |                                     |   |                       |                                      |  |
|                        | Motor vehicles         |  |                                      |                                     |   |                       |                                      |  |
| 10                     | Furniture and fittings | 25 355 766                             | 2 815 697                            | –                                   | –   | 72 162                | 3 657 606                            | 24 586 019                               |
| 25                     | Office equipment       | 989 660                                | 4 820 694                            | 1 472 545                           | 1 472 545                                       | –                     | 1 045 884                            | 4 764 470                                |
| 10                     | Computer equipment     | 3 524 254                              | 3 013 484                            | 81 512                              | 23 774  | (320 831)             | 1 084 795                            | 5 074 375                                |
| 20                     | <b>Managed assets</b>  | 690 890                                | 339 093                              | –                                   | –   | 83 388                | 183 831                              | 929 540                                  |
| 33                     | Work-in-progress       | 1 592 063                              | 3 962 795                            | –                                   | –   | (897 254)             | 1 921 128                            | 2 736 477                                |
|                        | Border refurbishment   |  |                                      |                                     |   |                       |                                      |  |
|                        |                        | 19 215 365                             | 6 329 588                            | –                                   | –   | –                     | –                                    | 25 544 953                               |
|                        |                        | <b>51 367 998</b>                      | <b>21 281 352</b>                    | <b>1 554 057</b>                    | <b>1 496 319</b>                                | <b>(1 062 534)</b>    | <b>7 893 243</b>                     | <b>63 635 835</b>                        |



## Notes to the Financial Statements (continued)

for the year ended 31 March 2010

| ASSETS                               | Notes | 2010<br>M         | 2009<br>M         |
|--------------------------------------|-------|-------------------|-------------------|
| <b>3 ACCOUNTS RECEIVABLE</b>         |       |                   |                   |
| Deposit                              |       | 89 610            | 89 610            |
| Prepayments                          |       | 90 297            | 112 442           |
| Accrued interest                     |       | 27 868            | 90 596            |
| Accounts receivable                  |       | 5 892 880         | 63 116            |
| Other debtors                        |       | 301 758           | –                 |
|                                      |       | <b>6 402 413</b>  | <b>355 764</b>    |
| <b>4 BANK AND CASH</b>               |       |                   |                   |
| Bank balances                        |       | (4 607 511)       | 174 345           |
| 88 day deposit account               |       | 9 755 746         | 15 099 415        |
| Other short term deposits            |       | 73 634 963        | 49 876 312        |
| Border refurbishment project account |       | 19 925 192        | 256 324           |
| Cash on hand                         |       | 27 494            | 41 955            |
|                                      |       | <b>98 735 884</b> | <b>65 448 351</b> |
| <b>5 COLLECTION ACCOUNTS</b>         |       |                   |                   |
| VAT call accounts                    |       | 24 775 103        | 20 039 946        |
| VAT current account                  |       | 708 038           | (19 791 295)      |
| Income Tax bank call account         |       | 7 207 632         | 7 022 754         |
| Income Tax bank current account      |       | 16 786 987        | 25 642 140        |
| Income Tax refund account            |       | 2 207 635         | 11 408 526        |
| LRA Refund account                   |       | (963 119)         | 16 800 314        |
|                                      |       | <b>50 722 277</b> | <b>61 122 385</b> |
| <b>SACU ACCOUNTS:</b>                |       |                   |                   |
| Current account                      |       | (604 393)         | (742 451)         |
| Customs and Excise bank accounts     |       | 42 770 686        | 31 393 228        |
|                                      |       | <b>92 888 571</b> | <b>91 773 162</b> |



## Notes to the Financial Statements (continued)

for the year ended 31 March 2010

|   | 2010<br>M         | 2009<br>M         |
|---|-------------------|-------------------|
| <b>ASSETS</b>   |                   |                   |
| <b>6 GOVERNMENT FUNDING</b>   |                   |                   |
| 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. In addition to the assets and funds transferred in the previous years, M26.866 million was provided by the Government during the year under review for the refurbishment of Border posts. |                   |                   |
| <b>7 PROVISIONS</b>   |                   |                   |
| Gratuity  | 6 009 966         | 8 799 469         |
| Severance pay   | 6 495 855         | 5 738 049         |
| Leave pay   | 858 568           | 3 467 381         |
|   | <b>13 364 389</b> | <b>18 004 899</b> |
| <b>8 ACCOUNTS PAYABLE AND ACCRUALS</b>  |                   |                   |
| Creditors   | 958 551           | 164 687           |
| Accruals  | 1 181 530         | –                 |
| Salary deductions   | 134 530           | (9 097)           |
| Other creditors   | 476 938           | –                 |
| Suspense account  | –                 | 265 759           |
|   | <b>2 751 549</b>  | <b>421 349</b>    |

## Notes to the Financial Statements (continued)

for the year ended 31 March 2010

### 9 DFID GRANT RECEIVED AND GRANT EXPENDITURE

DFID (the UK Department for International Development) allocated an amount of GDP 6,083,500 for technical assistance. No monies are received by LRA as suppliers and consultants are paid directly by DFID for supplies and services rendered. The expenditure incurred on an annual basis has been converted to local currency at the average exchange rate for the period with a corresponding figure as income, in line with International Accounting Standard 20-Accounting for Government Grants and Disclosure of Government Assistance.

Amounts received to date are as follows:

| Period                             | GBP              | Average<br>Rate | Equivalent<br>Maloti |
|------------------------------------|------------------|-----------------|----------------------|
| 2004                               | 1 185 832        | 12.7827         | 15 158 158           |
| 2005                               | 1 003 684        | 11.4850         | 11 527 261           |
| 2006                               | 1 039 061        | 10.6228         | 11 037 720           |
| 2007                               | 462 327          | 12.8477         | 5 939 853            |
| 2008                               | 333 489          | 14.5083         | 4 838 365            |
| 2009                               | 622 303          | 14.2610         | 8 874 631            |
| 2010                               | 857 815          | 12.4579         | 10 658 700           |
| <b>Total disbursements to date</b> | <b>5 504 511</b> |                 | <b>68 034 688</b>    |

### 10 PRIOR YEAR ADJUSTMENTS (M756 743)

These are reconciling items that were pending from previous years. This list includes but not limited to foreign currency payments that were not captures into the system while waiting for the Bank to confirm Maloti equivalent. This occurred while we had a systems break down and erroneously not captured back into the system when the system was restored. The other minor items were stale cheques that remained reconciling item for a long time.





*Tele Bridge 2009*



*Tele Bridge 2011*