



C O N T E N T S

	Page	LIST OF ABBREVIATIONS
List of Abbreviations	1	ALE – Association of Lesotho Employers and Business
Corporate Profile	2	BEDCO – Basotho Enterprise Development Corporation
Vision, Mission and Objectives	3	DFID – Department for International Development
LRA Organisational Structure	4	GoL – Government of Lesotho
Board of Directors	5	IVCF – Import VAT Credit Facility
Senior Management	6	LRA – Lesotho Revenue Authority
Chairperson’s Statement	9	SACU – Southern African Customs Union
Commissioner General’s Statement	11	SADC – Southern African Development Community
LRA 2007 - 2008 Annual Report	13	SARS – South African Revenue Service
Audited Financial Statements	24	VAT – Value Added Tax
LRA Taxpayer Charter	ibc	VIPS – VAT Information Processing System

The Deputy Prime Minister, Hon. Lesao Lehohla turning the sod to inaugurate the refurbishment of Maputsoe Bridge border post.





C O R P O R A T E P R O F I L E



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.



VISION, MISSION AND OBJECTIVES

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.

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.

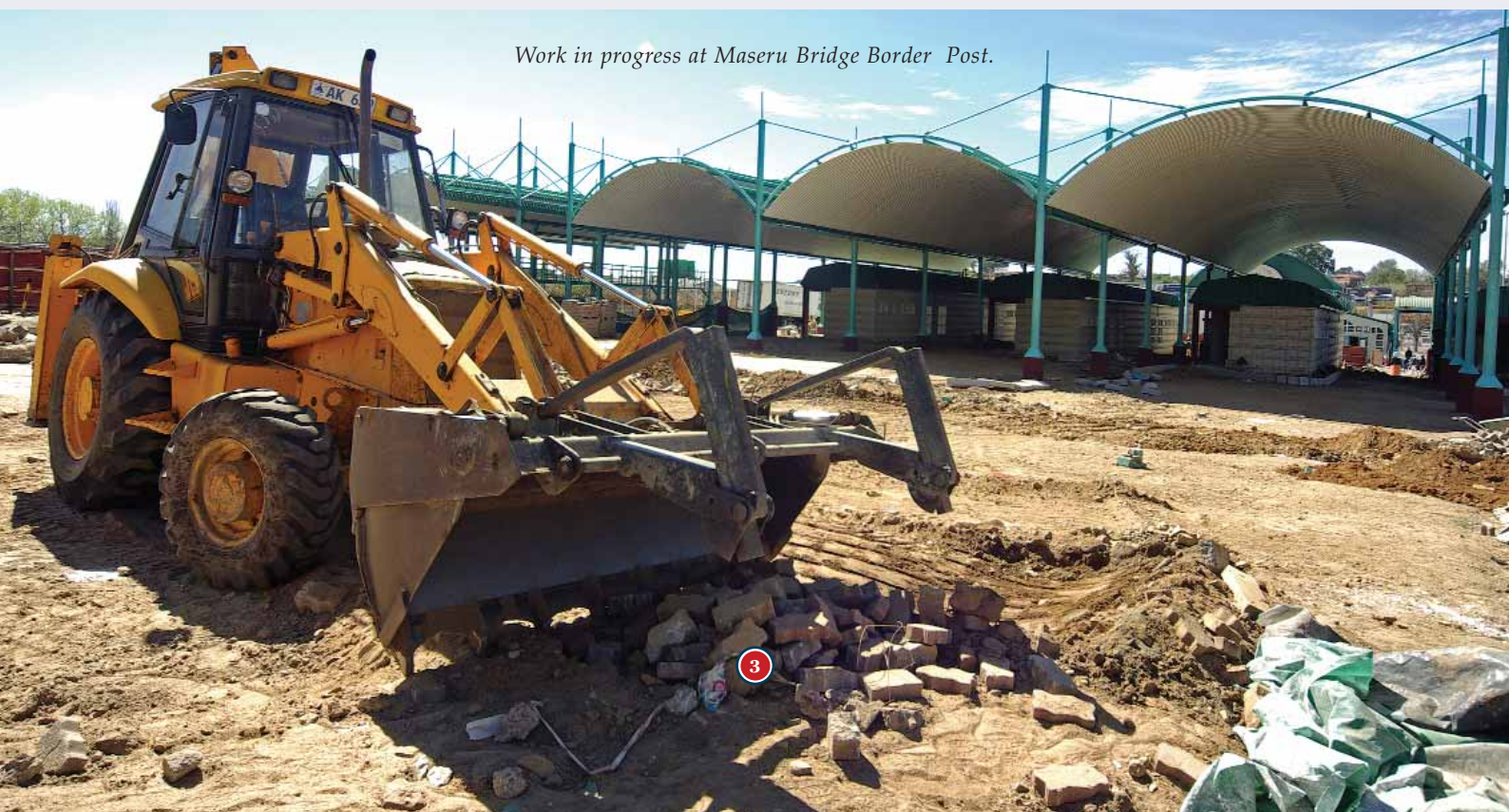
Corporate image

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

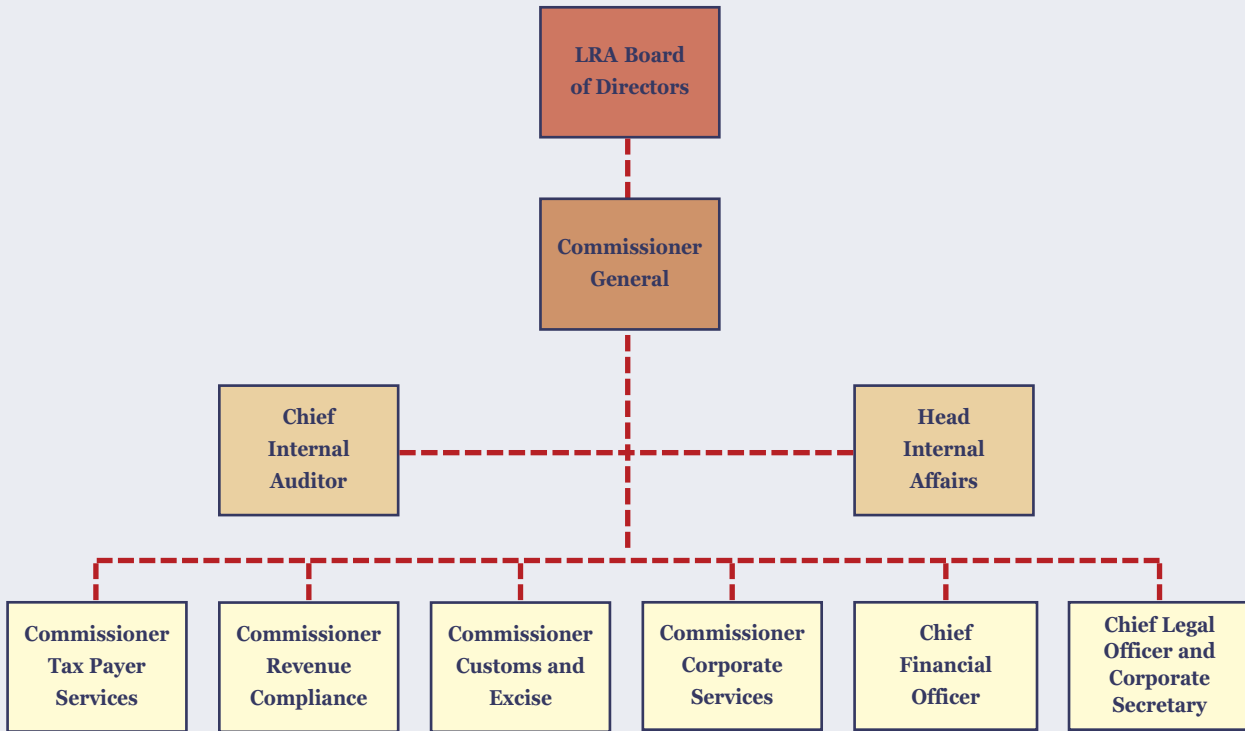
To demonstrate leadership in the fight against corruption.

Work in progress at Maseru Bridge Border Post.





LRA ORGANISATIONAL STRUCTURE



The 2nd LRA Board of Directors



BOARD OF DIRECTORS



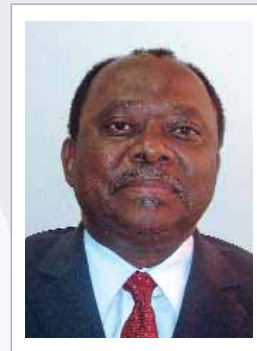
Mrs 'Matlotliso Ntoane
LRA Board Chairperson



Mr Sam Mphaka
Lesotho Institute of Accountants



Mr Mohlomi Rantekoa
Ministry of Trade and Industry,
Cooperatives & Marketing



Adv Thabo Makeka
Association of Lesotho
Employers & Business



Mr Thabo Phohleli
Lesotho Chamber of Commerce
and Industry



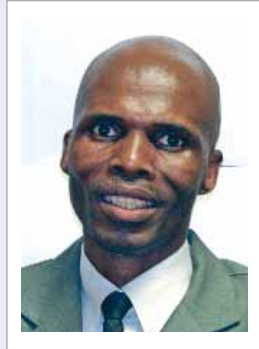
Dr Charles Jenkins
Commissioner General



Mr Tseko Bohloa
Nominated by the Minister of
Finance and Development
Planning



SENIOR MANAGEMENT



Nthako Sekome
Commissioner Revenue
Compliance



Palesa Sematlane
Commissioner Corporate
Services



Ntefeleng Tsiboho
Chief Internal Auditor



Dr Charles Jenkins
Commissioner General



Maleshoane Morakabi
Commissioner
Taxpayer Services



Lerotholi Pheko
Chief Financial Officer



Moneuoa Kopo
Head Internal Affairs



Thabo Letjama
Commissioner Customs
and Excise



Dr. Seth Macheli
Chief Legal Officer and
Corporate Secretary



'Mamojela Koneshe
Director Human Resources



SENIOR MANAGEMENT



Retšelisitsoe Motšoeneng
Director Performance Analysis



Kabanyane Tladi
Chief Accountant



Thabo Moleko
Assistant Commissioner Internal
Operations



Masello Molumaela
Assistant Commissioner Large
Taxpayer Services



Idia Penane
Chief Information Officer



Pule Chere
Assistant Commissioner Debt
Management



Tšepo Raletsoane
Assistant Commissioner Front
Office



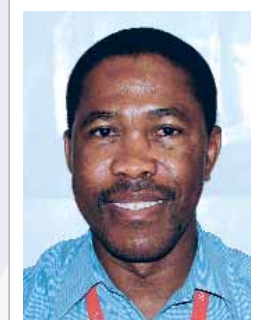
Rethabile Makhesi
Assistant Commissioner
Customs Technical



Realeboha Mathaba
Head Litigation



Mosonngoa Monkhi
Assistant Commissioner Audit

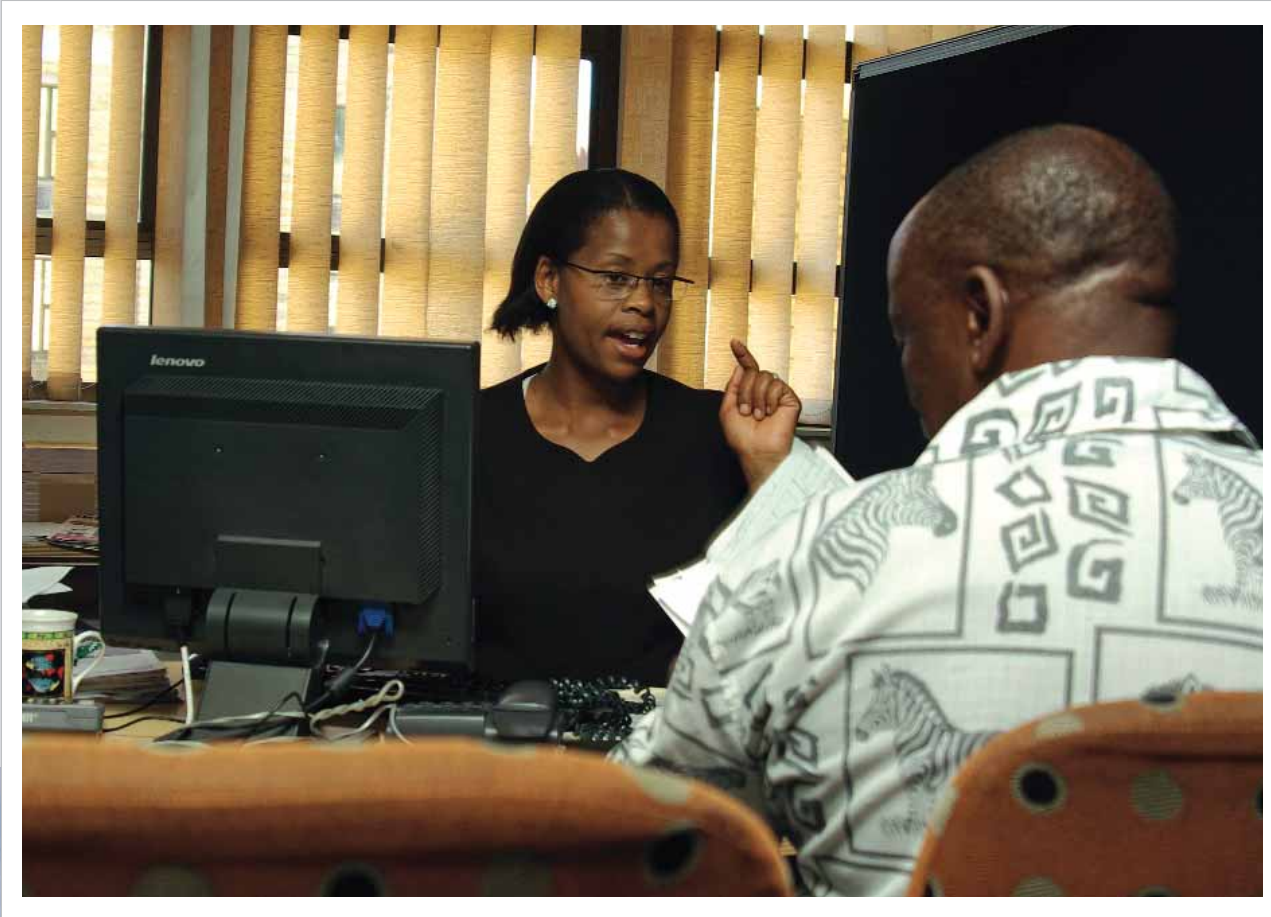


Setsoto Ranthocha
Assistant Commissioner Tax
Technical



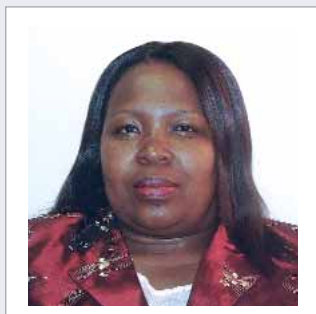
Makali Lepholisa
Assistant Commissioner
Customs Operations

VACANT
Director Change and Project Management





CHAIRPERSON'S STATEMENT



The 2007-08 fiscal year is the fifth year of operations for the Lesotho Revenue Authority, and I am delighted to report that the organisation has moved from strength to strength. In the period under review, the LRA remitted to the Treasury more than M220 million in excess of its agreed targets, and in so doing has made a major contribution to the government's capacity to implement its plans for poverty reduction and economic growth.

I am also pleased to report that during the course of the year, the Authority has put in place significant initiatives, designed to ensure that this year's excellent performance will be sustainable in future.

In July 2007, the Authority implemented a new organisation structure, which represents a fundamental departure from the old method of operations. In an ongoing effort to improve the quality of service provided to Taxpayers, the LRA has integrated its technical functions across tax types. This should result in Taxpayers being able to deal with the Authority as a single entity, and not having to deal with our individual tax divisions as separate entities. This will increase the ease and convenience with which our Taxpayers interact with the Authority.

Importantly, the Authority has also laid the foundation for introducing a comprehensive Performance Management System. The new system has been designed, and I believe this will consolidate and enhance the LRA's position as a high-performing meritocracy, in which staff are rewarded financially and in terms of career development on the basis of what they deliver. The Board has approved the detailed plan proposed by Management for introducing this new system over a three year period.

It has also been gratifying to see the Authority increase its stature within the region and across the continent. Our Commissioners have been appointed to key roles in a number of areas, including the World Customs Organisation (East and Southern African Region); the Commonwealth Association of Tax Administrators (Africa Region); the Forum for VAT Administrators in Africa (VADA); and the SADC Sub-Committee on Tax Treaties. I

commend them for their energy and dedication, and for raising Lesotho's profile in these important international organisations.

I should like to take this opportunity to thank the United Kingdom Department for International Development (DFID) for their continued support, without which many of the new initiatives described in this report would have been difficult or impossible to take forward.

I would also like to thank the Ministry of Finance and Development Planning, and by extension the Government of Lesotho, for their continued support for the development of the Authority. I hope the results the Authority has delivered continue to justify the confidence they have placed in us, and that the relationship we have will grow to be more and more mutually beneficial in years to come.

The results achieved this year reflect the efforts of the staff who work in the LRA, and I thank the Commissioner General, the Management and all of the Staff of the Authority for their continued efforts in ensuring that the LRA is an organisation of which we can all be truly proud.

Finally, it is with a degree of sadness that I have to announce that the second Board of Directors of the Authority will shortly come to the end of its term of office, and that some of us will not be returning for a further term. For those of you who will not be returning, I thank you for all of the wise counsel and support you have given as Board members, and I wish you all success in the future. For those of you who will be returning, and to the incoming Board members, I trust that you will guide the Authority wisely to build on its strengths, and become an outstanding example of what Lesotho can achieve.

Matlotliso Ntoane
Board Chairperson



The Secretary General Of World Customs Organisation, Mr. Michel Danet being briefed by Customs Officers at Maseru Bridge during his tour.

The WCO delegation touring the construction site at Maseru Bridge.





COMMISSIONER GENERAL'S STATEMENT



It gives me great pleasure to present this fifth Annual Report of the Lesotho Revenue Authority. As the report indicates, in the 2007-08 fiscal year, the LRA exceeded its targets for collections of Income Tax and VAT by M222 million, or 12%. This performance is particularly commendable, given that during the year the Authority implemented a radically new organisation structure, based on the recommendations of the Organisation Review exercise that commenced in August 2006. I am well aware of how unsettling major change exercises of this nature can be for staff, and I would like to take this opportunity to thank all staff of the Authority for their continued efforts to deliver excellent results in difficult circumstances.

Successfully delivering against our core mandate of collecting revenue means that we can devote attention to issues other than revenue collection, and in this regard I am pleased to announce that during the year under review the Authority has expended considerable effort in developing and rolling-out a new, improved Performance Management System; it has also invested considerable resources in undertaking a Management Development Programme that is designed to develop the LRA's management style and culture, and lay the foundation for increased effectiveness and success in future; also, with the full involvement of the whole Management Team, it has determined how it will move forward to leverage and maximise the benefits we realise from our investment in technology; and we have also commenced work on the Border Post Refurbishment Programme, which will deliver much improved services for the facilitation of trade, and the convenience of everyone crossing our borders.

Complacency in the LRA, as in any other organisation, would be a very dangerous and destructive thing, and our recent, independently conducted Customer Satisfaction Survey has given us clear guidance on areas where we need to pay more attention to the quality of services we deliver. The results of this survey, which in the interests of transparency will be presented to Stakeholders in the near future, have already been studied in a workshop by the Management Team, and the immediate actions identified and agreed at this workshop have been incorporated into the Authority's Business Plan for 2008-09.

I would like to reiterate my thanks to the Staff of the LRA, and to the Management Team for the great support and co-operation they have given me during the course of the year under review. Such results can only be brought about by team effort, and I am proud to be a member of such a winning team.

Finally, I would like to extend my thanks to the outgoing Board of Directors for their guidance and support in the period since I arrived in Lesotho. The working relationship I have enjoyed with them has always been cordial and constructive, and I thank them for the confidence they have shown in supporting the change initiatives I have brought to them.

Dr Charles Jenkins
Commissioner General



The Commissioner of Customs and Excise handing over textiles worth M2,7 million to National Aids Commission to assist orphans and vulnerable children.



The LRA Commissioner General and CEO of Lesotho Institute of Accountants exchanging pleasantries on the occasion of the signing of LRA/LIA Memorandum of Understanding.



L R A 2 0 0 7 - 2 0 0 8 A N N U A L R E P O R T

INTRODUCTION

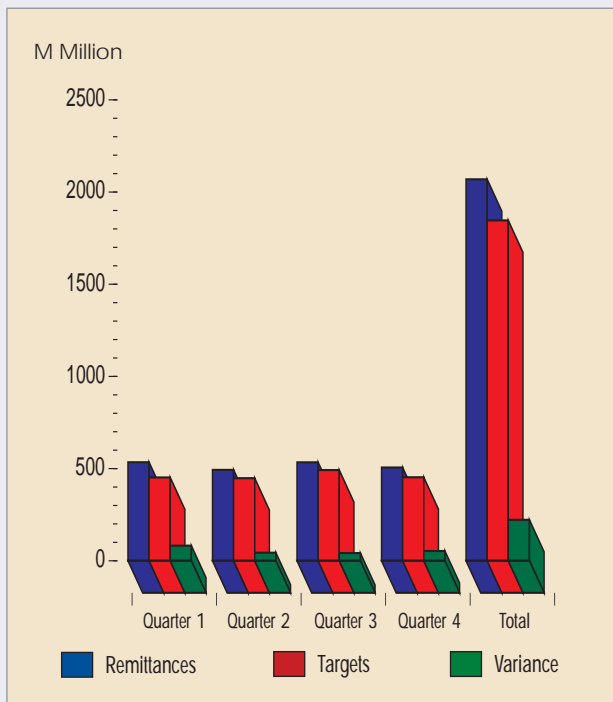
The 2007-08 fiscal year was one of exceptionally good performance for the Lesotho Revenue Authority, with conspicuous progress being made in respect of each of its six strategic objectives. This progress is reported below under the following headings:

- Revenue Collection
- Raising Voluntary Compliance
- Creating a Fair and Equitable Revenue Environment
- Building a Strong and Sustainable Organisation
- Enhancing the LRA's Corporate Image
- Fighting Corruption

REVENUE COLLECTION

Total remittances of Income Tax and VAT to the Government during the period under review amounted to M2,069.24 million. This represents a surplus of M222.25 million (12%) above the target of M1 846.99. These summary results are shown in Figure 1, and analysed in more detail below.

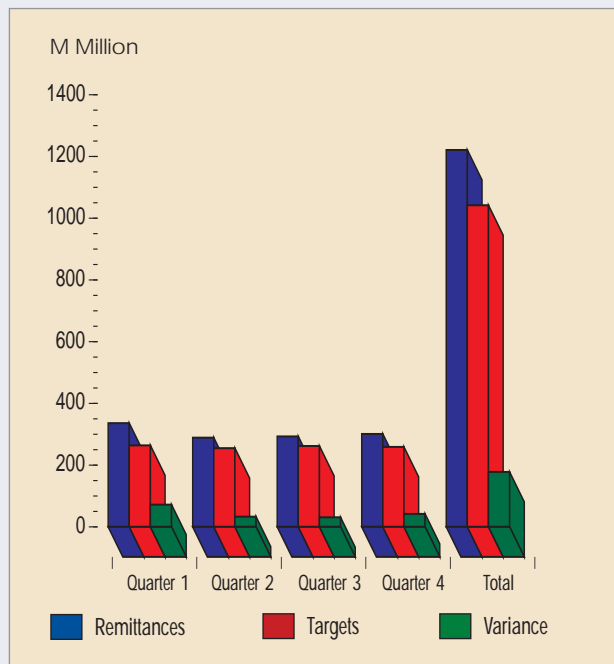
Figure 1: Total Remittances of Income Tax and VAT



Income Tax

Remittances of Income Tax were remarkably robust, at M1,221.36 million. This exceeded the target of M1,042.54 million by M178.83 million (17%); and accounted for some 80% of the Authority's total over-performance. This performance is summarised in Figure 2 below.

Figure 2: Remittances of Income Tax



Personal Income Tax remains the driving force in this area, accounting for over 60% of total Income Tax collections. However, it is shown below that over the course of the last five years the overall burden of taxation has been switched from income to consumption.



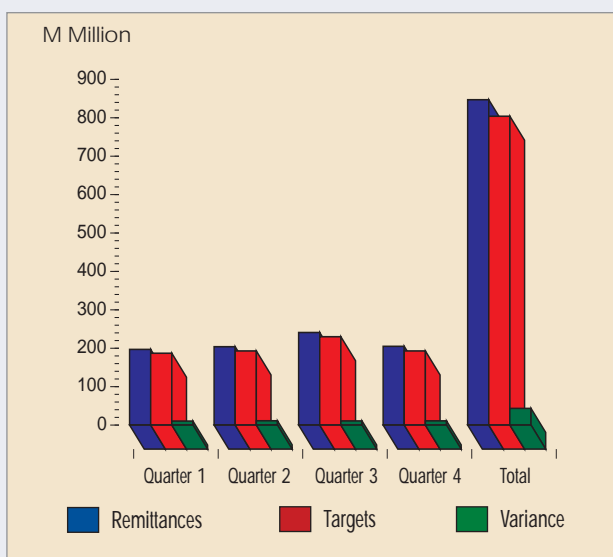
LRA 2007 - 2008 ANNUAL REPORT

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Certificate Award ceremony at the occasion to commemorate the Annual World Customs Day.

Figure 3: Remittances of VAT



Value Added Tax (VAT)

VAT performance was also very solid, with total collections of M847.87 million exceeding the target of M804.45 million by M43.42 million (5%). This represents an increase of 19% over collections in 2006-07, and is indicative of an expanding level of activity in the economy, as well as overall increases in the level of registration and timeliness of filing. Figure 3 shows VAT remittances compared to targets, broken down by quarter, for the period under review.



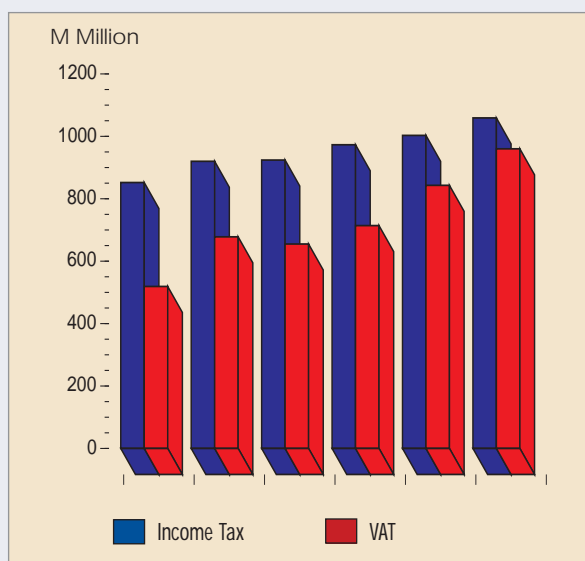
LRA 2007-2008 ANNUAL REPORT

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A customs officer handing over educational fliers during Customs Day celebrations.

Figure 4: Source of Revenue by Tax Type, 2003-04 to 2007-08



Source of Tax Revenue by Tax Type

It is interesting to note how the balance between direct taxes (taxes on income) and indirect taxes (taxes on consumption) has shifted during the course of the current decade. Figure 4 shows actual tax remittances to the Government by tax type, for the period 2003-04 to 2007-08. At the beginning of this period direct taxes accounted for 62% of tax revenue, which was 24 percentage points more than the 38% of tax revenue attributable to VAT. In 2008-09 the gap between the two tax types has been narrowed to only 5 percentage points, with direct taxes accounting for 52% of targeted tax revenue, and VAT accounting for 47%. This is partly a reflection of VAT, which was introduced in 2003, being a more effective tax than the Sales Tax it replaced; and is also a reflection of the easing of the tax burden on individuals and companies, which has been designed to expand discretionary demand, and in so doing stimulate investment and employment.



L R A 2 0 0 7 – 2 0 0 8 A N N U A L R E P O R T

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Customs & Excise Duty

Lesotho is a member of the Southern African Customs Union (SACU). Receipts of Customs & Excise Duties are distributed among the SACU member states in accordance with an agreed revenue sharing formula. Although this means that in any given year the operational activities of the Customs & Excise Division do not directly determine the amount of revenue Lesotho receives, the proper identification and recording of cross-border transactions by our Customs staff is critical in calculating Lesotho's share of the SACU revenue pool in subsequent years.



LRA staff cultural group performing “Mokhibo” during LRA Day celebrations.

Table 1 (below) shows Lesotho's receipts from the SACU revenue pool for the period 2003-04 up to the budgeted figure for 2007-08, compared to receipts of Income Tax and VAT. Table 2 shows the same information in percentage terms. It is clear that during this period receipts have grown at a much faster rate than other revenue sources, and that the SACU share of Lesotho's public revenue has risen from 50% in 2003-04 to 65% in 2007-08.

Table 1: Remittances by Revenue Source 2003-04 to 2007-08 (M millions)

Year	Customs & Excise	Income Tax	VAT	Total
2003/4	1,421.7	852.5	519.5	2,793.7
2004/5	2,012.5	920.1	678.3	3,610.9
2005/6	2,306.3	924.6	655.6	3,886.5
2006/7	2,781.2	973.1	714.6	4,468.9
2007/8	3,822.3	1,203.0	843.0	5,868.3



L R A 2 0 0 7 - 2 0 0 8 A N N U A L R E P O R T

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This has clearly been highly beneficial to Lesotho; but the LRA is acutely aware that the growing significance of SACU receipts also brings with it a critical risk. This risk is that any future fall in SACU revenues will require a greater than proportionate increase in collections from other sources of revenue to offset it. For example, a fall of 10% in SACU receipts will require a corresponding increase of 23% in Income Tax and VAT to maintain total public revenue at the same level.

As it would not be feasible to increase tax rates in order to compensate for such a fall in SACU receipts, it is therefore critical that the LRA not only ensures a high rate of compliance with tax laws; but also that it recognises the various ways in which it can facilitate investment, trade and economic growth.

Table 2: Remittances by Revenue Source (in percentages) 2003-04 to 2007-08

Year	Customs & Excise	Income Tax	VAT	Total
2003/4	50.9	30.5	18.6	100.0
2004/5	55.7	25.5	18.8	100.0
2005/6	59.3	23.8	16.9	100.0
2006/7	62.2	21.8	16.0	100.0
2007/8	65.1	20.5	14.4	100.0

Revenue Foregone

As outlined in Section 23 of the LRA Act, the Annual Report must report on the revenue foregone because of exemptions, mitigations or deferrals that are granted by the Minister of Finance and Development Planning and published in the Gazette. In the year of reporting, there were no such notices published.





LRA 2007 – 2008 ANNUAL REPORT

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LRA management staff during a retreat at Mohale Dam

RAISING VOLUNTARY COMPLIANCE

It is a long-term strategic objective of the Authority to raise the level of voluntary compliance with the revenue laws, in order to reduce the burden of compliance for Taxpayers, and reduce the cost of collection to the Authority itself. In pursuit of this objective, the following activities have been undertaken or initiated during the year under review.

Tax Clinics

Through the Taxpayer Education Unit, the LRA provides information on a variety of technical, legal and procedural issues, in order to assist Taxpayers in meeting their statutory obligations. Tax Clinics, in which specific tax issues are addressed – usually with respect to the requirements of a specific Taxpayer audience – are an important means by which the LRA seeks to increase Taxpayers' knowledge and understanding of these obligations. Some Tax Clinics are organised at the initiative of the Authority, but we have also organised a number of such Clinics in response to requests

from particular interest groups such as employers, or business associations. Tax Clinics will remain an important component of our Taxpayer Education Programme for many years to come.

Radio Talk Shows

In an effort to increase general public awareness of tax issues, the Authority has expanded its media coverage of tax issues. A weekly radio programme is broadcast on Radio Lesotho, covering a wide range of tax-related topics, and including the opportunity for listeners to call in with questions and issues for discussion. In addition, the Authority also uses other local radio stations, including Moafrika FM, People's Choice FM, Catholic Radio FM and Harvest FM to raise public awareness of specific issues.

Filing Season / Self Assessment Campaign

The Authority used the full range of media to support



L R A 2 0 0 7 - 2 0 0 8 A N N U A L R E P O R T

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Taxpayers in filing their tax returns under the Self Assessment System. This included all print and broadcast media, including a programme on T.V. Lesotho. Tax clinics were also conducted in all districts in an effort to enlighten taxpayers regarding their obligations for the Income Tax Filing Season.

Building Relationships with Business Associations & Business Development Agencies

A process of building relationships with business associations and development agencies has been initiated with the aim of addressing the critical needs of the Authority's stakeholders. Moreover agreements have been initiated with specialised institutions in the quest to enhance compliance and hence broaden the tax net. Negotiations of Memoranda Of Understanding (MOU's) with organisations like BEDCO, SMME Network & ALEB are at an advanced stage. The MOU with the Lesotho Institute of Accountants (LIA) has been signed. The Authority is also in the process of finalising a

three party MOU with the Lesotho Mounted Police Service and the Directorate on Corruption and Economic Offences.

CREATING A FAIR AND EQUITABLE REVENUE ENVIRONMENT

The Authority has committed itself to the creation of a fair and equitable revenue environment, in which all revenue laws are administered in an even-handed and impartial manner, and no Taxpayer is disadvantaged by being compliant. This requires that, while we maintain a strong focus on Taxpayer Service, we also commit to pursue and bring to book individuals and entities who wilfully disregard their legal tax obligations. To strengthen our capacity in this area, the Authority has established a consolidated Investigation and Intelligence Unit, as part of the recent Organisational Review. This new Unit replaces and improves upon the formerly fragmented approach adopted under the old organisation structure.

Information Technology is the backbone of LRA's operations.





L R A 2 0 0 7 - 2 0 0 8 A N N U A L R E P O R T

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In order to ensure the establishment of the Investigation and Intelligence Unit on an effective, professional basis, the Authority has worked together with the United States Treasury Department and the United Kingdom Department for International Development to secure long term advisory services and support. The primary focus of this support will be on developing robust procedures, and on building human resource capacity through both training interventions and professional guidance.

BUILDING A STRONG AND SUSTAINABLE ORGANISATION

While the Lesotho Revenue Authority's performance has been robust, we recognise the need to ensure as far as possible that success in the current year can be replicated in future. Among other things, this requires that we organise ourselves in such a way as to maximise our ability to deliver against our strategic objectives with the resources at our disposal. During the course of the year under review, major strides in this direction were taken.

Organisation Review

In August 2006, the Authority commenced a major review of its organisation structure, in order to ensure that our structure reflected our long-term strategic objectives. In particular, the Organisation Review process focussed on the need to ensure that we became a Taxpayer-centric, and not a tax-centric, organisation.

The critical change in the Authority's structure from a Taxpayer's perspective was that the technical functions that were formerly conducted in the Divisions of Income Tax and VAT, were consolidated across tax types. The impact of this is that, whereas under the old arrangement, a corporate Taxpayer would have had separate Tax Audit visits from our Company Tax Auditors, PAYE Auditors and VAT Auditors; they should now receive a single audit visit, which reduces the disruption to their business and so reduces the burden of compliance.

As a result of this key change, the former Income Tax and VAT Divisions no longer exist. Under the new organisational arrangements,





L R A 2 0 0 7 - 2 0 0 8 A N N U A L R E P O R T

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the key Divisions in our Tax structure are Taxpayer Services and Revenue Compliance. In very broad terms, while both of the Divisions continue to be involved in meeting our revenue targets, Taxpayer Services focuses on Raising Voluntary Compliance, while Revenue Compliance focuses on creating a Fair and Equitable Revenue Environment.

This new structure was implemented in July 2007.

Performance Management

In order to support the LRA's development as a customer-centric meritocracy, a new Integrated Performance Management System (IPMS) has been designed. This system, which will form the basis of both career progress and performance-related pay, will be introduced over a three year period, commencing in 2008-09.

Staff Development

Major initiatives have been launched during the year under review to expand and enhance the Authority's investment in the development of

its staff. A Management Development Programme has been put in place, using international consultancy support. This Programme has been designed to develop a management style and culture appropriate to the LRA, using real-life management issues; rather than simply delivering off-the-shelf training courses in specific managerial skills.

Continued progress has also been made in building a staff development and capacity building network. A new Memorandum of Understanding on Capacity Building has been signed with the South African Revenue Service, and links with the World Customs Organisation, the Commonwealth Association of Tax Administrators and the Africa Tax Institute (at Pretoria University) have all been strengthened.

The Authority has also made a substantial investment in expanding and refurbishing its Staff Development Centre in Maseru. This much-improved facility will be re-opened during the first half of the 2008-09 fiscal year.



L R A 2 0 0 7 - 2 0 0 8 A N N U A L R E P O R T

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Border Post Refurbishment

During 2007-08 the LRA, with the involvement of other Border Agencies, and the support of the Ministry of Finance and Development Planning, commenced the Border Post Refurbishment Programme. This is a major initiative that will significantly upgrade Lesotho's image, and the quality of service we are able to render to businesses and individuals as they enter and leave the country. Work has commenced at Maseru Bridge and Maputsoe Bridge Border Posts already, and it is planned that the Refurbishment Programme will be extended to include Van Rooyen's gate and Tele Bridge in 2008-09.

ENHANCING THE LRA's CORPORATE IMAGE

The New LRA Strapline

In October 2007, the Lesotho Revenue Authority launched a new strapline:

"Serving you – Serving the Nation:

Re Sebeletsa Uena – Re Sebeletsa Sechaba"

to replace the previous:

"Pay Tax and Build Lesotho's Future:

Lefa Lekhetho, u Ahele Lesotho Bokamoso"

The new strapline, which was developed by LRA staff members 'Mannana Sethobane and Rebecca Ralebakeng, reflects the Authority's strategic focus on the provision of a facilitative service, rather than concentrating solely on the collection of revenue.



L R A 2 0 0 7 - 2 0 0 8 A N N U A L R E P O R T

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Post Budget Dinner

For the second year running, the LRA co-hosted, with Nedbank Lesotho Limited, a Post Budget Speech Dinner. This event, which is attended by the Honourable Minister for Finance and Development Planning, provides an opportunity for senior representatives of a range of organisations and interest groups, including the private sector, the international community, civil society, the public sector and the media, to get together to hear expert analyses of the Budget Speech. It also provides a forum for sharing views on what the budget means for the economy, and the Minister himself is on hand to respond to questions raised from the audience.

In addition to being a very interesting and highly enjoyable event, the Post Budget Dinner also provides the LRA management with the opportunity to gauge the audience's reaction to the Budget.

Repositioning Taxpayer Education Initiatives

One of the key changes brought about by the Organisation Review relates to Taxpayer Education. This function was formerly part of the Public Relations office, but in line with the Authority's greater focus on facilitation and Taxpayer service, it has been established as a separate office under the Commissioner of Taxpayer Services. This new arrangement allows for both a greater level of Taxpayer Education activity, and also for greater technical oversight of the educational materials and interventions prepared.

The Fight against the Adverse Impact of HIV/AIDS

In August 2007, in an endeavour to demonstrate the LRA's good corporate citizenship, as well as its concern regarding the plight of those living with and affected by HIV and AIDS, the Authority handed over textiles and clothing valued at approximately M2.7 million to the National Aids Commission (NAC). This donation was intended to address the clothing needs of more than 220,000 orphans and vulnerable children throughout the country. This donation is the first of this magnitude since the establishment of the LRA.

The 2007/08 Customer Satisfaction Survey

The Authority undertook the second Customer Satisfaction

Survey in late 2007 and early 2008. The recent survey was a follow-up to one conducted in 2004, which identified the need for improvements in critical areas such as communications, working procedures, staff behaviour and accessibility to Taxpayers. A total of 2,231 people were covered during the survey process. In addition, a series of focus group discussions, business case studies and meetings were conducted with various stakeholders, including LRA management and staff representatives, and business leaders.

The survey, which included large, medium and small businesses, shows that while the LRA has clearly made progress in some areas, there are still major issues that remain to be addressed. The results of the survey will be communicated to the public during the first half of the 2008-09 fiscal year, and commitments will be made to deal with the most pressing issues.

It is also planned to hold a similar survey on a biennial basis in future.

FIGHTING CORRUPTION

Investigations of LRA Staff

During the year under review the Authority continued with efforts to address corruption, both internally and externally.

Altogether, investigations into twenty three employees were commenced by the Internal Affairs Unit in the year under review. Of these, nine were found guilty of a dismissible offence and duly dismissed; and of these nine, the Authority has initiated legal action against three in the Courts.

Investigations into seven of the staff in question have been carried forward into 2008-09.

Co-Operation with the Directorate on Corruption and Economic Offences

The Internal Affairs Unit of the LRA has been active in forging capacity building and awareness raising links with the DCEO, and arrangements are being finalised for the DCEO to provide a series of Corruption Awareness workshops to address all LRA staff. These workshops are scheduled to take place during the first quarter of the 2008-09 fiscal year.



FINANCIAL STATEMENTS

for the year ended 31 March 2008

	Page
Statement of responsibility of the Governing Board in relation to the Financial Statements	25
Report of the Independent Auditors	26
Report of the Auditor General	27
Income and Expenditure Statement	28
Balance Sheet	29
Statement of Changes in Capital & Reserves	30
Cash Flow Statement	31
Statement of Accounting Policies	32
Notes to the Financial Statements	34





STATEMENT OF RESPONSIBILITY OF THE GOVERNING BOARD IN RELATION TO THE FINANCIAL STATEMENTS

The Governing Board is responsible for monitoring the preparation and for the integrity of the Financial Statements and the related information included in this report.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain a system of internal controls. The Board has ultimate responsibility for the system of internal controls and reviews its operation through close involvement of the Commissioner General.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable but not absolute assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and the organisation's policies and procedures. These controls are implemented by trained personnel with appropriate segregation of duties. They are also monitored by management and include a comprehensive budgeting and reporting system operating within strict deadlines and appropriate framework.

The Financial Statements are prepared in accordance with Statements of Lesotho Generally Accepted Accounting Practice (GAAP) and they are based on appropriate accounting policies supported by reasonable and prudent judgment and estimates. The GAAP, in this regard, include statements of International Financial Reporting Standards (IFRS) as adopted by the Lesotho Institute of Accountants (LIA) which are therefore applicable in Lesotho. There are no events that occurred after the balance sheet date that would have a material impact on these Financial Statements.

These Financial Statements set out on pages 28 to 36 were approved by the Board, and signed on its behalf by:

'Matlotliso Ntoane

Chairperson

30 June 2008

Dr Charles Jenkins

Commissioner General

27 June 2008



REPORT OF THE INDEPENDENT AUDITORS



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Accountants (Chartered) International
BY MEMBERSHIP OF ACCOUNTANTS (INTERNATIONAL) LIMITED
MEMBERSHIP NO. 14113

REPORT OF THE INDEPENDENT AUDITORS TO THE LESOTHO REVENUE AUTHORITY BOARD OF DIRECTORS

We have audited the books, records and accounts of Lesotho Revenue Authority for the year ended 31st March 2008 and have obtained information and explanations, which in our knowledge and belief were necessary for the purpose of our audit.

Respective Responsibilities of Governing Board and Auditors

These Financial Statements are the responsibility of the Board of Directors. Our responsibility is to report on these Financial Statements.

Basis of Opinion

We conducted our audit in accordance with Generally Accepted Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that, in all material respects, fair presentation is achieved in the financial statements. The audit included an evaluation of the appropriateness of the accounting policies; an audit, on a test basis, of evidence supporting the amounts and disclosure included in the financial statements; an assessment of the reasonableness of significant estimates; and a consideration of the appropriateness of the overall financial statement presentation.

Opinion

We consider that our audit procedures were appropriate in the circumstances to express our opinions presented below.

The Authority kept proper books of account as required by the Lesotho Revenue Authority Act, 2001 which are the basis for the financial statements set out on pages 3 to 11.

In our opinion, these Financial Statements reflect a true and fair view of the state of the Authority's affairs at 31 March 2008 and of its operating results and cash flow for the period then ended and in accordance and in accordance with International Financial Reporting Standards as adopted by the Lesotho Institute of Accountants.

Moore's Rowland
MOORES ROWLAND
Chartered Accountants (I.)

Chartered Accountants (I.)

MEMBERSHIP NO. 14113



REPORT OF THE AUDITOR GENERAL

Tel: 22323904
Cable: Audit, Maseru
Fax: 22310366



Office of the Auditor General
P.O. Box 502
Maseru 100
Lesotho

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF LESOTHO REVENUE AUTHORITY FOR THE YEAR ENDED 31 MARCH 2008

Moores 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 2008, 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 3 to 11.

Management's Responsibility for 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 based on the audit. The audit has been conducted in accordance with International Standards on 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 misstatement.

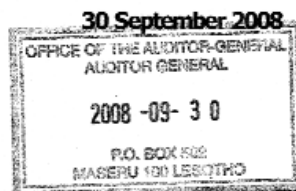
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 the financial 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 2008, 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 2001.


KOPANO L. MOU
F/AUDITOR GENERAL





INCOME AND EXPENDITURE STATEMENT

for the year ended 31 March 2008

	Notes	2008 M	2007 M
INCOME			
Government funding		113 781 500	99 200 000
DFID grant received	9	4 838 365	5 939 853
Interest received		4 100 826	4 045 877
Storage income		399 824	326 581
Commission received		49 972	53 070
Other Income		12 025	427 672
Total income		123 182 512	109 993 052
EXPENDITURE			
Costs of collection:			
Staff related expenses		79 379 339	52 982 926
Inspection and enforcement expenses		1 398 974	2 065 421
<i>Total costs of collection</i>		<i>80 778 313</i>	<i>55 048 347</i>
Administration expenses:			
Staff related expenses		–	15 815 617
Administration expenses		30 670 423	24 388 937
Vehicle running expenses		708 858	1 114 170
<i>Total administration expenses</i>		<i>31 379 281</i>	<i>41 318 724</i>
DFID grant expenditure	9	4 838 365	5 939 853
Total expenditure		116 995 959	102 306 924
Surplus/(deficit) for the year	1	6 186 553	7 686 129



BALANCE SHEET

as at 31 March 2008

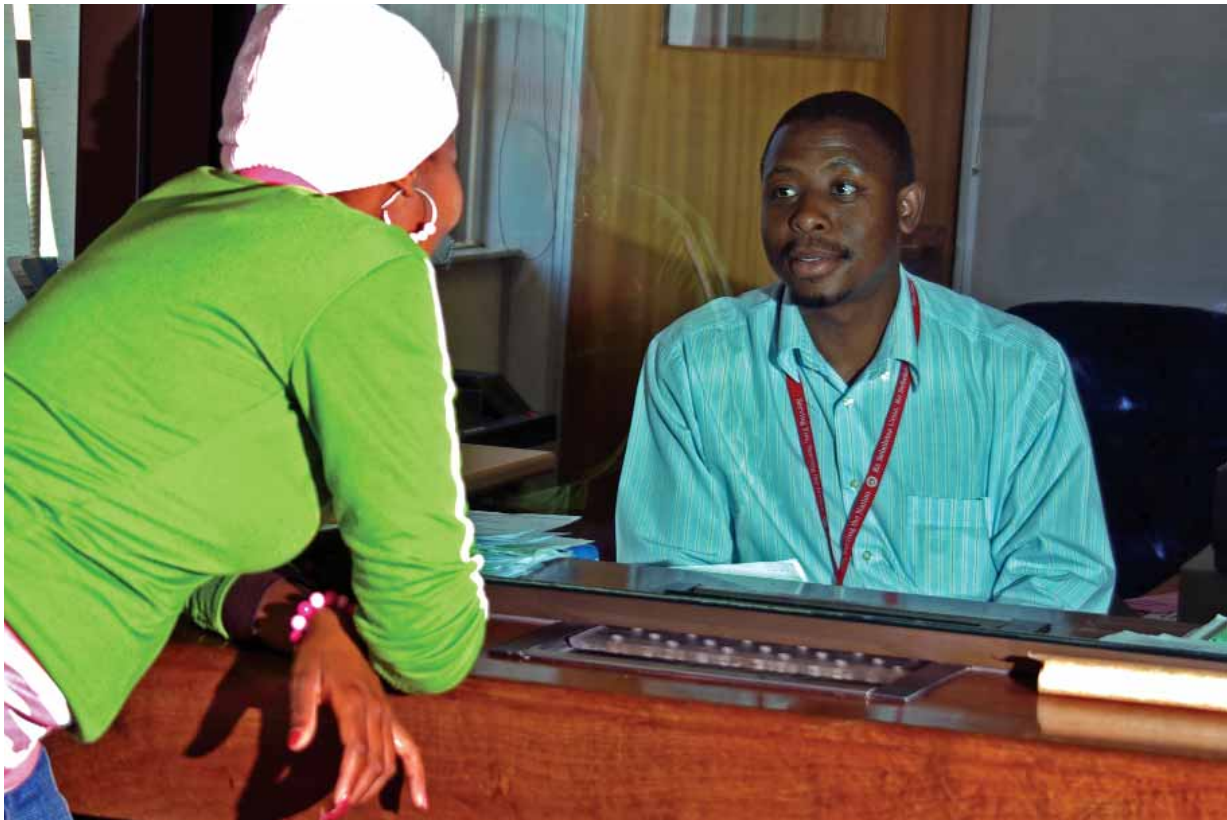
		2008	2007
	Notes	M	M
ASSETS			
Non-current assets			
Property, plant and equipment	2	37 879 240	35 709 636
Current assets			
Accounts receivable	3	289 065	272 838
Bank and cash	4	71 480 028	46 517 762
Collection Accounts	5	121 796 888	128 083 421
		193 565 981	174 874 021
TOTAL ASSETS		231 445 222	210 583 657
CAPITAL AND LIABILITIES			
Capital and Reserves			
GOL funding	6	88 312 033	73 312 033
Accumulated surplus/(deficit)		6 857 726	671 173
		95 169 759	73 983 206
Non-current liabilities			
Provisions	7	10 461 096	6 362 070
Current liabilities			
Collection accounts	5	121 796 888	128 083 420
Accounts payable and accruals	8	4 017 478	2 154 961
		125 814 366	130 238 381
TOTAL CAPITAL AND LIABILITIES		231 445 222	210 583 657



STATEMENT OF CHANGES IN CAPITAL AND RESERVES

for the year ended 31 March 2008

Notes	GOL Funding M	Accumulated excess expenditure over income M	Total M
Balance at at 01 April 2007	73 312 033	(7 014 956)	66 297 077
Surplus for the year ended 31 March 2007	–	7 686 129	7 686 129
Balance as at 01 April 2007	73 312 033	671 173	73 983 206
Border refurbishment grant	15 000 000		15 000 000
Surplus for the year ended 31 March 2008	–	6 186 553	6 186 553
Balance at 31 March 2008	88 312 033	6 857 726	95 169 759



A taxpayer being served at LRA Banking Hall



CASH FLOW STATEMENT

for the year ended 31 March 2008

	2008	2007
Notes	M	M
CASH FLOW FROM OPERATING ACTIVITIES		
Surplus for the year	6 186 553	7 686 129
Adjustment for:		
Interest received	(4 100 826)	94 045 877
Depreciation	6 747 248	7 543 350
Prior year adjustment	–	621 333
Gain on disposal	–	(153 851)
Operating surplus/(deficit)	8 832 975	11 651 084
Changes in working capital:		
Decrease/(increase) in accounts receivable	(16 227)	81 536
(Decrease)/increase in accounts payables, accruals, provisions, collection accounts and interest accrued	(324 989)	80 929 536
Net cash outflow from operating activities	8 491 760	92 662 156
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	4 100 826	4 045 877
Purchase of property, plant and equipment	(8 916 851)	(2 387 952)
Proceeds on disposal of assets	–	164 124
Net cash outflow from investing activities	(4 816 026)	1 822 049
CASH FROM FINANCING ACTIVITIES		
GOL capital funding	15 000 000	–
Net cash inflow from financing	15 000 000	–
DECREASE IN CASH AND CASH EQUIVALENTS	18 675 734	94 484 205
CASH AND CASH EQUIVALENTS AT 01 April 2006	174 601 182	80 116 977
CASH AND CASH EQUIVALENTS AT 31 March 2007	193 276 916	174 601 182



STATEMENT OF ACCOUNTING POLICIES

for the year ended 31 March 2008

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 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 12.

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 residual value over 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.

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 the 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 provision for the above employees entitlement have been accounted for progressively under non-current liabilities at undiscounted amounts.

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



STATEMENT OF ACCOUNTING POLICIES

(continued)

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 substance of the contractual agreement entered into.

Significant financial liabilities include accounts payable and accruals, stated at their nominal value.



Audit and Investigations Officers going through taxpayer's files to verify queries on their tax records.



NOTES TO THE FINANCIAL STATEMENTS

1. SURPLUS FOR THE YEAR

	2008	2007
	M	M
Surplus for the year is stated after charging:		
Board fees and expenses	661 528	481 225
Auditor's remuneration	252 620	252 620
	914 148	733 845

2. PROPERTY, PLANT AND EQUIPMENT

	2008		2007			
	Accumulated	Carrying	Accumulated	Carrying		
	Cost	amount	Cost	amount		
	M	M	M	M		
<i>Owned assets</i>						
Immovable property	44 214 014	16 711 190	27 502 824	41 293 974	103 438 942	27 855 032
Motor vehicles	5 912 421	5 425 800	486 621	5 798 239	4 657 438	1 140 801
Furniture and fittings	5 639 811	2 165 475	3 474 336	5 312 846	1 667 847	3 7644 999
Office equipment	3 517 895	2 497 196	1 020 699	3 067 498	1 847 985	1 219 513
Computer equipment	10 233 315	7 481 069	2 752 246	7 741 434	5 921 270	1 820 164
<i>Managed assets</i>						
Work in progress						
Border refurbishment	2 642 514	-	2 642 514	-	-	-
	72 159 970	34 280 730	37 879 240	63 243 118	27 533 482	35 709 636

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

For the year ended 31 March 2008

	Carrying	Carrying		
	amount	amount	amount	
	at beginning	Additions	at end	
	of period	Depreciation	of period	
		M	M	
<i>Owned assets</i>				
Immovable property	27 844 160	2 890 912	3 272 248	2 957 188
Motor vehicles	1 140 801	114 182	768 362	1 494 387
Furniture and fittings	3 644 999	326 965	497 628	507 663
Office equipment	1 219 513	450 397	649 211	730 105
Computer equipment	1 820 164	2 491 881	1 559 799	1 855 007
<i>Managed assets</i>				
Work in progress				
Border refurbishment	-	2 642 514	-	-
	35 709 637	8 916 8516	747 248	63 243 118



NOTES TO THE FINANCIAL STATEMENTS

(continued)

3. ACCOUNTS RECEIVABLE

	2008	2007
	M	M
Deposit	48 266	87 689
Prepayments	45 298	89 794
Accrued interest	93 404	51 873
Accounts receivable	60 753	43 483
Rent and water	41 344	-
	289 065	272 838

4. BANK AND CASH

Bank balances	13 363 991	6 871 165
88 day deposit account	13 941 886	13 015 672
Other short-term deposits	31 609 156	26 608 169
Border refurbishment project account	12 535 369	-
Cash on hand	29 626	22 756
	71 480 028	46 517 762

5. COLLECTION ACCOUNTS

VAT call account	26 377 627	21 198 484
VAT current account	(1 291 523)	(3 094 919)
Income Tax bank call account	3 338 393	6 473 590
Income Tax bank current account	30 884 174	65 042 683
Income Tax bank current account	16 545 511	-
LRA refund account	1 296 370	1 655 791
	77 150 551	91 275 629
SACU Accounts		
Current account	6 841 102	8 354 389
Customs and Excise bank accounts	37 805 235	28 453 402
	121 796 888	128 083 421

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

6. 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 Department of 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 transferred M15 000 000 has been provided by the Government in the current year for refurbishment of Border Posts.



NOTES TO THE FINANCIAL STATEMENTS

(continued)

7. PROVISIONS

	2008	2007
	M	M
Gratuity	5 070 837	1 762 326
Severance pay	4 801 024	4 220 318
Leave pay	589 235	379 426
	<hr/>	<hr/>
	10 461 096	6 362 070

8. ACCOUNTS PAYABLE AND ACCRUALS

Creditors	3 473 334	1 529 845
Accruals	214 487	339 663
Salary deductions	329 657	285 453
	<hr/>	<hr/>
	4 017 478	2 154 961

9. DFID GRANT RECEIVED AND GRANT EXPENDITURE

DFID (The UK Department for International Development) has allocated an amount of GBP 3 783 500 for technical assistance. No monies are received by the LRA, as suppliers are paid directly for 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	Rate	Equivalent 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	12.2100	5 939 853
2008	333 489	14.5083	4 838 365
	<hr/>		<hr/>
Total disbursements to date	4 024 393		48 501 357

11. PRIOR YEAR ADJUSTMENT

Re-instatement of 2006 Accruals erroneously reversed)	-	(254 006)
Other adjustments	-	3 005
	<hr/>	<hr/>
	-	(251 001)