

INTEGRATED REPORT 2019/20



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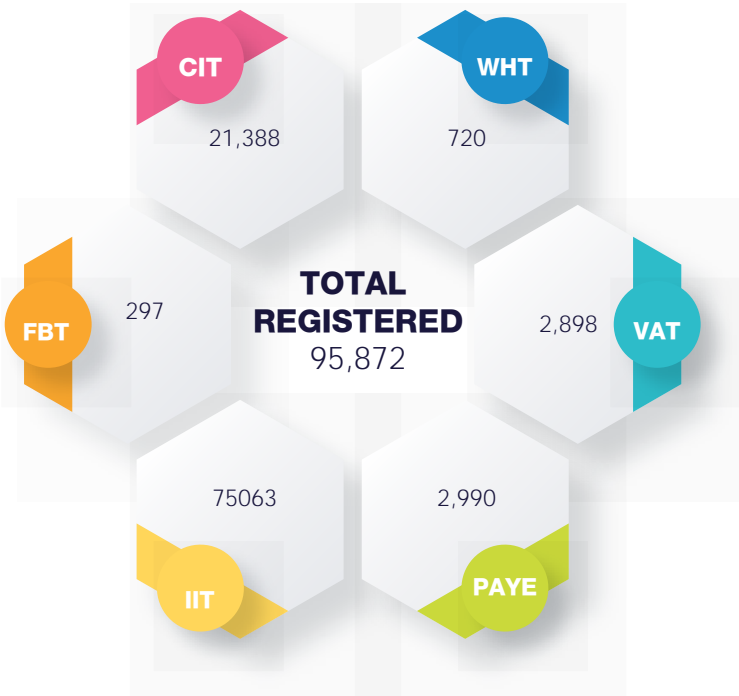
► OUR PERFORMANCE AT A GLANCE

	Cost of collection increased from 5.6 to 7.9 lisente
	Year on Year Growth declined by 0.31%
	Revenue Collection M6.96 billion
	PAYE clients who filed on time 53%
	Increased Communication platforms from 3 to 8
	31 engagements with stakeholders for collaboration
	Reduced registration turnaround time from 5 days to 2 days
	VAT vendors who filed on time 84%
	285 staff trained on onboarding programme
	71 managers trained on leadership
	17,402 tax clearance certificates accessed online.
	Reduced declaration turnaround time from 15 hours to 3 hours

WHO DO WE SERVE?

We serve a variety of clients based on taxes we collect. The picture below depicts total number of clients based on tax types.

Figure 1



► ABOUT OUR REPORT

This report is aimed at communicating clearly and concisely the performance of the Lesotho Revenue Authority (the Authority) in respect of the year 2019/2020. The report further highlights how the Authority created value using strategic assets and managed key opportunities and risks with the focus to improve quality of service, revenue performance, voluntary compliance and reduce cost of collection.

REPORTING FRAMEWORKS

The report was prepared in accordance with principles of King Code on Corporate Governance (King IV), and also guided by the International Integrated Reporting Council (IIRC) <IR> framework. The Annual Financial Statements were prepared in line with the International Financial Reporting Standards (IFRS), and the requirements of the Lesotho Revenue Authority Act No: 14 of 2001 (the Act). It should be noted that in carrying out its business, the Authority takes into account the objectives set out in the National Strategic Development Plan (NSDP) and those of the Sustainable Development Goals to which the country is a signatory. Through provision of revenue to the Government of Lesotho, the Authority enables the country to contribute to attainment of these goals.

MATERIALITY

The report discloses information about matters that substantively affect the Authority's ability to create value in the short, medium, and long-term. In formulating "Rea Aha" strategy and setting priorities, the Authority considered a full range of issues that influence the sustainability of the business, and the tax environment the Authority is operating within.

An issue is material if it has the potential to substantially impact on the Authority's ability to continue to fulfill its mandate, and its relationships with stakeholders. Material issues are informed by the expectations and concerns of stakeholders, as well as the legislative, economic, social, and environmental context in which it operates.

DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board acknowledges its responsibility for overseeing and ensuring the integrity of this integrated report. To the best of their knowledge and belief the Board affirm that the report represents the matters that have a material effect on the ability to create value and deliver on the Authority's legislated mandate. The Board accordingly approved this integrated report on the **30th September 2020**.

FORWARD-LOOKING STATEMENTS

The report attempts to answer questions such as what challenges and uncertainties the Authority is likely to encounter in pursuing its strategy and what are the potential implications for its business model and future performance. It contains forward-looking statements, particularly regarding unleashing potential on implementation of 2018-2023 **Rea Aha** strategy. It also explains the approach to the Authority's mandate through investing in our five sources of capital, the effect of global and domestic economic conditions on the Authority's strategy, operations, and performance.

These forward-looking statements involve both known and unknown risks, uncertainties and other important factors that influence performance or achievements to be materially different from the expected results.

►WHO WE ARE AND WHAT WE DO?

The Authority is established under the Lesotho Revenue Authority Act No. 14 of 2001 (the Act). In terms of the Act, the Authority’s mandate is to be the main body responsible, for the assessment and collection, on behalf of the Government, of Income Tax, Value Added Tax and Customs and Excise Duties in terms of the Income Tax Act No. 9 of 1993 as amended, Value Added Tax No. 9 of 2001 as amended and Customs and Excise Act No. 10 of 1982 as amended.

In addition to the tax revenues, the Authority also collects non-tax revenue in the form of toll fees on behalf of the Road Fund. Other non-tax revenue projected to be collected in the next financial year include amongst others the Alcohol and Tobacco levy, the collection of which is highly dependent on promulgation of enabling legislation and development of digital solutions and systems.



WHO WE ARE AND WHAT WE DO

SOURCES OF CAPITAL

The Authority identified five sources of capital as key assets that can be developed and used for productive purposes. For each source of capital objectives were established to reflect the desired level.

Figure 2



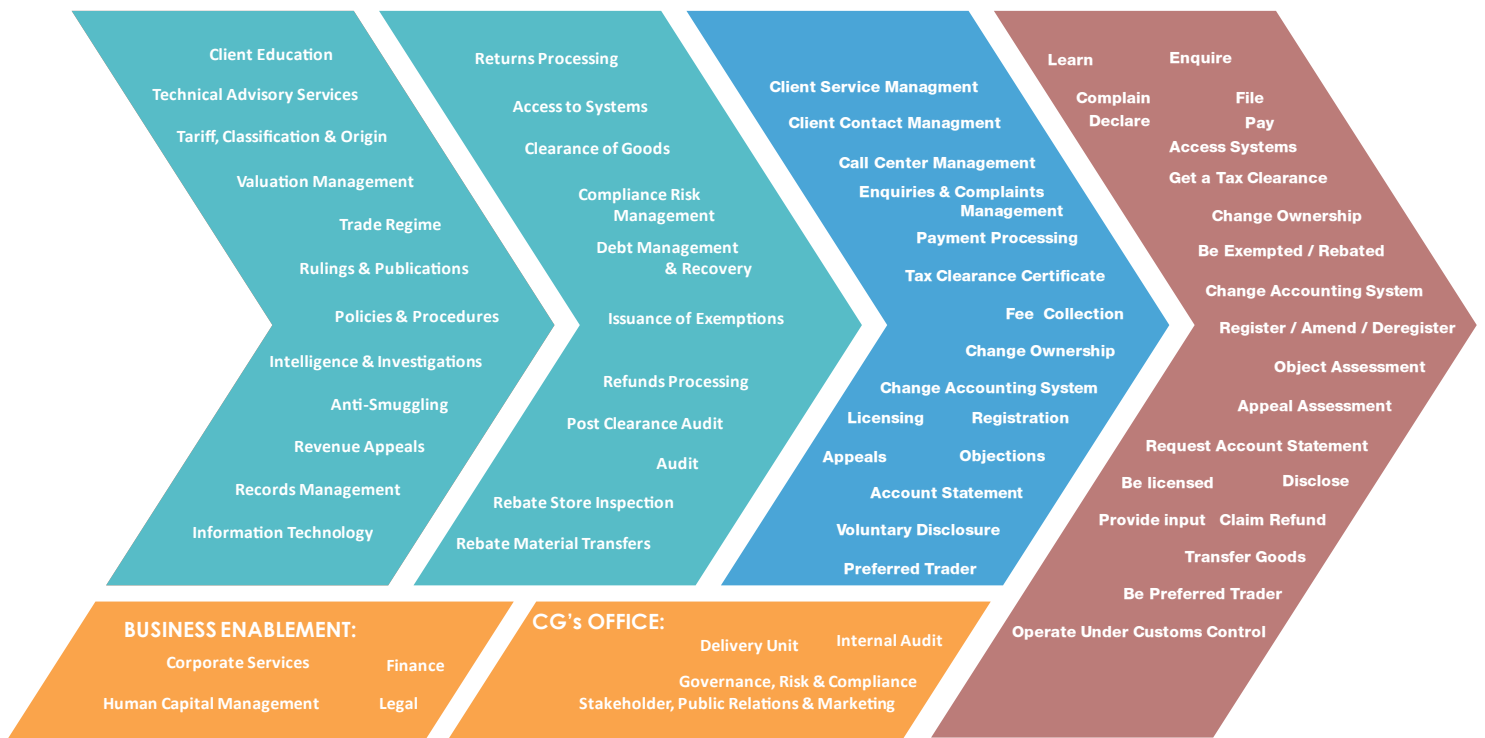
THE OPERATING MODEL

The operating model describes how the Authority delivers value to its clients or stakeholders. In implementing “Rea Aha” strategy the Authority has established an operating model that is aligned to the organization’s strategic priority, which is client focused. The model is designed in a manner that all other parts of the organization are arranged to support one key division, which is Client Service Division. Our strategic bet is to improve client satisfaction rating of excellence, and every division designed their plans so that they support the client facing division.

WHO WE ARE AND WHAT WE DO

An operating model is one of the tools that the Authority’s leaders use to help them formulate and execute the strategy. Figure 3 below shows the Authority’s operating model and reflects the way divisions have been arranged and how they link to each other in delivering the strategic priorities.

Figure 3



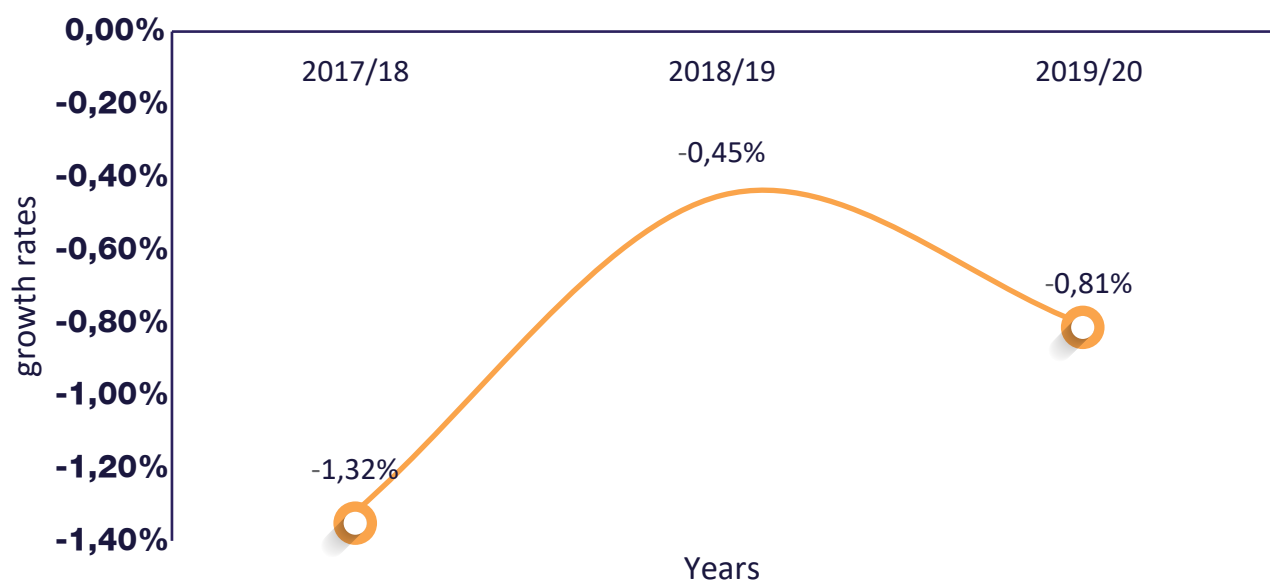
The operating Model is premised on the analogy of a football team, with strikers at the front, midfielders in the middle to pass the ball and support the strikers, defense line behind the midfielders to defend, a tactical bench to provide skills and specialized intervention and a team management to provide overall advisory, direction and governance for the team.

WHO WE ARE AND WHAT WE DO

OPERATING ENVIRONMENT

For the year under review, the Authority operated in a declining economic environment wherein GDP contracted by **0.81%** (see figure 4).

Figure 4 : GDP Growth Rates



WHO WE ARE AND WHAT WE DO

In **2019/20** Overall Inflation rate showed downward trend from **5.6%** in April to **4.0%** in **March**. The slowdown was largely explained by the long run downward trend in housing, electricity, gas, and alcohol and tobacco.

Table 1 : Movement in Inflation Rates 2019/20

	April	May	June	July	August	September	October	November	December	January	February	March
All items	5,6	5,9	5,6	5,4	5,2	5,1	4,9	4,6	4,8	4,1	4,2	4,0
Food and non-alcoholic beverages	6,7	7,1	6,7	6,6	7,5	7,4	7,6	7,2	7,4	5,6	5,5	5,2
Alcoholic beverages & Tobacco	5,2	4,9	4,9	5,3	5,0	5,2	5,0	4,3	4,1	3,7	3,6	2,8
Clothing & footwear	3,3	3,5	3,6	3,7	3,3	3,8	4,0	4,5	4,4	4,6	4,3	3,9
Housing, electricity gas & other fuels	10	11,8	10,5	9,2	7,7	7,5	5,9	3,9	4,3	3,3	5,1	4,6
Furniture, households equipment	3,2	3,0	3,0	3,1	3,0	3,3	3,2	3,8	3,7	1,9	1,8	1,7
Health	1,2	0,7	0,7	0,7	0,7	0,7	0,8	1,1	1,1	1,1	1,5	1,5
Communication	9,0	7,6	6,5	5,1	-0,3	-1,4	-2,4	-3,0	0,0	3,2	2,7	4,8
Transport	1,2	1,2	1,2	1,1	1,1	0,2	0,2	0,2	0,2	0,2	0,2	0,2
Leisure, entertainment & Culture	5,5	4,7	4,8	4,6	4,6	3,3	3,2	5,2	5,1	3,2	3,4	3,1
Education	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	4,7	4,1	4,1
Restaurant & Hotels	2,1	2,0	1,7	1,7	1,9	2,1	1,7	2,1	2,3	1,1	2,3	2,1
Miscellaneous goods & services	2,9	3,3	3,5	3,8	3,4	3,7	3,5	3,4	3,5	2,2	1,9	1,7

► CHAIRMAN'S REPORT



Mr. Robert Likhang
The Board Chair

It has been two years since I was appointed the chairperson of the LRA Board. This has been a very challenging and equally rewarding assignment. I am honored to assume the responsibility of leading a group of highly energetic and committed professionals representing a variety of stakeholders from various economic sectors. Our main mission involves providing guidance in the execution of the Authority's mandate, adoption of overall strategic initiatives of the Authority and ensuring these are implemented, the integrity and reliability of information concerning the Authority and the overall protection of the Authority's assets.

I take pride in reporting on the progress the Authority has made in modernizing a client centric tax system that will ensure sustainable tax revenue collection in the short, medium, and long term. It is worth noting that this remarkable endeavor is made possible by pursuing a comprehensive and rigorous "Rea Aha" strategy at all levels. This strategy is in line with the Government's overall policy of poverty reduction and employment generation and intends to ensure sustainable provision of funding for the government to carry out its social and economic developmental objectives.

There has been a real sense of change and optimism in the way the Authority is conducting its business. Tax modernization and client centric approach are key strategic interventions that are believed to ensure sustainable development of the tax system in the future. The adoption of the Four Disciplines of Execution (4DX) in implementing these strategic initiatives led to an improved performance in quality of service. The Authority has been successful in serving long-term interests of both clients and stakeholders while pursuing the short and medium-term objectives.

The approach is interweaving the five sources of capital and builds them to drive the strategy to achieve the four strategic outcomes. Our clients' voluntary compliance has improved marginally from **52%** in **2018/19** to **53%** in **2019/20** for Income Tax and **82%** in **2018/19** to **84%** in **2019/20** for VAT. However, the Authority will need to focus on translating the positive trend in compliance into improved revenue performance.

Effective corporate governance is about integrating collaborative leadership with oversight, promoting staff and clients' engagement, building a unique organizational culture, and monitoring to maintain a desirable standard of performance, conducting good financial performance and managing risks. The success of the authority depends on effective collaboration with stakeholders and engaging clients in the development of the Authority's processes. The Authority constantly ensures that its operations address the demands of clients and staff. In addition, it is building the capacity of youth to generate a pool of tax experts that will meet the demand for human resources in the future.

The **2019/2020 FY** was eventful and challenging for the Authority. The unfavorable global and local economic conditions and the emergence of the COVID-19 pandemic are major events that posed a very hostile environment for tax administration system in the country. These include the continued trade war between USA and China, and Brexit (Britain Exiting European Union), which are major trade partners of SACU member states, and a struggling local economy, which further made it difficult for the Authority to reach its optimum performance.

The other challenges facing the Authority are low levels of tax compliance by clients, especially government ministries. Tax incentives intended to boost economic growth such as zero rating and tax exemptions, end up eroding the tax to be collected leading to irregular disbursements of financial resources for day-to-day operations.

These challenges led to undesirable performance in the following areas:

- Revenue collection - where the annual target was missed by **7.8%**;
- Increased cost of collection - which is the amount spent to collect one loti of revenue from **6.5** Lisente to **7.9** Lisente;
- Decline in the tax to GDP ratio - over the past five years, from **22%** in **2015/16** to **18%** in **2019/20** coupled with;
- Low response in tax due to changes in GDP.

Notwithstanding these pressures, the Authority has made remarkable strides in some critical areas such as improving the client rating of excellence from **10%** to **82%** which will have a positive knock-on effect on other strategic outcomes.

CHAIRMAN'S REPORT

THE AUTHORITY'S RESPONSE TO COVID-19 PANDEMIC

COVID-19 pandemic affected the lives of many people around the world. Governments and other institutions worldwide are taking multifaceted actions to support their citizens, businesses and provide essential services.

Being at the heart of economic development, the Authority clearly understood the magnitude of the potential impact the pandemic has on life and livelihoods and the need for pre-emptive action to mitigate the impact.

In the wake of COVID-19 pandemic the Authority had to ensure that it continues with execution of critical activities that generated a much-needed revenue while ensuring the safety of the staff and clients. It activated its business continuity plan and made some adjustments to cater for changes anticipated to be brought about by COVID-19 pandemic and identifying critical tax processes that will enable provision of services to government and clients with minimum disruption.

PERFORMANCE OF THE BOARD

During the year under review the Board did not conduct a formal assessment of its performance. Notwithstanding the Board conducted the following oversight activities to enable the achievements of the Authority's strategic outcomes. It is customary for the Board to approve the plan that sets out the work that the Authority will undertake during the FY as the step towards achievement of the strategy. This year was not an exception. Throughout the year, the Board routinely monitored implementation of the strategy through review of monthly and quarterly performance reports.

Through its Human Resources and Remuneration Committee, it monitored human capital initiatives such as Structure Alignment to Strategy (SAS) and other initiatives aimed at supporting corporate strategy. Through the SAS project, supported and approved accelerated IT recruitment and placement and without being exhaustive ensured that staff welfare was given the priority it deserves.

The Board has another sub-committee called the Information and Communication Technology Committee (ICTC) with the responsibility to oversee the implementation of IT Strategy and compliance to policies. Through this committee the Board approved the IT structure which is crucial and instrumental to digital transformation of "Rea Aha" strategy. The Board approved the recruitment of IT Advisor given the significance of digital systems in the modernization drive of the Authority. The Board also ensured that ICT policies, IT risk management, programs and interventions meet required standards.

The Finance and Audit (FAC) sub-committee has been working diligently as an oversight and assurance body for effective management and control of finances and ensuring that the Authority has a robust system of financial controls. It is through this committee that the Board has accordingly effected proper controls within the Authority using the internal audit processes. Furthermore, the Board continues to ensure a healthy risk appetite of the Authority within the approved enterprise risk management framework.

OUTLOOK

While the performance for the year under review is commendable, there are still more opportunities for the Authority to reach the desired level of organizational maturity. There are economic challenges and uncertainties that will invariably affect the Authority's ability to achieve its strategic outcomes. At the global level USA and China trade war and Brexit will affect the global economy.

The COVID-19 pandemic will continue to have a negative impact with regional economies further contracting and negatively affecting international trade flows and economic activities. At the national level the manufacturing, mining and construction sectors which are the key drivers of economic performance have been heavily impacted by the COVID-19 and this will have a ripple effect on the economy.

These predicted developments are likely to adversely affect the Authority's performance in revenue collection, both in customs duties through decline in international trade and inland taxes through decline in investments within the country. To counteract the possible decline in revenue performance, the Authority is heavily engaged in an exercise to intensify its risk-based compliance model through data analytics.

The Authority is in the process of automating its processes to make it easy, faster and cost effective for clients to meet their tax obligations. The Authority will strive for excellence in service delivery through innovation and technology enhancement. Another area which presents a quick win for the Authority is to exploit existing favourable working relationships with various stakeholders and use of their already existing digital systems and platforms for data sharing to drive voluntary compliance.

CHAIRMAN'S REPORT

TAX ENVIRONMENT

The economic conditions as highlighted in the previous paragraph clearly indicates a volatile environment for effective tax revenue collection. Accordingly, due to the uncertainty posed to the traditional tax sources, the Authority shall explore possibility of expanding the tax net and facilitate the enactment of Tax Administration Bill, Customs and Excise Bill, Income Tax Amendment Bill, VAT Amendment Bill and Alcohol and Tobacco Levy to improve revenue collection.

ACKNOWLEDGMENTS

I am honored to recognize clients who made the implementation of the "Rea Aha" strategy possible by responding to our humble requests in terms of honoring their tax obligations.

I acknowledge that the Lesotho Government plays a critical role in the enactment of revenue laws and will partner with the Authority in seeing through the enactment of the following bills in the next FY, the Customs and Excise, Income Tax amendment, VAT amendment, Tax Administration and Alcohol and Tobacco levy Bills.

I would also like to thank our fellow regulatory institutions and other private sector organizations who have supported us in implementing the strategic initiatives. Our partnership has been very valuable, and we believe that it will continue to enhance our performance. I thank the LRA staff for their commitment in executing the strategic objectives and making the Authority an employer of choice.

Finally, I wish to express my gratitude to the Commissioner General and his management team for effective visionary leadership and creating a warm enabling and inclusive working environment which promoted a strengthened relationship between management and staff. I also thank the Directors of the Board for their leadership and support offered to the Authority during the FY.



Mr. Robert Likhanga
The Board Chair



► COMMISSIONER GENERAL’S REVIEW



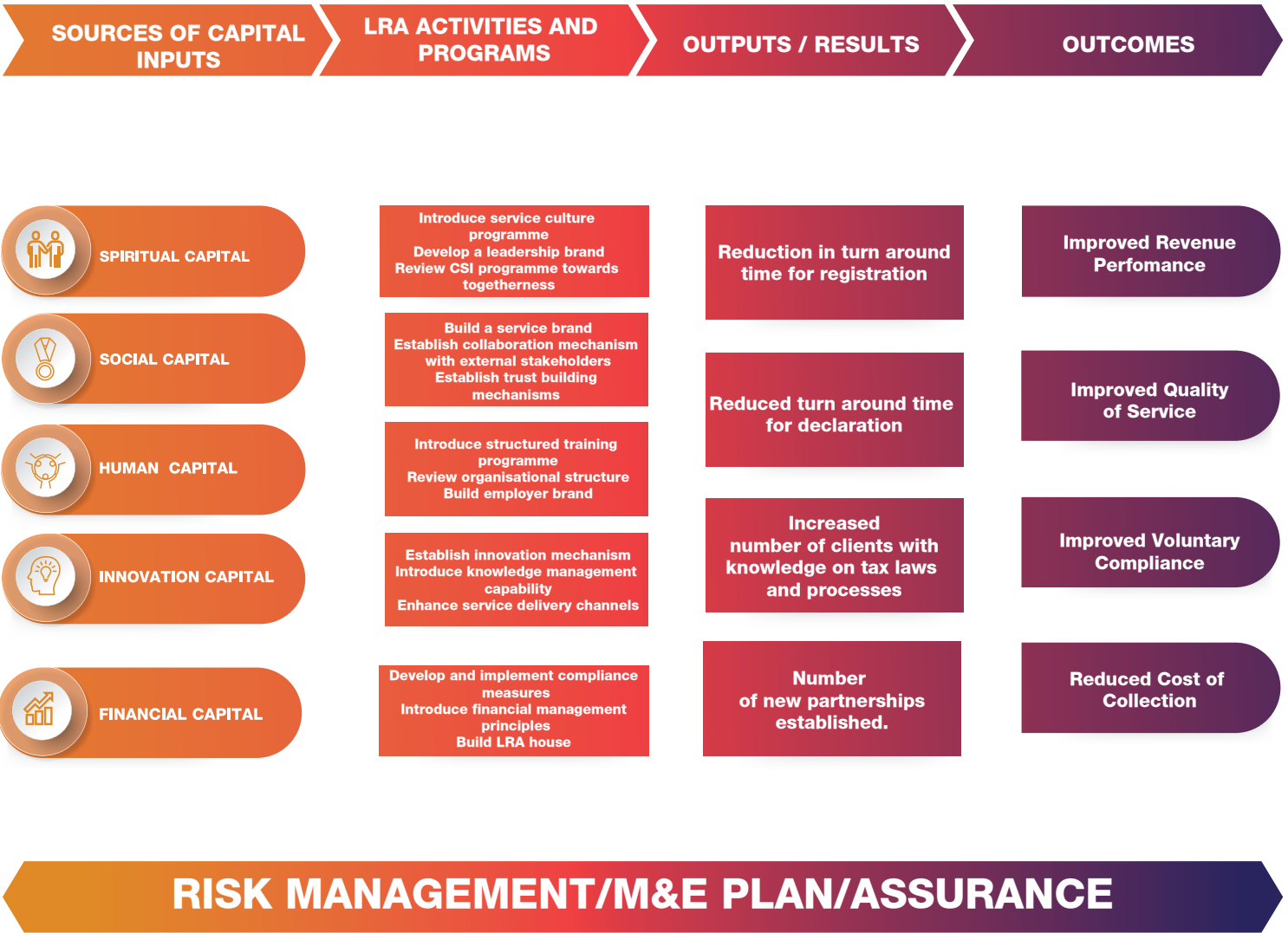
Mr. Thabo David Khasipe
Commissioner General

The year under review marks the second year of our five-year (2018-2023) “Rea Aha” strategy , a year in which the focus was execution. This was one of the most difficult and challenging years in the history of the Authority’s operations due to the economic slowdown as presented amongst others by the narrative created by the COVID-19 impact. This has been compounded by slowdown in growth in the global and regional economies arising from geopolitical and trade tensions.

THE BUSINESS MODEL

The Authority’s business model is aimed at creating value for clients and stakeholders in a sustainable manner as defined by “Rea Aha” strategy. The business model as indicated in the picture below reflects how value was created for clients and stakeholders during this reporting period.

Figure 5 : Business Model

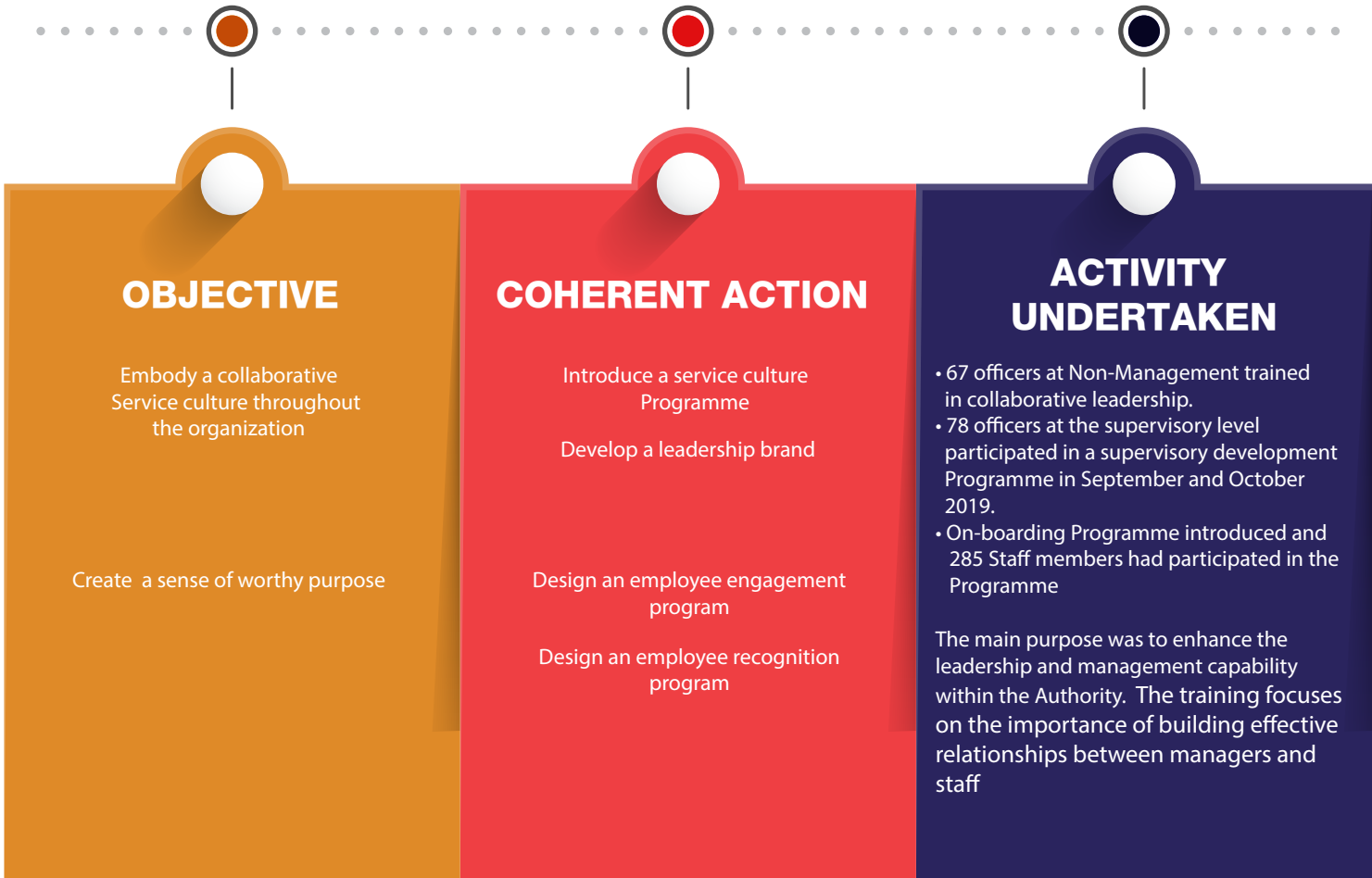


COMMISSIONER GENERAL’S REVIEW

The following milestones were achieved in building the sources of capital

SPIRITUAL CAPITAL

During this reporting period the focus on building spiritual capital was on leadership effectiveness, collaborative leadership and building service culture



COMMISSIONER GENERAL’S REVIEW

SOCIAL CAPITAL



COMMISSIONER GENERAL'S REVIEW

OVERVIEW OF KEY ACHIEVEMENTS

a) A Regulators' Forum was established to enhance partnership and collaboration in delivering the Authority's services and this will in turn impact on compliance. The Forum has been successfully established and is currently finalizing constituting documents. Founding members are Lesotho Revenue Authority (LRA), Central Bank of Lesotho (CBL), Lesotho Communications Authority (LCA) and Lesotho Electricity and Water Authority (LEWA). The Forum resolved to invite and co-opt additional members that include Directorate on Corruption and Economic Offences (DCEO), Lesotho National Development Corporation (LNDC), Financial Intelligence Unit (FIU) and Lesotho Mounted Police Service (LMPS).



b) The Authority Business Partnership Forum has since been resuscitated and the idea is now to make it more effective through changing its initial design by making it sector based so that it can address specific issues pertaining to a specific sector.

c) One of the key mandates of the Authority is to advise the Government through the Minister of Finance, on key tax policy changes. Tax Expo 2019 was held successfully with satisfactory participation from diverse representation of the socio-economic community. The Authority collated inputs from business and society into pivotal tax policy proposals that the Minister tabled to the Parliament in the budget speech **2020/21**



d) The Annual Post Budget Speech review session which was co-hosted by the Authority and Nedbank Lesotho was held. This event, which brings together the business community, academia, NGO's, International Organizations, Government officials and the media is intended to provide deep analysis of the budget, with key recommendations on the important elements necessary for successful execution of the budget. This platform also serves as a precursor for future macroeconomic and tax policy direction.



e) **31** engagements with stakeholders and clients were held during the period under review. These engagements were intended to improve their understanding of their obligations as provided by revenue laws, to solicit their inputs for tax policy and consultations on solutions intended to ease access to revenue services. Furthermore, these initiatives served as information sharing platforms to introduce stakeholders to new and improved online services.



COMMISSIONER GENERAL'S REVIEW

f) The Lesotho Cabinet approved the Authority to be the key Agency to lead Border coordination and operations at all Lesotho Borders, to achieve efficiencies in border operations aligned to the national trade facilitation agenda under World Trade Organization and WCO.

CORPORATE SOCIAL RESPONSIBILITY

Towards enhancing the Authority's contribution as a responsible corporate citizen, the following projects were undertaken:

Bacha Entrepreneurship Project

The Bacha Entrepreneurship Project (BEP) is a collaborative effort by the Authority, BEDCO and Standard Lesotho Bank which aims to arrest the effects of unemployment among youth. The project is now in Phase II after a three-year piloting of Phase I. The intention is to invest in future entrepreneurs. The four beneficiaries under the second year of BEP Phase II were House of Linford, a local alcoholic spirits production outlet (**M200,000.00**), Brace Manufacturing – chillies processing company (**M150,000.00**), Motse Mocha Private High School (**M178,000.00**) and Inventor World - an IT specialist company (**M180,000.00**).



Hlokomela Banana campaign

The Authority continued its support to Hlokomela Banana campaign through donating **M63,474.00** towards the project. The donation was made towards Her Majesty Queen 'Masenate Mohato Seeiso's campaign to provide free sanitary towels to underprivileged girls in high schools. The campaign is known as Hlokomela Banana (Their Freedom, Our Future). A total of **953** girls drawn from ten schools across the country benefited from the initiative. Through the availing of sanitary towels and toiletries to learners, this initiative, under the auspices of the Queen's National Trust Fund, seeks to enhance the girls' access to their learning environment.



Reviewing our Brand

The Authority engaged a consultant to perform a diagnosis on the health of the Authority's brand. A comprehensive analysis of the insights and all the critical features of the brand were reviewed. This project will enable the Authority to have a new brand aligned to "Rea Aha" strategy.



COMMISSIONER GENERAL’S REVIEW

HUMAN CAPITAL

During the year under review, building staff competency and improving staff motivation were key strategic interventions for the Authority. The key interventions and their associated outcomes are highlighted below.

OBJECTIVE	COHERENT ACTION	ACTIVITY UNDERTAKEN
Increase Staff Competence	Introduce a structured training Programme	A total of 285 employees across all levels participated in an onboarding program covering revenue laws, systems and business processes to embed the required skills and knowledge for effective organizational performance and alignment. The Authority capacitated two employees in building up to an introduction of the HCM competency framework
Increase Staff Motivation	Establish a training academy	African Tax Administration Forum (ATAF) training on transfer pricing and a total of 29 employees attended
	Build Employer brand	The Performance Management system was enhanced to include and measure the behaviors that underpin collaborative leadership
		Macro structure approved and Commissioners placed IT micro structure and subsequent grading completed and approved

COMMISSIONER GENERAL'S REVIEW

Under the Phase II Multi-year Mercator Program of the World Customs Organization, the Authority has received assistance as follows:

1. TFA Scoping Mission, including a Follow up Mission, **27th – 29th May 2019**
2. Lesotho NTFC Empowerment Programme Training Workshop through UNCTAD-WCO collaboration, **23rd -24th May 2019**
3. PCA Diagnostic Mission, **18th -24th June 2019**
4. Framework for Advance Rulings Mission on Rules of Origin, Valuation and Harmonized System, **10th -14th June 2019**
5. Top Executive Retreat (LMDP), **20th -23rd August 2019**
6. Lesotho e-learning Platform Development Mission, **23rd -27th August 2019**

To underscore the Authority's commitment to one of its values which says, "We Care", the Authority continued to extend the following health and wellness benefits to staff:

- Holistic wellness program covering physical and socio-psycho support to all employees;
- Subsidized medical aid in place covering all employees in terms of outpatient and hospitalization cover;
- Subsidized gym membership subscription to promote employees' physical wellbeing.

INTRODUCTION OF A YOUTH DEVELOPMENT PROGRAMME (YDP):

The Authority continued YDP which identifies talented graduates from tertiary institutions and offers placement within the Authority to gain life changing skills and experiences. During the year under review the total complement of youth development staff stood at **113** across all the Authority's divisions.

Project Performance Against Budget March 2020

Under human capital the following project was pursued during the year

Table 2: Project Performance Against Budget March 2020

PROJECT	SOURCE OF CAPITAL	BUDGET	EXPENDITURE	PROGRESS TO DATE
Structural Alignment to Strategy (SAS)	Human Capital	M930,122	M465,722.00	<ul style="list-style-type: none"> • Design Organizational Structure • CG'S Office and HCM situational analysis commenced. • Job Evaluation and Grading • IT Job profiling in progress • Paterson based grades of HODs, and CG received board approval • Placement and Interviews • IT placement to be outsourced due to heavy load of HCM • Recruitment of HODs in progress, interviews done in July

COMMISSIONER GENERAL’S REVIEW

INNOVATION CAPITAL

The Authority has introduced the following process improvements, making it easy and cost effective for the client to access the services:

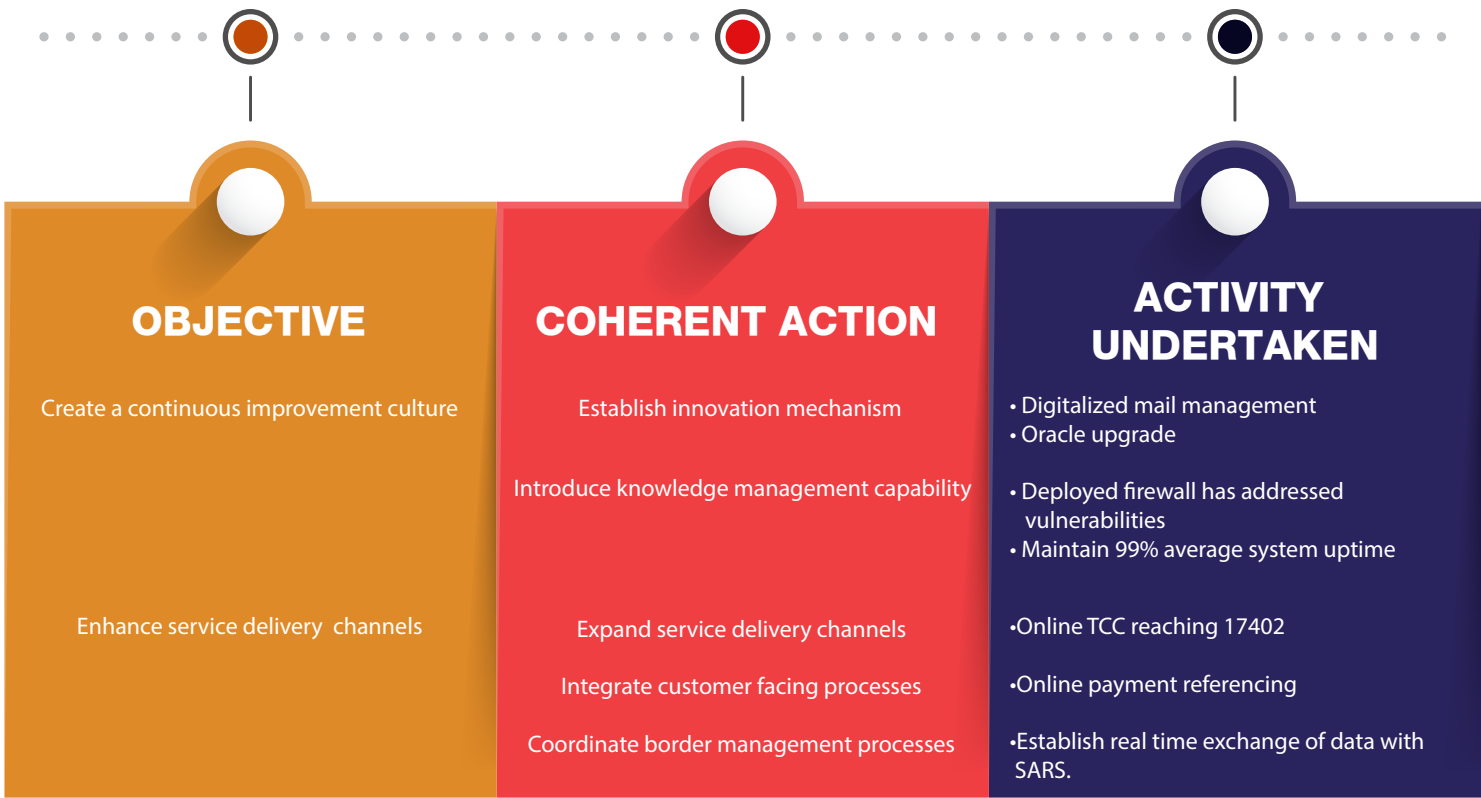


Table 3: Strategic Initiatives in Support of Corporate Strategy

OUTCOME	KPI	ACHIEVEMENT(S)
IT Governance	% IT investments delivering business value	The newly deployed firewall has addressed the vulnerabilities that were identified in the audit. It has also largely improved the Authority cyber security maturity.
	Increase in IT governance maturity level	
	Timeliness of delivering IT solutions	
	Average systems' uptime	
Infrastructure Optimization	Average systems' uptime	Maintained 99% average system uptime excluding planned system downtimes.
		Upgraded the hardware and IT infrastructure to be compatible with the upgraded Oracle version
		Created virtual servers

COMMISSIONER GENERAL'S REVIEW

Project Performance Against Budget March 2020

To build innovation capital, the following projects were implemented.

Table 4: Project Performance Against Budget March 2020

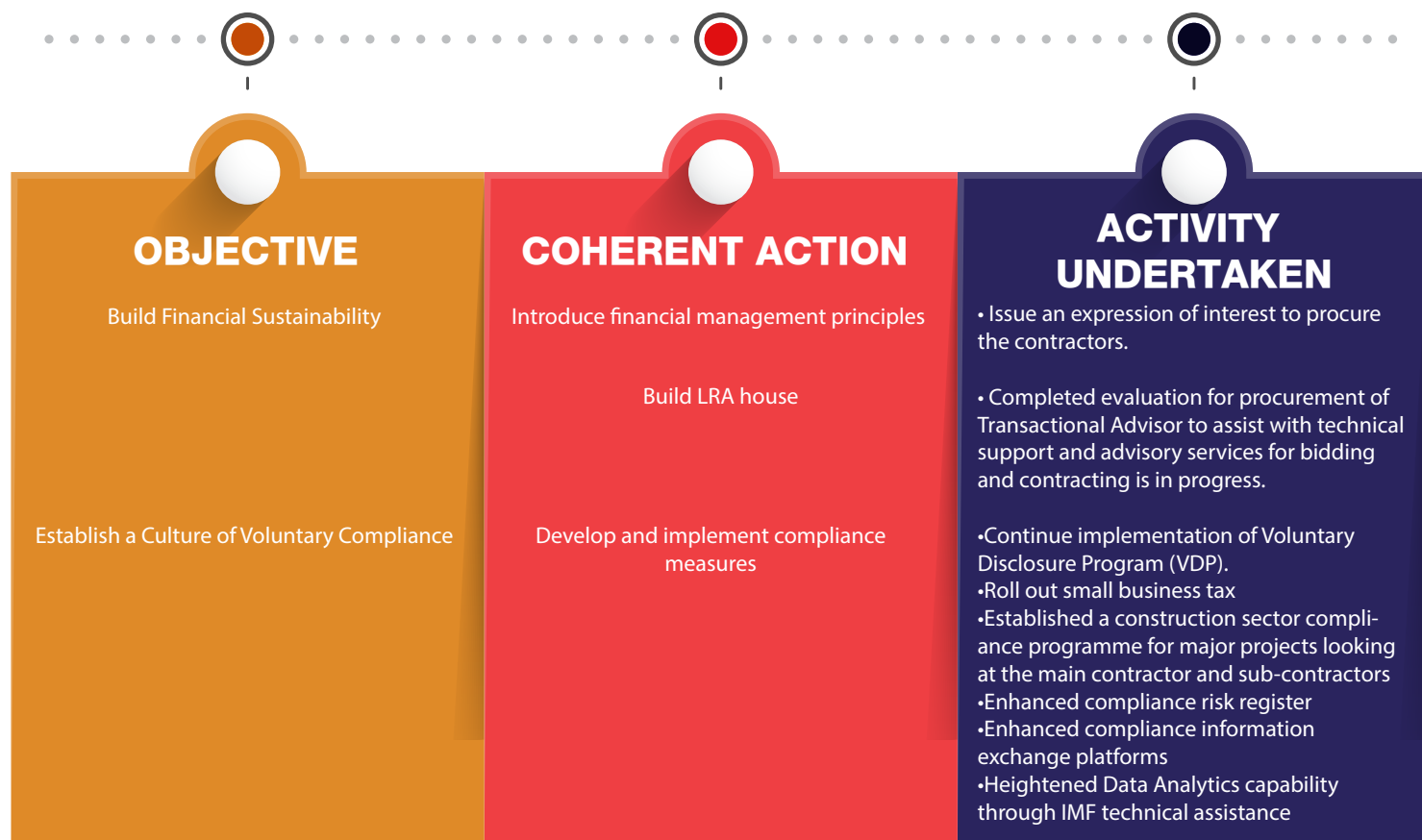
PROJECT	SOURCE OF CAPITAL	BUDGET	EXPENDITURE	PROGRESS TO DATE
Lesotho Tax Modernization Project	Innovation Capital	M166,535,040	M1,420,938.00	Institutional Capacity Building <ul style="list-style-type: none"> • 4 Modules on BPM Training Completed: On time • External Training still suspended • Behavioral Insights capacitation has been initiated and 20 people attended • Tax Administration Capacity • Tax Advisory Assignment has started and environmental scanning initiated
Customs Modernization Programme Phase II	Innovation Capital	M63,534,561	M2,374,974.25	<ul style="list-style-type: none"> • Publish Preferred Trader guidelines on the LRA website • Develop Training materials for all Border Agencies • Upgraded the ASYCUDA system to the latest version • Streamlined the country's rules of origin and management of Tariff Rate Quota • Deployed a system for origin self-certification for exports to the European Union and an electronic SADC FTA certificate of origin application • Launched Preferred Trader Programme • Launched SARS - LRA Connectivity
Oracle upgrade	Innovation Capital	M27,000,000	M23,331,820.59	<ul style="list-style-type: none"> • Conducted a landscape discovery where Finance processes and Human Capital Management work structures are now located on the new oracle system. • Upgraded the hardware and IT infrastructure to be compatible with the upgraded Oracle version • Created virtual servers and introduced self service modules to Finance, Supply Chain and Human Capital processes

FINANCIAL CAPITAL

The Authority gets funding from Government calculated as a percentage of forecasted tax revenue collections and SACU revenue, and it is remitted quarterly in advance. The Authority collects toll fees on behalf of the Road Fund thereby generating an **8%** commission on the fees collected. Due to inadequate funding the Authority was not able to achieve the set target of saving **0.1%** of the total income budget to build general reserves. In the next FY and based on the anticipated revised funding model this challenge will be significantly mitigated.

The Authority undertook several initiatives towards improving voluntary compliance. The following are the projects of Financial Capital:

COMMISSIONER GENERAL'S REVIEW

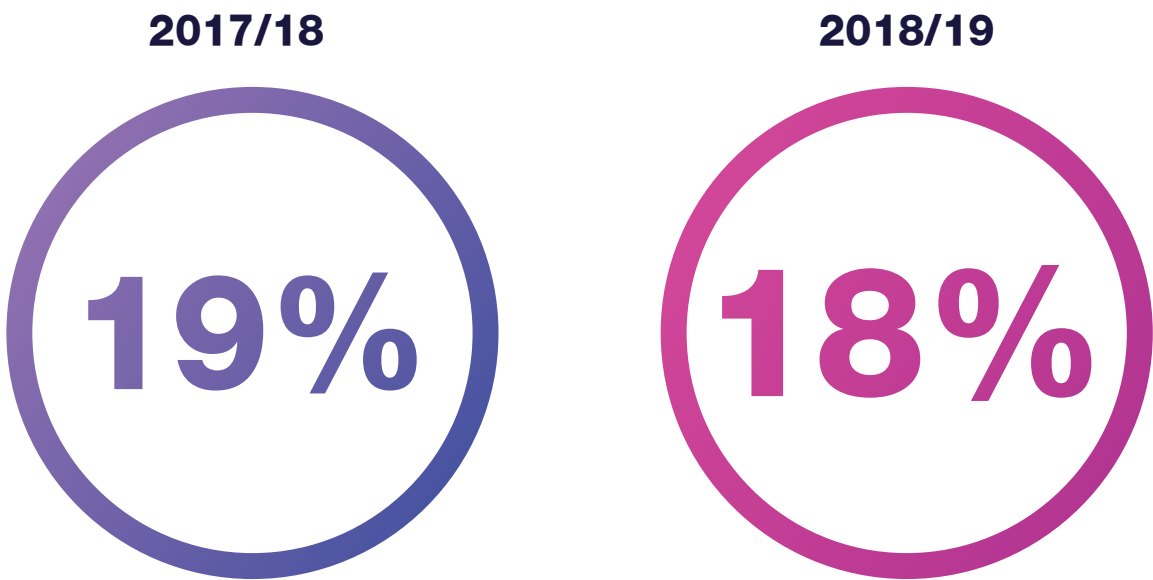
**Table 5: Project Performance Against Budget March 2020**

PROJECT	SOURCE OF CAPITAL	BUDGET	EXPENDITURE	PROGRESS TO DATE
The LRA House	Financial Capital	M63,534,561	M0	Procurement of consultants for build LRA house <ul style="list-style-type: none"> • Evaluation of EOI completed on the 22nd July 2019. • Develop Request for Proposal in progress
Sani Border refurbishment	Financial Capital	M10,000,000	M0	<ul style="list-style-type: none"> • Engaged land surveyor • Made follow up to the Principal Chief and Community Council

PERFORMANCE

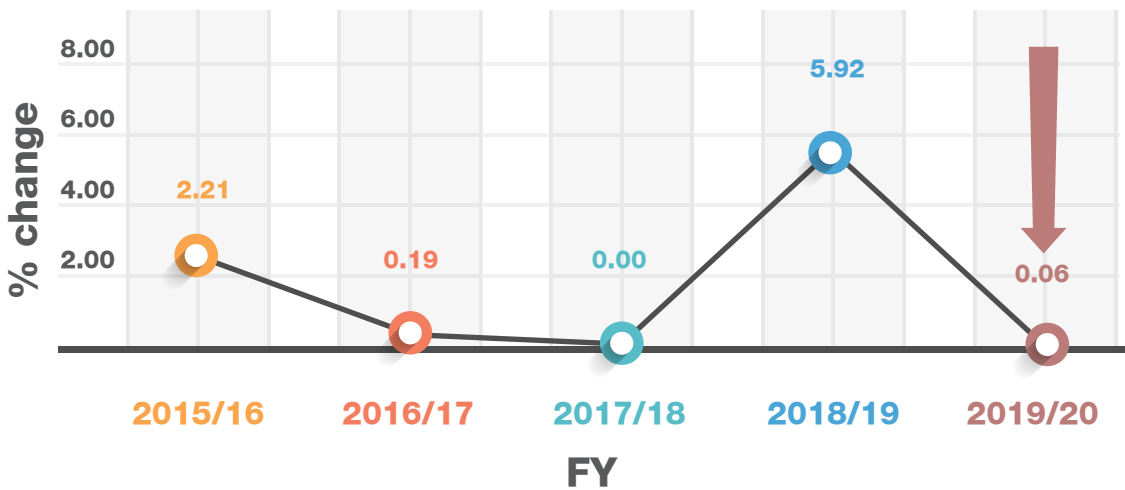
TAX TO GDP RATIO

Tax to GDP ratio is a gauge of the nation's tax revenue relative to the size of the economy. **2019/20** tax to GDP ratio declined by **1** percentage point.



Over the years, the responsiveness of Tax Revenue to GDP depicts a volatile pattern. By illustration, in **2015/16** tax buoyancy of **2.21%** was realised, declining to **0.19%** in **2016/17** and which was at **0.06%** in **2019/20** after a further decline.

Figure 6: Sensitivity of Tax Revenue to Changes in GDP (Buoyancy)

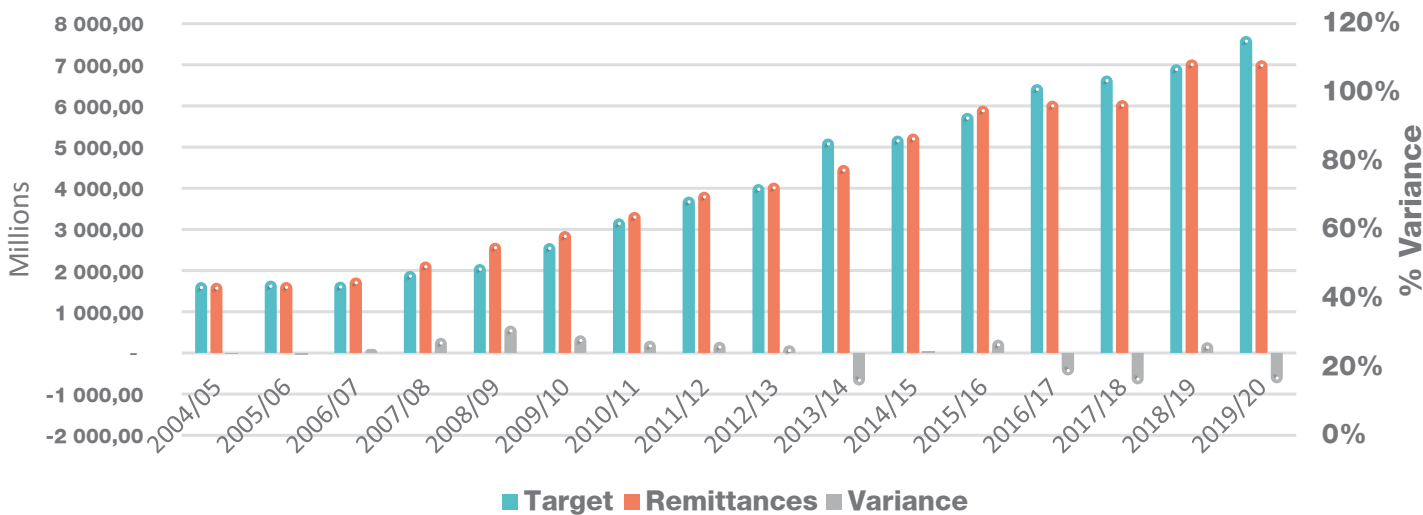


PERFORMANCE

THE LESOTHO TAX ENVIRONMENT

Over the years, the Authority grew revenue by **346%** from **M1.56 billion** collected in **2004/05** to **M6.96 billion** in **2019/20**. However, target was missed **6** times out of **16** during the period as depicted in (figure 7).

Figure 7: Revenue performance

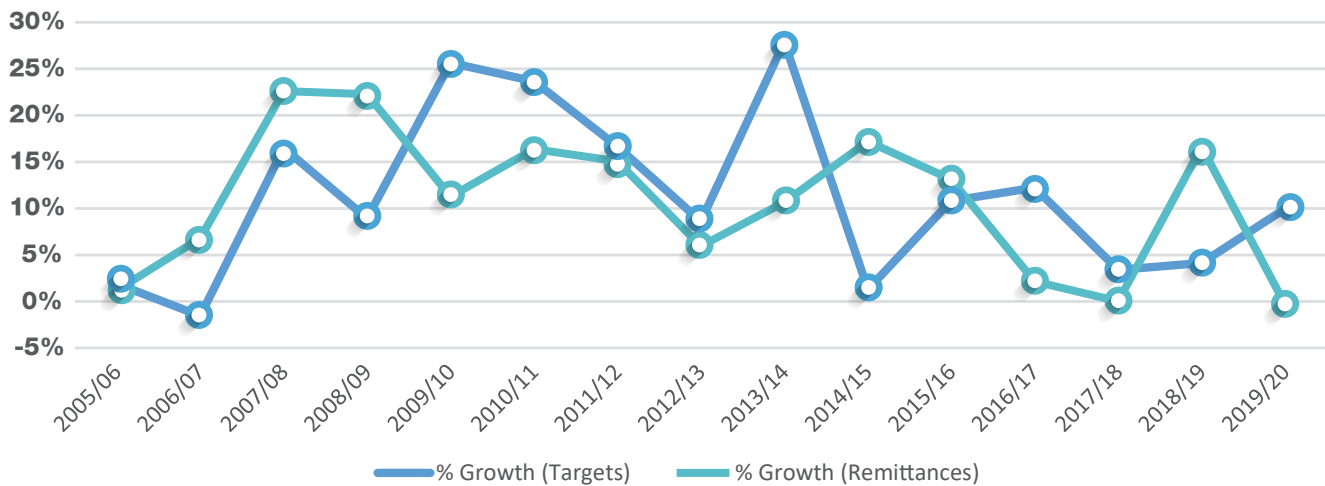


MOVEMENTS IN GROWTH RATES IN REMITTANCES AGAINST TARGET

Remittance growth rates outpaced target growth rates in the first 4 years (**2005/06 to 2008/09**). Subsequently, a contrasting pattern was observed between **2009/10** and **2013/14** while fluctuations were evident thereafter.

PERFORMANCE

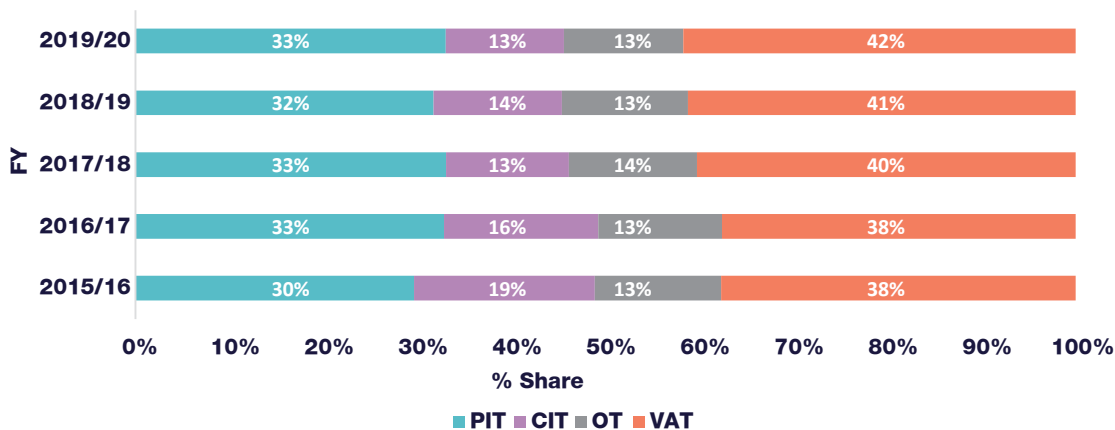
Figure 8: Movements in Remittances and Targets Growth Rates



SOURCES OF TAX REVENUE

Lesotho tax comprises of Income Tax (IT) which accounts for **59%** and Value Added Tax (VAT) accounting for the other **41%**.

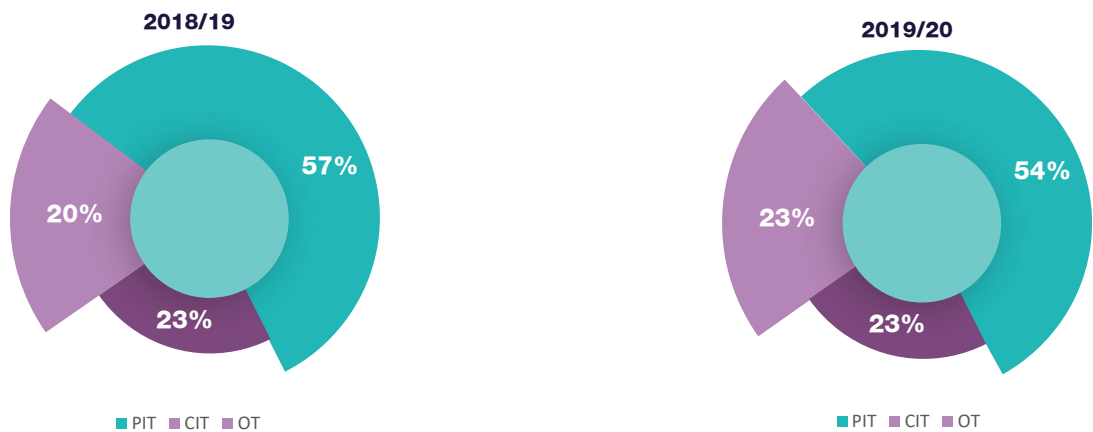
Figure 9: Revenue Share by Tax Type from 2015/16 to 2019/20



PERFORMANCE

IT is made up of Personal Income Tax (PIT), Company Income Tax (CIT) and Other Taxes (OT).

Figure 10: Income Tax share by Sub-Tax Type



STRATEGIC OUTCOME 1: IMPROVED REVENUE COLLECTION

Revenue collection for the year under review missed the target highlighted by:

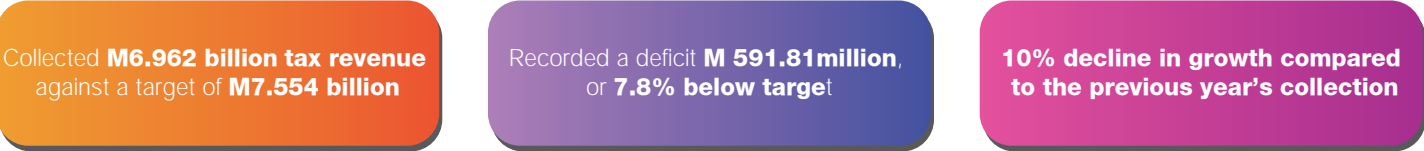
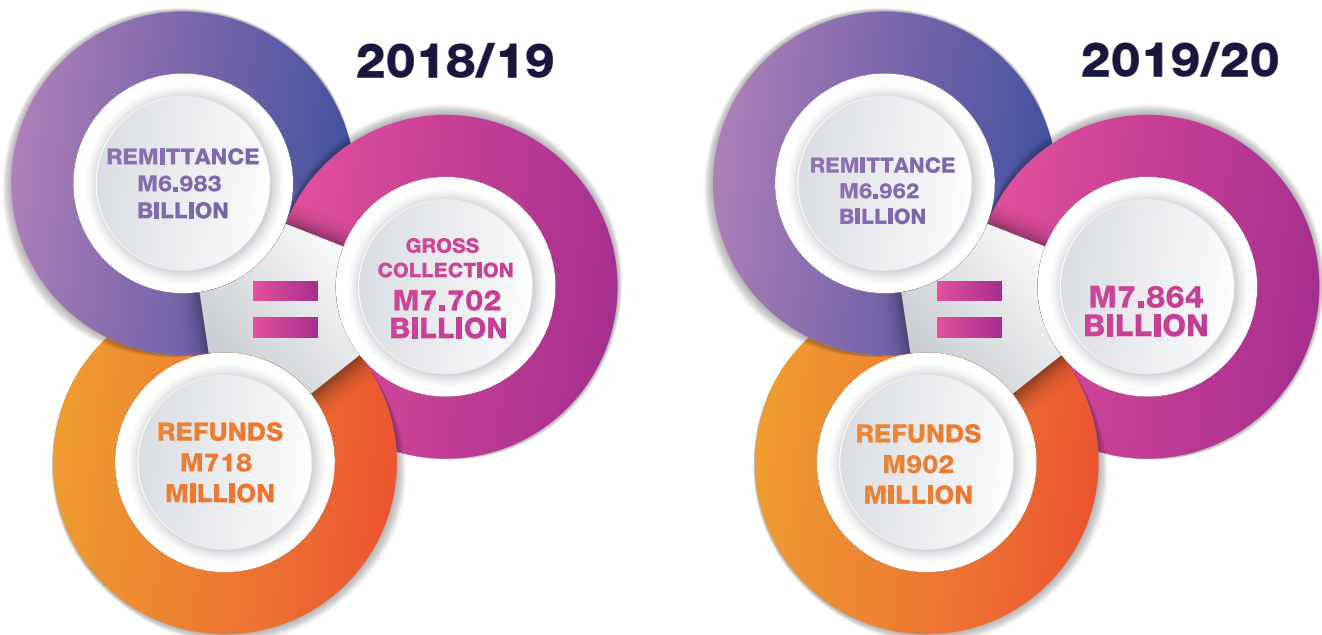


Figure 11: Revenue Performance Highlights

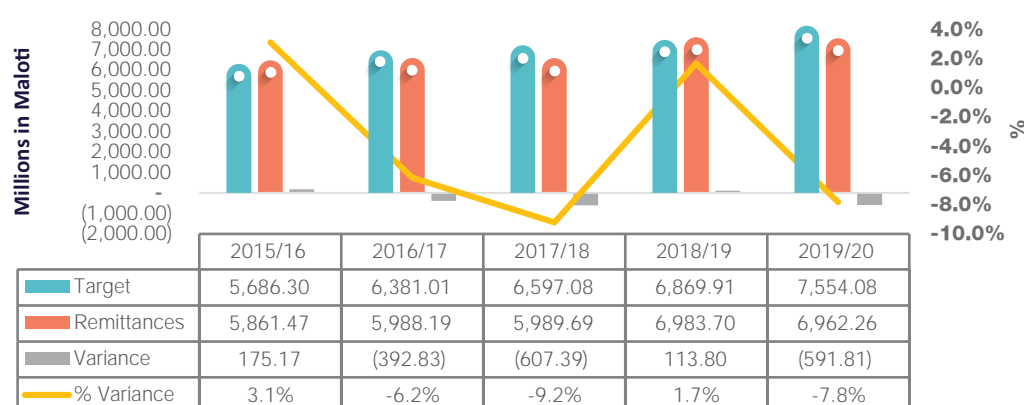


PERFORMANCE

REVENUE COLLECTION – YEAR-ON-YEAR TARGET COMPARATIVES

During the year under review, the remitted tax revenue amounted to **M6.96 billion** against a target of **M7.55 billion**, missing the target by **M591.8 million**. This is slightly lower than the **2018/19** collection by **M21 million**, and it is mainly attributable to an increase in the volume of refunds from **M718 million** in **2018/19** to **M902 million** in **2019/20**. Furthermore, this was due to inclusion of **M189.51 million** of Alcohol and Tobacco levy target in the **2019/20** FY target, which was not collected because of the absence of the enabling law.

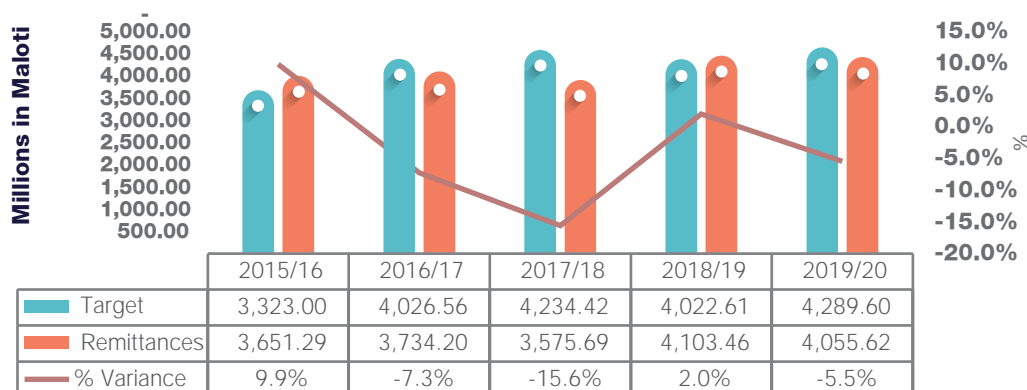
Figure 12: Year-on-year Total Tax Revenue



INCOME TAX (IT) COLLECTIONS – YEAR-ON-YEAR COMPARATIVES

Income Tax in **2019/20** FY remitted **M4,056 billion** against the target of **M4.290 billion**, missing the target by **5.5%**. The remittances were below the previous year by **M47.83 million**, which was a decrease of **1.2%**

Figure 13: Year-on-year IT Collection

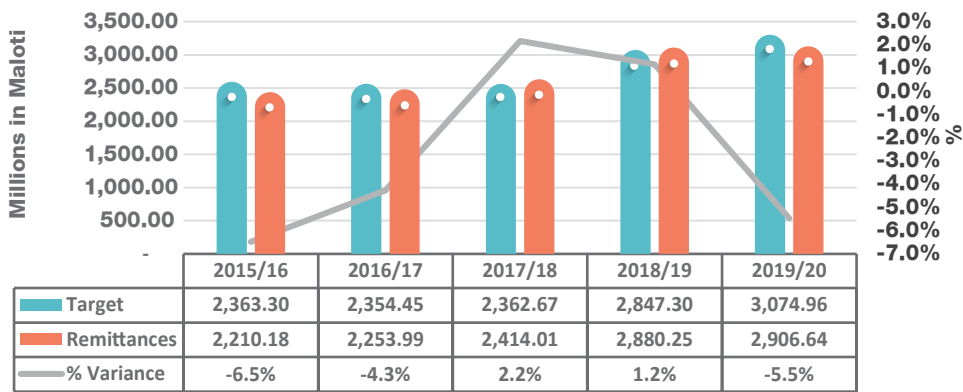


PERFORMANCE

VAT COLLECTIONS – YEAR-ON-YEAR COMPARATIVES

During the year under review, VAT remitted was **M2,907** billion which was marginally higher than **M2.88 billion** remitted in **2018/19**.

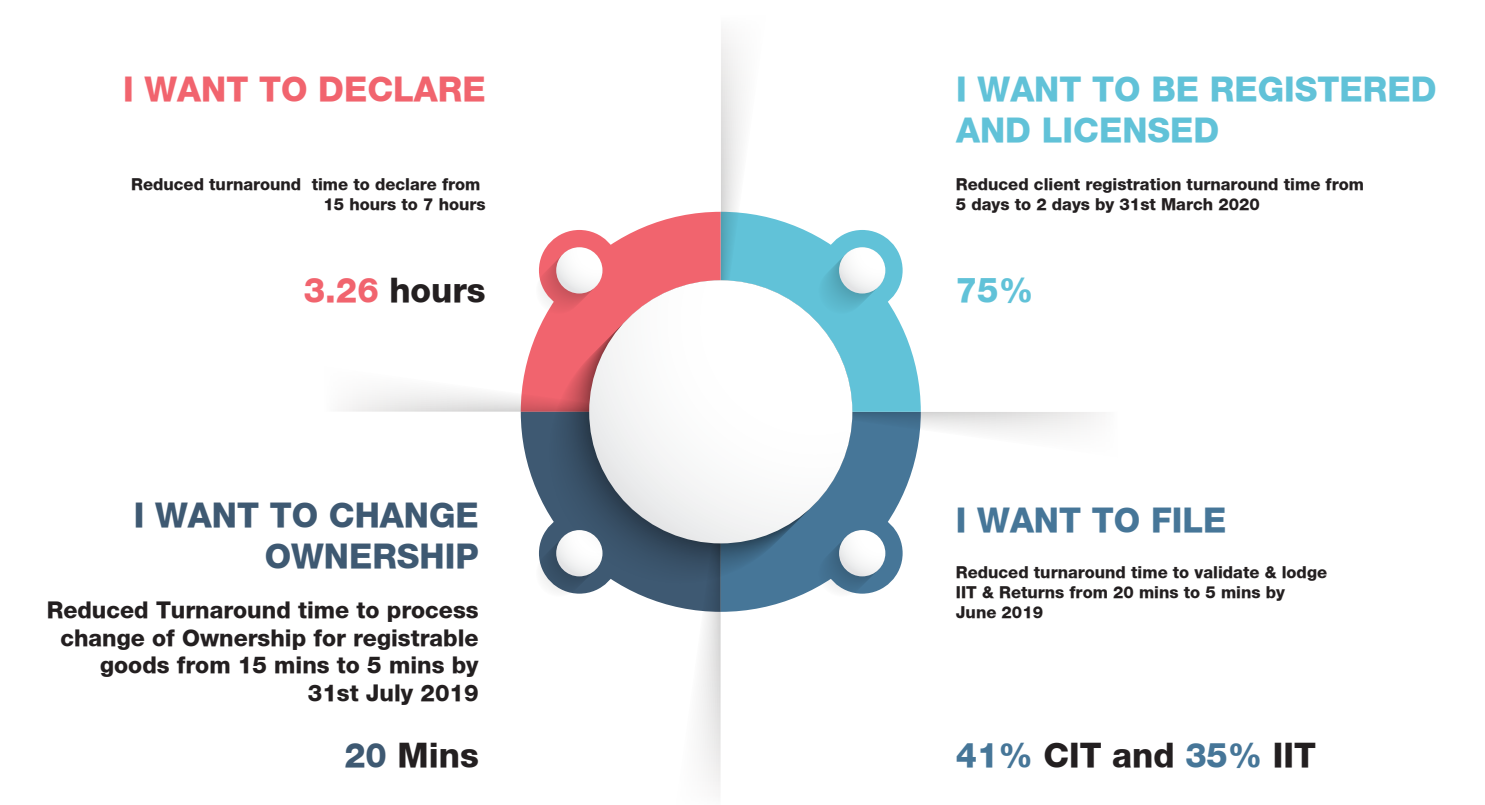
Figure 14 : Year-on-Year VAT Collections



The realized revenue performance resulted in inefficiency measured by tax revenue to GDP, declining from **19%** in **2018/19** to **18%** in **2019/20**.

THE STRATEGIC OUTCOME 2: IMPROVED QUALITY OF SERVICE

The initiatives as prescribed by the picture below indicate improvements made during the year towards improved quality of service:



PERFORMANCE

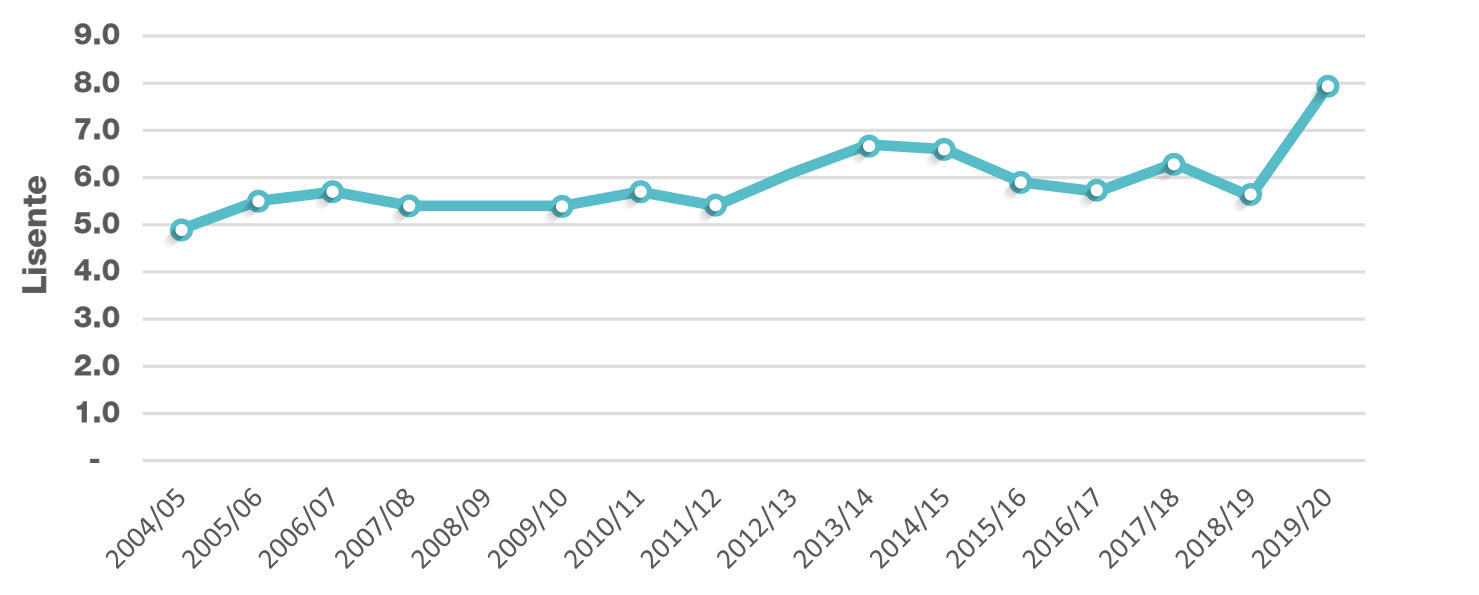
STRATEGIC OUTCOME 3: REDUCED COST OF COLLECTION

During the year under review, the Authority made efforts to reduce the cost of collection ratio by implementing the following cost optimization initiatives:

- Outsourcing cashiering at Maseru Bridge;
- Introduction of online services;
- Freezing vacant positions to reduce staff costs; and
- Adoption of cloud computing resulting in reduction of software license costs.

Despite these initiatives the cost of collection has increased from **5.6 Lisente** per Loti to **7.9 Lisente** per Loti as illustrated in figure 15.

Figure 15: Cost of Collection from 2004/05 to 2019/20



PERFORMANCE

STRATEGIC OUTCOME 4: IMPROVED VOLUNTARY COMPLIANCE CULTURE

The Authority started a journey towards driving compliance risk management in all operations. To this end, most functions are risk driven. This facilitated development of a risk-based audit program, guided by a risk engine for customs' clearance of goods and other inland tax processes. Under this strategic outcome the Authority has achieved the following in this reporting period:

- Conducted engagement sessions with clients;
- Registered 35 Government Ministries for the deferred account to facilitate credit on import duties.
- Developed robust data analytics capability;
- Developed Behavioral Insights Framework;
- Held meetings with various policy makers, including:
 - i. Government Secretary to promote compliance of Government ministries by Principal Secretaries;
 - ii. Cabinet of ministers on leadership and Government of Lesotho compliance;
 - iii. Auditor General on Ministries compliance and IFMIS integration;
 - iv. Principal Secretaries and their management on Ministerial Compliance;
 - v. Ministry of Foreign affairs, Ambassadors and Heads of Foreign Missions to introduce VIP services; and
 - vi. Large Clients Management.

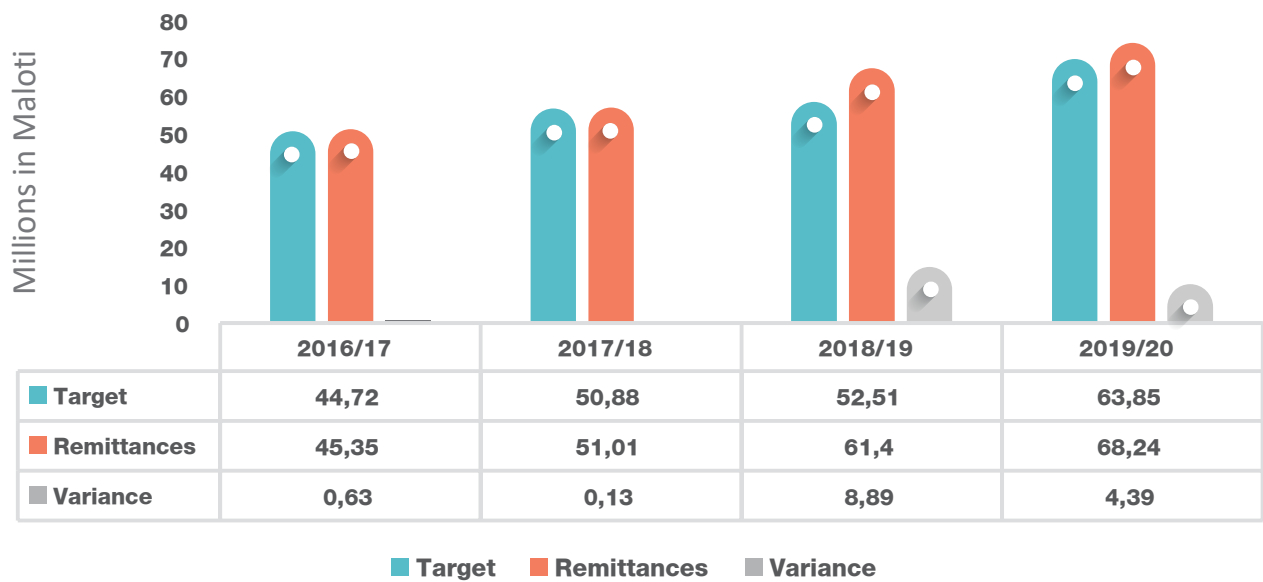
NON-TAX REVENUE

Toll Fees

Toll fees have consistently exceeded target over the past years, growing at an average rate of **15%**. For the year under review collections were **M68.24 million** exceeding the target by **M4.39 million**.

PERFORMANCE

Figure 16: Toll fees collection – Year-on-year comparatives



BUILDING AND REFURBISHING INFRASTRUCTURE

The Authority intends to construct LRA House and to date expression of interest evaluation has been done and results approved. Procurement of Transactional Advisor to assist with technical support and advisory services for bidding and contracting is in progress.

The Authority continued on the road to refurbish its borders. The following have been achieved:

- Acquisition of additional land at Sani Pass to accommodate the new border design. The original leased area for the Sani Border was **1,517 square meters** and additional land was requested to accommodate the proposed design of the border post.

Approval was obtained from the Ministry of Tourism with the total leased area for the border now standing at **112,512 square meters**. Steps of the project completed at this stage are the topographic and geotechnical study for the border. The next phase involves environmental assessment of the border area followed by relocation of the residents to an appropriate area after extensive consultations which are being undertaken.

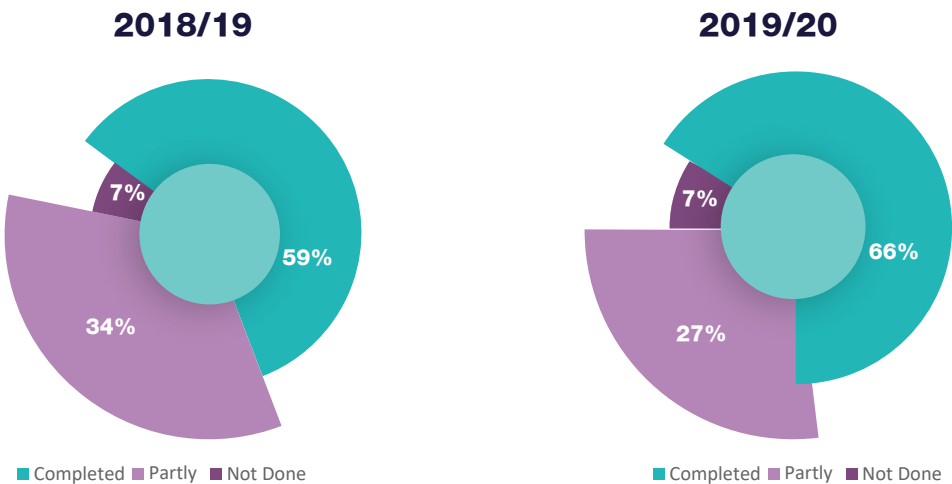
- Request for Proposal for the Feasibility Study at Van Rooyen’s Gate which was advertised in local newspapers and applications have been received. The tender is yet to be finalized.

PERFOMANCE

MANAGING RISK

In pursuit of “Rea Aha” strategy, Enterprise Risk Management (ERM) became a cornerstone for ensuring the Authority to be a going concern in terms of delivering its mandate. The ERM process formed an integral part of the strategy implementation. The level of implementation of mitigation initiatives, and their impact on the rating of the risks improved in **2019/20** as compared to **2018/19**. The picture below shows the improvement in the proportion of risk mitigation initiatives completed, from **59%** in **2018/19** to **66%** in **2019/20**.

Figure 17: Implementation of Risk Mitigation Initiatives



Business Continuity Management (BCM) framework was approved in **2019/20** following the review of the ERM Policy. Governance structures that would lead the BCM process were established. These structures are the Emergency Response Team, the Business Continuity Management Committee, and the Crisis Management Committee (constituted by Executive Management). One of the major requirements of the BCM process successfully implemented this year was the identification of the critical business processes.

Towards the end of the reporting period the risk of COVID-19 surfaced with the promise of a highly contagious disease that had the potential to bring large fatalities. Since the Authority had already established Business Continuity Management (BCM) framework that included Business Continuity Management plan, it was easy for the Authority to develop mitigation initiatives for the pandemic and its effects

PERFORMANCE

One of the first steps was to carry out a risk assessment of the coronavirus, which identified what could go wrong, and mainly presented an opportunity to take steps in advance to protect staff from infection due to exposure to the disease. Once this process was completed mitigations activities were identified and their implementation started immediately.

It was important to collaborate with stakeholders in this initiative as some of the national risks were for them to mitigate. The collaboration efforts that went into managing COVID-19 extended to contributions in the national efforts through skills and manpower. The detailed reporting on the fight against COVID-19 will be in the next report. Suffice to say that no fatalities were experienced by the Authority due to the level of planning and proactive action that was taken by management.

RISK MATRIX

The significant risks in **2019/20** were:

- Against the coherent action of “Embody a collaborative service culture’ was the risk of lack of adaptability to change by management which was mitigated by training managers in leadership.
- Against the coherent action of “Build mutual trust with internal and external stakeholders” was the risk of bad publicity by external stakeholders which was mitigated through constant and regular communication with external stakeholders on many platforms.
- Against the objective of “increasing staff competencies” there was a risk of inadequate organisational structure which is being mitigated through the SAS project that is due for completion in August 2021.

INTERNAL AUDIT

The internal audit function’s responsibilities are defined by the Board of Directors as part of their oversight role.

SUMMARY OF WORK DONE IN 2019/20 FINANCIAL YEAR

Internal audit carried out audit projects as contained in its risk-based audit plan approved by the Board of Directors. The plan was aimed at providing reasonable assurance on the state of internal controls, governance and risk management within the Authority on the following sources of capital as outlined on the Authority strategy “Rea Aha” strategy.

PERFORMANCE

Figure 18: Allocation of Audits per Sources of Capital

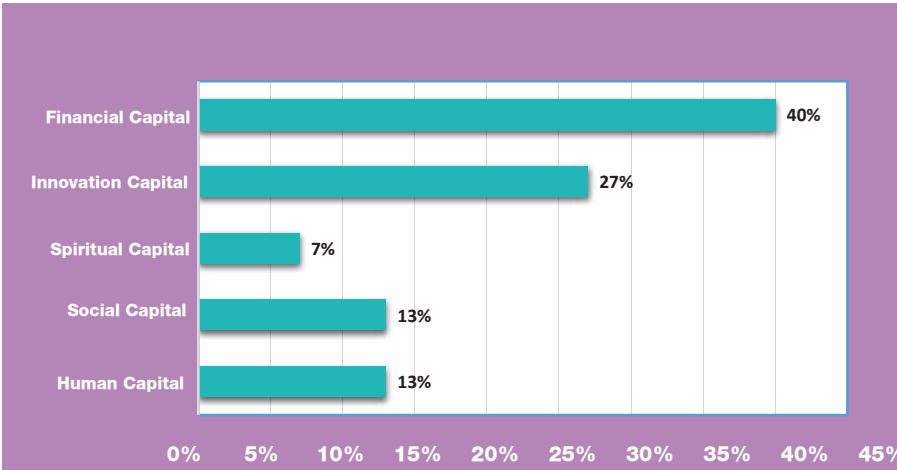
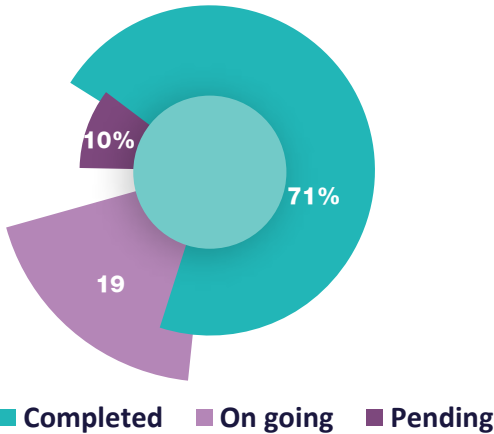


Figure 19 Internal Audit Performance for 2019/2020 Financial Year



Of the completed audits the Internal Audit opinion on the state of the internal controls was as follows:

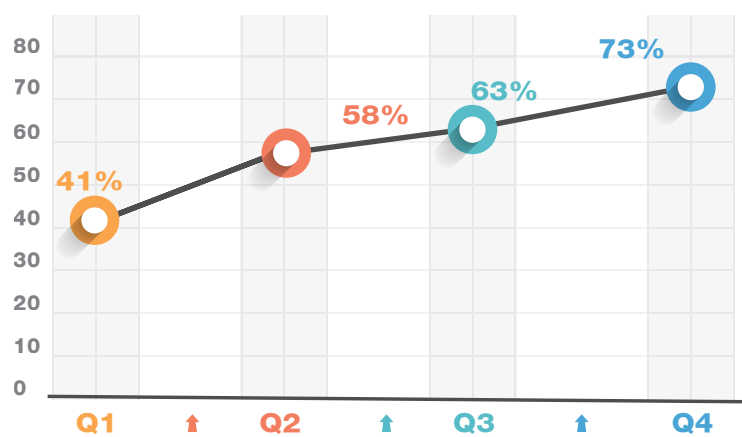
Figure 20: Internal Audit Opinion



PERFORMANCE

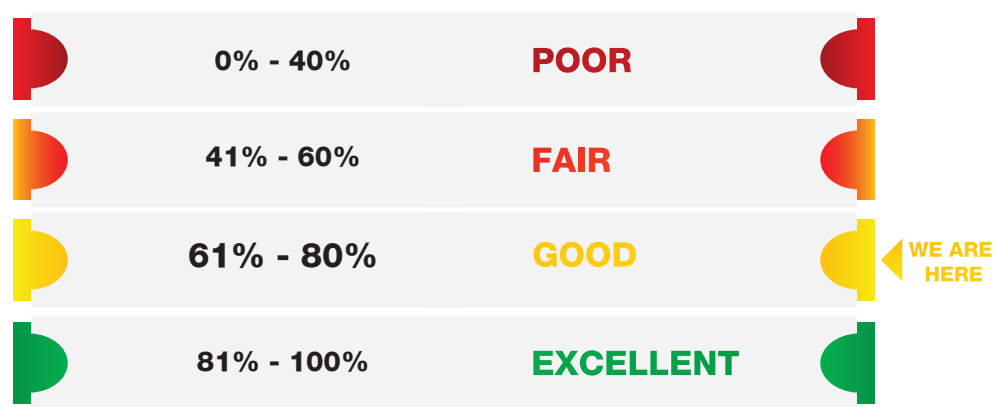
Management of risks and implementation of sound internal controls is the key responsibility of Management. The Authority Management has a satisfactory attitude towards Internal Audit as a result, the implementation rate of Internal Audit recommendations on completed audits is good at the rate of **73%** as depicted below by quarterly performance.

Figure 21: Implementation of Audit Recommendations



Internal Audit requested feedback from the Audit Clients and Management on completed audits. The purpose of the Audit Clients satisfaction feedback is to assist the Internal Audit Function to assess its strengths and identify opportunities for improvement. The Internal Audit Function has obtained a score of **75%**.

Figure 22: Internal Audit Clients' Feedback



FUTURE FOCUS

- Development and implementation of integrated and combined assurance in a phased approach.
- Internal Audit Function to undergo External Quality Review and Improvement program.

►ACKNOWLEDGMENTS

ACKNOWLEDGMENTS

- I wish to start my acknowledgments by firstly thanking our clients for fulfilling their tax obligations. This has helped the Authority to mobilize domestic revenue which helps government to provide public services.
- Secondly, I really appreciate all our key Stakeholders who collaborated with us, participated in our corporate events and engagements forums as well as consultations aimed at improving our services.
- I would also wish to express my gratitude to the Authority's Board for their leadership and support in a year that had a lot of challenges. Through their guidance and oversight the Authority was able to deliver on its mandate.
- The Honourable Minister of Finance was a pillar of strength to the Authority during the year under review. I am grateful to the Government through the Honourable Minister of Finance for the continued funding of the Authority's initiatives
- Lastly, I would like to thank the LRA Staff who have been at the forefront of our service delivery. They have really adopted and led the new service culture.

They have also demonstrated collaborative leadership. Their motivation continues to make the Authority a leader in service delivery. Their commitment and drive did not go unnoticed.

Mr. Thabo David Khasipe
Commissioner General




▶ GOVERNANCE

Board Committees and Roles

BOARD

FINANCE AND AUDIT COMMITTEE (FAC)

The committee met 8 times during the year under review.

ROLE
The committee provides oversight on the financial management of the LRA including ensuring the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards. The committee is also responsible for risk management and oversight of the internal audit function.

MEMBERS
Mr. L. Mokaoane (Chairman)
Mrs. L. Leisanyane
Mr. B. Phakoe
Mr. C.J. Ramolise
Mr. T. Khasipe

HUMAN RESOURCE AND REMUNERATION COMMITTEE (HRRC)

The committee met 11 times during the year under review.

ROLE
The committee assists the Board with oversight on human resources management, recruitment processes for executive management, including the Commissioner General, Remuneration matters and general staff welfare matters.

MEMBERS
Mr. B. Phakoe (Chairman)
Adv. L. Sephomolo K.C
Mrs. T. Mojela
Mr. T. Khasipe
Mr. L. Mokaoane

INFORMATION AND COMMUNICATION TECHNOLOGY COMMITTEE (ICTC)

The committee met 3 times during the year under review.

ROLE
The committee is responsible for providing advice to the Board with regard to monitoring the adequacy, efficiency and effectiveness of the LRA's ICT policies and investments, in as much as these may impact the strategy, financial performance and risk profile of the LRA. The committee is also responsible for ensuring the alignment of ICT investments with the overall LRA strategy.

MEMBERS
Mr. C.J. Ramolise (Chairperson)
Mrs. L. Leisanyane
Adv. L. Sephomolo K.C
Mrs. T. Mojela
Mr. T. Khasipe

Focus areas in FY2018/19	Focus areas for FY2019/20
<ul style="list-style-type: none">• Approve policy to migrate from the COSO framework to ISO 31000• Ensure independence of Internal Audit by separating it from other Assurance Functions• Set up a GRC Function• Ensure financial sustainability of the Authority through responsible financial management• Empowerment of committee members in risk management• Review of the Committee's Charter• Review of the Internal Audit Charter	<ul style="list-style-type: none">• Integrated reporting• Review of the funding model• Collection of Non-tax Revenue• Disclosure requirements of King IV

Focus areas in FY2018/19	Focus areas for FY2019/20
<ul style="list-style-type: none">• Design organizational structure (SAS)• Review IPMS• Develop an on-boarding Programme (Service Culture)• Introduce a structured training programme• Build internal trust and staff collaboration• Review of Staff Salaries	<ul style="list-style-type: none">• SAS• Build an Employer Brand• Establish a training academy• Review Staff benefits• Disclosure requirements of King IV

Focus areas in FY2018/19	Focus areas for FY2019/20
<ul style="list-style-type: none">• IT Governance• Restructuring IT• Capacity building on cyber security• ASYCUDA Stabilization	<ul style="list-style-type: none">• Adoption of COBIT 2019• Restructuring IT ASYCUDA Stabilization• Expansion of service delivery channels• CMP Phase II Disclosure requirements of King IV

GOVERNANCE

The Authority considers governance as very important for its operations. To this end, it aligns itself with regional and international frameworks to guide its governance journey. Recently the Authority adopted the King Code on Corporate Governance IV (King IV) and International Integrated Reporting Council's (IIRC) Integrated Reporting Framework to strengthen its governance processes. Other governance frameworks are considered and used where appropriate.

OUR BOARD

The Board is appointed by the Minister of Finance in accordance with the LRA Act No. 14 of 2001.



Mr. Robert Likhang
The Board Chair

Robert Likhang a founder and Managing Partner of RL Business Advisers, a firm of Consultants and Chartered Accountants. He is a Chartered Accountant, Chartered Global Management Accountant and Chartered Governance Professional.

Mr. Likhang has worked in management positions in banking, telecommunications regulation, pharmaceuticals, management consulting, academia, and Enterprise development space.

His positions include Head of Management Accounting & Treasury, Head of Consulting & Business Development, Chief Strategist (Director Strategy), Corporate Secretary, Group Chief Financial Officer, and Chief Executive. He has had two years' experience in lecturing Strategy, Corporate governance and finance. He spoke in local and regional conference on governance, risks and ethics organized by Chartered Governance Institute, Institute of Internal Auditors, Association of Certified Fraud Examiners, Lesotho Institute of Accountants, and he also provides Executive Coaching and Corporate Training.

Robert sat on boards of Lesotho Institute of Accountants (Past President), Chartered Governance Institute Southern Africa (Past President),. He has also sat on boards of Lesotho National Development Corporation, and the SADC Development Finance Resource Centre in Gaborone, as the Chair of Audit & Risk Committee. He is now sitting on boards of Lesotho Post Bank, Lesotho Revenue Authority as Board Chair, (for the second time, as he previously joined the board in 2002 as Chair of Finance & Audit Committee).

Mr. Likhang is also a member of the Institute of Directors of Southern Africa, and a member of the Institute of Directors of Lesotho. He was appointed by the latter to chair a committee of professionals to write a corporate governance code for Lesotho, entitled, Mohlomi Code of Good Corporate Governance.

GOVERNANCE



Mrs. Libako Leisanyane
Deputy Chair

Mrs. Leisanyane was appointed as the Deputy Chair of the LRA Board from November 2017. She is also serving on the Board of the Lesotho Petroleum Fund. She previously served in the Council of Lerotholi Polytechnic where she was a Chair of the Audit and Risk Committee.

Mrs. Leisanyane has extensive experience in Economics, Statistics and Corporate Governance. She is currently working as Director, Department of Macroeconomic Policy and Management in the Ministry of Finance.



Mr. Lefu Mokaoane
Member

Mr. Mokaoane was appointed as the LRA Board member from November 2017. He is also the Chair of the Finance and Audit Committee, a Sub-committee to the Board. He is also serving on the council of Lesotho Institute of Accountants, and also chairs the Education and Training Committee while he has been Chair of the Audit and Risk Committee of the Institute previously.

Mr. Mokaoane has an extensive experience in Finance, having worked in that field for the past 21 years, and being a Chartered Accountant. He is currently working as the Chief Finance Officer for Lesotho Highlands Development Authority.

He previously worked in WASA (currently WASCO) and Office of the Auditor General.

GOVERNANCE



Advocate Lindiwe Sephomolo KC
Member

Advocate Lindiwe Sephomolo KC is the Chief Executive Officer of the Association of Lesotho Employers and Business. She was appointed as the member of the LRA Board from 2015 during that period she served as the Chairperson the Human Resources and Remuneration Committee. She is currently serving on two Board committees namely, Information and Communication Technology Committee (ICTC) and Human Resource and Remuneration Committee (HRRC).

She is passionate about business development and trade. Her postgraduate studies include courses in the area of labour law, trade and policy, lobbying and advocacy and corporate governance.

Previously Adv. Sephomolo worked as the first Chief Executive Officer of the Private Sector Foundation and has also been advisor to the Ministry of Trade and Industry where she was responsible for the establishment of the One Stop Business Facility Centre. She is an active spokesperson of employers nationally, regionally and internationally.



Mr. Chabeli Ramolise
Member

Mr. Ramolise has been appointed as the member of the Authority Board from November 2017, and he is the Chairman of the Information and Communications Technology Committee (ICTC) as well as a member in the Finance and Audit Committee (FAC).

He is also serving in the Board of WASCO as the Chairman, and in the Board of Tloutle Holdings as the Deputy Chairman.

Mr Ramolise is an Economist and Accountant by training, an experienced financial markets expert, a risk practitioner, a Banker and business development expert. He is an Economist of the Lesotho Chamber of Commerce & Industry.

GOVERNANCE



Mr. Bohlale Phakoe
Member

Mr. Phakoe has been appointed as the member of the Authority Board from November 2017 which is his second time after serving part term in the 4th Board.

Mr. Phakoe has extensive experience in Financial Markets and risk Management and is currently working as a Director of Financial Markets at the Central Bank of Lesotho.

Within the Board, Mr. Phakoe is also serving in the Human Resource and Remuneration Committee (HRRC) as the Chairperson as well as in the Finance and Audit Committee (FAC) as a member.



Mrs. Tšireletso Mojela
Member

Mrs. Mojela was appointed as the member of the Authority Board from 2015, during that period she served as a committee member of both the FAC and HRRC. She is serving her second term as a Board Member of the Authority.

Mrs. Mojela served in the LAA Board for two terms and was also a Chairperson of the BEDCO Board of Directors.

She has extensive experience in Trade and Industrial Development issues and has previously worked as a business counsellor at Lesotho Manufacturers Association. She is currently working as the Deputy Principal Secretary within the Ministry of Trade and Industry.

GOVERNANCE

Board Attendance - 2019/20

KEY

Attendance ●

Apologies X

Date	Mr. R.Likhang (Chairman)	Mrs. L.Leisanyane (ViceChairman)	Mr. B.Phakoe	Adv. L.SepthomoloKC	Mrs. T.Mojela	Mr. L.Mokaoane	Mr.C.J. Ramolise	Mr.T.Khasipe (CommissionerGeneral)
17 th April,2019(Special)	●	●	●	●	●	●	●	●
2 nd May,2019	●	●	●	●	●	●	●	●
9 th May,2019(Special)	●	●	●	X	X	X	●	●
28 th May,2019(Special)	●	●	●	X	X	X	●	●
29 th May,2019	●	●	●	●	●	●	●	●
27 th June,2019	●	●	●	●	●	●	●	●
1 st August,2019	●	●	●	●	●	X	●	●
26 th August,2019	●	●	●	●	●	●	●	●
29 th August,2019	●	●	●	●	●	X	●	ACTING CG ●
26 th September,2019	X	●	●	X	X	●	●	ACTING CG ●
7 th November,2019 (Morning)	●	●	●	●	●	X	●	●
7 th November,2019 (Afternoon)	●	●	●	X	●	X	●	●
3 rd December,2019	●	●	●	X	●	X	●	●
19 th December, 2019	●	●	●	●	●	●	●	●
30 th January,2020	●	●	●	●	●	●	●	●
27 th February,2020	●	●	●	●	●	●	●	●
26 th March,2020	●	●	●	●	●	●	●	●
Total Meetings	17	17	17	17	17	17	17	17
Attendance	16	17	17	13	14	10	17	17
Apologies	1	0	0	4	3	7	0	0

Percentage male= 62%

Percentage female= 38%

Age Range	40-45 years	46-50 years	51-55 years	56-60 years
Number of members	2	2	3	1

During the year under review, the Authority incurred Board fees in the amount of **M1,889,963.**

GOVERNANCE

LRA – FINANCE AND AUDIT COMMITTEE OF THE 6TH BOARD MEETING ATTENDANCE RECORD FOR THE YEAR 2019/2020

DATE	Mr. L. Mokaoane (Chairman)	Mrs. L. Leisanyane	Mr. B. Phakoe	Mr. C.J. Ramolise	Mr. T. Khasipe (Commissioner General)
24th April, 2019	●	●	●	●	●
20th June, 2019	●	●	●	●	●
25th July, 2019	●	X	●	●	●
19th September, 2019 (Special)	●	●	●	●	●
28th October, 2019	●	●	●	●	●
20th January, 2020	●	●	●	●	●
25th February, 2020	●	●	●	●	●
19th March, 2020	●	●	●	●	●
Total Meetings	8	8	8	8	8
Attendance	8	7	8	8	8
Apologies	0	1	0	0	0

LRA INFORMATION AND COMMUNICATIONS TECHNOLOGY COMMITTEE OF THE 6TH BOARD MEETING ATTENDANCE RECORD FOR THE YEAR 2019/2020

DATE	Mr. C.J. Ramolise (Chairman)	Mrs. L. Leisanyane	Adv. L. Sephomolo KC	Mrs. T. Mojela	Mr. T. Khasipe (Commissioner General)
23rd April, 2019	●	●	●	●	●
23rd July, 2019	●	●	●	X	●
29th October, 2019	●	●	●	●	●
14th January, 2020	●	●	●	●	●
23rd April, 2020	●	●	●	●	●
Total Meetings	5	5	5	5	5
Attendance	5	5	5	4	5
Apologies	0	0	0	1	0

GOVERNANCE

LRA – HUMAN RESOURCES AND REMUNERATION COMMITTEE OF THE 6TH BOARD MEETING ATTENDANCE RECORD FOR THE YEAR 2019/2020

DATE	Mr. B. Phakoe (Chairman)	Adv. L. Sephomolo KC	Mrs. T. Mojela	Mr. L. Mokaoane	Mr. T. Khasipe (Commissioner General)
23rd April, 2019	●	●	●	●	●
10th June, 2019 (Special)	●	●	X	●	●
15th July, 2019 (Special)	●	●	●	●	●
16th July, 2019 (Special)	●	●	●	●	●
24th July, 2019	●	●	●	●	●
24th July, 2010 (Special)	●	●	●	●	●
25th July, 2019 (Special)	●	X	●	●	●
30th July, 2019	●	●	●	X	●
19th August, 2019 (Special)	●	●	●	●	●
30th October, 2019	●	●	●	●	●
16th January, 2020	●	●	●	●	●
13th February, 2020 (Special)	●	●	●	●	●
20th February, 2020 (Special)	●	●	●	X	●
18th March, 2020	●	●	●	X	●
Total Meetings	14	14	14	14	14
Attendance	14	13	13	11	14
Apologies	0	1	1	3	0

GOVERNANCE

THE EXECUTIVE MANAGEMENT COMMITTEE



Mrs. Manneheng Mopeli
Commissioner Core Operations

Mrs. Mopeli, Commissioner Core Operations, holds a B. Comm Degree from the National University of Lesotho. She also holds designations of Chartered Public Relations Practitioner (CPRP) by the Public Relations Institute of Southern Africa, a Certified Director of the Institute of Directors in South Africa (IoDSA) and a General Accountant with the Lesotho Institute of Accountants, currently also pursuing the M. Comm in Development Finance at the University of Cape Town's Graduate School of Business. Mrs Mopeli joined the Authority in 2013 as the Chief Corporate Services Officer. She previously acted in the position of Chief Executive (National AIDS Commission) for three years, and held positions of: Director Finance and Corporate Services (National AIDS Commission), Management Accounting Manager (Lesotho Electricity Company), Financial Controller (Road Fund), Capital Projects Accountant (Maseru City Council), Finance Associate (UNFPA) and Senior Accounts and Administration Officer (Highlands Water Venture). A self-proclaimed life traveller in the leadership journey and a T-Shaped professional across a spectrum of Sectors and different functional areas.

As part of her governance competence, she served the Lesotho Highlands Development Authority and the Metolong Authority Board of Directors as a member of the Finance and Audit Sub-Committee. She continuously reinvents herself through professional memberships and challenges herself in territories such as playing golf and playing the Alto Saxophone.



Mr. Mosuo Mapetla
Commissioner Client Services

Mosuo Mapetla graduated with a BEng (Hons) in Chemical and Bio-Process Engineering from the University of Bath, U.K and later achieved a Master of Business Administration (MBA) from the University of Cape Town. He has previously worked as an Analyst and Senior Analyst in Research and Development at Lesotho Pharmaceutical Corporation. He later joined Maluti Mountain Brewery, serving as Sales and Marketing Director and subsequently as Corporate Affairs Director. He also worked at Telecom Lesotho and Econet Telecom Lesotho, serving in commercial roles spanning Sales, Marketing, Customer Services and Community Affairs.

GOVERNANCE

He served as Managing Director of Loti Brick from June 2018 to September 2019, before joining the Authority as Commissioner Client Services on 1st October 2019. He is also an independent Non-Executive Director of Metropolitan Lesotho. He enjoys sports, current affairs, business strategy and is also an avid collector of mainstream jazz music.



Mrs. Mathabo Mokoko

Commissioner Operations Support

Mathabo Mokoko is an admitted Advocate of the High Court and Court of Appeal of Lesotho. She graduated with Bachelor of Laws at the University of Lesotho and also Masters of Taxation at University of Pretoria. She has worked previously as a Practising Advocate at a private law firm, taught Taxation as a Part-Time Lecturer at the University of Lesotho. She has also served in a number of roles at Lesotho Revenue Authority (LRA), first as the Legal Officer, Legal Officer Law Interpretation and as a Senior Manager - Policy Procedures and Law Interpretation. She worked at the United Nations Head Quarters in New York as the Inter-Regional Advisor on International Tax Matters.

She also served as the Head Legal and Board Secretary at the Water and Sewerage Company in Lesotho. She worked for Vodacom Lesotho as the Manager Legal Affairs and later as the Company Secretary. She has now joined the Authority as the Commissioner Operations Support.



Mr. Obed 'Nete

Commissioner Business Enablement

'Nete Obed 'Nete is a Chartered Accountant South Africa, (CA(SA)). He graduated with a Bachelor of Science at the National University of Lesotho. He graduated with Master of Commerce (South African and International Taxation) at the University of Johannesburg, BCom Honours (Accounting) at Rand Afrikaans University (now University of Johannesburg) and Bcom (Accounting) at the University of Cape Town. After completing his science degree, he worked as a maths and science teacher for three years at Emmanuel High School in Leribe, Lesotho. As a requirement for CA(SA) accreditation, he served the South African Institute of Chartered Accountants, TOPP, articles with Standard Bank Group for three years and was also sent on a three-month secondment to Standard Bank London during the period.

GOVERNANCE

He had worked as a tax manager for STANLIB Ltd. He worked for Standard Bank Group in senior finance roles in Lesotho and Standard Bank Africa Head Office in Johannesburg for over 8 years. He then joined the Standard Bank South Africa, Personal and Business Banking credit division as senior credit manager responsible for the Diners Club personal credit portfolio. He was appointed as Head of Finance for Lihobong Mine in August 2016 and joined the Authority on 11 November 2019 as Commissioner Business Enablement Division

THE EXECUTIVE COMMITTEE (EXCO)

The operations of the Authority are governed by EXCO which comprises of Commissioners and is chaired by the Commissioner General. The EXCO charter has been developed. EXCO is designed to have sub-committees which assist it in fulfilling its mandate. However, due to the restructuring process and the need to align the EXCO sub-committees to the new structure, the Tender Committee was the only sub-committee active during the period under review.

TENDER COMMITTEE (TC)

ROLE

The committee is responsible for making necessary procurement decisions to ensure that goods and services procured in the LRA achieve value for money.

MEMBERS

- (Chairperson) Commissioner Business Enablement
- Senior Manager responsible for Finance
- Manager Supply Chain

► FINANCIAL STATEMENTS



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DIRECTORS' STATEMENT OF RESPONSIBILITY AND APPROVAL

The Board of Directors of the Lesotho Revenue Authority (LRA) is required to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the Board's responsibility to ensure that the financial statements fairly present the state of affairs of the LRA 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 (IFRS) and in the manner required by the Lesotho Revenue Authority Act No. 14 of 2001.

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

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

DIRECTORS' STATEMENT OF RESPONSIBILITY AND APPROVAL

The Board has reviewed the LRA's cash flow forecast for the year to 31 March 2020 and is satisfied that the LRA has access to adequate resources to continue in operational existence for the foreseeable future. This is based on the understanding that the Minister of Finance will secure adequate funding for the LRA to meet its operational needs. The external Auditors are responsible for independently reviewing and reporting on the LRA's financial statements.

The financial statements set out on pages 57 to 85 which have been prepared on the going concern basis, and were approved by the Board of Directors on 30th July 2020 and signed on its behalf by:



Board Chairman



FAC Chairman

DIRECTORS' REPORT

1. NATURE OF BUSINESS

Lesotho Revenue Authority (LRA) is a semi-autonomous statutory body established by an Act of Parliament in terms of the Lesotho Revenue Authority Act No: 14 of 2001. LRA is charged with the mandate of a) assessing and collecting tax on behalf of the Government, and b) administering and enforcing the revenue laws, which include the Customs and Excise, Income Tax and Value Added Tax. The LRA therefore collects inland taxes, duties and excise on behalf of the Government of Lesotho and transfers the said to the GOL on a weekly basis.

For financial reporting purposes, the financial statements of the LRA are reported as LRA Own Accounts. The LRA Own Accounts cover those operational revenues, such as funding received from Government, which are managed by LRA and utilised in running the organisation. The amounts in the collection accounts which were not transferred to the GOL accounts as at 31 March 2019 are included as part of cash and cash equivalents and as liability i.e. amounts to be remitted to GOL. The purpose of the distinction is to facilitate, among other things, the assessment of the administrative efficiency of LRA in achieving its mandate.

2. FINANCIAL PERFORMANCE

The recurring expenditure for the year amounted to M445,278,245 (2019 M454,227,687). The Authority incurred capital expenditure of M43,084,504 (2019 M,33,402,130) on property, plant and equipment. Full details of the financial results are set out on pages 10 to 35.

3. CASH FLOW FOR THE YEAR

Own Cash and cash equivalents at the end of the financial year were M 193,699,301 (2019 M 261,683,004). A detailed statement of cash flows is on page 55.

4. TRANSFER OF FIXED ASSETS TO THE AUTHORITY BY GOVERNMENT

The Memorandum of Understanding between the Government of Lesotho (Ministry of Finance) 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.

DIRECTORS' REPORT

These assets have been revalued by Lethola Cost Associate.

5. CORPORATE GOVERNANCE ISSUES

Corporate Governance:

In compliance with good corporate governance principles, the Authority has operated and maintained the following Board Committees: Audit Committee, Finance and Tender Committee, Human Resources and Ethics Committees which remained effective throughout the accounting period.

Social Responsibility:

The Authority is totally committed to putting back into the community it serves. This is done through the implementation of its Corporate Social Responsibility programme.

6. BOARD MEMBERS

The Board Members are appointed by the Minister of Finance. The following members served on the board during the year under review:

From **1st November 2017:**

Robert Likhang (Mr)	Chairman
Libako Leisanyane (Mrs)	Vice Chairman
Lefu Mokaoane (Mr)	FAC Chairman
Chabeli Ramolise (Mr)	ICTC Chairman
Bohlale Phakoe (Mr)	HRRC Chairman
Tsireletso Mojela (Mrs)	Member
Lindiwe Sephomolo (Adv)	Member
Thabo Khasipe (Mr)	Commissioner General

DIRECTORS' REPORT

7. BANKERS

The following financial institution was the banker of the Authority during the year:

Business address	Postal address
Standard Lesotho Bank	Lesotho Bank Building, Kingsway, Maseru
Nedbank	Head Office 115-117 Griffith Hill Kingsway
	Street P.O. Box 1001 Maseru 100
First National Bank	Pioneer Road Maseru
Lesotho Post Bank	Post Office Building, Kingsway Road, Maseru,
	Lesotho

8. INVESTMENT MANAGERS

The following financial institutions were the investment managers of the Authority during the year:

Business address
Stanlib Lesotho
Ground Floor,
MCG Office Park

9. BUSINESS AND POSTAL ADDRESS OF THE AUTHORITY

Ground Floor, Government Complex
Maseru

10. AUDITORS

The auditors of the Authority are:
Moores Rowland on behalf of the Auditor General of Lesotho
Sentinel Park United Nations Road
P.O. Box 1252
Maseru 100 Lesotho



OFFICE OF THE AUDITOR - GENERAL
P.O. BOX 502, MASERU 166
LESOTHO

A/REG/58/2-63

7 August 2020

Honourable M. Sophonea
Minister for Finance
Ministry of Finance
P. O. Box 395
Maseru 100

Dear Sir

**AUDITED FINANCIAL STATEMENTS OF
LESOTHO REVENUE AUTHORITY
FOR THE YEAR ENDED 31 MARCH 2020**

I enclose an originally signed copy of the Audited Financial Statements of Lesotho Revenue Authority for the year ended 31 March 2020.

A Management letter detailing the matters of significance which came to attention of auditors during the course of audit has been issued to Management of the Authority and appropriately responded to.

Please contact me if you have any points or queries you may wish to raise on the above.

Yours faithfully


MONICA BESETS
For AUDITOR-GENERAL

.../2

cc: Principal Secretary, Ministry of Finance

Commissioner General, Lesotho Revenue Authority

Accountant General



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 2020**

Opinion

Moore Rowland Chartered Accountants under Section 24(1) of the Audit Act 2016, have audited the financial statements of Lesotho Revenue Authority (the Authority) set out on pages 10 to 36, which comprise the statement of financial position as at 31 March 2020 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 March 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in accordance with the requirements of the Lesotho Revenue Authority Act, 2001.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Lesotho, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the

financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


MONICA BESETSA
For AUDITOR-GENERAL

OFFICE OF THE AUDITOR-GENERAL
AUDITOR GENERAL
07 AUG 2020
P.O. BOX 502
MASERU100, LESOTHO

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

ASSETS	Notes	March 2020 M	March 2019 M
Tangible assets			
Property, plant and equipment	2	226,556,106	201,332,405
Intangible assets			
Software	2	20,343,208	41,591,318
Current assets			
Accounts receivable	3	55,301,862	2,084,258
Bank and cash	4	10,215,135	73,553,583
Collections bank account balances	5	183,484,165	188,129,420
Total current assets		249,001,162	263,767,261
TOTAL ASSETS		495,900,476	506,690,984
CAPITAL AND LIABILITIES			
Capital and reserves			
Accumulated surplus		44,102,673	35,041,250
Total capital and reserves		44,102,673	35,041,250
Non-current Liabilities			
GOL projects funding	6	172,709,813	201,254,323
Trust account	7	3,790,094	3,108,688
Provisions for terminal benefits	8	35,886,132	28,792,621
Payable to bank	9	1,354,705	3,478,258
		213,740,744	236,633,890
Current liabilities			
Provision for leave pay	8	9,396,376	6,323,291
Collections account balances remitable	5	183,484,165	188,129,420
Accounts payable and accruals	11	43,751,313	37,987,120
Payable to bank	10	1,425,205	2,576,014
Total Current liabilities		238,057,059	235,015,845
TOTAL CAPITAL AND LIABILITIES		495,900,476	506,690,984

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	March 2020 M	March 2019 M
INCOME		
Government funding	413,408,262	372,240,000
Interest received	2,844,950	5,953,056
Tollgate fees income	4,230,075	6,905,473
Storage income	350,347	715,496
Commission received	263,100	259,692
Other income	401,887	306,087
Amortization project funds	31,392,344	34,628,193
Total Income	452,890,966	421,007,997
EXPENDITURE		
Staff related expenses	299,155,055	294,032,877
Administration expenses	129,825,202	138,843,092
Compliance costs	9,624,153	12,238,446
Vehicle running costs	6,673,835	9,113,272
Total expenditure	445,278,245	454,227,687
Surplus/(Deficit) for the period	7,612,721	(33,219,690)

STATEMENT OF CHANGES IN CAPITAL AND RESERVES

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Accumulated Surplus M
Balance as at 31 March 2018		68,113,063
Prior year adjustment		147,877
Deficit for the period		(33,219,690)
Balance as at 31 March 2019		35,041,250
Prior year adjustment	16	1,448,702
Deficit for the period		7,612,721
Balance as at 31 March 2020		44,102,673

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	March 2020 M	March 2019 M
Cash flows from operating activities			
(Deficit)/Surplus for the year		7,612,721	(33,219,690)
Adjustments for item not involving cash movement:			
Interest (received)/paid		(2,844,950)	(5,953,056)
Depreciation	2	37,919,382	40,408,870
(Decrease) /Increase in provisions		10,166,596	(1,611,306)
Prior year adjustments	16	1,448,702	147,877
(Gain)/Loss on fixed asset disposal		(315,312)	(190,440)
Surplus /(deficit) before changes in working capital		53,987,139	(417,745)
(Increase)/Decrease in accounts receivable		(53,217,604)	(119,049)
(Decrease) /Increase in accounts payable		5,764,194	23,276,751
(Decrease)/Increase in Collection accounts		(4,645,255)	27,443,790
Net cash inflow from operating activities		1,888,473	50,183,746
Cash flows from investing activities			
Interest received		2,844,950	5,953,056
Purchase of property, plant and equipment		(43,084,504)	(33,402,131)
Movement from PPE to Operating Costs		257,877	39,381,256
Proceeds on disposal of assets		1,246,966	190,440
Net cash outflow from investing activities		(38,734,711)	12,122,621
Cash flows from financing activities			
GOL capital funding		(28,544,510)	(53,349,425)
Funds Account		681,406	600,377
(Decrease)/Increase Payable to loan		(3,274,362)	(1,997,943)
		(31,137,466)	(54,746,991)
Increase/(Decrease) in cash and cash equivalents		(67,983,703)	7,559,377
Cash and cash equivalents at beginning of the year		261,683,004	254,123,627
Cash and cash equivalents at end of the period		193,699,301	261,683,004

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2020

1.0 Business Activity

Lesotho Revenue Authority (LRA) is a semi-autonomous statutory body established by an Act of Parliament in terms of the Lesotho Revenue Authority Act No: 14 of 2001. LRA is charged with the mandate of a) assessing and collecting tax on behalf of the Government, and b) administering and enforcing the revenue laws, which include the Customs and Excise, Income Tax and Value Added Tax. The LRA therefore collects inland taxes, duties and excise on behalf of the Government of Lesotho and transfers the said to the GOL on a weekly basis.

1.1 Accounting policies

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

1.2 Basis of Preparation

1.2.1 Statement of compliance

The financial statements are consistent with International Financial Reporting standards (IFRS), as adopted by the International Accounting Standards Board and in compliance with the Lesotho Revenue Authority Act No: 14 of 2001.

1.2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

1.2.3 Functional and presentation currency

These financial statements are presented in Maloti, which is the authority's functional currency. All financial information presented in Maloti has been rounded to the nearest loti.

1.2.4 Use of estimates and Judgments

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2020

1.2.4.1 Judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following note:

- Note 11 - Plant and equipment (useful lives)
- Note 21 - Receivables impairment allowance

1.2.4.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the Authority's next financial statements are included in the notes.

1.2.4.3 Measurement of fair value

A number of the Authority's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Authority has established a control framework with respect to the measurement of fair values.

When measuring the fair value of an asset or a liability, the Authority uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2 Inputs other than quoted prices included under Level 1 that are observable for the asset or liability, either directly (i.e. As prices) or indirectly (i.e. Derived from prices).

Level 3 Inputs from assets and liabilities that are not based on observable market data (on-observable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Authority recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2020

Further information about assumptions made in measuring fair values is included in note 15.5.1

1.3 Adoption of standards in future financial periods

(a) New standards, amendments and interpretations which are relevant to the Authority's operations

- **IFRS 16** - 'Leases effective 1 January 2019 and replaces IAS 17. The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance leases.

The new standard could have a material impact on the Authority's financial statements and may be applied with full retrospective effect or under a modified retrospective approach with an adjustment made to the opening balance of retained income. Early adoption is permitted. The Authority has not yet quantified the potential impact of the new standard on the Authority.

- **IFRS 15**, 'Revenue recognition', effective 1 January 2018. IFRS 15 replaces IAS 18 Revenue and provides a single, principles based five-step model to be applied to all contracts with customers. The steps involve identifying the contract, identifying the performance obligations under the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognising revenue when the entity satisfies a performance obligation.

The new standard could have a material impact on the Authority's financial statements and may be applied with full retrospective effect or under a modified retrospective approach with an adjustment made to the opening balance of retained income. Early adoption is permitted.

- **IFRS 13**, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2020

- **IFRS 9**, 'Financial Instruments' effective 1 January 2018 replacing IAS 39. The standard requires financial assets to be measured either at amortised cost or fair value depending on the business model under which they are held and the cash flow characteristics of the instrument.

The standard contains new hedge accounting requirements aimed at better aligning the accounting treatment with the risk management strategy. In addition, the standard replaces the incurred loss impairment model in IAS 39 with an expected loss model. It will no longer be necessary for a credit event to have occurred before credit losses are recognised.

The new standard could have a material impact on the Authority's financial statements. The Authority has not yet quantified the potential impact of the new standard on the Authority.

Management is currently assessing the impact of the application of these new standards, amendments and interpretations on the Authority's financial statements in the period of initial application. At this time, the adoption of these standards and interpretations is only expected to have an impact on the classification and disclosure of items in the Authority's financial statements.

(b) New standards, amendments and interpretations which are not relevant to the Authority's operations

- **IFRS 11**- 'Joint arrangements focus on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- **IAS 27** (revised 2011), 'Separate financial statements' IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2020

- **IAS 19**, 'Employee benefits' was amended in June 2011. The impact on the Authority will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).
- **Amendments to IFRS 7**, 'Financial instruments: Disclosures' on derecognition - This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.
- **Amendment to IFRS 1**, 'First time adoption', on fixed dates and hyperinflation - These amendments include two changes to IFRS 1, 'First-time adoption of IFRS'. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
- **Amendment to IAS 12**, 'Income taxes' on deferred tax- IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2020

- **Amendment to IAS 1**, 'Financial statement presentation' regarding other comprehensive income - The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

1.4 Property, plant and equipment

Owned assets recognition and measurement

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the Authority.

Depreciation

Depreciation is charged to comprehensive income on the straight-line basis over the estimated useful lives of each part of the relevant asset.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2020

Categories of Tangible Assets	Useful Life(in years)
Motor vehicles	5
Furniture & fittings	10
Office equipment	3 to 7
Specialised Equipment	5
Security Measures	5 to 10
Bins and Containers	5
Emergency Equipments	5 to 20
Buildings	50

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

Categories of Intangible Assets	Useful Life(in years)
Software(ETPM and ASY CUDA)	5

1.4 Property, plant and equipment (continued)

Impairment

The carrying amount of the Authority's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.

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

1.5 Financial instruments

Non-derivative financial assets

The Authority initially recognises loans and receivable deposits on the date that they are originated.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2020

All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Authority becomes a party to the contractual provisions of the instrument.

The Authority derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Authority is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Authority has a legal right to offset the amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

The Authority has the following non-derivative financial assets:

Trade and other receivables.

Trade and other receivables are financial assets with fixed determinable payments that are not quoted on an active market. Such assets are recognised initially at fair value plus any directly attributed transactions costs. Subsequent to initial recognition trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management are included as part of cash and cash equivalents for the purposes of the statement of cash flows.

Non-derivative financial liabilities

Non-derivative financial liabilities are recognised initially on the trade date at which the Authority becomes a party to the contractual provisions of the instrument.

The Authority derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2020

The Authority has the following non-derivative financial liabilities: loans and borrowings, and trade and other payables, accruals and collection accounts at their nominal value. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably measured.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount owing to the Authority on terms that the Authority would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The Authority considers evidence of impairment for receivables at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Authority uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected as an allowance account against receivables. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of the impairment to decrease, the decrease in impairment loss is reversed through profit or loss.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2020

1.6 Income

Income comprises the fair value of the consideration received or receivable for services in the ordinary course of the Authority's activities.

The Authority recognises income when the amount of income can be reliably measured, it is probable that future economic benefits will flow to the Authority and specific criteria have been met for each of the Authority's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the transaction have been resolved. The Authority bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

1.7 Provisions

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

1.8 Finance income and finance costs

Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance costs comprise interest expense on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2020

1.9 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.

1.10 Foreign Currency

Foreign currency translation

Transactions in foreign currencies are translated to the functional currency at exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency at the exchange rate at that date.

The foreign currency differences arising on translational are recognised in profit or loss.

1.11 Border Post Refurbishment

These are funds that the Government of Lesotho has set aside for the refurbishment of other Border Posts. The money has been deposited into the Authority's accounts as it is the one which is leading the refurbishment project.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2020

The refurbishment costs have been capitalised as work in progress in the assets, and the funds received are treated as capital injection.

1.12 Government Grant/assistance

Government Grants/Assistance are recognised when there is reasonable assurance that the entity will comply with the attached conditions, these grants are amortised over the useful life of the respective assets.

Property, plant and equipment acquired from the proceeds of grants are depreciated in accordance with the Authority's property, plant and equipment accounting policy. Grants utilised to acquire property; plant and equipment are initially recognised as deferred grant and subsequently recognised in the statement of comprehensive income on a systematic and rational basis over the useful lives of the assets. Grants received to defray operating expenditure are recognised in the statement of comprehensive income when the expenditure has been incurred.

1.13 Financial Risk Management

The Board Members have overall responsibility for the establishment and oversight of the Authority's risk management framework.

The Authority's risk management policies are established to identify and analyse the risks faced by the Authority, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Authority's activities. The Authority, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board Members oversee how management monitors compliance with the Authority's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Authority.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2020

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. LRA is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments as follows:

Cash and cash equivalents - all deposits and cash balances are placed with reputable financial institutions.

Staff debts are recovered in terms of the applicable policy and procedures directly from the employee's salary

The Authority does not have significant credit risk exposure.

Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Authority manages its liquidity to ensure it is able to meet expenditure requirements. This is achieved through prudent liquidity risk management which includes maintaining sufficient cash resources. Since the Authority is funded through Government subvention, it does not regard the liquidity risk to be high,

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Authority's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2020

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Authority may utilise foreign currencies in its operations and consequently may be exposed to exchange rate fluctuations that have an impact on cash flows and financing activities. However, at year-end there were no significant foreign currency exposures.

Interest rate risk

Financial Instruments that are sensitive to interest rate risk are bank balances and cash. A 1% increase in interest rates would result in an additional surplus for the year while a decrease in interest rates by a similar margin would result in an equal opposite effect.

1.1.4 Leases

Determining whether an arrangement contains a lease

At inception of an arrangement, the Authority determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Authority the right to control the use of the underlying asset.

At inception or upon re-assessment of the arrangement, the Authority separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Authority concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Authority's incremental borrowing rate.

Leased assets

Leases of property, plant and equipment that transfer to the Authority substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2020

Assets held under other leases are classified as operating leases and are not recognised in the Authority's statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance element is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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PROPERTY, PLANT AND EQUIPMENT

2.1 Intangible Assets

Useful Life (in years)	Owned Assets	Cost M	2020 Accumulated Depreciation M	Carrying Amount M	Cost M	2019 Accumulated Depreciation M	Carrying Amount M
0	Land	60,496,390	0	60,496,390	60,496,390	0	60,496,390
5	Motor Vehicles	11,121,844	(6,248,813)	4,873,031	11,403,380	(5,161,509)	6,241,871
10	Furniture and Fittings	14,171,365	(11,649,374)	2,521,991	14,040,960	(10,987,145)	3,053,815
3 to 7	Office Equipment	61,400,732	(53,143,705)	8,257,027	55,140,663	(48,715,856)	6,424,807
5	Specialised Equipment	38,582,980	(31,783,649)	6,799,332	38,582,980	(24,838,712)	13,744,268
5 to 10	Security Measures	1,533,004	(702,096)	830,908	1,496,163	(460,964)	1,035,199
50	Buildings	144,320,869	(66,655,232)	77,665,637	142,954,168	(64,497,503)	78,456,665
20	Bins and Containers	544,779	(544,779)	0	544,779	(544,779)	0
5	Emergency equipment	5,373,946	(4,546,118)	827,828	5,136,396	(4,083,952)	1,052,444
Managed Assets							
Work -In- Progress-							
	Border Refurbishment	4,546,113	0	4,546,113	2,497,658	0	2,497,658
	DCS Customs	0	0	0	175,345	0	175,345
	LRA Housing	157,237	0	157,237	157,237	0	157,237
	Assets Work in Progress	2,058,472	0	2,058,472	647,331	0	647,331
	Tax Modernization Project	27,349,934	0	27,349,934	1,457,264	0	1,457,264
	LTMP CounterPart	18,750,454	0	18,750,454	14,959,378	0	14,959,378
	Oracle Upgrade	11,421,754	0	11,421,754	10,932,732	0	10,932,732
		401,829,871	(175,273,765)	226,556,105	360,622,824	(159,290,419)	201,332,405

THE CARRYING AMOUNTS OF PROPERTY, PLANT, AND EQUIPMENT CAN BE RECONCILED AS FOLLOWS:

Useful Life (in years)	Owned Assets	Carrying Amount at 1/4/2019 M	Additions during the year M	Disposal/ reclassification during the year M	2020 Depreciation for the year M	Movement between Asset types M	Carrying Amount at 31/03/2020 M
0	Land	60,496,390	0	0	0	0	60,496,390
5	Motor Vehicles	6,241,871	1,298,846	931,655	1,736,032	0	4,873,031
10	Furniture and Fittings	3,053,815	169,078	0	734,499	33,597	2,521,991
3 to 7	Office Equipment	6,424,807	2,475,033	0	4,394,776	3,785,035	8,257,027
5	Specialised Equipment	13,744,268	0	0	6,944,936	0	6,799,332
5 to 10	Security Measures	1,035,199	36,841	0	241,133	0	830,908
50	Buildings	78,456,665	0	0	2,157,730	1,366,702	77,665,637
5	Emergency equipment	1,052,444	237,550	0	462,166	0	827,828
Managed Assets							
Work -In- Progress: Border							
	Refurbishment	2,497,658	3,415,155	0	0	(1,366,702)	4,546,112
	DCS Customs	175,345	0	0	0	(175,345)	0
	LRA Housing	157,237	0	0	0	0	157,237
	Assets Work in Progress	647,331	2,195,212	0	0	(784,071)	2,058,472
	Tax Modernization Project	1,457,264	25,892,670	0	0	0	27,349,934
	LTMP CounterPart	14,959,378	3,791,076	0	0	0	18,750,454
	Oracle Upgrade	10,932,732	3,573,042	0	0	(3,084,021)	11,421,754
		201,332,405	43,084,503	931,655	16,671,272	(224,804)	226,556,104

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

THE CARRYING AMOUNTS OF PROPERTY, PLANT, AND EQUIPMENT CAN BE RECONCILED AS FOLLOWS:

Useful Life (in years)	Owned Assets	Carrying Amount at 1/4/2018 M	Additions during the year M	Disposal/ reclassification during the year M	2019 Depreciation for the year M	Movement between Asset types M	Carrying Amount at 31/03/2019 M
0	Land	60,496,390	0	0	0	0	60,496,390
5	Motor Vehicles	7,974,456	0	0	1,732,584	0	6,241,872
10	Furniture and Fittings	2,784,761	105	0	785,207	1,054,156	3,053,815
3 to 7	Office Equipment	3,855,702	2,501,395	0	6,531,068	6,598,779	6,391,735
5	Specialised Equipment	20,689,205	0	0	6,944,937	0	13,744,268
5 to 10	Security Measures	1,068,974	0	0	228,453	194,679	1,035,199
50	Buildings	15,734,757	36,605	0	2,134,942	64,820,245	78,456,665
20	Bins and Containers	3,895	0	0	3,895	0	0
5	Emergency equipment	1,506,051	0	0	453,607	0	1,052,444
	Managed Assets						
	Work -In- Progress: Border Refurbishment	64,966,316	3,008,282	0	0	(65,476,941)	2,497,657
	IRMS(EDRMS&Data Cleansing)	35,218,103	0	0	0	(35,218,103)	0
	DCS Customs	175,345	0	0	0	0	175,345
	LRA Housing	157,237	0	0	0	0	157,237
	Assets Work in Progress	2,418,818	667,324	0	0	(2,438,811)	647,331
	Tax Modernization Project	0	1,457,264	0	0	0	1,457,264
	LTMP CounterPart	0	15,078,979	0	0	(119,600)	14,959,378
	Oracle Upgrade	280,556	10,652,177	0	0	0	10,932,732
		217,330,565	33,402,130	0	18,814,694	(30,585,596)	201,299,332

2.2 Tangible Assets

		2020			2019	
Useful Life (in years)	Owned Assets	Cost M	Accumulated Depreciation M	Carrying Amount M		
5	Software(ETPM)	83,419,306	(66,735,442)	16,683,864		
5	Software (EDRMS)	2,595,481	(2,595,481)	(0)		
5	Software(ASYCUDA)	21,956,087	(18,296,743)	3,659,345		
		107,970,874	(87,627,666)	20,343,208		

The carrying amounts of Intangible assets can be reconciled as follows:

Useful Life (in years)	Owned Assets	Carrying Amount at 1/4/2019	Additions during the year	Disposal/ reclassification during the year	2020 Depreciation for the year M	Movement between Asset types M	Carrying Amount at 31/03/2020 M
5	Software(ETPM)	33,367,722	0	0	16,683,858	0	16,683,864
5	Software (EDRMS)	173,032	0	0	173,032	0	0
5	Software(ASYCUDA)	8,050,564	0	0	4,391,220	0	3,659,345

The carrying amounts of Intangible assets can be reconciled as follows:

Useful Life (in years)	Owned Assets	Carrying Amount at 4/1/2019	Additions during the year	Disposal/ reclassification during the year	2019 Depreciation for the year M	Movement between Asset types M	Carrying Amount at 31/03/2019 M
5	Software(ETPM)	50,051,583	0	0	16,683,861	0	33,367,722
5	Software (EDRMS)	692,128	0	0	519,096	0	173,032
5	Software(ASYCUDA)	12,441,783	0	0	4,391,219	0	8,050,564
		63,185,494	0	0	21,594,176	0	41,591,318

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

	March 2020	March 2019
3 Accounts receivable		
Deposit	257,611	257,611
Prepayments	848,383	1,129,548
Accrued income	54,161,729	662,959
Accounts receivable	27,240	27,240
Other debtors	6,900	6,900
	55,301,862	2,084,258
4 Bank and cash		
LRA Operating account	(3,616,625)	(234,804)
88 day deposit account - Nedbank	564,498	852,773
Other short term deposits	1,347,475	30,892,095
LRA Call account	1,766,640	13,119,066
Money Market	5,366,204	20,200,896
Border refurbishment project account	41,158	3,446,288
Tax Modernization Project	507,343	359,487
Tax Modernization Counter Part	291,855	1,725,388
Cash on hand	157,584	83,706
Mascon development Fund	3,789,003	3,108,688
	10,215,135	73,553,583
5 Collection accounts		
LRA refund account	(32,230,512)	1,300,937
VAT call account	72,873	42,754
VAT current account	1,686,458	7,029,169
Income Tax call account	1,540,990	1,362,135
Income Tax current account	6,642,232	3,012,620
Income Tax refund account	1,304,770	4,314,411
Toll Fees Current account	4,655,938	5,773,226
	(16,327,251)	22,835,253
SACU accounts		
Current account	58,559,738	725,527
Customs call account	141,251,677	164,568,640
	199,811,416	165,294,167
Net Balance	183,484,165	188,129,420

The above accounts represent monies collected on behalf of GOL and SACU and their transferred to the respective institutions

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

6 GOL Capital Injection and Projects Funding

The Memorandum of Understanding between the Government of Lesotho (Ministry of Finance) 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 Associate.

GOL is currently funding the LTMP (Lesotho Tax Modernisation Project) of which forms part of Government grants. The grants are armotised on a monthly basis per the lifespan of the capitalized asset categories.

Reconciliations of GOL - 2020

	Opening Balance M	Additions M	Armotization Charge during the year M	Closing Balance M
GOL Project funding	201,254,323	2,847,834	(31,392,344)	172,709,813
	201,254,323	2,847,834	(31,392,344)	172,709,813

Reconciliations of GOL - 2019

	Opening Balance M	Additions M	Armotization Charge during the year M	Closing Balance M
GOL Project funding	254,603,748	14,991,308	(68,340,733)	201,254,323
	254,603,748	14,991,308	(68,340,733)	201,254,323

7 Trust Account (Rental Income MASCON)

This is rental income received from the Maseru Station and Container Terminal site (MASCON). Ministry of Works and LRA agreed to charge one of the occupants of the site rent. The rent is put in a trust

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

Reconciliations of Trust Account - 2020

	Opening Balance	Additions	Usage during the year	Closing Balance
	M	M	M	M
Trust Account	3,108,688	681,406	0	3,790,094
	3,108,688	681,406	0	3,790,094

Reconciliations of Trust Account - 2019

	Opening Balance	Additions	Usage during the year	Closing Balance
	M	M	M	M
Trust Account	2,508,311	600,377	0	3,108,688
	2,508,311	600,377	0	3,108,688

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

8 Reconciliations of Provision - 2020

	Opening Balance	Additions	Utilized During the year	Reversal during the year	Closing Balance
	M	M	M	M	M
8.1 Gratuity	9,987,452	656,135	(1,303,984)	0	9,339,603
Severance pay	18,805,170	7,745,040	(3,681)	0	26,546,529
Total	28,792,622	8,401,175	(1,307,665)	0	35,886,132
	Opening Balance	Additions	Utilized During the year	Reversal during the year	Closing Balance
	M	M	M	M	M
8.2 Leave	6,323,291	15,919,538	(12,846,453)	0	9,396,376
Total	6,323,291	15,919,538	(12,846,453)	0	9,396,376

Reconciliations of Provision - 2019

	Opening Balance	Additions	Utilized During the year	Reversal during the year	Closing Balance
	M	M	M	M	M
Gratuity	16,118,460	10,371,519	(16,502,527)	0	9,987,452
Severance pay	17,068,256	8,669,091	(6,932,178)	0	18,805,170
Total	33,186,716	19,040,611	(23,434,705)	0	28,792,622
	Opening Balance	Additions	Utilized During the year	Reversal during the year	Closing Balance
	M	M	M	M	M
Leave	3,540,504	69,269,360	(66,486,572)	0	6,323,291
Total	3,540,504	69,269,360	(66,486,572)	0	6,323,291

9 Long term Liability

Payable to Bank

March 2020	March 2019
M	M
1,354,705	3,478,258

1,354,705	3,478,258
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10 Current Loan Liability

Payable to Bank

1,425,205	2,576,014
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1,425,205	2,576,014
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11 Accounts payable and accruals

Creditors	2,870,158	3,618,684
Accruals	12,969,105	14,301,696
LTMP AfBD	27,659,544	1,680,000
Other creditors	252,507	18,386,739

43,751,313	37,987,120
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46,531,223	44,041,391
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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

12 Contingent Liabilities

A number of companies and individuals have sued the Lesotho Revenue Authority over the last several years for various matters. Management has made an assessment of the possible liability as a result of these pending cases. The total exposure has been estimated at M 5.4million as at 31st March 2020.

13 Surplus for the year

	March 2020 M	March 2019 M
Surplus for the year is stated after charging the following:		
Depreciation	37,919,382	40,408,870
Board fees and expenses	1,889,963	2,336,987
	39,809,346	42,745,857

14 Material related party transactions

Government of Lesotho

	March 2020 M	March 2019 M
Government Funding	413,408,262	372,240,000
Board fees and expenses	1,889,963	2,336,987
	415,298,225	374,576,987

15 Financial instruments

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

15.1 Currency risk

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

15.2 Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

15.3 Credit risk

No collateral is required in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. At the balance sheet date there were no concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

15.4 Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of any netting agreements:

	Carrying amount M	Contractual cash flows M	Within 1 year M	Between 2 and 5 years M
Financial liabilities:				
Borrowings	2 779 910	1 425 205	1 425 205	1 354 705
Trade and other payables	236 631 854	236 631 854	236 631 854	-
	238 494 103	238 494 103	238 494 103	3 478 258
31 March 2019				
Financial liabilities:				
Borrowings	6 054 272	2 576 014	2 576 014	3 478 258
Trade and other payables	232 439 831	232 439 831	232 439 831	-
	238 494 103	235 015 845	235 015 545	3 478 258

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at a significantly different amount.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
	M	M
Loans and receivables	55 301 862	2 084 258
Cash and cash equivalents	193 699 301	261 683 004
	249 001 163	263 767 262

15.5 Fair values

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

The fair value of financial assets and financial liabilities together with the carrying amounts shown in the statement of financial position, are as follows:

	Loans and Receivables	Other Liabilities	Total carrying amount	Fair Value
	M	M	M	M
Financial liabilities				
Trade and other payables	236 631 854	-	236 631 854	236 631 854
Borrowing	2 779 910	-	2 779 910	2 779 910
	411 764	-	239 411 764	239 411 764

Financial assets

Trade and other receivables	55 301 862	55 301 862	55 301 862
Cash and cash equivalents	193 699 301	193 699 301	193 699 301
	249 001 163	249 001 163	249 001 163

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

16 Prior year adjustments M1,448,702

These adjustments were for transactions that related to 2018/2019 entered twice as accruals and were cancelled during the year.

17 Grants Amortised

LRA capitalized the projects that were government funded namely ETPM, ASYCUDA, and Border Refurbishment (Caledonspoort Border) which were under work in progress before they were capitalized, and the money received is being amortised over the useful lives of the assets.

The table below relates to current year charge

Category	M
Amortization charge monthly (Apri '19- March'20)	31,392,344
Total	31,392,344

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