



Botswana Unified Revenue Service

# ANNUAL REPORT

2012

“COLLECTING TAXES  
TO AID THE NATION’S  
PROGRESS AND DEVELOPMENT”

## Our Vision

“To become the regional leader in revenue and border administration whilst maximising revenue collection.”

## Our Mission

“To efficiently and effectively assess and collect revenue needed for the development of Botswana. We will do this by:

- fairly administering and enforcing revenue laws and
- facilitating legitimate imports and exports”

## Our Values

Botho: We subscribe to the national aspirations of Botho embracing trust and respect for each other.

Professionalism: We are professional in our dealings and we act with impartiality, honesty and integrity.

Consistency: We administer the law in a consistent manner.

Accountability: We act with accountability in all interactions.

Teamwork: We work closely and in collaboration with stakeholders.

Responsiveness: We anticipate and promptly meet internal and external stakeholders needs.

Integrity: We uphold standards of honesty, truthfulness, reliability and honour.

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## Corporate Profile

The Botswana Unified Revenue Service (BURS) is responsible for the assessment and collection of taxes in Botswana on behalf of the Government. It is charged with the responsibility for the assessment and collection of the Income Tax, the Value Added Tax, the Fuel Levy and the Capital Transfer Tax, and the administration of statutory controls at various border posts and other points of entry. In addition, BURS is charged with the responsibility of collecting Customs and Excise duties on behalf of the Southern African Customs Union (SACU). Other responsibilities include accounting for the revenue collected on behalf of the Government.

BURS is made up of seven Divisions namely: Customs & Excise Division (CED), Finance & Administration Division (FAD), Human Resources Division (HRD), Information Technology Division (ITD), Internal Audit Division (IAD), Internal Revenue Division (IRD), Legal Services Division (LSD) and the Office of the Commissioner General (OCG).

## Corporate Governance

### 1. Board of Directors

The Board of Directors consists of a Non-Executive Chairman, and other members from the public, parastatal, private sector and the Commissioner General. They are appointed by the Minister of Finance and Development Planning in accordance with the provisions of Section 6 of the BURS Act, 2003 (No. 17 of 2004).

The Board meets at least four (4) times in a year pursuant to its statutory mandate and to ensure proper and effective control of the Revenue Service's operations and to carry out periodic evaluation of the Revenue Service's operational performance. The Board Members make annual declarations of interest and assets at the beginning of every year. Further, at every sitting, members make declarations of interest in respect of matters before them. During the year under review, the Board met five times as shown in the table of attendance on page 5.

## 2. Attendance of Meetings by the Board of Directors

Name	Position	11/04/11	08/07/11	15/11/11	08/12/12	22/03/12	Sitting Allowance
Dr. T. Nyamadzabo	Chairperson						P4,200
Mr. D.N. Loeto	Vice Chairperson						P4,200
Mr. J.Y. Stevens	Member			—			P1,680
Mrs. S.T. Morolong	Member						P2,520
Mr. A.T. Yalala	Member	—					P3,360
Mr. K.R. Morris	Commissioner General						—
Mrs. L. Khimbele	Board Secretary						—
<b>TOTAL</b>							<b>P15,960</b>

### 3. Board Committees

Section 15 (1) of the BURS Act empowers the Board to appoint Committees. The Committees may be of a general or special nature, consisting of a number of members, with such qualifications, as the Board may determine. Further, the Board may delegate any of its powers, functions or duties under the Act to the appointed Committees.

The Board has appointed the following Committees, namely; the Board Audit and Finance Committee (BAFC), the Board Human Resources Committee (BHRC) and the Board Tender Committee (BTC).

The following table sets out the composition of the Board Committees and their mandates. In terms of Section 16 of the BURS Act, the Board may appoint co-opted Members to serve as Committee Members. Members marked in asterisk are co-opted Members of the Committees:

Committee	Members	Duties
Board Audit and Finance Committee	<ol style="list-style-type: none"> <li>1. Mr. J.Y. Stevens (Chairperson)</li> <li>2. Mr. A.T. Yalala</li> <li>3. Mr. G. Dobo*</li> <li>4. Mr. M. Lesokola*</li> </ol>	<p>The Committee is charged with the responsibilities relating to financial performance of the investment and budgets, reviewing financial statements with external auditors prior to approval by the Board and the carrying out of the Annual Statutory Audits.</p> <p>The Committee is also responsible for the review of quarterly reports submitted by the BURS Chief Internal Auditor.</p>
Board Tender Committee	<ol style="list-style-type: none"> <li>1. Mrs. S.T. Morolong (Chairperson)</li> <li>2. Mr. D.N. Loeto</li> <li>3. Mr. A.T. Yalala</li> <li>4. Mrs. O. Zhikhwa*</li> </ol>	<p>This Committee is responsible for adjudication of tenders in respect of the procurement of goods and services worth in excess of P2, 000, 000 and as well as to deal with matters incidental to procurement.</p>
Board Human Resources Committee	<ol style="list-style-type: none"> <li>1. Mr. D. N. Loeto (Chairperson)</li> <li>2. Mr. A.T. Yalala</li> <li>3. Mrs. S.T. Morolong</li> <li>4. Mr. S. Meti*</li> </ol>	<p>The Committee deals with the recruitment of senior members of staff, remuneration policy of all BURS staff and advises the Board on all staff welfare and human resources related matters.</p>



## Attendance of meetings by Board Committee Members

### Board Tender Committee:

NAME	03/05/11	07/10/11	20/01/12	24/01/12	15/03/12	Sitting Allowance
Mrs. S.T. Morolong	■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■	P4,200
Mr. D.N. Loeto	■ ■ ■	■	■ ■ ■	■ ■ ■	■ ■ ■	P3,360
Ms. O. Zhikhwa	■ ■ ■	■	■	■ ■ ■	■ ■ ■	P2,520
Mr. A.T. Yalala	■ ■ ■	■ ■ ■	■	■ ■ ■	■	P2,520
Mr. K.R. Morris	■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■	—
<b>Total</b>						<b>P12,600</b>

### Board Human Resources Committee:

NAME	01/04/11	19/05/11	23/08/11	10/10/11	SP	11/10/11	SP	26/10/11	SP	29/11/11	SP	23/02/12	Sitting Allowance
Mr. D.N. Loeto	■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■		■ ■ ■		■ ■ ■		■ ■ ■		■ ■ ■	P6,720
Mrs. S.T. Morolong	■	■ ■ ■	■ ■ ■	■		■		■ ■ ■		■ ■ ■		■	P3,360
Mr. S. Meti	■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■		■ ■ ■		■ ■ ■		■ ■ ■		■ ■ ■	P6,720
Mr. A.T. Yalala	—	—	—	■ ■ ■		■ ■ ■		—		—		—	P1,680
Mr. K.R. Morris	■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■		■ ■ ■		■ ■ ■		■ ■ ■		■ ■ ■	—
<b>Total</b>													<b>P18,480</b>

### Board Audit and Finance Committee:

NAME	14/06/11	21/11/11	16/02/12	13/03/12	Sitting Allowance
Mr. J.Y. Stevens	■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■	P3,360
Mr. A.T. Yalala	■ ■ ■	■ ■ ■	■ ■ ■	■	P2,520
Mr. M. Lesokola	■ ■ ■	■ ■ ■	■ ■ ■	—	P3,360
Mr. G. Dobo	■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■	P3,360
Mr. K.R. Morris	■ ■ ■	■ ■ ■	■ ■ ■	■ ■ ■	P3,360
<b>Total</b>					<b>P15,960</b>

- ■ ■ Attended
- Apology
- SP Special Board Meeting
- not a member of the committee

## Board Of Directors



Dr. T. Nyamadzabo  
Board Chairman



Mr. K.R. Morris  
Commissioner General & Board Member



Mr. D.N. Loeto  
Vice Chairman



Mr. T. Yalala  
Board Member



Ms. R. Seipone  
Board Member



Mr. J. Y. Stevens  
Board Member



Mr W.B. Wankie  
Board Member



Mrs. L. Khimbele  
Director Legal Services & Board Secretary

## Executive Management



Mr. K.R. Morris  
Commissioner General



Mr. S. Lekau  
Commissioner Internal Revenue



Mr. P. P. Valashia  
Commissioner Customs & Excise



Mr. K. Kgosidintsi  
Commissioner Finance & Administration



Ms. L. Mosweu  
Director Information Technology



Mrs. A. B. Motlhanka  
Chief Internal Auditor



Ms. M. Pelaelo  
Director Human Resources



Mrs. L. Khimbele  
Director Legal Services & Board Secretary



Mr G.M Motsewabagale  
General Manager  
Corporate Planning & Communications

## CHAIRPERSON'S STATEMENT



Dr. T. Nyamadzabo

### Introduction

I am pleased to present the Botswana Unified Revenue Service's (BURS) Annual Report for the financial year 2011/12. The Report presents an analysis of performance by the Revenue Service during the year.

### Revenue Collection Performance

BURS achieved good performance during the 2011/12 financial year in the face of challenges especially with respect of taxpayer compliance.

The need to improve utilisation of the ICT infrastructure, upgrade facilities, improve staff capacity in terms of skills and competencies as well as implement countrywide taxpayer education programs, is ever increasing.

BURS recorded a strong growth in revenue of 21.4% from the P20, 064 billion collected in the previous year. This collection exceeded the revenue target for the year by 6.3%. This performance was mainly driven by performance in income tax and Southern African Customs Union (SACU) receipts.

### BURS Funding

During the 2011/12 financial year, BURS continued to be funded through Government subventions. BURS' total recurrent expenditure increased from P328.77million in 2010/11 to P330.06 million during 2011/12, which is an increase of P1.29 million or 0.39%. Total funding disbursed by Government in respect of recurrent expenditure amounted to P264.13 million. Out of this amount, the funding utilised for recurrent expenditure amounted to P261.97 million or 80.02% whilst the balance came from BURS' internally generated income from the levies and commission BURS charges. BURS' expenditure growth was comparatively and significantly lower than the revenue collection growth of 21.5% attained during 2011/12. Revenue collected on behalf of the government increased from P20.06 billion to P24.37 billion.

### BURS Strategic Plan

BURS has gone through its third year of the implementation of its five year Strategic Plan during the 2011/12 financial year. The Plan is monitored and implemented annually through the Annual Business Plans (ABP). The ABPs break down the Strategic Plan goals, which are long term by nature, into short term, more measurable and implementable goals. During the year, the Mid Term Review (MTR) of the plan was undertaken to align the plan objectives with emerging trends.

The Board of Directors remains committed to playing a pivotal role of providing strategic guidance to BURS Management and ensuring that BURS maintains its good performance through the implementation of the Strategic Plan. It is through the Strategic Plan, among others, that the Board enforces the performance goals of the Revenue Service. The achievement during the current period stems from the progress achieved in the implementation of various activities that had been identified as strategic initiatives in the Strategic Plan. Among the initiatives that have propelled BURS forward include the successful implementation of the joint project between BURS and Swedish Tax Agency (termed BURS/STA project), the implementation of the Performance Management System (PMS) and the Performance Based Reward System (PBRS) as well as the implementation of risk based strategies and plans and systems integration. Further, the establishment of the Large Taxpayer Unit (LTU) is among the new initiatives that are expected to greatly contribute to service delivery and unearth more tax revenue from the next financial year.

### Acknowledgements

On behalf of the Board and the Government of Botswana, I wish to acknowledge the excellent performance by BURS employees and encourage them to continue the good performance. I would like to thank the Commissioner General for his leadership as well as his support to staff and the efforts by which he directed the success of the Revenue Service.

Finally, I would like to express my sincere appreciation to the Ministry of Finance and Development Planning and all BURS cooperating partners for rendering invaluable assistance in the form of financial and technical assistance to BURS during the year under review. We look forward to continued close collaboration with them.

### Conclusion

The 2011/12 financial year was another year wherein BURS surpassed the revenue collection target. The Board of Directors is therefore, pleased to pronounce the year a successful year for BURS. Nevertheless, it still remains imperative for BURS to determine ways of accelerating performance whilst also promoting a culture of voluntary compliance.

In this regard, it is critical for BURS to continue to educate the general public about the importance of paying tax. The general public needs to understand that without tax revenue, Government would not be in a position to carry out the various national development priorities and programmes. The public also needs to understand that the statutory tax rates are among the lowest in the region despite the growing financial constraints faced by the Botswana Government. Unlike in many other countries, Botswana enjoy free education up to tertiary level, subsidised charges on utilities and health care, to name but a few. These social programmes leave a huge dent in the government budget to the detriment of other equally important development needs.



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Dr. T. Nyamadzabo  
Chairperson

## COMMISSIONER GENERAL'S REVIEW



Mr. K.R. Morris

### Introduction

Tax administration in Africa has been experiencing transformation over the years to improve operational efficiency. According to the African Economic Outlook (AEO) 2010 survey, collected taxes in Africa increased from an unweighted average of 17.9% of gross domestic product (GDP) in 2000 to 20.3% in 2010. This compares favourably with tax performance in Botswana.

BURS is becoming a very important player in the economy as shown by the contribution of tax revenue to the total government revenue and GDP. Since the BURS establishment, the tax revenue contribution to government revenues has been growing steadily from 53% in 2005/06 to 75% in 2011/12. On the other hand, the percentage of tax revenue to GDP has been more or less constant averaging around 21% between 2005/06 to 2011/12.

### Overall Revenue Collection by Tax Type

During 2011/12 BURS collected P24.37 billion, representing a growth of 21.5% over the P20.064 billion collected in 2010/11. The collection exceeded the target of P22.93 billion by 6.3% as shown in figure 1 below. The increase was largely due to the income tax collections and Southern African Customs Union (SACU) revenue receipts which exceeded targets by 21.8% and 0.4%, respectively. Conversely the VAT collections fell short of the target by 11.8%.

Figure 1: Tax Revenue Collection (P million)

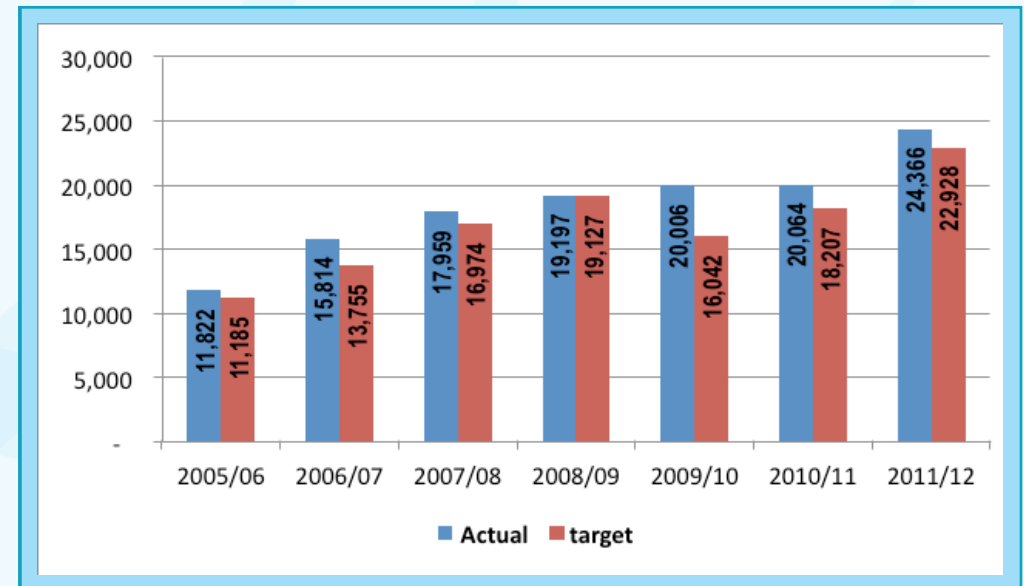
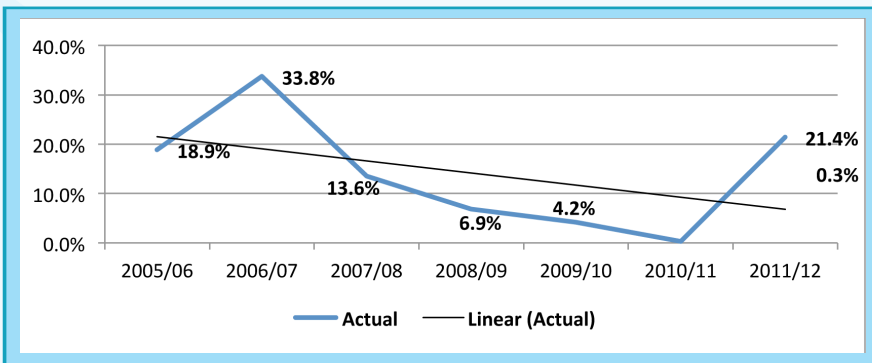


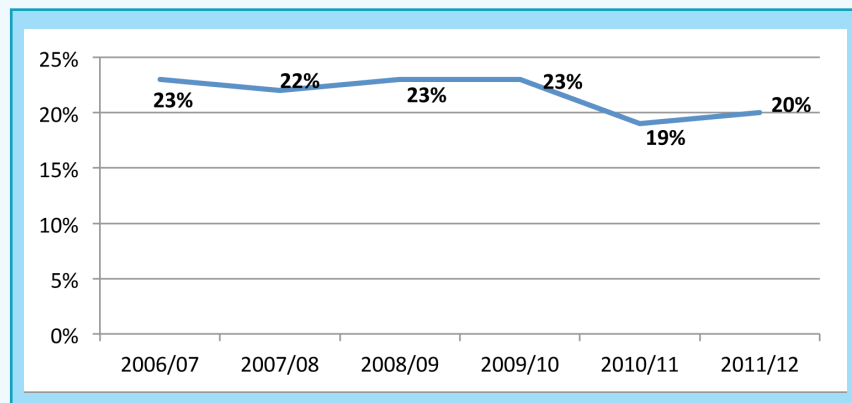
Figure 2 shows growing revenue collection since 2005/06. The growth rates have been declining since 2006/07 at 33% until 2010/11 at 0.3% before jumping up to 21.4% in 2011/12

Figure 2: Total Tax Revenue Growth Rates



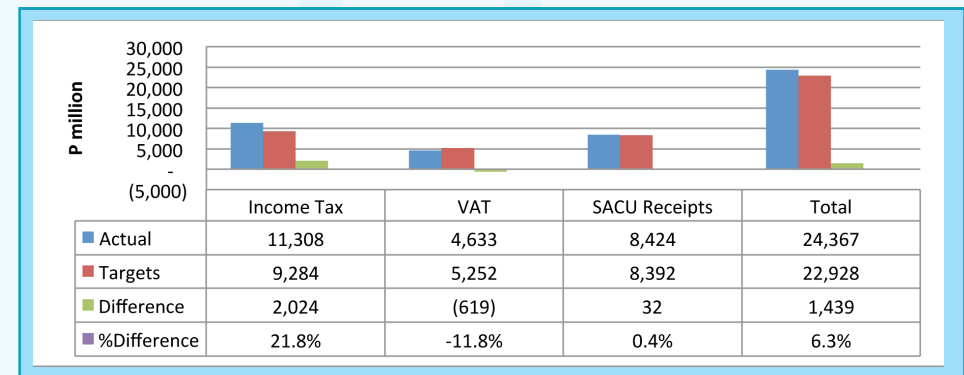
As a percentage of GDP, tax revenues have generally been on a downward trend. In 2006/07 tax revenues reached 23% of the GDP before declining to 22% in 2007/08 and eventually 20% in 2011/12.

Figure 3: Percentage of Tax Revenue to GDP at constant 1993/94 prices



An analysis by tax types in Figure 4 shows considerable developments by the income tax which exceeded the target by P2.024 billion or 21.8% followed by SACU receipts with an excess amount of P32 million or 0.4% over the target. On the other hand, VAT fell short of the target by P619 million or 11.8% owing to an increase in refunds and the exemptions approved by Parliament in 2011 in respect of farming implements. The high refunds trend so far noticed will require close monitoring to ascertain their legitimacy.

Figure 4: Revenue Collection by Tax Type 2011/12



## Cost of Collection

For the financial year 2011/12, for every P1.00 that BURS spent, Government realised a return of P73.84 when compared to a return of P61.03 in 2010/11. The higher return during 2011/12 was due to the fact that while government funding was only increased by 7.8%, revenue collections grew by 21.4%. BURS commenced a number of new strategic initiatives that are meant to promote taxpayer compliance and maximise revenues. These have contributed positively to the increase in the income tax revenue collected.

## Key Strategic Drivers of Performance

The performance of BURS is mainly influenced by taxpayer compliance and it is important to ensure that measures are in place to encourage voluntary compliance. BURS has therefore, embraced key initiatives as stipulated in the strategic plan to drive performance by improving compliance. These initiatives also enabled BURS to fulfil its broad mandate and more importantly to achieve its ever increasing revenue targets. The key drivers of performance include, among others, enhanced service delivery through improvement of systems including data management, use of modern cargo processing equipment such as X-ray container scanners, use of risk management in operations and improving accessibility to services offered by BURS to the general public. The abovementioned initiatives combined with an effective human resource have enabled BURS to achieve its target for financial year 2011/12. Some of the important initiatives are highlighted below.

**Implementation of the Systems Integration Project (TMS and BIVATS)**-The purpose of the project was to integrate some processes that were the same in both the Tax Management System (TMS) and the Botswana Intergrated Value Added Tax System (BIVATS) and interface them with the Automated System for Customs Data (ASYCUDA) in order to have a single view of the taxpayer and eliminate capturing duplicate data in both systems. Two modules for registration and security were fully integrated. The system went live in June, 2011 and users were fully connected on the live environment by the 6th June 2011. It is however, worth noting that major challenges are being experienced with the legacy domestic tax system especially in the processing of the recently introduced individual tax registration.

**Data Cleaning Project**- Any tax administration requires a sound and up-to-date database on which it has to communicate with its taxpayers. BURS commenced the Data Cleaning of its operating systems which was undertaken to remove duplicate information, update taxpayer information and rationalise Taxpayer Identification Numbers (TINs).

**Regulatory Tax Audits**- BURS collected P17.9 million through its Customs post clearance audits in 2011/12. This was achieved through accurate risk profiling and improved planning. A total of 93,898 declarations were audited during 2011/12 as compared to 99,603 declarations that were audited during 2010/11, representing from 15.7% of the total number of declarations processed.

The income tax and VAT Audit activity generated P103,092,287.00 through the audit of 514 companies. The huge assessments are indicative of a low tax compliance culture in the market especially for the small to medium taxpayers. BURS will continue to do all within its powers to engender compliance with revenue laws.



## Initiatives to Improve Tax Administration Capacity

**STA/BURS Project to Improve the Tax Administration Capacity of BURS:** During the financial year 2011/12, some milestones were achieved on this project whose objective is to assist BURS in modernising and improving its tax administration capacity. The achievements included, staff deployment and procurement of office space for the Large Taxpayer Unit, and the completion of the New Income Tax Company Self-Assessment Tax Return Form as well as simplification of Withholding Tax Payment Processing Procedure. Work on other activities under the project such as the development of communications policy and plan, improvement of Information Communication Technology (ICT) Infrastructure, improvement of audit capacity and the use of risk management are progressing as scheduled.

**X-Ray Scanners:** BURS installed X-ray scanners in November 2011 at Tlokweng Gate Border post and Gaborone Container Terminal. The use of scanners has seen a remarkable increase in the detection and interception of undeclared cargo. Over the period of five (5) months since the Tlokweng scanner came into operation, thirty-three (33) offence cases have been opened. Most of the cases involved non-declaration, misclassification and false declaration of goods. The value for the illicit goods, where it could be determined, was P14,718,245.50 and the VAT recovered was P1,766,189.00.

However, despite these high success rates in the interception of illicit goods, there are still some serious challenges that undermine the efficiency of the scanner operation. The most serious one being acute shortage of manpower as the scanner operates on one shift of 8 hours whereas the border operates on two shifts of 8 hours. It would therefore be ideal to operate on two shifts in order to realise the full potential and benefits of the scanner equipment. Further BURS received a personal baggage declaration scanner donated by JICA. The scanner has been installed at Mamuno border post.

**International Monetary Fund (IMF) Mission for Tax and Customs Reform and Modernisation:** An IMF mission conducted a diagnostic evaluation of the BURS state of revenue administration as part of technical assistance aimed at improving revenue administration through tax and customs reforms. The mission produced a report with some recommendations which BURS is currently addressing through various activities with the eventual aim of improving process and procedures for better service delivery.

**IT Connectivity/Data Exchange:** In an effort to enhance trade facilitation, SACU in collaboration with the World Customs Organisation (WCO), are pursuing an objective to promote IT interconnectivity within the Southern African region. As a result, work has begun on the Namibia/Botswana IT connectivity project which is to facilitate trans-border transactions by making documents electronically available to the Customs systems of either partner country and by improving statistical reporting. The project, which is being undertaken with the support of the Southern African Trade Hub, is expected to go live during the 2012/13 financial year.

### Review of Revenue Laws

**Tax Amendments:** The tax landscape changed drastically in 2011 as Parliament approved in May 2011 a number of tax amendments for both the Income Tax act and VAT. The significant changes were as follows:

**Tax Rates:** The two tier system of 15% basic Company tax and 10% additional Company tax was abolished effective 1st July, 2011 for a single rate of 22%. Dividend rate of 15% was reduced to 7.5%. A withholding tax of 5% on rental Income as well as 10% on commission was introduced.

**Interest:** The interest rate was harmonised across the tax Acts on late payment to 1.5% per month on a compounding basis.

**Tax Threshold:** The individual tax threshold was revised to P36,000.00 per annum, which meant that we could tax those with income of P3,000.00 per month as opposed to P2,500.00.

**Registration:** The law required that all individuals with income of more than the tax threshold must register for tax. The requirement will certainly increase the tax register and add more assessment work for the BURS.

**Board of Adjudicators:** The taxpayers were given leeway to appeal to the Board of Adjudicators directly as opposed to routing their appeals through the Commissioner General. It is anticipated that by allowing taxpayers to go directly to the Board, the appeals process will become more efficient to the benefit of the taxpayers.

**Value Added Tax (VAT):** On the VAT front the most significant change was on the zero rating of farming equipment such as ploughs, rotavators, combine harvesters etc. The amendment was complementary to the early amendments that zero rated tractors from VAT.

The full impact of the changes will be felt in the next ensuing tax year as BURS had to mount several workshops to bring to speed all taxpayers affected by the tax changes.

**Review of the Customs Legislation:** The process of reviewing the Customs legislation has begun during the financial year 2011/12 and this is done as a region-wide undertaking by each SACU member country. The review was meant to bring about an environment that provides traders with more transparent, predictable and simple Customs processes and procedures that facilitate faster clearance of legitimate goods. The following priority areas have been identified for immediate amendment and implementation: providing legislative basis for full automation of Customs processes and procedures, Risk Management, Authorised Economic Operator (AEO) scheme and Single Window processing. The comprehensive review of the Customs & Excise Duty Act is progressing and The comprehensive Amendment will result in the Current Act being split into three parts namely; Customs Control Bill, Customs Duty Bill and Excise Duty Bill.

## Development Projects

**Establishment of a One Stop Border Post (OSBP)** - In March 2012 a joint mid-term review of the OSBP project was conducted by Botswana, Namibia and the Japanese International Coordinating Agency (JICA). The purpose of the review was to assess the progress of the project, to identify challenges and to map the way forward for the successful completion of the project by 2013. As part of this project training of Customs officials on Risk Management, 2012 Harmonized Classification and Coding System (HS) amendments was conducted.

**Construction of staff houses at Pont Drift** - During the financial year 2011/12, BURS constructed four (4) LA2 semi-detached staff houses through the Ipelegeng labour based scheme under the supervision of the Bobonong Sub-District Council.

**New Border Post at Bokspits** - In the financial year 2011/12 a new border post was established and opened to the public at Bokspits. The border facilities installed comprised of six (6) porta cabins, one office block, four residential staff houses and an ablution block for the public.

**BURS Head Office building** - BURS completed the design of the head office building for the revenue service during the financial year 2011/12. The office is to be built at the Gaborone Central Business District (CBD).

**Upgrading of Ramokgwebana Border Post** - During the reporting period, BURS commenced the third phase of the project to construct residential staff houses. The contractor started works on site and construction work is expected to be completed in the 2012/13 financial year.

**Pioneer Border Gate Development Project** - It has been proposed to develop an Integrated One Stop Border Post at the Pioneer Gate border post. The project is intended to house all government departments that require a presence at the border post. The design team was appointed and commenced the design. It is expected that the design will continue during the 2012/13 financial year.

**Construction of staff houses at Mamuno** - BURS commenced the construction of eight (8) LA2 semi-detached staff houses at Mamuno Border Post. The project experienced some challenges relating to an underground high water table and clay soil and was forced to relocate to a new site at Charles Hill village.

**Upgrading of Tlokweng Border Post sewerage** - The design of the Tlokweng Border Post sewerage reticulation started in the financial year 2010/11 and will be completed in the 2012/13 financial year. The project is for the design and construction of the sewer line connecting the Tlokweng border post sewerage to the existing sewer line at Tlokweng village.

**Maintenance of border posts** - During the financial year 2011/12, BURS started by replacing the asbestos huts with semi-detached LA2 houses through the Ipelegeng program at Ramatlabama, Phitshane Molopo and Bray border posts. With respect to Ngoma, Martins Drift and Parris Halt BURS engaged the private companies to construct. In addition, the refurbishment of staff houses at Parris Halt, Platjan, Pont Drift, Zanzibar and Pandamatenga border posts commenced during the year.

## Human Resource Related Matters

**Employee Relations Matters:** The Botswana Unified Revenue Service is committed to building strong employee relations by strengthening its relationships with the Trade Unions through both collective bargaining and consultative meetings. During the period of the report, there was one recognised Trade Union within the Botswana Unified Revenue Service, whilst consultations began to recognise a second Trade Union.

In addition, staff engagement activities are promoted through visits and address to staff by both the Commissioner General and other member of the Senior Management.

**Staffing:** BURS staff complement has been growing steadily over the years. During the period of the report, the manpower establishment stood at 1,408, out of which 1,342 positions were filled and 66 vacant. This represented a vacancy rate of 4.68%. BURS continues to strive for efficiency in the recruitment process in order to reduce the vacancy rate and to ensure the recruitment of adequate and competent staff. Recruitment policies and procedures are also reviewed on a continuous basis to ensure relevance and effectiveness.

**Performance Management System:** During the reporting period, BURS was in the fourth year of the implementation of the Performance Management System (PMS). It is planned that a diagnostic study on the PMS will be undertaken during the 2012/13 financial year. The purpose of the study is to find ways of strengthening the PMS system to make it efficient.

**Remuneration and Benefits:** In its efforts to enhance attraction and retention of staff, BURS continues to explore ways and means to improve its competitiveness in the labour market. One of the strategies is the participation of BURS in the annual remuneration survey to monitor its competitiveness in the parastatal market. The results of the remuneration survey inform decisions towards salary, allowances and benefits adjustments.

**Training and Development:** BURS is committed to the training and development of its employees in view of complexities within the tax and customs environment. To this end, a twelve (12) months Graduate Trainee Programme commenced in September, 2011 to train newly recruited graduates in tax and customs subjects. Due to lack of BURS training facilities, the BURS entered into a three year lease agreement with the Botswana Public Service College (BPSC) to provide classrooms and hotels for GTP trainees.

Efforts also continue to be made towards accreditation of both BURS Trainers and Training Programmes by the Botswana Training Authority (BOTA). This is an area that will be actively pursued in the 2012/13 financial year.

BURS continued its partnership with other Revenue Authorities during 2011/12. In this regard, six (6) BURS officers were due to complete an eighteen (18) months Post Graduate Diploma training in Taxation in April, 2012 at the Institute of Tax Administration in Tanzania. Three (3) more officers are pursuing a Diploma in Customs and Taxation Management, Post Graduate Diploma in Taxation Management and a Bachelor's Degree in Customs and Taxation Management respectively with the same institute. A further two (2) Customs Officers completed a one year Master's Degree in Customs Management in March, 2012 from Munster University in Germany.

BURS' collaboration with the Botswana Accountancy College (BAC) continues to grow in the area of Taxation Management training. Ten (10) BURS officers graduated from a seven months Advanced Taxation Programme from BAC in April, 2012. This is a yearly programme specifically designed for the needs of BURS.

Competency based skills development courses were also conducted for staff during the reporting period. Some of the short term programmes offered included: Customer Service, Financial modelling, E-auditing, Risk Management, Tendering and Contracting and the Conduct of a Disciplinary Hearing.

## INTERNAL REVENUE OPERATIONS AND PERFORMANCE

### Internal Revenue Collection

As shown in Figure 5 below, Internal Revenue collections, comprising Income Tax and VAT, amounted to P15.943 billion for the 2011/12 financial year, representing an increase of P2,086 million or 15.1% from 2010/11. The targeted collection of P14.536 billion was exceeded by P1.407 billion or 9.7%.

Figure 5: Overall Internal Revenue Collection against Targets( P million).

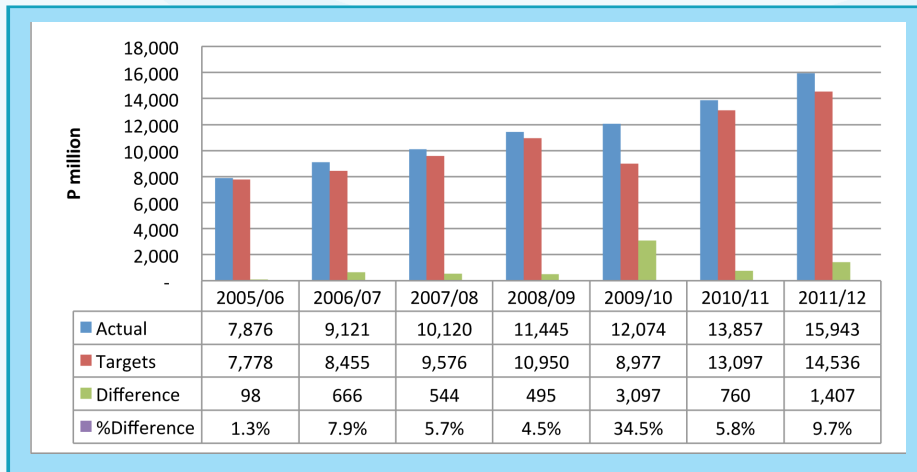
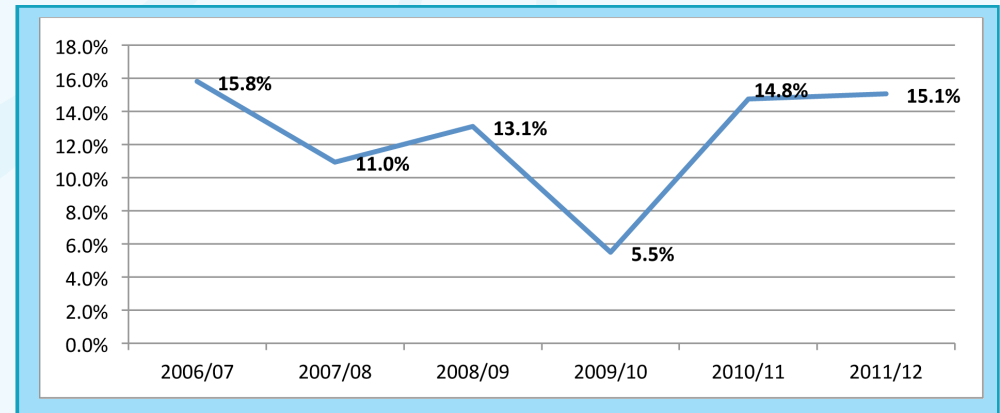


Figure 6 shows a year on year percentage growth from 2005/06 to 2011/12. Revenue collected in 2006/07 grew by 15.8% from the previous year's collection while growth in 2011/12 was 15.1%. The average growth rate from 2006/07 to 2011/12 was 12.6%. Internal Revenue collection has been increasing at a decreasing rate over the period.

Figure 6: Internal Revenue Collection Growth (%)



### Analysis by Income Tax Type

#### Income Tax Revenue by Source

The income tax collections which consist of Assessed tax, Deducted tax, Withholding tax and Capital Transfer tax amounted to P11.308 billion and accounted for 70.9% of the Internal revenue. Assessed tax is the major contributor to Income tax accounting for 60.6% in 2011/12. Deducted tax makes 25.3% of total income tax followed by withholding tax with 13.6%. Table 1 shows a huge increase of penalties and interests by 156% from P39.58 million in 2010/11 to P52.89 million in 2011/12.

Table 1: Income Tax Revenue Collection by Source

	2010/11 P'000	% Collection Against Total	2011/12 P'000	% Collection Against Total
Withholding tax	1,320,967	14.3%	1,536,271	13.6%
Deducted Tax	2,676,565	29.1%	2,861,846	25.3%
Assessed Tax	5,168,896	56.1%	6,851,238	60.6%
Penalty Interest	39,582	0.4%	52,885	0.5%
Capital Transfer Tax	2,328	0.03%	5,834	0.1%
<b>Total Income Tax</b>	<b>9,208,338</b>	<b>100</b>	<b>11,308,074</b>	<b>100</b>

Table 2: VAT Collection by Source

	2010/11 P'000	% Collection Against Total	2011/12 P'000	% Collection Against Total
VAT Imports	3,459,037	54.4%	4,266,305	57.0%
VAT Internal	2,705,327	42.6%	3,028,854	40.4%
VAT Interest & Penalties	39,422	0.6%	42,998	0.6%
Fuel Levy	149,795	2.4%	151,511	2.0%
Gross Receipts	6,353,581	—	7,489,668	—
Refunds	1,705,206	26.8%	2,856,894	38.1%
<b>Net VAT Revenue</b>	<b>4,648,381</b>		<b>4,632,775</b>	

### Value Added Tax (VAT) Revenue by Source

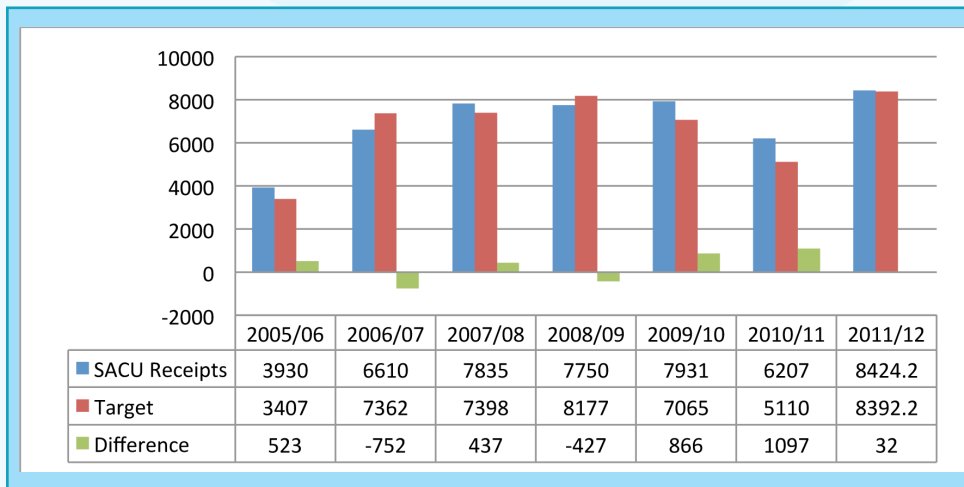
As per Table 2, the VAT amount collected for the period under review amounted to P4.633 billion, representing a decline of 0.3% over the previous year. The VAT refunds increased significantly by P1.151 billion or 67.5% over the period. BURS will intensify its auditing efforts to ensure that only refunds that are due will be processed.

## CUSTOMS AND EXCISE OPERATIONS AND PERFORMANCE

### Southern African Customs Union (SACU) Revenue Pool Receipts

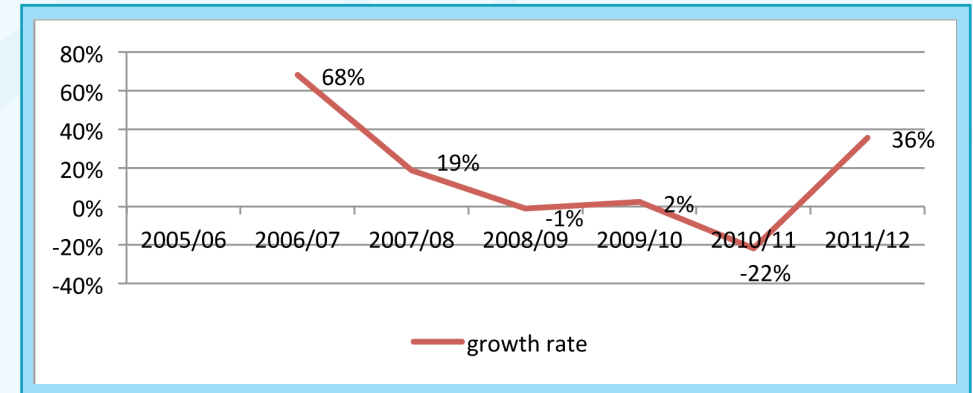
Customs and Excise revenues that accrued to Botswana from the SACU for 2011/12 amounted to P8.42 billion which is above the target of P8.39 billion by P32 million or 0.4%. SACU receipts contribution to the total tax revenues collected increased by 6 percentage points from 30% in 2010/11 to 36% in 2011/12. It is the second largest contributor to total tax revenues after Income Tax (43%).

Figure 7: Southern African Customs Union Receipts



SACU receipts growth rate have been growing at a rapidly diminishing rate since 2006/07 until a decline of 22% was finally recorded in 2010/11, while 2011/12 saw a sharp increase in growth rates to 36%.

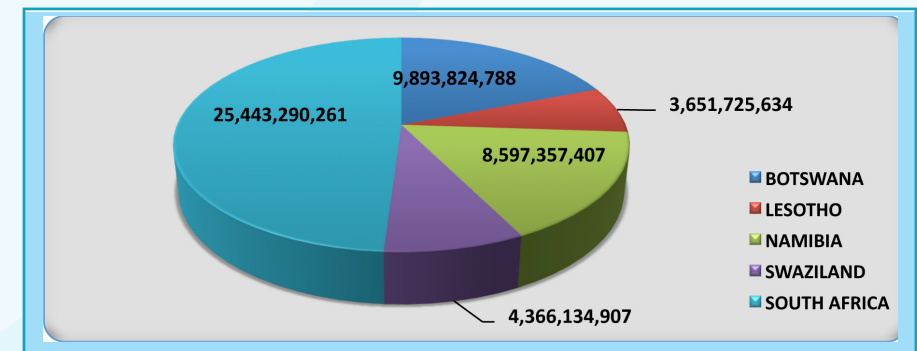
Figure 8: SACU Receipts growth rate



### SACU Revenue Shares Received by Member States

The SACU revenue dipped by P13.8 billion from P52 billion in 2009/10 to P38.2 billion in 2010/11, and rose again by P13.7 billion in 2011/12 to P51.9 billion. Figure 9 below shows that South Africa received the largest portion from the pool at 48.9% followed by Botswana (19%) while Lesotho received the least share (7%). Comparing 2010/11 and 2011/12, Botswana's share increased from 15% to 19%, while South Africa's share dropped from 61% to 48.9%.

Figure 9: SACU Receipts for 2011/12 (Rands)



The Southern African Customs Union (SACU) Member States are required to pay all the collections of customs, excise and additional duties into a Common Revenue Pool (CRP) established by Article 33 of the SACU Agreement. Ensuing to this requirement, Botswana collected and paid into the CRP a total amount of P422,573,356 during 2011/12, representing a 26% increase from that of the previous year whereby P336,636,551 was collected. During the period under review many economies of the world had begun to show signs of recovery from the recession. The current increase is therefore attributed to the resurgence of imports from outside the SACU region and excisable goods produced during the period.

Table 3: Customs and Excise Duty Collection Paid to the Common Revenue Pool (CRP)

CUSTOMS DUTIES	2010/2011 P	2011/2012 P	VARIATION P	% VARIATION
Import Customs Duty	211,867,191	303,822,617	91,955,426	43%
Advalorem	14,283,443	11,661,734	-2,621,710	-18%
Anti-Dumping	94,676,582	94,041,851	-634,731	-1%
Additional Duty	15,809,335	13,047,155	-2,762,180	-17%
<b>TOTAL</b>	<b>336,636,551</b>	<b>422,573,356</b>	<b>85,936,806</b>	<b>26%</b>

## Trade Performance

As shown in Table 4 below, during 2011/12, BURS processed a greater amount of imports and exports as the economy continued to expand. Goods worth Import P50.4 billion were imported in 2011/12 as compared to 2010/11 in which goods worth P41.1 billion were imported. The value of the 2011/12 imports increased by P9.3bn or 22.6%. On the other hand the value of exports declarations processed in 2011/12 was worth P40.7 billion while exports declarations for 2010/11 were worth P33.5 billion.

Despite a weakening effect of the economic recession, overall the economy managed to record a significant increase in both imports and exports. Mineral exports, especially Diamonds, Nickel/copper and Gold have managed to be buoyant throughout except in the 3rd quarter 2011/12 amid signs of re-emergence of the recession. In the 4th quarter exports recovered from the previous quarter's dip. On the other hand imports exhibited an overall upward trend. The 2nd quarter marked the beginning of a consistent increase in imports. This increase could be attributed to the resurgence of imports of products such as electrical goods and motor vehicles during the period under review.

However, overall the state of trade was not pleasing. As can be seen from the two tables, the balance of trade prominently exhibited negative trade balances. The month of September, October, November (2011) and March 2012 exhibited the highest regressive behaviour in the trade balance.



Table 4: Monthly Balance of Trade for 2010/11 and 2011/12 (P'000)

MONTH	IMPORTS		EXPORTS		TRADE BALANCE	
	P' 000		P' 000			
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
April	2,783,879	3,579,173	1,400,304	2,043,519	-1,383,575	-1,535,654
May	2,779,711	4,092,911	2,431,313	3,808,121	-348,398	-284,791
June	3,282,445	4,103,258	3,525,684	4,872,911	243,239	769,653
July	3,385,577	4,485,371	3,308,845	4,403,049	-1,176,526	-82,322
August	2,821,245	4,524,571	2,243,050	4,189,362	-578,194	-335,210
September	3,274,942	3,898,712	2,679,659	2,460,315	-595,283	-1,438,397
October	3,418,367	4,797,972	3,137,682	3,320,976	-280,684	-1,476,996
November	4,232,814	4,345,847	3,463,591	2,903,540	-769,223	-1,442,306
December	3,138,819	3,629,014	1,943,632	2,699,926	-1,195,188	-929,088
January	3,203,492	3,988,405	3,006,475	3,326,104	-197,017	-662,301
February	4,303,315	4,265,302	2,020,509	3,613,347	-2,282,805	-651,955
March	4,492,878	4,693,874	4,318,747	3,086,983	-174,131	-1,606,891
TOTAL	41,117,484	50,404,409	33,479,491	40,728,152	-8,737,785	-9,676,257
Growth Rates (%)		22.6%		21.7%		

BURS processed 599,445 import declarations and 65,655 export declarations at different customs offices and border posts during the period under review, while 605,241 import declarations and 57,179 export declarations were processed during the 2010/2011 financial year. The Tlokweng Border post remains the biggest station where 331,662 (55%) were processed during the period under review. The lowest number of declarations was processed at Francistown Airport and Jwaneng Airport.

Table 5: Summary of Import and Export Declarations

Financial Year	Imports	Exports
2010/11	605,241	57,179
2011/12	599,445	65,655
Difference	(5,796)	8,476
Variation (%)	(0.97)	12.9

## Passenger Traffic

The combined number of people entering and leaving Botswana continues to decrease yearly. During the period under review, a total of 5.3 million people were cleared at various ports of entry, compared to 6.0 million in the 2010/11 financial year. The continued drop in passenger traffic was consistent with the occurrence of the recession that the global economy was facing.

## Registration of eligible exporters

During the period under review, twenty one (21) applications were considered and approved for registration as exporters under various Trade Agreements. Out of the twenty one, fourteen (14) companies registered under the SADC FTA; six (6) for Botswana/Zimbabwe Trade Agreement and one (1) for AGOA. In comparison, twenty two (22) applications were approved during the 2010/11 financial year comprising (15) for SADC FTA, four (4) for Botswana/Zimbabwe Trade Agreement and (1) each for SADC-EU EPA, SACU/EFTA and AGOA.

## Collections on Behalf of Agencies

BURS continues to undertake agency work on behalf of other government departments at entry points as depicted in Table 6 below. BURS collect Flour Levy, Road Transport Permit fees and Road Safety levy on behalf of the Ministries of Trade and Industry, Works and Transport, respectively. The Flour levy is imposed on bread flour which is imported for resale in Botswana whilst the Road Transport fees and Road Safety Levy are imposed for purposes of providing revenue for the maintenance of the road infrastructure and road safety campaigns.

Table 6: Revenue Collected on Behalf of Government Departments (P million)

Fee/Levy Type	2010/2011 Collection P'000	2011/2012 Collection P'000	Variation 2010/11 & 2011/12	% Variations
Road Safety Token	4.01	4.04	0.08	2.19
Road Transport	84.6	90.05	7.77	10.06
Flour levy	7.1	3.64	(1.75)	(31.55)
Alcohol Levy	315.33	236.44	(12.24)	(4.10)
Copyright/	3.9	5.07	3.21	153.77
<b>TOTAL</b>	<b>414.95</b>	<b>339.25</b>	<b>(2.94)</b>	<b>(0.76)</b>

## Developments Relating to International and Regional Collaborations and Obligations

### Review of the SACU Revenue Sharing Arrangement

SACU Member States took a decision during financial year 2010/11 to review the SACU revenue sharing arrangement. A consultancy firm was contracted to undertake a study on the Review of the Revenue Sharing Arrangement which was to be used as a basis for negotiating the revenue sharing formula. The revision of the revenue formula, in terms of the options proposed by the consultant, could eventually have the effect of reducing Botswana's and other member states' revenue shares in future hence the consultant's report was rejected by SACU member states came up with their own proposals which are due for consideration and it is anticipated that a SACU Revenue sharing formula will be derived through negotiations.

### SADC Trade Audit

As part of its monitoring of the operation of the Protocol on Trade, the Southern African Development Community (SADC) Secretariat undertakes assessments on the status of implementation of the Protocol on an annual basis. These assessments, which include national visits to selected Member States, are the basis of the Audit Reports which are considered by the Trade Negotiating Forum, Senior Officials and the Committee of Ministers of Trade.

The 2011 Audit Assessment for Botswana took place from 2nd- 13th May 2011. The audit assessment was aimed at verifying, amongst other issues, the implementation of the 2011 tariff phase downs, implementation of the SADC customs and trade facilitation instruments, dissemination of information on the Protocol on Trade, implementation of the mechanism for monitoring non-tariff barriers (NTBs) and action by Member States on identified NTBs, and the overview of third country agreements. Like in previous years, the exercise was carried out with the assistance of the USAID Southern Africa Trade Hub.

### World Bank

Following the 2010/11 World Bank Report, which rated Botswana at position 152 in terms of trading across borders (a regression by one point from the previous year's rating), BURS and other stakeholders put in place measures aimed at improving the rating so as to further create a conducive environment for undertaking business in Botswana. To this end, a Committee was set up in May, 2011 to assist various government departments/ministries to bring about a better environment for business in Botswana. The Committee reports to Cabinet through the Minister of Trade & Industry and Cabinet considered the Report on the 17th May, 2011. To facilitate the execution of its mandate; the Committee has established several sub-committees under its wing. BURS participates in the Trading Across Borders sub-committee which is tasked with initiating ways that will improve trading across Botswana borders. The first major initiative by the sub-committee was the commencement of work to establish a National Single Window system.

## CHALLENGES

### Smuggling and Non Declaration of Goods (Seizures)

Smuggling and non-declaration of imported goods continues to be a major challenge for BURS. Other than the unrelenting cigarette smuggling cases, BURS has in recent times handled a growing number of cases on smuggling of Anti-Retroviral Drugs (ARV) into Botswana originating from some of the neighbouring countries. The drugs are either smuggled by the pharmacy operators or the smugglers sell them to some of the pharmacies in Botswana.

Major seizures for the year under review were on cigarettes which are being smuggled from Zimbabwe into the Republic of South Africa and normally smuggled through ungazetted points of entry. A total of 15,434 cartons were seized at different points during year.

In total there were 703 seizures for the year with a value of around P4, 874,977.50 as compared to 655 seizures during 2010/11 financial year. This achievement is quite a significant increase in the number of seizures when compared to the previous year. The problem of cigarettes smuggling has over the years proved to be highly risky. This is evidenced by the large quantities of cigarettes which are seized inland. The quantity seized in such cases ranges between 10 and 214 master cases of different brands of cigarettes. The total quantity of seized cigarettes was 855 master cases and 28 cartons. As a measure to try and counteract the problem, joint operations were conducted with the Botswana Police at different strategic points where profiles had indicated that there is high risk of non-compliance. Local cigarettes manufacturers were exacerbating the problem by diverting cigarettes exports destined for countries outside SACU back into the SACU market.

In combating illicit trade practices, the customs and border control at port of entry conducted a number of interventions (i.e. passenger, baggage and parcel searches, Roadblocks, Cargo exams, patrols). The interventions resulted in a number of successful seizures.

### Implementation of the Electronic Funds Transfer (EFT) System

The EFT system implementation with respect to the BURS has had problems since inception. This problem emanates from taxpayers not submitting documents to the revenue service after making payments at the banks. A team has been established to follow-up the taxpayers who do not submit their documents for reconciliation of amounts paid through the EFT system.

## CONCLUSION

BURS surpassed the revenue collection target that was set by Government for the 2011/12 financial year. The appreciable performance was mainly attributed to the income tax and SACU Revenue streams, coupled with the implementation of improved procedures. BURS achieved this good performance notwithstanding the chronic problem of inadequate funding and use of a sub optimal ICT environment.

In spite of the challenges, we remain committed to the highest standards of management and governance to provide quality service to taxpayers. We are enthusiastic and we will strive to be more efficient in the future as we adopt new and improved strategies, processes and procedures. In this regard, BURS will continue to develop its human capital, continue its taxpayer education campaigns and leverage on the use of information technology solutions to drive the revenue collection business.

The general public has to appreciate that the collection of tax revenue is very critical for facilitating national development programmes and stimulating economic development. The public also needs to appreciate that, inspite of the growing financial constraints; the Government of Botswana has maintained a low tax rate, perhaps the lowest in the entire Southern African Region and yet continues to provide services to the nation. As such it is incumbent for every Motswana and resident of Botswana to contribute to the tax revenues by voluntarily disclosing their incomes and fulfilling their tax obligations on time.

The good performance would not have been attained without the efforts of all BURS employees and cooperation from taxpayers and other BURS stakeholders.

I would therefore, like to take this opportunity to thank BURS staff for working diligently with the general public and businesses.

Finally, on behalf of the BURS Management, I would like to thank the Honourable Minister of Finance and Development Planning, the Board of Directors, Board Committees and other Consultative Bodies for their guidance and continued support to BURS. I would also like to convey our sincere gratitude to the donor community for the support rendered to BURS during the year.



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Mr. Ken R. Morris  
Commissioner General

BOTSWANA UNIFIED REVENUE SERVICE

ANNUAL FINANCIAL STATEMENTS

31 MARCH 2012

(ADMINISTERED GOVERNMENT REVENUE ACCOUNTS)

**ADMINISTERED GOVT REVENUE ACCOUNTS**

## BOTSWANA UNIFIED REVENUE SERVICE ANNUAL FINANCIAL STATEMENTS

31 MARCH 2012

### GENERAL INFORMATION

#### BOARD OF DIRECTORS

Taufila Nyamadzabo	: Chairperson
Daniel N. Loeto	: Vice Chairperson
Keneilwe R. Morris	: Commissioner General
John Y. Stevens	: Re-appointed 1 July 2012
Alexander T. Yalala	
Wankie B. Wankie	: Appointed 1 July 2012
Ruth Seipone	: Appointed 1 July 2012
Siamisang T. Morolong	: Resigned 30 June 2012

#### BOARD SECRETARY

Lorato Khimbele

#### NATURE OF BUSINESS

The Botswana Unified Revenue Service (BURS) was established by the Botswana Unified Revenue Service Act, 2003. BURS is responsible for the assessment and collection of tax on behalf of the Government of Botswana.

#### ADDRESS

Plot 53976  
Kudumatse Drive  
Gaborone

Private Bag 0013  
Gaborone

#### AUDITOR

Deloitte & Touche

#### BANKERS

Bank of Botswana  
Barclays Bank of Botswana Limited  
First National Bank of Botswana Limited  
Standard Chartered Bank Botswana Limited  
Stanbic Bank Botswana Limited

**BOTSWANA UNIFIED REVENUE SERVICE  
ANNUAL FINANCIAL STATEMENTS****31 MARCH 2012****Table of Contents**

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## BOTSWANA UNIFIED REVENUE SERVICE ANNUAL FINANCIAL STATEMENTS

31 MARCH 2012

### DIRECTORS' STATEMENT OF RESPONSIBILITY

The Directors are responsible for the preparation and fair presentation of the annual financial statements of Botswana Unified Revenue Service: Administered Government Revenue Accounts, comprising the statement of financial position as at 31 March 2012, the statement of financial performance, the statement of changes in net assets, and the statement of cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, prepared on the modified cash basis of accounting as outlined in Note 1.2.

The Directors are required by the Botswana Unified Revenue Service Act, 2003 to maintain adequate accounting records and are responsible for the content and integrity of and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Administered Government Revenue Accounts as at the end of the financial year and the results of its operations and cash flows for the year then ended, on the modified cash basis of accounting.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by BURS and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout BURS and all employees are required to maintain the highest ethical standards in ensuring the revenue service's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in BURS is on identifying, assessing, managing and monitoring all known forms of risk across BURS.

While operating risk cannot be fully eliminated, BURS endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

**BOTSWANA UNIFIED REVENUE SERVICE  
ANNUAL FINANCIAL STATEMENTS  
31 MARCH 2012**

**DIRECTORS' STATEMENT OF RESPONSIBILITY (CONTINUED)**

The Directors state that, for the year ended 31 March 2012, BURS has not complied with the following paragraphs of the Botswana Unified Revenue Service Act:

- Paragraph 28 (2) which requires the Revenue Service to submit its book of accounts and statement of accounts to an auditor appointed by the Board within 60 days of the year-end and requires that the accounts be audited no later than 3 months after the year-end;
- Paragraph 29 (1) which requires the Revenue Service to submit, to the Minister, a comprehensive report on the operations of the Revenue Service during that financial year, within 6 months of the end of that year; and
- Paragraph 7 (1) which requires that the Board of the Revenue Service should have a representative of the Ministry of Trade and Industry.

The Directors' have made an assessment of BURS's ability to continue as a going concern and there is no reason to believe the entity will not be a going concern in the year ahead.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

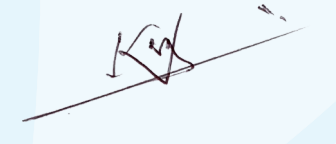
The external auditor is responsible for independently reviewing and reporting on BURS's annual financial statements. The annual financial statements have been audited by BURS's external auditors and their audit report is presented on pages 33 and 34.

**DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

The annual financial statements set out on pages 35 to 51, which have been prepared on the going concern basis, were approved by the Board on 19 February 2013 and were signed on its behalf by:



Board Chairperson



Commissioner General

BOTSWANA UNIFIED REVENUE SERVICE  
ANNUAL FINANCIAL STATEMENTS  
31 MARCH 2012

DIRECTORS' STATEMENT OF RESPONSIBILITY (CONTINUED)

INDEPENDENT AUDITOR'S REPORT  
TO THE MINISTER OF FINANCE AND DEVELOPMENT PLANNING

We have audited the annual financial statements of Botswana Unified Revenue Service: Administered Government Revenue Accounts which comprise the statement of financial position as at 31 March 2012, the statement of financial performance, the statement of changes in net assets and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 35 to 51.

**Directors' Responsibility for the Financial Statements**

The members of the Board are responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the Ministry of Finance and Development Planning, as set out in accounting policy Note 1.2, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**BOTSWANA UNIFIED REVENUE SERVICE  
(ANNUAL FINANCIAL STATEMENTS)**

**STATEMENT OF FINANCIAL PERFORMANCE**

For the year ended 31 March 2012

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Unified Revenue Service: Administered Government Revenue Accounts as at 31 March 2012, and of its financial performance and its cash flows for the year then ended in accordance with the modified cash basis of accounting as outlined in accounting policy Note 1.2.

**Other matters**

Without qualifying our opinion, we draw attention to the fact that the annexures set out on pages 52 to 56 do not form part of the annual financial statements and are presented as additional information. We have not audited these annexures and accordingly we do not express an opinion thereon.

**Report on Legal and Regulatory Requirements**

For the year ended 31 March 2012, BURS has not complied with the following paragraphs of the Botswana Unified Revenue Service Act:

**Paragraph 28 (2)** which requires the Revenue Service to submit its book of accounts and statement of accounts to an auditor appointed by the Board within 60 days of the year-end and requires that the accounts be audited no later than 3 months after the year-end;

**Paragraph 29 (1)** which requires the Revenue Service to submit, to the Minister, a comprehensive report on the operations of the Revenue Service during that financial year, within 6 months of the end of that year; and

**Paragraph 7 (1)** which requires that the Board of the Revenue Service should have a representative of the Ministry of Trade and Industry.

*Deloitte & Touche*

Deloitte & Touche  
Certified Auditors  
Practising Member: C V Ramatlapeng (20020075.15)

Gaborone  
19 February 2013

BOTSWANA UNIFIED REVENUE SERVICE  
(ANNUAL FINANCIAL STATEMENTS)

STATEMENT OF FINANCIAL PERFORMANCE  
For the year ended 31 March 2012

	Notes	<u>2012</u> P'000	<u>2011</u> P'000
<b>Revenue collected on behalf of the Government of Botswana</b>			
Tax revenues and Customs Union Receipts			
Income tax	2	11,308,074	9,208,338
Value Added Tax	3	4,632,775	4,648,381
Customs Union Receipts	4	8,424,282	6,206,614
Other tax revenue	5	53	109
Total tax revenues and Customs Union Receipts		<u>24,365,184</u>	<u>20,063,442</u>
Non-tax revenue	6	<u>1,162</u>	<u>1,167</u>
<b>Total revenue collected on behalf of the Government of Botswana</b>		<b>24,366,346</b>	<b>20,064, 609</b>
Revenue collected on behalf of Government Departments	7	<u>339,248</u>	<u>414,945</u>
<b>Total revenue collected for the year</b>		<b><u>24,705,594</u></b>	<b><u>20,479,554</u></b>

BOTSWANA UNIFIED REVENUE SERVICE  
(ANNUAL FINANCIAL STATEMENTS)

STATEMENT OF FINANCIAL POSITION  
as at 31 March 2012

	Notes	2012 P'000	2011 P'000
<b>ADMINISTERED ASSETS</b>			
<b>Current assets</b>			
Amount due from Government Remittance Account	11	130,593	-
Accounts receivable	8	51,706	42,697
Cash and cash equivalents	9	379,892	409,900
<b>Total administered assets</b>		<b><u>562,191</u></b>	<b><u>452,597</u></b>
<b>ADMINISTERED LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	10	562,191	353,370
Amount due to Government Remittance Account	11	-	99,227
<b>Total administered liabilities</b>		<b><u>562,191</u></b>	<b><u>452,597</u></b>

BOTSWANA UNIFIED REVENUE SERVICE  
(ANNUAL FINANCIAL STATEMENTS)

STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 March 2012

	P'000
<b>Balance at 1 April 2010</b>	<b>74,776</b>
Total revenue collected for the year	20,479,554
Transfers to Government Remittance Account	(20,455,103)
<b>Balance at 31 March 2011</b>	<b><u>(99,227)</u></b>
<b>Balance at 1 April 2011</b>	
Total revenue collected for the year	24,705,594
Transfers to Government Remittance Account	(24,935,414)
<b>Balance at 31 March 2012</b>	<b><u>(130,593)</u></b>

BOTSWANA UNIFIED REVENUE SERVICE  
(ANNUAL FINANCIAL STATEMENTS)

STATEMENT OF CASH FLOWS  
for the year ended 31 March 2012

	<b><u>2012</u></b> <b>P'000</b>	<b><u>2011</u></b> <b>P'000</b>
<b>Cash flows from operating activities</b>		
Collections net of transfers to Government Remittance Account for the year	<u>(229,820)</u>	<u>24,451</u>
<b>Movement in assets and liabilities</b>		
Increase in accounts receivable	(9,009)	(19,086)
Increase in accounts payable	208,821	75,810
Net movement in assets and liabilities	<u>199,812</u>	<u>56,724</u>
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>(30,008)</b>	<b>81,175</b>
Cash and cash equivalents at beginning of year	<u>409,900</u>	<u>328,725</u>
<b>Cash and cash equivalents at end of year</b>	<b><u><u>379,892</u></u></b>	<b><u><u>409,900</u></u></b>



## BOTSWANA UNIFIED REVENUE SERVICE ANNUAL FINANCIAL STATEMENTS

Notes to the annual financial statements  
for the year ended 31 March 2012

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 Statement of accounting policies

The principal accounting policies adopted in the preparation of these financial statements, which were applied consistently throughout the year in dealing with items which are considered material in relation to the financial statements, are set out below and are in accordance with the modified cash basis of accounting.

#### 1.2 Basis of preparation

The financial statements are required in terms of Sections 28 and 29 of the Botswana Unified Revenue Service Act. The financial statements are prepared on the modified cash basis of accounting since BURS took over the responsibility for revenue accounting and reporting from the Government's Department of the Accountant General in 2008.

BURS had previously reported that it took advantage of the transitional provisions of International Public Sector Accounting Standards ("IPSAS") 23 Revenue for Non-Exchange Transactions, which allows an entity to maintain their existing accounting policies in respect of recognition and measurement of taxation revenue for reporting

periods beginning on a date within five years following the date of first adoption of IPSAS 23. BURS is still committed to converting to accrual accounting.

However BURS has not been able to take advantage of the five year conversion period as it is re-engaging with the Ministry of Finance and Development Planning in order to develop detailed guidelines which will outline the procedures and timelines to be followed in Botswana for Government Owned Enterprises in converting to the accrual basis of accounting. Consequently, BURS has prepared the financial statements on a modified cash basis in line with the accounting principles of the Government of Botswana.

## BOTSWANA UNIFIED REVENUE SERVICE ANNUAL FINANCIAL STATEMENTS

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 1.3 The reported activity – revenue collection accounts

For financial reporting purposes, these financial statements are reported as: ADMINISTERED GOVERNMENT REVENUE ACCOUNTS. They cover transactions relating to the tax revenues collected on behalf of the Government and its departments and third parties. The financial statements covering those operational revenues, such as funds received from the Government, which are managed by BURS and utilised in meeting the operational costs of BURS are reported in a different set of financial statements (BURS OWN ACCOUNTS). The purpose of the distinction between the two sets of financial statements is to facilitate, among other things, the assessment of the administrative efficiency of BURS in achieving its mandate..

The financial statements are presented in Botswana Pula and in thousands (P'000) except for the analysis of Arrears of Revenue (see unaudited annexures), which is reported in units of Pula.

#### 1.4 General accounting policies

##### 1.4.1 Penalty interest

Interest is charged to taxpayers when tax liabilities have not been paid by the due dates in accordance with the Income Tax Act, Value Added Tax Act, Capital Transfer Tax Act and Customs and Excise Duty Act.

##### 1.4.2 Customs fines

Income generated from penalties is recorded as Tax Revenue and is payable to the Government Remittance Account whilst income generated from customs fines is recorded as non-tax revenue. Fines are charges collected from violators of the Customs and Excise Duty Act such as non-declaration or under-valuation of goods at the time of importation. Penalties are statutory payments for failure to comply with the Income Tax Act, Value Added Tax Act and the Capital Transfer Tax Act, and are paid as admission of guilt.

## BOTSWANA UNIFIED REVENUE SERVICE ANNUAL FINANCIAL STATEMENTS

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 1.4 General accounting policies (continued)

##### 1.4.3 Debtors

For these financial statements, balances disclosed in the statement of financial position represent debtors for dishonoured cheques. Dishonoured cheque recoveries for periods prior to the establishment of BURS in 2007 are credited in the statement of financial performance as Other Tax Revenue, as no debtor accounts exist.

##### 1.4.4 Write-offs

Write-offs are debts for dishonoured cheques that are irrecoverable and uncollectible either when there are no practical means for pursuing the debt or when all reasonable steps have been taken to recover the debt. Write-offs are recognised in the year that they are authorised. Any recoveries in respect of written off debts arising from the previous years when the function of revenue accounting was under the Accountant General, are accounted for as revenue received from the replacement of the previous year's dishonoured cheques, and such recoveries are payable to the Government Remittance Account.

#### 1.5 Revenue recognition

##### Tax revenues and Customs Union Receipts Recognition

For these financial statements, tax revenues and Customs Union Receipts are measured at the fair value of the consideration received. Revenue is recognised on a cash basis, which reports the actual cash received in a given period. That is, tax revenues and Customs Union Receipts are recognised when cash is received. Refunds related to the revenue collected are also accounted for on a cash basis and are recognised in the year the refund is paid out.

#### 1.6 Foreign currencies

The financial statements are prepared and presented in Botswana Pula, the currency of the primary economic environment in which the Revenue Service operates (the functional currency). Transactions in currencies other than Botswana Pula are recorded at the functional currency rate ruling at the date of the transaction.

**BOTSWANA UNIFIED REVENUE SERVICE  
ANNUAL FINANCIAL STATEMENTS**

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

**2. INCOME TAX**

Income tax revenue collected during the year was derived from the following sources:

	<u>2012</u> P'000	<u>2011</u> P'000
Withholding tax	1,536,271	1,320,967
Deducted tax (Pay As You Earn)	2,861,846	2,676,565
Assessed tax	6,851,238	5,168,896
Penalty interest	52,885	39,582
Capital transfer tax	5,834	2,328
	<u><b>11,308,074</b></u>	<u><b>9,208,338</b></u>

**BOTSWANA UNIFIED REVENUE SERVICE  
ANNUAL FINANCIAL STATEMENTS**

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

**3. VALUE ADDED TAX**

Value Added Tax (VAT) is recognised in the statement of financial performance on a net basis. VAT is structured in such a manner that companies are also entitled to claim refunds; hence the breakdown of gross receipts and refunds is disclosed. VAT refunds arise when the input tax for any tax period is greater than the output tax for that period, or when tax paid is in excess of the amount properly charged to tax under the VAT Act. The refunds are paid from the VAT collections. VAT refunds reported in the statement of financial performance for the year ended 31 March 2012 represent the actual cash paid out as VAT refunds. The net VAT revenue received during the year is analysed as follows:

	<u>2012</u> P'000	<u>2011</u> P'000
VAT import	4,266,305	3,459,037
VAT internal	3,028,854	2,705,327
VAT interest and penalties	42,998	39,422
Fuel levy	151,511	149,795
<b>Gross receipts</b>	<b>7,489,668</b>	<b>6,353,581</b>
Less: Refunds	(2,856,894)	(1,705,200)
<b>Net VAT receipts</b>	<b>4,632,774</b>	<b>4,648,381</b>

BOTSWANA UNIFIED REVENUE SERVICE  
ANNUAL FINANCIAL STATEMENTS

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

4. CUSTOMS UNION RECEIPTS

The Customs Union Receipts represent monies received by Botswana by virtue of her membership of the South African Customs Union (SACU). SACU Member States collect customs and excise duties and deposit the revenue into a Common Revenue Pool in accordance with the provisions of Article 33 of the 2002 SACU Agreement. The Member States annually calculate and distribute the share due to each Member State in accordance with a revenue sharing formula in accordance with provisions of Article 34 of the SACU Agreement. The SACU revenue is currently paid to Member States on a quarterly basis in advance.

	<u>2012</u> P'000	<u>2011</u> P'000
Customs Union Receipts	<u>8,424,282</u>	<u>6,206,614</u>

5. OTHER TAX REVENUE

Other tax revenue reported includes collection from the replacement of prior year cheques dishonoured by banks.

	<u>2012</u> P'000	<u>2011</u> P'000
Received from the replacement of previous years dishonoured cheques	<u>53</u>	<u>109</u>

BOTSWANA UNIFIED REVENUE SERVICE  
ANNUAL FINANCIAL STATEMENTS

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

6. NON-TAX REVENUE

Non-tax revenue consists of licence fees and customs fines. Licence fees are paid by companies and individuals registered with BURS to transact various types of customs businesses such as the operation of Bonded Warehouses and Customs Clearing Agents. Customs fines are received in respect of detected non-compliance with the Revenue Laws, usually at border posts or other points of entry. The amount reported as non-tax revenue in the statement of financial performance is made up of the following:

	<u>2012</u> P'000	<u>2011</u> P'000
Licence fees	23	24
Customs fines	<u>1,139</u>	<u>1,143</u>
	<u><u>1,162</u></u>	<u><u>1,167</u></u>

**BOTSWANA UNIFIED REVENUE SERVICE  
ANNUAL FINANCIAL STATEMENTS**

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

**7. REVENUE COLLECTED ON BEHALF OF GOVERNMENT DEPARTMENTS**

BURS collects revenue on behalf of Government departments at border posts. These include the Department of Roads Transport and Safety, the Department of Consumer Affairs and the Registrar of Companies. The levies which are collected on behalf of the Department of Road and Transport Safety are permit fees and road safety tokens, whilst the flour levy and the alcohol levy are collected on behalf the Department of Consumer Affairs. The amount reported as revenue collected on behalf of other Government departments includes the following:

	<b><u>2012</u></b>	<b><u>2011</u></b>
	<b>P'000</b>	<b>P'000</b>
Copyright levy	5,071	3,896
Road safety tokens	4,041	4,011
Transport permits	90,049	84,615
Flour levy	3,643	7,097
Alcohol levy	236,444	315,326
	<b><u>339,248</u></b>	<b><u>414,945</u></b>



BOTSWANA UNIFIED REVENUE SERVICE  
ANNUAL FINANCIAL STATEMENTS

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

8. ACCOUNTS RECEIVABLE

Accounts receivable represent debtors in respect of cheques dishonoured by banks, and payments due from BURS Own Accounts.

	<u>2012</u> P'000	<u>2011</u> P'000
Dishonoured Cheques	44,705	33,108
Receivable from BURS Own Accounts (note 12)	7,001	9,589
	<u>51,706</u>	<u>42,697</u>

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represents funds held by BURS pending transfer to the Government Remittance Account, SACU Common Revenue Pool, payment of VAT refunds and payment of other unremitted collections.

	<u>2012</u> P'000	<u>2011</u> P'000
Bank and cash balances	<u>379,892</u>	<u>409,900</u>

**BOTSWANA UNIFIED REVENUE SERVICE  
ANNUAL FINANCIAL STATEMENTS**

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

**10. ACCOUNTS PAYABLE**

A breakdown of accounts payable within one year is as follows:

	Other Payables	Unremitted Collections	Refundable deposits	Total
	P'000	P'000	P'000	P'000
<b>31 March 2012</b>				
Temporary deposits	-	-	37,649	<b>37,649</b>
Customs and excise duties	-	137,644	-	<b>137,644</b>
Payable to BURS Own Accounts	-	9,702	-	<b>9,702</b>
Gross payments	-	-	17,234	<b>17,234</b>
Training levy (Botswana Training Authority)	-	54,801	-	<b>54,801</b>
Assurance levy (Motor Vehicle Accident Fund)	-	2,298	-	<b>2,298</b>
Unallocated EFT transactions	-	262,199	-	<b>262,199</b>
EFT Control account	8,442	-	-	<b>8,442</b>
Unpresented cheques	7,288	-	-	<b>7,288</b>
Income Tax Refund account	17,323	-	-	<b>17,323</b>
Various Suspense Accounts	-	7,430	-	<b>7,430</b>
Bank overdraft	181	-	-	<b>181</b>
	<u>33,234</u>	<u>474,074</u>	<u>54,883</u>	<u>562,191</u>

**BOTSWANA UNIFIED REVENUE SERVICE  
ANNUAL FINANCIAL STATEMENTS**

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

**10. ACCOUNTS PAYABLE (continued)**

	Other Payables	Unremitted Collections	Refundable deposits	Total
	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>
<b>31 March 2011</b>				
Temporary deposits	-	-	27,358	<b>27,358</b>
Customs and excise duties	-	94,174	-	<b>94,174</b>
Payable to BURS Own Accounts	-	13,523	-	<b>13,523</b>
Gross payments	-	-	13,572	<b>13,572</b>
Training levy (Botswana Training Authority)	-	68,027	-	<b>68,027</b>
Assurance levy (Motor Vehicle Accident Fund)	-	2,115	-	<b>2,115</b>
Unallocated EFT transactions	-	128,079	-	<b>128,079</b>
Unpresented cheques	5,448	-	-	<b>5,448</b>
Cashbook Suspense Account	-	938	-	<b>938</b>
Bank clearing account	136	-	-	<b>136</b>
	<u><b>5,584</b></u>	<u><b>306,856</b></u>	<u><b>40,930</b></u>	<u><b>353,370</b></u>

**Other payables**

Other payables are amounts established as due at year end. These include unpresented cheques in respect of VAT and Income tax refunds, overpayment from Bank of Botswana and a bank clearing account.

**BOTSWANA UNIFIED REVENUE SERVICE  
ANNUAL FINANCIAL STATEMENTS**

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

**10. ACCOUNTS PAYABLE (continued)**

**Unremitted collections**

Unremitted collections include amounts collected and held by BURS at year end which are payable to third parties. These include unallocated EFT transactions, customs and excise duties, training levies, assurance levies, commissions withheld and other miscellaneous receipts.

**Refundable deposits**

Refundable deposits includes money received in the current and previous years by BURS that relates to transactions that may occur in future accounting periods, e.g. money deposited in the Gross Payments account to cater for future import of goods.

**11. AMOUNT DUE (FROM)/ TO GOVERNMENT REMITTANCE  
ACCOUNT**

The amount due from the Government Remittance Account represents collections transferred in excess to the Government as at year end.

	<u>2012</u> P'000	<u>2011</u> P'000
Amount due (from)/to Government Remittance Account	<u>(130,593)</u>	<u>99,227</u>

**BOTSWANA UNIFIED REVENUE SERVICE  
ANNUAL FINANCIAL STATEMENTS**

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

**12. RELATED PARTY TRANSACTIONS**

Related parties comprise Botswana Government and Botswana Unified Revenue Service (Own Accounts). Transactions with related parties are in the normal course of business and on normal commercial terms. Due to the nature of BURS's business, there are a large number of transactions, relating to tax collection income with Government departments.

The following balances with related parties were outstanding:

	<u>2012</u> <u>P'000</u>	<u>2011</u> <u>P'000</u>
Amount due (from)/to Government Remittance Account	(130,593)	99,227
<b>Amount due (from)/to Government</b>	<u>(130,593)</u>	<u>99,227</u>
<b>Botswana Unified Revenue Service (Own Accounts)</b>		
<b>Accounts receivable (note 8)</b>		
Point of sale and other bank charges	573	387
Fluctuation of foreign exchange rates	<u>6,428</u>	<u>9,202</u>
	<u>7,001</u>	<u>9,589</u>
<b>Accounts payable (note 10)</b>		
Commission payable	(1,829)	(1,255)
Development projects funds in transit	<u>(7,873)</u>	<u>(12,268)</u>
	<u>(9,702)</u>	<u>(13,523)</u>
<b>Net amount due to BURS Own Accounts</b>	<u>(2,701)</u>	<u>(3,934)</u>
<b>Total due from/(to) related parties</b>	<u>127,892</u>	<u>(103,161)</u>

**BOTSWANA UNIFIED REVENUE SERVICE  
ANNUAL FINANCIAL STATEMENTS**

Unaudited annexures to the annual financial statements  
for the year ended 31 March 2012

The following annexures do not form part of the audited financial statements. They are presented as additional information:

**ANNEXURE 1: SCHEDULE OF MOVEMENTS IN COLLECTIONS AND PAYMENTS TO SACU AND THIRD PARTIES**

	<b>SACU Pool</b>	<b>Vehicle Assurance Fund</b>	<b>Training Authority</b>	<b>TOTAL</b>
	<b><u>Pula</u></b>	<b><u>Pula</u></b>	<b><u>Pula</u></b>	<b><u>Pula</u></b>
Balance at 01 April 2011	<b>94,173,581</b>	<b>2,379,234</b>	<b>69,138,996</b>	<b>165,691,811</b>
Collections	422,573,356	9,851,754	220,211,471	<b>652,636,581</b>
Adjustments	27,270,468	(255,399)	(2,730,260)	<b>24,284,809</b>
Payments to third party	(406,373,637)	(8,709,480)	(220,228,293)	<b>(635,311,411)</b>
Payments – BURS Commission	-	(967,720)	(11,590,963)	<b>(12,558,683)</b>
Balance at 31 March 2012	<b><u>137,643,768</u></b>	<b><u>2,298,389</u></b>	<b><u>54,800,961</u></b>	<b><u>194,743,107</u></b>

**BOTSWANA UNIFIED REVENUE SERVICE  
ANNUAL FINANCIAL STATEMENTS**

Unaudited annexures to the annual financial statements  
for the year ended 31 March 2012

The following annexures do not form part of the audited financial statements. They are presented as additional information:

**ANNEXURE 1: SCHEDULE OF MOVEMENTS IN COLLECTIONS AND PAYMENTS TO SACU AND THIRD PARTIES**

	<b>SACU Pool</b>	<b>Motor Vehicle Assurance Fund</b>	<b>Botswana Training Authority</b>	<b>TOTAL</b>
	<b><u>Pula</u></b>	<b><u>Pula</u></b>	<b><u>Pula</u></b>	<b><u>Pula</u></b>
Balance at 01 April 2010	<b>157,981,053</b>	<b>2,400,025</b>	<b>60,474,716</b>	<b>220,855,794</b>
Collections	336,636,551	9,412,096	204,123,474	<b>550,172,122</b>
Adjustments	(157,977,107)	(2,664,396)	(62,051,353)	<b>(222,692,856)</b>
Payments to third party	(242,466,916)	(6,091,642)	(126,737,449)	<b>(375,296,007)</b>
Payments – BURS Commission	-	(676,849)	(6,670,392)	<b>(7,347,241)</b>
Balance at 31 March 2011	<b><u>94,173,581</u></b>	<b><u>2,379,234</u></b>	<b><u>69,138,996</u></b>	<b><u>165,691,811</u></b>

Collections to third parties represent funds that had not been transferred at year end from collections due from service level agreements. BURS has entered into service level agreements with parastatals to collect revenue on their behalf. The agreements are as follows; Botswana Training Authority for the collection of the training levy and the Motor Vehicle Accident Fund for the collection of the assurance levy.

BOTSWANA UNIFIED REVENUE SERVICE  
ANNUAL FINANCIAL STATEMENTS

Unaudited annexures to the annual financial statements  
for the year ended 31 March 2012 (continued)

ANNEXURE 2: SCHEDULE OF APPEARS OF REVENUE  
31 March 2012

Description	Balance at 01 April 2011	Collection of previous years' arrears	Abandonment, discharges, remissions/ waivers & adjustments (see note below)	Balance of prior years' arrears outstanding	Arrears in respect of current year	Balance at 31 March 2012
	<u>Pula</u>	<u>Pula</u>	<u>Pula</u>	<u>Pula</u>	<u>Pula</u>	<u>Pula</u>
VAT internal	236,620,575	(56,366,765)	-	180,253,810	68,773,059	249,026,869
VAT interest and penalties Assessed tax	245,736,108	(24,421,414)	(12,619,373)	208,695,321	86,600,332	295,295,653
Assessed tax interest	294,976,975	(64,957,794)	(16,643,749)	213,375,432	80,814,456	294,189,888
	346,611,313	(48,871,485)	(25,226,985)	272,512,843	95,631,327	368,144,170
<b>TOTAL</b>	<b>1,123,944,971</b>	<b>(194,617,458)</b>	<b>(54,490,107)</b>	<b>874,837,406</b>	<b>331,819,174</b>	<b>1,206,656,580</b>



**BOTSWANA UNIFIED REVENUE SERVICE  
ANNUAL FINANCIAL STATEMENTS**

Unaudited annexures to the annual financial statements  
for the year ended 31 March 2012 (continued)

**ANNEXURE 2: SCHEDULE OF APPEARS OF REVENUE  
31 March 2011**

Description	Balance at 01 April 2010	Collection of previous years' arrears	Abandonment, discharges, remissions/ waivers & adjustments (see note below)	Balance of prior years' arrears outstanding	Arrears in respect of current year	Balance at 31 March 2011
	<u>Pula</u>	<u>Pula</u>	<u>Pula</u>	<u>Pula</u>	<u>Pula</u>	<u>Pula</u>
VAT internal	<b>227,070,870</b>	(58,923,539)	-	168,147,332	68,473,243	<b>236,620,575</b>
VAT interest and penalties Assessed tax	<b>193,211,122</b>	(243,443)	(35,308,446)	155,468,239	90,267,869	<b>245,736,108</b>
Assessed tax interest	<b>281,294,461</b>	(66,364,102)	(11,393,089)	203,537,270	91,439,705	<b>294,976,975</b>
	<b>313,120,518</b>	(18,292,275)	(37,274,807)	257,553,436	89,057,877	<b>346,611,313</b>
<b>TOTAL</b>	<b>1, 014,696,971</b>	<b>(143,823,359)</b>	<b>(83,976,342)</b>	<b>784,706,277</b>	<b>339,238,694</b>	<b>1,123,944,971</b>

## BOTSWANA UNIFIED REVENUE SERVICE ANNUAL FINANCIAL STATEMENTS

Unaudited annexures to the annual financial statements  
for the year ended 31 March 2012 (continued)

### ANNEXURE 2: SCHEDULE OF ARREARS OF REVENUE (continued)

Arrears of revenue represent amounts receivable from the taxpayers relating to the current and previous financial years where these amounts are known at the time the accounts are prepared but have not been included in accounts receivables in the financial statements as BURS is currently reporting on a cash basis.

A discharge refers to where previously assessed tax is revised as a result of an objection raised by the taxpayer to the assessment, or as a result of a duplicate assessment, etc.

A waiver or remission refers to where a tax liability, or interest due on an overdue tax liability, or penalties for failure to pay tax due, are reduced or cancelled on application by the taxpayer to the Minister in the case of Income Tax, or the Commissioner General in the case of VAT.

Abandonment refers to a write off of irrecoverable arrears in respect of companies which were registered with BURS and were expected to be paying on a monthly basis, but such companies have ceased operating and the Directors could not be traced because they have relocated to their respective countries of residence.

**BOTSWANA UNIFIED REVENUE SERVICE**

**ANNUAL FINANCIAL STATEMENTS**

**31 MARCH 2012**

**(OWN ACCOUNTS)**

**OWN ACCOUNTS**

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS) ANNUAL FINANCIAL STATEMENTS

31 MARCH 2012

### GENERAL INFORMATION

#### BOARD OF DIRECTORS

Taufila Nyamadzabo	: Chairperson
Daniel N. Loeto	: Vice Chairperson
Keneilwe R. Morris	: Commissioner General
John Y. Stevens	: Re-appointed 1 July 2012
Alexander T. Yalala	
Wankie B. Wankie	: Appointed 1 July 2012
Ruth Seipone	: Appointed 1 July 2012
Siamisang T. Morolong	: Resigned 30 June 2012

#### BOARD SECRETARY

Lorato Khimbele

#### NATURE OF BUSINESS

The Botswana Unified Revenue Service (BURS) was established by the Botswana Unified Revenue Service Act, 2003. BURS is responsible for the assessment and collection of tax on behalf of the Government of Botswana.

#### ADDRESS

Plot 53976  
Kudumatse Drive  
Gaborone

Private Bag 0013  
Gaborone

#### AUDITOR

Deloitte & Touche

#### BANKERS

Bank of Botswana  
Barclays Bank of Botswana Limited  
First National Bank of Botswana Limited  
Standard Chartered Bank Botswana Limited  
Stanbic Bank Botswana Limited

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

ANNUAL FINANCIAL STATEMENTS  
31 MARCH 2012

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**BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)  
ANNUAL FINANCIAL STATEMENTS  
31 March 2012**

**DIRECTORS' STATEMENT OF RESPONSIBILITY**

The Directors are responsible for the preparation and fair presentation of the annual financial statements of Botswana Unified Revenue Service: Own Accounts, comprising the statement of financial position as at 31 March 2012, the statements of comprehensive income, changes in reserves, and cash flows for the year then ended, and the notes to the annual financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS").

The Directors are required by the Botswana Unified Revenue Service Act, 2003 to maintain adequate accounting records and are responsible for the content and integrity of and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of BURS as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by BURS and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout BURS and all employees are required to maintain the highest ethical standards in ensuring BURS's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in BURS is on identifying, assessing, managing and monitoring all known forms of risk across BURS. While operating risk cannot be fully eliminated, BURS endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors state that, for the year ended 31 March 2012, BURS has not complied with the following paragraphs of the Botswana Unified Revenue Service Act:

Paragraph 28 (2) which requires the Revenue Service to submit its book of accounts and statement of accounts to an auditor appointed by the Board within 60 days of the year-end and requires that the accounts be audited no later than 3 months after the year-end;

Paragraph 29 (1) which requires the Revenue Service to submit, to the Minister, a comprehensive report on the operations of the Revenue Service during that financial year, within 6 months of the end of that year; and

Paragraph 7 (1) which requires that the Board of the Revenue Service should have a representative of the Ministry of Trade and Industry.

**BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)  
ANNUAL FINANCIAL STATEMENTS  
31 March 2012**

**DIRECTORS' STATEMENT OF RESPONSIBILITY (continued)**


The Directors' have made an assessment of BURS's ability to continue as a going concern and there is no reason to believe the entity will not be a going concern in the year ahead.

The Directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

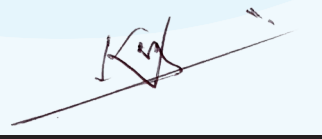
The external auditors are responsible for independently reviewing and reporting on BURS's annual financial statements. The annual financial statements have been audited by BURS's external auditors and their audit report is presented on pages 62 and 63.

**DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

The annual financial statements set out on pages 64 to 98, which have been prepared on the going concern basis, were approved by the Board on 19 February 2013 and were signed on its behalf by:



Board Chairperson



Commissioner General

**BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)  
ANNUAL FINANCIAL STATEMENTS  
31 March 2012**

**INDEPENDENT AUDITOR'S REPORT  
TO THE MINISTER OF FINANCE AND DEVELOPMENT PLANNING**

**Report on the Financial Statements**

We have audited the annual financial statements of Botswana Unified Revenue Service: Own Accounts which comprise the statement of financial position as at 31 March 2012, the statements of comprehensive income, changes in reserves and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 64 to 98 .

**Directors' Responsibility for the Financial Statements**

The members of the Board are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Unified Revenue Service: Own Accounts as at 31 March 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)  
ANNUAL FINANCIAL STATEMENTS  
31 March 2012

INDEPENDENT AUDITOR'S REPORT  
TO THE MINISTER OF FINANCE AND DEVELOPMENT PLANNING (Continued)

Report on Legal and Regulatory Requirements

For the year ended 31 March 2012, BURS has not complied with the following paragraphs of the Botswana Unified Revenue Service Act:

- Paragraph 28 (2) which requires the Revenue Service to submit its books of accounts and statement of accounts to an auditor appointed by the Board within 60 days of the year-end and requires that the accounts be audited no later than 3 months after the year-end;
- Paragraph 29 (1) which requires the Revenue Service to submit, to the Minister, a comprehensive report on the operations of the Revenue Service during that financial year, within 6 months of the end of that year; and
- Paragraph 7 (1) which requires that the Board of the Revenue Service should have a representative of the Ministry of Trade and Industry.

*Deloitte & Touche*

Deloitte & Touche  
Certified Auditors  
Practicing Member: C V Ramatlapeng (20020075.15)

Gaborone  
19 February 2013

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 MARCH 2012

	<u>Notes</u>	<u>2012</u> P'000	<u>2011</u> P'000
<b>Income</b>			
Government funding for recurrent expenditure	6	261,977	235,304
Other income	7	49,832	55,706
<b>Total income</b>		<u>311,809</u>	<u>291,010</u>
Other gains and losses	8	<u>6,054</u>	<u>(15,243)</u>
<b>Expenses</b>			
Administrative expenses	9	(84,266)	(99,308)
Staff costs	10	<u>(245,794)</u>	<u>(229,464)</u>
Total expenses		<u>(330,060)</u>	<u>(328,772)</u>
<b>Deficit for the year</b>		<u>(12,197)</u>	<u>(53,005)</u>
<b>Other comprehensive income / (deficit) for the year</b>			
Gains on revaluation of properties	11	-	40,622
Adjustment to properties revaluation reserve	11	<u>-</u>	<u>(2,541)</u>
		<u>-</u>	<u>38,081</u>
<b>Total comprehensive loss for the year</b>		<u>(12,197)</u>	<u>(14,924)</u>

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

STATEMENT OF FINANCIAL POSITION  
as at 31 MARCH 2012

	Notes	2012 P'000	2011 P'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	304,188	258,151
Investment property	14	25,700	19,646
Intangible assets	15	1,400	-
		<u>31,288</u>	<u>277,797</u>
<b>Current assets</b>			
Inventories	16	2,683	2,773
Trade and other receivables	17	37,196	24,504
Cash and cash equivalents	18	5,019	40,404
		44,898	67,681
Assets classified as held for sale	19	221	138
		<u>45,119</u>	<u>67,819</u>
		<u>376,407</u>	<u>345,616</u>
<b>Total assets</b>			
<b>RESERVED AND LIABILITIES</b>			
<b>Reserves</b>			
Capital reserve		267,626	224,513
Properties revaluation reserve	11	52,566	52,566
Accumulated (deficit)/surplus		(970)	1,130
		<u>319,222</u>	<u>278,209</u>
<b>Current liabilities</b>			
Trade and other payables	20	57,185	67,407
		<u>57,185</u>	<u>67,407</u>
		<u>376,407</u>	<u>345,616</u>
<b>Total reserves and liabilities</b>			

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

STATEMENT OF CHANGES IN RESERVES  
for the year ended 31 MARCH 2012

	Note	Capital reserve P'000	Properties revaluation reserve P'000	Accumulated (deficit) / surplus P'000	Total P'000
<b>Balance at 1 April 2010</b>		<b>215,239</b>	<b>14,485</b>	<b>27,390</b>	<b>257,114</b>
Total comprehensive loss for the year		-	38,081	(53,005)	(14,924)
Transfer to accumulated surplus	12	(26,745)	-	26,745	-
Government funding for capital expenditure		36,019	-	-	36,019
<b>Balance at 31 March 2011</b>		<b>224,513</b>	<b>52,566</b>	<b>1,130</b>	<b>278,209</b>
Total comprehensive income loss for the year		-	-	(12,197)	(12,197)
Transfer to accumulated surplus	12	(10,097)	-	10,097	-
Government funding for capital expenditure		53,210	-	-	53,210
<b>Balance at 31 March 2012</b>		<b>267,626</b>	<b>52,566</b>	<b>(970)</b>	<b>319,222</b>

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

STATEMENT OF CASH FLOWS  
for the year ended 31 MARCH 2012

	Notes	<u>2012</u> P'000	<u>2011</u> P'000
<b>Cash flows from operating activities</b>			
Deficit for the year		(12,197)	(53,005)
Less: Interest income		(1,073)	(2,303)
Adjustment for non-cash items	22	<u>4,043</u>	<u>28,691</u>
<b>Operating deficit before working capital changes</b>		(9,227)	(26,617)
<b>Changes in working capital</b>			
(Increase)/decrease in trade and other receivables		(12,692)	30,276
Decrease in inventories		90	619
(Decrease)/increase in trade and other payables		<u>(10,222)</u>	<u>10,295</u>
<b>Net cash (used in)/generated from operating activities</b>		<u>(32,051)</u>	<u>14,573</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(57,617)	(50,148)
Proceeds on disposal of property, plant and equipment		-	657
Interest received		<u>1,073</u>	<u>2,303</u>
<b>Net cash used in investing activities</b>		<u>(56,544)</u>	<u>47,188</u>
<b>Cash flows from financing activities</b>			
Net development funding received from the Government of Botswana		<u>53,210</u>	<u>36,019</u>
<b>Net cash generated from financing activities</b>		<u>53,210</u>	<u>36,019</u>
<b>(Decrease)/increase in cash and cash equivalents</b>		(35,385)	3,404
<b>Cash and cash equivalents at beginning of year</b>		<u>40,404</u>	<u>37,000</u>
<b>Cash and cash equivalents at end of year</b>	18	<u>5,019</u>	<u>40,404</u>

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

### Notes to the annual financial statements for the year ended 31 March 2012

#### 1. General information and introduction

Botswana Unified Revenue Service (BURS) is a semi-autonomous body corporate established by an Act of Parliament (Botswana Unified Revenue Service Act, 2003) as part of the Government of Botswana's reform strategy for revenue administration. BURS 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 Act, Income Tax Act, the Capital Transfer Act and the Value Added Tax Act, respectively.

For financial reporting purposes, the financial statements of BURS are reported as: ADMINISTERED GOVERNMENT REVENUE ACCOUNTS, and OWN ACCOUNTS. The financial statements – ADMINISTERED GOVERNMENT REVENUE ACCOUNTS cover transactions relating to the revenue collected on behalf of the Government. The financial statements – OWN ACCOUNTS cover those operational transactions, such as funding received from Government, which are managed by BURS and utilised in running the organisation. The purpose of the distinction between the two sets of financial statements is to facilitate, among other things, the assessment of the administrative efficiency of BURS in achieving its mandate. The financial statements are reported in Botswana Pula and in thousands (P'000).

#### 2. Adoption of new and revised standards

##### 2.1 Standards and Interpretations effective in the current period

In the current period, the entity has adopted all the new and revised Standards and Interpretations of the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 April 2011. The adoption of these standards has not resulted in any significant changes to the entity's accounting policies and has not affected either the amounts or the presentation and disclosure of amounts reported in these financial statements.

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

## 2. Adoption of new and revised standards (continued)

## 2.1 Standards and Interpretations effective in the current period (continued)

The following standards were adopted in the current year:

New/Revised International Financial Reporting Standards		Effective Date
IFRS 7	Financial Instruments: Disclosures (Annual improvements)	Annual periods beginning on or after 1 January 2011
IAS 1	Presentation of Financial Instruments (Annual improvements)	Annual periods beginning on or after 1 January 2011
IAS 24	Related Party Disclosures (revised definition of related party)	Annual periods beginning on or after 1 January 2011
IAS 34	Interim Financial Reporting (Annual improvements)	Annual periods beginning on or after 1 January 2011
IFRIC 14 IAS 19	The Limit on a defined benefit asset, minimum funding requirements and their interaction	Annual periods beginning on or after 1 January 2011

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

### 2. Adoption of new and revised standards (continued)

#### 2.2 Standards and Interpretations in issue not yet adopted (continued)

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet adopted:

New/Revised International Accounting Standards		Effective Date
IFRS 7	Financial Instruments: Disclosures (Annual Improvements)	Annual periods beginning on or after 1 July 2011
IAS 1	Presentation of Financial Instruments: Annual Improvements	Annual periods beginning on or after 1 January 2011
IAS 24	Related Party Disclosures (revised definition of related party)	Annual periods beginning on or after 1 January 2011
IFRS 9	Financial Instruments: Classification and measurement	Annual periods beginning on or after 1 January 2015
IFRS 9	Financial Instruments: Financial liabilities and derecognition	Annual periods beginning on or after 1 January 2015
IFRS 12	Disclosure of interests in Other Entities	Annual periods beginning on or after 1 January 2013
IFRS 13	Fair Value Measurement	Annual periods beginning on or after 1 January 2013
IAS 1	Presentation of Financial statements (Comprehensive income)	Annual periods beginning on or after 1 July 2012
IAS 12	Income Taxes – limited scope amendment: recovery of underlying assets	Annual periods beginning on or after 1 January 2012
IAS 19	Employee Benefits: Post employment and Termination Benefits projects	Annual periods beginning on or after 1 January 2013
IAS 28	Investments in Associates and Joint Ventures	Annual periods beginning on or after 1 January 2013
IAS 27	Separate Financial statements	Annual periods beginning on or after 1 January 2013

The directors will assess the impact of these standards and interpretations for adoption in applicable periods.



## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

### 2.3 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual estimates can differ from these estimates.

### 3. Significant accounting policies

#### 3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

#### 3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain assets. The principal accounting policies underlying the preparation of these financial statements are set out below.

#### 3.3 Revenue recognition

##### (i) Interest income

Interest income includes interest on bank deposits and is recognised in profit or loss on an accrual basis using the effective interest method.

##### (ii) Commissions, auction sale proceeds, and other income earned

Commissions, auction sale proceeds and all other income is recognised on an accrual basis when it is probable that BURS will receive the income and the income can be measured reliably.

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

### Notes to the annual financial statements for the year ended 31 March 2012 (continued)

#### 3.4 Government funding

- a) BURS is funded through funds appropriated by Parliament on an annual basis and disbursed by the Ministry of Finance and Development Planning.
- b) Government funding relating to the recurrent expenditure of BURS, disbursed for the purpose of giving immediate financial support to BURS with no future related costs, is recognised in profit or loss in the period in which they become receivable.
- c) Capital and development funds, whose primary purpose is to construct, or otherwise acquire non-current assets, are recognised in the statement of changes in reserves and an amount equivalent to the depreciation determined on a historical cost basis and impairment losses, if any, is transferred from the capital reserve to the accumulated surplus/(deficit).

#### 3.5 Recognition of assets, liabilities, and provisions

##### (i) Assets

Assets are recognised in the statement of financial position when it is probable that the future economic benefits associated with the assets will flow to BURS and that the assets have costs or values that can be measured reliably.

##### (ii) Liabilities and provisions

Liabilities and provisions are recognised in the statement of financial position when BURS has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources / economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

##### (iii) Contingent liabilities

No liability is recognised when BURS has a possible obligation arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of BURS, or when it is not probable that an outflow of resources will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

##### (iv) Inventories

Inventories are stated at cost on a First-in-First-out basis. Inventories for BURS represent supplies to be consumed in the rendering of services.

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

### 3.5 Recognition of assets, liabilities, and provisions (continued)

#### (v) Receivables

Receivables represent the amounts owed to BURS as a result of providing services or allowing other parties to use BURS assets, and amounts as an advance or as a deposit for providing services to BURS.

#### (vi) Impairment of financial assets

Financial assets are generally assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

### 3.6 Property, plant and equipment

#### (i) Land and buildings

a) Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

b) Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Any revaluation increase arising on the revaluation of such land and buildings is credited as equity to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to the statement of comprehensive income to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

c) Depreciation on revalued buildings is charged to profit and loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to the accumulated surplus/ (deficit).

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

### 3.6 Property, plant and equipment (continued)

#### (i) Land and buildings (continued)

d) Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

e) Freehold land is not depreciated.

#### (ii) Motor vehicles, computer and office equipment, leasehold improvements, and porta-camps

Computers and office equipment, plant and machinery, office furniture, leasehold improvements and porta-camps, are stated at cost less accumulated depreciation and accumulated impairment losses.

#### (iii) Depreciation

Depreciation is charged, using the straight-line basis to write off the cost or valuation of assets, other than freehold land and properties under construction, over their estimated useful lives. The revised estimated useful economic lives used in the calculation of depreciation are set out below:

Category	Economic life (in years)
Leasehold property	the shorter of 50 years or remaining lease period
Freehold property	50
Motor vehicles (light vehicles)	7
Motor vehicles (vans and trucks)	8
Office furniture	6.67
Computer and office equipment	3
Porta -camps	6.67
Leasehold improvements	the shorter of 6.67 years or remaining lease period remaining

The estimated useful lives, residual values and depreciation methods are reviewed at end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

### 3.6 Property, plant and equipment (continued)

#### (iv) Assets held under finance leases

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

#### (v) Repairs and maintenance

Repairs and maintenance are charged to profit and loss during the financial period in which they are incurred.

### 3.7 Intangible assets

Computer software costs

Costs associated with maintaining computer software programmes are recognised as an expense as they are incurred. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as capital improvements and added to the original cost of the software.

### 3.8 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in the profit and loss in the period in which they arise.

### 3.9 Foreign currencies

The financial statements of BURS are prepared and presented in Botswana Pula, the currency of the primary economic environment in which BURS operates and the functional currency. Transactions in currencies other than Botswana Pula are recorded at functional currency rate ruling at the date of the transaction.

Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. All differences are taken to the profit and loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

### Notes to the annual financial statements for the year ended 31 March 2012 (continued)

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

#### 3.10 Retirement benefits

BURS operates a defined contribution pension fund for its entire pensionable and permanent citizen staff. The fund is registered under the Pension and Provident Funds Act (Chapter 27:03) of the Laws of Botswana. BURS contributes 15% of the pensionable earnings of the members to the fund while employees contribute an additional 5% of their pensionable earnings. BURS's contributions to the pension fund are recognised as an expense in the profit and loss when employees have rendered the service entitling them to the contributions.

#### 3.11 Terminal gratuities

Employees on contract employment terms receive terminal gratuities in accordance with their contracts of employment. An accrual is made for the estimated liability towards such employees up to the end of the reporting period. For employees on daily rate terms, an accrual is made for the severance benefits.

#### 3.12 Non-current assets held for sale

BURS classifies a non-current asset whose carrying amount will be recovered principally through a sale rather than through continuing use as 'Non-Current Assets Held for Sale'.

Non-Current Assets Held for Sale are measured at the lower of their carrying amounts and fair values less costs to sell.

#### 3.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(b) Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(c) Deposits and advance payments of operating leases are recognised in the statement of financial position under trade and other receivables.

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

### 3.14 Financial Instruments

#### Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

BURS' principal financial assets are 'loans and receivables'.

#### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

#### Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### Derecognition of financial assets

BURS derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If BURS neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, BURS recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If BURS retains substantially all the risks and rewards of ownership of a transferred financial asset, BURS continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

### 3.14 Financial Instruments (continued)

Financial liabilities and equity instruments issued by BURS

#### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The BURS' equity comprises the capital reserve, properties revaluation reserve, and accumulated funds.

#### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. BURS' principal financial liabilities are 'other financial liabilities'.

#### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

#### Derecognition of financial liabilities

BURS derecognises financial liabilities when, and only when, BURS's obligations are discharged, cancelled or they expire.

### 3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### 3.16 Related party transactions

BURS enters into various transactions with the Government of Botswana and related entities, its key management personnel, and the Board of Directors.



## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

### Notes to the annual financial statements for the year ended 31 March 2012 (continued)

#### 3.17 Construction contracts

Where the outcome of a construction contract can be estimated reliably, costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

#### 3.18 Employee bonus plans

BURS has an approved bonus payment plan to pay a performance incentive to its employees who have met or exceeded agreed levels of performance and are entitled to the bonus payment in accordance with principles outlined in the performance management system. The expected cost of the bonus payment is recognised during the year which the agreed level of performance was exceeded.

#### 4. Critical judgement areas and key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### Useful lives of plant and equipment and residual values

BURS reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

##### Fair value of investment property

The fair value of investment property is arrived at on the basis of a valuation conducted by independent professional valuers not related to BURS and qualified for the purpose of the valuation.

##### Other estimates made

BURS also makes estimates for:

- the calculation of the provision for doubtful debts and
- the calculation of any provision for claims, litigation and other legal matters.

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

### 5. FINANCIAL RISK MANAGEMENT

BURS is exposed to certain financial risks. Financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on BURS's financial performance.

#### 5.1 Market risk: currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. BURS operations utilise various foreign currencies and consequently, are 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.

#### 5.2 Market risk: interest rate risk

Financial instruments that are sensitive to interest rate risk are bank balances and cash. Interest rates earned on financial instruments compares favourably with those currently available in the market. A 1% increase in interest rates would result in the surplus for the year of P50 187 (2011: P402 982), while a decrease in interest rates by a similar margin would result in an equal opposite effect.

#### 5.3 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. BURS is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments as follows:

- (i) Cash and cash equivalents - all deposits and cash balances are placed with reputable financial institutions.
- (ii) Staff debts are recovered in terms of the applicable policy and procedures directly from the employees salary.
- (iii) Where BURS has guaranteed housing and motor vehicle loans, on termination of employment, the bank is alerted and guarantees are recovered from the employees terminal salaries and other benefits.

There are no significant concentrations of credit risk.

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

## 5. FINANCIAL RISK MANAGEMENT (continued)

## 5.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. BURS manages its liquidity risk to ensure it is able to meet expenditure requirements. This is achieved through prudent liquidity risk management which includes maintaining sufficient cash resources. Since BURS is funded through a subvention from the Government, BURS does not regard there to be any significant liquidity risk. All of BURS liabilities are current and will be settled within three months of the year end with the exception of certain employee benefits which are linked with contractual contracts.

## 5.6 Capital risk management

There is no active capital risk management process in place primarily because BURS was established under the Botswana Unified Revenue Service Act, 2003. Under this Act, the Government of Botswana provides grants for both capital and operational expenditure based on detailed budgets submitted by the Board of Directors. The capital of BURS comprises the capital reserve, the properties revaluation reserve, and accumulated funds as disclosed in the statement of changes in reserves.

## 5.5 Categories Of Financial Instruments

	<u>2012</u> P'000	<u>2011</u> P'000
<b>Financial assets</b>		
Loans receivables (including bank balances and cash)	<u>31,206</u>	<u>63,125</u>
<b>Financial liabilities</b>		
Other liabilities	<u>57,185</u>	<u>67,407</u>

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

## 6. GOVERNMENT FUNDING FOR RECURRENT EXPENDITURE

	<u>2012</u> P'000	<u>2011</u> P'000
Funding for recurrent expenditure	264,133	245,133
Less: utilised for capital expenditure	(2,156)	(9,829)
<b>Funding utilised for recurrent expenditure</b>	<b><u>261,977</u></b>	<b><u>235,304</u></b>

## 7. OTHER INCOME

Bank interest	1,073	2,303
Rental income	2,208	2,163
Agency commissions	38,868	42,095
Provision of technical service by Swedish International Development Agency	2,596	3,257
Other income	5,087	5,888
<b>Total other income</b>	<b><u>49,832</u></b>	<b><u>55,706</u></b>

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

Agency commissions represent fees charged by BURS for collecting revenues on behalf of the following respective Government Departments and Parastatals:

- (i) Road safety and permit fees (Department of Road Transport and Safety)
- (ii) Flour levy and Alcohol levy (Ministry of Trade and Industry - Department of Consumer Affairs)
- (iii) Motor vehicle road insurance (Motor Vehicle Accident Fund)
- (iv) Training levy (Botswana Training Authority)
- (v) Copyright levy (Ministry of Trade and Industry - Registrar of Companies)

## 8. OTHER GAINS AND LOSSES

	<u>2012</u> P'000	<u>2011</u> P'000
Change in fair value of investment property	6,054	646
Gain on disposal of assets	-	82
Loss on revaluation of property	-	(15,971)
<b>Total other gains and losses</b>	<b><u>6,054</u></b>	<b><u>(15,243)</u></b>

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year ended 31 March 2012 (continued)

## 9. ADMINISTRATIVE EXPENSES

	<u>2012</u> P'000	<u>2011</u> P'000
Auditor's remuneration - current year	919	846
- prior year	100	50
Computer support	7,777	6,237
Consultancy costs and legal costs	287	3,871
Consulting with Swedish International Development Agency	1,248	6,514
Depreciation of property, plant and equipment	9,397	13,448
Impairment of intangible assets	700	-
Electricity and water	2,976	3,361
Printing, stationery and office expenses	12,662	12,063
Operating lease rentals	14,292	13,790
Repairs and maintenance	6,558	6,476
Telephone and postage	7,940	5,399
Training expenses	3,668	3,523
Seminars, workshops, travelling and other administrative expenses	15,742	23,730
<b>Total administrative expenses</b>	<b><u>84,266</u></b>	<b><u>99,308</u></b>

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year 31 March 2012 (continued)

## 10. STAFF COSTS

	<u>2012</u>	<u>2011</u>
	P'000	P'000
Salaries and wages	203,489	187,273
Medical aid contribution	5,432	4,336
Annual performance bonus	9,676	12,913
Employee benefits		
- Gratuity and severance	1,487	1,184
- Pension contribution	21,695	19,918
- Leave	4,015	3,840
<b>Total staff costs</b>	<b><u>245,794</u></b>	<b><u>229,464</u></b>

## 11. PROPERTIES REVALUATION RESERVE

Balance at beginning of year	52,566	14,485
Gains on revaluation of properties during the year	-	40,622
Adjustment to properties revaluation reserve	-	(2,541)
<b>Balance at end of year</b>	<b><u>52,566</u></b>	<b><u>52,566</u></b>

## 12. TRANSFER TO ACCUMULATED SURPLUS

Transfer of realised income on depreciation of funded assets	10,097	13,448
Transfer of realised income on valuation loss of funded assets	-	15,971
Transfer of realised income on disposals	-	(2,674)
<b>Total transfer to retained earnings</b>	<b><u>10,097</u></b>	<b><u>26,745</u></b>

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year 31 March 2012 (continued)

## 13. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Leasehold</u>	<u>Motor</u>	<u>Office</u>	<u>Computers</u>	<u>Plant &amp;</u>	<u>Porta</u>	<u>Work-in-</u>	<u>Total</u>
	<u>P'000</u>	<u>P'000</u>	<u>Improvements</u>	<u>Vehicles</u>	<u>Furniture</u>	<u>&amp; Office</u>	<u>Machinery</u>	<u>Camps</u>	<u>Progress</u>	<u>P'000</u>
			<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>Equipment</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>
<b>Cost/valuation</b>										
At 1 April 2011	42,064	121,005	13,560	15,894	7,103	19,854	1,019	3,979	73,147	297,625
Additions	1,790	7,280	7,627	1,983	1,114	2,195	2,157	2,939	30,532	57,617
Transfer to non-current assets held for sale	-	-	-	(332)	-	-	-	-	-	(332)
Other transfers	-	32,544	-	-	-	-	28,813	-	(61,357)	-
Transfer to intangible assets	-	-	-	-	-	-	-	-	(2,100)	(2,100)
<b>At 31 March 2012</b>	<b>43,854</b>	<b>160,829</b>	<b>21,187</b>	<b>17,545</b>	<b>8,217</b>	<b>22,049</b>	<b>31,989</b>	<b>6,918</b>	<b>40,222</b>	<b>352,810</b>
<b>Accumulated depreciation</b>										
At 1 April 2011	-	-	10,004	7,872	3,518	15,925	507	1,648	-	39,474
Current year charge	-	2,329	2,474	1,632	419	1,518	688	337	-	9,397
Transfer to non-current assets held for sale	-	-	-	(249)	-	-	-	-	-	(249)
<b>At 31 March 2012</b>	<b>-</b>	<b>2,329</b>	<b>12,478</b>	<b>9,255</b>	<b>3,937</b>	<b>17,443</b>	<b>1,195</b>	<b>1,985</b>	<b>-</b>	<b>48,622</b>
<b>Carrying amount</b>										
<b>At 31 March 2012</b>	<b>43,854</b>	<b>158,500</b>	<b>8,709</b>	<b>8,290</b>	<b>4,280</b>	<b>4,606</b>	<b>30,794</b>	<b>4,933</b>	<b>40,222</b>	<b>304,188</b>

Work-In-Progress amounting to P40,222 million is made up of the following :

Residential and office accommodation	40,222
<b>Total Work-In-Progress</b>	<b>40,222</b>



## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year 31 March 2012 (continued)

## 13. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Land</u>	<u>Buildings</u>	<u>Leasehold</u>	<u>Motor</u>	<u>Office</u>	<u>Computers</u>	<u>Plant &amp;</u>	<u>Porta</u>	<u>Work-in-</u>	<u>Total</u>
	<u>P'000</u>	<u>P'000</u>	<u>Improvements</u>	<u>Vehicles</u>	<u>Furniture</u>	<u>&amp; Office</u>	<u>Machinery</u>	<u>Camps</u>	<u>Progress</u>	<u>P'000</u>
	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>Equipment</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>	<u>P'000</u>
<b>Cost/valuation</b>										
At 1 April 2010	32,058	107,352	13,405	11,878	6,439	17,293	897	2,868	34,953	227,143
Additions	1,128	1,269	155	3,280	664	2,561	122	1,116	39,853	50,148
Transfer to non-current assets held for sale	-	-	-	(315)	-	-	-	-	-	(315)
Other transfers	-	1,659	-	-	-	-	-	-	(1,659)	-
Adjustment to properties revaluation reserve	8,878	10,725	-	1,219	-	-	-	-	-	20,822
Disposals	-	-	-	(168)	-	-	-	(5)	-	(173)
<b>At 31 March 2011</b>	<b>42,064</b>	<b>121,005</b>	<b>13,560</b>	<b>15,894</b>	<b>7,103</b>	<b>19,854</b>	<b>1,019</b>	<b>3,979</b>	<b>73,147</b>	<b>297,625</b>
<b>Accumulated depreciation</b>										
At 1 April 2010	-	2,216	6,346	2,723	2,493	12,461	310	1,115	-	27,664
Current year charge	-	2,832	3,658	1,734	1,025	3,464	197	538	-	13,448
Transfer to non-current assets held for sale	-	-	-	(177)	-	-	-	-	-	(177)
Adjustment to properties revaluation reserve	-	(5,048)	-	3,760	-	-	-	-	-	(1,288)
Disposals	-	-	-	(168)	-	-	-	(5)	-	(173)
<b>At 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>10,004</b>	<b>7,872</b>	<b>3,518</b>	<b>15,925</b>	<b>507</b>	<b>1,648</b>	<b>-</b>	<b>39,474</b>
<b>Carrying amount</b>										
<b>At 31 March 2011</b>	<b>42,064</b>	<b>121,005</b>	<b>3,556</b>	<b>8,022</b>	<b>3,585</b>	<b>3,929</b>	<b>512</b>	<b>2,331</b>	<b>73,147</b>	<b>258,151</b>

**Work-In-Progress amounting to P73,147 million is made up of the following :**

Installation of a Human Resources SAP module	1,750
Residential and office accommodation	42,880
Installation of non-intrusive scanners	28,517
<b>Total Work-In-Progress</b>	<b>73,147</b>

### BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year 31 March 2012 (continued)

#### 13. PROPERTY, PLANT AND EQUIPMENT( continued)

An independent valuation of land and buildings was last conducted as at 31 March 2011 by Willy Kathurima Associates, independent professional valuers that are not related to BURS and are qualified for the purpose of the valuation. The valuation was conducted in accordance with the Appraisal and Valuation Manual and the Real Estate Institute of Botswana standards. Willy Kathurima Associates are members of the Real Estate Institute of Botswana. There was no valuation done during the current financial year.

Had the land and buildings been measured on a historical cost basis, their carrying amounts would have been as follows:

	<u>2012</u> P'000	<u>2011</u> P'000
Land	<u>27,748</u>	<u>25,958</u>
Buildings	<u>122,209</u>	<u>84,546</u>

Land includes Platjan with a fair value of P150,000 and Zanzibar with a fair value of P150,000. Ownership of this land is currently in dispute with third parties and as a result a contingent liability has been disclosed in note 23.

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year 31 March 2012 (continued)

## 14. INVESTMENT PROPERTY

	<u>2012</u> P'000	<u>2011</u> P'000
<b>At fair value</b>		
Balance at beginning of the year	19,646	19,000
Gain from fair value adjustments	<u>6,054</u>	<u>646</u>
<b>Balance at end of the year</b>	<b><u>25,700</u></b>	<b><u>19,646</u></b>

The fair value of investment property has been arrived at on the basis of a valuation conducted by Maruping Real Estates Services (Proprietary) Limited independent professional valuers not related to BURS and qualified for the purpose of the valuation. The valuation was performed on 27 April 2012 and was conducted in accordance with the RCIS Appraisal and Valuation Manual and the Real Estate Institute of Botswana Standards. Management is of the opinion that there would not have been a significant difference in the value of the property had the valuation been carried out on 31 March 2012. Maruping Real Estates Services (Proprietary) Limited are members of the Real Estate Institute of Botswana.

Investment property consists of land with a fair value of P 12,747,600 and office buildings constructed on a portion of Plot 14415 and a portion of Plot 8913, Gaborone. As reported in the previous year's financial statements, there is a dispute between BURS and Botswana Railways in respect of the ownership of Plot 8913. The fair value of the disputed portion of land on which the investment property is constructed amounts to P5,751,000. A contingent liability has been disclosed in note 23.

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year 31 March 2012 (continued)

## 15. INTANGIBLE ASSETS

	<u>2012</u> P'000	<u>2011</u> P'000
<b><u>Computer software</u></b>		
<b>Cost</b>		
Balance at beginning of the year	-	-
Transfer from property, plant and equipment	<u>2,100</u>	<u>-</u>
<b>Balance at end of the year</b>	<b><u>2,100</u></b>	<b><u>-</u></b>
<b>Accumulated amortisation</b>		
Balance at beginning of the year	-	-
Current year charge	<u>(700)</u>	<u>-</u>
<b>Balance at end of the year</b>	<b><u>(700)</u></b>	<b><u>-</u></b>
<b>Carrying amount</b>	<b><u>1,400</u></b>	<b><u>-</u></b>

The computer software which consists of the Human Resources SAP module is amortised over a period of 3 years.

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year 31 March 2012 (continued)

16. INVENTORIES	<u>2012</u> P'000	<u>2011</u> P'000
Printing and stationery	1,967	1,952
Office supplies	307	310
Uniform and protective clothing	<u>409</u>	<u>511</u>
<b>Total inventories</b>	<b><u>2,683</u></b>	<b><u>2,773</u></b>

Inventories represent unconsumed supplies held in store at year-end to be consumed in the rendering of services, pending issuance to different cost-centres. Inventories are stated at cost on a First-in-First-out basis.

## 17. TRADE &amp; RECEIVABLES

	<u>2012</u> P'000	<u>2011</u> P'000
Receivable from related parties	18,399	20,596
Staff receivables	159	493
Other receivables and prepayments	<u>18,638</u>	<u>3,415</u>
<b>Total trade and other receivables</b>	<b><u>37,196</u></b>	<b><u>24,504</u></b>

The directors consider that the carrying amount of trade and other receivables approximates their fair value. Receivables are provided for based on estimated irrecoverable amounts determined by reference to each debtor's financial position. In determining the recoverability of receivables, BURS considers the change in the quality of the receivable from the date the credit was granted up to the reporting date. The directors believe that there is no credit provision required as at end of the financial reporting period (2011:P Nil).

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year 31 March 2012 (continued)

18. CASH & EQUIVALENTS	<u>2012</u> P'000	<u>2011</u> P'000
Business call account and cash on hand	1,779	33,459
Gratuity call account	2,495	1,872
Development funds	<u>745</u>	<u>5,073</u>
<b>Total cash and cash equivalents</b>	<b><u>5,019</u></b>	<b><u>40,404</u></b>
19. ASSETS CLASSIFIED AS HELD FOR SALE		
Balance at beginning of the year	138	575
Porta camps disposed during the year	-	(575)
Transfer from property, plant and equipment – motor vehicles	<u>83</u>	<u>138</u>
<b>Balance at end of the year</b>	<b><u>221</u></b>	<b><u>138</u></b>

During the previous financial year, BURS took a decision to dispose of several motor vehicles which were costly to maintain within the current financial. However, as at 31 March 2012 none of the vehicles had been sold due to the fact that the bidders at the auction were unable to pay for the vehicles. The vehicles have been recognised as held for sale during the current financial year because the sale is highly probable.

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year 31 March 2012 (continued)

## 20. TRADE &amp; OTHER PAYABLES

	<u>2012</u> P'000	<u>2011</u> P'000
Trade payables and accruals	15,347	21,789
Payable to related parties	7,001	9,589
Rental accruals	624	2,677
Annual performance bonus accrual	11,010	12,934
Employee benefits accruals	<u>23,203</u>	<u>20,418</u>
<b>Total trade and other payables</b>	<b><u>57,185</u></b>	<b><u>67,407</u></b>

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year 31 March 2012 (continued)

## 21. RELATED PARTY TRANSACTIONS

Related parties transactions comprise the following:

**Transactions with Government of Botswana**

Recurrent funding received from the Government

264,133 245,133

Development funding received from the Government

51,054 25,867

**Total funding received from the Government**

**315,187 271,000**

**Executive Management personnel compensation**

Salaries and other short term employee benefits

4,698 4,594

Post employment benefits

863 651

**Total Executive Management personnel compensation**

**5,561 5,245**

Executive Management personnel compensation covers personal emoluments and post employment benefits. Post employment benefits include pension and gratuities.

## c) Board members sitting allowance

**56 59**

Transactions with the members of the BURS Board of Directors represent sitting allowances paid for attending board (and board sub-committee) meetings.



## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year 31 March 2012 (continued)

## 12. RELATED PARTY TRANSACTIONS (continued)

	<u>2012</u> P'000	<u>2011</u> P'000
<b>The following business transactions were conducted with related parties:</b>		
<b>Agency commissions</b>		
Ministry of Trade and Industry (alcohol levy, flour levy and copyright levy)	15,593	20,313
Botswana Training Authority (training levy)	11,011	10,206
Motor Vehicle Accident Fund ( motor vehicle road insurance)	985	941
Departments of Road Transport and Safety (road safety tokens and permits)	11,279	10,635
	<u>38,868</u>	<u>42,095</u>
Public Procurement and Asset Disposal Board (rental income)	<u>1,827</u>	<u>1,827</u>
	<u>2012</u> P'000	<u>2011</u> P'000
<b>The following balances with related parties were outstanding:</b>		
Significant balances receivable from /(payable to) related parties:		
Development funds in transit and agency fees from Revenue accounts	7,873	12,268
Development funds owed by the Government	-	-
Agency fees from Revenue Accounts	1,829	1,255
Agency fees from Departments of Road Transport and Safety	8,697	7,073
Bank charges and foreign exchange losses payable to Revenue accounts	(7,001)	(9,589)
	<u>11,398</u>	<u>11,007</u>

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year 31 March 2012 (continued)

## 22. ADJUSTMENT FOR NON-CASH ITEMS

	<u>2012</u>	<u>2011</u>
	P'000	P'000
Depreciation of property, plant and equipment	9,397	13,448
Armortisation of intangible assets	700	-
Loss on revaluation of properties	-	15,971
Gain on disposal of property, plant and equipment	-	(82)
Adjustments on fair valuation of investment property	<u>(6,054)</u>	<u>(646)</u>
	<b><u>4,043</u></b>	<b><u>28,691</u></b>

## 23. CONTINGENT LIABILITIES

BURS has facilities with First National Bank of Botswana Limited and Stanbic Bank Botswana Limited each with a limit of P Nil (2011: P15,000,000 to provide staff with residential and motor vehicle loans. The amounts below represent BURS exposure on guaranteed staff loan balances of employees at year-end:

First National Bank of Botswana Limited	<u>-</u>	<u>11,718</u>
Stanbic Bank Botswana Limited	<u>-</u>	<u>1,425</u>

As documented in Note 13, BURS is in a dispute with third parties regarding the ownership of Zanzibar and Platjan. The fair value of the land in dispute is P300,000. As these third parties hold the legal title BURS may need to purchase the land from the third parties.

As documented in Note 14, BURS is in a dispute with Botswana Railways regarding the ownership of Plot 8913. The fair value of the land in dispute is P5,751,000 and Botswana Railways currently hold the legal title. BURS may need to purchase this land from Botswana Railways.

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year 31 March 2012 (continued)

## 24. OPERATING LEASE COMMITMENTS

At year-end, BURS had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as detailed below:

	<u>2012</u>	<u>2011</u>
	P'000	P'000
Within one year	15,610	16,694
Within two to five years	<u>57,860</u>	<u>9,060</u>
	<u><b>73,470</b></u>	<u><b>25,754</b></u>

## BOTSWANA UNIFIED REVENUE SERVICE (OWN ACCOUNTS)

Notes to the annual financial statements  
for the year 31 March 2012 (continued)

## 25. CAPITAL COMMITMENTS

	<u>2012</u> P'000	<u>2011</u> P'000
Commitments for the acquisition or expansion of property, plant and equipment	<u>483,000</u>	<u>515,000</u>

Significant contractual obligations falling due within the next financial year will be financed through Government funds approved during the current year. Significant contractual obligations include; construction of the BURS Head Office for P290 million, construction of the Pioneer One-Stop Service Border Post for P140 million, upgrading of the Ramokgwebana Border Post for P19 million, and upgrading of the Tlokwegweng sewerage system for P22 million.

A commitment has also been made towards the Swedish International Development Agency (SIDA). SIDA is providing technical assistance to BURS on a 50:50 cost sharing ratio. The budget for 2012/13 is P12 million of which BURS is to pay 50%.

The capital commitments will be financed by Government Development grants.

## 26. EVENTS AFTER THE REPORTING PERIOD

At the time of finalisation of the financial statements, no events came to the attention of management and the Board of Directors that require disclosure or adjustment in the financial statements.





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