

# **PRESENTATION TO STANDING COMMITTEE ON FINANCE ANNUAL REPORT**

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# CONTEXT

- The success of SARS is central to the success of our Democracy
- The Commission of Inquiry into Tax Administration and Governance by SARS (Nugent Report) concludes that there has been a “significant failure of integrity and governance at SARS” and points to a deliberate dismantling of key governance elements, the systematic hollowing out of critical capabilities and a fundamental breakdown of important relationships - this damage is incalculable!
- Notwithstanding significant challenges, there were numerous commendable efforts and achievements during the course of the 2018/19 bears testimony to the resilience and perseverance of the majority of the SARS workforce who, endeavoured to honour their commitment to the higher purpose.

# CONTEXT

For the financial year (FY) ending 31 March 2019:

- SARS collected a net amount of R1 287.7 billion, against the 2019 Budget (Revised Estimate) of R1 302.2 billion, resulting in a deficit of R14.5 billion (-1.1%)
- Measured against the 2018/19 Budget (Printed Estimate) of R1 345.0 billion, it is a deficit of R57.3 billion (-4.3%)
- The net revenue outcome of R1 287.7 billion represents a growth of R71.2 billion (5.9%) compared to 2017/18, whilst nominal Gross Domestic Product (GDP) for this period was only 4.8%

# PREDETERMINED PERFORMANCE OBJECTIVES

For the year under review, SARS monitored 33 strategic measures. Of the 33 measures SARS achieved 16, while 5 were just below target. The following table provides a summary of the performance results.

	Green	Amber	Red
<b>Outcome 1:</b> Increased Customs & Excise Compliance	3	1	1
<b>Outcome 2:</b> Increased Tax Compliance	2	2	8
<b>Outcome 3:</b> Increased Ease and Fairness of doing business with SARS	6	0	1
<b>Outcome 4:</b> Increased Cost Effectiveness and Internal Efficiencies	1	0	0
<b>Outcome 5:</b> Increased Public Trust and Credibility	4	2	2
	16	5	12

48%

15%

36%

# ANNUAL PERFORMANCE

# OUTCOME 1 - INCREASED CUSTOMS AND EXCISE COMPLIANCE

			3	1	1
INDICATOR		REASON FOR VARIANCE			
Customs revenue		<ul style="list-style-type: none"> <li>Customs and Excise revenue resulted in a surplus of R1.61 billion.</li> <li>Customs segment exceeded the Revised Estimate target by R0.2 billion mainly due to an Import VAT surplus, which was as a result of increases in key chapters such as original equipment components and machinery.</li> <li>Excise segment yielded a surplus of R1.4 billion.</li> </ul>			
% Audit coverage of Excise clients		<ul style="list-style-type: none"> <li>1 287 excise clients were audited YTD. The positive result was due to management prioritising cases based on risk, and appropriately allocating the resources and skills</li> </ul>			
Inter-front Governance - Unqualified report by Auditor-General		<ul style="list-style-type: none"> <li>The Auditor-General report for Interfront is a clean audit report</li> </ul>			

# OUTCOME 1 - INCREASED CUSTOMS AND EXCISE COMPLIANCE (cont)

			3	1	1
INDICATOR		REASON FOR VARIANCE			
% of goods targeted for the purpose of reducing non-compliance		<ul style="list-style-type: none"> <li>Of the total declarations (7 043 774), 324 324 were alerted, which equates to the annual achievement of 4.60%.</li> <li>There was continuous monitoring and adjustment of rules in an attempt to bring the actual achievement to the target range of 4.00%.</li> </ul>			
% of trade attributable to preferred traders		<ul style="list-style-type: none"> <li>The definition for this measure has been amended.</li> <li>Only the share of trade attributable to the accredited traders is calculated, where as previously, the trade attributed to the total potential preferred traders were calculated.</li> <li>Whilst the definition has changed, the target remained the same, hence the significant variance of actual against target.</li> <li>During the 2018/19 FY, a total of 35 clients were accredited.</li> </ul>			



# OUTCOME 2 - INCREASED TAX COMPLIANCE (1 of 4)

2

2

8

INDICATOR		REASON FOR VARIANCE
% PAYE payment compliance		<p>The achievement is slightly above the annual target, a significant improvement from the 85.83% achievement in the 2017/18 FY. SARS will continue to improve payment compliance, and ensure that late and outstanding payments are improved through these activities:</p> <ul style="list-style-type: none"> <li>• Maintaining legislated penalty on late payments.</li> <li>• Continuing engagements with Government and SOEs.</li> <li>• Using Enhanced Case Communication tools for targeted messaging for late and non-payers</li> </ul>
% Audit coverage of registered taxpayers (PIT, CIT, VAT, PAYE and Trusts)		SARS concluded audits on 1 597 102 taxpayers, of which the majority were compliance verification audits.

# OUTCOME 2 - INCREASED TAX COMPLIANCE (2 of 4)

2

2

8

INDICATOR	REASON FOR VARIANCE
% CIT payment compliance	<ul style="list-style-type: none"> <li>The underperformance can be attributed to depressed economic conditions.</li> <li>SARS will continue with strategies to improve CIT payment compliance</li> </ul>
% VAT payment compliance	<ul style="list-style-type: none"> <li>The VAT payment compliance is marginally below the target. SARS initiated strategic activities to improve VAT payment compliance, and high penalties and interests contribute to payments being made on time.</li> </ul>
Total revenue (excluding Customs and Excise revenue) collected (R billion)	<ul style="list-style-type: none"> <li>Total revenue (excluding Customs and Excise revenue) collected for the year resulted in a deficit of R16.12 billion. The deficit was mainly due to CIT, PIT Provisional Tax, PIT Assessment Taxes and Domestic VAT, which fell short of the Revised Estimate (RE) target. Furthermore, CIT refunds and VAT refunds were higher than the RE.</li> </ul>
Debt to Revenue Ratio	<ul style="list-style-type: none"> <li>The contributing factor to the negative variance year-to-date is the normal inflow of different tax types into the debt book, which increased the undisputed debt book.</li> <li>Debt Management has experienced increased difficulty with collection due to the slow rate in economic recovery, which resulted in an increase in defaulters, lower compromise and low settlement offers, late payments and non-payments by mainly SMMEs.</li> <li>Furthermore, there was an increase in assessments raised by audit on fraudulent returns. All these factors impacted the debt book negatively</li> </ul>

# OUTCOME 2 - INCREASED TAX COMPLIANCE (3 of 4)

2

2

8

INDICATOR	REASON FOR VARIANCE
% VAT filing compliance	<ul style="list-style-type: none"> <li>The VAT filing compliance is lower than the annual target. VAT registration requirements were simplified to allow vendors to apply for VAT online. In 2018/19, approximately 38 146 new VAT vendors were registered.</li> <li>These vendors already have 35 172 outstanding VAT returns, which contributed to the underperformance.</li> <li>Remedial action of cleaning the VAT register together with bulk SMS and email notifications on a monthly basis to defaulting vendors, has paid dividends.</li> </ul>
% CIT filing compliance	<ul style="list-style-type: none"> <li>SARS achieved 24.67% compliance on the CIT Register.</li> <li>During 2018/19, SARS undertook several initiatives to improve the integrity of the CIT register, including legislative changes in respect of dormant companies and better alignment of SARS and CIPC registers.</li> <li>CIT administrative penalties were introduced in January 2019, and SARS will continue with criminal prosecution for continuous non-compliance</li> </ul>
% PIT filing compliance	<ul style="list-style-type: none"> <li>PIT filing has dropped significantly compared to the 92.50% target, and the previous year performance of 94.00%.</li> <li>The reduction is however not a true reflection, and is attributable to the change in measurement methodology and the underlying expected taxpayer base.</li> <li>Since the increase in the quality and the number of the third party data submitted, SARS has become more empowered and intelligent in understanding and determining the tax base.</li> <li>The two main contributors to the filing non-compliance are the new registrants and new offenders. According to our analysis, the bulk of non-filers are taxpayers who are required to file due to an investment income requirement per legislation but did not file</li> </ul>

# OUTCOME 2 - INCREASED TAX COMPLIANCE (4 of 4)

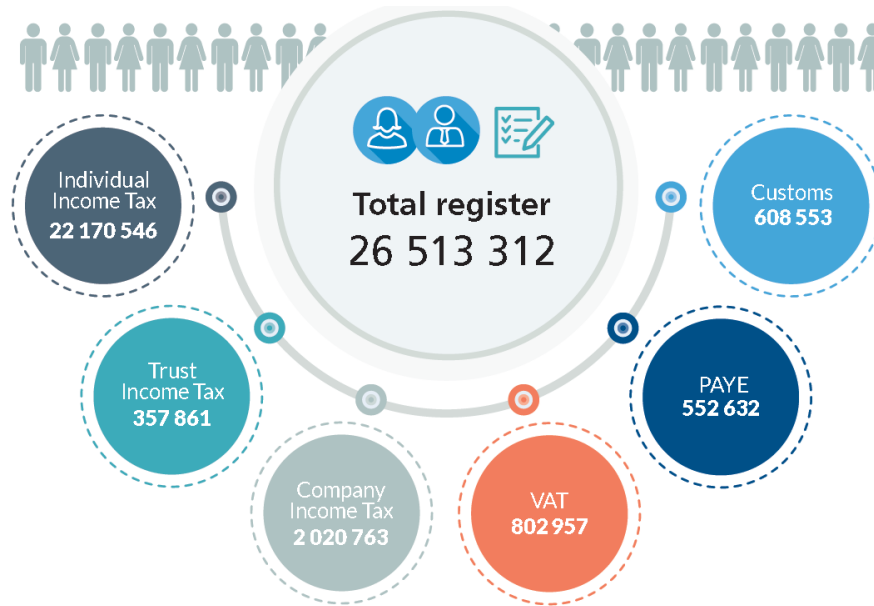
2

2

8

INDICATOR	REASON FOR VARIANCE
<b>Debtor Days</b>	<ul style="list-style-type: none"> <li>The contributing factor to the negative variance year-to-date is the normal inflow of different tax types into the debt book, which increased the undisputed debt book.</li> <li>Debt Management has experienced increased difficulty with collection due to the slow rate in economic recovery, which resulted in an increase in defaulters, lower compromise and low settlement offers, late payments and non-payments by mainly SMMEs.</li> <li>Furthermore, there was an increase in assessments raised by audit on fraudulent returns. All these factors impacted the debt book negatively</li> </ul>
<b>% PIT payment compliance</b>	<ul style="list-style-type: none"> <li>The general economic growth, which remained low in 2018 compared to 2017, continued to put pressure on payment compliance.</li> <li>Another factor which contributes to low payment compliance is that taxpayers can only make payments either at a bank or through eFiling.</li> <li>SARS is currently exploring various and innovative payment options to assist taxpayers to meet their tax obligations.</li> </ul>
<b>% PAYE filing compliance</b>	<p>The PAYE filing compliance is lower than the annual target. The main factors contributing to the low compliance are:</p> <ul style="list-style-type: none"> <li>No penalties for non-filing.</li> <li>Sluggish economic conditions.</li> <li>Employers omitting to file monthly returns as they intend filing on reconciliation. Although they make monthly payments to SARS, monthly returns remain outstanding</li> </ul>

# PERFORMANCE HIGHLIGHTS - COMPLIANCE



## Filing Compliance

### Personal Income Tax

**60.94%**  
2017/18: 94.00%\*

### Company Income Tax

**24.67%**  
2017/18: 38.26%

### Value-Added Tax

**52.09%**  
2017/18: 52.23%

### Pay-As-You-Earn

**58.82%**  
2017/18: 59.19%

\*The criteria used for determining the 2018/19 actual achievement differs from the criteria used in determining the baseline, i.e. the actual achievement for 2017/18.

## Payment Compliance

### Personal Income Tax

**45.07%**  
2017/18: 44.28%

### Company Income Tax

**67.76%**  
2017/18: 66.93%

### Value-Added Tax

**88.15%**  
2017/18: 85.12%

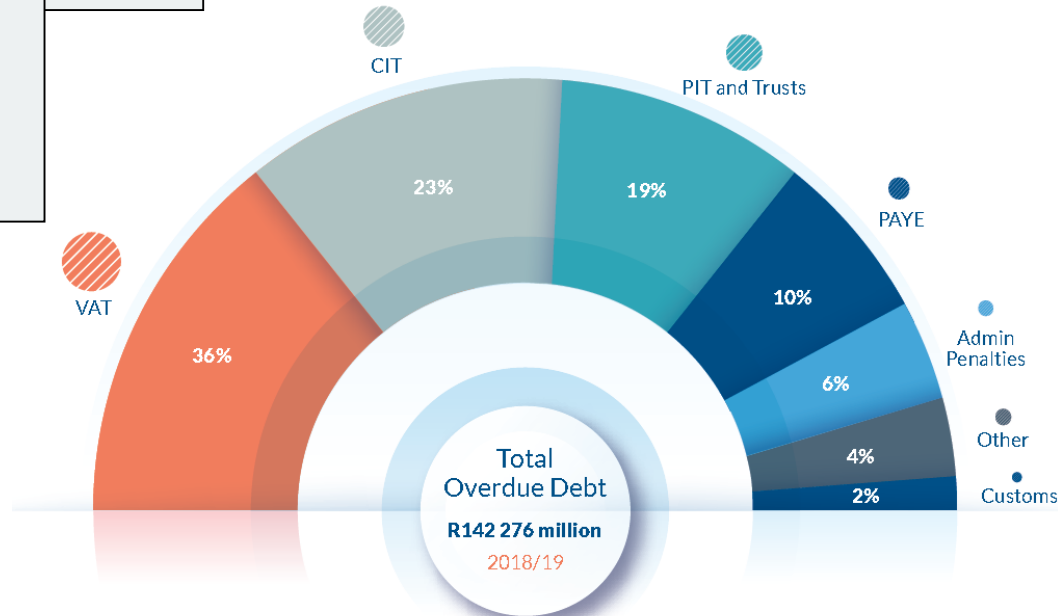
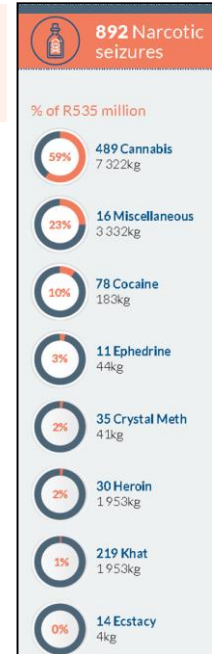
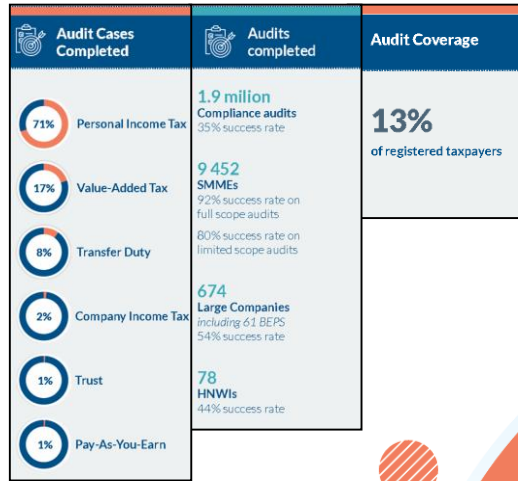
### Pay-As-You-Earn

**87.11%**  
2017/18: 85.83%

## Attitude to Tax Compliance Index Results

Tax Diligence	85
Tax Morality	82
Rational (Socio-Economic)	79
Accessibility	74
Operational Efficiency	74
Affinity	64
Trustworthiness	63
Followership	57
Fiscal Responsibility	49
Fiscal Citizenship	48

# PERFORMANCE HIGHLIGHTS - ENFORCEMENT



# OUTCOME 3 – INCREASED EASE AND FAIRNESS OF DOING BUSINESS WITH SARS (1 of 2)

6

0

1

INDICATOR		REASON FOR VARIANCE
% System Uptime for e-channels		<ul style="list-style-type: none"> <li>The positive achievement is due to the overall stability of systems.</li> </ul>
% Uptake of PIT e-filing channel		<ul style="list-style-type: none"> <li>For the year, SARS received 4 886 360 PIT returns.</li> <li>Of this total, 2 667 667 were submitted electronically, which equates to a 54.59% uptake.</li> <li>The over performance is due to ongoing compliance efforts prompting the use of this channel</li> </ul>
Average processing turnaround time for PIT returns (working days)		<ul style="list-style-type: none"> <li>The performance is within acceptable performance levels.</li> </ul>

# OUTCOME 3 – INCREASED EASE AND FAIRNESS OF DOING BUSINESS WITH SARS (2 of 2)

6

0

1

INDICATOR		REASON FOR VARIANCE
Average processing turnaround time for CIT returns (working days)		<ul style="list-style-type: none"> <li>The performance is within acceptable performance levels.</li> </ul>
% first contact resolution in Contact Centre		<ul style="list-style-type: none"> <li>This performance is attributed to competent staff with the ability to effectively resolve service queries on first contact, where possible, whilst ensuring high customer satisfaction levels.</li> </ul>
Customer satisfaction with Contact Centre Service		<ul style="list-style-type: none"> <li>The over-performance is attributed to competent staff with the ability to effectively resolve service queries irrespective of value-chain challenges</li> </ul>
Average processing turnaround time for VAT refunds (working days)		<ul style="list-style-type: none"> <li>The VAT refund turnaround time is still high, and invalid banking details from taxpayers is the biggest contributor to this underperformance.</li> </ul>



# VOLUMES PROCESSED FOR 2018/19



Tax Return Submissions  
**17.2 million**  
(2017/18: 17.2 million)



Payments Processed  
**19.1 million**  
(2017/18: 15.4 million)



Taxpayers Served  
in Branches  
**6.5 million**  
(2017/18: 6.5 million)



Inbound Calls Answered  
**4.6 million**  
(2017/18: 5.4 million)



Customs Declarations  
Processed  
**7.1 million**  
(2017/18: 6.9 million)



Audits Conducted  
**1.9 million**  
(2017/18: 1.6 million)



Tax Clearance  
Status Requests  
**1.2 million**  
(2017/18: 1.1 million)



Outbound Calls  
**3.7 million**  
(2017/18: 3.4 million)



Debt Collection SMSs  
to Taxpayers  
**1.8 million**  
(2017/18: 1.7 million)



Complaints Received  
**38 218**  
(2017/18: 26 820)

# PERFORMANCE HIGHLIGHTS - SERVICE

## Delivery against Service Charter Commitments

### Engagement

If you call our SARS Contact Centre we will:  
Answer call within 1 minute (off-peak seasons).



If you visit a SARS branch or mobile tax unit we will:  
Serve within 1 hour (off-peak seasons).



When using the eFiling channel we will:  
SARS eFiling available 24 hours a day (99%).



### Registration

When you apply for registration (all requirements met):

Finalise within 2 business days (no inspection).



Finalise within 21 business days (inspection required).



### Returns/Declarations

When you submit a return/declaration electronically we will:  
Assess return within 5 business days (no manual intervention).



### Inspection, Audit & Verification

If you are subject to an inspection, verification or audit, we will:  
Conclude verification within 21 business days (from date required documents are received).



### Payments

When you make a payment (correct reference number), we will:  
Process payment within 3 business days.



### Debt

When you apply for deferral/suspension of payment, we will:  
Consider request within 21 business days, and communicate accordingly.



### Disputes in Terms of the Tax Administrations Act

Requests for reasons, an objection or an appeal, where (no exceptional circumstances) we will:

Provide reasons for assessment within 45 business days.



Consider objection within 60 business days.



### Complaints to SARS

Where a service complaint has been lodged, we will:  
Respond within 21 business days.



The measurement of the achievements against the Service Charter is still under review and a number of measures were not measured at 31 March 2019.

## Uptake of Electronic Channels



The usage of eFiling in PIT increased to **54.59%**

Trust returns **98.6%**

CIT returns **99.7%**

PAYE returns **99.6%**

VAT returns **100%**

### Electronic Payment Channels

Payments **99.7%**

### Business-to-Business Gateway

Customs declarations **100%**

# OUTCOME 4 – COST EFFECTIVENESS AND

1

0

0

INDICATOR		REASON FOR VARIANCE
Cost to Revenue Ratio		SARS has contained costs while increasing the amount of revenue it has collected

# COST-TO-REVENUE RATIO

- SARS has created value in excess of the financial resources allocated (0.84% cost to revenue ratio), this remains a key focus area.
- Despite this favourable performance on the ratio – it must be noted that SARS is below the OECD countries benchmark of around 1% and for developing countries the ratio is 1-2%.
- The lower ratio indicates significant financial constraints to deliver on its mandate, this translates into not having the requisite capacity to enforce the relevant legislation and ensure service to taxpayers and traders as per the Service Charter commitments.
- The YoY drop in the ratio is occasion by NT grant reductions due to constraints in the broader fiscal environment .

# PERFORMANCE HIGHLIGHTS – COSTS & PROGRAMMES

## SARS' Expenditure



**70.01%**  
Employee Cost



**10.16%**  
Professional and Special Services



**8.97%**  
Administrative Expenses



**5.39%**  
Depreciation and Amortisation



**4.97%**  
Operating Leases



**0.50%**  
Other Expenses

## SARS Procurement Spend

**Black Owned Entities**  
**R1 214 418 139.49**  
39.98%

**Black Women Owned Entities**  
**R188 494 775.90**  
6.21%

**Qualifying Small Entities (QSE)**  
**R641 166 250.51**  
21.11%

**Emerging Micro Enterprises (EME)**  
**R265 146 120.04**  
8.73%



## ICT Improvement

System uptime for e-Channels

**99.67%**

**50+**

major technology enablement projects were implemented

**e-Learning** security awareness training programme

A. SuperPopi



B. Social Media Fever



C. Data Leakage



**eServices platform**

All preparatory work to refresh ICT infrastructure concluded

# OUTCOME 5 – INCREASED PUBLIC TRUST AND CREDIBILITY (1 of 2)

4

2

2

INDICATOR		REASON FOR VARIANCE
Employee Engagement (%)		<ul style="list-style-type: none"><li>Measured every second year</li></ul>
Leadership Effectiveness Index (LEI) (%)		<ul style="list-style-type: none"><li>The LEI score is above target, and 0.44% higher than the 2017/18 year.</li></ul>
Employment Equity: Demographics (%)		<ul style="list-style-type: none"><li>The race equity for the end of the financial year is 76.03%. The target was not met due a freeze on recruitment which left a shortfall of 290 employees</li></ul>
Employment Equity: Gender on management level (%)		<ul style="list-style-type: none"><li>The target was met. The decision to halt recruitment impacted on the gender status</li></ul>

# OUTCOME 5 – INCREASED PUBLIC TRUST AND CREDIBILITY (2 of 2)

4

2

2

INDICATOR		REASON FOR VARIANCE
Disability (%)		<ul style="list-style-type: none"> <li>The disability representation for the end of the financial year is 2.13%. The target was not met due to a shortfall of 99 employees.</li> </ul>
Public opinion index (%)		<ul style="list-style-type: none"> <li>There were no concrete plans developed and implemented to influence public perceptions on tax compliance from the previous Public Opinion Survey.</li> <li>The survey was undertaken between October and November 2018 when the Nugent Commission of Inquiry was underway.</li> <li>The revelations on the collapse of governance within SARS and the negative media narrative may have contributed to the underperformance</li> </ul>
% of acquisition spend through B-BBEE level 1-4 Compliant Entities		<ul style="list-style-type: none"> <li>SARS spent a total of 79.98% on 1 002 compliant suppliers between the 1 to 4 B-BBEE recognition level</li> </ul>
% of acquisition spend through Black Women Owned Entities		<ul style="list-style-type: none"> <li>SARS spent a total of 6.21% on 182 entities with at least 30% black woman ownership</li> </ul>
Unqualified report by Auditor-General		<ul style="list-style-type: none"> <li>The Auditor-General report for SARS Own- Accounts is an unqualified audit report with findings</li> </ul>

# UNQUALIFIED AUDIT OPINION

- On the occasion of the findings and recommendations of the Nugent Commission of Inquiry, SARS has obtained an unqualified opinion.
- Key amongst the AGSA findings is non-compliance with legislation, in particular Supply Chain Management (SCM) prescripts and the SARS Act
- Non-compliance with SCM Prescripts that resulted in irregular expenditure can be further divided into the following:
  - Technical Evaluation Criteria for functionality on the RFP not detailed for evaluation sub-criteria [5(3)(b) of the Preferential Procurement Regulations]
  - Not obtaining prior written approvals from NT before variations are effected (2016) – transaction has since been condoned by NT [Instruction Note 3 of 2016/17]



# UNQUALIFIED AUDIT OPINION

Non-compliance with SCM Prescripts that has not yet resulted in irregular expenditure can be further divided into the following:

- Failure to report to the BEE Commission on time i.e. September 2017. [BBBEE Act No 53 of 2003 and Regulations]
- Deviation with the OEM without seeking impracticality approval from NT where there are resellers [Instruction Note 3 of 2016/17]
- Shortening the tender advertising period from 21 working days in line with the provisions of 16A6.3
- Failure to publish awarded bids with prices on the SARS Website
- Contractor Performance Management
- Appointment of a service provider without a contract
- Bid Specifications Committee and Evaluation Committees related administration issues i.e. appointments, etc.

# UNQUALIFIED AUDIT OPINION

The irregular expenditure from an SCM Compliance perspective can be further reflected as follows (as per the schedule on note 41 – Page 172):

Transaction	Date of Contract Initiation
Bain & Co	Dec 2015 with last transaction in June 2016
Gartner Inc.	Phase 1 February 2016 with phase 2 in July 2016
Grant Thornton	Procured of the regular panel of service providers however the value for money issue arose.
Goods & Services	<ul style="list-style-type: none"><li>• Debt Panel initiated in Dec 2015 with Phase 2 in February 2018 (R55.5m)</li><li>• Gijima and BCX contracts extended in 2016 (R97m)</li><li>• Various contracts in 2016/17 with a total of R17.2m</li><li>• Travel Management Service in 2018 for R5.2m</li></ul>

# STAKEHOLDER MANAGEMENT



## Key Global Stakeholders

### OECD

Organisation of Economic Co-operation and Development

### BRICS

Brazil, Russia, India, China and South Africa

### SACU

Southern African Customs Union

### ZIMRA

Zimbabwe Revenue Authority

### ATAF

African Tax Administration Forum

### GACC

General Administration of China Customs

### USCBP

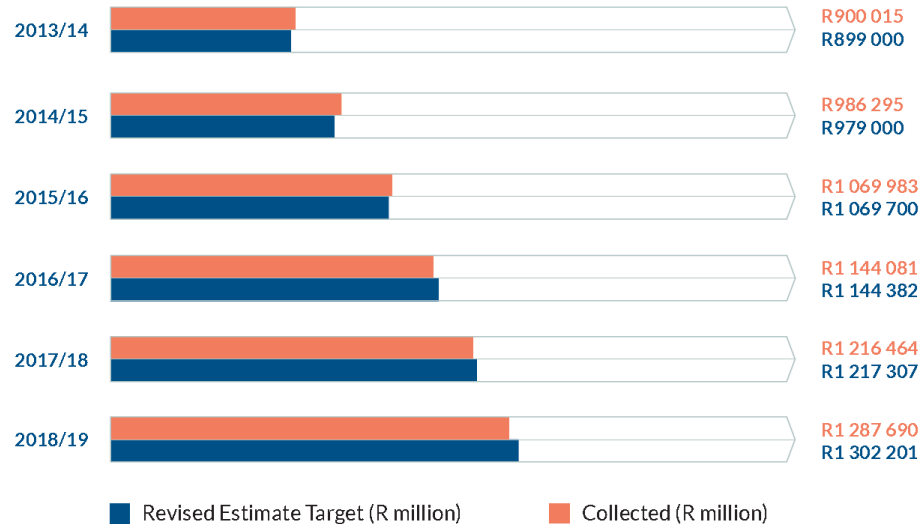
US Customs and Border Protection

# REVENUE PERFORMANCE

# REVENUE PERFORMANCE FOR 2018/19



## Revenue Collection



# REVENUE PERFORMANCE FOR 2018/19

## Tax Revenue Performance by Tax Type for 2018/19

Tax type	Printed estimate Feb 2018	Revised estimate Feb 2019	Actual result	Increase / decrease on Printed estimate	Increase / decrease on Revised estimate
	R million	R million	R million	R million	R million
Personal Income Tax (PIT)	507 520	499 137	493 829	-13 691	-5 308
Company Income Tax (CIT)	233 957	221 699	214 388	-19 569	-7 311
Secondary Tax on Companies (STC) / Dividends Tax (DT)	30 829	30 341	29 898	-931	-443
Value-Added Tax (VAT)	348 110	325 917	324 766	-23 344	-1 151
Domestic VAT	378 556	379 887	378 733	177	-1 155
Import VAT	169 553	174 030	175 185	5 632	1 154
VAT refunds	-199 999	-228 000	-229 151	-29 153	-1 151
Fuel levy	77 509	75 374	75 372	-2 136	-1
Customs duties	52 601	55 638	54 968	2 367	-670
Specific excise duties	40 652	40 276	40 830	177	553
Taxes on property	17 311	16 035	15 252	-2 059	-783
Skills development levy	16 929	17 312	17 439	510	127
Other taxes and duties	19 547	20 472	20 948	1 401	477
<b>Total tax revenue</b>	<b>1 344 965</b>	<b>1 302 201</b>	<b>1 287 690</b>	<b>-57 274</b>	<b>-14 511</b>
Customs and Excise revenue	360 045	364 842	366 450	6 406	1 608
Tax revenue (excluding Customs and Excise revenue)	984 920	937 359	921 240	-63 680	-16 119
<b>Total tax revenue</b>	<b>1 344 965</b>	<b>1 302 201</b>	<b>1 287 690</b>	<b>-57 274</b>	<b>-14 511</b>

# GOVERNANCE , LEGAL AND RISK MANAGEMENT

- Governance plays a vital role in determining how an organisation should function.
- A massive failure in governance & integrity
- The “BAIN OPERATING MODEL REVIEW” deliberately sought to render the organization incapable of fully serving its mandate by:
  - Dismantling trusted functional capacity such as the large business centre, compliance unit, integrity unit, and the capacity to deal with the illicit economy
  - Impede the SARS modernization programme
  - Disintermediate and marginalized senior executives
  - Trigger an exodus of capable and experienced staff
- A decline of employee morale & confidence
- A decline in hard won public confidence in SARS

# HUMAN CAPITAL AND DEVELOPMENT

- SARS employees are the driving force in ensuring that the various Acts that govern the Tax, Customs and Excise environment are implemented.
- The effective and efficient implementation will contribute towards revenue being collected for the fiscus. SARS' human capital and development's strategic framework focuses on maintaining a capable and capacitated workforce.
- SARS employees are attracted, recruited, deployed and developed in areas of strategic business importance. This enables the organisation to execute its mandate.
- The SARS workforce is stable and the average years of service (tenure) is 16, with an average age of 43.
- The 12 491 permanent employees are 310 less than in the previous year. This is mainly due to cost reduction requirements.
- The SARS attrition rate for permanent employees is at 4.3%. This is slightly less than previous years, and as such, is not a concern.
- However, the lack of funding to backfill vacancies will have an impact on the available capacity.

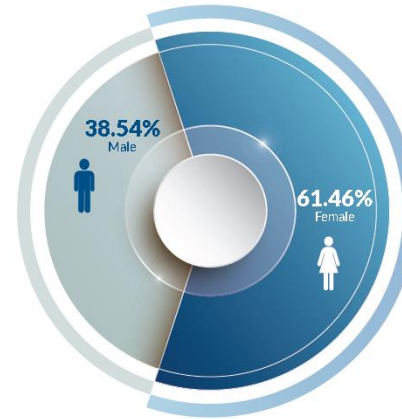


# RESOURCE MANAGEMENT

Headcount



Gender



Employment Equity



The SARS Own Accounts Expenditure Budget for the year was made up as follows:

	% change	2019	2018
Operating revenue	(2.28%)	9 996 698	10 229 491
-Transfers from Government	(2.29%)	9 984 460	10 218 198
-Rendering of services	8.37%	12 238	11 293
Other revenue	33.00%	722 730	543 396
- Interest received	(10.75%)	176 319	197 551
- Other income	57.99%	546 411	345 845
	(0.50%)	10 719 428	10 772 887

# FINANCIAL INFORMATION

# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON SOUTH AFRICAN REVENUE SERVICE: OWN-ACCOUNTS

- Report on the audit of the annual performance report
- Report on the audit of compliance with legislation
- Other information
  - Nothing to report in this regard
- Internal control deficiencies
  - Management did not ensure that there was adherence to supply chain management regulations, as contracts were awarded to bidders based on sub-criteria that were not stipulated in the original invitation for bidding and goods/services relating to prior years were procured through deviations when it was practical to follow competitive bidding.
  - Furthermore, management did not ensure that changes to the legislative framework were implemented in a timely manner. Management was also unable to prevent irregular expenditure as there were chief executives appointed without ministerial approval, contrary to SARS Act.
- Other reports
  - Commission of Inquiry
  - Reports of the Public Protector

# FRUITLESS AND WASTEFUL EXPENDITURE

	Economic entity	
	2019	2018
	R'000	R'000
Lease payments & fit out expenses incurred for City Deep Scanner Site relating to current year	2 308	-
Lease payments made for Kobe State Warehouse relating to current year	2 440	-
Lease payments made for Kobe State Warehouse relating to prior year	3 449	-
Lease payment and fit out expenses incurred for Colenso relating to current year	1 124	-
Lease payments and fit out expenses incurred for Colenso relating to prior year	2 842	-
Interest incurred on late payments to service providers	34	-
Interest incurred on late payments to service providers relating to prior year	18	-
Penalty settlement claim for Alberton Campus	580	-
Consulting fees incurred – Mashiane Moodley Monama	1 293	-
	14 088	-

- **Kobe State Warehouse** has not been utilised since the inception of the lease (SARS intends to recoup lease payments made)
- SARS Institute of Learning (SIOL) was relocated to the **Colenso campus** effective 1 July 2017, but the premises were underutilised
- Lease agreement for a suitable premise to deploy the Mobile Scanner procured for **City Deep**, from September 2018. Subsequently the deployment strategy for the scanner was revised and a decision taken to move it to Beit Bridge to replace the old Cargo Scanner.

The fruitless and wasteful expenditure relates to **administrative inefficiencies** that will be addressed in the 2019/2020 financial year with appropriate consequence management.

# STRATEGIC INTENT

# SIGNPOSTING: VISION 2024 & 5 YR STRATEGIC OBJECTIVES

Our 2024 Vision is to build a smart modern SARS with unquestionable integrity, trusted and admired by Government, the public, as well as our international peers. We have defined 9 strategic objectives in this report that form the cornerstone of our new 5-year Strategic Plan

## SARS TURNAROUND DEPENDS ON CLARITY:

Clear understanding of our mandate  
Clarity of our Higher Purpose  
Clarity of our Vision for 2024  
Clarity of our Strategic Intent  
Our Compliance Programme  
Our Capability & Capacity to Execute



# DISCUSSION & QUESTIONS

