



Part Four  
Administration  
and  
Governance

## People

### Overview

SARS recognises that its people are the drivers of its success and therefore the 2007 Calendar year was declared “Year of the People”. An employee engagement survey was completed and a programme of action implemented to ensure that SARS is staffed by people who are truly engaged and inspired by the opportunity and challenge to contribute to nation-building. We continue to strive to improve professionalism, ensure continuous performance improvement and the retention of critical personnel.

### Performance Highlights

- Repositioning SARS as a “value proposition” for current and future employees in our quest to become an “Employer of Choice”;
- A new recruitment process and service level agreements were implemented with the aim to reduce the Recruitment Cycle with up to 50%;
- Our Employee Attitude levels, which we measure through the Employee Engagement Survey were determined with the successful implementation of a programme of action to improve the level of employee engagement;
- Assisted the organisation to build additional Capacity and Capability (numbers and skills) especially for the Modernisation Agenda aspirations. Progress is positive with a recruitment rate of 11% year to date;
- Enhanced and implemented the new Individual Performance Management System. At the end of March 2008, 85% of SARS employees have signed-off individual performance contracts as part of the implementation of the new Individual Performance Management System;
- Successful concluding of various Collective Agreements with Organised Labour, especially the multi-term Substantive (wage) Agreement that was negotiated and signed with National Education, Health and Allied Workers Union (NEHAWU);
- Achieving Employment Equity Black Profile targets (We achieved 65% Black representation within SARS);

## People

- Establishing Primary Health Care Services at Customs land border posts; and
- Building additional capacity and capability in the HR Team to deliver. The HR professionalism ratio has increased with 18% from last year with specific focus on improving the HR Business Partner Concept.



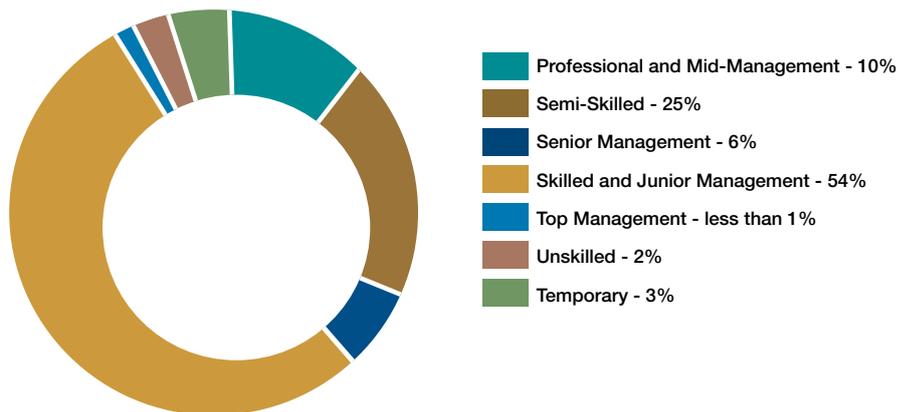
SARS Staff who participated in a 2007 Tax Season advertisement

### Workforce Profile

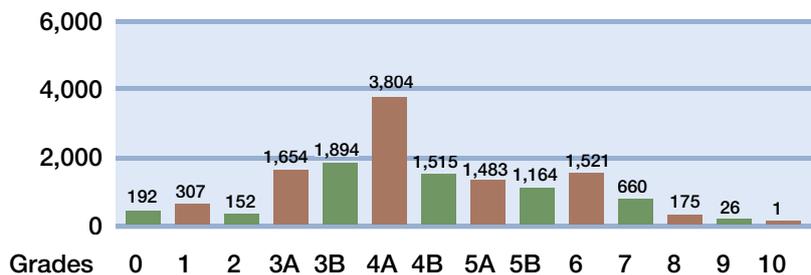
At the end of March 2008, headcount had increased with 535 permanent employees from 14,013 (March 2007) to 14,548. Temporary employees contributed to 3% of our staff resulting in an overall staff complement of 15,044.

**Figure 4.1.1: Workforce Profile**

The following figure illustrates staff distribution per grade:



**Figure 4.1.2: Grade Profile**



**During 2007/08:**

- 92% of employees were in core business operations;
- 8% were in support business operations;
- The average length of service of employees is 9 years;
- The average age of our staff is 36 years;
- 65% of employees were black;
- 64% of employees were female;
- 1.5% of employees had a disability;
- Net staff turnover was 3.74%, with a net growth of 535 employees; and
- The sick absenteeism rate was 2.3%, 0.7% down on the previous year.

## People

In total 1,595 new appointments were made. When compared with staff attrition of 1,061 employees, the result was a positive net staff growth of 3.74% (535 employees). Table 4.1.1 illustrates appointments and losses:

**Table 4.1.1: Net staff turnover (2007/08)**

External Recruitment	Attrition (Exits)	Attrition Rate (Exits) YTD	Recruitment Rate (YTD)	YTD Net Staff Turnover %
1 595	1,061	7.43%	11.17%	3.74%

In addition to the above appointments, the Graduate Recruitment and Development Programme have also successfully placed 175 graduates within the organisation.

### Skills and Orientation

To support the highly specialised competencies required to meet SARS operational requirements and to reduce turn around times for placements, SARS has fully outsourced its recruitment process to a matrix of Specialist Recruitment Consultancies. The matrix of Assessment Providers was also reviewed to support the unique and varied Psychometric Assessment requirements of profiling at each level within the organisation. The SARS National Recruitment Centre was established and occupied in 2007. The SARS Employer Branding was aligned in the areas of attracting, engaging and retaining talent.

The SARS Academy was decentralised to local responsibility to better understand and respond to business requirements and to support a flexible staff compliment with the appropriate skills to respond to changing operational requirements. Through the national learning needs analysis process, 58,109 learning needs were identified. In total 20,743 learning programmes were planned and 28,796 learning interventions were delivered, exceeding the target for training.

In order to provide SARS employees with opportunities for career growth and development, SARS has developed an exciting new Career Model which will assist Employees to take self responsibility for Career Development with all the necessary support mechanism in place to bring about a professional cadre Tax and Customs Professionals.

The second SARS Employee Connexion survey was conducted this year to measure the improvement in levels of employee engagement. It measured employee motivation and commitment and a significant improvement was made compared to the previous year, in other words employees having a positive attitude towards the organisation and showing business enhancing behaviour. Based on the survey results a Programme of Action with immediate short, medium and long term commitments, emanating from the survey's findings, was implemented in July 2007.

The Programme of Action includes, among others:

- New long service awards policy and incentives;
- New reward and recognition excellence programme (Amakhwezi);
- Leadership development programme;
- Career development programmes and opportunities; and
- Revised performance management and development systems.

The Kulani no Hlayisa (Grow while Caring) Employee Wellbeing Programme continued to enhance the wellbeing of SARS employees by providing counselling and support services and online health and financial management support for employees, has created an integrated and holistic approach to promoting wellness among staff.

The EAP programme consists of the following channels:

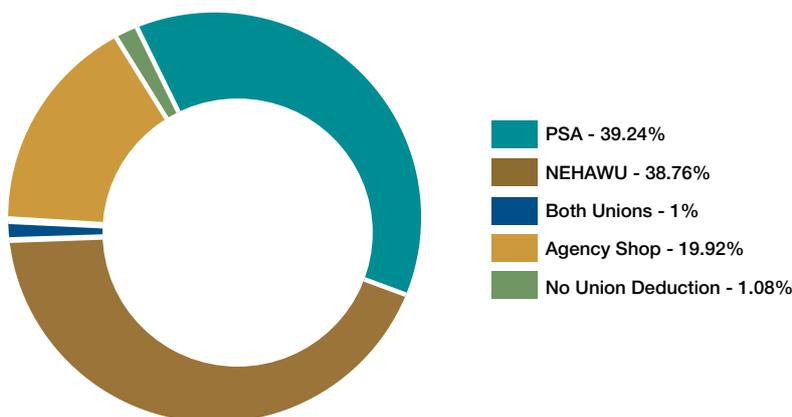
- Telephonic and face-to-face counselling. For the year under review, 15% of SARS staff made use of these services. This compares favourably with the industry average of 13%. Telephone counselling is the most used service; and
- SARS' e-Care Programme is an integrated online wellbeing programme which includes comprehensive, up-to-date information on general health and wellness. This internet based programme is extremely well utilised by SARS employees with over 62% registered and over 73% of the users who are fully profiled which is above the national benchmark of 36%.

SARS continues to develop good long-term relationships with organised labour through regular forums, existing collective agreements and, where required, new ones. The focus has been on improving the skills of management and labour representatives in dealing with employee relations matters. The following Collective Agreements were negotiated and signed with organised labour:

- Wages and conditions of employment;
- Disciplinary and grievance codes and procedures;
- Negotiating an incapacity code and procedure;
- Constitution of the National Bargaining Forum; and
- An agency shop agreement.

SARS recently signed recognition agreements with the Public Service Association of South Africa (PSA) and the NEHAWU that will regulate the relationship. These agreements allow all interactions to be conducted with integrity and provide for the smooth resolution of conflicts. The figure below illustrates union representation at SARS as at 31 March 2008

**Figure 4.1.3: Union representation (as a % of the SARS Headcount)**



## Human resource systems and process

The eIRP5 process was implemented and employee's can now access their IRP5's on the PeopleSoft self service system. Development work is underway to implement phase one of the SAP HR Module as part of the SARS Modernisation agenda strategy to implement an integrated SARS Enterprise Resource Planning strategy.

Significant improvement in SARS data integrity was achieved through the implementation of Employee Personal Data compliance, Manager Structural Data compliance and the roll out of the payroll compliance to managers as part of the Data Integrity clean-up.

## Employment equity and workplace diversity

SARS is strongly committed to employment equity and diversity, and embraces employment equity as a coherent and systematic approach to redress the imbalances of the past. In line with the Employment Equity Act, the organisation is committed to eliminate unfair discrimination and implement measures to ensure equitable representation of designated groups across all occupational categories and levels. As such, SARS firmly integrates EE into all business functions and processes.

# People

To comply with the letter and spirit of the employment equity legislation, SARS has revised the EE and Sexual Harassment Policies, developed and implemented a comprehensive EE Strategy and a three year plan inclusive of both non-numerical and numerical goals. Regional consultative committees have also been established and a Women's Networking Forum launched.

The table below indicates the total number of designated employees in each of the occupational levels.

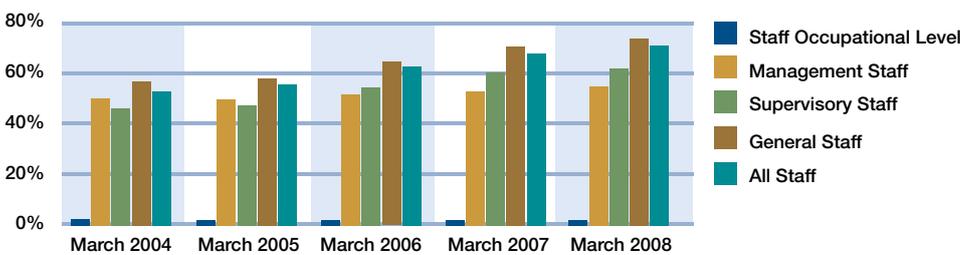
**Table 4.1.2: Workforce Profile with regard to Employment Equity**

Occupational levels	Designated*							Non-Designated		Total	
	Male			Female				White Male	Foreign Nationals		
	A	C	I	A	C	I	W		M		F
Top management	9	3	4	2	0	1	1	7	0	0	27
Senior management	192	37	62	104	15	40	158	220	6	1	835
Professional	339	67	111	243	48	83	310	315	4	1	1 521
Skilled and junior	1 633	302	196	2 247	528	296	2 289	661	2	4	8 158
Semi-skilled	630	126	34	1 367	340	89	986	123	4	1	3 700
Unskilled	80	20	0	176	21	0	0	10	0	0	307
<b>TOTAL</b>	<b>2 883</b>	<b>555</b>	<b>407</b>	<b>4 139</b>	<b>952</b>	<b>509</b>	<b>3 744</b>	<b>1 336</b>	<b>16</b>	<b>7</b>	<b>14 548</b>

\*Designated refers to those groups defined previously disadvantaged in national legislation. **Note** A = Africans, C = Coloureds, I = Indians and W = Whites.

The figure below provides further details of the black (African, Indian and Coloured) workforce profile since 2004:

**Figure 4.1.3: Black Workforce Profile 2004 – 2008**



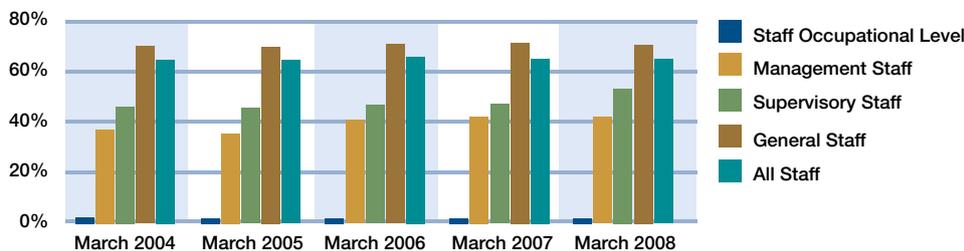
**Table 4.1.4: Percentage of Black Workforce from 2004 – 2008**

Staff Occupational level	March 2004 %	March 2005 %	March 2006 %	March 2007 %	March 2008 %
Management Staff	47%	51%	53%	54%	57%
Supervisory Staff	44%	48%	57%	60%	61%
General Staff	55%	58%	62%	65%	67%
All Staff	53%	56%	61%	63%	65%

The graph above illustrates a steady increase in the representation of black staff since 2004 with a 10% point increase at management level, 17% points at supervisory level, and 12% points among general staff.

The figure below provides further details of the female workforce profiles since 2004.

**Figure 4.1.4: Female Workforce Profile 2004 – 2008**



**Table 4.1.4: Percentage of Female Workforce from 2004 – 2008**

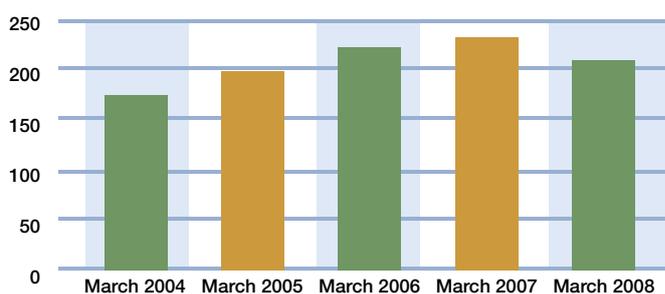
Staff Occupational level	March 2004 %	March 2005 %	March 2006 %	March 2007 %	March 2008 %
Management Staff	37%	35%	40%	42%	42%
Supervisory Staff	47%	45%	46%	47%	53%
General Staff	70%	70%	71%	71%	70%
All Staff	65%	64%	65%	65%	64%

The figure above illustrates an increase in female representation since 2004 with a 5% points at management level.

Awareness on gender and other challenges were raised through participation in campaigns such as the Take a Girl-Child to Work Day, Women’s Month, Casual Day, and 16 Days of Activism against Women and Child Abuse.

For the year under review, people with disabilities accounted for 1.5% (213) of the total workforce, of which 50% comprised of people with physical, 25% sight and 16% hearing disabilities. The table below shows the representation of people with disabilities for the past five years.

**Figure 4.1.6: Representation of people with disabilities 2004-2008**



As part of raising awareness related to people living with a disability, SARS took part in the Casual Day campaign and we raised an amount of R68 067.

## People

### Progressive and capable managers

Various initiatives focused on establishing a cadre of progressive and capable managers with SARS and the following results were achieved for the period under review:

- The decentralisation of the SARS Academy brought operational leadership development closer to business requirements;
- The Career Development Model enabled career progression of potential candidates into management positions;
- Leadership Development Programmes were developed, piloted and approved for implementation;
- Black representation on management level has improved with 5.5% from the previous reporting year;
- Female representation on management level has been maintained at 42% and has improved on supervisory level with 12.7% from the previous year;
- As competition for good talent is high, talent management remains an ongoing priority;
- To entrench a sense of fairness and equity within the SMT division and contribute towards staff retention and recruitment of necessary skills, a comprehensive industry benchmark review of all staff was conducted; and
- Relationships with external stakeholders have also been forged with the view to develop skills in short supply.

### Performance management

Our strategic aspirations require us to continuously enhance our performance at all organisational levels. Overall alignment between organisational and individual performance objectives was further enhanced. This was further enabled by shifting from collective based performance management processes to an individual based process, applicable to grade 1-7 staff. This ensured that an individual's contribution is fully aligned and effectively managed.

The SARS Bonus Scheme governed by the Senior Management Incentive Scheme (SMIS for grade 8 and 9) as well as the Performance Management and Development Scheme (PMDS for grade 1-7) policies were effectively utilised to ensure challenging targets which stretched the efforts of our employees. The SARS Bonus Scheme was enhanced to align the payment of differentiated performance bonuses to performance achievements at an organisational, divisional and individual level.

SARS also reached an agreement with Organised Labour on the management of poor work performance to ensure that there are consequences for poor performance. A new Total Rewards Strategy was introduced with the aim to increase SARS' value proposition and ensure the organisation is well positioned to attract new talent; and retain staff in critical areas in line with the Human Capital Strategy.

### Conclusion

SARS continues to focus on attracting, developing and retaining staff, raising skills levels and addressing growth opportunities. We will set challenging targets and measures for staff, provide regular, clear and constructive feedback, and encourage innovation and new ideas. We recognise that a motivated, skilled workforce with high levels of engagement result in improved business success – and this is vital to achieve our mandate and aspirations.

The SARS Governance Framework details the structures and processes to facilitate and monitor effective management of the organisation, including mechanisms to ensure legal compliance and prevent improper or unlawful behaviour. The framework supports enhanced organisational performance while ensuring balance and alignment with conformance requirements.

### Performance Highlights

- Adoption of an integrated Governance, risk and compliance framework;
- Hosted ethics awareness workshops for 2,904 employees;
- Concluded Memorandum of Understanding between SARS and the Auditor-General and SARS and the Road Accident Fund; and
- Finalised the National Integrated Border Management Strategy (NIBMS).



Parliamentary committee members at the SARS Alberton Scanning Facility

Governance is the system which ensures that an organisation does the right things by directing, controlling, regulating and restraining itself with a view to enhancing external and internal trust in its ability to deliver within the parameters of the following:

- The Constitution (Section 195);
- National policies and developmental goals;
- The SARS Act, 1997;
- Public Finance Management Act, 1999;
- 45 other national statutes;
- International tax and customs standards;
- Relevant corporate principles such as the King II Report; and
- SARS principles, values and aspirations.

Governance in SARS is primarily about enhancing external and internal trust in the institution. It has to be embedded throughout the organisation and manifests at the strategic, operational and tactical levels. Governance enhancement is not a once-off initiative but requires ongoing commitment and must be sustained.

The Governance Framework adopted in the period under review directs SARS' high level approach to integrated governance, risk and compliance. In implementing the framework, we set out to do the following:

- Reviewing and improving the executive management framework;
- Strengthening direction setting through policy;
- Strengthening regulatory compliance;
- Embedding effective risk management throughout SARS;
- Strengthening planning and performance monitoring; and
- Amplifying and consolidating the governance institutional framework (responsive structures, processes systems).

SARS is headed by a Commissioner, who is the Chief Executive Officer and Accounting Authority [SARS Act section 9(1)(d) and PFMA section 49(2)]. Mr Pravin Gordhan, was appointed by President Thabo Mbeki in 2004 to serve a second five-year term. The Commissioner is accountable to the Minister of Finance who is the Executive Authority. The Minister of Finance performs an oversight role over SARS through statutory reporting and regular meetings with members of SARS senior management.

The Commissioner established an Executive Committee (Exco) and various other governance committees. The Exco is chaired by the Commissioner and is accountable for the performance and affairs of SARS. Among the Exco's duties is proper governance of SARS, providing strategic advice to the Commissioner and maintaining open communications with SARS management.

## Governance

# Governance

## SARS General Managers



**Pravin Gordhan:**  
Commissioner



**Matsobane Matlwa:**  
Large Business Centre



**Oupa Magashula:**  
Corporate Services



**Jonas Makwakwa:**  
Enforcement



**Mandisa Mokwena:**  
Risk Management



**Kosie Louw:**  
Legal and Policy



**Logan Wort:**  
Communications and  
Corporate Relations



**Barry Hore:** Strategy,  
Modernisation and  
Technology



**Gene Ravele:**  
Government Relations



**Ivan Pillay:**  
Enforcement, Risk  
and Compliance



**Nathaniel Mabetwa:**  
Operations Strategy



**Leonard Radebe:**  
Customs



**Jeannee Padiachy:**  
Enterprise Planning and  
Performance Monitoring



**Randall Carolissen:**  
Operations Standards  
and Policies



**Nonkumbulo Tshombe:**  
Dispute Resolution



**Edward Kieswetter:**  
Chief Operating Officer



**Mark Kingon:**  
Operations Support



**Vuso Shabalala:**  
Small Business



**Mukhtar Mohamed:**  
Properties and Facilities



**Franz Tomasek:**  
Legislative Policy



**Brenda Hore:**  
Process & Information  
Management



**Prakash Mangrey:**  
Finance



**Nico Alberts:**  
Interpretation and  
Rulings



**Fabian Murray:**  
Performance



**Thinus Marx:**  
Managed Operations



**Tau Mashigo:**  
Chief Information Officer

## The Executive Management framework

For the period under review SARS Exco consisted of the following members:

<b>Pravin Gordhan</b>	Accounting Authority
<b>Ivan Pillay</b>	GM: Enforcement, Risk and Compliance
<b>Oupa Magashula</b>	GM: Corporate Services
<b>Jonas Makwakwa</b>	GM: Enforcement
<b>Mandisa Mokwena</b>	GM: Risk Management
<b>Kosie Louw</b>	GM: Legal and Policy
<b>Jeannee Padiachy</b>	GM: Enterprise Planning and Performance Monitoring
<b>Barry Hore</b>	GM: Strategy, Modernisation and Technology
<b>Edward Kieswetter</b>	Chief Operating Officer
<b>Matsobane Matlwa</b>	GM: Large Business Centre
<b>Vuso Shabalala</b>	GM: Small Business
<b>Leonard Radebe</b>	GM: Customs
<b>Logan Wort</b>	GM: Communications and Corporate Relations
<b>Prakash Mangrey</b>	GM: Finance
<b>Tau Mashigo</b>	Chief Information Officer

In the period under review, Exco approved the revised executive committee structure. The changes were necessitated by SARS' need to become more responsive to changing policy, legislative, operational and organisational landscapes. The existing Exco Management committees were dissolved and the following new Committees were constituted as successors to the previous committees:

- Business Review Committee**  
 The Business Review Committee will have authority to approve all operational and business related activity within the organisation.
- Modernisation Steering Committee**  
 The Modernisation Steering Committee will set and monitor the Modernisation agenda of the organisation.
- People Committee**  
 The People Committee will have authority to approve all human resource related activity within the organisation.
- Strategy Committee**  
 The Strategy Committee will set the strategic direction for the organisation and the delivery framework within the allocated resource allocation.
- Regulatory Compliance Committee**  
 The Regulatory Compliance Committee will approve the regulatory compliance standards and procedures and monitor the compliance of discretionary SARS actions and transactions (e.g. dispute resolution, objections, appeals and write-offs) with the requirements of administrative justice.

### Delegation of Authority

SARS has a policy for the orderly delegation of authority to individuals. Given the evolving nature of our work, this document is revised regularly and ratified.

The members of the executive committees have been given the authority and powers to address and dispose of matters or make recommendations to Exco depending on the nature of the issue. Exco as oversight body must be kept informed of decisions of all the committees to ensure that delegated power is being used appropriately. Membership of the committees is at the discretion of the Commissioner and consists of Exco members, General Managers who are not members of Exco, key senior managers and subject matter experts.

## Governance

### External Governance Committees

The SARS Act makes provision for the establishment of specialist committees to advise the Commissioner and the Minister of Finance on any matter concerning the management of SARS resources. The Public Finance Management Act (PFMA) also requires the establishment of an audit committee to assist the accounting officer in carrying out his responsibilities in terms of the Act.

The following external committees have accordingly been constituted:

- Audit committee; and
- Human Resource specialist committee and its remuneration subcommittee.

### Audit Committee

The Audit Committee was established in terms of Section 51(1)(a)(ii) of the PFMA and paragraph 27.1.1 of the Treasury Regulations, which require the Commissioner to establish an audit committee to assist the accounting officer in carrying out the responsibilities in terms of the Act.

### Audit Committee Members

#### Mr Bongani Nqwababa B.Acc, CA, MBA

Finance Director at Eskom Holdings Limited (New SARS Audit Chairperson from March /April 2006)

B. Acc (Hons), 1989, University of Zimbabwe; CA (Zim) 1991; MBA in Finance, 1999, Universities of Manchester and Wales, Bangor

#### Mr Mustaq Brey

CEO : Brimstone Investment Corporation Limited

B.Compt (Hons); CA (SA)

#### Ms Berenice Lue-Marais

Head: Africa, CSIR Market & Business Development; and International Development Finance Manager,

CSIR International Relations, CSIR, Pretoria

MBA International Finance, 1992; The American University, Washington, D.C.; Bachelor of Arts, BA Economics, 1988 August 1988; The University of the District of Columbia, Washington, D.C.; Diploma, Hotel Management, 1984; M.L. Sultan Technikon, Durban, South Africa

#### Prof Dillip Garach

Accounting Professor at Natal University; Consulting Partner at Garach & Garach

MCom; CA(SA); CFP

Note should be taken that for the period under review, Prof Dillip Garach temporarily recused himself from SARS Governance structures for personal reasons.

### Human Resource Committee Members

**Ms Judy Parfitt (Chairperson)** - BJourn, HDE (Rhodes); BA (Hons); MA (PE); MA (Warwick)

Managing Director of Resolve Workplace Solutions, and Director of the Resolve Group

**Mr Mike Olivier** - M.Sc. Nuclear Physics (Wits); MBA (California)

Remuneration and Human Resources Consulting

**Ms Liz Thebe**

Group Executive – Human Resources: SA Post Office

**Mr Adolf Maphutha** - B.Com (Hons) SA; Dip.Workstudy; Dip.Labour Law; Dip.Energy Law

Portfolio Manager: Energy: Government Relations: Sasol Oil (Pty) Ltd

**Mr Lionel Human** - BA Industrial Psychology (Hons) UWC; Personnel Management Dip (Dam); Management Certificate Unisa

MD : Prima Personnel

### Direction setting through policy

A fundamental function of governance is to ensure that appropriate policies are in place to direct the organisation. The policies may be enterprise wide, divisional or branch policies. Enterprise policies mainly relate to key governance deliverables. The Enterprise Policy Unit was established in December 2007 to provide enterprise wide policy direction across SARS by developing, formalising, publishing and maintaining enterprise policies and procedures and serving as the repository for all SARS policies.

Key deliverables for the year include:

- Identifying the key governance deliverables;
- Allocating roles associated with each key strategic deliverable such as the accountable party, the approver and the deliverer to specific persons;
- Linking each strategic deliverable to a consultative and decision making mechanism; and
- Partially mobilizing the policy making capacity.

In the coming year, the framework of policies required to manage the business effectively will be completed. Additional key governance deliverables will be identified and existing policies will be revised and a package of new directional policies will be developed in relation to each key strategic deliverable. The enterprise-wide policy on the governance of policy will be a priority for the coming year.

### Regulatory and organisational compliance

The Governance Unit, established in December 2007, is also responsible to track regulatory compliance and organisational compliance with internal corporate policies. Regulatory and organisational compliance is the tactical action to mitigate risk. It is a component of regulatory risk management, but it also plays a central role in the management of operational, financial and even strategic risks. It is compliance with the organisation's own required procedures that enables management of the risks that endanger the entity.

In order to strengthen regulatory compliance, the register of laws against which SARS compliance is measured was revised and updated and a new compliance framework was developed and implemented for the Public Finance Management Act. Similarly, revised compliance frameworks will be developed in the coming year for all other relevant legislation. An organisational compliance framework to strengthen organisational compliance with SARS policies will be developed in the coming year.

## Governance

In addition to the Governance Unit, the Office Compliance Unit has been established to conduct office inspections to audit adherence to operational policies and procedures and to instil standardization of these policies and procedures on a national basis. The office inspections cut across all tax types, as well as customs and quality management systems. Office inspections support the process of compiling management responses to the findings of the Auditor-General's Office thus contributing to a clean bill of health from the Auditor-General's Office for the last two years.

The role of the specialist resident within the Office Compliance Unit was extended to encompass modernisation with specific reference to the development of all relevant Filing Season returns, guides and business rules for the various systems. Stakeholder presentations to the accounting fraternity were presented on a national basis to promote an understanding of the Filing Season requirements.

In addition, an Income Tax Working Group was commissioned by this unit to ensure coordination and a common understanding within the various Assessment and Service, Process and Information Management (PIM) and Enforcement divisions. This further serves as a platform for the transferring of skills to new employers. The collection of the Skills Development Levies and Unemployment Insurance Fund contributions necessitated the continuous liaison with the Department of Labour. The unit took the responsibility for the management thereof as well as the provision of the monthly reporting and other data requirements.

### Enterprise-wide risk management throughout SARS

Risk management is set to become an integral part of the organisation's activities and to formulate appropriate response to adverse exposures reducing risk to acceptable levels. The Enterprise Risk Management Unit was established to develop enterprise risk policy and facilitate implementation of enterprise risk management. An Enterprise Strategic Risk Register that identifies the major risks and potential threats to SARS strategic objectives has been developed and draft enterprise risk policy and strategy prepared.

At divisional level, the SARS operations risk policy was established to ensure sound business practices aligned with internationally accepted Risk Management principle and to further establish coordination with Enterprise Risk initiatives.

The Head Office structure will ultimately be staffed with qualified and experienced risk personnel that will provide risk services to all SARS operations covering critical areas in Business Continuity, Document Security, Employee Profiling Management, Fraud Prevention and Internal Controls on Safety Health and Environment. In Regional risk specialists will be appointed to attend to the day to day Risk Management and Business Continuity Planning for the regions.

All risks identified in operations by initiatives of the operational risk section, internal audit findings relating to operations, office compliance findings, external audit and enforcement have been loaded centrally onto risk management software. The risks are analyzed, evaluated, rated and treated by means of suitable mitigation measures. In so doing weaknesses in operational controls are continuously identified and strengthened

In the coming year, risk management will be consolidated and amplified throughout the various divisions and levels of business and improved risk co-ordination structures within SARS will be established and mobilized.

### Planning and performance monitoring

The primary focus of planning and performance monitoring will be to standardize and put policies in place for planning and performance measurements and ensure that the entire process is well-documented for consistency. Emphasis was given to the development, communication and introduction of tools, procedures and structures for business planning and performance monitoring. Relationships to enable enterprise wide planning and performance monitoring were defined, clarified and enabled through appropriate staffing, boundary management, skills development and consultations.

Specific actions taken included:

- Embedding business planning processes and tools;
- Technical support to Divisions in business planning;
- Formalisation of Divisional business plans and the alignment of divisional scorecards to strategic and divisional plans;
- Divisional Score cards and the verification of information at Financial Year End; and
- Drafting of the SARS 2009 - 2011 Strategic Plan and 2008/09 Business Plans.

The next steps will entail embedding the process of standardised planning and performance monitoring to the divisional, regional and branch levels, to ensure alignment and consistency between Strategic plan and Business delivery.

Standardised weekly, monthly and quarterly reports have been instituted to facilitate performance reviews and define corrective actions that will address non-performance to set standards. An example of the effects of these reports is the weekly management of inventory.

The Operational Performance Analysis unit was also instrumental in the development and roll-out of all Operations scorecards, which enable the measurement and tracking of individuals' performance throughout the year. The unit ensures that reliable operational reports produced on time to adhere to the PFMA requirements. These reports have been standardised and aligned to SARS' strategic intent.

## The governance institutional framework

In order to support implementation of the governance framework, two significant institutional developments took place in the year under consideration. First, the Governance Unit was established in December 2007, which is responsible for governance, risk management and compliance in SARS. Second, the Planning and Performance Monitoring function was institutionalised in February 2008, to create a culture of planning and performance monitoring to ensure timely delivery on targets.

Building capacity and attracting the correct expertise, skills and SARS business knowledge remain challenges in the coming year to strengthen the governance structures.

## Ethics and Integrity

SARS consistently strives at entrenching and enforcing ethical and moral behaviour throughout the organisation, and to building a corporate culture on a foundation of integrity.

The Ethics and Integrity Unit is responsible for embedding ethical behaviour in the organisation through a comprehensive education and awareness campaign, as well as providing an advisory service regarding ethical dilemmas and other ethical issues to SARS employees. With reference to Integrity its focus is on two important organisational stabilising functions, namely that of pre-employment screening and acting as a field work unit with reference to vetting. Pre-employment screening focuses on all new applicants, and comprises the necessary checks as set out within the applicable policy. Vetting field work involves a systematic process of obtaining the necessary information through sources, to enable the National Intelligence Agency to make determinations regarding a person's integrity and security competence.

During the relevant period the Ethics and Integrity Unit:

- Hosted ethics awareness workshops for 2 904 employees;
- Contributed to enhancing the integrity of SARS' human capital by subjecting an estimate of 5 590 individuals to a pre-employment screening process and subjecting a number of employees to the Personnel Security Vetting process;
- Issued several internal communiqués concerning aspects of fraud and corruption;
- Flighted screensavers on the SARS network regarding Ethics policies, namely the Gifts Policy and the Declaration of Private Interest Policy;
- Distributed an annual letter to vendors and suppliers as reminder of SARS' gifts policy;

## Governance

- Delivered Ethics related inputs at SARS induction programmes; and
- Utilised an electronic declaration of interest process, followed by a 150% year-on-year increase in compliance.

The Unit continued to build strong relationships with external stakeholders and set an example for dealing with ethical dilemmas, fraud and corruption. In the period ahead, the Unit will intensify its Ethics Awareness Campaign and will continuously promote ethical conduct and decision making amongst all SARS employees.

### Internal Investigations

The mandate and focus of the Internal Investigations Unit (IIU) relate to alleged wrongdoing which falls within their mandate, namely:

- The investigation of allegations of Customs and Tax fraud and corruption within SARS, facilitated and/or initiated by SARS employees;
- The internal prosecution of offenders of fraud and corruption as per cases referred to the Unit internally, as part of the SARS disciplinary process, and where appropriate, referral of the matter to the SAPS; and
- The provision of guidance on all forms of criminality involving SARS employees where requested or required to do so.

During the year under review the Internal Investigations Unit undertook such investigations and prosecutions, which culminated in the dismissal of 40 employees, and 33 cases being referred for criminal prosecution.

### Physical Security

The mandate of the Physical Security Unit within SARS is primarily the institution of measures to safeguard the assets of the organisation. Activities undertaken in 2007/08 included the day-to-day provision of security, the investigation of all reported security incidents and or breaches, managing security for special events, which included the filing season and financial year end, configuring the security needs for new SARS facilities, enhancing existing systems and ensuring that they operated effectively and efficiently at all times.

Towards the end of the financial year a security assessment of the SARS internal operating environment was conducted, an appraisal of SARS controls and sites was undertaken, coupled with extensive consultations with relevant role-players to determine the way forward for the financial year 2008/09 to improve the measures needed to safeguard the organisation.

### Information Security

In the year under review, Information Security at SARS was focusing more on an Information Technology perspective. Security in this regard paid more attention to issues relating to logical access and the protection of information in the electronic form. Risks Assessment and security appraisals pointed to a deficiency regarding the protection of non-electronic storage media. Capacity within the Anti-corruption and Security unit is currently being established to address the identified risks and threats that have been identified. The new Information Security capacity would ensure that there is a condition created by conscious provision and application of a system of document, personnel, physical, computer and communication security measures to protect sensitive information.

Information Security is constantly being reviewed and upgraded for potential information security weaknesses. This included expediting the encryption of end user devices, facilitating the secure exchange of information with third parties, and collaborating with newly formed units around enterprise security and governance to help formulate an integrated information security plan.

## Governance - Internal Audit

### Internal Audit

The Internal Audit Division was established in terms of Section 51(1)(a)(ii) of the PFMA which requires the Commissioner to ensure that SARS has and maintains an internal audit system overseen by the audit committee. The unit is responsible for providing an independent and objective assurance and consulting service to SARS management and the audit committee on the adequacy and effectiveness of risk management, governance and control process through the evaluation of systems deployed within SARS. In order to provide reasonable assurance, the systems of people, processes, policies and technology employed in the execution of the SARS mandate and compliance with relevant legislation are evaluated.

The purpose, authority and responsibility of the Internal Audit Division are formally defined in its audit charter, as approved by the Audit Committee. The audit approach and methodologies of the division are based on the Standards for the Professional Practice of Internal Auditors and in accordance with Treasury Regulation 27.2.6.

A new head of the division was appointed with effect from 1 February 2008. The advisor to the head of the division acted in this capacity since the resignation of the previous head (September 2006). The head of the division is required to be independent and objective and therefore reports directly to the Commissioner and has unrestricted access to the chairperson of the Audit Committee.

The division's audit plan for 2007/08 – 2009/10 was drawn up in accordance with the relevant Treasury Regulations and Standards of the Institute of Internal Auditors. The audit plan was approved by the Audit Committee. Input from the Auditor-General's Office was considered in compiling the Internal Audit plan, to facilitate co-ordination of work between the two offices.

Internal Audit attends all audit committee meetings where a report is presented of the divisional activities and significant findings for the reporting period. Significant findings are reported to the Commissioner and organisational forums on an ongoing basis.

The Audit Plan for the financial year ending 31 March 2008 was executed as planned. Internal Audit conducted a total of 38 planned audits and 11 ad hoc audits for the financial year. Two projects were suspended and one project has been carried forward the next financial year. Internal Audit further assisted the organisation by:

- Consulting to business management during tender evaluations and the drafting of Memorandum of Understanding between:
  - SARS and the Auditor-General;
  - SARS and the Road Accident Fund;
- Evaluating the accuracy and completeness of Road Accident Fund certificates; and
- Attending the monthly audit steering committee meetings.

The majority of reviews indicated a satisfactory control environment. Management is addressing those areas needing attention and the results are evaluated through follow-up audits.

Internal Audit enjoys a healthy working relationship with all divisions and continues to build its operational efficiencies through staff training and upgrading its technologies and methodologies.

During the year under review, Internal Audit fulfilled all of its responsibilities as detailed in the PFMA and Treasury Regulations.

## Governance - BCOCC

### Border Control Coordinating Committee (BCOCC)

SARS assumed the role of Lead Agency at Ports of Entry and the Chairpersonship of the BCOCC in January 2007 in line with constitutional obligations of cooperative governance. This development has presented exciting opportunities to pilot joined up Government approaches and to implement integrated border management. At the same time, SARS has had to confront the challenges posed by inter-agency co-ordination and the rapidly changing border management and control landscape.

Accordingly, in the period under review, the focus has been on exploiting opportunities and mitigating challenges. In particular, this has been achieved by:

- Deepening the collective understanding of the lead role in the broader context of Government goals of integrated border management. The high level approach was set out in the BCOCC Organisational Framework Document which was approved by member departments and was endorsed by the JCPS Cluster in April 2007;
- Finding ways to align capital project and maintenance budgets of the Department of Public Works with SARS accountability for the BCOCC; and
- Embedding BCOCC governance including improved planning and performance monitoring through adherence to the Government-Wide Monitoring and Evaluation process.

For the first time, a single National Integrated Border Management Strategy (NIBMS) that sets out the overarching high level strategic direction for effective border management was approved in January 2008. The NIBMS is premised on the understanding that border management agencies should be able to effectively respond to the Government's increased expectations and be maximally empowered, legislatively and operationally, to respond to changing circumstances and new challenges. This requires border management agencies to be more strategic, agile, integrated and outcome-focused.

Based on the National Integrated Border Management Strategy, the BCOCC Programme of Action for 2007/08 was implemented. The main deliverables for the year were:

- Appointed and mobilised the BCOCC national management structure;
- Signed and implemented the Bilateral Memorandum of Understanding between the Republic of Mozambique and the Republic of South Africa on the Establishment of the One Stop Border Post at Lebombo and Resanno Garcia;
- Implemented the festive contingency plans for ports of entry with a first time incident-free outcome;
- Improved co-ordinated management of the National Border management Co-ordinating Centre;
- Established and mobilised the BCOCC 2010 FIFA World Cup Forum to support joint and co-ordinated planning and project implementation at ports of entry;
- Delivery on target against the Port of Entry Repair and Maintenance Programme;
- Implemented the first phase of the BCOCC Wellness Programme for ports of entry personnel at selected ports of entry; and
- Established the BCOCC Programme Office for the implementation of the NIBMS.



Scanner system at the Durban port of entry



At the centre of SARS' success is its administrative capability which ensures sound financial management, enables transparent communication, institutionalizes accountability to stakeholders and provides the institutional infrastructure, such as facilities, for efficient and effective performance.

## Administration

Administration provides the management leadership to anchor and integrate the disparate achievements of corporate functions such as operations, modernisation, enforcement, governance and fiscal stewardship. It assists to create a productive work environment by providing the administrative framework to coordinate departmental activities and align them with the common goal of bettering service delivery.

### Performance Highlights

- Sustained unqualified audit opinions over past years;
- Sourced offices (additional, and new) across the country;
- Renewed lease arrangements at several sites to ensure operational continuity;
- Ensured internal communications for campaigns including:
  - Small Business Tax Amnesty;
  - Filing Season 2007;
  - Odometer Campaign; and
  - Employee Engagement campaign and roadshows.
- Assumed lead media relations role for the BCOCC project;
- Resolved 85% of SARS Service Monitoring Office (SSMO) cases within set standard;
- Maintained infrastructure at 99.58% and Application Systems at 99.81% performance levels; and
- Outsourced Desktop and Server support services pursuant to BEE and SARS procurement policies and procedures.

## Financial Management

Unqualified audit opinions have been sustained over the past few years. Sound financial planning and analysis resulting in the allocation (and reprioritisation where necessary) of financial resources, has enabled delivery of SARS' strategic and business plans.

The finance division provides financial, accounting management, accounting and procurement services to SARS. It comprises centres of excellence (expenditure accounting, revenue accounting, management accounting, procurement and financial transformation) and "partnerships" with business units (tax and customs operations, enforcement and support services).

The overall strategy of the division is the progressive development of the capability to be a strategic partner and value creation enabler, that supports the attainment of the corporate strategy and objectives and which balances the role of strategist and steward in delivering world class financial performance.

### Improving tax collection administration

The old nominated FNB accounts were successfully closed with the assistance of various financial institutions. These accounts have been replaced with the new masked SARS banking accounts held at ABSA, FNB, Standard Bank, and Nedbank thereby eliminating issues relating to unknown payments.

The improved branch office collections accounting which introduced SAP accounting functionality was successfully rolled out to SARS offices.

### Accounting Transformation – Generally Recognised Accounting Practice ("GRAP") for SARS Administered Revenue

SARS is currently permitted to report in terms of the cash basis of accounting. The continued use of this basis of accounting was approved by the Minister of Finance in April 2007 and remains applicable up to the 2011/12 financial year. SARS has embarked on a modernisation programme that will enable the organisation to build the necessary capabilities to progressively comply with accrual accounting standards by 2012.

Revenue recognition standards, GRAP 23: "Revenue from Non-exchange transactions (taxes and transfers)", was issued by the Accounting Standards Board (ASB) in February 2008. This standard provides SARS with the framework required to recognise, measure and report revenue from non-exchange transactions (taxes and transfers).

#### Key achievements in this project are:

- SARS input to the Accounting Standards Board drafting of GRAP statements - relating to financial instruments, non-exchange revenue and disclosure of budget information. GRAP 23 for revenue from non-exchange transactions (taxes and transfers) was issued by the Accounting Standards Board (ASB) in February 2008;
- Development of a financial reporting framework for Value-Added Tax (VAT), Pay-As-You-Earn (PAYE), Skills Development Levies (SDL), Unemployment Insurance Fund (UIF) and Diesel to improve the accuracy of financial reporting and operational decision making;
- Successful roll-out of the Customs Trial balance at all non-BLNS (Botswana, Lesotho, Namibia, Swaziland) offices, which do not fall within the Southern African Customs Union (BLNS customs union) and Head Office. This trial balance function assists in the management of financial operations at branch office level; and
- Development of accounting principles and associated legislative changes supporting the modernisation of Tax and Customs. This involved the development of principles relative to payment administration, account management, and interest and penalty administration.

## Financial Management

### Activity Based Management

Activity Based Management (ABM) was adopted to support business analysis and enable operational and strategic decision making.

ABM will assist in professionalising management processes and governance which will ensure that management is better informed to make both strategic and operational decisions such as process optimisation and automation, benchmarking performance and adoption of best operating practice, internal provision versus external outsourcing, value chain analysis and elimination of non value added activities, project investment decisions and benefits realisation monitoring and allocation of scarce resources to appropriate areas in the value chain.

ABM will integrate process-based performance metrics (how well the work is done) with the costs of achieving that performance (Activity Based Costing) and will assist with management planning and business processes, improve management information and integrate the data sets of human resources, financial and transactional processing.

The following key ABM implementation milestones have been achieved:

- Recruitment of key resources;
- Purchase and installation of software;
- Training of staff on software; and
- Communication and awareness.

It is anticipated that the project will deliver the Income tax pilot model in July 2008.

### Training outside Public Practice

Training Outside Public Practice (TOPP) is programme accredited by the South African Institute of Chartered Accountants (SAICA) and is an alternative to the conventional TIPP (Training Inside Public Practice) career path. TOPP has a strong emphasis on financial management, taxation and internal auditing. Approval has been granted by SAICA for the intake of up to 36 trainees over three years. This forms an integral part of SARS' overall strategy to attract, develop and retain professional staff within the public sector. TOPP trainees will gain in-depth knowledge of and practical training experience in a wide range of relevant business areas within SARS. The programme has 10 trainees, with further intake planned for July 2008.

### Procurement

A strategic sourcing and procurement framework was developed and approved by the SARS' Executive Committee. It will be implemented in the 2008/09 year. It will also assist SARS to find the most effective ways to manage its relationships with its suppliers through performance monitoring and assessment strategies, the establishment of proper communication channels and better management of strategic partners.

The framework includes best practice strategic sourcing principles, supplier relationship management, process optimisation, contract management and organisational structure which will enable a more focused delivery of strategic and business plans.

### Procurement and Contract Negotiations

Through the negotiation of contracts with large IT providers, SMT achieved favourable terms and conditions and significant cost savings. The savings will exceed R140 million a year and will be sustainable in the years ahead. The largest savings were achieved in:

- Network contract - in excess of R300 million over seven years; and
- Central site hardware and support software - in excess of R180 million over three years.

In particular, significantly cheaper new enterprise license agreements were negotiated that also include more flexibility for SARS to move from proprietary software towards Open Source / Linux software.

## Financial Management

It should be noted that SARS is constantly looking to leverage government contracts currently in place to expedite procurement and further drive down costs. During 2007/08 SARS changed to the Broad Based Black Economic Empowerment (BBBEE) model as prescribed by the Department of Trade and Industry. This model differentiates companies according to empowerment levels and classifies them in eight distinct categories. According to this model SARS spend on BBBEE is summarised in the table below.

**Table 4.3.1: SARS BEE Expenditure for the 2007/08 Fiscal Year**

BEE Contributor Level	Expenditure (R)	% of Total BEE Spend
Level 1	154,925,725	14.47%
Level 2	40,578,541	3.79%
Level 3	240,883,861	22.50%
Level 4	209,700,358	19.59%
Level 5	263,553,987	24.62%
Level 6	67,772,886	6.33%
Level 7	15,359,833	1.43%
Level 8	77,788,985	7.27%
<b>Total (BEE)</b>	<b>1,070,564,179</b>	<b>100%</b>

<b>Total Procurement Expenditure</b>	<b>1,744,559,231</b>	<b>61.37%</b>
Total BEE Spend	1,070,564,179	38.63%
Non BEE Spend	673,995,052	100.00%

### Asset management

SARS requires both fixed and movable assets to execute its function. To that end, SARS manages an asset portfolio of approximately R799 million in about 200 locations nationwide. The assets cover a wide spectrum with IT assets constituting a significant part of the value of the total SARS asset register.

SARS manages its assets within the framework of the PFMA, 1999 that obliges SARS to exercise utmost care to ensure reasonable protection of its assets and records (section 50 (1) (a)). As part of this duty of care, SARS is responsible to manage the safeguarding of its assets (Section 51(1) (c) PFMA). In particular, this requires SARS to implement and maintain an asset management system that best responds to and supports SARS' business needs. As such, the system needs periodic review to adapt to SARS' changing needs.

The SARS organizational culture is to value taxpayers' money and, as such, its assets. To that end, SARS has put in place a working asset management system anchored in policies and standard operating procedures. The system is driven by a consolidated asset register and geared towards maintaining the register. However, the system in place was originally designed to support a more conventional and static service provision model and concomitantly there is less focus on individual accountability for assets. Increasingly, as the Modernisation programme is implemented, the SARS business is becoming more dynamic and the service footprint is expanding.

## Financial Management

The current asset management system therefore no longer fully responds to business needs and requires review and strengthening of controls including a reorientation towards individual accountability. In particular, the current asset management system is challenged by the following:

- Ongoing people redeployments and movements especially where people move with assets to new locations;
- Changes in the configuration of locations and unconventional office configurations such as border posts, mobile service centres, call centres etc;
- Central acquisition of assets and decentralised distribution: SARS acquires certain categories of assets (IT equipment and standard furniture) through Head Office to achieve better control and the benefit of bulk purchases but these assets are distributed direct from the suppliers in a decentralized manner for expediency and operational efficiency; and
- Complex asset definition: Assets are defined in terms of constituent parts as opposed to composite units.

To ensure continued compliance with the PFMA, SARS has already taken a number of corrective actions such as appointing asset co-ordinators countrywide, extending the scope of application of the automated asset detection system and migrating the asset register to the SAP system. This lays the foundation for a significantly improved asset management system but it is recognized that additional interventions are required for the SAP system to become the single source of information for the register. The addition of the SAP HR system in the current year will further allow linkage of assets to people and thus improve the tracking of assets and create individual accountability.

In the year under review, the SARS asset register comprised approximately 220 000 assets. As part of the ongoing asset register update in the same period, SARS registered 47 063 new assets. The entity follows a policy to dispose of all identified obsolete assets which are disposed by means of a documented process. In the year under review the entity had in addition scrapped approximately 20 000 items of negligible value after concluding that the items could either not be sufficiently identified or had not been verified for a number of years. Most of these assets relate to assets carried over from legacy systems and are generally associated with furniture elements.

The challenge still facing SARS is to implement an improved asset management system and reconstruct the asset register without significantly compromising current asset management and controls. In bridging these positions, some transitional issues with the control of assets were experienced in the year under review, most notably:

- Some assets listed in the asset register could not be physically verified;
- Some assets verified in physical counts were not listed in the asset register; and
- Some assets were listed in the asset register but had no barcodes.

Accordingly, a concerted effort is under way to strengthen the overall control of assets. To that end, in the next two years, SARS envisages:

- Developing and implementing a revised comprehensive asset management policy and procedure that takes full account of the dynamic nature of SARS business, the decentralised nature of operations and the mobility of staff;
- Reconstructing and maintaining the asset register; and
- Monitoring compliance on an ongoing basis through, amongst others, enhanced individual accountability for assets and regular physical counts of assets.

### Conclusion

Finance continues to make strides in the progressive development of the capability to be a strategic partner and value creation enabler, that supports the attainment of the corporate strategy and objectives, and which balances the role of strategist and steward in delivering world class financial performance, through the finance transformation initiatives (Migration to Generally Recognised Accounting Practice ("GRAP") for SARS Administered Revenue, Activity Based Management and strategic sourcing and procurement framework).

## Communication and Corporate Relations

The mandate of the SARS Communications and Corporate Relations division is to promote and enhance the image and reputation of SARS both internally and externally. To do this the division aims to build, and to assist other business units in building, productive relations with all SARS' stakeholders through effective communication. SARS' stakeholders are numerous and varied: our staff, taxpayers, customs agents, traders, small and large businesses, employers, practitioners, the government and ultimately the people of South Africa.

The division endeavours to increase awareness about the role SARS plays in the administration of tax and Customs and the role taxpayers and traders play in contributing to the growth and development of South Africa. It also aims to ensure that all stakeholders are equipped with the information and motivation necessary to meet their obligations, thus strengthening the culture of compliance in our society.

Guided by SARS' compliance model, the division engages in a broad range of communication, education, marketing and direct engagement activities with key stakeholder groups including SARS' own staff (through internal communications), the media (through the media relations unit), the general public and taxpayers (through the marketing unit and campaigns unit) and specific industry stakeholder groups (through the corporate relations unit).

Communications has an internal and external focus: through commercial marketing and advertising (external); internal information channels to employees; formal stakeholder engagement (direct and indirect); and media and public relations. The 2007/08 year was one of tremendous change for SARS and its stakeholders – and the division played a key role in managing this change to ensure its impact was understood, accepted and implemented.

Outlined below are the main achievements of the division's units for the year under review SARS communications are guided by the Batho Pele principles of transparency and accountability in order to position SARS as a public institution; to promote and manage the reputation of SARS publicly; and to promote popular understanding of the important responsibility to pay tax and of compliant behaviour in a democracy. Effective communication that informs public understanding and taxpayer behaviour must be accurate, understandable and able to educate and raise awareness across a broad spectrum.

Popular, mainstream media in South Africa and their audiences, rightfully, express keen interest in SARS and its programmes. Media management and engagement leverage opportunities to position SARS on the news agenda and to facilitate in the right of the media to access information in the public interest.

## Communication and Corporate Relations

### Internal Communications

SARS actively works to ensure organisation-wide internal communication through appropriate strategies and campaigns. Various internal communication channels, including newsflashes, intranet, screensavers, posters, road shows and electronic and printed newsletters are employed so that staff remains informed and thus motivated. This year, a comprehensive revised internal communications and channel management strategy with specific emphasis on enhancing divisional and regional communications was developed.

Specific ways in which we enhanced our communication with staff include:

- **The development and implementation of a number of internal communication campaigns:**
  - Financial Year-End (Revenue Target) Campaign;
  - An Ethics Awareness Campaign; and
  - A Budget and MTBPS education and awareness campaign.
- **Internal communications support to general communications campaigns:**
  - Small Business Tax Amnesty;
  - Filing Season 2007;
  - Odometer Campaign; and
  - Employee Engagement Awareness campaign and road shows.
- **The conceptualisation and development of a SARS motivational staff DVD (The Higher Purpose);**
- **A first time international web-cast broadcast** of a press conference by the Minister of Finance for the OECD Forum on Tax Administration conference in Cape Town (the concept was later adopted by National Treasury in consultation with SARS Communications for a web-cast for Budget 2008); and
- **A commemorative publication to mark the 10th anniversary of SARS** and the organisation of an "open day" at SARS offices inviting taxpayers to celebrate our 10th birthday with us.

### Media liaison

The Communications efforts of SARS strive to provide effective mediums for information dissemination between the organisation and a mass base of taxpayers and stakeholders through strategic engagement with popular, commercial, mainstream and regional or community based news organisations. Some of the key initiatives for the year were:

- Implementation of a media strategy for MTBPS 2007 and Budget 2008 in partnership with National Treasury which promoted the tax and revenue elements of the Budget;
- Provision of media support to the OECD Forum on Tax Administration meeting hosted by SARS in Cape Town in January 2008;
- The media relations element of the Filing Season 2007 campaign including the hosting of press conferences to launch both Filing Season 2007 as well as the introduction of the new eFiling system and the engagement with editors and senior journalists during the campaign to ensure positive coverage; and
- Assuming the lead media relations role for the BCOCC especially over the peak December period.

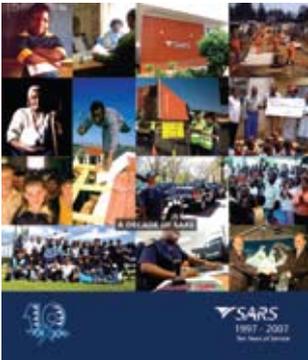
## Communication and Corporate Relations

### Marketing

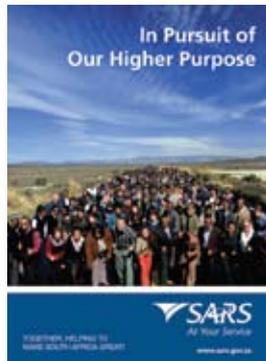
SARS external communications includes all advertising and promotions, market research and analysis. The highlights for the year were:

- The development and implementation of the highly successful Small Business Tax Amnesty, Filing Season 2007, Budget 2008, Odometer and Customs Day campaigns;
- The design and production of the SARS Annual Report, Strategic Plan and Business Plan;
- The development of a computer game, screensavers and revenue countdown map for the Revenue Target campaign, advertising material for the Small Business Tax Amnesty campaign, Odometer campaign and Customs Day campaigns and all branding for the OECD Forum on Tax Administration conference;
- The development and implementation of promotion strategies to advise stakeholders of the relocation of SARS offices in Sibasa and Rustenburg; and
- The implementation of and the continuous support for a SARS Research Committee.

### Samples of work done by the SARS in-house design studio



Commemorative publication



Staff DVD



Tax Amnesty advert

### Corporate Relations

The management of relations with key industry stakeholder representative organisations as well as the management of SARS' corporate social investment (CSI) programme is a critical component of the SARS communications strategy. It is important for us to raise awareness among both internal and external stakeholders about the role SARS plays in collecting revenue, facilitating trade, fostering compliance and promoting a culture of fiscal citizenship. Highlights for the year included:

- The organising of four high-level engagements as part of the OECD programme between the Commissioner and the chief executive officers of the major accounting firms, banks and insurance companies;
- The distribution of over 300 tons of confiscated second hand clothing to needy organisations in partnership with National Treasury and the Department of Social Development; and
- The management of the "Take a Girl Child" and "Take a Child" initiatives within SARS.

SARS actively works to build strategic relations with a number of key stakeholders, including the media, to promote its interests and spread awareness about new developments and changes pertaining to tax and Customs.



Girl learners attending the SARS Take a Girl Child to Work day Programme 2008

## Properties and Facilities



The Properties and Facilities Division provides innovative, efficient and sustainable end to end property and facilities management solutions and practices whilst being a low cost service provider and business partner to assist SARS to achieve its strategic intent and objectives. This includes the establishment of new offices, maintenance programmes for all buildings and border posts and ensuring compliance with health and safety legislation.

### Property Management

Key activities include the acquisition of properties and the review and revision of the existing portfolio to ensure alignment with business needs.

**Table 4.3.2: The Property Portfolio currently comprises:**

Commercial Leases	95
Parking Leases	10
State Owned Office buildings	23
Other State Owned	24
Residential Leases	4

For the financial year 32 new leases were activated, 28 leases were renewed; 7 leases were terminated and 3 state owned facilities were vacated and reduction in rental escalation was achieved for various sites including Cape Town International Airport; OR Tambo International Airport; Port Elizabeth; East London; Kimberley and Randfontein

### Facilities Management

Facilities Operations Management ensures that all buildings utilised by SARS are functional at all times and comply with health and safety regulations. The program of works included the maintenance of air conditioners, lifts, plumbing, fire-detection and protection equipment, access control systems and CCTV and security systems at all operations as well as the provision of non technical services such as gardening, hygiene and sanitary, pest control, carpet and window cleaning and related ancillary activities. With regard to Health and Safety regular audits and inspections were conducted on all equipment and, where required, maintenance and repairs were carried out. Modifications were made at various offices to improve health and safety conditions and the regular site visits/audits has resulted in the necessary compliance to Health & Safety requirements.

## Properties and Facilities

### Design Standards and Planning

Accommodation norms were established for the newly structured BCOCC Division as well as the design & technical specifications of sleeping quarters, offices, gym facilities and clinics for “Parkhome” type accommodation at Border Posts.

The utilization of space was improved over the reporting period including:

- Increased call centre, eFiling , SMT and Finance Division presence at MWP;
- Scanning and file digitisation verification incorporated at the Alberton Campus;
- Reconfiguring of the Cape Town office to accommodate additional staff;
- Establishing Rissik street as an information storage and filing centre;
- Establishment of the Small Business Advisory unit at Randburg; and
- Increased TPS capacity in Belville.

### Conclusion

The Property and Facilities Division continually strives to ensure that the overall standard of SARS facilities improves thereby facilitating a better experience for all its stakeholders. For the coming year the strategic objectives of the division are to; continue the provision of an effective and efficient Property and Facilities Management Service; optimise Business Support Services for the organisation (e.g. Cell phones, Fleet); facilitate and implement the National Energy Management initiatives and Enhance Human Capacity and Capability within the Division.



Commissioner Gordhan and SARS officials hosting a high ranking delegation from Vietnam

South Africa's expansion in global and continental relations has resulted in a greater need for international technical cooperation that, in turn, requires an expanded international role and a proactive approach by SARS. This is reflected in the further development of its international relations over the course of the past financial year. Multilaterally, particular emphasis was placed on the role of South Africa within the WCO, the OECD and IBSA, with similar importance being placed on the regional work in the structures of the AU, SADC and SACU. Several bilateral tax and customs agreements were also concluded with strategic partners. In keeping with its commitment to developing tax and customs capacity on the continent, SARS continued to provide assistance to other African administrations in the form of workshops, study visits and attachments.

## Multilateral Cooperation

### Membership and Participation to International Bodies

To ensure that SARS continues to be a participating and contributing member of the global tax community, its membership in the following international structures has been continued and/or strengthened:

#### United Nations (UN)

A senior SARS official is an elected member of the Committee of Experts on International Cooperation in Tax Matters. A meeting of one of the Working Groups of this Committee was hosted in Cape Town during February 2008.

#### World Customs Organisation (WCO)

The main SARS contributions in respect of the WCO were provided at the June and December 2007 Policy Commission Sessions and the 2007 Council Sessions. SARS played a pivotal role in the preparation of the WCO strategic document on "Customs in the 21st Century" and was further tasked to host a high-level meeting to consider this document in early 2008.

In April 2007, South Africa hosted the "Global Forum V on Fighting Corruption and Safeguarding Integrity", in which the SARS Head of Customs chaired the session on "Trade and Customs Partnership to Fight against Corruption & Safeguard Integrity". SARS, in cooperation with the WCO, also hosted a related high-level event, the "Global Dialogue on Customs Capacity Building".

## International

### Organisation for Economic Cooperation and Development (OECD)

The most significant SARS engagement with the OECD over the past year was when South Africa hosted the 4th Meeting of the OECD's Forum on Tax Administration (FTA) in Cape Town in January 2008. The forum was chaired by Commissioner Gordhan, the first time by a non-OECD member country, and brought together the highest number of tax commissioners to date. One of the key outcomes of the meeting was the endorsement of a Study on the Role of Tax Intermediaries, in which SARS had provided input. SARS officials were also significantly involved with the drafting of the FTA communiqué. The FTA meeting, in a departure from previous meetings, also included discussions on:

- Global trends in business and the implications for revenue authorities, with the participation by CEOs of leading Multi-national Corporations; and
- Assisting African revenue administrations in developing their capacity, including the holding of a Conference in South Africa in the course of 2008.

Over the course of the year, SARS officials also participated in the regular meetings and work of the OECD's Committee on Fiscal Affairs and its various working parties, as well as in the Meeting of the OECD Advisory Group for Cooperation with Non-OECD Economies in Viña del Mar, Chile in March 2008.

### India-Brazil-South Africa (IBSA)

Within the IBSA Revenue Administrations Working Group (RAWG), SARS played a leading role in developing the IBSA customs and revenue agreement as a response to the increased trade and investment flows among the three countries. The Trilateral Agreement on Customs and Tax Administration Co-operation was signed in October 2007 on the occasion of the 2nd IBSA Summit held in Pretoria, South Africa.

In line with the IBSA RAWG work plan, SARS hosted senior officials from the Indian and Brazilian Tax Administrations at its Large Business Centre (LBC) in March 2008. The three administrations also agreed to continue working on issues of electronic interconnectivity and cooperation in the fight against fraud and smuggling, the exchange of information, risk profiling and assessment, a common approach to customs procedures, capacity building and developing a common approach in multilateral fora.

### Inter-American Centre for Tax Administrations (CIAT)

As an associate member, SARS participated in the 41st CIAT General Assembly in Barbados in May 2007. Within the broader theme of "Key Structural Aspects of Tax Administrations", SARS delivered a presentation on "Criteria for Departmentalization". An agreement between SARS and CIAT was signed at the meeting for South Africa to host the 2008 CIAT Technical Conference.

### Other Multilateral Fora

SARS senior officials also participated in the Annual Conference of the Commonwealth Association of Tax Administrators (CATA) in Nairobi, Kenya in August 2007 as well as the International Tax Dialogue (ITD) Global Conference on Taxation of SMEs in Buenos Aires, Argentina in October 2007.

### Tax Treaties and Protocols to Double Tax Agreements

To maintain and expand our tax treaty network around the globe and thus promote trade and investment, protect the tax base and facilitate information exchange, the following negotiations were dealt with:

- The text of double taxation agreements (DTAs) was finalised with Mexico, Syria and the United Arab Emirates;
- Protocols were finalised with Australia, Cyprus, Ireland, Netherlands and Oman in order to facilitate the switch of the Secondary Tax on Companies to a dividend tax on shareholders;
- DTA's and protocols were signed with Australia, Mozambique, Sudan and Switzerland;
- DTA's were ratified in South Africa in respect of Mozambique, Portugal, Saudi Arabia and Switzerland; and
- DTA's became operational with Ghana, Kuwait and Tanzania.

### Trade Agreements (Rules of Origin)

The European Free Trade Association (EFTA) consists of Switzerland, Norway, Iceland and Liechtenstein. The Free Trade Agreement between the EFTA and SACU States covers trade in goods and lays the foundation for a further engagement of parties with regard to intellectual properties, investment, trade in services and public procurement.

The Agreement is aimed at establishing a free trade area through the following objectives:

- Liberalisation of trade in goods;
- Substantially increase investment opportunities in both parties; and
- Contribute to the harmonious development and expansion of world trade by the removal of barriers to trade.

The EFTA States will abolish all Customs duties on industrial products originating from SACU on implementation, and SACU States will progressively reduce customs duties on imports originating from EFTA States over a period of nine years beginning in 2008.

SARS also participated in trade negotiations for the following preferential trade arrangements:

- The preferential trade agreement between SACU and Mercosur (Brazil, Argentina, Paraguay and Uruguay). The negotiations for this agreement are almost complete and the agreement may be implemented in the next year;
- The SADC Economic Partnership Agreement with the European Union. South Africa did not initial the interim agreement and negotiations are continuing; and
- Initial trade negotiations also commenced with India.

### Mutual Assistance Agreements (MAA)/Memoranda of Cooperation (MOC):

Recognising that international treaties and protocols are anchored in principles that include reciprocal contribution to institutional and human capacity building, SARS has continued its participation in mutual assistance agreements. SARS has drafted, finalised and/or signed:

- MOCs with Canada, Lesotho (two), Mozambique and the WCO;
- MAA with India; and
- Texts of multilateral agreements between SACU and Mercosur and the IBSA.

### Regional and International Cooperation

At continental level, SARS is active in the African Union (AU) Subcommittee of Customs Directors-General, with the Head of Customs having been appointed to the position of Vice Chairperson of the Subcommittee for 2007/08. Regionally, SARS participates in the activities of the WCO East and Southern Africa region, the SADC and SACU.

Over the past year, SARS has continued to play a leading role in the activities of the SADC Heads of Customs Subcommittee and its advisory working groups aimed at the smooth implementation of the SADC Protocol on Trade and its objective of creating a free-trade area in the region. This work has focused on the development of an SADC transit system, and capacity building. Also, in February 2007, the SADC Heads of Customs inaugurated a pilot project designed to test and introduce the Regional Transit Management System along the North / South Corridors. The project, initially focusing on the Durban – Blantyre Corridor, was extended in February 2008 to include the Durban – Lubumbashi Corridor.

South Africa hosted the 5th SADC Tax Subcommittee "Heads of Tax" Meeting in May 2007, with SARS participation particularly in the Sub-committee's Indirect Tax Working Group (ITWG) and Tax Agreements Working Group (TAWG). SARS currently chairs the TAWG, where a draft SADC Multilateral Agreement for the Exchange of Information and Mutual Assistance in Tax Matters is being finalised.

## International

A General Memorandum of Cooperation, with special annexes on Capacity Building and the Customs Automation Project, was signed between SARS and the Lesotho Revenue Authority in June 2007. Also, the Agreement on the One-Stop Border Project between Mozambique and South Africa was signed by the Heads of State of the two countries on 17 September 2007. The project has been developed to enhance border crossing performance, improve turnaround times, and provide a single stop for administrative processes, thereby eliminating duplication of border activities.

Relations with other strategic partners were also strengthened through the signing of a Memorandum of Cooperation with the Canadian Border Services Agency (CBSA) focus on Capacity Building in Customs, while a Memorandum of Understanding on Customs and Tax Administration Cooperation was also signed in January 2008 with Her Majesty's Revenue and Customs of the United Kingdom.

The visit by Commissioner Gordhan to Sweden in October 2007 re-energised the relationship with the Swedish Tax Agency and the Agreement for Institutional Co-operation between SARS and the STA was extended until the end of December 2008. It was also agreed that collaboration between SARS and the Swedish Customs Agency (SCA) would form part of the Agreement. Projects in the areas of Operations, Enforcement and Human Resources were the focus over the past year.

### Capacity Building

SARS continues to provide assistance to other African administrations in building their capacity. This takes the form of providing policy, legal and operational assistance, hosting study and benchmarking visits, providing training interventions either in South Africa or in those requesting countries, seconding SARS officials to other administrations as well as hosting officials seconded by other administrations. In the latter respect, SARS hosted two senior African tax officials for a two-week attachment in November 2007 through its collaboration with the IMF East Africa Regional Technical Assistance Centre (East AFRITAC).

SARS hosted workshops, with the participation of OECD technical experts, for administrations of the SADC region on Tax Treaties in May, Auditing Multinational Enterprises in June, and Transfer Pricing in September 2007. Other tax workshops included workshops on international treaties for the Botswana Unified Revenue Service, the Rwanda Revenue Authority and ISTAX of Japan, as well as presentations on international treaties and VAT at the African Tax Institute. Within the context of the WCO Regional Training Centre for East and Southern Africa, SARS also provided training for the region on Harmonized System Training, Risk Management, Trade Facilitation and Valuation with financial assistance from the Dutch government.

### Benchmarking Visits

Over the past year, SARS received visits from officials from the tax and customs administrations of Belgium, Botswana, China, Indonesia, Lesotho, Mozambique, Nigeria, Sierra Leone, Swaziland, Tanzania, Turkey and Uganda, as well as from the IMF-East Africa and Newcastle Business School. A delegation from the IMF on their annual Article IV Mission to South Africa also visited SARS in May 2007.



Dave Hartnett, Acting Chairperson of Her Majesty's Revenue and Customs of the UK and Commissioner Gordhan signing a bilateral Memorandum of Co-operation between the HMRC and SARS

## Service Monitoring Unit (SSMO)



Service Monitoring Unit call centre agents

The mandate of the office is to resolve complaints and offer advice to clients about their rights.

The office also plays an important secondary role of educator in informing clients on SARS processes and changes in the SARS core business that might affect them. This creates an informed client base and gives better a understanding of why delays occur or more time is required in specific instances. This in itself does not necessarily reduce the number of complaints to the office but it reduce the level of aggravation that often accompany these complaints.

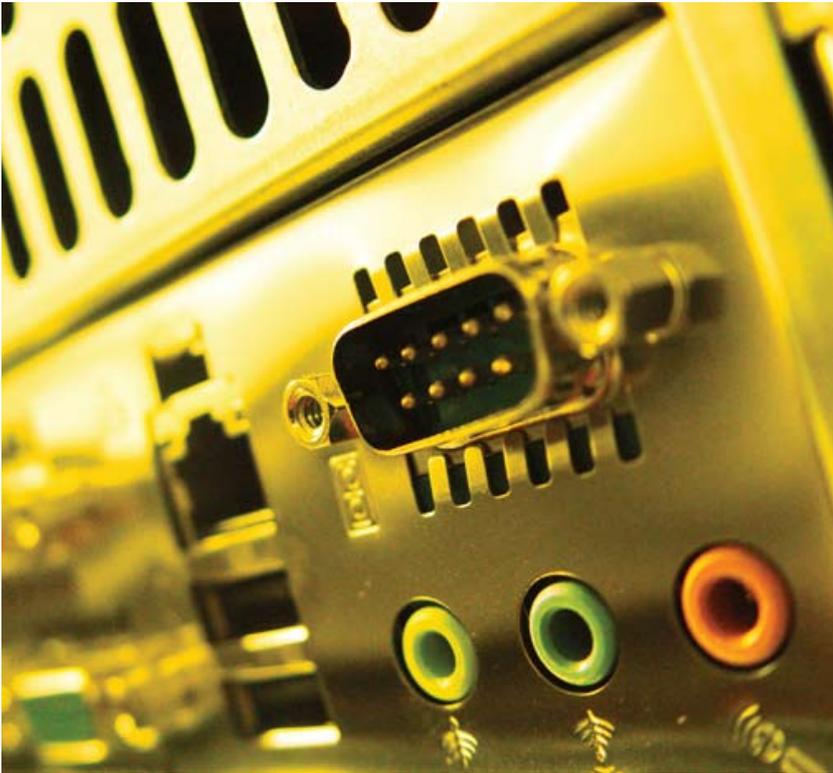
A steady year on year increase in queries and complaints has occurred that can be contributed to numerous environmental aspects and influences. Among other the awareness of the existence of the SSMO steadily increase on a yearly basis and by implication causes a higher influx of interaction with the office. This is viewed in a positive light as this brings SARS closer to an accurate market evaluation of service standards within the country. The continuous improvement of organisational activities is another contributing factor such as the new assessment process that was introduced in the 2007/08 year. This initiative increases effectiveness and ensure a faster and more streamlined service to clients but being new and advanced it takes time to grow accustom to the changes and initial fine tuning might lead to increased frustration on the client's side. This is viewed as an expected increase in complaints that will be alleviated going forward by the enhancements already made and the incorporation of new initiatives into the normal business processes.

The abovementioned increase had a natural effect on the percentage of cases resolved within the agreed turnaround time. A 4% decrease was documented taking the office from 85% of cases resolved within turnaround time in the previous year to 81% for this year. The table below gives and overall view of cases handled by the SSMO over the past five years.

**Table 4.3.2: Cases handled by SSMO – 2004 – 2008**

	2004	2005	2006	2007	2008
Complaints received	4,380	3,266	5,756	6,882	7,385
Quick logs received	9,818	10,445	11,531	8,940	7,336
% complaints resolved within SLA	46%	72%	82%	85%	81%

## Technology

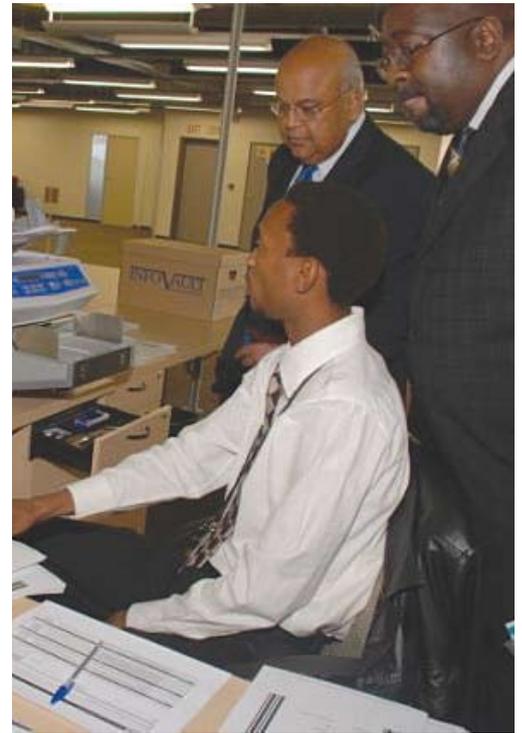
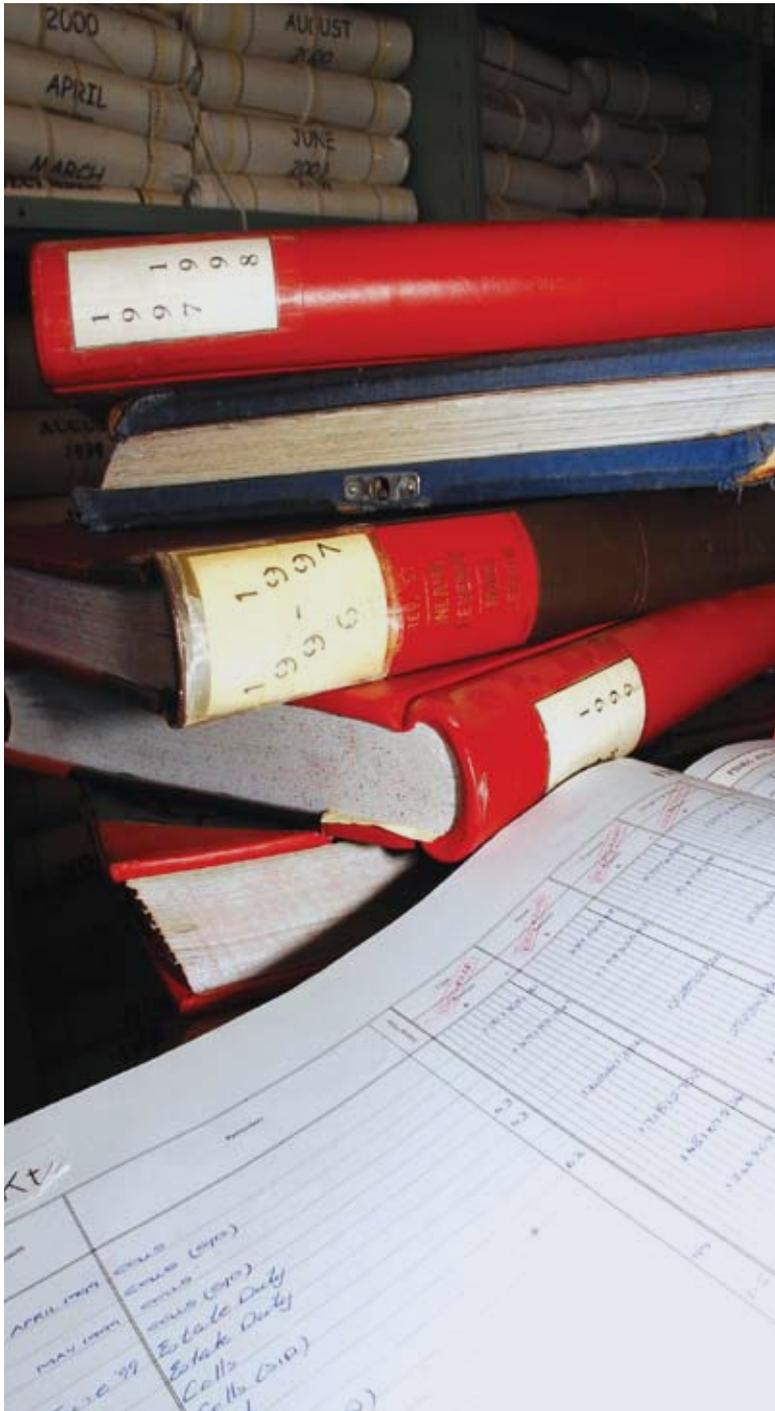


A key thrust of SARS' strategy is the recognition that technology is critical to the modernisation of SARS. SMT is the custodian of technological innovations that improve operational efficiencies and effectiveness. It is also responsible for SARS' technology architecture, application systems development, IT operations and "24x7" transaction processing.

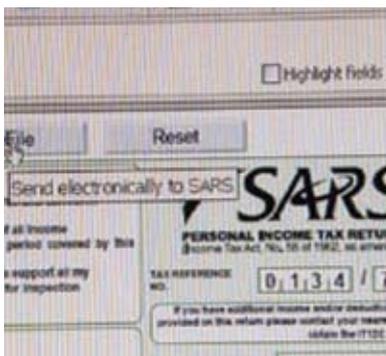
### Performance

Specific attention was paid to upgrading the Technology Infrastructure and ensuring the continued stability, availability and performance of the core systems. Efforts were also made to improve the speed and effectiveness of technology support services. Key achievements include:

- Rationalisation of the central site mainframe and server infrastructure: this will lead to improved average service availability, simplified maintenance and on-going cost savings;
- Awarded the ICT Infrastructure tender. The necessary interim agreements and the transitioning from the old service providers are in progress;
- Improved processes for systems support and incident management were implemented, following the transition of the desktop and server support services to a new service provider and the implementation of a new ICT service desk solution;
- Successfully concluded an agreement for the provision of Disaster Recovery Services. In order to mitigate the risk of disaster, SMT planned for the provision and use of a syndicated disaster recovery site. The agreed plans will be implemented in the 2008/09 financial year;
- Awarded the Customs scanners tender and commissioned the first scanner at the Durban port.



## Part Five Modernisation



## The Modernisation Programme

2007/08 marked the first year of implementation of the modernisation programme aimed at improving SARS' ability to sustain its performance in the face of substantial increases in volumes of transactions and returns, the pressure on manual processes, the imperative to sustain and grow revenue collection, managing risk and non-compliance and the need to deploy people more efficiently.

### Performance Highlights

#### Assessment programme

The success of the Filing Season can best be described by referring to a message sent out by the Commissioner to all SARS employees in whom the following remarkable achievements are mentioned:

- 3,8 million individual tax returns were processed automatically;
- 2,4 million returns were received electronically or scanned electronically;
- Nearly 2 million taxpayers received their assessments dramatically faster than before;
- eFiling submissions increased from 35 000 to over 1 million in one year; and
- significant reduction in risk and identification of non-compliant taxpayers.

#### Service programme

The infrastructure was put in place to support the changes introduced by the 2007 assessment programme. It was recognised early on that the success of the 2007/08 filing season would be heavily influenced by ensuring that the appropriate taxpayer support systems were in place, especially at the call centres and branches.

#### The modernisation agenda

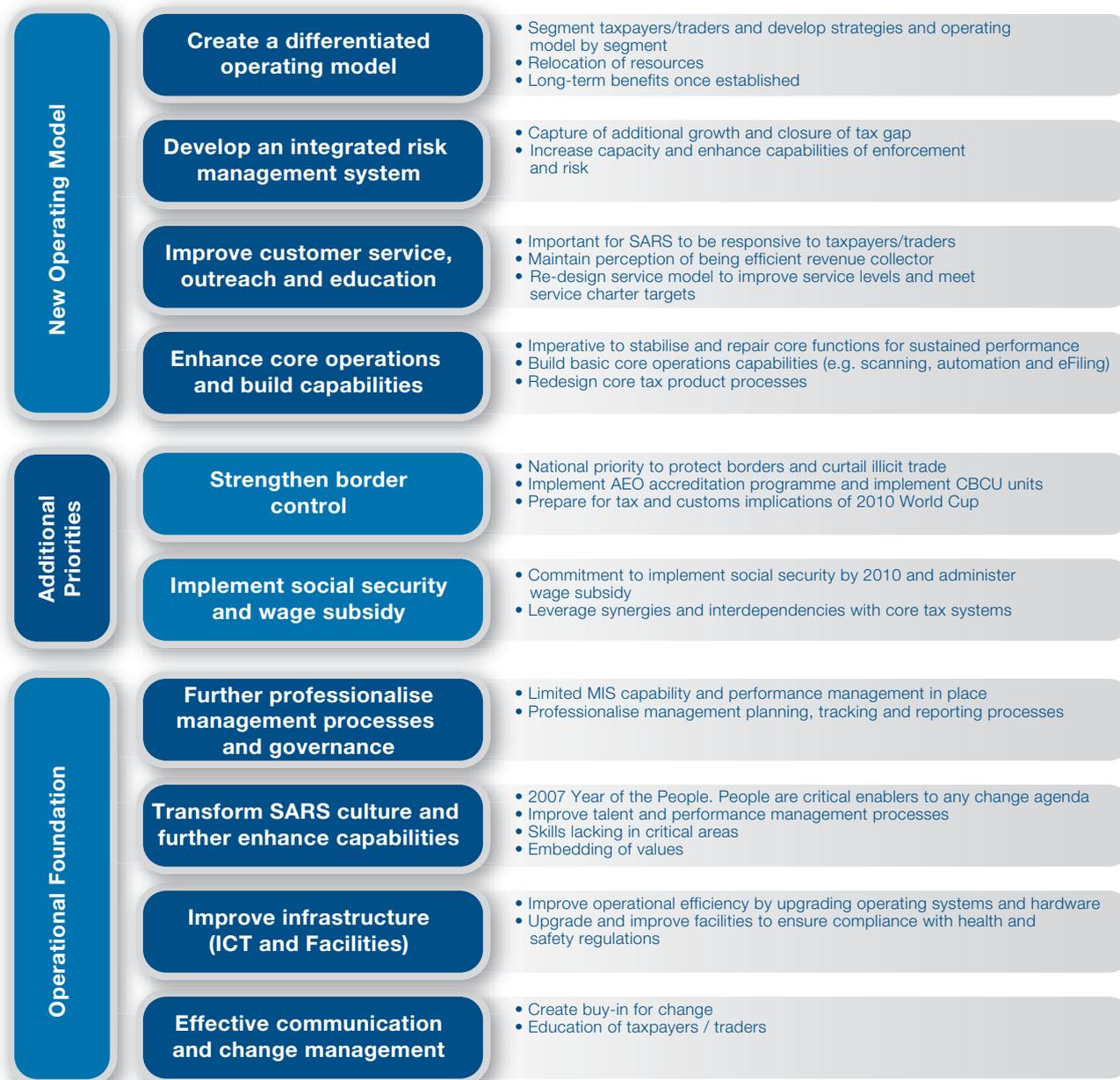
It is anticipated that the full implementation of the 10 modernisation programmes will stretch over five to seven years and will be split into three phases of approximately two years each. The first phase, which relates to creating the capacity, design and foundations for modernisation, has made significant inroads.



Filing Season 2007

# The Modernisation Programme

The 10 programmes are:



## The Modernisation Programme

### Programme 1: Create a differentiated operating model

The key objective is to create a differentiated approach in engaging taxpayers and traders based on an understanding of their revenue contributions, service requirements and risk profiles. We aspire to achieve the following outcomes:

- Improved taxpayer and trader service experience and voluntary compliance;
- Segment focus for operations and stronger stakeholders relationships;
- Enhanced service, education and enforcement; and
- Stronger focus on people, process and systems.

The following progress has been made during the year under review:

- Following extensive research, ten segments of taxpayers and traders, each with specific needs and behaviours, have been identified;
- this segmentation translates into a new operating model which will be systematically phased in; and
- a proposed organisational structure to match the changes in the new operating model has been defined and will be gradually phased in.

### Programme 2: Develop an integrated risk management and enforcement system

The objective of this programme is to review SARS' risk philosophy and implement a differentiated enforcement approach for each taxpayer and trader segment. We aspire to achieve improved compliance and outreach by 2010 reduction of the overall burden to taxpayers and traders, and an increased use of more sophisticated methods including risk profiling, modelling and third party data thus ensuring better targeting of enforcement's human resource capacity.

A detailed analysis of the Personal Income Tax risk rules has been undertaken; this led to the introduction of a new statistical model which is being constantly refined. This risk mechanism enables enforcement to now focus its activities on higher possible yield cases.

Enforcement is now also assisted by new systems which highlight exceptions such as third party data mismatches and create cases for automatic follow up. The improved performance on hit rate for investigative cases is attributed to improved case selection based on ever improving data analytics.

### Programme 3: Improve customer service, outreach and education

The objective of this programme is to deliver against SARS' service charter by improving the ability and speed at which SARS can respond to and resolve Personal Income Taxpayer queries. We aspire to resolve the majority of queries at point of contact, following the "one and done" principle, and provide effective, easily available and efficient channels.

The following progress has been made during the year under review:

- informed and educated taxpayers about the new, simpler and improved eFiling forms and how these should be completed;
- developed case management software to facilitate workflow processing, which forms the foundation for tracking open and unresolved cases at both contact centres and branches; and
- the first version of the service manager software has been rolled out to the call centres, assessment centres and branch offices. Call centres are starting to be presented with a full view of case history, which allows for efficient reply to taxpayer queries.

## The Modernisation Programme

### Programme 4: Enhance core operations and build capabilities

The objective of this programme is to fundamentally modernise and redesign the core operations improving operational efficiencies and resources allocation. We aspire to enhance the core capabilities by minimising manual and paper-based transactions and improving employee productivity by re-engineering and automating routine functions, thereby freeing up staff to perform more value-added activities such as education, service and auditing.

The following progress has been made during the year under review. 2007 saw a fundamental re-look at how SARS interacts with taxpayers:

- Personal income tax returns were considerably simplified and new PIT assessment process rolled out nationally. This included:
  - a centralised scanning and imaging facility to digitise PIT returns;
  - a revamped eFiling platform which encouraged both personal income taxpayers and tax practitioners to submit their data electronically. The need to provide paper schedules with the tax returns was done away with; and
- A new branch capture system enabling direct electronic interaction with taxpayers at branches led to more than 2,4 million (need to check this) returns either being scanned or received electronically.

The assessment programme introduced a significant amount of change to the SARS operating model. The fact that it was landed on time and without causing any major operational disruptions are testament to the abilities of all involved and the successful deployment of formal project management methodologies.

### Programme 5: Implement national social security tax and wage subsidy

We are committed to playing a role in these initiatives as we broaden our contribution to government's overall development agenda.

A high level operational design for social security administration was developed and shared with the interdepartmental task team. The proposals allow for delivery through either "in-house" and other existing government capabilities as well as through the private sector.

### Programme 6: Strengthen border control (lead agency at ports of entry)

The objective is to facilitate trade, secure the logistics chain and protect the community.

The following progress has been made during the year under review:

- Scanner tender awarded – the first mobile scanner was put into operation in February 2008 at the Durban Container Terminal. In the first month of pilot testing, in excess of 700 containers were successfully scanned;
- Implemented the first phase of Customs Border Control Unit (CBCU). The first batch of CBCU trainees completed their training while another intake of 300 trainees commenced in March 2008;
- Implemented first phase of the authorised economic operator (AEO) accreditation programme in parallel with the AEO policy development. The programme was developed as an initiative of the World Customs Organisation Framework of Standards to secure and facilitate global trade; and
- As lead agency:
  - The National Integrated Border Management Strategy has been adopted by Cabinet; and
  - Capacity has been created for the execution of the lead agency role.

## The Modernisation Programme

### Programme 7: Further professionalise management processes and governance

The objective is to improve the core management processes and to build capabilities by enhancing human resources, information management and support service delivery capabilities.

The following progress has been made by addressing several core areas:

**Foundation:**

Implementation of new HR ERP solution to simplify systems and business processes was initiated;

**Performance and planning:**

- An integrated approach to planning and budgeting has been adopted;
- Performance scorecards aligned to the modernisation agenda and strategic plan put in place at divisional, executive and senior management level; and
- Revised the performance management development system (PMDS) and rolled out nationally.

**Enablement and policies:**

- The governance unit has been established and the SARS governance framework adopted; and
- The strategic sourcing model has been reviewed.

### Programme 8: Transform SARS' culture and further enhance people capabilities

The objective of this programme is to enhance our human capability by developing staff that have the appropriate skills and orientation; achieve employment equity and work place diversity; and build a cadre of tax and customs professionals while maintaining an acceptable level of engaged employees.

In this year, we:

- Conducted a Connexion survey which enabled the identification of improvement areas;
- Completed a SARS-wide awareness campaigns together with Quick Wins to "Show We Care" and launched the "SARS 4 U" lifestyle balance programme;
- Demonstrated an increase in the annual employee engagement Index measured in March – 4.8% improvement;
- Aligned the 360 degree behaviour review to SARS values and automated model implemented for mid-year reviews and year-end reviews;
- Presented the total rewards philosophy and variable pay principles to the remuneration committee, which was approved; and
- Opened our National Recruitment Centre in February with outsourced recruitment partners.

## The Modernisation Programme

### Programme 9: Improve infrastructure (Information & Communication Technology [ICT] and Facilities)

The objective of this programme is to upgrade the ICT foundation for legacy systems to enhance core operations, build capabilities for sustained performance and improve the conditions of buildings at border posts as well as upgrade the building portfolio to ensure compliance with business needs.

During the year under review, we made the following progress:

- Implemented a new simplified and optimised hardware configuration in central sites which will result in a decreased need for support and annual cost savings;
- Awarded the network tender covering a broad range of services including services such as managed networks, data and voice carriers, Internet service providers, workstation services, server services and printing services; and
- Renegotiated a number of technology contracts with IT suppliers. This will lead to significant annual savings being achieved in the years to come.

This year, we upgraded specific sites in line with business needs, health and safety standards and security. We also launched a programme to improve buildings at border posts.

### Programme 10: Effective communication and change management

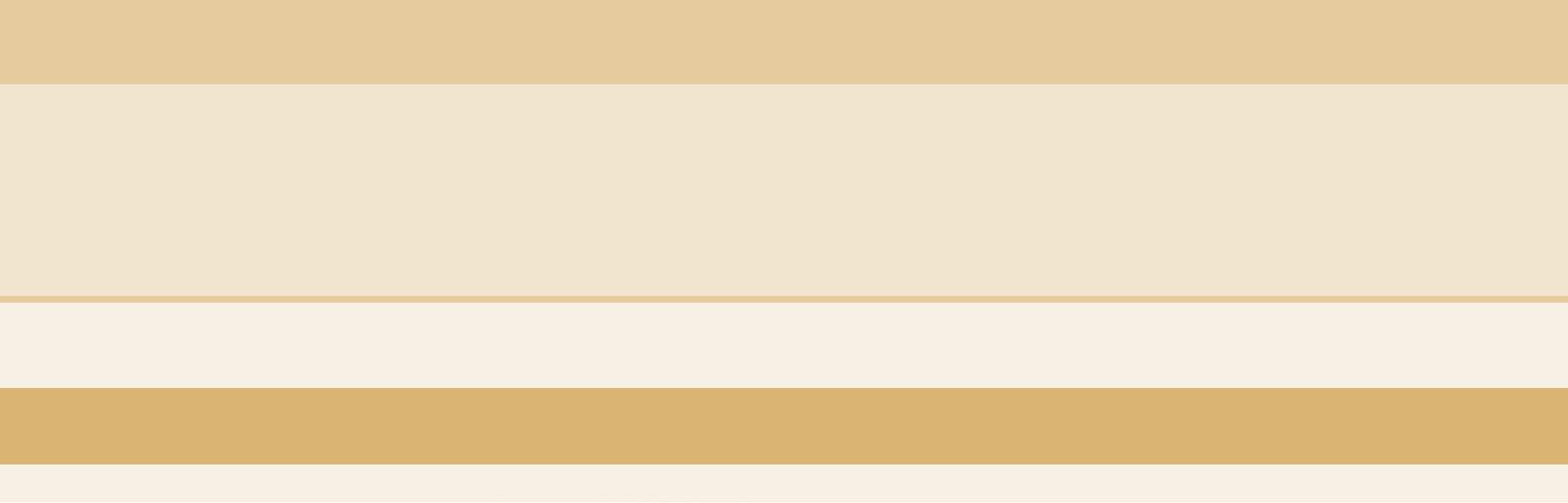
The objective of this programme is to use communication and change management effectively in support of the modernisation agenda. Part of this process is also to educate relevant stakeholders on outcomes or changes to SARS that arise as a result from the modernisation programmes. This includes educating taxpayers about the revamped Personal Income Tax returns and processes, as well as the new e-Filing platforms.

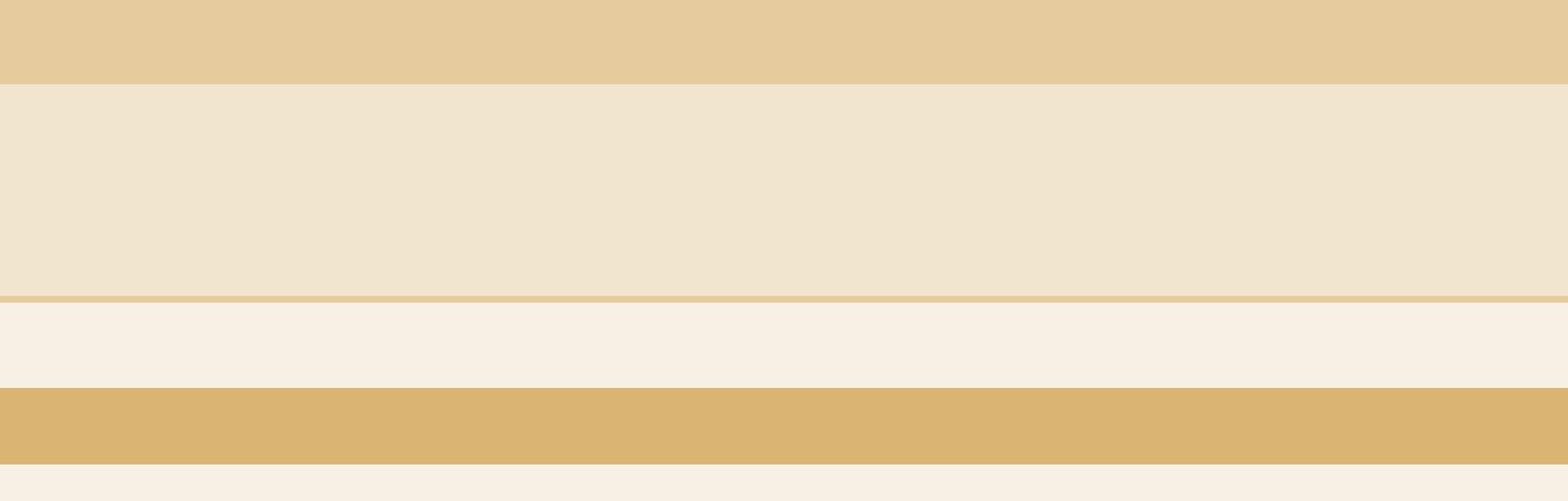
We have made the following progress during the year under review:

- Internal communications arranged a first ever satellite broadcast to all offices addressed by the Minister and Commissioner (to promote awareness and buy-in for the modernisation agenda);
- Employee Connexion road shows conducted to promote direct communication between the Commissioner, Exco and staff;
- Highly successful external communication campaign regarding the small business amnesty completed;
- External communication in support of the 2007 assessment programme and new e-filing capabilities was extensive; and
- Taxpayers, practitioners and employers engaged for input into proposed 2008 Personal Income Tax and PAYE reform respectively.

### Conclusion

The past financial year has seen a radical transformation of the operating model at SARS. SARS has put in place the required systems and plans to ensure that the changes for the coming financial year, in many aspects as large and dramatic as those already introduced, are also successfully executed.





Part Six  
**SARS**  
Financial  
Statements

## Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2008 in terms of Treasury Regulations 3.1.1.9 and 10 whereby the Audit Committee is required to report amongst others on the effectiveness of the internal controls, the quality of in-year management and monthly reports submitted in terms of the Division of Revenue Act as well as its own evaluation of the annual financial statements.

### Audit Committee Members and Attendance

The Audit Committee operates in terms of written terms of reference, which deal with its membership, authority and responsibilities. These terms of reference are reviewed at least annually to ensure their continued relevance (Treasury Regulations 27.1.6).

The composition of the audit committee members is such that all Treasury Regulations requirements are met in terms of financial literacy and independence. The Audit Committee consisted of four external members listed hereunder and held three meetings for the financial year under review. Note should be taken that for the period under review, Prof Dillip Garach temporarily recused himself from SARS Governance structures for personal reasons.

Member	DATE OF MEETING		
	17 May '07	27 July '07	15 Nov '07
<b>Mr Bongani Nqwababa (Chairperson)</b> Finance Director at Eskom Holdings Limited <ul style="list-style-type: none"> <li>• B. Acc (Hons), 1989, University of Zimbabwe.</li> <li>• CA (Zim) 1991;</li> <li>• MBA in Finance, 1999, Universities of Manchester and Wales, Bangor</li> </ul>	√	√	√
<b>Mr Mustaq Brey</b> CEO: Brimstone Investment Corporation Limited <ul style="list-style-type: none"> <li>• B.Compt (Hons); CA (SA)</li> </ul>	√	√	√
<b>Ms Berenice Lue-Marais</b> Head: Africa, CSIR Market & Business Development; and International Development Finance Manager, CSIR International Relations, CSIR, Pretoria <ul style="list-style-type: none"> <li>• MBA International Finance, 1992 The American University, Washington, D.C.</li> <li>• Bachelor of Arts, BA Economics, 1988 The University of the District of Columbia, Washington, D.C. August 1988</li> </ul>	√	√	√
<b>Prof Dillip Garach</b> Accounting Professor at Natal University; Consulting Partner at Garach & Garach <ul style="list-style-type: none"> <li>• MCom; CA(SA); CFP</li> </ul>	Temporarily recused	Temporarily recused	Temporarily recused

### Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1)(a)(ii) and 76(4)(d) of the PFMA, and Treasury Regulation 27.1. The Audit Committee has adopted appropriate formal Terms of Reference, has regulated its affairs in compliance with these Terms of Reference and has discharged all its responsibilities as contained therein.

## The effectiveness of internal control

The system of internal controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. From the various reports issued by the Internal Audit function, the external Audit Report on the Annual Financial Statements and management letters of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported.

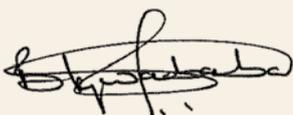
In line with the PFMA and the King II Report on Corporate Governance, the Internal Audit function provided the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. A new Head for Internal Audit was appointed on 1 February 2008. The Audit Committee satisfied itself that SARS took the necessary steps to maintain the effective functioning of its Internal Audit unit through inter alia the appointment of an Acting Head and adequate handover after the new Head was appointed. Accordingly, the committee reports that the systems of internal controls for the period under review were effective and efficient.

## Evaluation of Financial Statements

The Audit Committee has:

- a) Reviewed and discussed the audited Annual Financial Statements to be included in the annual report with the Auditor-General and the Accounting Officer;
- b) Reviewed the Auditor-General's management letters and management's responses thereto;
- c) Reviewed accounting policies; and
- d) Reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the Auditor-General's conclusions on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.



**Bongani Nqwababa**  
**Chairperson: Audit Committee**  
21 August 2008

# ADMINISTERED REVENUE

## Financial Statements

31 March 2008

CONTENTS	Page
Report of the Auditor-General	131
Statement of Financial Position	134
Statement of Financial Performance	135
Statement of Changes in Net Assets	136
Cash Flow Statement	137
Notes to the Financial Statements	138
Unaudited Annexures	143

The attached Financial Statements were approved and signed by:



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P Gordhan  
Commissioner  
South African Revenue Service

Date: 29 July 2008

# ADMINISTERED REVENUE

## Report of the Auditor-General to Administered Revenue

### REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE SOUTH AFRICAN REVENUE SERVICE: ADMINISTERED REVENUE FOR THE YEAR ENDED 31 MARCH 2008

#### REPORT ON THE FINANCIAL STATEMENTS

##### Introduction

1. I have audited the accompanying financial statements of the South African Revenue Service (SARS): Administered Revenue which comprise the statement of financial position as at 31 March 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 134 to 142.

##### Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

##### Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 28 of the South African Revenue Service Act, 1997 (Act No.34 of 1997), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. 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.
6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## ADMINISTERED REVENUE

### Report of the Auditor-General to Administered Revenue

#### Basis of accounting

8. SARS policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1.

#### Opinion

9. In my opinion the financial statements present fairly, in all material respects, the financial position of the South African Revenue Service (SARS): Administered Revenue as at 31 March 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 and in the manner required by the PFMA.

#### OTHER MATTER

Without qualifying my audit opinion, I draw attention to the following matter that relates to my responsibilities in the audit of the financial statements:

#### Matters of governance

10. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
<b>Audit committee</b>		
• The public entity had an audit committee in operation throughout the financial year.	✓	
• The audit committee operates in accordance with approved, written terms of reference.	✓	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.	✓	
<b>Internal audit</b>		
• The public entity had an internal audit function in operation throughout the financial year.	✓	
• The internal audit function operates in terms of an approved internal audit plan.	✓	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2.	✓	
<b>Other matters of governance</b>		
• The annual financial statements were submitted for audit as per the legislated deadlines (section 55 of the PFMA).	✓	
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.	✓	
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	✓	
• The prior year's external audit recommendations have been substantially implemented.	✓	

# ADMINISTERED REVENUE

## Report of the Auditor-General to Administered Revenue

### OTHER REPORTING RESPONSIBILITIES

#### REPORT ON PERFORMANCE INFORMATION

11. I have reviewed the performance information as set out on pages 185 to 188.

#### Responsibility of the accounting authority for the performance information

12. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

#### Responsibility of the Auditor-General

13. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*.

14. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgment .

15. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

### APPRECIATION

16. The assistance rendered by the staff of the SARS during the audit is sincerely appreciated.

Pretoria

30 July 2008

*Auditor General.*



AUDITOR-GENERAL

## SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE

## Statement of Financial Position

as at 31 March 2008

	Notes	2008 R'000	2007 R'000
<b>ADMINISTERED ASSETS</b>			
Amount due by National Revenue Fund		-	863,958
<b>Current assets</b>			
Bank	2	119,521	-
Cash and cash equivalents	3	21,642	4,562
Accounts receivable	4	3,123	5,312
Other assets	5	626	548
<b>Total administered assets</b>		<b>144,912</b>	<b>874,380</b>
<b>ADMINISTERED LIABILITIES</b>			
Amount due to National Revenue Fund		144,907	-
<b>Current liabilities</b>			
Other liabilities	6	5	10
Bank	2	-	874,370
<b>Total administered liabilities</b>		<b>144,912</b>	<b>874,380</b>

## SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE

Statement of Financial Performance  
for the year ended 31 March 2008

	Notes	2008 R'000	2007 R'000
<b>Taxation</b>		<b>589,094,667</b>	<b>508,664,175</b>
Income tax	7	332,045,467	279,989,859
Value-added tax		150,442,849	134,462,599
Customs duties		26,469,760	23,697,003
Fuel levy		24,065,146	21,578,281
Excise duties		19,698,901	17,652,061
Other taxes	8	12,440,992	10,947,960
Unemployment insurance fund		8,954,337	7,854,291
Road accident fund	9	8,855,313	6,998,978
Skills development levy		6,330,917	5,597,401
Air passenger tax		540,635	484,823
Universal service fund		181,085	152,120
Plastic bag levy		86,314	75,128
Small business tax amnesty		12,828	657
Diesel refunds		(1,029,877)	(826,986)
<b>Non-taxation</b>		<b>915,181</b>	<b>643,733</b>
Customs miscellaneous revenue	10	612,024	305,194
Non-tax revenue	11	214,342	342,682
Mining leases and ownership		56,032	(33,506)
Provincial administration receipts	12	32,783	29,363
<b>TOTAL REVENUE</b>		<b>590,009,848</b>	<b>509,307,908</b>
<b>Less: South African Customs Union Agreement</b>			
Quarterly payments made by National Treasury in terms of the South African Customs Union Agreement	13	24,712,567	25,194,939
<b>NET REVENUE FOR THE YEAR</b>		<b>565,297,281</b>	<b>484,112,969</b>

## SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE

## Statement of Changes in Net Assets

for the year ended 31 March 2008

R'000

## AMOUNT DUE (TO) / BY NATIONAL REVENUE FUND

<b>Balance at 31 March 2006</b>	<b>1,112,249</b>
Net gains and losses not recognised in the statement of financial performance	(248,291)
Net revenue for the year	(484,112,969)
Transfer to the National Revenue Fund	483,864,678
<b>Balance at 31 March 2007</b>	<b>863,958</b>
Net gains and losses not recognised in the statement of financial performance	(1,008,865)
Net revenue for the year	(565,297,281)
Transfer to the National Revenue Fund	564,288,416
<b>Balance at 31 March 2008</b>	<b>(144,907)</b>

## SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE

## Cash Flow Statement

for the year ended 31 March 2008

	Notes	2008 R'000	2007 R'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Cash received from operating activities</b>	<b>14</b>	<b>589,277,353</b>	<b>509,311,537</b>
Taxation		588,362,172	508,667,804
Non - taxation		915,181	643,733
<b>Cash transferred</b>		<b>(589,000,983)</b>	<b>(509,059,617)</b>
Payments in respect of Customs Union Agreement		(24,712,567)	(25,194,939)
Cash to National Revenue Fund		(564,288,416)	(483,864,678)
<b>Net cash (transferred)/retained from operations</b>		<b>276,370</b>	<b>251,920</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>(59,817)</b>	<b>(311,737)</b>
<b>Cash and cash equivalents at end of year</b>	<b>15</b>	<b>216,553</b>	<b>(59,817)</b>

# SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE

## Notes to the Financial Statements

for the year ended 31 March 2008

### 1. Accounting Policies

#### 1.1 Basis of accounting

The annual financial statements have been prepared on the cash basis of accounting. In terms of the Public Finance Management Act No.1 of 1999 (PFMA), SARS is required to comply with generally accepted accounting practice unless the Accounting Standards Board approves the application of Generally Recognised Accounting Practice.

By virtue of the powers vested in the Minister of Finance by section 91(1) (b) of the PFMA, the Minister prescribed the Standards of Generally Recognised Accounting Practice as set by National Treasury in terms of section 89(1) (a) (ii), read with section 93(3) of that Act, for the annual financial statements of national public entities, in respect of taxes, duties, levies, fees and other monies collected by such entities which must be deposited into a Revenue Fund as defined in that Act. This was promulgated in government notice number R. 1095 dated 30 October 2001.

The Accounting Standards Board (ASB) approved the Revenue from Non-Exchange Transactions standard (GRAP 23) in February 2008. This standard provides for the accrual principle to be adopted when recognising and measuring taxation revenue arising from non-exchange transactions. This standard will become effective through the issue of a regulation, which will detail the implementation criteria based on the international guidelines and South African specific requirements. The international equivalent of this standard (IPSAS 23) provides for a five year transitional period from the effective date for the implementation of the standard.

Approval to remain on the cash basis of accounting for financial statements and audit purposes until at least March 2012 was obtained from the Minister of Finance on 23 April 2007.

In terms of the basis of accounting promulgated in government notice number R. 1095 dated 30 October 2001, the following policies are applied.

#### 1.2 Revenue recognition

##### 1.2.1 Definition of revenue

Revenue means all taxes, levies, duties, fees and other monies collected by SARS for the National Revenue Fund.

##### 1.2.2 Recognition of revenue

Revenue is represented by gross collections net of refunds. Refunds are represented by cheques raised (issued) or the raising of electronic refunds.

Revenue is recognised on the cash basis when payments are allocated. This recognition of revenue has been extended to include all monies collected by the South African Post Office Limited which have not yet been paid over to SARS.

South Africa is the administrator of the Southern African Customs Union Agreement. All collections in respect of the Common Customs Union are included in the statement of financial performance as revenue according to the nature of the collection (duties, excise, etc) while refunds made to member countries are disclosed separately.

Stale cheques are written back to income while subsequent claims in respect thereof are treated as drawbacks from current revenue collections. Electronic refund and payment rejections are accounted for per bank statement date.

## SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE

### Notes to the Financial Statements for the year ended 31 March 2008 (continued)

#### 1.3 Revenue not recognised - tax evasion

SARS acknowledges that its fiduciary responsibilities to the Government are unavoidably affected by the incidence of tax evasion and other breaches of the taxation laws by individuals and entities who have a legal obligation to the Government. No assertion, either implicit or explicit, is made in the financial statements that all such transactions have been brought to account.

#### 1.4 Cash and cash equivalents

Cash includes cash on hand which comprises amounts received by SARS as at 31 March but not yet deposited and cash at bank. These items are used in the cash management function of the central government on a day-to-day basis. SARS does not have any term loan or bank overdraft facilities. All balances at the major banks participating in the cash management function of central government are cleared to the National Revenue Fund on a daily basis.

#### 1.5 Accounts receivable

Accounts receivable include all monies collected by the South African Post Office Limited which have not yet been paid over to SARS.

#### 1.6 Bank

The bank balance comprises cheques issued but not yet presented for payment, net reconciling items not allocated to revenue and bank account balances on 31 March not transferred to the National Revenue Fund by the banks.

#### 1.7 Amount due to/by the National Revenue Fund

Amount due to/by the National Revenue Fund reflect the cumulative difference between the transfer of revenue to the National Revenue Fund and revenue recorded per the Statement of Financial Performance.

# SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE

## Notes to the Financial Statements for the year ended 31 March 2008 (continued)

	2008 R'000	2007 R'000
<b>2. Bank</b>		
<p>The bank balance of R119 521 174 for the 2007-08 financial year represents an asset whilst the bank balance of R874 370 408 for the 2006-07 financial year represented a liability. The reason for this movement results from the decline in the value of cheques not presented for payment by taxpayers at 31 March 2008 due to a change in policy during the 2007-08 financial year. Income tax refunds are now effected only by way of electronic fund transfer (EFT) to nominated taxpayer's bank accounts.</p> <p>2007-08: Bank comprises monies not transferred to the National Revenue Fund by the banks at 31 March amounting to R135 533 167, cheques issued but not yet presented for payment amounting to R75 390 139 and net reconciling items amounting to R59 378 146.</p> <p>2006-07: Bank comprises cheques issued but not yet presented for payment amounting to R809 991 133, monies not transferred to the National Revenue Fund by the banks at 31 March amounting to R43 220 023 and net reconciling items amounting to R21 159 252.</p>		
<b>3. Cash and cash equivalents</b>	<b>21,642</b>	<b>4,562</b>
Cash on hand	21,642	4,562
<b>4. Accounts receivable</b>	<b>3,123</b>	<b>5,312</b>
South African Post Office Limited (VAT)	2,952	4,136
South African Post Office Limited (Stamp duty)	171	1,176
<b>5. Other assets</b>	<b>626</b>	<b>548</b>
Provincial administration	451	538
Receivables	175	10
<p>The provincial debtor of R450 790 relates to monies owing by the Eastern Cape province as a result of an overpayment of provincial revenue by SARS during the 1999/2000 financial year.</p>		
<b>6. Other liabilities</b>	<b>5</b>	<b>10</b>
Accounts payable	5	10
<p>Accounts payable represent monies collected on behalf of SARS Own Accounts and paid subsequent to 31 March 2008.</p>		
<b>7. Income tax</b>	<b>332,045,467</b>	<b>279,989,859</b>
Pay as you earn	158,106,165	133,760,368
Persons, individuals and companies	153,068,524	127,747,611
Secondary tax on companies	20,585,421	15,291,351
Tax on retirement fund industry	285,357	3,190,529
<b>8. Other taxes</b>	<b>12,440,992</b>	<b>10,947,960</b>
Transfer duties	7,408,173	6,773,960
Marketable securities tax	3,757,114	2,763,861
Estate duty	691,031	747,447
Stamp duty	531,027	586,162
Donations tax	27,551	47,022
Master fees	26,096	29,508

## SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE

Notes to the Financial Statements  
for the year ended 31 March 2008 (continued)

	2008 R'000	2007 R'000
<b>9. Road accident fund</b>	<b>8,855,313</b>	<b>6,998,978</b>
Road accident fund levy	8,150,071	5,905,632
Road accident fund (Recoupment)	705,242	1,093,346
Road Accident Fund levy is payable on the production of fuel. The recoupment represents the amount due to SARS by the Road Accident Fund in respect of that portion of the diesel refunds already effected to qualifying industries.		
<b>10. Customs miscellaneous revenue</b>	<b>612,024</b>	<b>305,194</b>
Customs miscellaneous revenue	624,319	297,180
Revenue in respect of other departments	(12,295)	8,014
Customs miscellaneous revenue primarily comprises payments from traders that have yet to be allocated to the appropriate duty types.		
<b>11. Non-tax revenue</b>	<b>214,342</b>	<b>342,682</b>
State miscellaneous revenue	212,236	339,171
State fines and forfeitures	2,104	3,477
State licenses	2	34
State miscellaneous revenue mainly comprises stale cheques now written back to revenue.		
<b>12. Provincial administration receipts</b>	<b>32,783</b>	<b>29,363</b>
Provincial administration consolidated account	32,783	29,363
The provincial administration consolidated account represents the net revenue collected on behalf of the Provincial Administrations. According to section 12(3) of the Public Finance Management Act No. 1 of 1999, the National Treasury must transfer all taxes, levies, duties, fees and other monies collected by SARS to that provinces' provincial revenue fund.		
<b>13. Payments in terms of Customs Union Agreement</b>		
<b>Contributions to the Common Customs Pool</b>	<b>46,168,661</b>	<b>41,349,062</b>
Namibia	361,017	363,930
Botswana	149,636	173,647
Swaziland	135,074	161,713
Lesotho	100,318	86,556
<b>Sub-total</b>	<b>746,045</b>	<b>785,846</b>
South Africa	45,422,616	40,563,216
All Southern African Customs Union (SACU) member countries collect customs and excise duties at SACU border posts as well as excise duties from domestic producers and remit these into the Tax and Loan accounts held by SARS. Revenue collected by SARS is remitted continuously whilst Botswana, Lesotho, Namibia and Swaziland (BLNS) remit their collections in this regard to SARS on a quarterly basis.		
<b>Received from the Common Customs Pool</b>	<b>46,168,661</b>	<b>41,349,062</b>
Botswana	9,001,361	7,756,317
Namibia	6,621,845	8,161,170
Swaziland	4,989,031	5,321,147
Lesotho	4,097,684	3,944,970
Secretariat	2,646	11,335
<b>Sub-total</b>	<b>24,712,567</b>	<b>25,194,939</b>
South Africa	21,456,094	16,154,123

## SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE

### Notes to the Financial Statements for the year ended 31 March 2008 (continued)

	2008 R'000	2007 R'000
Payments out of the SACU revenue pool from South Africa to the BLNS countries are effected at the beginning of each quarter. The share of these payments is determined annually according to the structure of the revenue sharing formula. The National Treasury effects these payments into the nominated bank accounts of the BLNS countries.		
<b>14. Reconciliation of net revenue for the year to total cash received</b>		
Net revenue for the year as per statement of financial performance	565,297,281	484,112,969
Adjusted for:		
Payments in terms of Customs Union Agreement	24,712,567	25,194,939
(Increase) / Decrease in accounts receivable	2,189	(299)
Increase / (Decrease) in other liabilities	(5)	(48)
(Increase) / Decrease in other assets	(78)	390
Increase / (Decrease) cheques not yet presented for payment	(734,601)	3,586
<b>Total cash received as per cash flow statement</b>	<b>589,277,353</b>	<b>509,311,537</b>

### 15. Cash and cash equivalents in respect of cash flow statement

	216,553	(59,817)
Bank (as per statement of financial position)	119,521	(874,370)
Cheques issued but not yet presented for payment	75,390	809,991
Cash and cash equivalents (as per statement of financial position)	21,642	4,562

### 16. Sureties

- (i) Lien - Sanlam shares  
1 327 692 (1 756 821: 2006-07) Sanlam shares with a market value of R25 358 917 (R35 136 420: 2006-07) are held in respect of amounts owing by 2 181 (2 860: 2006-07) taxpayers at 31 March 2008.
- (ii) Lien - Old Mutual shares  
2 016 600 (2 079 500: 2006-07) Old Mutual shares with a market value of R35 633 322 (R48 556 325: 2006-07) are held in respect of amounts owing by 6 122 (2 796: 2006-07) taxpayers at 31 March 2008.

During the 2007-08 financial year there was an increase in the number of Old Mutual shareholders that only now claimed their shares in respect of demutualization. At the time the attachment was issued, Old Mutual could only attach the shares that were claimed by the relevant shareholders.

- (iii) Guarantees  
Guarantees issued in favour of SARS amounting to R 55 211 955 (R206 611 067: 2006-07) are held as security for various taxes payable.

Guarantees issued by financial institutions in favour of SARS amounting to R4 605 802 668 (R4 267 587 794: 2006-07) are held as security for various duties payable.

### 17. Write-off of irrecoverable debt

Irrecoverable debt in respect of administered taxes to the amount of R3 845 376 807 (R6 682 847 696: 2006-07) has been written off on or prior to 31 March 2008. Amounts still awaiting approval for write-off do not form part of actual write-offs.

Irrecoverable debt in respect of administered duties to the amount of R105 651 955 (R215 571 919: 2006-07) has been written off on or prior to 31 March 2008. Amounts still awaiting approval for write-off do not form part of actual write-offs.

**SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE**  
**UNAUDITED ANNEXURES**  
31 March 2008

<b>CONTENTS</b>	<b>Page</b>
<b>Unaudited outstanding debt - taxes (Receivables)</b>	<b>144</b>
<b>Unaudited outstanding credits (Payables)</b>	<b>145</b>
<b>Unaudited outstanding debt - duties (Receivables)</b>	<b>146</b>

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

## SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE

### UNAUDITED ANNEXURE 1

#### TAXES

##### UNAUDITED OUTSTANDING DEBT (RECEIVABLES) AS AT 31 MARCH 2008

2007/2008	1 - 3 Months Rands	4 - 6 Months Rands	7 - 8 Months Rands	9 Months > Rands	Interest Rands	Total Rands	New Debt Rands	Total Debt Rands
Income Tax	1,169,990,478	732,343,991	519,332,272	19,079,226,093	9,513,884,330	31,014,777,164	5,002,874,422	36,017,651,586
Individuals	565,700,257	317,159,434	269,679,357	6,890,053,314	3,320,179,152	11,362,771,514	2,470,259,705	13,833,031,219
Trusts	23,301,026	12,673,749	11,032,917	196,105,467	93,868,534	336,981,693	229,487,775	566,469,468
Companies	580,989,195	402,510,808	238,619,998	11,993,067,312	6,099,836,644	19,315,023,957	2,303,126,942	21,618,150,899
PAYE	627,360,616	563,905,898	337,737,295	8,112,647,534	-	9,641,651,343	848,132,626	10,489,783,969
VAT	554,945,921	544,286,082	452,675,360	14,625,263,451	-	16,177,170,814	850,144,183	17,027,314,997
STC	324,647,549	91,393,872	49,922,732	1,540,175,433	624,558,493	2,630,698,079	277,512,979	2,908,211,058
<b>Sub-Total</b>	<b>2,676,944,564</b>	<b>1,931,929,843</b>	<b>1,359,667,659</b>	<b>43,357,312,511</b>	<b>10,138,442,823</b>	<b>59,464,297,400</b>	<b>6,978,664,210</b>	<b>66,442,961,610</b>
Diesel	-	-	-	-	-	1,158,910	-	1,158,910
SDL	-	-	-	-	-	684,111,268	-	684,111,268
UIF	-	-	-	-	-	1,080,761,965	-	1,080,761,965
<b>Total</b>	<b>2,676,944,564</b>	<b>1,931,929,843</b>	<b>1,359,667,659</b>	<b>43,357,312,511</b>	<b>10,138,442,823</b>	<b>61,230,329,543</b>	<b>6,978,664,210</b>	<b>68,208,993,753</b>

#### TAXES

##### UNAUDITED OUTSTANDING DEBT (RECEIVABLES) AS AT 31 MARCH 2007

2006/2007	1 - 3 Months Rands	4 - 6 Months Rands	7 - 8 Months Rands	9 Months > Rands	Interest Rands	Total Rands	New Debt Rands	Total Debt Rands
Income Tax	2,184,332,313	1,176,637,438	572,101,821	17,841,386,713	10,227,958,214	32,002,416,499	4,188,193,817	36,190,610,316
Individuals	601,859,935	406,126,170	218,942,058	7,238,685,943	3,549,289,904	12,014,904,010	1,550,368,907	13,565,272,917
Trusts	44,340,159	30,023,174	20,731,890	197,268,976	120,619,893	412,984,092	189,380,026	602,364,118
Companies	1,538,132,219	740,488,094	332,427,873	10,405,431,794	6,558,048,417	19,574,528,397	2,448,444,884	22,022,973,281
PAYE	503,627,954	489,579,010	271,520,203	7,666,226,962	-	8,930,954,129	625,213,689	9,556,167,818
VAT	622,114,785	548,126,482	390,585,345	15,068,369,246	-	16,629,195,858	736,513,537	17,365,709,395
STC	421,721,697	130,460,285	75,525,736	1,716,515,927	622,511,634	2,966,735,279	208,471,057	3,175,206,336
<b>Sub-Total</b>	<b>3,731,796,749</b>	<b>2,344,803,215</b>	<b>1,309,733,105</b>	<b>42,292,498,848</b>	<b>10,850,469,848</b>	<b>60,529,301,765</b>	<b>5,758,392,100</b>	<b>66,287,693,865</b>
Diesel	-	-	-	-	-	1,002,158	-	1,002,158
SDL	-	-	-	-	-	681,404,785	-	681,404,785
UIF	-	-	-	-	-	901,694,521	-	901,694,521
<b>Total</b>	<b>3,731,796,749</b>	<b>2,344,803,215</b>	<b>1,309,733,105</b>	<b>42,292,498,848</b>	<b>10,850,469,848</b>	<b>62,113,403,229</b>	<b>5,758,392,100</b>	<b>67,871,795,329</b>

## SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE UNAUDITED ANNEXURE 2

### UNAUDITED OUTSTANDING CREDITS (PAYABLES) AS AT 31 MARCH 2008

2007/2008	Total Credits Rands
Income tax	-8,664,137,615
<b>Income Tax</b>	<b>-8,664,137,615</b>
PAYE	-18,287,719,420
Returns not received	10,198,163,758
<b>PAYE</b>	<b>-8,089,555,662</b>
VAT	-21,613,635,745
Returns not received	8,175,218,533
<b>VAT</b>	<b>-13,438,417,212</b>
UIF	-1,215,802,374
Returns not received	707,338,616
<b>UIF</b>	<b>-508,463,758</b>
SDL	-1,102,236,766
Returns not received	596,599,323
<b>SDL</b>	<b>-505,637,443</b>
<b>Sub-Total</b>	<b>-31,206,211,690</b>
Diesel	-330,568,036
STC	-1,805,246,973
<b>Total</b>	<b>-33,342,026,699</b>

### UNAUDITED OUTSTANDING CREDITS (PAYABLES) AS AT 31 MARCH 2007

2006/2007	Total Credits Rands
Income tax	-5,455,574,568
<b>Income Tax</b>	<b>-5,455,574,568</b>
PAYE	-16,640,332,126
Returns not received	8,014,370,286
<b>PAYE</b>	<b>-8,625,961,840</b>
VAT	-15,873,756,922
Returns not received	4,746,430,560
<b>VAT</b>	<b>-11,127,326,362</b>
UIF	-1,018,214,637
Returns not received	530,678,397
<b>UIF</b>	<b>-487,536,240</b>
SDL	-925,560,809
Returns not received	447,171,287
<b>SDL</b>	<b>-478,389,522</b>
<b>Sub-Total</b>	<b>-26,174,788,532</b>
Diesel	-135,470,126
STC	-1,617,670,599
<b>Total</b>	<b>-27,927,929,257</b>

## SOUTH AFRICAN REVENUE SERVICE - ADMINISTERED REVENUE

### UNAUDITED ANNEXURE 3

#### DUTIES

##### UNAUDITED OUTSTANDING DEBT (RECEIVABLES) AS AT 31 MARCH 2008

2007/2008	Debt Rands	Interest Rands	Total Rands	New Debt Rands	Total Debt Rands
Customs duty	472,289,497	153,175,010	625,464,507	21,608,351	647,072,858
Value-added tax	264,650,054	105,226,060	369,876,114	45,573,860	415,449,974
Surcharge	2,800,528	3,477,591	6,278,119	-	6,278,119
Fuel levy	1,290,681	820,617	2,111,298	-	2,111,298
P2A - Excise duty	55,781,221	8,756,052	64,537,273	139,079	64,676,352
P2B - Ad valorem	20,355,801	7,765,805	28,121,606	61,088	28,182,694
Penalties	52,552,970	-	52,552,970	2,202,737	54,755,707
Forfeiture	473,776,014	-	473,776,014	134,323	473,910,337
Unallocated	-388,958	-	-388,958	-	-388,958
<b>Total</b>	<b>1,343,107,808</b>	<b>279,221,135</b>	<b>1,622,328,943</b>	<b>69,719,438</b>	<b>1,692,048,381</b>

#### DUTIES

##### UNAUDITED OUTSTANDING DEBT (RECEIVABLES) AS AT 31 MARCH 2007

2006/2007	Debt Rands	Interest Rands	Total Rands	New Debt Rands	Total Debt Rands
Customs duty	382,058,814	128,698,996	510,757,810	36,701,746	547,459,556
Value-added tax	222,098,973	80,110,990	302,209,963	13,989,256	316,199,219
Surcharge	3,233,030	3,652,100	6,885,130	-	6,885,130
Fuel levy	15,934,886	15,787,873	31,722,759	-	31,722,759
P2A - Excise duty	47,669,499	7,781,629	55,451,128	2,654,287	58,105,415
P2B - Ad valorem	33,522,266	7,907,626	41,429,892	3,745,550	45,175,442
Penalties	77,518,929	-	77,518,929	6,085,622	83,604,551
Forfeiture	469,810,071	-	469,810,071	7,038,459	476,848,530
Unallocated	-1,033,910	-	-1,033,910	-1,470	-1,035,380
<b>Total</b>	<b>1,250,812,558</b>	<b>243,939,214</b>	<b>1,494,751,772</b>	<b>70,213,450</b>	<b>1,564,965,222</b>

# OWN ACCOUNTS FINANCIAL STATEMENTS

31 March 2008

CONTENTS	Page
Report of the Auditor-General	148
Accounting Authority Report	150
Statement of Financial Position	154
Statement of Financial Performance	155
Statement of Changes in Net Assets	156
Cash Flow Statement	157
Notes to the Financial Statements	158 - 183

The attached Financial Statements were approved and signed by:



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P Gordhan  
Commissioner  
South African Revenue Service

Date: 14 August 2008

## OWN ACCOUNTS

### Report of the Auditor-General to Own Accounts

#### REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE SOUTH AFRICAN REVENUE SERVICE: OWN ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

#### REPORT ON THE FINANCIAL STATEMENTS

##### Introduction

1. I have audited the accompanying financial statements of the South African Revenue Service (SARS): Own Accounts which comprise the statement of financial position as at 31 March 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 154 to 183.

##### Responsibility of the accounting authority for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

##### Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 28 of the South African Revenue Service Act, 1997 (Act No.34 of 1997), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
5. 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 judgement, 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.
6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

##### Basis of accounting

8. SARS: Own Accounts policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1.

##### Opinion

9. In my opinion the financial statements present fairly, in all material respects, the financial position of the South African Revenue Service (SARS): Own Accounts as at 31 March 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 and in the manner required by the PFMA.

# OWN ACCOUNTS

## Report of the Auditor-General to Own Accounts

### OTHER MATTERS

Without qualifying my audit opinion, I draw attention to the following matter that relates to my responsibilities in the audit of the financial statements:

#### Late finalisation of the regularity audit of the Annual Financial Statements

10. As described on page 106 of the Annual Report and note 5 to the annual financial statements, the finalisation of the audit was delayed by the need to resolve problems identified during the verification process of the fixed assets of the entity.

#### Matters of governance

11. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
<b>Audit committee</b>		
• The public entity had an audit committee in operation throughout the financial year.	✓	
• The audit committee operates in accordance with approved, written terms of reference.	✓	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.	✓	
<b>Internal audit</b>		
• The public entity had an internal audit function in operation throughout the financial year.	✓	
• The internal audit function operates in terms of an approved internal audit plan.	✓	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in Treasury Regulation 27.2	✓	
<b>Other matters of governance</b>		
• The annual financial statements were submitted for audit as per the legislated deadlines (section 55 of the PFMA).	✓	
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		✓
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	✓	
• The prior year's external audit recommendations have been substantially implemented.	✓	

### APPRECIATION

12. The assistance rendered by the staff of the SARS during the audit is sincerely appreciated.

Pretoria

26 August 2008

*Auditor General.*



AUDITOR-GENERAL

## REPORT BY THE ACCOUNTING AUTHORITY for the year ended 31 March 2008

### 1. INTRODUCTION

The Accounting Authority presents his Annual Report that forms part of the Financial Statements for SARS Own Accounts for the year ended 31 March 2008. Specific reference has been made to Administered Revenue where applicable, alternatively all other statistics quoted are for Own Accounts.

The South African Revenue Service (SARS) was established in terms of the South African Revenue Service Act, 1997 (Act No. 34 of 1997) as an organ of the state within the public administration, but as an institution outside the public service. It is listed as a national public entity in schedule 3A of the Public Finance Management Act, 1999, (PFMA).

In terms of the SARS Act, 1997, the Commissioner for South African Revenue Service is the Chief Executive Officer and Accounting Authority of SARS.

### 2. EXECUTIVE MEMBERS

The members serving on the Executive committee for the period under review were:

- Pravin Gordhan (Chief Executive Officer and Accounting Authority)
- Leonard Radebe
- Jeannee Padiachy
- Logan Wort
- Matsobane Matlwa
- Tau Mashigo
- Oupa Magashula
- Vuso Shabalala
- Kosie Louw
- Barry Hore
- Mandisa Mokwena
- Edward Kieswetter
- Prakash Mangrey
- Ivan Pillay
- Jonas Makwakwa

### 3. ORGANISATIONAL STRUCTURE

The organisational structure of SARS is reviewed as and when the need arises to enable it to fulfill its obligations towards Parliament and the Constitution.

Refer to the official organogram in the Annual Report page number 11.

### 4. PRINCIPAL ACTIVITIES

The SARS Act, 1997, gives the entity the mandate to perform the following tasks:

- Collect all revenues that are due
- Ensure maximum compliance with legislation it administers
- Provide a Customs service that will maximize revenue collection, protect our borders as well as facilitate trade.

## REPORT BY THE ACCOUNTING AUTHORITY for the year ended 31 March 2008

### 5. REVIEW OF OPERATIONS AND RESULTS (amounts disclosed in R' 000)

#### OWN ACCOUNTS

The Revenue for the year was made up as follows:

	% change	2008	2007
<b>Transfers from government entities</b>	<b>12.9%</b>	<b>5,511,031</b>	<b>4,879,591</b>
– National Treasury	13.1%	5,511,031	4,874, 591
– Criminal Assets Recovery Account (CARA)	-	-	5,000
<b>Non operating revenue</b>	<b>17.4%</b>	<b>332,662</b>	<b>283,269</b>
– Interest received	59.8%	119,779	74,977
– Other revenue	9.2%	212,883	194,901
– Funds received from international donors	-	-	2,066
– Foreign exchange (Net profit)	-	-	11,325
	<b>13.2%</b>	<b>5,843,693</b>	<b>5,162,860</b>

The Grant from National Treasury increased in line with the approvals obtained through the Medium Term Expenditure Framework (MTEF). Interest earned fluctuated in line with interest rates and funds temporarily available for investment.

Other operating revenue consists mainly of commissions earned from acting as the agent for the Department of Labour in collecting Unemployment Insurance Fund contributions (UIF) in terms of the Unemployment Insurance Contributions Act, 2002, and Skills Development Levies (SDL) in terms of the Skills Development Levies Act, 1999. Losses incurred are mainly due to compliance to the prevailing accounting standards and do not relate to unfunded activities.

The surplus for the year was as follows:

<b>Balance accumulated surplus at 1 April</b>		<b>404,525</b>	<b>348,909</b>
Adjustment in prior period		-	48,302
Changes in accounting policy		-	5
Depreciation based on the revalued portion of assets		-	5
<b>Restated balance 1 April</b>		<b>404,525</b>	<b>397,216</b>
Net surplus for the year	3131.4%	236,180	7,309
Depreciation based on the revalued portion of assets		8	-
<b>Balance accumulated surplus at 31 March</b>		<b>640,713</b>	<b>404,525</b>

#### ADMINISTERED REVENUE

The net revenue for the year was R 565,297,281 (2007: R 484,112,969). Administered Revenue does not retain funds as taxes collected are transferred to the National Revenue Fund on a daily basis.

Revenue for Administered Revenue comprises the taxes, levies, duties, fees and other monies collected for the year. The net revenue is the amount collected after deduction of payments made by the National Treasury to the South African Customs Union. The operating expenditure for Administered Revenue is provided for in the Own Accounts budget.

## REPORT BY THE ACCOUNTING AUTHORITY

### for the year ended 31 March 2008

	% change	2008	2007
Total revenue	15.85%	590,009,848	509,307,908
SA Customs Union Agreement	(1.91%)	24,712,567	25,194,939
Net revenue	16.77%	565,297,281	484,112,969

Revenue collected is a function of the prevailing economic conditions, their effect on the South African economy and the level of compliance.

## 6. JUDICIAL PROCEEDINGS

SARS has been mandated by the provisions of the SARS Act to perform legal acts, or institute or defend any legal action in its own name. By virtue of its mandate SARS is involved in litigation on a continuous basis.

## 7. REVIEW OF THE FINANCIAL POSITION (Amounts disclosed in R' 000)

### Reserves and accumulated surplus

Reserves and surpluses consist mainly of the initial capital reserve on establishment of SARS and the reserve for revaluation of assets.

### Assets

For the period under review SARS has continued to invest in selected categories of assets to achieve its strategic objectives. The dynamic and increasingly mobile nature of the SARS business poses some challenges for the control of assets and, accordingly, in the next two years, SARS envisages implementing an improved asset management system.

## 8. PUBLIC/PRIVATE PARTNERSHIPS

There are currently no Public/Private Partnerships in operation or under consideration.

## 9. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There are no events subsequent to 31 March 2008 affecting the financial statements that require disclosure.

## 10. STAKEHOLDER RELATIONS

During the period under review, the SARS Corporate Relations Unit (CRO) deepened its stakeholder engagement particularly to advocate tax morality as a feature of corporate citizenship and good governance. South Africa's hosting of the OECD Forum on Tax Administration in January 2008 provided excellent exposure for the issue of tax avoidance and aggressive tax planning. The commitment by the gathering in the form of the Cape Town Declaration also produced a strengthened partnership of national tax authorities to respond to aggressive tax structuring and tax evasion by transnational companies.

The SARS Commissioner met with the chief executive officers of the major banks, insurance companies, legal and accounting firms to discuss the role of financial intermediaries in tax strategy and planning. SARS was able to raise concerns relating to tax morality and good tax practices.

Various changes introduced in the 2007 filing season also formed the basis of extensive stakeholder education. Business and accounting firm leaders were introduced to the changes as a precursor to the public announcements for co-operation and support. SARS corporate relations therefore partnered with the Large Business Centre to inform and promote the changes to a targeted audience of big clients.

## REPORT BY THE ACCOUNTING AUTHORITY for the year ended 31 March 2008

Corporate relations also promoted the small business amnesty among stakeholders. Using the channel of our partners in the form of industry and business organisations and professional associations, SARS was able to educate a targeted audience on the amnesty.

Corporate relations continued to facilitate regular feedback sessions with stakeholders via quarterly meetings with employers and payroll companies.

### 11. SARS CORPORATE SOCIAL RESPONSIBILITY

Towards the end of 2007, SARS Corporate Relations co-ordinated the distribution of over 300,000 kg of confiscated second hand clothing to 128 needy organisations across the country. This was done with the support of the National Treasury and the Department of Social Development. Disused office furniture was also donated to schools. SARS staff participated in the National SA Disability 2007 Conference.

SARS staff organised and participated in various socio-economic development and awareness raising projects eg. youth mentoring in the "Take a Girl Child to Work" initiative, 16 days of activism and World Aids Day.

### 12. ADDRESSES

The entity's business, postal and registered addresses are:

<b>Business address</b>	<b>Postal address</b>	<b>Registered address</b>
299 Bronkhorst street	Private bag X923	299 Bronkhorst street
Nieuw Muckleneuk	Pretoria	Nieuw Muckleneuk
0181	0001	0181

Addresses for other SARS offices are available from SARS.



Date: 14 August 2008

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P Gordhan  
Commissioner  
South African Revenue Service

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

## Statement of Financial Position

as at 31 March 2008

	Note(s)	2008 R '000	2007 R'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	591,132	533,627
Intangible assets	4	207,437	43,942
<b>Current Assets</b>			
Trade and other receivables	6	79,108	87,731
Cash and cash equivalents	7	1,072,516	911,176
<b>TOTAL ASSETS</b>		<b>1,950,193</b>	<b>1,576,476</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>			
Reserves	8&9	33,175	33,183
Accumulated surplus		640,713	404,525
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Interest bearing liabilities	10	212,174	277,812
Operating lease liabilities	11	201,609	188,155
Deferred income	12	1,673	8,056
Financial guarantee contracts	13	8,499	9,138
<b>Current Liabilities</b>			
Interest bearing liabilities	10	76,741	28,499
Trade and other payables	14	433,803	342,163
Deferred income	12	6,899	7,103
Provisions	17	334,907	277,842
<b>Total Liabilities</b>		<b>1,276,305</b>	<b>1,138,768</b>
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>1,950,193</b>	<b>1,576,476</b>

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Statement of Financial Performance  
for the year ended 31 March 2008

	Note(s)	2008 R '000	2007 R'000
<b>REVENUE</b>		<b>5,843,693</b>	<b>5,162,860</b>
Transfers from government entities	18	5,511,031	4,879,591
Other income	19	332,662	283,269
<b>EXPENSES</b>		<b>5,607,905</b>	<b>5,156,126</b>
Administrative expenses	20	1,109,950	970,895
Amortisation		53,331	80,707
Depreciation		158,192	195,637
Employee costs		3,500,297	3,123,986
Professional and special services	21	746,837	669,418
Other expenses	22	8,306	72,043
Finance costs	23	30,992	43,440
Gains on sale of property, plant and equipment		392	575
<b>SURPLUS FOR THE PERIOD</b>		<b>236,180</b>	<b>7,309</b>

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

## Statement of Changes in Net Assets

for the year ended 31 March 2008

	Asset revaluation reserve R '000	Capital reserve R '000	Total reserves R '000	Accumulated surplus/ (deficit) R '000	Total R '000
Opening balance as previously reported	48,837	32,364	81,201	336,150	417,351
Adjustments:					
Prior period adjustments	-	-	-	12,759	12,759
<b>Restated balance at 01 April 2006</b>	<b>48,837</b>	<b>32,364</b>	<b>81,201</b>	<b>348,909</b>	<b>430,110</b>
Changes in equity:					
Surplus for the year	-	-	-	7,309	7,309
Changes in accounting policy	(48,302)	-	(48,302)	48,302	-
Depreciation based on the revalued portion of the assets	(5)	-	(5)	5	-
Surplus in revaluation of property	289	-	289	-	289
<b>Total changes</b>	<b>(48,018)</b>	<b>-</b>	<b>(48,018)</b>	<b>55,616</b>	<b>7,598</b>
<b>Balance at 01 April 2007</b>	<b>819</b>	<b>32,364</b>	<b>33,183</b>	<b>404,525</b>	<b>437,708</b>
Changes in equity:					
Surplus for the year	-	-	-	236,180	236,180
Depreciation based on the revalued portion of the assets	(8)	-	(8)	8	-
<b>Total changes</b>	<b>(8)</b>	<b>-</b>	<b>(8)</b>	<b>236,188</b>	<b>236,180</b>
<b>Balance at 31 March 2008</b>	<b>811</b>	<b>32,364</b>	<b>33,175</b>	<b>640,713</b>	<b>673,888</b>

Note(s)	8	9	2
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## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Cash Flow Statement  
for the year ended 31 March 2008

	Note(s)	2008 R '000	2007 R '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>		<b>5,820,779</b>	<b>5,160,257</b>
Grant		5,511,031	4,874,591
Interest received		112,681	70,501
Other receipts		197,067	215,165
<b>Payments</b>		<b>5,204,144</b>	<b>4,818,692</b>
Employee costs		3,415,235	3,079,298
Suppliers		1,757,917	1,695,954
Interest paid		30,992	43,440
<b>Net cash flow from operating activities</b>		<b>616,635</b>	<b>341,565</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Net cash from investing activities</b>		<b>(437,901)</b>	<b>(321,004)</b>
Acquisition of property, plant and equipment	3	(221,620)	(178,409)
Proceeds on disposal of property, plant and equipment	3	545	802
Acquisition of intangible assets	4	(216,826)	(143,397)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Movement in financial leases		(17,394)	143,255
<b>Total cash movement for the year</b>		<b>161,340</b>	<b>163,815</b>
Cash at the beginning of the year		911,176	747,361
<b>Total cash at the end of the year</b>	<b>7</b>	<b>1,072,516</b>	<b>911,176</b>

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

### General Information

Financial Statements for the year ended 31 March 2008

#### Nature of business and principal activities

SARS was established as an organ of State on 1 October 1997 in terms of section 2 of the South African Revenue Service Act (the Act), (Act No. 34 of 1997). SARS' objective is the efficient and effective collection of revenue on behalf of the State. In the Act revenue is defined as: "income derived from taxes, duties, levies, fees, charges, additional tax and any other monies imposed in terms of legislation, including penalties and interest in connection with such monies". In terms of section 7(2) and (3) of Schedule 2 to the Act, SARS took ownership of all movable assets of the State used by it, immediately before the effective date, together with contractual rights, obligations and liabilities. Any surplus of assets over liabilities was treated as capital.

#### Legal form of entity

In accordance with the Public Finance Management Act (No.1 of 1999) (PFMA) chapter 6, paragraph 48, SARS is classified as a "National Public Entity".

#### Reporting entity

These financial statements are for the South African Revenue Service - Own Accounts. The financial statements encompass the reporting entity as specified in the relevant legislation (PFMA).

## Notes to the Financial Statements

### 1. Accounting Policies

#### 1.1. Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of land and buildings and certain financial instruments.

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

#### Standard of GRAP

GRAP1: Presentation of financial statements  
 GRAP2: Cash flow statements  
 GRAP3: Accounting policies, changes in accounting estimates and errors

#### Replaced Statement of SA GAAP

AC 101: Presentation of financial statements  
 AC 118: Cash flow statements  
 AC 103: Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following changes in the presentation of the financial statements:

# SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

## Notes to the Financial Statements for the year ended 31 March 2008

### 1.1.1. Terminology differences:

#### Standard of GRAP

Statement of financial position  
Statement of financial performance  
Statement of changes in net assets  
Net assets  
Surplus / Deficit  
Accumulated Surplus / Deficit  
Contributions from owners  
Distributions to owners

#### Replaced Statement of GAAP

Balance sheet  
Income statement  
Statements of changes in equity  
Equity  
Profit / Loss  
Retained earnings  
Share capital  
Dividends

### 1.1.2. The cash flow statement can only be prepared in accordance with the direct method.

### 1.1.3. Specific information has been presented separately in the Statement of Financial Position such as:

- (a) Receivables from non-exchange transactions, including taxes and transfers
- (b) Taxes and transfers payable
- (c) Trade and other payables from non-exchange transactions

### 1.1.4. Amount and nature of any restrictions on cash balances are required to be disclosed.

Paragraph 11 to 15 of GRAP 1 has not been implemented due to the fact that the local and international budget reporting standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non disclosure will not affect the objective of the financial statements.

## 1.2 Significant judgments, estimates and assumptions

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgments include:

### 1.2.1. Provision for impairment of trade receivables

The company assesses its trade receivables for impairment at each financial position date. In determining whether an impairment loss should be recorded in the Statement of Financial Performance, the entity makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

### 1.2.2. Provisions

Provisions were raised and management determined an estimate based on the information available. Refer note 17.

## 1.3 Property, plant and equipment

### Cost or fair value

Land and Buildings are carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to equity in the revaluation reserve. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

### Notes to the Financial Statements for the year ended 31 March 2008

is debited directly to equity in the revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Cost includes expenditure that is directly attributable to bringing the assets into its existing condition and location intended for use by management. Subsequent costs are included in asset's carrying amount only when it is probable that the future economic benefits associated with the item will flow to the entity.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are recognised separately in the Statement of Financial Performance.

Depreciation is provided on all property, plant and equipment so as to write off the cost of assets, other than assets under construction, over their estimated useful lives, using the straight-line-method.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

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

Item	Years
Buildings	50 years
Furniture and fixtures	6 years
Motor vehicles	5 years
Office equipment	
• Owned office equipment	5 years
• Leased office equipment	Over the life of the asset or the lease period whichever is the shorter
Computer equipment	
• Mainframe	5 years
• Desktop & peripherals	3 years
Cabling infrastructure	5 years
Leasehold improvements	Over the life of the asset or the lease period whichever is the shorter
Security equipment	5 years
Prefabricated buildings	5 years
Laboratory equipment	5 years
Kitchen equipment	6 years
Garden equipment	3 years

#### 1.4 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the following estimated useful lives:

Item	Useful life
Software (main frame)	3 years
Software (desktop applications)	3 years

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

### Notes to the Financial Statements for the year ended 31 March 2008

#### 1.5 Financial assets, investments and liabilities

##### 1.5.1. Initial recognition

SARS recognises a financial asset or a financial liability on its Statement of Financial Position when it becomes a party to the contractual provisions of the instrument. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

##### 1.5.2. Trade and other receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance within other expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other income in the Statement of Financial Performance.

##### 1.5.3. Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction cost and subsequently measured at amortised cost.

##### 1.5.4. Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

SARS provides financial guarantees for employee housing loans to financial institutions.

Financial guarantees are initially recognised at fair value. Subsequent to initial recognition, the financial guarantee contract is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised.

#### 1.6 Leases

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

##### 1.6.1. Finance leases – lessee

Fixed assets held under finance leases are recognised as assets of the entity at the lower of their fair value and the present value of the minimum lease payments.

Finance leases are capitalised at the lower of their fair value or present value of the minimum lease payments.

Subsequent to initial recognition the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between the finance charge and reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

### Notes to the Financial Statements for the year ended 31 March 2008

The corresponding rental obligations, net of finance charge are included as part of liabilities.

#### 1.6.2. Operating leases – lessee

Payments made under operating leases are charged to the Statement of Financial Performance on a straight-line-basis over the period of the lease.

### 1.7 Employee benefits

#### 1.7.1. Short-term employee benefits

Remuneration to employees is charged to the Statement of Financial Performance. Provisions are made for accumulated leave and performance bonuses.

#### 1.7.2. Retirement benefit plans

Entitlement to retirement benefits is governed by the rules of the GEPF (Government Employees Pension Fund) which is a defined contribution plan retirement fund. The entity has no legal or constructive obligation to pay for future benefits which responsibility vests with National Government.

Current contributions on behalf of employees to the Government Employees Pension Fund are charged to the Statement of Financial Performance in the year to which they relate.

### 1.8 Revenue recognition

SARS' chief source of income is an annual grant from Parliament for its services, based on estimated expenditure for performing any specific act or function on behalf of Government in the collection of administered revenue. The annual grant and any additional grants that pertain to expenditure not budgeted for are accounted for as and when they are accrued.

Interest income is accrued on a time basis by reference to the principal amount outstanding and the interest rate applicable.

### 1.9 Donations

Where donations are received in kind, the amounts are not brought to account as revenue, but the approximate value of benefits received are disclosed by way of note refer to note 31.

### 1.10 Other Revenue

Other revenue earned by SARS consists mainly of commissions earned in its function as an agent for collection of contributions to the Skills Development Levy as well as the Unemployment Insurance Fund.

### 1.11 Translation of foreign currencies

#### Foreign currency transactions

Foreign exchange transactions are translated at the prevailing rate ruling at the date of transaction. At reporting date monetary items denominated in foreign currencies are retranslated at the rates prevailing at the Statement of Financial Position date. Gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Financial Performance.

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Notes to the Financial Statements  
for the year ended 31 March 2008

## 2. Reclassification of comparative figures 2007 R'000

### Prior year reclassification

#### 2.1 Housing guarantees:

The restatement of housing guarantees is due to the reconsideration of valid guarantees.

The effect of this adjustment on the results of 2006 is as follows:

#### Statement of changes in Net Assets

Increase in accumulated surplus as at 1 April 2006	7,526
--	-------

#### Statement of Financial Position

Increase in accumulated surplus	7,526
(Decrease) in current liabilities	(7,526)

The effect of this adjustment on the results of 2007 is as follows:

#### Statement of Financial Performance

(Decrease) in expenses	(15)
Increase in surplus	15

#### Statement of Financial Position

Increase in accumulated surplus	15
(Decrease) in financial guarantee contracts	(15)

#### 2.2 Operating leases (properties):

Restatement of the prior year figures is as a result of removal of operating costs from the provision.

The effect of this adjustment on the results of 2006 is as follows:

#### Statement of changes in Net Assets

Increase in accumulated surplus as at 1 April 2006	27,259
--	--------

#### Statement of Financial Position

Increase in accumulated surplus	27,259
(Decrease) in operating lease liabilities	(27,259)

The effect of this adjustment on the results of 2007 is as follows:

#### Statement of Financial Performance

Increase in expenditure	37,804
(Decrease) in surplus	(37,804)

#### Statement of Financial Position

(Decrease) in accumulated surplus	(37,804)
Increase in operating lease liabilities	37,804

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Notes to the Financial Statements  
for the year ended 31 March 20082007  
R'000**2.3 Leave pay provision (old leave):**

Restatement of the prior year figures is as a result of the percentage provision for prior 1999 applied to age groups younger than 55.

The effect of this adjustment on the results of 2006 is as follows:

**Statement of changes in Net Assets**

(Decrease) in accumulated surplus as at 1 April 2006	(25,458)
--	----------

**Statement of Financial Position**

(Decrease) in accumulated surplus	(25,458)
Increase in provision	25,458

The effect of this adjustment on the results of 2007 is as follows:

**Statement of Financial Performance**

(Decrease) in expenses	(641)
Increase in surplus	641

**Statement of Financial Position**

Increase in accumulated surplus	641
(Decrease) in provisions	(641)

**2.4 Leave pay (prepayments and reclassification):**

Restatement of the prior year figures is as a result of leave provisions reclassified as prepayments and accruals.

The effect of this adjustment on the results of 2007 is as follows:

**Statement of Financial Position**

Increase in trade and other receivables	17,791
(Decrease) in provisions	(95,428)
Increase in trade and other payables	113,219

**2.5 Cut off (accruals):**

Restatement of the prior year figures to correct overstated accruals.

The effect of this adjustment on the results of 2006 is as follows:

**Statement of changes in Net Assets**

(Decrease) in accumulated surplus as at 1 April 2006	(32)
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## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Notes to the Financial Statements  
for the year ended 31 March 20082007  
R'000**Statement of Financial Position**

(Decrease) in accumulated surplus	(32)
Increase in trade and other payables	32

The effect of this adjustment on the results of 2007 is as follows:

**Statement of Financial Performance**

Increase in expenses	2,584
(Decrease) in surplus	(2,584)

**Statement of Financial Position**

(Decrease) in accumulated surplus	(2,584)
Increase in trade and other payables	2,584

**2.6 Finance lease:**

Restatement of the prior year figures due to incorrect disclosure of the lease

The effect of this adjustment on the results of 2006 is as follows:

**Statement of changes in Net Assets**

Increase in accumulated surplus as at 1 April 2006	3,464
--	-------

**Statement of Financial Position**

Increase in accumulated surplus	3,464
Increase in intangible assets	4,370
Increase in interest bearing liabilities	906

The effect of this adjustment on the results of 2007 is as follows:

**Statement of Financial Performance**

(Decrease) in expenses	(17,740)
Increase in surplus	17,740

**Statement of Financial Position**

Increase in accumulated surplus	17,740
Increase in intangible assets	20,052

(Decrease) in property, plant and equipment	(552)
Increase in interest bearing liabilities	1,760

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Notes to the Financial Statements  
for the year ended 31 March 20082007  
R'000**Summary of Adjustments**

The effect of this adjustment on the results of 2006 is as follows:

**Statement of changes in Net Assets**

Increase in accumulated surplus 1 April 2006	12,759
--	--------

**Statement of Financial Position**

Increase in accumulated surplus	12,759
(Decrease) in financial guarantee contracts	(7,526)
(Decrease) in operating lease liabilities	(27,259)
Increase in provisions	25,458
Increase in trade and other payables	32
Increase in intangible assets	4,370
Increase in interest bearing liabilities	906

The effect of the adjustment on the results of 2007 is as follows:

**Statement of Financial Performance**

Increase in expenses	21,992
(Decrease) in surplus	(21,992)

**Statement of Financial Position**

(Decrease) in accumulated surplus	(21,992)
(Decrease) in financial guarantee contracts	(15)
Increase in operating lease liabilities	37,804
(Decrease) in provisions	(96,069)
Increase in trade and other receivables	17,791
Increase in trade and other payables	115,803
Increase in intangible assets	20,052
(Decrease) in property, plant and equipment	(552)
Increase in interest bearing liabilities	1,760

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Notes to the Financial Statements  
for the year ended 31 March 2008

## 3. Property, plant and equipment

	2008 R'000			2007 R'000		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	11,945	-	11,945	11,945	-	11,945
Buildings	168,919	(6,753)	162,166	168,919	(3,375)	165,544
Furniture, fixtures and office equipment	144,873	(62,550)	82,323	93,280	(43,751)	49,529
Motor vehicles	87,436	(69,168)	18,268	96,166	(70,370)	25,796
IT equipment	480,145	(287,223)	192,922	428,158	(306,136)	122,022
Leasehold improvements	249,622	(144,567)	105,055	249,384	(92,875)	156,509
Assets under construction	15,450	-	15,450	-	-	-
Low value assets	63,249	(63,249)	-	71,340	(71,340)	-
Security equipment	6,785	(3,782)	3,003	6,641	(4,359)	2,282
	<b>1,228,424</b>	<b>(637,292)</b>	<b>591,132</b>	<b>1,125,833</b>	<b>(592,206)</b>	<b>533,627</b>

## Reconciliation of property, plant and equipment 2008

	Opening Balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	11,945	-	-	-	-	11,945
Buildings	165,544	-	-	(3,378)	-	162,166
Furniture, fixtures and office equipment	49,529	60,374	(55)	(26,901)	(624)	82,323
Motor vehicles	25,796	3,682	(50)	(10,861)	(299)	18,268
IT equipment	122,022	140,131	(48)	(64,412)	(4,771)	192,922
Leasehold improvements	156,509	238	-	(51,692)	-	105,055
Assets under construction	-	15,450	-	-	-	15,450
Low value assets	-	(188)	-	188	-	-
Security equipment	2,282	1,933	-	(1,136)	(76)	3,003
	<b>533,627</b>	<b>221,620</b>	<b>(153)</b>	<b>(158,192)</b>	<b>(5,770)</b>	<b>591,132</b>

Proceeds on disposal of fixed assets: R 545k (2007: R 802k)

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Notes to the Financial Statements  
for the year ended 31 March 2008

## Reconciliation of property, plant and equipment 2007

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Impairment loss	Depreciation	Total
Land	11,847	-	-	-	98	-	-	11,945
Buildings	165,160	3,568	-	-	191	-	(3,375)	165,544
Furniture, fixtures and office equipment	28,745	50,343	(53)	-	-	(464)	(29,042)	49,529
Motor vehicles	30,000	9,379	-	-	-	(262)	(13,321)	25,796
IT equipment	185,520	32,589	(173)	-	-	(1,729)	(94,185)	122,022
Leasehold improvements	98,870	21,270	-	74,951	-	-	(38,582)	156,509
Assets under construction	25,581	49,370	-	(74,951)	-	-	-	-
Low value assets	-	10,199	-	-	-	-	(10,199)	-
Security equipment	3,569	1,691	(1)	-	-	(194)	(2,783)	2,282
	<b>549,292</b>	<b>178,409</b>	<b>(227)</b>	<b>-</b>	<b>289</b>	<b>(2,649)</b>	<b>(191,487)</b>	<b>533,627</b>

## Assets subject to finance lease (Net carrying amount)

Land and Buildings held under finance leases are represented by land and buildings with a carrying value of R 172,949m (2007: R 176,313m).

Furniture, fixtures and office equipment held under finance leases is represented by office equipment with a carrying value of R 18,289m (2007: R 19,075m).

Computer equipment held under finance leases is represented by computer equipment with a carrying value of R nil (2007: R 9,994m). Refer note 10.

Refer to note 2 "Reclassification of comparative figures" for restated prior period figures.

## Land and buildings carried at fair value

Land and buildings comprise three houses for Customs purposes purchased in 2003 at a total value of R 365k and the Alberton Campus procured and developed under a Finance Lease at a total cost of R 179.7m

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

	2008 R'000	2007 R'000
Land	11,541	11,541
Buildings	161,760	165,130
	<b>173,301</b>	<b>176,671</b>

## Assets taken on at zero cost and zero depreciation

Included in the amounts are approximately 46 000 items that were capitalized at zero cost and zero accumulated depreciation. These assets were all taken on from the legacy systems prior to the implementation of SAP.

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Notes to the Financial Statements  
for the year ended 31 March 2008

## 4. Intangible assets

	2008 R'000			2007 R'000		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	461,172	(253,735)	207,437	244,389	(200,447)	43,942

## Reconciliation of intangible assets 2008

	Opening Balance	Additions	Impairment loss	Amortisation	Total
Computer software	43,942	216,826	-	(53,331)	207,437

## Reconciliation of intangible assets 2007

	Opening Balance	Additions	Impairment loss	Amortisation	Total
Computer software	53,828	143,397	(68,425)	(84,858)	43,942

## Assets held under finance leases

Intangible assets under finance leases have no carrying value. (2007: R nil).

Refer to note 2 "Reclassification of comparative figures" for restated prior period figures.

## 5. Scrappings of assets

## Material impairment losses recognised

	2008 R'000	2007 R'000
Property, plant and equipment and intangible assets	5,770	71,075

Assets impaired generally represent assets that are either obsolete or not physically verifiable. Events and circumstances which have led to assets being scrapped are similar for all asset categories.

The impairment losses charged to the Statement of Financial Performance are the excess of the carrying value over the recoverable amount. The impairment losses have been included in the line item other expenses in the Statement of Financial Performance.

During the previous period, SARS carried out a review of the recoverable amounts of its assets, having regard to its ongoing modernisation and technology programme. The review led to the recognition of an impairment loss of R 68,425m for certain software programmes and licenses that have been recognised in the Statement of Performance. In considering the impairment and recoverable amount the entity concluded that the solution could be better achieved with alternative software whilst remaining within the original solution budget and original solution primary provider and that the impaired software could be disposed of.

The intended timing of the sale of such software is at this stage uncertain.

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Notes to the Financial Statements  
for the year ended 31 March 2008

	2008 R'000	2007 R'000
<b>6. Trade and other receivables</b>		
Government departments	31,112	27,896
Employee costs in advance	11,636	17,791
Prepayments	18,271	31,732
Refundable deposits	2,934	2,818
Advance tax ruling (ATR) debtors	230	31
Staff accounts receivable	1,649	1,554
Other receivables	13,276	5,909
	<b>79,108</b>	<b>87,731</b>
Staff accounts receivable	4,078	4,072
Less: provision for doubtful debts	(2,434)	(2,552)
	<b>1,644</b>	<b>1,520</b>
Accounts receivable (ex-staff)	4,650	4,176
Less: provision for doubtful debts	(4,645)	(4,142)
	<b>5</b>	<b>34</b>

Refer to note 2 "Reclassification of comparative figures" for restated prior period figures.

**Fair value of trade and other receivables**

Trade and other receivables	79,108	87,731
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Trade and other receivables are carried at original invoice amounts, which approximates their fair value, less provision made for impairment of these receivables.

**Trade and other receivables past due but not impaired**

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2008, R 14,566m (2007: R 13,755m) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	11,920	843
2 months past due	141	157
3 months past due	2,505	12,755

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Notes to the Financial Statements  
for the year ended 31 March 2008

	2008	2007
	R'000	R'000

**Trade and other receivables impaired**

As at 31 March 2008, trade and other receivables of R 7,079m (2007: R 6,695m) were impaired and provided for.

The amount of the provision was R 7,079m as at 31 March 2008 (2007: R 6,695m).

The ageing of these loans is as follows:

Over 6 months	7,079	6,695
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The carrying amount of trade and other receivables is denominated in the following currencies:

Rand	79,108	87,731
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**Reconciliation of provision for impairment of trade and other receivables**

Opening balance	6,695	6,329
Provision for impairment	564	445
Amounts written off as uncollectible	(180)	(79)
	<b>7,079</b>	<b>6,695</b>

The creation and release of provision for impaired receivables has been included in operating expenses in the Statement of Financial Performance (note 22). Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

**7. Cash and cash equivalents**

Bank balances and cash comprise cash and short-term investments that are held with registered banking institutions. The carrying amount of these assets approximate their fair value.

Cash and cash equivalents included in the Cash Flow Statement comprise the following statement of amounts indicating financial position:

Cash on hand	386	381
Balances with banks	1,072,130	910,795
	<b>1,072,516</b>	<b>911,176</b>

**8. Asset revaluation reserve**

Balance at beginning of the year	819	48,837
Movement during the year:		
– Transferred to accumulated surplus		
Change in accounting policy	-	(48,302)
Depreciation based on the revalued portion of the assets	(8)	(5)
– Revaluation of land and buildings	-	289
<b>Balance at 31 March</b>	<b>811</b>	<b>819</b>

**9. Capital reserve on establishment**

Surplus of assets over liabilities transferred from Government on 1 October 1997	32,364	32,364
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## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Notes to the Financial Statements  
for the year ended 31 March 2008

	2008 R'000	2007 R'000
<b>10. Interest bearing liabilities</b>		
<b>Land and buildings - Alberton lease</b>		
<b>Minimum lease payments due</b>		
– within one year	17,928	16,756
– in second to fifth year	85,173	79,601
– later than five years	135,940	159,441
	239,041	255,798
less: future finance charges	(100,213)	(115,530)
<b>Present value of minimum lease payments</b>	<b>138,828</b>	<b>140,268</b>
<b>Land and buildings - Alberton acquisition</b>		
<b>Minimum lease payments due</b>		
– within one year	-	15,039
	-	15,039
less: future finance charges	-	(2,499)
<b>Present value of minimum lease payments</b>	<b>-</b>	<b>12,540</b>
<b>Computer software and hardware</b>		
<b>Minimum lease payments due</b>		
– within one year	72,962	75,695
– in second to fifth year	72,962	72,962
	145,924	148,657
less: future finance charges	(16,481)	(16,548)
<b>Present value of minimum lease payments</b>	<b>129,443</b>	<b>132,109</b>
<b>Office equipment</b>		
<b>Minimum lease payments due</b>		
– within one year	14,570	13,407
– in second to fifth year	11,915	10,816
	26,485	24,223
less: future finance charges	(5,841)	(2,829)
<b>Present value of minimum lease payments</b>	<b>20,644</b>	<b>21,394</b>
Included in the financial statements as:		
Current interest bearing borrowings	76,741	28,499
Non-current interest bearing borrowings	212,174	277,812
	<b>288,915</b>	<b>306,311</b>

Refer to note 2 "Reclassification of comparative figures" for restated prior period figures.

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Notes to the Financial Statements  
for the year ended 31 March 2008

2008	2007
R'000	R'000

**Land and buildings - Alberton lease**

The Lessor developed the Alberton South Building for SARS at a cost of R179,7m.

The finance lease commenced on 2 January 2006 for a twelve (12) year period. Rental will be R1,125m per month (exclusive of VAT); with an annual escalation of 7% (compounded) per annum.

Transfer of ownership and risks takes place at the end of the lease term provided all lease payments have been made.

**Land and buildings - Alberton acquisition**

This finance lease represents the purchase price for the Alberton South building payable in 3 annual instalments of R 12,54m, R13,693m and R 15,04m with the 1st instalment payable at the commencement of the lease. The last instalment was paid in January 2008.

**Computer hardware and software**

These finance leases represent the acquisition of computer hardware, software and professional services. The leases comprise mainframe equipment as well as mainframe software and associated services. Lease terms are up to four years.

**Office equipment**

Certain photocopiers and fax machines were capitalised and the corresponding finance lease liability raised in accordance with IAS 17. The leases are payable in 36 monthly instalments.

**11. Operating lease liabilities**

Non-current liabilities	201,609	188,155
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Operating leases on property represent the differential between lease payments on a cash basis and payments calculated on the straight-line-method.

Refer to note 2 "Reclassification of comparative figures" for restated prior period figures.

**12. Deferred income (Tenant allowances)**

Non-current liabilities	1,673	8,056
Current liabilities	6,899	7,103
	<b>8,572</b>	<b>15,159</b>

Tenant allowances represent amounts received from landlords for improvements made by the tenant to leased properties.

**13. Financial guarantee contracts**

Housing guarantees	8,499	9,138
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Housing guarantees are issued in terms of the State Housing Programme to qualifying employees.

Refer to note 2 "Reclassification of comparative figures" for restated prior period figures.

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

## Notes to the Financial Statements

for the year ended 31 March 2008

	2008 R'000	2007 R'000
<b>14. Trade and other payables</b>		
Trade accounts payable and accruals	260,254	184,931
Accruals for salary related expenses	172,434	150,369
Projects	-	5,815
Retentions	-	270
Other credits	1,115	778
	<b>433,803</b>	<b>342,163</b>

Refer to note 2 "Reclassification of comparative figures" for restated prior period figures.

**15. Other financial liabilities**

The carrying amounts of financial liabilities at amortised cost are denominated in the following currency:

Rand	722,717	648,474
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**16. Financial liabilities by category**

The accounting policies for financial instruments have been applied to the line items below:

2008	Financial liabilities at amortised cost	Fair value through profit or loss held for trading	Fair value through profit or loss designated	Total
Finance lease obligation	288,915	-	-	288,915
Trade and other payables	433,802	-	-	433,802
	<b>722,717</b>	<b>-</b>	<b>-</b>	<b>722,717</b>
2007	Financial liabilities at amortised cost	Fair value through profit or loss held for trading	Fair value through profit or loss designated	Total
Finance lease obligation	306,311	-	-	306,311
Trade and other payables	342,163	-	-	342,163
	<b>648,474</b>	<b>-</b>	<b>-</b>	<b>648,474</b>

**17. Provisions****Reconciliation of provisions 2008**

	Opening Balance	Additions	Utilised during the year	Unutilised provision	Adjustment of provisions	Total
Leave Pay	43,342	-	-	-	1,565	44,907
Performance Bonuses	234,500	290,000	(229,289)	(5,211)	-	290,000
	<b>277,842</b>	<b>290,000</b>	<b>(229,289)</b>	<b>(5,211)</b>	<b>1,565</b>	<b>334,907</b>

**Reconciliation of provisions 2007**

	Opening Balance	Additions	Utilised during the year	Unutilised provision	Adjustment of provisions	Total
Leave Pay	41,343	-	-	-	1,999	43,342
Career Development Programme	6,498	620	(7,118)	-	-	-
Performance Bonuses	185,400	240,932	(191,832)	-	-	234,500
	<b>233,241</b>	<b>241,552</b>	<b>(198,950)</b>	<b>-</b>	<b>1,999</b>	<b>277,842</b>

# SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

## Notes to the Financial Statements for the year ended 31 March 2008

### Career Development Programme

During the previous year the entity embarked on a programme to address development needs within the organisation as agreed between the employer and organised labour.

### Performance Bonuses

Performance bonuses represent the obligation for annual performance bonuses payable to employees in terms of performance agreements.

### Leave Pay

Leave pay represents the entitlements of amounts due to personnel for leave accumulated prior to 1999.

### Old leave prior to 1 January 1999

The leave provision for leave prior to 1 January 1999 was calculated based on the following percentages of probability applied to the various age groups:

25 years to 35 years	10%
36 years to 45 years	25%
46 years to 54 years	50%
55 years and older	100%

Refer to note 2 "Reclassification of comparative figures" for restated prior period figures.

	2008 R'000	2007 R'000
<b>18. Revenue</b>		
National Treasury	5,511,031	4,874,591
Criminal Assets Recovery Account (CARA)	-	5,000
Transfers from government entities	<b>5,511,031</b>	<b>4,879,591</b>
<b>19. Other income</b>		
Commissions received	186,945	171,521
Interest received	119,779	74,977
Other revenue	25,938	23,380
Funds received from international donors	-	2,066
Profit and loss on foreign exchange transactions	-	11,325
	<b>332,662</b>	<b>283,269</b>
<b>20. Administrative expenditure</b>		
Administrative expenditure	<b>1,109,950</b>	<b>970,895</b>

The main expenses include:

- Printing and postage
- Communications
- Subsistence and travel
- Bank charges
- Building maintenance & accommodation
- Filing season expenses
- Insurance premiums

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Notes to the Financial Statements  
for the year ended 31 March 2008

	2008 R'000	2007 R'000
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**21. Professional and special services**

<b>Professional and special services</b>	746,837	669,418
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The main expenses include:

- Audit fees
- Legal fees
- IT maintenance
- Consultation fees
- Security services

**22. Other expenses**

<b>Other expenses</b>	8,306	72,043
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The main expenses include:

- Net losses on exchange rate differences of R1,430m
- Impairment losses/scrappings on assets (Refer note 3 and 4)

**23. Finance costs**

<b>Finance charges mainly as per finance lease (Refer note 10)</b>	30,992	43,440
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**24. Cash generated from operations**

Surplus for the year	236,180	7,309
<b>Adjustments for:</b>		
Depreciation and amortisation	211,523	276,344
(Profit) on sale of assets	(392)	(575)
Movements in operating lease liabilities	13,454	(18,957)
Movements in provisions	57,065	44,600
Losses on scrapping of property, plant and equipment	5,768	71,075
<b>Changes in working capital:</b>		
Trade and other receivables	8,623	(31,622)
Trade and other payables	91,640	(1,739)
Deferred income	(6,587)	(3,555)
Movement in financial guarantee contracts	(639)	(1,316)
	<b>616,635</b>	<b>341,564</b>

**25. Operating leases**

At 31 March the future minimum operating lease commitments were:

**Within one year:**

Property (2007 restated)	239,369	204,680
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**Between two and five years:**

Property (2007 restated)	703,102	695,907
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**In more than five years:**

Property (2007 restated)	571,283	601,835
	<b>1,513,754</b>	<b>1,502,422</b>

The operating leases consist of property rentals of which renewal terms and escalation clauses differ from contract to contract.

Operating lease expenses are recognised on a straight-line-basis over the lease term.

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Notes to the Financial Statements  
for the year ended 31 March 2008

	2008 R'000	2007 R'000
<b>26. Contingencies</b>		
<b>Contingent liabilities</b>		
<b>Accumulated leave prior to 31 December 1998</b>	45,245	47,319

The contingent amount for accumulated leave pertains to the period up to 31 December 1998. Up to this point there was no limitation on the number of leave days that could be accumulated. The value of such accumulated leave is only payable in the event of employees retiring or leaving SARS' employment due to ill health or upon their death in service.

As from 1 January 1999, limitations have been set on the amount of annual leave that can be accumulated. Provision for such accumulated leave has been made and disclosed as part of note 17.

**27. Capital commitments****Authorised capital expenditure**

Already contracted for but not provided for in the financial statements.

<b>Property, plant and equipment</b>	453,848	592
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**28. Financial instruments and risk management**

SARS' operations are exposed to certain financial risks. Financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on SARS' financial performance.

**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.

SARS' operations utilise various foreign currencies and consequently, are exposed to exchange rate fluctuations that have an impact on cash flows and financing activities. Foreign exchange risks are managed through the entity's financing policies and the selective use of forward exchange contracts.

**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. SARS is exposed to credit-related losses in the event of non performance by counterparties to financial instruments.

- Cash and cash equivalents owing to dealing with reputable financial institutions;
- Staff debts are recovered in terms of the applicable policy and procedures directly from the employees salary and/or pension;
- Debts for Government departments are recovered in accordance with terms dictated by the PFMA;
- Housing guarantees are recovered from the employees salary and/or pension.

SARS does not regard there to be any significant concentration of credit risk.

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. SARS manages its liquidity risk to ensure it is able to meet estimated expenditure requirements. This is achieved through prudent liquidity risk management which includes maintaining sufficient cash and cash equivalents.

SARS' chief source of income is an annual grant from Parliament for funding of SARS' operational and capital requirements. This grant is allocated in accordance with the provisions governing the Medium Term Expenditure Framework (MTEF). SARS follows an extensive planning and governance process to determine its operational and capital requirements. This is considered to be adequate mitigation for liquidity risk.

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

### Notes to the Financial Statements for the year ended 31 March 2008

#### Cash flow interest rate risk

Exposure to interest rate risk on financial assets and liabilities is monitored on a continuous and proactive basis. The debt of the entity is structured on a combination of floating and fixed interest rates. The benefits of fixing or capping interest rates on the entity's various financing activities are considered on a case-by-case and project-by-project basis, taking the specific and overall risk profile into consideration.

#### Fair value

Profiles of financial instruments For the year ended 31 March 2008	0 -12 Months R'000	1 - 5 Years R'000	Beyond 5 years R'000	Total R'000
<b>Financial assets</b>				
Trade and other receivables				
– Staff accounts receivable	1,649	-	-	1,649
– Advance tax ruling (ATR) debtors	230	-	-	230
– Government departments	31,112	-	-	31,112
– Refundable deposits	2,934	-	-	2,934
– Other receivables	13,276	-	-	13,276
Cash and cash equivalents	1,072,516	-	-	1,072,516
<b>Financial liabilities</b>				
Trade and other payables				
– Trade accounts payable and accruals	260,253	-	-	260,253
– Accruals for salary related expenses	172,434	-	-	172,434
– Other payables	1,115	-	-	1,115
Interest bearing borrowings	76,741	107,837	104,337	288,915
Financial guarantee contracts	-	-	8,499	8,499
<b>For the year ended 31 March 2007</b>				
<b>Financial assets</b>				
Trade and other receivables				
– Staff accounts receivable	1,554	-	-	1,554
– Advance tax ruling (ATR) debtors	31	-	-	31
– Government departments	27,896	-	-	27,896
– Refundable deposits	2,818	-	-	2,818
– Other receivables	5,910	-	-	5,910
Cash and cash equivalents	911,176	-	-	911,176

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Notes to the Financial Statements  
for the year ended 31 March 2008

Profiles of financial instruments For the year ended 31 March 2008	0 -12 Months R'000	1 - 5 Years R'000	Beyond 5 years R'000	Total R'000
<b>Financial liabilities</b>				
Trade and other payables				
Trade accounts payable and accruals	184,931	-	-	184,931
- Accruals for salary related expenses	150,369	-	-	150,369
- Other payables	778	-	-	778
- Retentions	270	-	-	270
- Projects	5,815	-	-	5,815
Interest bearing borrowings	28,499	162,028	115,784	306,311
Financial guarantee contracts	-	-	9,138	9,138

At year end the carrying amount of cash and cash equivalents, accounts receivable and accounts payable approximated their fair values.

## 29. Executive members remuneration

No remuneration reflected in the current year indicates that the respective members did not serve on the Executive Committee.

### 29.1 Executive Managers (past and present) emoluments

	Salary	Bonus	Allowances including leave payments	Contributions medical & pension	2008 R'000 Total	2007 R'000 Total
Commissioner for SARS	1,928	763	268	292	3,251	2,767
GM: Strategy, Modernisation and Technology (2007: 9 months)	1,841	647	166	38	2,692	1,363
GM: Corporate Services (2007: 3 months)	1,484	560	331	36	2,411	1,618
GM: Compliance and Risk Management (2007: 4 months)	-	-	-	-	-	569
GM: Risk Management (2007: 9 months)	1,004	247	156	30	1,437	853
Deputy Chief Operations Officer	817	235	200	128	1,380	1,274
GM: Enforcement and Risk	1,084	418	221	164	1,887	1,368
GM: Enforcement (2007: 9 months)	760	255	164	27	1,206	644
GM: Finance	779	204	206	122	1,311	1,214
GM: Legal and Policy	1,156	418	270	170	2,014	1,442
Chief Operations Officer	1,627	580	157	36	2,400	2,095
Deputy Chief Operations Officer	990	274	182	30	1,476	1,277
GM: Large Business Centre	1,411	365	157	34	1,967	-
Chief Information Officer (2008: 6 months)	752	-	73	15	840	-
GM: Office of the Commissioner (2007: 9 months)	680	263	225	110	1,278	610
GM: Corporate Relations (2007: 11 months)	990	250	155	30	1,425	1,020
	<b>17,303</b>	<b>5,479</b>	<b>2,931</b>	<b>1,262</b>	<b>26,975</b>	<b>18,114</b>

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

### Notes to the Financial Statements for the year ended 31 March 2008

	2008 R'000	2007 R'000
<b>30. Related parties</b>		
SARS is a Schedule 3A Public Entity in terms of the PFMA. Related parties include other state-owned entities, government departments and all other entities within the spheres of Government.		
<b>Related party transactions</b>		
The Government provides SARS with a grant to cover its operating expenditure and to fund specific projects. The transactions with related parties are summarised as follows:		
<b>Receiving of Services</b>		
With other related parties: Government, major public entities and other related parties		
Airports Company of South Africa	549	182
Alexkhor	-	1
Department of Foreign Affairs	1,634	3,079
Department of Public Works	618	1,670
Department of Water Affairs and Forestry	82	-
ESKOM	2,915	2,959
Government Communications	292	304
Government Printing	1,844	2,502
Human Sciences Research Council	-	1,790
Independent Regulatory Board	15	19
KwaZulu Natal Provincial Government	-	1
Local Municipalities	1,350	1,081
National Museum	3	5
National Ports Authority	1,168	999
Pension funds	191,111	186,092
SA Broadcasting Commission	3,701	3,007
SA Bureau of Standards	36	210
SA Post Office Limited	7,941	20,791
South African Airways	34	33
South African Reserve Bank	5	1
State Attorney	22,947	22,790
Telkom SA Limited	141,037	160,992
Transnet Limited	-	31
Unemployment Insurance Fund	18,393	17,117
Vodacom (as subsidiary of Telkom SA Limited)	12,775	11,299

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Notes to the Financial Statements  
for the year ended 31 March 2008

	2008 R'000	2007 R'000
<b>Trade and other payables</b>		
Airports Company of South Africa	16	17
Department of Foreign Affairs	201	96
Department of Public Works	54	-
ESKOM	336	229
Government Employee Pension Fund	1	12
Government Printing	415	32
Independent Regulatory Board	5	5
Local Municipalities	137	106
National Ports Authority	108	71
State Attorney	4,210	-
Telkom SA Limited	8,589	7,660
Unemployment Insurance Fund	-	1
Vodacom (as a subsidiary of Telkom SA Limited)	1,129	1,011

The transactions with key management personnel are summarised as follows:

**With key management personnel**

Executive members remuneration	26,975	18,114
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The transactions by services rendered to related parties are summarised as follows:

**Rendering of services**

Department of Housing (services)	120	-
National Treasury (grant and CARA)	5,511,031	4,879,591
Public Investment Corporation (services)	1,579	(55)
SARS Administered Revenue (attendance fees Customs)	7,216	12,281
Skills Development Levy (commissions earned)	52,569	53,146
Unemployment Insurance Fund (commissions earned)	134,376	118,375

**Trade and other receivables**

SARS Administered Revenue (attendance fees Customs)	570	12,281
Department of Housing (services)	120	-
Public Investment Corporation (services)	2,023	445
Skills Development Levies (commissions earned)	4,490	4,392
Unemployment Insurance Fund (commissions earned)	23,909	10,778

**Terms and conditions of transactions with related parties**

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash. No provision for doubtful debt relating to outstanding balances has been made and no expense has been recognised during the period in respect of bad or doubtful debts due from related parties.

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

### Notes to the Financial Statements

for the year ended 31 March 2008

	2008 R'000	2007 R'000
<b>31. Donations</b>		
Particulars of each donation or bequest accepted by SARS must be disclosed in accordance with section 24 2 (b) of the South African Revenue Service Act (Act No. 34 of 1997):		
<b>1) SIDA - Swedish International Development Agency</b>		
Accommodation in Blantyre, Malawi	-	2
<b>2) Japan Customs and Tariff Bureau</b>		
Accommodation and airfares for seminar	62	70
<b>3) The Container Security Initiative</b>		
Accommodation and traveling to Virginia, US for Symposium	40	-
<b>4) SAAB Technologies</b>		
Accommodation and traveling to Sweden	9	-
<b>5) NTA - National Tax Agency of Japan</b>		
Taxation course for developing countries (ISTAX), accommodation and airfares	37	-
<b>6) National Gambling Board</b>		
Gaming Regulators Africa Conference, accommodation and airfares	45	-
<b>7) The Commonwealth Secretariat</b>		
Accommodation and traveling to Brussels	190	-
<b>8) USDOJ - US Department of Justice</b>		
Accommodation and traveling to Nigeria	60	-
<b>9) Tanzania Revenue Authority</b>		
Airfares and traveling in Tanzania	-	66
<b>10) IPFA - Institute of Public Finance and Auditing</b>		
All costs including airfare and accommodation	-	16
<b>11) SACU - South African Customs Union</b>		
Accommodation and traveling costs to Namibia	-	8
<b>12) SADC - Southern African Development Community</b>		
Accommodation and airfares for SADC Customs Working Groups Workshop	15	130
<b>13) Namibia Customs</b>		
Accommodation and traveling costs to Namibia	-	12
<b>14) FIAS - Foreign Investment Advisory Service</b>		
All expenses including accommodation and airfares in Sierra Leone	-	50
<b>15) UN - United Nations</b>		
Airfares and accommodation in Geneva	55	21
<b>16) Rwanda Revenue Authority</b>		
Airfares and accommodation in Rwanda	21	8
<b>17) SITPRO Ltd</b>		
Flight to Livingstone, Zambia	-	5
<b>18) World Bank</b>		
Accommodation and airfares in Nairobi	31	48
<b>19) WCO - World Customs Organisation</b>		
Accommodation and traveling costs to Zimbabwe	-	9
<b>20) US CBP - United States Customs and Border Protection</b>		
Assistance with the implementation of the Framework of Standards	735	17

## SOUTH AFRICAN REVENUE SERVICE - OWN ACCOUNTS

Notes to the Financial Statements  
for the year ended 31 March 2008

	2008 R'000	2007 R'000
<b>21) ILEA - International Law Enforcement Academy</b> Accommodation and airfares in Botswana	85	10
<b>22) NTB - National Tax Board of Sweden</b> Airfares and accommodation in Sweden	-	24
<b>23) Akmal - Akademi Kastam Diraja Malaysia</b> Malaysian Technical Cooperation Programme, accommodation, airfares and subsistence allowance	-	42
<b>24) AU - African Union</b> Accommodation and traveling to Nairobi	18	-
<b>25) Malaysian Government</b> Accommodation in Malaysia	31	-
<b>26) ESAAMLG - Eastern and Southern Africa Anti-Money Laundering Group</b> Accommodation and traveling to Botswana	7	-
<b>27) The Ministry of Commerce of China</b> Accommodation and traveling to China	30	-
<b>28) US Department of Energy</b> Accommodation and traveling to Argentina	48	-
<b>29) Dutch Government</b> Assistance with training under the RTC Programme	862	-
	<b>2,381</b>	<b>538</b>

The above amounts were paid directly to the suppliers of the services. No monies were directly received by SARS. Amounts have been converted at exchange rates ruling at the time.

### 32. Retirement benefits

#### Post retirement medical aid benefit

For the purpose of post-retirement benefits, SARS falls under the Public Service Act. According to the Act, the State will continue to contribute to medical aid payments of employees after retirement if certain criteria are met. SARS as an autonomous entity, has no obligation to pay post retirement medical benefits to its retired employees or contribute to their continuance of membership of any medical aid.

#### Defined contribution plan

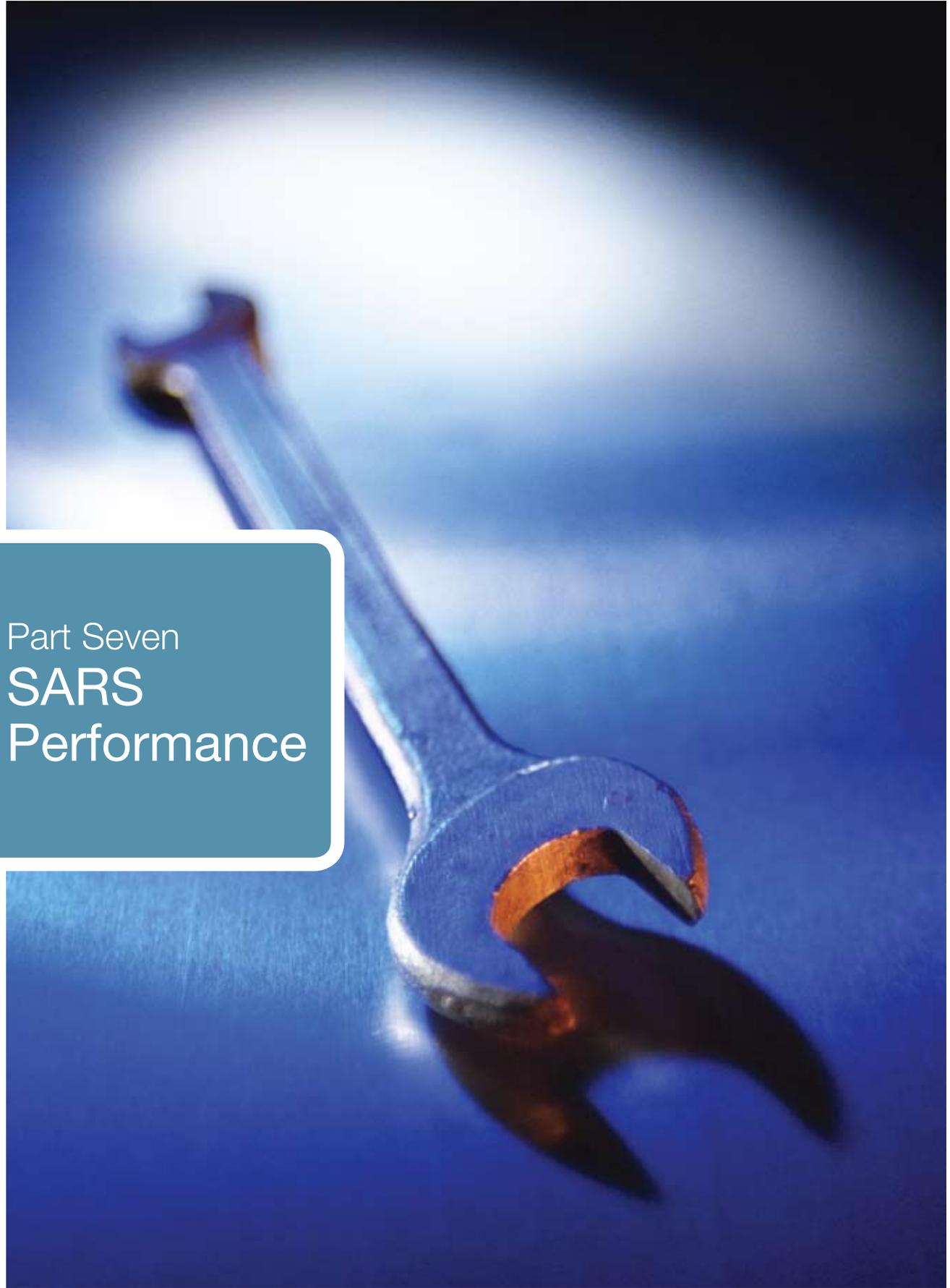
Obligations for contributions to defined contribution plans are recognised as an expense in the Statement of Financial Performance when they are due. SARS has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee services in the current and prior periods. Retirement benefits are provided by membership of the Government Employees Pension Fund.

Pension fund contributions (employer contributions included in personnel expenditure in the Statement of Financial Performance)

191,111	186,092
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### 33. Tax status

SARS is exempt from the payment of income tax in terms of section 10(1)(cA) of the Income Tax Act of 1962.



Part Seven  
**SARS**  
Performance

## SARS Scorecard

## Strategic Objective: Optimise revenue collection

- Optimise collections
- To advise on appropriate tax policy and legislative interventions

DELIVERABLES	TARGET	ACHIEVEMENT	ANNUAL REPORT REFERENCE
Revenue collected	R571,1 bn	R 572,9 bn	Pg 18
Debt book outstanding: (Debt to revenue ratio)	13%	10.68%	Pg 29

## Strategic Objective: Better taxpayer and trader experience

### Outcomes

- Targeted communication, taxpayer education and expectation management
- Enhanced service processes and responses to queries
- Perform against SARSservice charter
- Effective, easily available and efficient channels
- Efficient dispute resolution

DELIVERABLES	TARGET	ACHIEVEMENT	ANNUAL REPORT REFERENCE
<b>CALL CENTRE</b>			
Telephone calls answered within 20 seconds	60%	49%	Pg 36
Call abandonment rate	15%	15%	Pg 36
First time call resolution	70%	77%	Pg 36
<b>BRANCH</b>			
Average Service TAT Peak (excluding queue time) -10 min	6.3 min	5.13 min	Pg 37
First time query resolution	98%	98.6%	Pg 37

## Strategic Objective: Improved compliance and risk reduction

- Understand and segment the tax base and develop appropriate compliance strategies
- Improve compliance culture
- Assess and mitigate risk

DELIVERABLES	TARGET	ACHIEVEMENT	ANNUAL REPORT REFERENCE
<b>AUDIT</b>			
Coverage: Total number of audit cases completed	66,000	69,118	Pg 54
Success rate of investigative audits.	70%	73%	Pg 53
<b>OUTSTANDING RETURNS</b>			
% of outstanding returns reduced (annual reduction of 5%)	5.00%	6.67%	Pg 57
<b>CRIMINAL INVESTIGATIONS</b>			
CI cases completed: 500 cases per annum (medium & complex)	500	412	Pg 55

## SARS Scorecard

### Strategic Objective: Greater operational efficiencies

#### Outcomes

- Optimise throughput
- Maintain / enhance quality
- Establish an operational management system
- Optimise processes
- Improve cost efficiency / value for money

DELIVERABLES	TARGET	ACHIEVEMENT	ANNUAL REPORT REFERENCE
<b>RETURN THROUGHPUT</b>			
Turnaround time on income tax assessments			
• Non Peak – 34 working days	70%	83%	Pg 32
• Peak Period – 90 working days	80%	96%	Pg 32
<b>TURNAROUND TIME ON REFUNDS</b>			
• IT refunds - 30 working days (FAU 001)	90%	59%	Pg 34
• VAT refunds - 21 working days	95%	89%	Pg 34
<b>RETURN THROUGHPUT</b>			
Inventory			
Year To Date Inventory as % of throughput received	9%	17%	Pg 35

### Strategic Objective: Governance, Policy and Administration

#### Outcomes

- Entrench our Governance Framework throughout the agency
- Implement a single National Integrated Border Management Strategy

DELIVERABLES	TARGET	ACHIEVEMENT	ANNUAL REPORT REFERENCE
The percentage of governance framework implemented across the organisation	100%	100%	Pg 97
National Integrated Border Management Strategy developed	Adopted by Cabinet	Adopted by Cabinet by 31 January 2008	Pg 102
Ethics framework / Enhance integrity of employees	Implemented ethics framework over 3 year period	On track	Pg 99

## SARS Scorecard

## Strategic Objective: Enhanced Human Capacity

### Outcomes

- A staff complement with the appropriate skills and orientation
- Enhance human resource systems and process
- Achieve employment equity and workplace diversity
- A cadre of progressive and capable managers
- A well established performance management system

DELIVERABLES	TARGET	ACHIEVEMENT	ANNUAL REPORT REFERENCE
A people development strategy in which individual and organisational performance is the gateway to individual development, career growth and mobility within SARS	Over 3 year period	Repositioning SARS as a “value proposition” for current and future employees in our quest to become an “Employer of Choice”. A new recruitment process and service level agreements were implemented with the aim to reduce the Recruitment Cycle with up to 50%. An exciting new Career Model which will assist Employees to take self responsibility for Career Development with all the necessary support mechanism in place to bring about a professional cadre Tax and Customs Professionals	Pg 88
A comprehensive human resource administrative system	Over 3 year period	The implementation of the SAP HR module is on track as per implementation plan	Pg 89
Improved relations with labour	Over 3 year period	Successful concluding of various Collective Agreements with Organised Labour, especially the multi-term Substantive (wage) Agreement that was negotiated and signed with NEHAWU	Pg 89
An employee engagement programme	Over 3 year period	Our Employee Attitude levels, which we measure through the Employee Engagement Survey has been determined with the successful implementation of a programme of action resulted in a significant improvement in positive business enhancing behaviour from the previous year.	Pg 88
A rigorous Performance Management and Development System	Over 3 year period	Enhanced and implemented the new Individual Performance Management System. At the end of March 2008, 85% of SARS employees have signed-off individual performance contracts as part of the implementation of the new Individual Performance Management System.	Pg 92

# SARS Scorecard

## Strategic Objective: Improved Trade Administration and Border Security

### Outcomes

- To implement the general annex to the revised Kyoto Convention
- Efficient implementation and management of trade agreements
- Increased ability to detect illicit trade and enhanced anti-smuggling activity
- Visible border control and pro-active deterrence

DELIVERABLES	TARGET	ACHIEVEMENT	ANNUAL REPORT REFERENCE
<b>TRADE FACILITATION</b>			
<i>Electronic transactions processed</i>			
Import - International	90%	86%	Pg 68
Export - International	50%	54%	Pg 68
Export - SACU	15%	23%	Pg 68
<i>Transactions cleared within target (Imports) – INT - 4hrs</i>			
- INT – 24hrs	96%	100%	Pg 68
- SACU – 24hrs	96%	100%	Pg 68
<i>Transactions cleared within target: (Exports 4hrs)</i>			
Exports 24hrs	90%	99%	Pg 68
Turnaround time on Customs refunds	90% within 30 days	102% within 30 days	Pg 69
<b>CARGO STOP SUCCESS RATIO</b>			
Imports – International	25%	25%	Pg 71
Imports – SACU	15%	15%	Pg 71
<b>CARGO STOP SUCCESS RATIO</b>			
Exports – International	20%	47%	Pg 71
Exports – SACU	10%	6%	Pg 71
Inbound – Passengers & vehicles (Stop success ratio)	Int: 10%	25%	Pg 73
– Passengers & vehicles (Stop success ratio)	SACU: 5%	1%	Pg 73
Outbound – Passengers (Stop success ratio) (ORTIA)	5%	1%	
<b>PCI AUDIT SUCCESS RATIO</b>			
Risk Based	50%	34%	Pg 74
Regulatory	25%	29%	Pg 74

<b>ADR</b>	Alternative Dispute Resolution: a cost-effective and quicker alternative to litigation
<b>ASB</b>	Accounting Standards Board
<b>ATR</b>	Advance Tax Rulings
<b>BCOCC</b>	Border Control Operational Coordinating Committee
<b>BEE</b>	Black Economic Empowerment
<b>BIU</b>	Business Intelligence Unit: a SARS unit that specialises in gathering, organising and analysing relevant data
<b>BLNS countries</b>	Botswana, Lesotho, Namibia and Swaziland
<b>BOE</b>	Bill of Entry
<b>CBCU</b>	Customs Border Control Unit
<b>CCA</b>	Customs Controlled Area
<b>CIT</b>	Corporate Income Tax: all provisional and assessed taxes paid by corporate entities (net of refunds and including interest paid on overdue income tax)
<b>CITES</b>	Convention on International Trade in Endangered Species
<b>CRO</b>	Corporate Relations Office: manages relations with major stakeholders and also administers SARS' corporate social investment programme
<b>CSI</b>	Container Security Initiative
<b>Customs duty</b>	Duties levied on goods imported into the Republic
<b>EDW</b>	Enterprise Data Warehouse: a central repository for housing SARS' data and information
<b>EDI</b>	Electronic Data Interchange

## Glossary

<b>eFiling</b>	The online performance of interactions of taxpayers/clients with SARS and third parties such as banks
<b>Filing Season</b>	The period after the ending of the tax year during which taxpayers are required to submit their tax returns.
<b>FTR</b>	First-Time Resolution: The resolution of taxpayer or trader queries when they are made without having to refer the queries to back-office or other SARS functions
<b>Fuel levy</b>	The levy is paid on fuel levy goods (such as petrol and diesel) manufactured in or imported into the Republic
<b>GAAR</b>	General Anti-Avoidance Rule
<b>GATT</b>	General Agreement on Tariffs and Trade
<b>GDP</b>	Gross Domestic Product
<b>GRAP</b>	Generally Recognised Accounting Practice
<b>IBSA</b>	India-Brazil-South Africa
<b>ICE</b>	Integrated Customs and Enforcement
<b>ICRAS</b>	Integrated Customs Risk Analysis System
<b>ICT</b>	Information and Communications Technology
<b>IDZ</b>	Industrial Development Zones
<b>IFAC</b>	International Federation of Accountants
<b>ITAC</b>	International Trade Administration Commission of South Africa
<b>Kyoto Convention 1974, revised 1999</b>	Was developed to promote a highly facilitative international travel and trading environment while maintaining appropriate levels of regulatory control
<b>LBC</b>	Large Business Centre
<b>MIDP</b>	Motor Industry Development Programme
<b>MTEF</b>	Medium-Term Expenditure Framework
<b>MPC</b>	Monetary Policy Committee (SA Reserve Bank)

# Glossary

<b>NPA</b>	National Prosecuting Authority
<b>NBF</b>	National Bargaining Forum
<b>NCF</b>	National Consultative Forum
<b>NEHAWU</b>	National Education Health and Allied Workers Union
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>PBO</b>	Public Benefit Organisation
<b>PCI</b>	Post Clearance Inspections refer to those examinations and audits aimed to ensure compliance with Customs and Excise legislation
<b>PIT</b>	Personal Income Tax: all assessed and provisional taxes as well as PAYE paid by individuals (net of refunds and including interest on overdue tax)
<b>PIM</b>	Process and Information Management
<b>PMDS</b>	Performance Management and Development System
<b>PSA</b>	Public Servants Association of South Africa
<b>SAD</b>	Single Administrative Document: a Customs declaration designed to simplify and speedup cross-border trade administration
<b>SADC</b>	Southern African Development Community
<b>SACU</b>	Southern African Customs Union. SACU provides for the imposition of a common external tariff by the five SACU countries on goods imported from third countries and the duty-free movement of goods between the territories of the SACU countries
<b>Service Charter</b>	A charter adopted by SARS which aligns its mandate and public expectations against measurable benchmarks and performance standards
<b>SMME</b>	Small, Medium and Micro Enterprises
<b>STC</b>	Secondary Tax on Companies: refers to taxes paid on profits distributed by companies
<b>SSMO</b>	SARS Service Monitoring Office
<b>TOPP</b>	Training Outside Public Practice: a programme that accredits organisations to train Chartered Accountants outside of public practice
<b>SARS Act</b>	South African Revenue Service Act (1997)
<b>SMT</b>	Strategy, Modernisation and Technology Division: supports SARS strategy, business processes, technology applications and technology infrastructure
<b>TPS</b>	Taxpayer Service: SARS staff that directly interface with taxpayers and clients
<b>VAT</b>	Value-Added Tax: levied on the supply of goods and services by registered vendors
<b>WCO</b>	World Customs Organisation, a 169-member global organisation working towards the harmonisation of Customs processes and procedures
<b>WTO</b>	World Trade Organisation, 149-member global international organisation dealing with the rules of trade between nations

## Map (indicating various SARS locations)



# Map and Contact Details

## Contact details

Contact	Telephone	Fax
SARS head office	012 422 4000	
SARS fraud/anti-corruption hotline	0800 00 28 70	
SARS service monitoring office (SSMO)	0860 12 12 16	012 431 9695
Call centre (KwaZulu-Natal, Western Cape, JHB)	0860 12 12 18	
Large Business Centre	011 602 3536	011 602 3518
OR Tambo International Airport	011 923 2400	011 923 2467
Cape Town International Airport	021 934 0221	021 934 2355
Durban International Airport	031 469 1919	031 469 3569
Tax Exemption Unit	012 422 8800	012 422 8830



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