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Case Study 1.2

**THE PROMOTION OF MASSIVE CONTROL ACTIVITIES
(FILING AND PAYMENT)**

**South-African Revenue Service
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Case Study 1.2 : THE PROMOTION OF MASSIVE CONTROL ACTIVITIES (FILING AND PAYMENT)

EXECUTIVE SUMMARY

The full on adoption of information technology by governments and in particular tax administrations has resulted in more efficient electronic and/or automated channels generating large volumes of transactions from the taxpayers, with more users of the systems and the increased potential for third party data usage in support of the endeavour. Furthermore, the systems transcend the traditional ring-fence that purports to enable just the internal business of tax administrations, into an integrated platform which creates a wider eco-system of taxpayer and tax administrator; and all the elements that support or are supported by it.

However, the potential impact of a weakness in controls suggests that due care must be exercised in all relevant activities. The price of failure is generally too big to pay. Due to the inherent risks having a bigger base for a stronger impact, massive control activities therefore become imperative.

The purpose of this paper is to discuss the following massive control activities that SARS employs in the mitigation of risks which include both systems and process controls:

- Automatic Tax Processor (ATP)
- Pre-population of returns
- Tax calculators
- Employer Filing Season
- Tiered Service Centre
- Offline system for bulk capture
- Scanning of documents and digitization
- Threshold amounts for submissions
- Third Party Data
- Online submission off-ramps
- Online password reset
- Different filing seasons
- Risk Engines
- Ticketing for acknowledgement of compliance
- Knowledge base for agents
- Assisted front-office
- Effective Financial system for payments processing

The paper then discusses the required foundation for the controls, particularly the systems driven ones, with a specific focus on the technical design and the governance that manages the risk associated with the deployment of IT.

The administrative structure which informs the utilisation of resources for efficiency in delivery is discussed, suggesting a focus of the more impactful activities on the areas with the highest leverage. A segmented administrative framework is suggested, favouring different treatment for taxpayers with different levels of compliance and different assessed financial obligations. This is followed by the legal framework which governs the administration at large and some of the control activities previously discussed. The paper concludes with some remarks on the online service revolution and the challenges experienced in the endeavour for the institutionalisation of control activities.

INTRODUCTION

Technology has seen a shift, from merely being a back-office support function, to a strategic business partner. And lately, it has become a key determinant of business models, fuelled by the convergence of the business and the information system (IS) function resulting in the tremendous agility in the way businesses operate. Key to this capability has been the recent shift in IT architectures:

- from the traditional physically constrained layouts into pervasive architectures
- from the pure automation of manual static processes to the orchestration of business services
- from the provisioning of information giving a historical perspective to the facilitation of insight into future possible outcomes.

Governments, tax administrations in particular, have not been immune to this development. The administrative processes of tax authorities are no longer static. The constant evolution undergone by administrations, against the backdrop of an ever changing world, the exponential sophistication of the taxpayer and rapid developments in the field of technology, requires and is indeed supported by this agility. Anywhere, anytime computing has become an integral part of many a tax administration.

The speed of this evolution and the ability for tax administrations to keep track introduces new risks of falling behind the constant metamorphoses that individuals and institutions undergo, resulting in the increased difficulty to service even the known needs within acceptable turnaround times. How better then to support these critical success factors, than to use information and information technology as catalysts?

Over the past 24 months SARS has had a comprehensive review of the key business processes, drafted a modernisation agenda and prioritised on initiatives with the highest leverage. As part of this agenda, new systems capabilities in support of the new business competencies were rolled out. This has resulted in a systems portfolio with functionality so rich that not only does it provide the necessary automation, but also provides an enhanced potential to gain a deeper insight into the various aspects of the business, through the provisioning of the necessary information.

Parallel to these internal developments, came a marked increase in transaction volumes, both due to the increase in economic activity and the fact that SARS had suddenly made it easier for the taxpayer to comply. Convenience, in this particular instance, came with additional exposure to potential risks due to the ubiquity in touch points, increased throughput and the required accuracy in processing. The case to productionise control activities to ensure consistency in their approach, accuracy in the assessments and collections, and the need to ensure that the information is kept relevant at all times became stronger than ever.

Not unusual in such developments, the operators of the system did experience an exponential increase in the demand for more information, from the different levels and categories of the business custodians requiring an increase in data quality and quantity. Fuelling the need to have this information was also the fact that, unlike before, suddenly they could have it. The maturity of processes and the alignment of systems and human resources in order to facilitate the acceptable levels of service in the management of this information lifecycle became critical.

Globally over the years the functional owners have demonstrated an incremental appetite for better ways in which information could be provided to them, displaying a relentless attitude against a potential degradation in the said information, including it being late, incomplete, and incorrect, on a wrong medium and in the wrong format. SARS being a high throughput transactional environment renders the time dimension to be the most important of this quest. The current challenge is therefore not so much around the availability of the required information, but around the qualitative aspects of efficient and timeous information delivery. The introduction of control activities therefore becomes of paramount importance.

CONTROL ACTIVITIES

Electronic Filing

The ability for taxpayers, traders and practitioners to file online greatly enhances the potential to ensure quality submissions, in that the submission can be viewed online until such time that there is satisfaction on the part of a filer that a legal declaration can be made. Also, the opportunity to file wherever and whenever affords the taxpayer to engage in the activities when it is most suitable, thereby increasing the ability to exercise due care. Also, where a practitioner files on behalf of a taxpayer there is an opportunity for the taxpayer to access the submission from wherever and be able to verify the contents of the submission. This also reduces repudiation risks and absolves the practitioner of potentially being party to criminal behaviour.

Online submission off-ramps – The online submission system allows for the possibility of saving the form and being able to access it again for further updates. This control also allows for due care in the capturing of the correct data by the taxpayer, thereby reducing error to be dealt with downstream. A submission can be finally made by the taxpayer once they are satisfied.

Automatic Tax Processor (ATP) - is an application which receives all returns from the electronic filing channel, scanned optical character recognised returns, returns captured directly using the systems user interface, and returns captured on practitioners application, Easy File, which can be used to submit filed returns to the SARS main system remotely; to process it and send it to the Income Tax System for assessment and further processing, without any manual intervention. This serves as a control which reduces the time to assessment, while eliminating potential errors from manual calculations.

Pre-population of returns – SARS requires periodic uploads of pre-determined information from third parties, in order to pre-populate the returns. The system triggers downloads of the required data to be used in the pre-population process. This control serves to eliminate mismatches due to captured information being different from information that SARS has already gathered from third parties. It also shortens the assessment process in that simple returns can be submitted promptly by the respective taxpayers without having to determine what needs to be captured.

Tax calculators

Standard Tax Calculator - This calculator is available on the electronic channel to simulate an Assessment based on values supplied by the Taxpayer on the front-end.

Comprehensive Tax Calculator - In certain instances the calculation cannot be performed by the standard tax calculator due to data required on ITS. In these instances the calculation will be referred back to the core tax system, the calculation performed, and the calculated values passed to electronic channel front-end page. This control prevents requests for amendments and disputes that may arise post assessment in that the taxpayer can directly see the implication real time.

Employer Filing Season - An employers' solution that eases the Pay As You Earn reconciliation burden on SARS by:

- Providing a client application that will allow employers to perform PAYE reconciliation of their own records before submitting the data to SARS. This will ensure that certificate information reaching SARS is always reconciled with the employer's records.
- Allowing an employer to import payroll data into the client application that will be used for reconciliation purposes as well as for the creation, distribution and submission of tax certificates.
- Allowing an employer to manually capture certificate information throughout the year and maintain those records for reconciliation at year end.
- Allowing employers to electronically submit their employees' tax information to SARS only after reconciliation has succeeded on the employer's side.
- Receiving the abovementioned data from client applications and forwarding such information to the ATP system for processing.

The system clearly distinguishes between two types of employee certificates, namely:

- Certificates imported from a payroll application (Imported Certificates).
- Certificates captured manually on the PAYE application (Captured Certificates).

For employers who use the online (occasionally connected) SARS PAYE Application, they can only print or make imported certificates available electronically after they have successfully reconciled. Imported certificates can only be submitted after a successful reconciliation. Captured certificates can be printed or made available electronically after being submitted to the online system.

For employers who use the offline SARS PAYE Application, they can only print or make imported certificates available electronically after a successful reconciliation. Captured certificates can be printed or made available electronically at any time.

Tiered Service Centre

With regards to call centre interactions, depending on the complexity of queries, the resolution mechanism can be fully automated or passed on for further resolution. This service is tiered.

Tier 1: Voice - Interactive Voice Response (IVR) solution within the National Call Centre (NCC) environment. The IVR solution routes incoming interactions based on the required type and level of service. A simple query like enquiring on the Income tax return processing status, can be facilitated without any human intervention. This expected to free up significant capacity in relation to the NCC agents.

Tier 2: Voice – Agents and consultants in the national call centre will resolve queries received in this channel. The agents and consultants will classify the queries, authenticate the Taxpayer, Trader or Representative, record the relevant case details and proceed to resolve the query. About 80% of all queries received are resolved by the 1st and 2nd Tier. If a query cannot be resolved in the 2nd Tier it is then referred to the Expert Centre for resolution by the Subject Matter Expert (3rd Tier):

Tier 3: All channels – Due to the level of depth of knowledge required for this service, it consist of highly skilled subject matter experts in the Expert Centre, who resolve complex queries referred from the 2nd Tier or from the various channels. The function of the experts is to support the 2nd Tier in terms of resolving complex queries and also authorise queries requiring higher levels of authorisation than what is available in the 2nd Tier. The 3rd Tier resolves queries referred from any channel where the Taxpayer or Trader might have requested a call back.

Offline system for bulk capture – This is the Offline system used for capturing returns on the Branch Front desk if the system is offline. It is used as a control to allow the users to continue with the workload of capturing returns and later being able to submit them without losing much productive time. Once the system is back online, the synchronisation process can be kicked-off and the returns sent to the ATP

Scanning of documents and digitization – In cases where returns are filled in manually and sent for processing a control measure, based on optical character recognition, to digitise them is deployed as close to the source as possible. Documents are scanned and converted to xml format and sent through the system for automated processing. Where the writing is not machine readable, a double checking process kicks in whereby the scanned document will be subjected to two verification steps to ensure that what is ultimately reflected on the system is what was originally written on the form. Scanned documents can be viewed in the same format as was scanned in, or in the generated xml format. This ensures minimised capturing effort which is prone to human error and accuracy in processing. Moreover, the reference point is always available electronically in the original format within a document management system. This also satisfies the requirement to keep original documentation for prescribed periods of time without occupying much physical space.

Threshold amounts for submissions – Thresholds are set for the submission of tax returns to avoid undue processing effort on what would ordinarily be a simple return. If the individual taxpayer has earned less than R120000 per year from a single source of income, they are not required to submit a tax return.

Third Party Data

The enforcement nature of the business of SARS requires of it not to only rely on volunteered information, but also on external data sources, of which some reside within the broader state infrastructure. Furthermore, SARS occupies a critical position within the broader value chain of the administration of the State's financial resources. It therefore has bestowed upon it a joint responsibility, however small or large, of ensuring

that the value of contributions collected from the citizenry, is preserved. Participation from the third party data providers is normally at acceptable levels, without compromise to the applicable legal framework.

Online password reset – This prevents clogging the support resources with requests to have the passwords reset particularly when it has been a while since the system was last used. The process of resetting passwords is automated and reduces the burden on the call centre.

Different Filing seasons

Incentives for the control of peak filing periods are also advised in order to avoid an avalanche of activities during filing season. Manual submissions have a different filing period to those which will be filed electronically. This also places a lesser strain on the requirement for controls.

Dynamic Forms

The use of system generated dynamic forms ensures that the taxpayer is not subjected to irrelevant sections which may inadvertently be filled due to the possibility. The system generated forms are customised according to the taxpayer's needs.

Risk Engines

On the customs side, SARS has a real time transactional risk analysis tool that interacts with the Customs Core processing systems by risk analysing all customs transactions. Several methods are used in the determination of risk.

Method 1 is where a trap rule is set and the consignment is stopped (High risk). Method 2 is where a total score is allocated to an Importer or Exporter based on his past behaviour. Method 3 is random sampling on purpose codes.

There is also a Corporate Income Tax risk assessment tool used to identify high risk Company Income taxpayers. Risk areas and indicators are sourced via different information collection methods. The risks identified are then assessed and prioritized in order to update the knowledge base within CIT. CIT screenings are performed periodically. However adhoc screenings for sector/ segment based on a specific client list can be entertained. Different levels of risk are identified, from the highest risk score to the lowest. The CIT allows the risk profiler to investigate taxpayers based on their risk profiles. It also contains the risk element of the evaluated returns and constitutes the risk information to be used in the selection process.

Personal Income Tax also has risk engines that map certain aspects of data against certain criteria and norms that would, for instance, be prevalent within that specific activity group. These engines have very complex functionality which is able to kick out exceptions according to predefined criteria, and thereby trigger auditing processes which might help identify inadvertent errors or deliberate fraudulent activity.

Issuing of tickets to acknowledge attempt to comply

When a branch office cannot assist taxpayers in submitting returns due to system problems or time constraints due to volumes, they can issue an e-ticket to the taxpayer that will give a 14 day extension on submitting the return after the due date. This controls against the potential disagreement around the intention to comply and the availability of service.

Knowledge base for agents - The knowledge Base site is created for the support of agents in the Call Centre or users at SARS branch offices to search for sanitised and approved answers to frequently asked questions (FAQs) received from taxpayers, traders or tax practitioners. The control value of the database lies in its support for consistent responses to specific queries by different SARS people. The system also enables users to add enhancements by adding content by submitting suggestions indicating how the content may be improved.

Assisted Front Office

SARS makes use of subject matter experts based assistance in branch front offices. This covers the tax base that would not ordinarily have the expertise to furnish the administration with the necessary submissions due to issues like literacy. The front office is staffed by several levels of expertise, with the ability to allocate the appropriate resource for the level of complexity inherent in the requirement.

Effective Financial system in support of payments

The Financial Management of the administered revenue is comprised of a suite of integrated systems which are a combination of bespoke systems customised to SARS requirement and the utilisation of commercially off-the shelf applications which, even though they come embedded with best practices, were configured to suit the SARS environment to ensure the following key requirements :

- Ability to have direct interfaces with third parties, including banks and the National Treasury
- The ability to determine the current financial obligation by the taxpayers and practitioners, and the online system availability to be able to effect payments real-time, anywhere, anytime
- The assurance of transacting in a secure environment and the ability to verify the receipting of payments by SARS
- The prompt adjustment of balances to reflect the latest possible position upon the receipt of such payments
- For point of sale (collection) transactions, improved verification and controls, resulting in improved data integrity of revenue accounting information
- Fast processing and confirmation of financial transactions
- The ability to aid compliance to the Generally Recognised Accounting Practices (GRAP) and the Public Finance Management Act (PFMA) using systematic support and processes to improve the quality of available information;

- Improved verification of receipting information at the point of capture and take-on, resulting in improved information accuracy and the reduction in the number and frequency of postings of unallocated and mismatched receipts to dummy accounts;
- For auditing and tracking purposes, the ability to track the processing of receipting and refund data between all system components involved

DESIGN CONSIDERATIONS FOR SETTING A FOUNDATION FOR CONTROLS

Application Integration - Several factors, including silo'ed application design and the maintenance of management information external to core applications, can be attributed to potential data degradation. Traditionally organisations have a clear demarcation between information coupled with business process applications and information coupled with business intelligence. Such designs advocate the consumption of different information types by different application classes. The core business systems of SARS, geared towards the collection of the different types of taxes and customs, were originally designed to function independently. Directionally SARS began a journey to change this configuration, despite the prevalence of complexities around achieving an integrated tax and customs systems environment, within a short space of time. Intermediate systems processes to transform the data in order to provide an integrated picture therefore become inevitable in the short term.

The principles of application integration, while they promote a shift from application-centricity in metadata design, generally discourage the enterprise's tolerance for a silo'ed application approach, giving way to loosely coupled application designs with increased semantic resonance across the application landscape. SARS aspires to this model design and it is within the Modernisation agenda to achieve this integration. The manner in which the integration can be achieved, becomes a subject of sound scrutiny and an informed design, going forward. The legacy environment which has the core systems packed into silo's with different databases for different systems environments, brings immense complications to governance around who has primary responsibility for certain steps of the information value chain.

Within the SARS landscape the currently tightly coupled information systems will gravitate towards hybrid models; and eventually end up loosely coupled thereby ensuring agility within short time frames, at reasonable costs, for any further change requirements on the organisation.

Pervasive Technology architecture – Pervasive computing relates to the availability of planning and execution activities from multiple locations, utilising a proliferation of IT devices with real time processing capabilities. SARS takes full advantage of this offering with its sophisticated systems portfolio incorporating electronic filing and payment capabilities.

Robust Information Security Management as a culture - Information Security which implies the appropriate protection of information resources and information systems in terms of confidentiality, integrity and availability is very high on the agenda of SARS.

Looking at the enterprise from an information security posture, there are two primary areas given consideration:

- External risk mitigation countermeasures
- Internal risk mitigation countermeasures

It is every organisation's prerogative to ensure that a security-conscious culture is fostered. As a result information security awareness campaigns have been introduced to raise the level of awareness across the enterprise. Presentations have been conducted at the main regional offices. An online security awareness training course has been implemented to encourage the fostering of a more security aware culture within SARS, across the enterprise.

There has been a recent introduction of an enterprise risk & intelligence committee comprised of senior representatives from various SARS divisions. The focus of this committee is to establish the security risks within a certain number of predefined areas within SARS and to propose and monitor the implementation of appropriate mitigating controls. This extends beyond the scope of technical information security. In the short, medium and long term, these controls will be reviewed, revised and propagated throughout the enterprise. In addition to this, external security audits are conducted on a regular basis which facilitates the implementation of recommended resolutions to security findings and shortcomings. This includes process and technology controls.

Information Security Management is a journey. Even though timelines have been attached to planned activities, due consideration is given to the ever changing Information Technology landscape, where a tactical reaction can be necessitated due to newly emerging risks at any given point in time.

Managing Information as an Asset - Enterprise Information Management is an enterprise-wide discipline which seeks to ensure that there exists a co-ordinated process that maintains a "single version of the truth" through the management of information, and that relevance of the information provisioned is proven in its accuracy, consistency, integrity and validity.

EIM is a set of processes, policies and systems which facilitates the optimal provisioning, uniform interpretation and holistic consumption of structured information primarily by man and machine; and unstructured information primarily by man for the fortification of business functions.

The key to sound EIM is the maintenance of focus on information value. For some organizations, a centralized data warehouse for consistent aggregation of data is all that is required. For others, a centralized repository of metadata is what is needed. For others, a distributed, message-based workflow management model is the goal. EIM does not prescribe the solution; it outlines a framework for you to achieve the objective of semantic reconciliation using a range of tools, technologies and techniques.

However, there still exists three possible configurations for the support of information provisioning, which are :

- Point-to-point application integration, keeping different application domains, with message based workflow
- Data aggregation through a data warehouse
- Application stack independent, enterprise wide metadata to drive semantic data consistency. This prevents a situation of having different information classes for business process application use and for business intelligence use. It cuts out the need for further transformation, where the risk of quality compromise sets in.

The SARS picture, which has a heterogeneous data environment, is a combination of the configurations above. While the third one would have been the most preferred and better operable, it would be difficult to achieve considering the existence of a legacy environment. However, there are various methods that can emulate data consistency including the creation of second generation master data and/or metadata stores at any stage during an electronic process execution, eg. permanently or at runtime. At SARS we have what we refer to as the UT3M (Unified taxpayer, trader, third party master data). Data quality issues result from data inconsistency issues. Information and information artefacts re-use is just as important as application component re-use. Information leverage gets enhanced through data consistency.

ADMINISTRATIVE STRUCTURE

SARS required a differentiated approach to engaging with taxpayers and traders based on an understanding of their revenue contributions, service requirements and risk profiles, in order to develop and execute a more dedicated and effective compliance strategy.

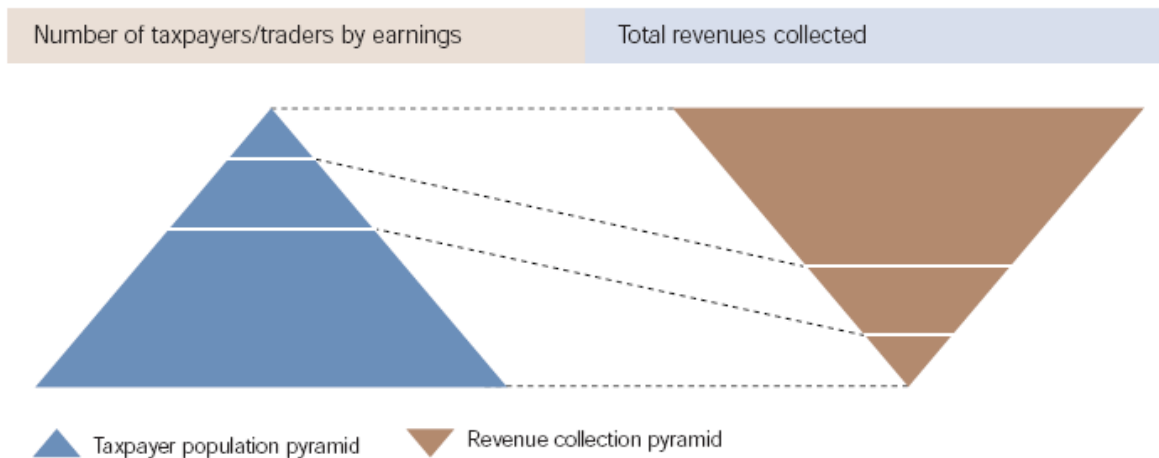
An analysis of our current taxpayer and trader base identified three primary taxpayer/trader clusters:

- Small number of large corporations and individuals with high average tax revenues;
- Growing number of small and medium enterprises and middle class; and
- Large micro/ informal base with low average tax revenues.

When looking at total revenue collected there was an inverse relationship to our taxpayer and trader base.

Analysis of current taxpayer and trader base

Most revenue is collected from a small group of high revenue taxpayers.

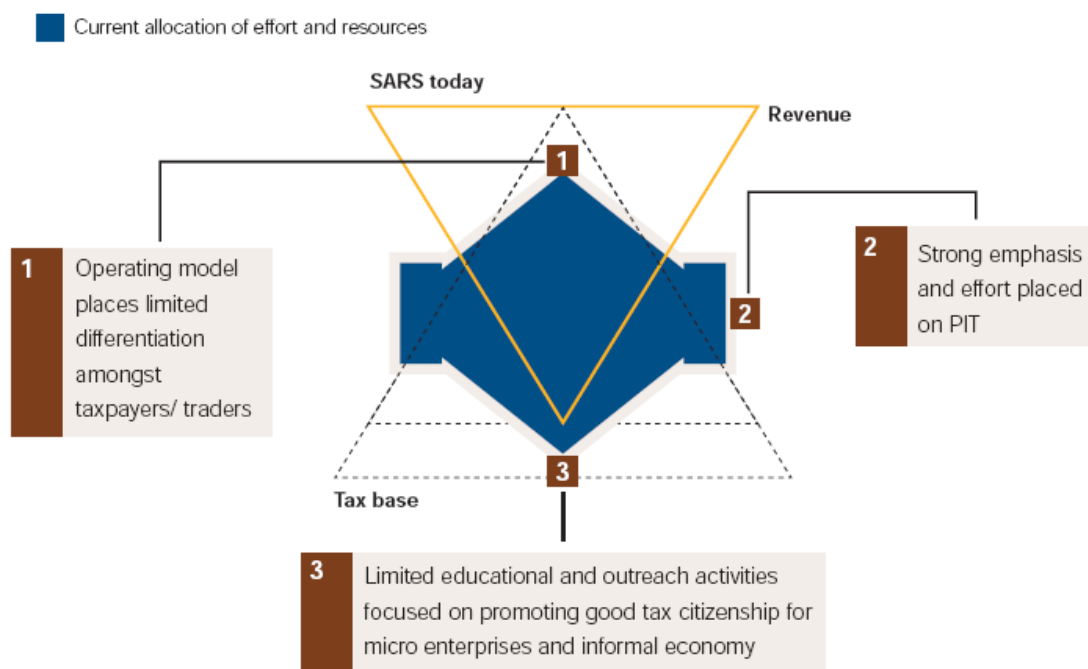


SARS's operating model, however, did not sufficiently recognise this inverse relationship with limited variation in approaches with regard to compliance, debt collection, customer service and education for taxpayers and traders.

This resulted in a disproportionate allocation of resources with:

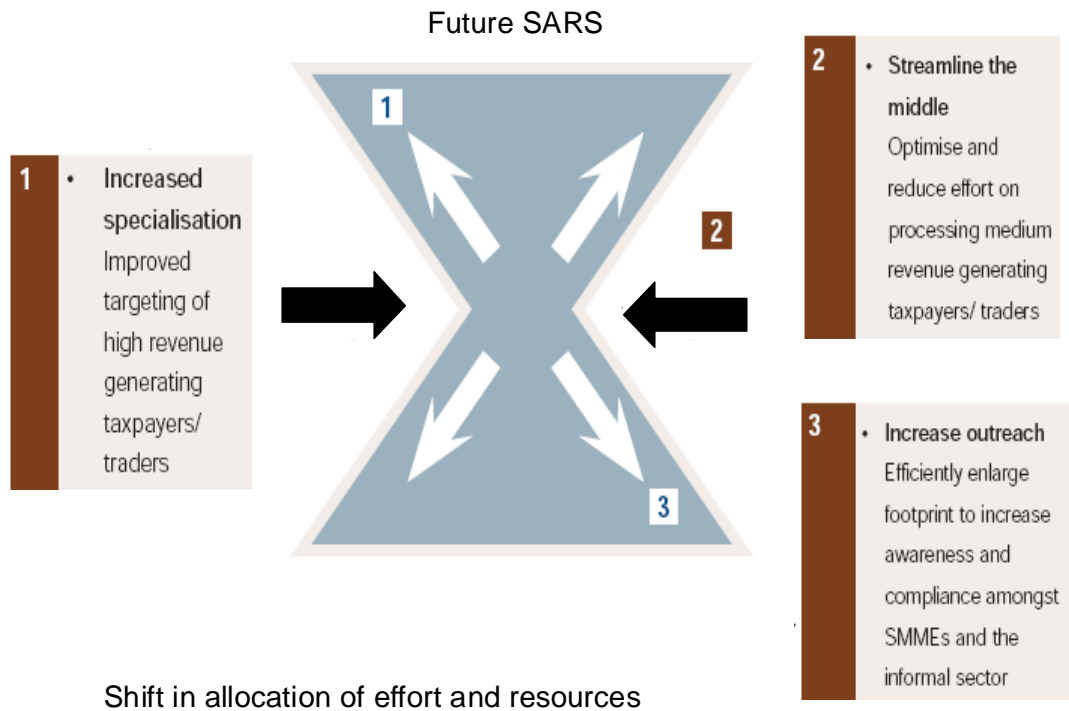
- Insufficient resources servicing high revenue generating taxpayers and traders;
- Minimal focus on increasing penetration in the small enterprises and the informal economy;
- Excessive emphasis on servicing our traditional income tax base.

Previous operating model



As a result of this greater understanding of taxpayer and trader segments, SARS is in the process of implementing a differentiated business model which is allowing us to manage capacity and decrease the burden on the taxpayer through reconfiguring our operating model to meet differentiated requirements.

Future differentiated operating model



LEGAL FRAMEWORK

The laws that govern SARS as a statutory body established by the SARS Act of 1997 prescribed the functions of SARS to secure the efficient and effective, and widest possible, enforcement of the national legislation listed in Schedule 1 to the SARS Act. Schedule 1 to Act includes numerous “tax acts”. Most of these Acts prescribe the specific administrative powers of SARS to enforce the relevant Act, while others cross-refer to the more general administrative powers of SARS as prescribed in the Income Tax Act.

The maturity of legislation around the use of technology as a control mechanism, are not at a fully mature stage. Generally though, the Electronic Communication and Transaction Act (the ECT Act), allows the use of electronic communication (email, fax, online access of and submission of information on a server/information database etc.) in respect of the communication and the provision of information usually submitted by traditional means (postal or physical delivery or service of documents or information completed in a hard copy format) UNLESS the use of such traditional means is mandatory (prescribed by law). For example, the High Court Act read with its rules requires physical service and delivery of court papers (although in some countries electronic filing of court papers are now permitted).

A specific Act, such as the Income Tax Act, may amplify or deviate from the general provisions of the ECT Act, in which case the provisions of the specific Act would 'override' the provisions of the ECT Act. Where an Act is silent on the use of electronic communication the provisions of the ECT Act would apply. In this regard, some of the tax acts specifically indicate under what circumstances and format electronic communication may be used. For example, in terms of regulations issued under the Act, taxpayers may submit returns in electronic format by using electronic communication channels (e.g. SARS eFiling server) in the manner as prescribed in the regulations which also allows SARS to also accept electronic or digital signatures as valid signatures in respect of returns.

Therefore, where permitted either generally in terms of the ECT Act or specifically in terms of a tax Act, SARS may permit the use of electronic communication for purposes of the fulfillment by taxpayers of their various obligations such as registering or submitting returns / declarations, and SARS may use electronic communication to procure information (whether from taxpayers or third parties) for verification or audit purposes.

In the context of collections, electronic communication may similarly be used to trace taxpayers or assets or communicate with defaulting taxpayers or third parties who can assist. For example, the appointment of an agent in terms of the Income Tax Act may be done electronically as the physical delivery of the applicable notification is not mandatory. However, the institution of civil proceedings to collect a debt, such as the filing of a statement with the clerk of a Magistrate's Court and most subsequent formal processes, cannot be done electronically.

In the context of payments by electronic means (regarded as 'electronic transactions' as defined in the ECT Act), where this is not prohibited by a tax act it would be permissible to use such means for payments to and by SARS.

The common law principles regarding repudiation, a term essentially related to the denial or disowning of a contract, signature or information submitted, would apply irrespective of whether normal/traditional or electronic means of communication / transacting were used. The ECT Act specifically provides for attribution of the same evidentiary value to electronic communications or transactions, provided that the

applicable requirements regarding electronic signature and the preservation of the integrity of electronic data, including any document or information submitted online prescribed by the ECT Act, are met.

The procurement and use of any information irrespective of source lawfully obtained by SARS in terms of its administrative powers to do so as prescribed in the tax acts may be used for purposes of the relevant tax act as prescribed by such act.

CHALLENGES

The advent of convergence, wide scale automation, technology driven business solutions and the emerging technology savvy business domain manager has propagated the existence of the IT function across many (traditionally) business functions. The resulting federation of the IT function brings with it a major challenge of ensuring consistent quality matrices through an integrated governance process.

The proliferation of technology devices and the ubiquitous nature of access, has further increased the vulnerability on IT security in general. Internally, SARS is still on a critical path of the modernisation agenda which, among other desired objectives, seeks to automate the business processes in order to achieve the much desired simplification. The current state of business processes would render attempts to drive blanket best practice policies on information security counterproductive, inadvertently resulting in a negative effect on business responsiveness.

The issue around Information Security remains on the top of most agendas with some developing countries engaged in band-aid efforts of managing residual risks while some developed countries are indeed on the pro-active side of managing the inherent risks so well that the residual risks are minimised.

The availability of skills remains an issue. Internal capability for systems maintenance is the engine of a tax administration. All efforts need to be made to develop capacity and capability from the inside. The use of external suppliers to operate the environment is severely discouraged except for infrastructure, facilities and hardware support which is not regarded as core. This, however, is unfortunately not always possible. Collaboration with the private sector in the development of specific software where it matters seems to be commonplace.

CONCLUSION

The general direction that the different Tax Administrations are embarking upon is that of the automation of processes. Different countries come in at different stages of development, where some are moving from a paper based environment, some are modernizing what they currently have and others are complementing what they have with additional capability. The semantics around “online” service revolution also have different interpretations with the lesser developed countries assigning a meaning of elementary process automation to it, while the more developed countries referred to the leveraging of the world wide web and internet in general. Several channels, however, still remain at play. The different channels identified include the normal over-the-counter service, the intermediaries which perform the electronic capture on behalf of the taxpayer, the individual direct submissions via the internet, and tele-filing via telephone.

The different permutations afforded the taxpayer, and the flexibility around physical location requires the embedding of control activities within system driven capabilities. In order to strengthen the capability, several levers with the required functionality must exist within the technology domain. The key levers must include the ability to profile the taxpayers, and the appropriate resources to segment the tax base in order to provide a differentiated service.

IT needs to be able to support a nimble and responsive tax administration while ensuring a lower cost of compliance and increased productivity. It must enhance integrity and provide better control of corruption risk. While the systems which support the operations, inherently, produce large volumes of data, care needs to be taken not to keep unnecessary data but ensure that management information for policy and decision making is fully supported.

With regards to which direction must be taken in the development of these systems that provide the necessary controls, many administrations tend to favour packaged solutions as opposed to bespoke development. Packages which are perceived to already possess most of the functions, have installed bases and are tried and tested. They are also seen to be cheaper to implement, except in cases where there is a less than 80% fit. However, due to the non-proliferation of tax administration specific software, many tax administrations still develop their own solutions. SARS utilises a mixture of both, with the back office running on commercially off the shelf software and the core systems supported by bespoke systems. Best fit AND best practice drives our agenda going forward. It is therefore important to know what the organisation requires, understand the current environment (data sources, analytic capabilities and toolsets), determine the GAP and compose the roadmap to accomplish the enterprise goals identified as being of utmost importance.

Most importantly, however, SARS has over the past few years developed into a centre of excellence within the broader South African government due to the flair displayed in the effective and efficient execution of its mandate. The requirement for responsiveness, bias for action, commitment to deliver, learning experience and the competencies that have subsequently developed elevated the institution into a thought leadership status that more and more of the state institutions turn to for guidance. IT has played a key role acting as a lever to ensure sustainable delivery.

Furthermore, SARS occupies a critical position within the broader value chain of the administration of the State's financial resources. It therefore has bestowed upon it a joint responsibility, however small or large, of ensuring that the value of contributions collected from the citizenry, is preserved. The enforcement nature of the business of SARS requires of it not to only rely on volunteered information, but also on external data sources, of which some reside within the broader state infrastructure.