**To**: Dr. Eric Wood, Trillian Capital Partners

**From:** Ms. Faheema Badat, Trillian Financial Advisory

**Subject:** SARS review: opportunities identified

**Date:** 03 February 2017

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**Purpose:**

The purpose of this document is to outline the opportunities in which Trillian Financial Advisory could potentially get involved in at SARS.

**Opportunities identified**

* I reviewed the document titled “SARS Operating Model Review – December 2016”.
* Referring to the executive summary, the diagnostic highlighted a number of areas for SARS to address which included the following priorities:
  1. Reduce tax gap and focus on HNWI, SMME, Debt and Customs/ Excise
  2. Increase level of goods control. (This has been addressed in the memo from Mr. Julian Hanmer)
  3. Improve the level of taxpayer service levels and the efficiency of service channels
  4. Increase the effectiveness of the SARS operating model.
* Post the review I wish to propose the following opportunities for TCP to potentially target:

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| --- | --- | --- | --- | --- |
|  |  | Initiatives | Subsidiary | Comments |
| PEOPLE | **1** | **Change management:**  As part of the revised strategy, change is a natural consequence. Further to this, staff at SARS have indicated that change is required.  Change normally comes in small, incremental steps. When disruptive transformations are required, the culture is often insufficiently adaptive.  Culture can be the single most powerful hurdle to disruptive transformations, as it reinforces change resistors and obstructs enablers.  SARS may benefit from launching a Change Readiness Assessment to be followed by targeted, measurable interventions. | **TMC** | * Related to diagnostic finding 3 and 4 |
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| REVENUE | **2** | **Revenue collection optimization:**  We could support the client withidentifying and developing an appropriate strategy for SARS to increase its tax revenue through the following mechanisms:   * a targeted focus on HNWI, Customs and excise duty * improvement of verification/compliance checks which would lead to an increase in revenue.   Scope of work could include:   * Perform a root cause analysis on the risk engine in order to identify the drivers of lower results from compliance checks which in turn leads to lower revenue relative to international benchmarks. * Restructuring: Proposing a solution to identify staff to be ring-fenced and the associated management of specialised resources to be dedicated to priority revenue segments as well as management of spare capacity as a result of simplifying and digitising processes. | **TFA** | * Related to diagnostic finding 1 |
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| BALANCE SHEET OPTIMISATION | **3** | **Debt collection optimization strategy:**  Optimisation is a proven methodology for improving business performance across the credit lifecycle. In the collections environment, businesses can significantly increase performance through reduced provision levels, lower write-off rates and lower operational costs.  Trillian can work in partnership with SARS to the constraints and challenges of the collections operation.  Through financial modelling, we can develop a “what-if” simulation models which enables an evaluation of the recommendations prior to implementations which will allow the client to assess different optimised configurations for different economic conditions and business requirements. | **TFA** | * Related to diagnostic finding 1 |
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| PROJECT MANAGEMENT OFFICE | **4** | **Portfolio Optimisation and Programme Management Office:**  An essential requirement for SARS is dedicated capability on managing its portfolio of strategic initiatives, a synthesis of the impact they have on the business and comprehensive, integrated reporting.  From the executive summary, it is stated that while governance structures exist, management interviews indicate that their effectiveness is poor. It appears that a clear owners structure together with effective stakeholder engagement must occur.  To effectively achieve impact, I propose that we support in the establishment of a Portfolio Optimisation and Programme Management Office located in the Office of the SARS CEO. | **TMC** | * Related to diagnostic finding 4 |

**Conclusion**

Trillian Financial Advisory would be keen to perform a deep dive diagnostic on the above opportunities in order to understand the problem. This will enable us to make an informed decision in terms of whether we will be able to add value to the client in addition to being financial viable for our organization.