

**POSSIBLE TAX EVASION DUE TO THE INEFFECTIVE AND INCONSISTENT  
IMPLEMENTATION OF INTERNAL CONTROLS WITHIN THE SUPPLY-CHAIN  
MANAGEMENT PROCESSES**

by

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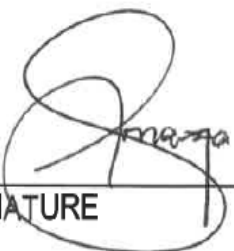
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***Possible tax evasion due to the ineffective and inconsistent implementation of internal controls within the supply-chain management processes***

I declare that the above dissertation is my own work and that all the sources used and/or quoted from are indicated and acknowledged by means of complete references.

I further declare that I have not previously submitted this work, or part of it, for examination at Unisa for another qualification or at any other higher-education institution.

  
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## LIST OF ABBREVIATIONS

- **BAC** - Bid Adjudication Committee
- **B-BBEE** - Broad-Based Black Economic Empowerment
- **BEE** - Black Economic Empowerment
- **CEO** - Chief Executive Officer
- **CIPC** - Companies and Intellectual Property Commission
- **COSO** - Committee of Sponsoring Organizations of the Treadway Commission
- **COO** - Chief Operations Officer
- **CPO** - Chief Procurement Officer
- **EME** - Exempted Micro-Enterprise
- **ERM** - Enterprise Risk Management
- **FMB** - Financial Misconduct Board
- **GDP** - Gross Domestic Product
- **GRV** - Goods Received Voucher
- **MAAA** - Mutual Administration Assistance Agreement
- **PDF** - Portable Document Format
- **PFMA** - Public Finance Management Act
- **PPPF** - Preferential Procurement Policy Framework
- **PSRMF** - Public Sector Risk Management Framework
- **PSSCMR** - Public Sector Supply Chain Management Review
- **RFQ** - Request For Quotations
- **SARS** - South African Revenue Service
- **SASSA** - South African Social Security Agency
- **SBC** - Small Business Corporation
- **SCM** - Supply Chain Management
- **TAA** - Tax Administration Act
- **TCC** - Tax Clearance Certificate



## DEFINITIONS OF CONCEPTS

The following are the definitions of concepts used from time to time in this dissertation:

- An **accounting authority** is the head or a board of a public entity, which in the case of SASSA is the chief executive officer (CEO) (South Africa 1999).
- An **administrative non-compliance penalty**, as defined by section 208 of the Tax Administration Act, 2011, is a penalty imposed by SARS resulting from applying an applicable non-compliance penalty ranging from R250 to R16 000.
- **Agency**, for the purposes of this study sometimes used for referring to SASSA.
- A **BEE certificate** is a certificate issued by a registered auditor for confirming the BEE status level of an exempt micro-enterprise (EME) (National Treasury 2011:8).
- **Black economic empowerment** (BEE) is the viable economic empowerment of all black people (in particular women, workers, youth, people with a disability and people living in rural areas) through diverse but integrated socio-economic strategies (South Africa 2003).
- A **chain of evidence** is a tool designed for making it is easier for the researcher to follow the source of any evidence from initial questions to an ultimate case-study conclusion (Yin 2012).
- **Construct validity** is the extent to which the results of a test are related to an underlying set of related variables (Salkind 2014:174).
- **Corruption** is a vicious and fraudulent intention to evade the prohibitions of the law (*Law dictionary* 2016).
- **COSO**, the Committee of Sponsoring Organizations of the Treadway Commission, is a joint initiative of five private-sector organisations, established in the United States of America, dedicated to providing thought leadership to executive management and governance entities on critical aspects of organisational governance, business ethics, internal control, enterprise risk management, fraud, and financial reporting. COSO

established a common internal-control model against which companies and organisations may assess their control systems (Bediako 2014).

- A **database** is a collection of information that is organised so that it can easily be accessed, managed and updated (Rouse 2006).
- **Enterprise risk management** is a risk strategy seeking to integrate the management of all the risks faced by an organisation, which inherently requires the alignment of risk management with corporate governance and strategy (Bromiley, McShane, Nair & Rustambekov 2015).
- **Exempted micro-enterprises (EMEs)** are enterprises with a turnover of R10 million or less per annum (DTI 2013:8).
- The **explanation-analytical technique** is a technique where a theoretically-based proposition is formulated and tested by collecting data through an initial case study in order to be able to compare the findings with this theoretically-based proposition (Saunders, Lewis & Thornhill 2009:501).
- **Explanation building** is a special type of pattern matching aimed at analysing data by building an explanation of the case in hand (Yin 2012:141).
- **Fraud** is defined as the intentional making of an unlawful misrepresentation that actually causes, or potentially can cause, another person to act to his or her detriment (Louw 2012:8).
- **Fruitless and wasteful expenditure**, as defined by section 1 of the Public Finance Management Act 1 of 1999, is an expenditure made in vain and would have been avoided had reasonable care been exercised.
- **Intentional tax evasion** includes actions intended to reduce or extinguish the amount that should be paid, or which inflate the amount of a refund that is correctly refundable to the taxpayer. The most severe penalty is reserved for cases where a taxpayer acted with the intention to evade tax (SARS 2013b:81).

- **Internal control** is a process effected by a company's board of directors, management and other personnel for providing reasonable assurances regarding the achievement of objectives (Jackson & Stent 2012:5).
- **Irregular expenditure**, as defined by section 1 of the Public Finance Management Act, 1999, is expenditure other than unauthorised expenditure, incurred in contravention of, or not in accordance with, a requirement of any applicable legislation.
- **Multiple sources of evidence** is a technique in which two or more sources of data, for example documentation and direct observation, are used in one study (Saunders et al 2009:146).
- The **Oracle system** is a system used by SASSA for processing financial transactions, accounting and reporting (SASSA 2017).
- The **pattern-matching technique** is a predictive approach to an intervention in that it specifies post-intervention results that would show either effects or no effects (Yin 2012:136).
- A **preferential procurement policy** is a procurement policy providing for categories of preference in the allocation of contracts and the protection or advancement of persons or categories of person disadvantaged by unfair discrimination (South Africa 1996, 2000).
- **Procurement** is a process that creates, manages and fulfils contracts relating to the provision of goods or services (National Treasury 2012:3).
- **Reasonable care not taken** - reasonable care is not defined, so the ordinary meaning must apply. Taxpayers are legally responsible for their tax affairs. A taxpayer must take reasonable care in keeping records and in providing SARS with complete and accurate information. Reasonable care means that a taxpayer is required to take the degree of care that a reasonable, ordinary person in the circumstances of the taxpayer would take to fulfil his or her tax obligations (SARS 2013b:80).

- **Risk management** is a systematic process for identifying, evaluating and addressing risks on a continuous basis before such risks can have a negative impact on the institution's service-delivery capacity (National Treasury 2015b).
- A **Risk-management framework** refers to all the structures, processes, systems, methodology and individuals involved used by an organisation for implementing its risk-management strategy (Coetzee, Du Bruyn, Fourie & Plant 2012:15).
- **Schedule-3A national public entities** are entities established in terms of the Public Finance Management Act, 1999.
- A **substantial understatement**, as defined by section 221 of the Tax Administration Act 28 of 2011, is where the prejudice to SARS or the fiscus exceeds the greater of five per cent of the amount of "tax" properly chargeable or refundable under the tax Act for the relevant tax period, or R1 million.
- **Supply-chain management (SCM)** is the design, planning, execution, control and monitoring of supply-chain activities in the delivery of goods, services or works, with the objective of creating net value and providing oversight and co-ordination of information and finances within the supply chain (National Treasury 2012).
- **Tax avoidance** is where the taxpayer arranged his or her affairs in a perfectly legal manner so that the taxpayer has either reduced his or her income or has no income on which tax is payable (Stiglingh, Koekemoer, Van Zyl, Wilcocks & De Swardt 2017:797).
- A **tax-clearance certificate** is a document issued by SARS confirming that the applicant's tax affairs are in order (Lubbe 2013).
- **Tax evasion** is an illegal activity deliberately undertaken by a taxpayer to free him- or herself from a tax burden (Stiglingh et al 2017).

- **Triangulation** refers to the use of different data-collection techniques within one study in order to ensure that the data are telling what you think that they are telling you (Saunders et al 2009:146).
- An **understatement penalty**, as defined by section 222(2) of the Tax Administration Act, 2011, is an amount resulting from applying the highest applicable understatement-penalty percentage (200%).
- The **voluntary-disclosure programme** was an interim voluntary-disclosure programme that expired in October 2011, whereupon a permanent legislative framework for voluntary disclosure applying to all types of tax was included in the Tax Administration Act. 2011. The main purpose of such a framework is to enhance voluntary compliance in the interest of good management of the tax system and the best use of SARS's resources. It seeks to encourage taxpayers to come forward and avoid the future imposition of understatement penalties, other administrative penalties and interest (SARS 2013b).

## **ABSTRACT**

This study investigated and examined the effectiveness and implementation of the existing internal controls designed specifically for exempted micro-enterprises (EMEs) contracting with the South African Social Security Agency (SASSA), in order to minimise the risk of possible tax evasion within the supply-chain management (SCM) processes. The research was completed by conducting a document review and face-to-face interviews with SASSA's SCM practitioners, risk manager, fraud and corruption manager, internal-control manager and internal auditor in order to identify risks of possible tax evasion within the SCM processes. It was concluded that there is a risk of possible tax evasion within the SCM processes due to the ineffectiveness and inconsistent implementation of internal controls designed for EMEs contracting with SASSA. This risk could be minimised by incorporating possible anti-tax-evasion procedures in the risk-assessment process, and ultimately in SASSA's broader fraud and corruption strategies. Such procedures should then help minimise funds being lost to the fiscus due to tax evasion in the SCM processes.

### **Key words/terms**

possible tax evasion

ineffectiveness

inconsistent implementation

internal controls

corruption

fraud

exempted micro-enterprises

risk assessment

strategies

SCM processes

# CHAPTER 1: BACKGROUND AND INTRODUCTION

## 1.1. INTRODUCTION

South Africa's first democratic government, elected in 1994, had a clear mandate to redress the inequalities of the past in every sphere (political, social and economic), so as to transform the country's economy (DTI 2003:7). From then on, government embarked on a comprehensive programme to provide a legislative framework for transforming the country's economy (DTI 2003:8).

Black economic empowerment (BEE) in South Africa has been one of the tools used for redressing the inequalities of the past and transforming the massive imbalances in society (DTI 2003:13). This policy helps small businesses to overcome market-access challenges and allows government to work on transforming the economy. Any company wishing to bid for work with government must prove its BEE compliance before being able to participate in the process (DTI 2003:15).

In 1997, government issued a green paper on public-sector procurement reform, a policy document recognising that government, as the largest buyer of goods and services in the economy, had the responsibility to leverage this purchasing power in support of its economic-policy objectives of , small-enterprise development, and labour-intensive construction (DTI 2003).

Mechanisms were introduced to give effect to a preferential-procurement policy: the tendering process was made more accessible to black people, tenders were “unbundled” into smaller tenders to allow smaller enterprises to tender for work, and a point system was introduced to award tenders on the basis of a combination of price and preference for targeted groups (DTI 2003).

The last-mentioned mechanism was given legislative force with the enactment of the Preferential Procurement Policy Framework Act 5 of 2000 in 2000 (DTI 2003), the objective of which was to use the purchasing powers of government as a tool for small-business development, and which referred to preferential procurement as the acquisition of goods and services by an organ of state. This Act also provided that an organ of state must use the preferential point system when awarding contracts.

Furthermore, in order to promote the purposes of the Broad-Based Black Economic Empowerment Act 53 of 2003, codes of good practice pertaining to BEE were issued, including the interpretation and definition of both BEE and different categories of black-empowerment entity. These codes resulted in the establishment of exempted micro-enterprises (EMEs) for procurement purposes.

### ***Exempted micro-enterprises (EMEs)***

In terms of the codes of good practice issued in section 9(1) of the Broad-Based Black Economic Empowerment Act, 2003, an EME is any enterprise with an annual total revenue of R10 million or less (DTI 2013:8). Where this study focuses on EMEs contracting with SASSA, mention may be made of some of the day-to-day goods and services procured from EMEs by SASSA, namely

- stationery
- catering
- printing
- blankets for elderly people
- food parcels for prospective beneficiaries waiting for the grant application process to be completed
- office furniture
- renovations
- installation of CCTV
- office-space rental

The term “exempted micro-enterprise” is used in the government procurement system for BEE purposes. EMEs are registered with the Company and Intellectual Property Commission (CIPC) as companies or close corporations and must comply with South African laws, including the Companies Act 71 of 2008, Close Corporations Act 69 of 1984, Income Tax Act 58 of 1962, as amended, and Value Added Tax 89 of 1991.

EMEs enter into a contract with SASSA as companies or close corporations, and not as sole traders or partnerships which, unlike EMEs, are not regulated through the CIPC. Any mention of the word “business” will imply that it is a company or a close corporation that is referred to.



By law, an EME is required to lodge its annual return with the CIPC every year within the anniversary month of the entity's incorporation. Such a return contains a summary of the latest information about the entity, with the only financial information included relating to the entity's turnover.

The annual return should however not be confused with the income-tax return, which focuses on an entity's taxable income used for determining its tax liability and must be submitted to the South African Revenue Service (SARS). These two types of return have different purposes and different administrative processes, so that compliance with the one type does not mean compliance with the other. (CIPC 2009:2.)

When submitting an income-tax return, an EME could, in terms of the Income Tax Act, 1962, as amended, be assessed for tax purposes as either a small business corporation (SBC) (s 12E(4)), a micro-business (part IV), or a normal business . The type of tax system that will apply is dependent on both the gross income for the year under assessment and the fulfilment of other requirements.

An EME qualifies as an SBC when its gross income does not exceed R20 million for a particular tax year. Each EME's tax liability is determined by applying the micro-business, SBC or normal-business tax system, depending on the system that the EME qualifies to register for in terms of the Income Tax Act, 1962, as amended.

It should be noted that the R20-million threshold applies to businesses for tax purposes, and that the R10-million threshold is used in the SCM environment for assessing whether a business qualifies as an EME or not.

Confirming whether the income-tax return has been completed in full, if at all, and reflects the true tax position of the EME concerned, is a challenge for SARS, and in some instances results in possible tax evasion being committed and amounts of money being lost to the fiscus. It is because of this challenge that this study seeks to come up with proposals for dealing with the possibility of declaring an untruthful income, or possible tax evasion, by EMEs contracting with SASSA.

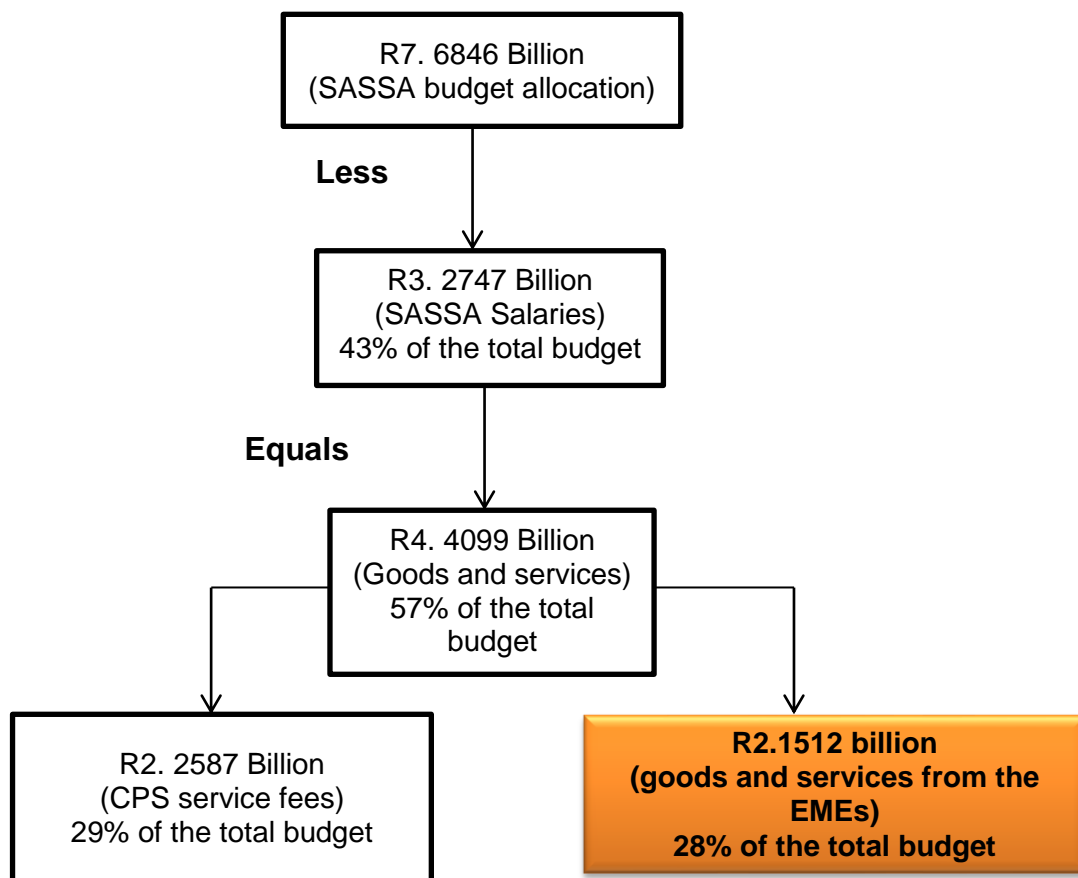
Below follows a further discussion of SASSA.

## South African Social Security Agency (SASSA)

SASSA is a government entity established in terms of the South African Social Security Agency Act 9 of 2004b, as an agent for the administration and payment of social assistance and all related matters (SASSA 2014:15). As part of its business, SASSA procures goods and services to be used by various branches through the SCM department (SASSA 2016b:8).

**Figure 1** below illustrates how SASSA's budget is broken down up to the budget for goods and services acquired from the EMEs:

**Figure 1: Budget allocation**



(Fig 1: Compiled by the researcher from National Treasury 2017a)

The estimated budget allocation for SASSA for the 2017/18 financial year is R7.6846 billion, of which 57%, namely R4.4099 billion, is spent on goods and services (National Treasury 2017a:334). An estimated additional R600 million for social relief of distress (SRD) is also

spent on goods and services through SASSA SCM processes, but is allocated in the budget of the National Department of Social Development (National Treasury 2017a:325).

R2.1512 billion (i.e. 28% of the total estimated budget allocation) is allocated to goods and services normally provided to SASSA by EMEs on a day-to-day basis. This amount (i.e. R2.1512 billion) was arrived at by reducing the total estimated budget for goods and services by R2.2587 billion allocated to the services rendered to SASSA by the cash paymaster services (CPS) (National Treasury 2017a).

The CPS is contracted to SASSA for distributing social grants to those eligible for them, but not for providing the goods and services mentioned earlier on in section 1.1 of this study. The contract between the two entities, amounting to over R2 billion (Mckune 2017), is not discussed in this study because it does not meet the criterion set by the codes of good practice for EMEs (DTI 2013).

### ***Supply-chain management (SCM)***

In terms of section 51(iii) of the Public Finance Management Act 1 of 1999, as amended, and section 217(1) of the Constitution of the Republic of South Africa, 1996 as changed by law in 2005, the accounting authority of any public entity (which in SASSA's case is its chief executive officer [CEO]) has a duty to ensure that a sound SCM is established in his or her entity to implement those sections.

Like any other organ of state, SASSA must develop its own procurement policies and procedures in line with the Constitution of the Republic of South Africa, 1996, the Preferential Procurement Policy Framework Act, 2000, and the Broad-Based Black Economic Empowerment Act, 2003. Once these policies and procedures have been developed, internal controls must be in place to ensure adherence to these policies and procedures, and to prevent and detect any kind of fraud in the procurement processes (National Treasury 2001:9).

The following points are of relevance as far as SASSA's procurement of goods and services is concerned:

- As from 1 April 2016, it may consider an EME as a prospective supplier of goods or services only after that EME having been registered on the central supplier database

(CSD), which is a central database for all suppliers intending to do business with the state and is controlled by the National Treasury (National Treasury 2016c:1). The purpose of the CSD is to improve the levels of compliance in all spheres, including tax compliance, and to confirm the BEE status of the EME with the CIPC (National Treasury 2016c:3).

- In terms of SASSA's SCM policy, the procurement of goods and services at SASSA is done by way of either quotations or a bidding process and must be within the threshold values as determined by the National Treasury from time to time (SASSA 2016b:10). Bid documents or quotations are accepted only from EMEs registered on the CSD (National Treasury 2016c:2). EMEs not registered on the CSD are not considered for procurement purposes at SASSA.
- One written quotation from the database of suppliers is required when procuring goods or services of a rand value up to R2 000, and at least three written quotations are required when procuring goods or services of a rand value of R2 001 up to R500 000 (SASSA 2016b).
- The procedure to be followed in the bidding process for procuring goods or services above R500 000 includes the following: an open and transparent pre-qualification process, a competitive bidding process in which only pre-qualified organisations may participate, and criteria for the evaluation of bids in order to identify the bid that represents the best value for money (SASSA 2016b:11).
- SASSA can still procure goods and services without following the normal procurement processes mentioned above in instances where it is impractical for the entity to use three quotations to procure goods and services, or to invite bids (SASSA 2016b).

When obtaining a procurement contract from SASSA, the following factors apply:

- Service providers with a bid or quotation for goods and services exceeding R30 000 must comply with the SASSA administrative requirements by submitting all the required documents, including the original tax-clearance certificate obtained from SARS (SASSA 2016b:10).

- Service providers bidding for goods and services less than R30 000 are not required by the SASSA policy to submit a tax-clearance certificate obtained from SARS (SASSA 2016b).
- All qualifying bids are assessed in two stages: first for functionality, and secondly in accordance with the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations 5 and 6 (SASSA 2016b:16).
- The 80/20 preference point system is applicable to bids with a rand value between R30 000 and R1 million, meaning that 80% of the points must be awarded for the price and quality of goods and services, and 20% for achieving specific goals, including, among others, contracting enterprises wholly- or partially-owned by previously- disadvantaged people (in terms of s 1 of the Broad-Based Black Economic Empowerment Act, 2003, “disadvantaged people” refers to all black people -- particularly women, workers, youths, people with a disability and people living in rural areas). The principle of the 80/20 preference point system also applies to the 90/10 preference point system, although the latter system is applicable to bids above R1 million (SASSA 2016b).

Once the bidding process has been completed, the bidder with the highest total number of points in terms of the preference point system is awarded a contract (SASSA 2016b:19).

Between its establishment in April 2006 and 30 June 2016, SASSA contracted over 10 000 EMEs to provide goods and services ranging from catering to the renting of offices, and to ensure that shelter and food was provided to the beneficiaries and SASSA’s administrative staff (SASSA 2017).

While the South African government has been focusing on the economic inequalities of the past, SARS has been pressurised to improve the levels of revenue collection. SASSA is namely at risk of losing an estimated 28% of its budget a year because of corrupt activities within the SCM processes.

This coming financial year (2017/18), the amount concerned is R2.152 billion, and because this amount is allocated solely to goods and services normally provided by EMEs. if it is then lost because of corrupt activities, including possible tax evasion by EMEs, it could have a serious impact on the revenue collection of this country. According to Fagariba (2016:116), tax evasion is one of the greatest obstacles as far as collecting more revenue is concerned, while

according to Litina and Palivos (2016:164), the most common factor contributing to tax evasion is corruption.

The above argument was confirmed by SARS in its 2014/15 strategic plan (SARS 2015:14), where it was stated that corruption in government poses a serious risk, ultimately possibly affecting the entity's ability to achieve compliance due to a loss of public confidence in government.

According to Stiglingh, Koekemoer, Van Zyl, Wilcocks and De Swardt (2017:797), tax evasion is an illegal activity deliberately undertaken by a taxpayer to free him- or herself from a tax burden and if discovered is regarded as a criminal offence, punishable in terms of sections 234 and 235 of the Tax Administration Act 28 of 2011. The responsibility for combating fraud- and corruption-related activities such as tax evasion was delegated to all government departments and entities in terms of the Public Finance Management Act, 1999.

### ***Internal controls***

Section 51(1)(a)(i) of the Public Finance Management Act, 1999, reads as follows:

An accounting authority for a public entity must ensure that that public entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

Therefore, in terms of the above-mentioned Act, it is the responsibility of SASSA's CEO to ensure that the entity has, and maintains, effective, efficient and transparent systems of financial and risk management and internal controls for dealing with any possibility of fraud and corruption within the entity's SCM, which will indirectly eradicate tax evasion.

Although it is not SASSA's mandate to develop internal controls for possible tax evasion (that is SARS's prerogative), through this study the entity could help SARS minimise possible tax evasion by improving the existing internal controls within SASSA's SCM so that more revenue could be collected from EMEs contracting with SASSA.

According to Jackson and Stent (2012:5,4), "internal controls" are policies and procedures put in place by an organisation to help it function in an orderly and efficient manner. Examples given include internal controls for

- adherence to management policies, applicable laws and legislation
- the safeguarding of assets
- the prevention and detection of fraud and error
- the accuracy and completeness of the accounting records
- the timely preparation of reliable financial and other information necessary for running the business

### ***The link between possible tax evasion and internal controls***

The link between possible tax evasion and SASSA's SCM internal controls is as follows:

When an EME conceals certain information from SARS (by for instance intentionally declaring a false income) in order to get a good-standing tax-compliance status with which to secure a contract with SASSA, such an EME contravenes section 25(2) of the Tax Administration Act, 2011, which stipulates that any tax-related return must be completed in full and must reflect the true position of the taxpayer.

If this concealment is discovered by SARS, through either an audit or other methods, the amount omitted will be included in the gross income of the taxpayer in terms of section 1 of the Income Tax Act, 1962, as amended, which defines a resident's gross income as including the total amount, in cash or otherwise, received by or accrued to or in favour of such a resident during the year or period of assessment, excluding receipts or accruals of a capital nature.

The revenue received by an EME in the process of carrying on its business is regarded as being of a revenue nature and is taxable, irrespective of whether the revenue was received from illegal business activities or not (SARS 2014a:9). This means that if an EME unlawfully secured a contract by submitting false information (eg an illegally-obtained tax-clearance certificate) to SASSA), the revenue derived from this contract will be included in the gross profit of the EME and be subjected to tax.

After having discussed BEE, EMEs and how they are taxed, SASSA's SCM processes, internal controls and what normally causes tax evasion, now follows a discussion that will highlight the problem that prompted this study.

## 1.2. STATEMENT OF THE PROBLEM

From the 2012/2013 to the 2015/16 financial year, SASSA's irregular expenditure reportedly increased from R10 million to R1 billion, which is far too high an amount. Also, the number of fraud and corruption cases increased every year. (SASSA 2013; SASSA 2016a.)

The increasing trend of irregular expenditure indicates that SASSA acquired goods and services from the suppliers without following the SCM policies, processes and procedures (Auditor General 2014:57).

The abuse of SCM processes could be attributed to a number of possibilities: it could be either because of a complete lack of internal controls, a lack of effective internal controls or the non-implementation of effective controls, or because of fraud and corruption activities within SASSA, possibly involving dishonesty, misrepresentation, non-disclosure of certain information or fraud committed by the EMEs when contracting with the entity concerned.

The chances are very high that these corruption activities could lead to possible tax evasion within SASSA's SCM process. In order to try to minimise the risk of possible tax evasion within the SCM process and to prevent further loss to the fiscus, SASSA's SCM internal controls should be investigated and examined.

This study investigated and examined the effectiveness and consistent implementation of the existing internal controls designed specifically for EMEs contracting with SASSA for minimising the possibility of tax evasion. It was in that context that it was investigated how the existing internal controls could be improved, or how alternative fraud, corruption and anti-tax-evasion measures could be introduced by SASSA's SCM as controls for minimising the possibility of tax evasion by EMEs contracting with SASSA.



### **1.3. RESEARCH QUESTIONS**

In view of the research problem, the following three research questions were asked:

- How do various scholars view tax evasion and public procurement in general?
- How do the participants view the effectiveness and implementation of internal controls designed for minimising possible tax evasion within SASSA's SCM processes?
- How can SASSA's CEO improve the existing internal controls relating to possible tax evasion within SASSA's SCM processes?

### **1.4. RESEARCH OBJECTIVES**

The main objective of this study was to propose improvements to the existing internal controls designed for EMEs contracting with SASSA for minimising possible tax evasion within SASSA's SCM processes.

The sub-objectives were as follows:

- To review current literature on tax evasion in public procurement and existing strategies designed for minimising such evasion.
- To explore participants' views of the effectiveness and implementation of internal controls designed for minimising possible tax evasion within SASSA's SCM processes.
- To improve the existing internal controls in order to minimise possible tax evasion within SASSA's SCM processes

### **1.5. RESEARCH METHODOLOGY**

This study was done in the form of a qualitative research and had a holistic case-study design, with the case in hand being SASSA. Multiple data sources, namely public documentation and interviews with participants, were used. Two phases were followed to collect and analyse data: in phase one, SASSA documents relevant to the study were selected and analysed, and in

phase two, the researcher conducted semi-structured interviews with SASSA members of staff.

## **1.6. DELINEATION AND LIMITATIONS**

The fact that this study focused on SASSA's internal controls specifically designed for minimising the risk of possible tax evasion being committed by EMEs contracting with the entity was to the advantage of the researcher in that as a SASSA employee it was easier for him to access data for the study, there were no travel expenses whatsoever, and no other practical constraints were experienced during the investigation.

The researcher obtained and analysed only data relating to SASSA's internal controls designed for EMEs for minimising possible tax evasion, fraud and corruption within the SCM department, and only SASSA members of staff involved in the SCM processes were interviewed.

SASSA members of staff from other branches, for instance Corporate Services, Information and Communication Technology (ICT), Grants Operations, Policy Implementation Support and Strategy and Business Development (SASSA2016a:22), and all members of staff from the SASSA regional offices were not interviewed due to limited funds for travelling.

It was also impossible to collect data from other national public entities, because that would have been too time-consuming and the costs involved would have been exorbitant.

The study did not include the contract between SASSA and the CPS, but focused only on the internal controls designed for EMEs in general for minimising possible tax evasion, and not for a particular company or EME.

## **1.7. UNDERLYING ASSUMPTION**

The underlying assumption of this study was that the ineffectiveness and inconsistent implementation of the internal controls designed for EMEs contracting with SASSA result in possible tax evasion, which in turn could eventually result in a loss to the fiscus. Risk factors that generally contribute to possible tax evasion within the SCM processes could include the following:

- An increasing trend of fraud and corruption cases at SASSA, indicating that corruption activities such as collusions and kickbacks are prevalent.
- People in the business of defrauding SASSA SCM register companies on a daily basis, because a newly-registered company automatically has a good-standing tax-compliance status. In this process there is a change in company number and name, but not in directors.
- EMEs either submit fraudulent tax-clearance certificates to SASSA or file a zero return at SARS in order to get a good-standing tax-compliance status that will enable them to secure a contract with SASSA.
- The CSD will never detect whether an EME submitted a true return to SARS reflecting the correct income received for a particular year in order to get a good-standing tax-compliance status - SARS's system merely confirms the tax status of an EME.
- An increasing trend of irregular expenditure at SASSA, indicating that SCM policies and processes are deliberately ignored - for example an EME colluding with a SASSA SCM practitioner and not submitting a tax-clearance certificate.

## **1.8. SIGNIFICANCE (OR RATIONALE) OF THE STUDY**

This study makes both a theoretical and a practical contribution to the knowledge base. Theoretically speaking, although research has been done on tax evasion in various environments, research on the internal controls implemented by SASSA for minimising the risk of possible tax evasion has been minimal. This is why this study provides a substantial explanation of how the weaknesses and inconsistent implementation of SASSA's SCM internal controls designed for EMEs could result in possible fraud, corruption and tax evasion.

In the past two decades, government made more effort to ensure that every citizen has his or her share in terms of contributing to the collection of revenue in this country. Some of these efforts have proved to work, and some not. This study therefore investigated the best strategy for SASSA for minimising the risk of possible tax evasion within its SCM internal controls designed for EMEs contracting with SASSA.

The practical implication of this study will therefore be that SASSA will have improved methods for dealing with possible tax evasion, fraud and corruption and will indirectly contribute to the improvement of guidelines provided by the National Treasury. The strategy could also be of benefit to other government departments and entities, for instance SARS and the CIPC.

## **1.9. BRIEF OVERVIEW OF THE CHAPTERS**

**Chapter 1** deals with what the study was set to achieve, why this particular study was chosen and how the study would be conducted. It defines the limitations of the study, and the academic value and practical relevance of conducting this research.

**Chapter 2** deals with literature published by other scholars on tax evasion and public procurement in general, under the following headings:

- the relationship between taxation/revenue and government expenditure
- the risk factors that generally contribute to possible tax evasion
- tax evasion, existing strategies and challenges of implementing the strategies by SARS
- existing internal controls implemented at SASSA for minimising possible fraud, corruption and tax evasion
- proposed solutions and strategies for minimising possible tax evasion

**Chapter 3** provides details of the research method chosen for carrying out this research, explains how the population sample was acquired and how the data were analysed, followed by the verification of trustworthiness, limitations and ethical considerations.

**Chapter 4** presents and analyses the data gathered from SASSA for exploring the effectiveness and consistent implementation of SASSA's internal controls developed for EMEs contracting with the agency in order to minimise possible tax evasion, fraud and corruption, using the explanation-building analysis technique.

**Chapter 5** contains concluding remarks and gives a brief summary of the findings. Recommendations are made for reducing possible tax evasion, fraud and corruption in SASSA's SCM processes, and possible future research is suggested.

## **1.10. SUMMARY OF THE CHAPTER**

This chapter provided a brief background to SASSA's SCM policies, processes and procedures and to how EMEs came into being. The link between existing internal controls and the risk of possible tax evasion within SASSA's SCM processes was also discussed, as were the research methodology (including the research question, objectives and method),

delimitations, significance of the study and underlying assumptions. The structure of the study was discussed to illustrate how the stated research objective would be achieved.

In the next chapter, the general risk factors contributing to possible tax evasion and the existing strategies to curb them will be discussed in conjunction with public procurement in general.

# **CHAPTER 2: GENERAL RISK FACTORS CONTRIBUTING TO POSSIBLE TAX EVASION WITHIN SCM AND EXISTING STRATEGIES FOR CURBING THOSE FACTORS**

## **2.1 INTRODUCTION**

In this chapter, various literary sources are discussed in order to investigate the following: how tax relates to government expenditure spent through the procuring of goods and services from the private sector, risk factors contributing to possible tax evasion within the public-procurement processes, causes and consequences of these factors, and existing strategies and internal controls implemented by SARS, the National Treasury and SASSA, in collaboration, in order to deal with possible tax evasion.

This review will specifically examine the following:

- the relationship between taxation and government expenditure (sect 2.2)
- risk factors generally contributing to possible tax evasion (sect 2.3)
- tax evasion, existing strategies and challenges (sect 2.4)
- internal controls currently in place in SASSA's SCM department (sect 2.5)
- proposed solutions and strategies for minimising possible tax evasion (sect 2.6)

## **2.2 RELATIONSHIP BETWEEN TAXATION/REVENUE AND GOVERNMENT EXPENDITURE**

The primary objective of taxation in the South African tax system is to fund government expenditure (SARS 2016:5). All South African individuals, companies and trusts are expected to declare all their income in their income-tax return and pay their fair share of tax in accordance with the tax policies and legislation, enabling government to deliver services to the vast majority of poor people in South Africa (George 2012:13). All procurement activities are funded from the revenue collected from taxpayers (Neu, Everett & Rahaman 2015:50).

Collecting revenue and management of expenditure form part of the South African fiscal policy (National Treasury 2016a:29), and this policy is controlled by the National Treasury as a tool for managing the spending levels of government departments and entities. The revenue collected is to pay for the spending (National Treasury 2016a).

The fiscal policy is intended to achieve micro-economic goals such as (National Treasury 2016a)

- maintenance of full-time employment
- a high rate of economic growth
- price stability
- a stable exchange rate for the domestic currency

If there is no revenue collection, government will not be able to pay for its expenses, and the goals of the fiscal policy will not be attained. However, before government can do any spending, some planning has to be done. The budgeting process is a critical factor in planning and in the allocation of available resources with which to support the service-delivery plans of government departments and entities, and forms part of the fiscal policy (National Treasury 2016d:1).

Government's budgeting process begins with the preparation of the Medium-Term Expenditure Framework (MTEF) document (National Treasury 2016d:3), during which process all government departments and entities, including SASSA, submit their medium-term strategic plans and the costing of those plans at that particular time in the financial year, enabling the National Treasury to accordingly allocate funds for the coming financial year (National Treasury 2016b:1). When the budget cycle is complete, the minister of finance tables the budget in Parliament, whereafter the spending ensues.

Public procurement is governments' key economic activity that has a major impact on how taxpayers' money is spent (De la Muette 2007:5). According to Haron, Mohamed, Omar and Jomitin (2013:200) "public procurement" is the process of acquiring goods and services by the public sector from external parties. Government therefore relies on the private sector for the procurement of goods and services. In this study, the terms "public procurement" and "government procurement" are used interchangeably.

Each department or entity is then expected to develop its own procurement policies and procedures in line with the procurement framework and legislation developed by the South African government for spending the funds allocated to them by the National Treasury, and in return the suppliers appointed to provide goods or services are expected to comply with all tax policies and legislation (National Treasury 2001; National Treasury 2016c).

SARS is responsible for making sure that taxes are paid according to the law, and taxpayers abide by the rules and contribute the correct amount of tax, as do those companies providing the goods or services (SARS 2016). The main obstacle as far as revenue collection in South Africa, and in the world, is concerned, is tax evasion. Below follows a discussion of the day-to-day risk factors contributing to possible tax evasion.

## **2.3 RISK FACTORS THAT GENERALLY CONTRIBUTE TO POSSIBLE TAX EVASION**

Sorunke, Omojola and Adeleke (2016:134) state the following:

Public procurement has always played a major role in the world's economic activities. Studies around the world have also shown that government procurement of goods and services accounted for between 15-25 per cent of Gross Domestic Product (GDP) for developed countries and that could be more for developing countries.

However, there are certain risk factors that generally contribute to possible tax evasion in public procurement, including the following: fraud and corruption, malicious tax compliance, and inconsistent implementation of internal controls.

Below follows a discussion of each of these factors, their causes and consequences, and how each of them relates to possible tax evasion within the public-procurement processes.

### **2.3.1 Fraud and corruption**

Corruption is a universal phenomenon: according to Grossi and Pianezzi (2016:1), neither democratic nor developing countries are free from the challenges of corruption, and according to Britz (2012), South Africa is one of the latter countries struggling with the impact and consequences of corruption.

#### **2.3.1.1 Defining corruption**

The Prevention and Combating of Corrupt Activities Act 12 of 2004a defines corruption as follows:

Any person who, directly or indirectly-



- (a) accepts or agrees or offers to accept any gratification from any other person. Whether for the benefit of himself or herself or for the benefit of another person: or
- (b) gives or agrees or offers to give to any other person any gratification. for the benefit of that other person or for the benefit of another person. in order to act. Personally or by influencing another person so to act. In a manner-
  - (i) that amounts to the-
    - (aa) illegal, dishonest, unauthorised, incomplete or biased: or
    - (bb) misuse or selling of information or material acquired in the course of the exercise, carrying out or performance of any powers, duties or functions arising out of a constitutional, statutory, contractual or any other legal obligation:
  - (ii) that amounts to-
    - (aa) the abuse of a position of authority:
    - (bb) a breach of trust; or
    - (cc) the violation of a legal duty or a set of rules:
  - (iii) designed to achieve an unjustified result: or
  - (iv) that amounts to any other unauthorised or improper inducement to do or not to do anything, is guilty of the offence of corruption

### **2.3.1.2 Defining fraud**

According to Fowler, Fowler and Thompson (1995), the *Concise Oxford dictionary* defines fraud as “criminal deception, the use of false representations to an unjust advantage and a *dishonest* artifice or trick”, and Coenen (2008:86) describes procurement fraud as being “essentially the manipulation of the process of obtaining a contract for goods or services”. Fraud and corruption in public procurements are treated in the same way. Below follows a discussion of the relationship between fraud and corruption and tax evasion.

### 2.3.1.3 Relationship between “fraud and corruption” and tax evasion

According to Swanepoel (2013), “fraud”, “corruption” and “tax evasion” are economic crimes that

seem to have become part of the daily lives of people in the public and private sector and the South African media, including television, radio and various newspapers have confirmed the existence of economic crimes.

There has been found to be a relationship between “fraud and corruption” and tax evasion. In this connection, Swanepoel (2013) states that

... economic crime (such as fraud and corruption) has an impact on taxation in South Africa, that economic crime offences ignore any possible taxation consequences and that the type of the economic crime being perpetrated is a function of the opportunities available to a potential offender.

Arnaldo (2014:22) concurs with Swanepoel that tax evasion is related to fraud by defining the latter as a voluntary act undertaken with a view to eliminating or reducing tax by omission, forgery, alteration, misrepresentation or concealment of information to SARS.

Corruption, through certain elements in the definition contained in the Prevention and Combating of Corrupt Activities Act, 2004 (ie that it is an illegal, *dishonest*, or unauthorised action or an abuse of authority, a breach of trust, or a violation of a legal duty), is also related to tax evasion.

The element most common to fraud, tax evasion and corruption is “*dishonesty*”. According to Fowler et al (1995), the *Concise Oxford dictionary of current English* describes “*dishonesty*” as a lack of honesty, deceitfulness, fraud, a dishonest or fraudulent act, from which it follows that tax evasion is related to both “fraud and corruption”.

In the discussion that follows, the word “corruption” is used in the same context as “fraud”, because of the word “*dishonesty*” being used in the definition of tax evasion as well as in the definitions of fraud and corruption respectively. Therefore, when a taxpayer evades tax or fraudulently reduces his or her tax liability or gives an official a bribe in order to bypass certain

SCM processes, he or she is deemed to have been dishonest. According to SASSA (2015c:19), SASSA may therefore institute criminal charges against such a taxpayer.

According to SASSA's fraud-prevention strategy SASSA (2015c:6), the term "fraud" refers collectively to all criminal and dishonest acts such as corruption, theft, embezzlement, forgery and utterings that may result in a financial or other prejudice to SASSA. The above analysis indicates that fraud and corruption committed against SASSA could be detrimental to the collection of revenue by SARS and could ultimately result in a loss to the fiscus.

A clear example of fraud and corruption is where an EME makes a material false statement by for instance submitting an invalid tax-clearance certificate or an invalid BEE certificate whilst knowing that the certificate was fraudulent and that SASSA relied on the fraudulent certificate when awarding a contract.

The EME concerned is then guilty of fraud and if a SASSA employee was involved in the transaction and received kickbacks, ignoring the SCM compliance processes in favour of the EME, that employee is guilty of corruption, meaning that a fraud and corruption transaction occurred (SASSA 2015c).

#### **2.3.1.4 Main activities of fraud and corruption in procurement processes**

In his interview with *City Press*, the chief procurement officer (CPO) indicated that the biggest sources of corruption and waste are not the tenders amounting to R50 million seen in the news, but the millions of small routing transactions that happen every day and make up 97% of all transactions – a million small opportunities for vast corruption (Van Rensburg 2015:9-9).

The majority of these small transactions take place when government departments and entities, including SASSA, enter into a contract with EMEs in order to procure goods and services. According to Burguet, Ganuza and Garcia Montalvo (2016:8), De Lange (2013:30), and the SAIPA Tax Committee (2012), the following are the main activities of procurement fraud and corruption:

- Collusion between employees and suppliers – this may involve internal staff accepting bribes or kickbacks from suppliers for bending the SCM rules.
- Unjustified single-source awards – an internal staff member of an organisation may invite only one quotation from one supplier without justifiable reasons.

- Creation of a number of companies in order to evade tax – compliance with tax policies and legislation is one of the requirements before a bidder can be awarded a tender. If the supplier cannot get a tax-compliance status, it may register new companies and use them for tendering, with the intention of deceiving SASSA. SARS will then also be deceived, because the revenue that should have been declared to SARS will never be declared because of a new company having been registered by the same directors of the old company.
- Concealment and misrepresentation of material facts – this may include the submission of fraudulent documents.
- Deliberate non-compliance with SCM legislation, policies and regulations.

### **2.3.1.5 Causes of corruption in public procurement**

According to Sikka and Lehman (2015:62), corruption is rife in South African government procurement processes. The reasons for this are as follows:

- Media images of corrupt politicians and government employees getting away with severe infringement of the law on a regular basis encourage individuals within the procurement process to do the same when the opportunity arises (Fischer, Ferreira, Milfont & Pilati 2016:1600).
- Inadequate policies and procedures, insufficient supervision, complex legislation, a lack of ethical awareness, and deficient internal controls and accountability perpetrated corruption in the procurement processes (Webb 2009b:9).
- The large amounts of money involved in public procurement create a vulnerable environment for corruption (Haron et al 2013:204).
- The high number of bribes in public procurement disturbs the effectiveness and efficiency of the procurement policies and processes, resulting in a huge wastage of public funds (Haron et al 2013:204).
- The high volumes of goods and services acquired from the private sector by governments make government procurement departments the most fertile ground for corruption (Neu et al 2015:50),

- There is a great deal of greediness among both suppliers to and internal staff in government procurement departments (Akomah & Nani 2016:82).
- Weaknesses in institutional structures and failure to implement and enforce policies and laws are the most important causes of corruption in public procurement (Akomah & Nani 2016:82).
- Dissatisfaction with the fiscal system and the widespread perception of a misuse of the revenue collected demoralise citizens to comply with the laws of the country (Pinto, Lisboa & Batista 2013:83).

Next, the consequences of fraud and corruption are discussed.

### **2.3.1.6 Consequences of fraud and corruption**

Fraud and corruption could have serious consequences (Britz 2012), particularly in the procurement processes, if not prevented or detected in advance. Some of the consequences are as follows:

- (a) Loss to the fiscus due to tax evasion and tax non-compliance

According to the Institute of Internal Auditors (*Sowetan* 2015), South Africa lost R700 billion because of corruption over the last 20 years, which, according to Munzhedzi (2016:1), was attributed to fraud and corruption in public procurement.

Since all government procurement activities are funded from revenue collected from taxpayers, (Neu et al 2015:50), it is a challenge to recover monies stolen through fraud and corruption in public procurement (*Business Day* 2015).

Corruption Watch, in its 2014 annual report (Corruption Watch 2014:18) states the following:

Procurement processes are particularly vulnerable to corruption and the phenomenon pertains to both the selection of suppliers, where procedures are flouted and tenders are allocated to family and friends of government officials, and the over-payment of suppliers so that government officials, by colluding with suppliers, can embezzle funds.

### *Tax evasion*

According to Hessami (2014), corruption hampers the collection of more revenue, and according to Cordos (2010:221), tax evasion directly affects the levels of tax revenue and the income of the state, and ultimately every citizen in the country.

Alm, Martinez-Vazquez and McClellan (2016:146) agree that “corruption and tax evasion are distinct and separate problems, but they can easily become intertwined and reinforcing”. A society that is more corrupt may enable more tax evasion, as corrupt officials seek more income via bribes, and conversely, higher levels of tax evasion may drive corruption by offering more opportunities for bribes (Alm et al 2016).

If this trend of corruption continues, it will hamper government’s commitment to reduce the estimated budget deficit, which is 4.3% of the GDP, through other measures (Lamprecht 2017), but increasing taxes to cover for the deficit could exacerbate the practices of tax evasion.

The current trend of corruption needs to be stopped -- otherwise the whole economy may collapse. There is therefore a need to tighten the internal controls to prevent this phenomenon continually eroding our economy.

### *Tax non-compliance*

Corruption is a constant global phenomenon that is becoming more complex and intense as competition for resources increases (Serfontein & De Waal 2015:1). It is even more so among those living in developing countries, particularly emerging economies such as South Africa (Serfontein & De Waal 2015).

High levels of corruption decrease compliance levels that eventually end up in tax evasion, which also makes non-compliance one of the common factors that contribute to tax evasion (Escobari 2012:317). SARS’s own internal indicators of compliance by small businesses show high levels of non-compliance across the entire compliance value chain (SARS 2014b:43).

According to Lipatov (2012:185), “the phenomenon of tax non-compliance is pervasive through-out the world and may have unpleasant consequences for the economy”.

(b) Weakening of the internal controls

Corruption weakens the internal controls. Sikka and Lehman (2015:62) argue that “good internal controls in government departments, though highly desirable, are unlikely to make a significant dent in corrupt practices to secure government contracts”. Even when proper internal controls are in place, no one is willing to comply with them or review them in order to respond to the high level of corruption because of bribery and kickbacks received from the corruptors.

(c) Integrity

Corruption compromises the integrity of civil servants in the SCM sections within government departments and entities, causing them to refuse their regular duties in anticipation of kickbacks from members of the public (Islam & Ananya 2015:1).

### **2.3.2 Malicious tax compliance**

According to SARS, deliberate non-compliance with tax policies and legislation is always associated with tax evasion (SARS 2015:21). SARS’s own internal indicators of compliance by small businesses, including EMEs, show high levels of non-compliance across the entire compliance value chain (SARS 2014b).

In South Africa, when government acquires goods and services, preference in public procurement is given to EMEs, in order to address past discriminatory practices and policies by empowering the previously-disadvantaged small-business majority (Munzhedzi 2016).

EMEs in South Africa represent a high-risk group identified by SARS for non-compliance, because of the following reasons (SARS 2013a:18):

- There are many of them.
- Their income is often neither fixed nor, in most cases, capable of easy verification against third-party data.
- Their commercial set-ups can lack the well-developed structures for record-keeping, independent auditing of accounts and cash-handling that help minimise risks of under-reporting.

According to the Davis Tax Committee (2014:11), in the 2011 year of assessment, 434 674 EMEs reported a taxable income of Rnil, this number including the EMEs that reported a loss. The Committee also concluded that SARS should be worried about the possibilities that the EMEs (in this case small businesses) could have either

- falsified the tax returns, or
- cooked the books and accounts, or
- disguised certain transactions, or
- deliberately not disclosed their income in a full and honest manner, or
- deliberately overstated deductible expenditure

Fagariba (2016:116) concurs with the Davis Tax Committee that EMEs deliberately refuse to honour their tax obligations by distorting relevant information relating to an assessment with the intention of reducing the liability of which may be tantamount to malicious compliance.

SARS blames the growing public perception of government inefficiency and corruption for deliberate tax non-compliance (SARS 2015:21), while Rosid, Evans and Tran-Nam (2016:2) concur that high levels of perceptions of corruption undermine taxpayers' intention to report their actual income.

The analysis indicates that malicious tax compliance is the result of high corruption levels and could result in a loss in revenue collection.

### **2.3.3 Inconsistent implementation of internal controls**

Swanepoel (2013:4) argues that economic crimes (fraud, corruption and tax evasion) continue to occur despite the many deterrence measures in place. This could mean that it is impossible to reduce tax evasion to a level of zero, and that the only strategy for managing tax evasion is to review the risks on a regular basis and to develop proper internal controls for mitigating these risks (Sweidan in Jackson 2015:10).

But to have proper internal controls and to implement them are two different things. Fourie and Ackermann (2013:493) therefore suggest that if the Committee of Sponsoring Organisations' Integrated Framework for Internal Control (the COSO framework) were to be used as a



recognised framework *and were to be implemented accordingly*, it could result in an effective internal-control system.

Government departments and entities find it very difficult to implement internal controls, even though some of them have adopted the COSO framework. In South Africa, government departments and entities and reports on compliance with key legislation applicable to financial matters, including supply-chain management (SCM), are audited by the auditor general on an annual basis (Auditor General 2014:57).

However, in the auditor general's report referred to above, non-compliance with the SCM regulations is identified as one of the areas with the most non-compliance, all because of the inconsistent implementation of internal controls within the departments and public entities.

Non-compliance with the SCM policies and regulations is evident in the growing patterns of "irregular expenditure" in government as a whole -- "irregular expenditure" being identified by the Public Finance Management Act 1 of 1999 as expenditure incurred in contravention of, or not in accordance with, a requirement of any applicable legislation.

De Lange (2013:30) confirms the relationship between internal controls and "irregular expenditure" by stating that the latter relates almost exclusively to non-compliance with various SCM regulations. De Lange (2013) then gives examples normally relating to non-compliance, such as the necessary tender documentation, namely a tax-clearance certificate or a BEE certificate not being submitted. Although SASSA requires a number of tender documents before awarding a contract, for the purpose of this study the focus will be on the aforementioned certificates.

Non-compliance with the SCM regulations is a challenge facing all departments and entities across the country and may result in the contravention of other legislation, for example, section 25 of the Tax Administration Act 28 of 2011, which deals with the submission of returns, because non-submission of returns may ultimately result in tax evasion.

As indicated by the analysis of this risk factor, corruption is still common as far as compliance with SCM legislation, policies and procedures is concerned, and could result in tax evasion.

## 2.4 TAX EVASION, EXISTING STRATEGIES AND CHALLENGES

According to Stankevicius and Leonas (2015:383), “tax evasion is an important social-economic problem in all societies of the world, regardless of the type of tax system or the country's economic development level”, and according to Steenkamp (2012:228), tax evasion is usually characterised by fraud and deceit. It refers to all illegal activities deliberately undertaken by a taxpayer to free him- or herself from any tax burden. Examples here include the falsification of returns and the conclusion of sham transactions. Tax avoidance, on the other hand, is characterised by open and full disclosure, where a taxpayer has arranged his or her affairs in a perfectly legal manner so that he or she has either reduced his or her income or has no taxable income.

Steenkamp (2012) further argues that because of the thin line between tax evasion and tax avoidance, the two concepts may be confused with each other.

The courts have played an important role in clarifying the distinction between tax evasion and tax avoidance. In the English case of *Duke of Westminster v IRC*, for example, Lord Tomlin made the following well-known statement about tax avoidance:

Every man is entitled if he can to order his affairs so that the tax attaching under the appropriate Acts is less than it otherwise would be. If he succeeds in ordering them so as to secure this result, then, however unappreciative the Commissioners of Inland Revenue or his fellow taxpayers may be of his ingenuity, he cannot be compelled to pay an increased tax.

Other cases followed the above-mentioned one, and the courts also endorsed the view that a taxpayer is entitled to arrange his or her affairs so as to pay the least amount of tax. Examples of such cases are as follows: *Commissioner for Inland Revenue v Estate Kohler and others*, *Commissioner of Taxes v Ferera*, *Inland Revenue Commissioner v Burmah Oil Co Ltd*, *Commissioner for Inland Revenue v Conhage (Pty) Ltd*, *Michau v Maize Board* and *Commissioner for SARS v NWK Ltd*.

However, any attempts promoting “dishonesty” have always been challenged by SARS, and in many instances proved to be cases of tax evasion.

In the English case of *IR v Challenge Corporation Ltd*, Lord Templeman said the following:

Evasion occurs when the Commissioner is not informed of all the facts relevant to an assessment of tax. Innocent evasion may lead to a reassessment. Fraudulent evasion may lead to a criminal prosecution as well as reassessment.

Arnaldo (2014), states that a clear example of tax evasion is when a taxpayer withholds information from, or provides false declarations to, the tax authority.

According to the National Treasury (2016c:3), EMEs contracting with government are required by public procurement policies and legislation to capture their information as true and correct on the central supplier database (CSD) system before they can be considered to be prospective providers of goods and services to government (National Treasury 2016c:3). If the information captured is based on a falsified tax-clearance certificate obtained by declaring a false income on the income-tax return, it will be tantamount to tax evasion.

Governments worldwide have turned their attention to the idea of systemic tax reforms, targeted to curtail tax evasion and avoidance evident among the relevant groups of taxpayers, with the main objective of controlling the expansion of their tax gaps (Morgan-Thomas 2013:17).

### **Current strategies**

According to SA ePublication (2012:11), SARS (2005), Steenkamp (2012:249) and Swanepoel (2013:44), in the past decade or so SARS implemented the following strategies for dealing with tax evasion.

- administrative and understatement penalties
- occasional audits
- reportable arrangements
- voluntary-disclosure programme
- awareness resources

When implementing the above strategies for improving compliance, combating tax evasion and increasing revenue, SARS faces a number of challenges, as discussed below.

### **Challenges when implementing the current strategies for possible tax-evasion**

Below are some of the common challenges facing SARS on a day-to-day basis (Bergman in Murillo 2011:144; Erasmus 2007; Khaki 2012:7; Krause 2014:10; Kriel 2013:7,8; Lombard 2008:6,7; Surtees & Ross 2014:25):

- As yet there is no proof that administrative penalties and audits are effective.
- The new anti-avoidance provisions of the Tax Administration Act, 2011, are burdensome.
- A default position taken by SARS about additional assessment causes taxpayers to always challenge SARS's decisions.
- SARS's lack of consistency in levying penalties and additional assessment creates an environment for some taxpayers to challenge SARS on the grounds of unfair treatment.
- The fact that SARS does not give taxpayers any reasons for understatement penalties has a demoralising effect on taxpayers with regard to coming forward.
- If a taxpayer is found to have evaded tax, it is difficult for SARS to prove the taxpayer's "intention".
- To get to the stage where a taxpayer faces criminal charges may be a cumbersome process.

The above-mentioned challenges have made it very difficult for SARS to deal with the issues of tax evasion. SARS ends up losing cases in court, resulting in losing money meant for the fiscus. The view is therefore that robust intervention is needed.

In its 2015/16 strategic plan, SARS proposed to shift from a gate-keeping to a risk-management approach in order for it to focus on where its scarce resources will have the largest impact on non-compliance. Adopting a risk-management approach also gives SARS an opportunity to tailor taxpayers' experiences in terms of their interactions with SARS on the basis of their assessed risks (SARS 2016:23).

This study considers workable strategies for minimising the possible risk of tax evasion within the SASSA SCM processes in order to help SARS fulfil its objective of collecting more revenue from all the eligible taxpayers in the country.

Below follows a discussion of current strategies in place for minimising possible tax evasion within the government SCM processes.

## 2.5 EXISTING INTERNAL CONTROLS WITHIN SASSA'S SCM DEPARTMENT

South Africa has an indefinable state procurement system, created in 2004 with the decentralisation of tendering from the monolithic former national tender board to 660 government entities (including national and provincial departments, municipalities, state-owned companies, as well as SASSA) that put out tenders (Van Rensburg 2015:3).

SCM regulations for public-sector procurement of goods and services, in many instances introduced during the last two decades, greatly contributed to improved transparency of procurement procedures, increased opportunities for alternative suppliers and reduced opportunities for corrupt procurement practices. There is however evidence that these regulations are often not implemented to the best effect (Wall, Watermeyer & Pirie 2013:44).

At the beginning of 2015, the National Treasury published an accumulation of work done by the Office of the Chief Procurement Officer (CPO) since its establishment in 2013. The work included a first overall review of the tender system in 10 years (Van Rensburg 2015), reflecting the views of government, business and civil society. It showed a growing appreciation of the fact that SCM reform would require collaboration and should be treated as a national project (National Treasury 2015a:1).

SASSA, in collaboration with the National Treasury and SARS, has developed strategies for mitigating the risks in the SCM processes that could lead to possible corruption, fraud and tax evasion. Each department has its mandate to fulfil in this regard, as discussed below.

The National Treasury developed a number of legal instruments for governing the SCM processes. such as (National Treasury 2015a:10):

- the Public Finance Management Act, 1999
- National Treasury regulations
- the *Implementation guide: preferential procurement regulations*
- a practice note on the restriction of suppliers
- the *SCM guide for accounting officers*

The above legal instruments were developed for governing the SCM processes in all government departments and entities.

Traditionally, the National Treasury depends on SARS for developing strategies for minimising tax evasion. In other instances, as part of SARS's strategies, SARS delegated its powers to companies, including banks, financial institutions, co-corporatives, etc, to help collect revenue, such as revenue resulting from interest, dividends and capital gains/losses on its behalf.. All institutions entrusted with the administration of the aforementioned are required to submit an IT3 form to SARS disclosing the amount of money accrued to the taxpayer (South Africa 2011).

SASSA is one of the government entities that developed internal controls for minimising possible tax evasion in the SCM processes, in line with the above-mentioned instruments provided by the National Treasury.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) suggests that any effective internal-control system in any organisation should have the following characteristics (Fourie & Ackermann 2013):

- Control environment – The executive's attitude to making internal controls effective is critical. The executive should namely take internal controls seriously and not change controls as and when they wish. If the executive is seen not to be interested in enforcing the internal controls in place, the entire organisation will move towards the direction favoured by the top executives, meaning that such an organisation may have proper and sound internal controls, but either these controls will never be implemented, or only some will be implemented.
- Risk assessment –An organisation should regularly assess what could go wrong in the organisation so that a strategy can be developed far in advance, before something distressing happens in that organisation.
- Information and communication – Effective information and communication would require an organisation to have good and sound business systems that would help the organisation to gather credible information related to internal control, and management who uses this information for supporting employees in doing their work.
- Monitoring activities – Effective monitoring requires an organisation to perform on-going testing of existing control activities and procedures for identifying weaknesses and determining mechanisms to follow when business processes change.
- Control activities – It is critical that organisations develop specific activities to be performed by its personnel to ensure that internal controls are effective.

The section that follows discusses key internal controls in SASSA' SCM, that is, internal controls designed to ensure compliance with SCM policies and legislation (sect 2.5.1), internal controls designed for tax compliance (sect 2.5.2) and internal controls designed for preventing fraud and corruption activities (sect 2.5.3).

### **2.5.1 Internal controls for ensuring compliance with SCM policies and legislation**

Non-compliance with the procurement processes and procedures constitutes one of the most serious infringements of the procurement rules (Sigma 2013:4), because it could result in irregular expenditure, possible tax evasion and, eventually, loss to the fiscus.

SASSA therefore introduced a number of internal controls for ensuring that SCM policies and regulations are complied with, including the following (SASSA 2015a:50); (SASSA 2015e:5-8):

A compliance checklist (following the Public Finance Management Act, 1999)

- A compliance checklist (following the Public Finance Management Act, 1999).
- Delegation of authority. Promoting compliance and accountability.
- Any unethical behaviour such as bribery and collusion between staff in the SCM department and SASSA as a whole on the one hand and EMEs on the other with a view to fraud and corruption is dealt with under the code of conduct that is in place.
- SASSA's SCM policies and procedures for facilitating the procurement of goods and services have been brought in line with the guidelines and directives of the National Treasury.
- SASSA's risk-management strategy provides reasonable assurance that the entity's risks are effectively managed and brings a culture of risk management to the enterprise.

### **2.5.2 Internal controls designed for tax compliance**

The internal controls developed in the SCM for dealing with possible tax evasion have been fragmented.

One of the prerequisites for EMEs to be able to contract with the state is compliance with tax legislation and policies (SASSA 2016b).

However, SARS has been operating in isolation from SASSA, the CIPC and the National Treasury as far as tax-compliance-related activities is concerned (SARS 2015:21). Although SARS has a direct relationship with the National Treasury regarding revenue-collection activities, it is the latter who has a direct relationship with SASSA regarding SCM policies and tax-compliance activities, and not SARS.

It is the sole mandate of the Company and Intellectual Property Commission (CIPC) to register companies and assist departments and public entities, including SASSA, with the verification of the BEE status of EMEs before the latter can contract with the state for the delivery of goods or the rendering of services.

SASSA is therefore dependent on the CIPC documents provided by EMEs to confirm their BEE status before contracting with any supplier. However, there has not been a central point where all the relevant government entities can do any cross-checking with a view to improve tax compliance within the SCM processes, so that SARS can maximise its revenue collection.

In its 2014/15 strategic plan, SARS (2015:14) suggested to mitigate the risk of possible tax evasion through increased compliance activities across government departments and entities.

In addition in a review published in 2015, the National Treasury identified a number of weaknesses, (among others, the greatest weakness more relevant to this study, namely data fragmentation), and stated that it found it very difficult to create inter-database correlations and verification with organisations such as SARS and the CIPC (National Treasury 2015a:63).

It was envisaged to launch a central supplier database (CSD) as a strategy for addressing the lack of inter-database correlations and verification. The purpose of the interface was to simplify the SCM processes and to enable the electronic validation of supplier tax compliance (National Treasury 2015a:65).

The above led to the launching of a CSD on 1 April 2016 to simplify SCM processes and improve tax compliance (National Treasury 2016c:2).

With the new CSD process, at SASSA, EMEs are still required to manually submit tax-clearance certificates to prove tax compliance with SARS legislation and policies, whereas at the National Treasury the verification is done electronically (National Treasury 2016c).



### 2.5.3 Internal controls designed for preventing fraud and corruption activities

Fraud and corruption normally result in direct or indirect tax evasion. According to Sorunke et al (2016), it is an acceptable practice in public procurement systems to establish measures for understanding and managing the risk of fraud and corruption, and according to Neu et al (2015:52), the best way of reducing fraud and corruption is a combination of prevention and detection activities.

Neu et al 2015 view internal controls as ways of preventing and detecting corrupt and fraudulent procurement practices, and SASSA developed a fraud and corruption strategy, comprising the following internal controls (SASSA2014):

- **Fraud policy and response plan**

The purpose of this policy is to reinforce SASSA's commitment to and responsibility for identifying risk exposures of "fraud and corruption" activities and for establishing policies, procedure and controls for detecting and preventing these activities (SASSA 2015b:8).

- **Risk-management strategy**

This strategy outlines the process of how risk management should be conducted within SASSA to ensure that risks identified are assessed, ranked, prioritised and managed in an effective manner (SASSA 2015e:6).

- **Fraud-prevention strategy**

This strategy outlines SASSA's detailed actions to be taken to prevent and detect fraud and corruption activities (SASSA 2015c:26).

- **Fraud-prevention plan**

This plan outlines SASSA's detailed actions to be taken to prevent and detect fraud and corruption activities, and is reviewed annually to establish its effectiveness (SASSA 2015c:16).

- **Whistle-blowing policy**

This policy helps to deter and detect wrongdoing in the workplace, acting as an early-warning mechanism to prevent impropriety and corruption within the public sector (Department of Public Service 2000).

The whistle-blowing policy is intended to encourage SASSA employees to report fraud and corruption activities without fear or favour, so that no official should suffer any consequences for reporting an incident of fraud and corruption (SASSA 2015b:12).

- **Code of conduct and ethics**

The primary purpose of this code is to foster a culture of supreme integrity and organisational identity in both conduct and business ethics (SASSA 2008:8).

- **Disciplinary code**

This code contains all disciplinary proceedings and procedures for dealing with SASSA officials found to have committed fraud and corruption (SASSA 2015c:22).

- **Integrity policy**

The purpose of this policy is to mitigate risks relating to damage to SASSA's image and any other threat that undermines service delivery (SASSA 2015d:7).

## **2.6 PROPOSED SOLUTIONS AND STRATEGIES FOR MINIMISING POSSIBLE TAX EVASION**

The challenge of eradicating tax evasion prompted SARS to propose a number of key strategic shifts for dealing with the contributory factors of possible tax evasion (SARS 2015).

The **first strategic shift** is moving from SARS's isolated departmental view of efficiency to a complete governmental view. Through this approach, SARS will be able to deal with issues of non-compliance with a broad range of stakeholders, including government departments and SASSA, to improve SARS's compliance efforts and increase revenue collection.

The **second strategic shift** is moving from a gatekeeper to a risk-management approach. With this approach, SARS envisages to focus its efforts on where non-compliance has its biggest impact.

The **last strategic shift** is moving from manual to automated/digital/self-service, which approach will increase the efficiency and effectiveness of managing taxpayers' compliance.

The above strategies give a clear indication that SARS wishes other government institutions, including SASSA, to help deal with tax evasion, caused by non-compliance and corruption.

According to Munzhedzi (2016), corruption and government procurement are like inseparable twins. An analysis has shown that the biggest impact of non-compliance, resulting in possible tax evasion, occurs in cases where the services of EMEs are required for providing goods and services to government departments and entities (including SASSA). Internal controls are critical for making sure that economic crimes such as tax evasion, fraud and corruption committed in the SASSA SCM processes are detected and prevented.

This study will therefore also address SARS's proposed strategic shifts by presenting a strategy that will integrate all the risks posing a threat to the collection of revenue from EMEs contracting with SASSA.

## **2.7 SUMMARY OF THE CHAPTER**

To give a better understanding of the chapters that follow, this chapter discussed important theory and concepts relating to possible tax evasion, fraud and corruption in public procurement.

In the past two decades, there was no research on possible tax evasion in public procurement processes in South Africa. This study will therefore make a contribution to the theory on how to prevent possible tax evasion in the SCM processes.

Inconsistent implementations of internal controls, fraud and corruption and malicious compliance with tax legislation were all identified as dominant factors in the SCM processes that contribute to possible tax evasion. From the definitions of corruption (see sect 2.3.1.1 above) and fraud (see sect 2.3.1.2 above), it should be noted that tax evasion and "fraud and corruption" have a common element, namely "dishonesty", leading to tax evasion, causing the South African government to lose billions of rand.

It has been argued that it is impossible to bring down fraud, corruption and tax evasion in the public procurement processes to a level of zero - the only way to manage fraud, corruption and tax evasion being to review the risks of possible fraud, corruption and tax evasion on a regular basis and to develop proper internal controls and a strategy for mitigating those risks. Most importantly, controls should be developed for monitoring the implementation of the risk-management strategy.

This study seeks to propose improvements to the existing internal controls designed for EMEs contracting with SASSA in order to minimise possible tax evasion in SASSA's SCM processes.

The next chapter discusses the research methodology used for exploring the views of SASSA employees who participated in the research on the implementation, effectiveness and consistent application of internal controls regarding the prevention and detection of possible fraud, corruption and tax evasion, in conjunction with the literature presented above.

## CHAPTER 3: RESEARCH METHODOLOGY

### 3.1. INTRODUCTION

This study was done in the form of a qualitative research, using a case study as an exploratory technique. The main research question of this study was as follows: How effective are SASSA’s internal controls designed for EMEs contracting with SASSA for minimising possible fraud, corruption and tax evasion in SASSA’s SCM processes? This chapter describes the research design and the method that was followed to answer this question, and why the method was an appropriate choice.

This chapter covers the following aspects: the paradigm of the study (sect 3.2); the research design (sect 3.3); the research method (sect 3.4), including the data-collection technique (sect 3.4.1), population and sampling (sect 3.4.2), the data analysis (sect 3.4.3), and the verification of trustworthiness (sect 3.4.4); the limitations (sect 3.5); and ethical consideration (sect 3.6). The above is summarised in **figure 2** below:

**Figure 2: Summary of the research methodology**

Summary of the research methodology		
<b>Approach</b>	Qualitative approach	Qualitative research studies the phenomenon within the social and cultural context in which it occurs (Salkind 2014:75).
<b>Paradigm</b>	Interpretive	The study relied solely on the participants’ view of the situation and on the documents reviewed (see sect 3.2 below).
<b>Design</b>	Case-study design	The case-study design used in this study had the following advantages: <ul style="list-style-type: none"> <li>• It is a simple design.</li> <li>• It is about SASSA, the researcher’s place of employment.</li> </ul> <p>The researcher followed Yin’s approach (see sect 3.3 below).</p>
<b>Method</b>		
❖ <b>Data collection</b>	Data were collected by way of <ul style="list-style-type: none"> <li>• documents</li> <li>• semi-structured interviews</li> </ul>	Using multiple sources of information in a case-study design has the advantage that the findings and conclusions are likely to be more convincing.
❖ <b>Population and sampling</b>	<ul style="list-style-type: none"> <li>• population: 6 SASSA policy documents</li> <li>• sampling: 7 SASSA staff members</li> </ul>	A convenient purposive sampling process, much less complicated and less expensive than other methods, was used.
❖ <b>Data analysis</b>	Data were analysed by using a <ul style="list-style-type: none"> <li>• thematic analysis</li> </ul>	The specific Braun and Clarke method of thematic analysis was used.
		It was ensured that the procedures used for

Summary of the research methodology		
❖ <b>Verification of trustworthiness</b>	Trustworthiness was verified on the basis of <ul style="list-style-type: none"> <li>• credibility, and</li> <li>• transferability</li> </ul>	generating the findings complied with the principle of trustworthiness (see sect 3.4 below).
<b>Limitations</b>	The study was limited to the following: <ul style="list-style-type: none"> <li>• SASSA's SCM internal controls</li> <li>• Staff members of SASSA's head office</li> </ul>	Because of funding and time constraints SASSA's regional offices and other government departments and entities could not be included in the study.
<b>Ethical consideration</b>	Participants were protected by withholding their identity.	The study was pre-approved by SASSA's CEO. The study was given ethical clearance by Unisa. (See appendix F and appendix G.)

(Fig 2: Compiled by the researcher for summarising the research methodology.)

### 3.2. PARADIGM

This study was based on the interpretivism paradigm, also known as social constructivism, where people seek to understand the world they live and work in by developing subjective meanings of their experiences (Saunders, Lewis & Thornhill 2009:119). These meanings are directed towards certain objectives, varied and multiple, and lead the investigator to search for complex views instead of narrowing the meanings into a few categories or ideas.

The objective of the study was therefore to rely as much as possible on the participants' views of the situation (Creswell 2013:24-25). As Baxter and Jack (2008:545) put it, this paradigm perceives truth as relative and dependent on one's view, and Daymon and Holloway (2011:104) and Golafshani (2003:600) add that in such a paradigm qualitative research methods are used.

### 3.3. RESEARCH DESIGN

This study has a holistic case-study design, as the researcher investigated only one of SASSA's departments, namely the SCM department.

Saunders et al (2009:147) suggest that if a research is concerned with a single organisation as a whole, the organisation is treated as a holistic case study, while Salkind (2014:287) argues that case studies are appropriate only if you wish to complete an in-depth study of one type of phenomenon.

Yin (2012:18) is more specific and defines a case-study design as an "empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between the phenomenon and context are not clearly evident".

Case studies have both advantages and disadvantages. According to Hofstee (2013:122-124), one of the advantages of this technique is that it is not as comprehensive as other techniques, namely surveys and comparative analysis, which require more time and are more expensive. Hofstee however adds that the case-study technique has the disadvantage that it is difficult to stay focused and obtain unbiased results that can be generalised with confidence, and that it is very difficult to use on its own.

Although other scholars such as Daymon and Holloway (2011:119) and Flyvbjerg (2006:241) mention that the results produced from a single case-study research run the risk of being biased and subjective, Flyvbjerg (2006:241) asserts that this idea is wrong or misleading, because “a case study design is a necessary and sufficient method for certain important research tasks in the social sciences”. Djurić, Nikolić and Vuković (2010:183) concur with Flyvbjerg that a case study is a reliable methodology if executed with due care.

From the above it was deduced that the result of this study could be generalised to all government departments and entities, as they use the same procurement policies, legislation, financial prescripts and guidelines as prescribed by the National Treasury.

This is a case study about SASSA, which has a head office in Pretoria and a regional office in each of the country's nine provinces. For the purposes of this study, the following are critical units at SASSA's head office (SASSA 2009:71, 2016a:52-53, 2016b:9-10):

- Internal-audit unit – responsible for the auditing of internal controls
- Internal-control unit –responsible for developing internal controls
- Risk-assessment unit –responsible for risk assessment
- Fraud- and corruption-investigations unit – responsible for the fraud and corruption strategy
- Demand-management unit – responsible for selecting or nominating suitable EMEs when SASSA requires a service or goods
- Acquisition and provisioning unit – responsible for requesting quotations from the selected EMEs
- SCM-compliance unit – responsible for verifying and validating the compliance of the selected EMEs

(In SASSA's regional offices, the position is as follows: The demand- management unit and the acquisition and provisioning unit are combined into one SCM unit with two SCM practitioners -- one for demand management and one for acquisition and provisioning. These two SCM practitioners are also responsible for compliance verification and validation of the selected EMEs.)

Below follows the research method used for data collection, sampling and data analysis.

### **3.4. RESEARCH METHOD**

#### **3.4.1 Data-collection technique**

Multiple sources of evidence data-collection techniques were used. Saunders et al (2009:146) refer to multiple sources of evidence as a technique in which a variety of data sources are used. In this study, documents and semi-structured interviews were used for data collection.

The most important advantage of using multiple sources of evidence techniques is that enquiry converging lines, a process of triangulation and corroboration, are developed. According to Yin (2012:15), the case-study findings and the conclusion are likely to be more convincing and accurate if based on several different sources of information.

Below follows a discussion of both documents and interviews as sources of data in this study:

##### **3.4.1.1 Documents**

The researcher collected documents about SCM policies, processes and procedures; risk management; and fraud and corruption published by SASSA. (Note: Wagner, Kawulich & Garner [2012:141] refer to public documents as government policies.)



The following published SASSA documents (attached as per appendix E) were collected:

**Figure 3: Published SASSA policies, processes and procedure documents (see appendix E)**

Number of the document	Title of the document	Reason for use
Doc 1	SASSA SCM policy	To critically analyse SASSA's SCM processes in order to identify the risk of possible tax evasion within these processes.
Doc 2	SASSA SCM delegations	To examine SASSA's SCM rules about and conditions of delegations in order to identify the risk of possible tax evasion within these delegations.
Doc 3	Central supplier database instructions	To scrutinise the CSD instructions in order to identify the risk of possible tax evasion within these instructions.
Doc 4	Fraud-prevention strategy	To understand SASSA's fraud and corruption strategy and to investigate whether it covers the risk of possible tax evasion.
Doc 5	Risk-management strategy	To understand SASSA's risk-management process and to investigate whether it covers the risk of possible tax evasion.
Doc 6	SASSA's annual reports for 2012 to 2016	To investigate how successful SASSA is in terms of implementing the existing SCM internal controls and what the consequences are of not complying with these controls.

(Fig 3: Compiled by the researcher from published SASSA documents.)

The above-mentioned SASSA policies and procedures documents were used for proving the ineffectiveness and inconsistent implementation of internal controls developed for preventing possible tax evasion.

The other data-collection method used in this study was interviews, which will be discussed next.

### **3.4.1.2 Interviews**

Semi-structured interviews with members of staff at SASSA's head office were conducted. This method of data-collection was used for exploring the existing internal controls within SASSA's SCM processes developed for preventing possible tax evasion by EMEs contracting with SASSA through interacting with SASSA officials.

This study focused on officials employed in the internal-audit, internal-control, risk-management, fraud- and corruption-investigations and three SCM units, namely the demand-management, acquisition and provisioning and SCM-compliance units. Semi-structured interviews allowed the researcher to collect a rich and detailed set of data in order to come to a sound conclusion (Saunders et al 2009:351).

Personal interviews were conducted with selected members of head-office staff on SASSA's head-office premises in Pretoria for a maximum time of 30 to 45 minutes per participant.

During the interview, probing questions were asked for exploring responses about the ineffective and inconsistent implementation of internal controls developed for EMEs in order to prevent tax evasion within SASSA's SCM processes.

The data collected from the interviews were also used for proving the ineffectiveness and inconsistent implementation of SASSA's internal controls designed for EMEs in order to minimise possible fraud, corruption and tax evasion within SASSA's SCM processes.

### **3.4.2 Population and sampling**

A convenient purposive sampling process was followed. The advantages of this type of sampling are that this method is much less complicated and expensive than others (Salkind 2014:194), and that the researcher is a senior manager responsible for grants accounting in SASSA's Finance branch. So that it was not a challenge for him to access data required for the study.

A sample of 7 SASSA head-office officials was selected to be interviewed. Only SASSA officials who could answer the questions were selected. One staff member from each unit at SASSA's head office was selected, that is, one each from the internal-audit, internal-control, risk-assessment, fraud- and corruption-investigations-, demand-management, acquisition and provisioning and SCM-compliance units.

Interviews were conducted with SASSA head-office staff only because SASSA is a national public entity – that is, policies, processes and procedures are developed at head office and applied across SASSA as a whole, including the regions (SASSA 2016b:8).

The disadvantage of this method naturally is that the probability of data chosen is not known, and that the researcher cannot claim that his or her sample is representative of the larger population (Salkind 2014). The fact that the data of other entities were not part of the sampling illustrates the non-retrospectivity of the sample (Salkind 2014). However, this does not threaten the generalisation of the conclusion, because SASSA operates within the same government policies and legislation as other national public entities. (It has been argued by Gerring [2004:341] that a case study is an intensive study of a single unit with an aim to generalise across a larger set of units.)

It had been the researcher's intention to interview 17 SASSA staff members (7 from head office and 10 from the regional offices), but then he set the saturation point at 7 members of staff from head office, which meant that the interviews would stop once the data reached the saturation point.

Content thematic analysis was used for analysing data collected from both documents and interviews. Francis, Johnston, Robertson, Glidewell, Entwistle, Eccles and Grimshaw (2010:3) argue that in studies using semi-structured interviews that are analysed using content analysis, the sample size is often justified on the basis of interviewing participants until data saturation is reached. Data saturation is reached when there is enough information to replicate the study when the ability to obtain additional new information has been attained, and when further coding is no longer feasible (Fusch, Lawrence & Ness 2015:1408).

### **3.4.3 Data analysis**

The data collected were analysed following the qualitative content analysis, using a specific Braun and Clarke method of thematic analysis. Braun and Clarke (2006:79) define thematic analysis as a method for identifying, analysing and reporting patterns within the data. One of the advantages of thematic analysis is that the phases of the analysis are similar to other qualitative-research analytical methods and are flexible (Braun & Clarke 2006:79).

Data were collected from both documents and interviews. The data collected from the documents and the interviews were analysed concurrently. Bowen (2009:35) highlights the

fact that data from documents may be analysed together with data from interviews so that the themes will emerge across the two sets of data.

The process used by the researcher for analysing the data can be described as follows (Braun & Clarke 2006:87):

- The researcher collected the data himself from SASSA head-office staff through interviews, which helped him to be more familiar with the data. The transcription of the data was also done by the researcher, which also brought him more in touch with the data.
- Documents selected for analysis were also examined in order to understand SASSA's SCM policies, processes and procedures regarding possible tax evasion, fraud and corruption, as outlined in each document.
- The data collected from the interviews were coded electronically (through an MS-word program, whereas the data collected from the documents were coded manually, because of the documents being in a PDF format. The researcher read from each respondent's transcribed data and highlighted interesting points relating to the questions asked. Initial codes were generated from the highlighted data and added to the list of ideas that came to mind when the researcher was transcribing the data.
- Once the data were coded and organised accordingly, the codes identified were sorted into potential themes.
- The identified themes were reviewed before they were finalised. To review the themes, the researcher first read all the collated extracts for each theme and considered whether they appeared to form a coherent pattern. Secondly, the researcher considered the validity of individual themes regarding the set of data. At the end of this phase, the researcher knew exactly what the different themes were, how they fitted together, and what his overall impression of the data was.
- Before the themes were finally named, they were defined and further refined by analysing the data within each theme. This meant that the researcher conducted a detailed analysis for each individual theme before naming the theme.

The end results of the analysis were final themes as envisaged by the researcher. According to Saunders et al (2009:490), the central task during data analysis is to identify common themes in the research project and predict or presume the relationship between them. The different themes were identified in the literature review, and were used to both present and analyse the data.

#### **3.4.4 Verification of trustworthiness**

In the discussion below, credibility and transferability were used for testing the trustworthiness of the case-study result (Graneheim & Lundman 2004:109). (According to Salkind (2014:65), the main reason for verifying the truthfulness of the study result is to minimise errors and biasness.)

##### ***Credibility***

Triangulation is one way of enhancing credibility in qualitative research (Baxter & Jack 2008:556; Webb 2009a:125). In this study, credibility was obtained by collecting data from both document analysis and interviews conducted by the researcher with SASSA members of staff with experience in their individual fields. All the analysed documents were signed by the appropriate authority. Credibility thus “emphasises striving for truth through the qualitative research process” (Schurink & Auriacombe 2010:441).

The researcher built trust by honouring the participants’ anonymity during the interviews so that the participants could feel free to respond to any question without any fear of being victimised. All the SASSA policy documents included in the study were published documents.

A database was created for storing all the data selected for analysis. All case-study documents collected at SASSA during the documentation analysis and interviews were converted into PDF copies and stored electronically in the database. This database increased the trustworthiness of the entire case study (Yin 2012:119).

##### ***Transferability***

According to Polit and Hungler (in Graneheim & Lundman 2004:110), transferability refers to “the extent to which the findings can be transferred to other settings or groups”, and as far as this study is concerned, transferability refers to the extent to which the results can be

transferred to other departments and government entities. The transferability of this study was enhanced by selecting SASSA as a case, highlighting the nature of the internal controls implemented in the SCM of any department or entity of government. As such, the study findings may be applicable to any government department or entity.

### **3.5. LIMITATIONS**

The researcher obtained and analysed only data from SASSA's internal controls designed for EMEs for minimising possible fraud, corruption and tax evasion within the SCM department, and only SASSA members of staff at head office involved in the SCM processes were interviewed.

Other members of staff from other head-office branches, for instance Corporate Services, Information and Communication Technology (ICT), Grants Operations, Policy Implementation Support and Strategy and Business Development (SASSA 2016a:22), and all members of staff from SASSA's regional offices were not interviewed, due to limited funds for travelling and data saturation. It was also impossible to collect data from other national public entities, because it would have been time-consuming and the costs would have been exorbitant.

### **3.6. ETHICAL CONSIDERATION**

As can be seen from appendix G, the researcher was given permission by SASSA's CEO, Dr V Petersen, to use SASSA as a research environment for investigating gaps for possible tax evasion in SASSA's SCM internal controls. Therefore, related SASSA SCM policies and procedures documents were downloaded from the internet and analysed. This study will make a positive contribution as far as SASSA's risk-management strategy is concerned in that it will help reduce possible tax evasion and its associated crimes, namely fraud and corruption.

Participants selected for interviews received information about informed consent via e-mail. Once the consent form had been signed, the date for the interview was agreed upon.

Participants interested in the findings of this study can contact either the researcher or the researcher's supervisor or co-supervisor directly.

The participants in this study will have benefited by having gained more knowledge and understanding of possible tax evasion within the SCM processes. Also, SASSA's internal controls regarding possible tax evasion within its SCM processes, and consequently SARS's revenue-collection levels, will be improved.

So far, the participants have not experienced any inconveniences (apart from perhaps the time it took to do the interviews) or bad experiences (such as having been identified - they have been assured indefinite anonymity and confidentiality) from having participated in the study.

The Unisa's College of Accounting Sciences Research Ethics Review Committee granted the researcher ethical clearance for conducting interviews (see appendix F).

### **3.7. SUMMARY OF THE CHAPTER**

This chapter discussed the research methodology, , and the next chapter will present the data gathered from the participants selected from SASSA and the document analysis for exploring the ineffectiveness and inconsistent implementation of SASSA's SCM internal controls developed for EMEs contracting with the agency, in order to minimise the risk of possible tax evasion.

The data will be presented as follows:

- SASSA's procurement and source of revenue
- risk factors contributing to possible tax evasion
- possible solutions and strategies

## CHAPTER 4: DATA PRESENTATION AND ANALYSIS

### 4.1. INTRODUCTION

It was the researcher's intention to investigate and examine the effectiveness and implementation of SASSA's SCM internal controls designed for dealing with the risk of possible tax evasion that could be committed by EMEs when contracting with SASSA.

Semi-structured interviews were held with different participants at SASSA's head office. Officials from the SCM demand-management, acquisition and provisioning, SCM-compliance, internal-control, internal-audit, risk-management and fraud and corruption unit were included. The data collected from the interviews and the document reviews were analysed using content analysis, as presented in chapter 3 above.

Below follows a presentation of the responses of the participants selected from the units involved in SASSA's SCM value chain and a presentation of the documents selected for review. The analysis should be read in conjunction with appendices A to E.

For the purpose of the study, the researcher identified the participants in the following manner:

- **Participant SCM1:** A senior official in the demand-management unit in the SCM department responsible for all demand-management activities at SASSA.
- **Participant SCM2:** A senior official in the acquisition unit in the SCM department responsible for all acquisition activities at SASSA.
- **Participant SCM3:** A senior official in the compliance unit in the SCM department responsible for all SCM-compliance activities at SASSA.
- **Participant INM4:** A senior official in the internal-control unit responsible for all internal-control matters at SASSA.
- **Participant FCI5:** A senior official in the fraud and corruption unit responsible for all fraud-related activities at SASSA.
- **Participant INA6:** A senior official in the internal-audit unit responsible for all internal-audit activities at SASSA.
- **Participant RAS7:** A senior official in the risk-management unit responsible for all risk-management activities at SASSA.



The data presented in this chapter are to prove that the ineffectiveness and inconsistent implementation of the internal controls designed for EMEs contracting with SASSA could result into possible tax evasion. Figure 4 below presents the flow of the discussion from section 4.2 to section 4.4, and how the data collected through interviews and document analysis was corroborated:

**Figure 4: Summary of the data presentation and analysis**

SECT 4.2, THEME 1: SASSA’S SOURCE OF REVENUE			
Participant(s)	Document(s)	Ineffectiveness of internal controls	Inconsistent implementation of internal controls
All participants were asked the question in <b>sect 4.2</b> below.		All participants understood how SASSA is funded.	All participants understood how SASSA is funded.

SECT 4.3, THEME 2: FACTORS CONTRIBUTING TO POSSIBLE TAX EVASION			
Participant(s)	Document(s)	Ineffectiveness of the existing internal controls is proven by the following:	Inconsistent implementation of the existing internal controls is proven by the following:
	SASSA’s SCM policy	A. process prescribed by the SCM policy	
	SASSA’s SCM delegations	B. process prescribed by the SCM delegations document	
	CSD instructions	C. processes prescribed in the Central Supplier Database instructions	
Participants <b>SCM1</b> , <b>SCM2</b> and <b>SCM3</b> were asked questions presented in paragraph <b>D</b> of <b>sect 4.3.1</b> below.		D. step-by step process for appointing an EME at SASSA	
All participants were asked questions in paragraph <b>E</b> of <b>sect 4.3.1</b> below.		E. possible tax evasion, fraud and corruption in the SCM processes	

<b>SECT 4.3, THEME 2: FACTORS CONTRIBUTING TO POSSIBLE TAX EVASION</b>			
<b>Participant(s)</b>	<b>Document(s)</b>	<b>Ineffectiveness of the existing internal controls is proven by the following:</b>	<b>Inconsistent implementation of the existing internal controls is proven by the following:</b>
Participant <b>FCI5</b> was asked questions presented in paragraph <b>F</b> of sect <b>4.3.1</b> below.	SASSA's fraud-prevention strategy	<b>F.</b> strategy for dealing with fraud and corruption activities	
Participant <b>RAS7</b> was asked questions presented in paragraph <b>G</b> of sect <b>4.3.1</b> below.	SASSA's risk-management strategy	<b>G.</b> risk-management processes	
Participant <b>INM4</b> was asked questions presented in paragraph <b>A</b> of sect <b>4.3.2</b> below.	SASSA's annual reports		<b>A.</b> irregular expenditure
Participant <b>RAS7</b> was asked questions presented in paragraph <b>B</b> of sect <b>4.3.2</b> below.			<b>B.</b> regular review of risk- assessment and internal controls
Participants <b>SCM1, SCM2</b> and <b>SCM3</b> were asked questions presented in paragraph <b>C</b> of sect <b>4.3.2</b> below.			<b>C.</b> fraud and corruption
Participants <b>INM4</b> and <b>INA6</b> were asked questions presented in paragraph <b>D</b> of sect <b>4.3.2</b> below.			<b>D.</b> limited scope for dealing with possible tax evasion

<b>SECT 4.4, THEME 3: POSSIBLE SOLUTIONS AND STRATEGIES</b>			
<b>Participant(s)</b>	<b>Document(s)</b>	<b>Improving the effectiveness of the existing internal controls</b>	<b>Improving consistency in implementing the existing internal controls</b>
Participants <b>SCM1, SCM2, SCM3</b> and <b>FCI5</b> were asked questions presented in sect		Develop internal controls for dealing with the risk	

4.4.1 below.		of possible tax evasion.	
Participants <b>RAS7, INM4</b> and <b>INA6</b> were asked questions presented in sect 4.4.2 below.			Incorporate the risk of possible tax evasion in SASSA's risk-management strategy and in the scope of the internal-audit unit and the internal-control unit.

(Fig 4: Compiled by the researcher from participants' responses and document analysis.)

## 4.2. SASSA'S PROCUREMENT AND SOURCE OF REVENUE

The question below was posed to all the participants to determine whether they understood how SASSA is funded, so that they could contribute in an effective manner to the strategy of minimising possible tax evasion that the researcher envisaged to propose.

Another reason for this question was to confirm that SASSA is funded from revenue collected through taxes, through the South African budget process. The participants were asked the following question:

- ❖ *What is your understanding of government's revenue-collection process used for funding SASSA?*

All the participants, in all the units, highlighted the fact that SASSA is funded from revenue collected from companies and individual taxpayers through taxes levied by SARS. Participant SCM1 highlighted the fact that government collects its revenue for funding SASSA and other government departments through the following types of tax:

- personal income tax
- Value-Added Tax
- company taxes
- foreign and custom taxes

Neu, Everett and Rahaman (2015) concur that all procurement activities are funded from revenue collected through taxes. In the 2017 to 2018 financial year, SASSA was allocated an amount of R2.1512 billion for procuring goods and services from EMEs (National Treasury 2017a).

Next follows a discussion of the risk factors that could hamper the collection of revenue within SASSA's SCM processes.

### **4.3. RISK FACTORS CONTRIBUTING TO POSSIBLE TAX EVASION**

SASSA's SCM processes are governed by the following documents: *SASSA SCM policy* (SASSA 2016b), *SASSA SCM delegations* (SASSA 2015f) and the *CSD guidelines*. Jackson and Stent (2012:5) define "internal control" as policies and procedures put in place by an organisation for achieving the orderly and efficient conduct of the business. Examples mentioned include internal controls for ensuring the prevention and detection of fraud and error.

All the documents presented and analysed below were prepared by SASSA's executive management and approved by SASSA's chief executive officer (CEO), as referred to in appendix E. These documents must be implemented by SASSA's officials, both at head office and at the regional offices. These documents are discussed in conjunction with the responses of the participants selected from SASSA officials involved in the SCM value chain.

The purpose of the analysis below was, first, to analyse and understand SASSA's SCM processes in order to establish whether the internal controls developed for dealing with the risk of possible tax evasion were effective enough (see the presentation and analysis in sect 4.3.1, from A to G).

Secondly, the purpose of the analysis was to investigate whether SASSA's risk-management process and fraud and corruption strategy were incorporated in the risk of possible tax evasion within the processes (see sect 4.3.2, from A to D) and lastly, possible solutions for dealing with possible tax evasion within the SCM processes (see sect 4.4).

#### **4.3.1 Ineffectiveness of the existing internal controls**

##### ***A. Process prescribed by the SCM policy***

SASSA's SCM policy, approved by SASSA's CEO on 3 February 2016 and implemented from the date of approval, applies to SASSA officials nationally, at both the head office and the regional offices (SASSA 2016b:8).

The main objectives identified when analysing this policy document (SASSA 2016b) were as follows:

- to standardise SASSA's SCM processes, and
- to ensure compliance with all procurement legislation, policies and regulations

As indicated by the analysis, first, an EME must qualify as an EME, and secondly, the EME must comply with the tax-compliance requirements set out in SASSA's SCM policy, namely: "The original and the valid Tax Clearance Certificate from a recommended service provider for all procurement above R30 000, VAT included" (SASSA 2016b:10).

However, SASSA's SCM policy does not provide a strategy for ensuring that the service providers or EMEs comply with this requirement in a true and honest manner. This poses a risk of possible tax evasion by EMEs when contracting with SASSA, because there is no way of verifying the truthfulness of the document submitted by the EMEs.

An example of "dishonesty" here is when the directors of a particular company registered a new company every time that they were required to submit a tax-clearance certificate (SAIPA 2012). The intention there was not only to deceive SASSA in order to acquire a contract for supplying goods or services without meeting the requirement, but also (indirectly) to deceive SARS, because the revenue that should have been declared to SARS could possibly never be declared, because of a new company having been registered by the same directors of the old company.

EMEs have been identified by SARS (2013:18) as a high-risk group for non-tax-compliance in South Africa. EMEs namely falsify their tax returns or misrepresent their books and accounts, disguise certain transactions, deliberately not disclose income in full and either inadvertently or deliberately overstate deductible expenditure (Davis 2014:11). This is in order to appear to be tax-compliant and obtain a tax-clearance certificate so as to secure a contract with any government department or entity.

SASSA's SCM policy regarding the procurement of goods or services is implemented by SASSA employees in the SCM department within the powers delegated to them by SASSA's CEO, as outlined in section 4.2.2 below.

## B. Process prescribed by the SASSA SCM delegations document

In terms of section 56 of the Public Finance Management Act 1 of 1999, an executive authority may delegate certain powers to designated officials within SASSA. This resulted in SASSA's executive management developing a document called *SASSA SCM delegations (2015f)*, approved by SASSA's CEO on 7 May 2015 and implemented throughout South Africa from 1 June 2015 onwards. This document contains the rules and conditions regarding these delegated powers (SASSA 2015f:2). The hierarchy of this delegation is summarised as follows:

**Figure 5: Summary of the delegation in SASSA's SCM department**

Category	Amount	Purpose and requirements	Officials involved
Category A: Invitation for and acceptance of quotations.	R1 – R500		(Normally referred to as petty cash.)
Category B: Invitation and acceptance of quotations.	R501 – R2 000	Procurement of goods and services.  One quotation required.	Admin officer SCM: approves the request for procurement.  Assistant manager SCM: approves the order.
Category C: Invitation for and acceptance of quotations.	R2 001 – R30 000	Procurement of goods and services.  Three quotations required.	Admin officer SCM: approves the request for procurement.  Assistant manager SCM: approves the order.
Category D: Invitation for and acceptance of quotations.	R30 001 – R100 000	Procurement of goods and services.  Three quotations required.	Admin officer SCM: approves the request for procurement  Assistant manager SCM: approves the order.
Category E: Invitation for and acceptance of quotations.	R100 001 – R200 000	Procurement of goods and services.  Three quotations required.	Admin officer SCM: approves the request for procurement.  Assistant manager SCM: approves the order.
Category F: Invitation for and acceptance of quotations.	R200 001 – R500 000	Procurement of goods and services.  Three quotations required.	Assistant manager SCM: approves the request for procurement.  Senior/general manager SCM: approves the order.
Category G: Invitation for bids.	Above R500 001	Procurement of goods and services.  Bids required.	CEO: approves the business case (ie bids). BAC*: approves the specification and the advertising of the tender.
Category H: Invitation for bids.	Up to R5 000 000	Procurement of goods and services.  Bids required.	BAC*: approves the evaluation report.
Category I: Invitation for bids.	Above R5 000 000	Procurement of goods and services.	CEO: approves the business case (ie bids).

Category	Amount	Purpose and requirements	Officials involved
		Bids required.	BAC*: approves the specification and the advertising of the tender.

\*BAC: bid-adjudication committee

(Fig 5: Compiled by the researcher from SASSA 2015f:6-11.)

As can be seen from **figure 5** above, a request for the procurement of goods or services between R1 and R500 000 can, depending on the amount involved, be approved by an administrative officer (the lowest level), the assistant manager (the second-lowest level) up to the senior manager (the most senior person in the SCM department). A request for the procurement of goods or services above R500 000 must be approved by SASSA's CEO and/or the bid-adjudication committee (BAC).

### **C. Processes prescribed by the CSD instructions**

SASSA has been using the CSD instructions (National Treasury 2016c) since 1 April 2016. After being approved by the chief procurement officer, Kenneth Brown, on 22 April 2016, the instructions were sent through to all accounting officers and accounting authorities, which, in the case of SASSA, is SASSA's CEO.

According to these instructions, EMEs are considered by SASSA as prospective suppliers of goods or services only if registered on the CSD system. The purpose of the CSD is to improve the level of compliance in all spheres, including tax compliance, and to confirm the BEE status of the EMEs with the Companies and Intellectual Property Commission (CIPC).

The purpose of analysing the CSD-instructions document was to determine how the CSD system rotates the EMEs to ensure that directors who were given business before do not get the opportunity again over the other directors.

After reviewing the CSD-instructions document, it was not clear how EMEs are rotated to guard against fraud and corruption activities, including possible tax evasion.

Below follows the step-by step process for appointing an EME, as outlined by the participants in the study.

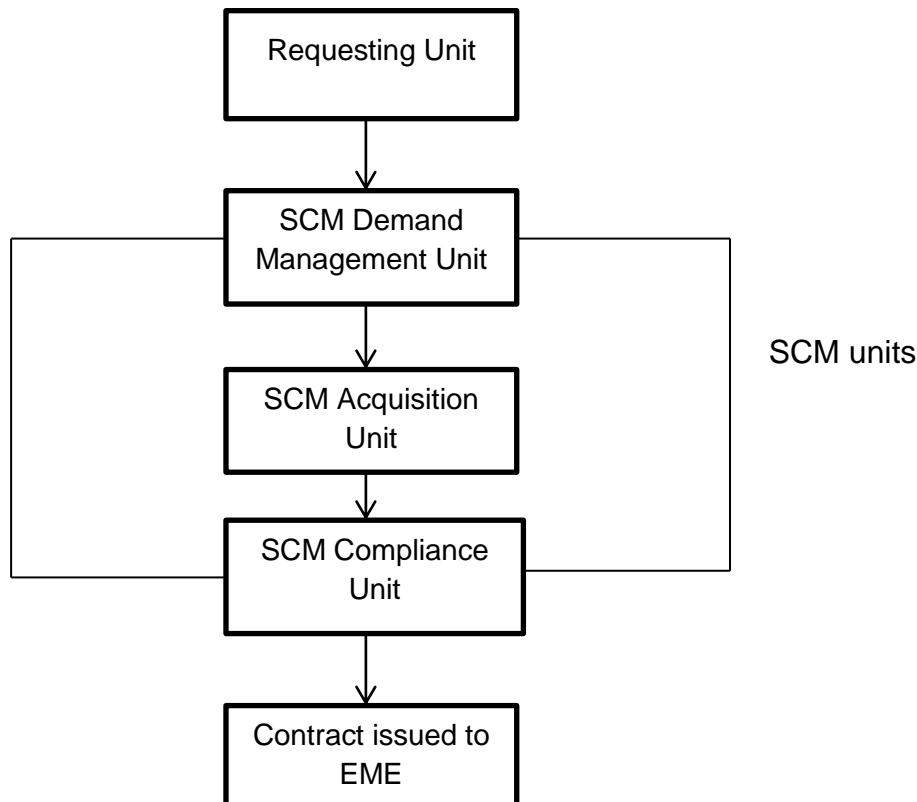
#### D. Step-by step process for appointing an EME at SASSA

The documents reviewed above (from A to C), are discussed in clear detail (as presented by the participants during the interviews conducted at SASSA's head office on 24 April 2017) below. The participants were asked the following questions:

- ❖ *What process is followed when selecting or nominating an EME for providing goods or services to SASSA?*
- ❖ *What documents do you handle during the process?*

In terms of SASSA's SCM policy, there are three units within the SCM department that deal with the procurement of goods and services, namely the demand-management, acquisition and compliance units, each of them with its own responsibility in appointing an EME to provide services or goods to SASSA (SASSA 2016b:9). The process flow of appointing an EME is shown in **figure 6** below:

**Figure 6: Process flow of appointing an EME**



(Fig 6: Compiled by the researcher from SASSA 2016b.)



When asked the following question:

*What process do you follow when selecting or nominating an EME for providing services or goods to SASSA, and what documents do you handle during the process?,*

participants SCM1, SCM2 and SCM3, in face-to-face individual interviews conducted on 24 April 2017, gave the following detailed step-by-step account of the process flow indicated in figures 5 and 6 above:

The process begins when any of the SASSA units submits a request (in which case the unit is called a requesting unit) to purchase goods or services. Ten steps are then followed:

Step 1: The requesting unit (which can be any unit within SASSA) sends a request or requisition to the demand-management unit, stating the type of service or goods that they intend to procure.

Step 2: The demand-management unit determines which procurement method to use -- namely the quotation, the tender or the petty-cash method. The quotation method is used when the service or goods to be procured amount to less than R500 000, the tender method is used for tenders above R500 000, and the petty-cash method is used for any purchase between R1 and R500.

Step 3: Once the procurement method is established, EMEs are sourced from the CSD, introduced by the National Treasury on 1 April 2016.

- The EMEs register themselves online, via a cell phone, a computer, etc.
- Once the supplier is registered on the CSD system, the system produces what is called an “MAAA number”.
- The SCM practitioner in the demand-management unit logs in to his or her profile on the CSD.
- The practitioner opens and searches the link for suppliers.
- The practitioner punches in the commodity wanted using the MAAA number, for example “printing”.
- The practitioner punches in that he or she is looking for tax-compliant companies with approved banking details, and also punches in the place of delivery (eg: Pretoria in Gauteng).

- The system then provides the practitioner with a complete list of tax-compliant suppliers in Gauteng who provide the services or goods needed.
- From that list the practitioner should select at least three suppliers. There may be more than three suppliers, but then three are randomly selected from the initial ones.

Step 4: The details of the three selected suppliers, taken from the CSD report, are recorded in the nomination register, to which the CSD report and the request from the requesting unit are attached. A person other than the one who selected the suppliers then verifies the selection process before submitting the request to the acquisition unit.

Step 5: The file, consisting of the nomination register, the CSD report and the request from the requesting unit, is submitted by the demand-management unit to the acquisition unit in order to facilitate the request for quotation (RFQ) from the EMEs. The CSD system does not indicate whether the supplier is an EME or not - it simply shows the whole list of suppliers, even those that are not EMEs, and consequently the EMEs are selected manually.

Step 6: The acquisition unit double-checks the compliance status of the selected EMEs by running a CSD report to see whether

- the EMEs were selected from the suppliers registered on the CSD system,
- the EMEs are in business, that is, active on the CIPC database, and
- the EMEs comply with all the other SCM aspects, including the tax requirements.

Once the acquisition unit is satisfied with all the aspects of compliance, a request is sent out to all the EMEs that met the requirements to submit a quotation for the service or goods required. This process is normally called the “RFQ” process.

Step 7: The successful quotation will be the lowest one received.

Step 8: The acquisition unit prepares a file with all the documents required by the SCM and submits the file to the compliance unit. A checklist included in the file is used for checking and ticking off all the information required before awarding the contract.

Step 9: The compliance unit validates and verifies the information submitted with the checklist to see whether

- the EME's tax-clearance has been properly confirmed with SARS
- the SCM policies and regulations have been complied with
- the Treasury regulations and directives have been complied with
- all other related SCM requirements have been adhered to

Step 10: Once all the compliance requirements have been validated and verified, an order is issued to the EME stating that all SASSA's SCM requirements were met. Such an order is an indication that the EME has been awarded the contract for providing the service or goods to SASSA. Once the EME has completed the work or delivered the goods required, it sends an invoice to SASSA, which then pays the amount owed into the EME's bank account.

At times, the above process is hampered by fraud and corruption activities, including the risk of possible tax evasion taking place in different forms. Below follows a discussion about how possible tax evasion relates to fraud and corruption within the SCM processes:

#### ***E. Possible tax evasion, fraud and corruption within the SCM processes***

All the participants were asked the following questions to establish whether they understood the relationship between tax evasion and "fraud and corruption":

- ❖ *What is your understanding of the concept of tax evasion?*
- ❖ *How do tax evasion and "fraud and corruption" affect the collection of revenue?*
- ❖ *What is the relationship between tax evasion and "fraud and corruption" within the SCM processes?*

In section 4.2 above, all the participants agreed that SASSA is funded through taxes collected by SARS. All the participants further argued that the collection of more revenue is hampered by the risk of possible tax evasion within the SCM processes. Tax evasion was defined as an illegal practice by a person or companies to intentionally under-declare or omit certain income in order to pay less tax.

Participant SCM2 argued that SARS collected R30 billion less in the 2017 tax year than it did in the 2016 tax year because of tax evasion and "fraud and corruption", confirming Hessami's (2014) statement that government lost billions to corruption. SCM2 further argued that tax

evasion and “fraud and corruption” go hand in hand, by stating the following: “If there was no corruption we wouldn’t have tax evasion.”

Participant SCM2’s statement was in line with that of Escobari (2012), who says that high levels of corruption decrease compliance levels, eventually ending up in tax evasion.

All the other participants also stated that there is a relationship between tax evasion and “fraud and corruption”, and highlighted the following examples that demonstrate the relationship between the two:

- Fraud and corruption in SCM is when the supplier provides a fraudulent tax- clearance certificate.
- A supplier may collude with a SARS official to issue a tax-clearance certificate while the supplier or the service provider does not have a good standing as far as his/her tax affairs are concerned.
- In cases of collusion, kickbacks paid in cash between the fraudsters will never be declared as income to SARS.

As far as the literature is concerned, Burguet, Ganuza and Garcia Montalvo (2016) and De Lange (2013) strengthens most of the participants’ view that collusion between employees and suppliers to defraud the state or bypass the procurement policies and processes, concealment and misrepresentation of material facts, and unjustified single-source awards (eg, a member of the internal staff of an organisation inviting one quotation from one supplier without justifiable reasons) are the main fraud and corruption activities within the SCM processes.

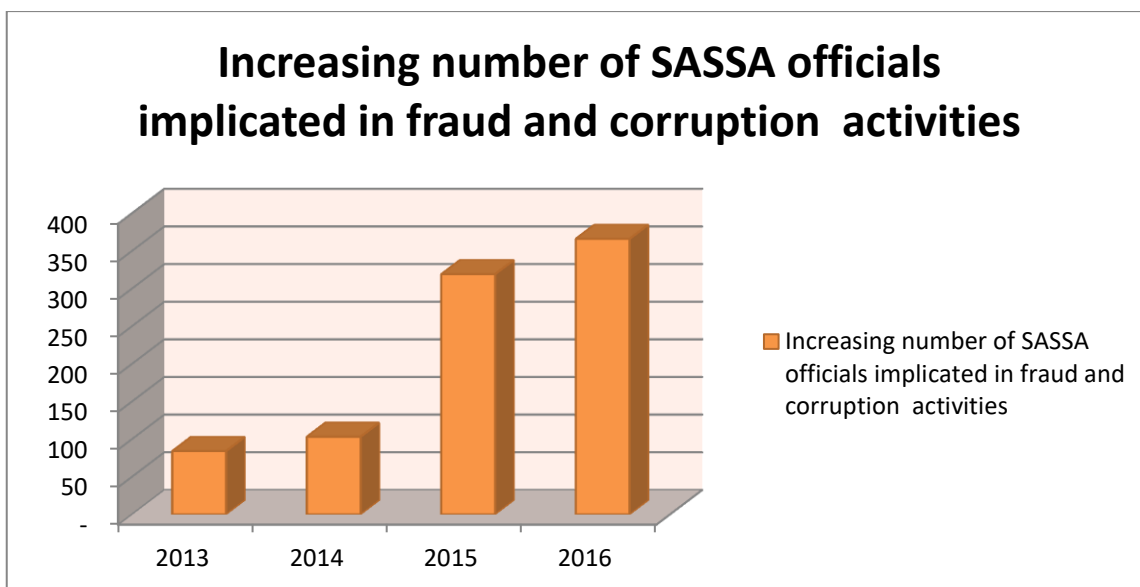
It must be noted that as yet there are no available statistics about SASSA SCM practitioners and EMEs colluding. However, the researcher thinks it to be of critical importance to highlight the fact that there is a high possibility of SASSA SCM practitioners colluding with EMEs in fraud and corruption activities within SCM based on the behaviour of SASSA officials in general, as presented in **figures 7 and 8** below:

**Figure 7: Number of SASSA officials implicated in fraud and corruption activities per financial year**

Number of SASSA officials implicated in fraud and corruption activities per financial year				
	2013	2014	2015	2016
Reported to law enforcement		56		337
Dismissed	25	21	53	
Suspended	52	24	266	24
Convicted		2		5
Risigned	7			
<b>Total officials implicated</b>	<b>84</b>	<b>103</b>	<b>319</b>	<b>366</b>

(Fig 7: Compiled by the researcher from SASSA 2013, 2014, 2015a, 2016a.)

**Figure 8: Increasing number of SASSA officials implicated in fraud and corruption activities**



(Fig 8: Compiled by the researcher from SASSA 2013, 2014, 2015a, 2016a.)

Figures 7 and 8 above depict the growing trend of SASSA officials participating in fraud and corruption activities, namely from 84 as on 31 March 2011 to 366 as on 31 March 2016 (SASSA 2013:21, 2014:12, 2015a:24, 2016a:55).

This trend is worrying, as the number is increasing fast and there is a possibility that the funds lost because of these criminal activities may never be recovered, even if the perpetrators are convicted. The most recently reported monetary loss because of fraud and corruption activities within SASSA was R145 million, of which only R2.3 million was recovered for the period 1 April 2012 to 28 February 2015 (SASSA 2015g).

The former minister of social development, Bathabile Dlamini, at a media briefing outside parliament ahead of the second annual anti-corruption conference hosted by SASSA, stated that even though government is winning the war against fraud and corruption, she was worried that only a fraction of the stolen money is recovered (Business Day 2015).

The challenge of being unable to recover the money could also result in tax evasion. The following question was posed to participant FCI5, senior official in SASSA's fraud and corruption unit:

*How successful has SASSA been in dealing with fraud and corruption activities relating to the SCM processes?*

Participant FCI5 seemed not to understand the question because he/she answered that the fraud and corruption unit detects fraud by determining whether there are any omissions in the processes or whether the policy was not followed.

The researcher then asked a follow-up question, namely:

*How have you been doing in terms of recovering what was lost because of fraud and corruption activities at SASSA, particularly losses in the SCM department?*

However, when participant FCI5 was asked the following question:

*What were the challenges in recovering the money that was lost,*

He/she indicated that sometimes it is more difficult to recover monies lost because of fraud and corruption when a supplier is involved than it is to deal with staff still employed by SASSA.

Participant FCI5 further said that they are succeeding, especially where fraud and corruption activities by someone still employed by SASSA is concerned, but EMEs pose a problem, because the function of dealing with EMEs involved in fraud and corruption activities falls outside the mandate of the fraud and corruption unit. EME cases are referred to the external service provider or to law-enforcement agencies.

When participant FC15 was asked about the *challenges in recovering the money*, he/she indicated that it is difficult to recover money from EMEs that were involved in fraud and corruption activities at SASSA.

When asked,

*How successful has SASSA been in recovering funds lost because of fraud and corruption activities at SASSA, particularly within the supply-chain processes,*

participant INA6 agreed with both Minister Dlamini and participant FCI5, saying that SASSA was not winning in terms of recovering monies lost because of fraud and corruption activities, hence more preventative measures should be put in place to prevent such activities within SASSA.

Participant INA6 further mentioned that, first, according to his/her experience at SASSA most SASSA officials after committing a crime relating to fraud and corruption resign, so that it is difficult to get information from such officials.

Secondly, some officials after committing a crime get employment in other state departments and will not co-operate with the recovery process, so that the amount owed to SASSA ends up being written off.

Lastly, once the EMEs realise that they are being investigated they liquidate themselves and government never recovers the money, resulting in a loss to the fiscus.

Participants SCM1, SCM2 and SCM3 were asked the following questions by the researcher to establish whether the existing internal controls were effective enough to minimise the risk of possible tax evasion, fraud and corruption within the SCM processes:

- ❖ *How do you rotate the EMEs or the suppliers?*
- ❖ *How do you ensure that the names of the directors of an EME do not crop up again during the rotation process?*
- ❖ *How do you confirm whether the EMEs are tax compliant?*

When participant SCM1 was asked *how he/she rotates the EMEs*, he/she stated that he/she does not follow any process to ensure that an EME is not selected twice to the disadvantage of the other EMEs.

Participant SCM2 concurred with participant SCM1 that the process to follow when rotating the EMEs was still a challenge at SASSA: “At the moment there is no specific process to follow when rotating the EMEs.” He further stated that “millions and millions” of suppliers register or appear on the CSD system on a daily basis.

Participant SCM2 supported his argument by stating the following: In the SCM department it is the norm to select about 8 or 10 suppliers per commodity per request. If the same request is made in the next week or the next month when an SCM practitioner logs in to the database, he/she will not know that previous search ended with supplier X and so will continue from there, “so it is like chasing a moving target that you do not have control over”.

Participants SCM1 and SCM2 were also asked the following question: *How do you ensure that the names of the directors of an EME do not crop up again during the rotation process?*

Participant SCM1 responded that every time that a practitioner nominates a supplier he/she gets a CSD report containing all the necessary information about the company, namely the company’s name, registration number, tax number and banking details, so now they rely more on the CSD report than previously, when they had their own internal database.

Participant SCM2 stated that it is impossible to check on the system whether a director is being repeated and supported this statement as follows:

That is why I’m saying is not like a normal database where you will have say 100 people, 100 suppliers and you start with the first 10, next time you start from 11 to whatever 20 or 21 then just like that up to 100, then you start from scratch again, in this case as I’m saying every time like we sitting now people are registering for the same commodities and then if the registration is successful today that EME or that supplier might be picked up the following day and have an opportunity to do RFQs whereas the other one maybe has registered three month ago that person somewhere somehow whatever reason the person find is not even been given the opportunity to do RFQs, so it’s a serious gab. And when we ask Treasury, they will tell you that this is not a supplier database, it’s a listing of suppliers but we are forced



to work through that and we cannot close the listing in our database because once we have done the selection, the supplier who has been registered is being migrated now into our supplier database now for us to be able to issue orders and be able to process payment, and it forms part of what we call SASSA Oracle database.

When asked, *What process do you follow to ensure tax compliance?*,

participant SCM1 highlighted the fact that there are two ways of confirming the supplier's tax compliance:

The first method is that the SCM practitioner requests a supplier to submit a verification PIN used when calling SARS to confirm whether that supplier is tax-compliant or not. SARS then gives the practitioner a reference number stating whether the supplier is compliant or not, and that number is written down by the practitioner on top of the verification.

The second method for confirming tax compliance is through the central database system (CDS). Participant SCM1 further stated that his/her unit makes use of the CSD and SARS, because of the real-time interface between those two, meaning that the record of an EME at SARS on a particular day is exactly the same as the record on the report extracted from the CSD system on the same day. If there is no tax compliance, it is stated on the CSD report under "tax information".

Participant SCM3 concurred with participant SCM1 that SASSA fully relies on the CSD system for verifying the tax status of an EME and described the process normally followed, namely:

- First, the authorised SCM practitioner checks on the CSD whether the EME is tax-compliant or not. A report indicating the EME's tax status is then printed and filed under the name of that particular EME.
- Secondly, the SCM practitioner further confirms the EME's tax status by phoning the SARS hotline giving the company's registration number and tax number to ensure that the document provided during the bidding or the request-for-quotation (RFQ) process is correct.
- Lastly, if the procurement took place through a bidding process, the SCM practitioner, for the verification process that follows, should have written down the reference number provided by SARS on the tax-clearance certificate of the prospective EME. Upon request by the practitioner, SARS then confirms the EME's tax status and provides a reference

code confirming it. If the verification takes place per RFQ, the SCM practitioner should write down the reference code on top of the CSD report to indicate that the EME's status was confirmed by SARS.

Apart from the controls within SASSA's SCM processes discussed above, there are other controls introduced by SASSA's executive management to help curb fraud and corruption activities within SASSA. These controls include the *fraud-prevention strategy* and the *risk-management processes*, both discussed below.

#### **F. Strategy for dealing with fraud and corruption activities**

The *fraud-prevention strategy* document (SASSA 2015c), approved by SASSA's CEO on 30 April 2015 (SASSA 2015c:26), gives a detailed outline of what action should be taken to prevent and detect activities of fraud and corruption, said to include the following: (SASSA 2015c:7):

- any act of dishonesty
- theft of funds, supplies or assets
- relationships constituting a conflict of interest between suppliers and employees
- unlawful gratuities
- kickbacks and bribery
- embezzlement
- nepotism
- extortion
- making profit using inside knowledge
- disclosing proprietary information to outside parties for a financial or other advantage
- falsification and forgery
- overstatement of income in order to conceal unauthorised transactions
- understatement of liabilities and expenses in order to conceal illegal transactions
- false and/or omitted disclosure

The purpose of analysing the *fraud-prevention-strategy* document was to establish whether possible tax evasion was a prioritised risk as far as SASSA's fraud and corruption unit was concerned, and the analysis revealed that tax evasion was not a priority there.

Tax evasion was indirectly covered in the above-mentioned list. The literature review revealed that the element common to fraud, tax evasion and corruption is “*dishonesty*” (Arnaldo 2014; Swanepoel 2013). However, SASSA’s fraud and corruption unit has been limiting itself to fraud and corruption activities relating to grants and has not paid any attention at all to tax evasion.

On 25 April 2017, participant FCI5, senior official in the fraud and corruption unit, was asked the following question to establish whether possible tax evasion was covered in SASSA’s fraud and corruption strategy and to support the document analysis presented above:

- *What is the role of the fraud and corruption unit within SASSA’s SCM processes?*
- ❖ *What is your unit’s priority when developing a fraud and corruption strategy?*
- ❖ *Why is dealing with possible tax evasion not a prioritised strategy?*
- ❖ *What risks have your unit identified relating to fraud and corruption on the one hand, and tax evasion on the other?*
- ❖ *How does your unit deal with fraud and corruption activities within SASSA’s SCM processes when discovered?*

When asked about the *role of the fraud and corruption unit*, participant FCI5 stated that its role within SASSA is to detect and investigate suspicious transactions.

When asked, *Why is dealing with possible tax evasion not a prioritised strategy?*, participant FCI5 was not clear on this point, but when asked, *What was your unit’s priority when developing the fraud and corruption strategy?*, he/she stated that their priority was to look at the core function of SASSA, which is paying out social grants to beneficiaries.

When asked, *What risks has your unit identified relating to fraud and corruption on the one hand, and tax evasion on the other?*, the participant highlighted the risk of corruption during the selection process, especially when the service to be procured is less than R500 000. To the question, *How does your unit deal with fraud and corruption activities when discovered?*, the participant said that cases needing disciplinary action were dealt with within SASSA’s policies, and cases involving EMEs were normally reported to the SAPS for investigation and prosecution.

## **G. Risk-management processes**

The risk-management-strategy document was developed by SASSA's executive management and approved by SASSA's CEO on 10 November 2015. It was implemented across SASSA from the date of approval (SASSA 2015e:27). The document outlines how risk management should be conducted within SASSA to ensure that risks identified are assessed, ranked, prioritised and managed in an effective manner (SASSA 2015e:6).

The above-mentioned document was analysed to establish whether any risks relating to possible tax evasion within the SCM value chain were identified by the risk management unit, and what the mitigating strategy was.

From analysing the document it transpired that the risk of possible tax evasion was not captured anywhere in the document and that some of SASSA's members of staff were not even aware that this document existed.

On 2 May 2017, participant RAS7, senior official in the risk management unit, was asked the following questions to establish whether possible tax evasion was covered in SASSA's risk-management processes, and to support the document analysis presented above.

- ❖ *What is the role of the risk-assessment unit within SASSA's SCM processes?*
- ❖ *What risks relating to possible tax evasion have your unit identified as a unit within the SCM value chain?*
- ❖ *What mitigating strategy has your unit recommended or implemented to minimise possible tax evasion or fraud and corruption within the SCM processes?*
- ❖ *How successful has your unit been in mitigating the risks of fraud and corruption activities relating to the SCM processes?*
- ❖ *How successful has your unit been in mitigating the risks regarding the recovery of funds lost because of fraud and corruption activities relating to the SCM processes?*

When asked about the *role of the risk-management unit within SASSA and how often risk assessment should be implemented*, participant RAS7 said that the role of his/her unit was to manage in accordance with the Public Sector Risk Management Framework (PSRMF) and to do a risk assessment on a regular basis.

Participant RAS7 also said that SASSA had been unable to do a risk assessment on a regular basis as it was supposed to do due to the risk-management unit not having enough human resources. The participant further argued that despite that challenge, tax evasion was not their priority, and no mitigating strategies had been developed because of tax evasion falling outside the mandate of the unit.

When participant RAS7 was asked about *mitigating the risks of fraud and corruption activities relating to the SCM processes*, he/she said that such risks were the responsibility of the fraud and corruption unit.

Participant FCI5 however argued that the fraud and corruption unit was responsible for fraud emanating from the core business of SASSA, which was paying out social grants to beneficiaries, and not paying EMEs for services rendered or goods supplied.

Participant RAS7 was asked how *successful they had been in mitigating the risk of not recovering funds lost because of fraud and corruption, particularly losses in the SCM department*. The participant said that they did not know how this was handled, because they had never been involved in the process and did not know anything about recoveries resulting in a mitigation strategy.

Below follows a discussion of the document analysis and of the interview responses about how the inconsistent implementation of internal controls within SASSA's SCM processes leads to possible tax evasion.

#### **4.3.2 Inconsistent implementation of the existing internal controls**

SASSA's executive management in their annual reports (ie, comprehensive reports developed once a year on all SASSA's activities throughout the previous year) raised concerns about SASSA's inconsistent implementation of the internal controls. The annual reports for the past five financial years were analysed to assess as to what extent the SCM internal controls had been implemented.

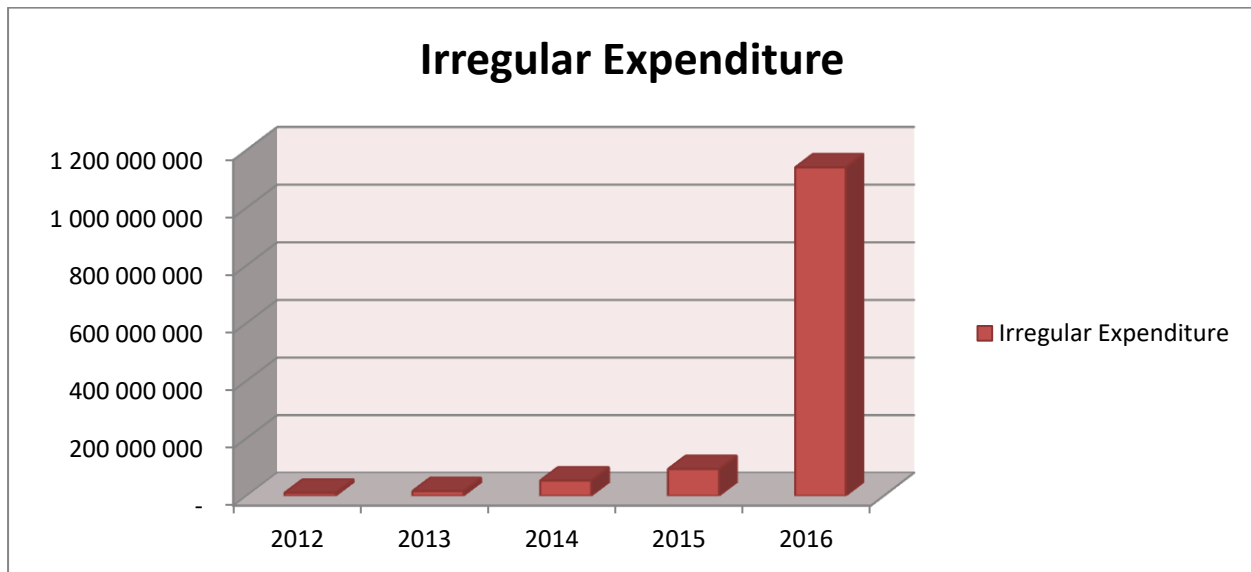
##### **A. Irregular expenditure**

An analysis of SASSA's annual report of 2015/16 revealed that SASSA had not been implementing the SCM processes, policies and legislation in a consistent manner and that

their non-compliance with the SCM internal controls had led to a high level of irregular expenditure (SASSA 2016a). As confirmed by the auditor general’s 2013/14 report (Auditor General 2014:57), “irregular expenditure” is an indicator of a significant breakdown in internal controls.

Below follows **figure 9**, developed from a note to the annual financial statements, depicting the increase in irregular expenditure (SASSA 2013:133), 2014:110), 2015a, 2016a):

**Figure 9: Status of SASSA’s irregular expenditure as at 31 March 2016**



(Fig 9: Compiled by the researcher from SASSA 2013, 2014, 2015a, 2016a.)

As shown in **figure 9** above, between 31 March 2012 and 31 March 2016, SASSA’s irregular expenditure increased from **10 million to 1 billion rand**, that is by over 9 900%, clearly indicating that SASSA’s staff was not adhering to the procurement and SCM policies. This could result in possible tax evasion and eventually a loss to the fiscus, because SASSA’s SCM policy inter alia requires that for a supplier to be awarded a contract, it must submit a valid tax-clearance certificate confirming its tax status (SASSA 2016b).

SASSA reviewed both the findings of its internal-audit unit and the report of the auditor general for the financial year 1 April 2014 to 31 March 2015. The review was based on the risk assessment conducted by SASSA’s internal-audit unit and revealed certain weaknesses in SASSA’s internal controls (SASSA 2015a:53).

According to the above-mentioned annual report (SASSA 2015a), SASSA's executive management was concerned about the following areas of risk identified by the auditor general and SASSA's internal audit:

- The internal-control system was not as effective as it should be because of a very high level of non-compliance with the SCM regulations.
- Critical documents such as tax-clearance and BEE certificates were missing and incomplete.
- Despite it being its task to effectively deal with cases of irregular expenditure, SASSA's Financial Misconduct Board (FMB) failed to be effective in this respect.

Participant INM4, a senior official in the internal-control unit, during the interview with him/her on 25 April 2017 was asked the following questions regarding the concerns raised by SASSA's executive management in SASSA's annual report for 2015/16:

- ❖ *What is the mandate of the internal-control unit within SASSA's SCM processes?*
- ❖ *How successful is SASSA in implementing the existing SCM internal controls?*
- ❖ *What are the consequences of not complying with the SCM internal controls?*

The internal-control unit is the most critical unit in SASSA's SCM value chain as far as the implementation of SCM policies, processes and procedures is concerned. According to participant INM4, it is the role of the internal-control unit to monitor the implementation of financial legislation, identify policy loopholes within the SCM processes, investigate cases of financial misconduct resulting in irregular, "fruitless and wasteful expenditure" (see "definitions of concepts" above), and also help SCM units to respond to the audit findings of the auditor general.

When participant INM4 was asked *how successful SASSA was in implementing the existing SCM internal controls*, he/she stated that SASSA's existing internal controls were not implemented in an effective and consistent manner. The participant highlighted the fact that the number of cases of financial misconduct relating to irregular, "fruitless and wasteful expenditure" served as an indication that there were deficiencies in the implementation of these controls (see fig 9 above).

An example given here by the participant was a case where instead of the three quotations required, an SCM practitioner requested one quotation from only one supplier, thus increasing the risk of fraud and corruption within the SCM processes. The official was not disciplined for this transgression.

When asked about the *consequences of not complying with the SCM internal controls*, the participant stated that the fiscus would take the strain because of the contract having been awarded to a supplier that was not tax-compliant. It could further result in an irregular, “fruitless and wasteful expenditure”.

Participant INA6 concurred with participant INM4 that SASSA had a great deal of irregular and fruitless expenditure that could have been avoided if more effort was made to ensure that everyone complied with the SCM policies, processes and procedures. As a result, every year, for the past three years, the auditor general found SASSA to have irregular, “fruitless and wasteful expenditure”.

Participant INA6 concurred with participant INM4 that one of the consequences of not complying with SCM policies and procedures was fraud and corruption.

### ***B. Regular reviewing of risk assessment and internal controls***

To the researcher’s question as to *how often risk assessment should be performed*, participant RAS7 stated that although SASSA was supposed to do risk assessment on a regular basis, it could not have done so because of the risk-management unit not having enough human resources.

When asked about the *risks of not performing risk assessment*, participant RAS7 argued that without regular risk assessment SASSA would not be able to identify relevant and high risks on time, and also that risk assessment is important to help SASSA make sure that they cover all the risks, especially high risks, within the organisational processes. Therefore, without risk assessment SASSA runs the risk of not managing its highest risk, which could include possible tax evasion, fraud and corruption. It was suggested by the participant that SASSA do risk assessment on a regular basis so that the highest risks are identified and attended to.

During the interview on 25 April 2017, the senior official in the internal-control unit, participant INM4, was also asked the following questions:



- ❖ *How often does your unit review the SCM internal controls?*
- ❖ *How successful has your unit been in reviewing the internal controls on an annual basis, and what have been the challenges?*
- ❖ *Why have the internal controls not been implemented in an effective manner?*

SASSA's policies require internal controls to be reviewed on a regular basis. *When asked how often the SCM internal controls were reviewed*, participant INM4, the most senior official in the internal-control unit, stated that SASSA had no time lines for reviewing the internal controls, because of the unit not having enough human resources to do so on a regular basis.

When asked *why the SCM practitioners did not implement the internal controls in an effective and consistent manner*, participant INM4 stated that it could be because of the following reasons:

- SASSA's SCM practitioners were appointed without a knowledge of and skills for the procurement processes, including the tax-compliance processes.
- Newly-appointed SCM practitioners did not undergo an induction process.
- Management did not monitor the SCM practitioners to ensure that the SCM policies, processes and procedures (eg, the SCM delegation regarding financial matters and the SCM policy), were implemented.
- There was no clear segregation of duties.

### **C. *Fraud and corruption***

Participants SCM1, SCM2 and SCM3 were asked the following question: *What could be the reasons for not adhering to the SCM processes?*

Participant SCM1 stated that sometimes these processes were deliberately not adhered to because of an intention to commit fraud and corruption. Participant SCM3 added that it happened when SCM practitioners wished to collude in order to commit fraud and suppliers wished to avoid paying tax.

When asked, *What could be the reasons for SCM practitioners, or any other SASSA officials, not adhering to the SCM processes*, participant SCM2 stated that sometimes it would happen

because of ignorance, but it could also be a practitioner or any SASSA member of staff wishing to bypass the SCM processes.

Fraud and corruption in government procurement was also brought to the fore when the chief procurement officer (CPO) in an interview with *City Press* indicated that the biggest sources of corruption and waste read about in the newspapers were not tenders amounting to R50 million, but the millions of small routing transactions happening every day and making up to 97% of all transactions – a million small opportunities for vast corruption (Van Rensburg: 2015:9-9).

#### **D. *Limited scope for dealing with possible tax evasion***

Participant INM4 was asked the following question:

- ❖ *What internal controls relating to possible tax evasion have your unit been implementing in the SCM processes?*

The participant stated that although they were currently using the CSD system for verifying the tax compliance of EMEs contracting with SASSA, he/she had reservations about the system, because although it could confirm the tax-compliance status of a particular EME, it did not mean that the EME had given SARS a true picture of its income. The participant further mentioned that more needed to be done to verify the compliance status of EMEs contracting with SASSA.

On 26 April 2017, participant INA6, the senior official in the internal-control unit, was asked the questions below to establish whether the auditing process of SASSA's SCM internal controls covered the risk of possible tax evasion. These questions could be used to support the above-mentioned document analysis and interviews with the other participants.

- ❖ *What mandate does the internal-audit unit have as far as SASSA's SCM processes are concerned?*
- ❖ *What were your unit's findings regarding the effectiveness of the SCM internal controls and the consistency with which the controls were implemented, and what were the recommendations?*
- ❖ *What were your unit's findings regarding controls relating to possible tax evasion, and what were the recommendations?*

- ❖ *How successful has SASSA been in recovering funds lost because of fraud and corruption activities in SASSA, particularly losses within the supply-chain processes?*

The internal audit takes place at the end of all the SASSA processes. According to participant INA6, it is the role of the internal-audit unit to evaluate the system of internal controls implemented in order to check whether the system is adequate, effective and efficient. If the system is found to be inadequate, inefficient or ineffective, corrective measures will be recommended.

The aforementioned process is normally done on an annual basis, because there are so many cases of fraud and corruption in the SCM units. Below are the steps followed by the internal-audit unit in evaluating the SCM processes:

- Request for auditing the flow of the SCM department's business processes.
  - Test whether the SCM department does indeed follow the business processes presented.
  - Do a risk analysis of the business processes to check whether there are risks in the processes.
  - If there are risks, select a sample of transactions to evaluate the effectiveness, efficiency and adequacy of the controls available for mitigating those risks.
- ❖ *When asked, What were your unit's findings regarding the effectiveness of the SCM internal controls and the consistency with which the controls were implemented, and what were the recommendations?, participant INA6 said the following:*

In most instances, the controls are adequate, but they are not effective and efficient because of one abuse of authority, namely where we find that the senior officials will actually force junior officials to process transactions knowing very well that those transactions are fraudulent, so as a result the control that is in place will not be functioning as it is supposed to, even though it is adequate to prevent corruption activities from happening. One other thing is collusion, where you find that an official within the SCM processes and one within the payment processes are actually working with the service provider, then what they will do, they will take the amount that is supposed to be claimed by the service provider and then maybe they will

double the amount, the official will sign the goods received voucher (GRV) to indicate they have received the services, whereas we know that the services were not received. At the end of the day, those officials will then go and maybe share the money. It has been tested several times, and it was found that there were orders within our supply chain that were cancelled after the payment had gone through the bank, so in such an instance only a person who understands the internal processes is able to do that. Somebody who does not understand these processes will not be able to do that, so the controls are there, but it's the human factor that is making the controls not to be effective.

However, participant INA6 also highlighted that although the internal-audit unit had *never been assigned to audit possible tax evasion*, sometimes, during the auditing process, they tested the amount of tax against the amount of VAT charged by the supplier. Therefore, auditing for possible tax evasion within the SCM processes does not form part of the duties of SASSA's internal-audit unit.

When asked *how successful SASSA was in implementing the existing SCM internal controls*, participant INA6 stated that SASSA's controls were adequate -- the challenge being that the controls were just not implemented in an adequate manner. According to the participant, any transgressions were deliberate, because the officials involved knew that any wrongdoings within SASSA's SCM processes would not have any consequences.

#### **4.4. POSSIBLE SOLUTIONS AND STRATEGIES**

Below follows a discussion of any suggestions by the participants on how to make the SCM internal controls more effective (see sect 4.4.1 below), and the implementation of these controls more consistent (see sect 4.4.2 below).

##### **4.4.1 Improving the effectiveness of the existing internal controls**

With a view to improving the effectiveness of the SCM internal controls, the participants were asked the following questions:

- ❖ *What would you suggest must be done to minimise possible tax evasion within the SASSA SCM processes?*

- ❖ *What would you suggest that SASSA do to improve the tax compliance of EMEs in order to minimise possible tax evasion within the SCM processes?*

Participant SCM1 suggested that relying on the service provider to supply the correct information was not an appropriate option – SASSA’s SCM internal controls must be sound. The participant also made the following suggestions:

SASSA’s systems must interface with Treasury systems like the CSD system so that when an order is issued to a service provider, the amount of that particular order must appear on the system of both the Treasury and SARS until it is time for tax assessment. This will help guard against the possibility of non-disclosure by the service provider.

The SCM interface process should be like the one used by SASSA for taxing their employees: the money is deducted from the salaries of the employees and is automatically paid to SARS. Every supplier doing business with SASSA should have a profile with SARS, and the amount of tax on whatever money SASSA pays them should be automatically calculated and paid to SARS or should reflect with SARS so that at the end of the financial year SARS will be able to verify that what was declared is the same as what is on our system, then in that way we can deal with tax evasion within the SCM systems.

According to participant SCM3, SASSA must stop relying solely on SARS when it comes to measures dealing with non-tax compliance. SASSA must develop its own controls regarding the tax compliance of EMEs contracting with the Agency.

The above suggestion would support the strategic shift proposed by SARS in its strategic plan for 2014/15, namely to move from an isolated-department view to a whole-of-government view in dealing with the issues of non-compliance and the eradication of tax evasion (SARS 2015a).

According to participant SCM2, much could still be done to minimise the risk of possible tax evasion within the SCM processes, namely:

SASSA needs to look again at the process of appointing EMEs for providing services or goods to the Agency, SASSA needs to educate both the public and the SCM

practitioners dealing with procurement on a daily basis to make sure that they understand the SARS and the CSD processes for checking for tax compliance.

Participant FCI5, a senior official in the fraud and corruption unit, would like to see changes in the selection of EMEs at the quotation stage. The participant further suggested that the selection process be done electronically using the CSD system, until an EME is appointed. The process should not be done manually by the SCM practitioners, because that increases the risk of collusion between SASSA's SCM practitioners and the EMEs.

#### **4.4.2 Improving of consistency in implementing the existing internal controls**

Below are the questions asked to establish what solutions the participants could suggest for implementing the SCM internal controls in a more consistent manner:

What improvements, if any, can be recommended

- ❖ *To improve SASSA's risk assessment regarding possible tax evasion within the SCM processes?*
- ❖ *To improve the effectiveness of SASSA's SCM internal controls regarding possible tax evasion?*
- ❖ *To ensure that SASSA implements its internal controls in an effective and consistent manner?*
- ❖ *To ensure that EMEs contracting with SASSA comply with all SCM processes in a true and honest manner in order to minimise possible tax evasion?*

Participant RAS7, a senior official risk-management unit, suggested that for SASSA to minimise the risk of possible tax evasion within the SCM processes, there must be change in tone from the top:

Currently, we at SASSA have problems with the tone at the top. If our executives and our heads were to take risk management seriously, and not as a nice-to-have kind of a thing, we would not be having such problems?

According to participant RAS7, ever since he/she started working at SASSA, it was his/her observation that risk management was never discussed in SASSA's executive committee (Exco) and branch meetings -- only in audit-committee and risk-committee meetings.

The participant further argued that risk management needed to be discussed in important meetings, especially Exco meetings, so that the executives could take the matter seriously:

If it is not taken seriously at the top, obviously the rest of the staff also won't take it seriously.

Participant RAS7 thus agreed with Fourie and Ackermann (2013) that the attitude of the executive management is critical. Internal controls can be effective only if the executives take the matter seriously, so that all the other employees can do likewise.

Participants INM4, INA6 and RAS7 suggested that the following be done to make the internal controls more effective and to implement those controls in a more consistent manner in order to minimise possible tax evasion within the SCM processes:

- SASSA's reporting lines should be looked at again, because, according to RAS7, the risk-management unit should report directly to the chief executive officer (CEO) or the chief operations officer (COO), and to nobody in a position below that.
- The risk-management process should be a standing agenda item of Exco meetings.
- Risk, "fraud and corruption" and internal auditing should be managed from the CEO's office.
- SASSA should promote professional development through regular training so that both the SCM practitioners and SASSA's management are kept up to date on the SCM policies and Treasury directives.
- SASSA's continuous professional development should include tax policies and legislation.
- SASSA should be able to go beyond the CSD in verifying the tax compliance of EMEs to ensure that what has been declared to SARS is indeed correct.
- Internal controls should be reviewed on an annual basis.
- All EMEs tendering for goods or services for over R1 million should be registered for VAT.
- The risk-management unit should be able to do a risk analysis of possible tax evasion in the SCM processes.

- Once a risk has been identified, the matter should be referred to the internal-audit unit for testing whether the processes in place will be able to address the risk. After testing, the matter should be handed over to the fraud and corruption unit for investigating how it happened and how it can be prevented.
- In cases of possible tax evasion stemming from a collusion between SASSA staff and EMEs, consequence management should be implemented.
- New policies or Treasury directives should be communicated in an effective manner.
- SARS, SASSA, the CIPC and other government departments should interface with one another.
- SASSA members of staff should be subjected to life-style audits to check whether any of them are doing business with SASSA and other government departments, and whether any kickbacks have been deposited into their accounts.
- Government should start educating EMEs about government processes and the consequences of any non-compliance, such as tax fines and penalties.
- Blacklisting of EMEs found to have been involved in fraud and corruption activities, including tax evasion, should be intensified.

The suggestions of the participants in this study presented in sections 4.4.1 and 4.4.2 above are supported by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which stated that any effective internal-control system in any organisation should have the following characteristics (Fourie & Ackermann 2013):

- **Control environment** – It is critical for the executive management to take the internal controls seriously and to strive to make them effective, and not to change these controls as and when they please. If the executive management is not seen to be interested in enforcing the internal controls in place, the entire organisation will be that way inclined, meaning that although an organisation may have good and sound internal controls, these controls will never be implemented, or some will be implemented and some not.
- **Risk assessment** – An organisation should assess what could go wrong in the organisation on a regular basis so that a strategy may be developed far in advance, before something unfortunate happens to that organisation.



- **Information and communication** – Effective information and communication would require an organisation to have good and sound business systems that would help the organisation to gather credible information about the internal controls and the management that uses this information to support employees in doing their work.
- **Monitoring activities** – Effective monitoring requires an organisation to test existing control activities and procedures on an on-going basis in order to identify weaknesses, and to be able to determine mechanisms that must be followed when there is a change in the business processes.
- **Control activities** – It is very critical for any organisation to develop specific activities that must be performed by its personnel to ensure that the internal controls are effective.

#### 4.5. SUMMARY OF THE CHAPTER

Throughout the presentation and the analysis of the data in this chapter, it was clear that most of the participants were in agreement that SASSA's SCM internal controls designed for minimising the risk of possible tax evasion were not effective and were not implemented in a consistent manner. This argument was supported by the documents presented and analysed in this chapter.

First, most participants suggested that possible tax evasion should be incorporated as a risk in the risk-assessment processes within SASSA's SCM processes. Secondly, the participants suggested that the CSD tax-compliance processes be reviewed, because there was no clear control for managing the rotation of EMEs during the selection process in order to guard against the possibility of non-tax-compliant EMEs contracting with SASSA. Lastly, the participants suggested that SASSA capacitate its SCM practitioners with regards to tax-related matters in order to improve effectiveness as far as possible tax evasion and the consistent implementation of the SCM internal controls were concerned.

The next chapter contains the findings of this study, the recommendations, suggestions for future research. and also the conclusion of this study.

# CHAPTER 5: RESEARCH FINDINGS, RECOMMENDATIONS AND CONCLUSION

## 5.1. INTRODUCTION

This chapter focuses on the main findings of the study and makes recommendations for, and provides possible solutions to, the findings identified.

## 5.2. FINDINGS

### 5.2.1 Ineffectiveness of existing internal controls

The ineffectiveness of SASSA's existing SCM internal controls results in possible tax evasion, due to the following:

- The lack of a rotation process in SASSA's SCM processes for minimising the possibility of awarding a contract to the same directors, but different EMEs. Directors can register a company anytime that they wish to secure a tender contract with any organ of state. At SARS, a new company is deemed to be tax compliant, because in such a case, no declaration is required of income earned. Therefore, a tax-clearance certificate is issued immediately, on the same day that the company is registered.
- The SCM practitioners having no knowledge and understanding of either SARS's processes or the tax-compliance processes.
- A dependency on SARS for developing controls for dealing with tax compliance and possible tax evasion.
- Ineffective communication and timing on the part of the National Treasury as far as changes in the SCM policies, processes and procedures are concerned.
- SCM practitioners' lack of understanding of the SCM policies, processes and procedures.
- The possibility of EMEs providing SASSA's SCM practitioners with false information in order to secure contracts.
- The possibility of an EME colluding with a SARS official to issue it a tax-clearance certificate without being in good standing with regard to tax matters.
- The possibility of EMEs colluding with SASSA's SCM practitioners to select an EME of their choice, even without that EME being tax-compliant.
- The possibility of EMEs paying kickback and bribery money to SASSA's SCM practitioners that will never be declared as income to SARS.

- EMEs being liquidated upon the realisation of an investigation.
- A lack of cooperation from the perpetrators of fraud and corruption.
- Not having enough resources for recovering funds lost due to fraud and corruption activities.
- Seniors pressurising junior staff to bypass the SCM processes.
- SASSA's SCM processes, risk-management strategy and fraud-prevention strategy not taking tax evasion into account.

### **5.2.2 Inconsistent implementation of internal controls**

The inconsistent implementation of SASSA's existing SCM internal controls results in possible tax evasion due to the following:

- Ignorance and a deliberate bypassing of SCM legislation and policies, resulting in irregular expenditure, and eventually in loss to the fiscus.
- The internal-control unit not having enough human resources.
- A lack of skills among internal-control unit staff.
- Management not being accountable and responsible for holding SCM practitioners accountable for mistakes made, or for not applying consequence management.
- SCM practitioners' lack of knowledge and skills as far as the procurement processes, including the tax-compliance process, are concerned.
- There being no induction process for newly-appointed SCM practitioners.
- Management's lack of monitoring the SCM practitioners to ensure that the SCM policies, processes and procedures (such as delegation with regard to financial matters) are implemented.
- There is no clear segregation of duties.
- A lack of regular risk assessment and internal controls.
- Tax evasion not being on SASSA's list of priorities.
- Some respondents' lack of understanding of the role played by the different units within the SCM value chain and the money lost by SASSA due to fraud and corruption.
- An unwillingness of top management to take risk management seriously.
- The internal-audit unit having no way of testing for possible tax evasion.

## **5.3. CONCLUSION AND RECOMMENDATIONS**

### **5.3.1 Conclusion**

The aim of the study was to investigate and examine the effectiveness and implementation of the existing internal controls designed specifically for EMEs contracting with SASSA in order to minimise the risk of possible tax evasion within the SCM processes. A literature review was done to identify the general risk factors contributing to possible tax evasion and the mitigation strategies that could be implemented to minimise it in the SCM processes.

The research was followed by a document review and face-to-face interviews with SCM practitioners, the risk manager, the fraud and corruption manager, the internal-control manager and the internal auditor in order to gain an understanding of SASSA's SCM internal controls designed for EMEs contracting with SASSA and identify the risk of possible tax evasion within the processes.

The data and the analysis of both the interviews and the document review were presented in chapter 4, and the findings, conclusion and recommendations in chapter 5. During the analysis, three main themes were identified: first, SASSA's sources of revenue and procurement, secondly, factors contributing to possible tax evasion within the SCM processes, and lastly, suggestions by the participants for minimising possible tax evasion. The findings regarding these themes were presented in 5.2.1 and 5.2.2 above.

It was concluded that there is a risk of possible tax evasion within the SCM processes due to the ineffective and inconsistent implementation of internal controls designed for EMEs contracting with SASSA. This risk could be minimised by incorporating possible anti-tax-evasion procedures in the risk- assessment process, and ultimately in SASSA's broader fraud and corruption strategies. Doing so should minimise the funds lost to the fiscus due to tax evasion in the SCM processes.

### **5.3.2 Recommendations for improving the effectiveness of the existing internal controls**

SASSA should do the following:

- Develop a strategy for verifying (ie improve the current database to interface real-time with CIPC systems) the rotation of EMEs and their directors so that the same directors

and/or the same EMEs do not have an advantage over the others in order to minimise the possibility of awarding a contract to the same directors and/or EMEs again and again.

- Develop a training strategy for giving SASSA's SCM practitioners the necessary knowledge and understanding of SARS's processes, and of tax evasion.
- Be proactive and develop its own internal controls for dealing with tax compliance and possible tax evasion instead of depending on SARS and the National Treasury.
- Improve the communication process, so that when the National Treasury introduces changes in the SCM policies, processes and procedures, everyone is aware of them.
- Introduce continuous development programmes for improving the SCM practitioners' understanding of the SCM policies, processes and procedures.
- Develop an integrated, comprehensive fraud and corruption and risk-management strategy, including a strategy for dealing with the following:
  - Possibility of tax evasion within the SCM processes.
  - Possibility of an EME colluding with a SARS official to issue it a tax- clearance certificate without being in good standing with regard to its tax affairs.
  - Possibility of EMEs colluding with SASSA's SCM practitioners to select an EME of their choice, even without that EME being tax-compliant.
  - Possibility of EMEs paying kickback and bribery money to SASSA's SCM practitioners that could possibly not be declared as income to SARS.
- Allocate more resources to help recover funds lost because of fraud and corruption activities, including tax evasion.
- Teach the junior staff of the SCM department not to succumb to pressure from the senior staff to bypass the SCM processes.
- Introduce the IT3 return for all EMEs contracting with SASSA.

### **5.3.3 Recommendations for making the implementation of internal controls more consistent**

SASSA should do the following:

- Provide more human resources to the internal-control unit.
- Capacitate the current internal-control staff in terms of skills and knowledge, including tax-compliance issues and tax evasion.

- Introduce a strategy for improving management's accountability and responsibility for holding SCM practitioners accountable for mistakes made, or for not applying consequence management.
- Implement an induction process (including information about SARS-compliance issues and tax evasion) for newly-appointed SCM practitioners.
- Improve management's monitoring of SCM practitioners regarding the implementation of SCM policies, processes and procedures.
- Develop a clear segregation of duties.
- Develop clear roles and responsibilities within the SCM processes.
- Do risk assessment and review internal controls on a regular basis.
- List possible tax evasion as one of SASSA's top priorities.
- Educate all SASSA's members of staff about the activities of other SASSA units.
- Sensitise top management to take risk management seriously by making risk management and internal controls a standing agenda item of Exco meetings.
- Develop a methodology for testing for possible tax evasion by the internal-audit unit.

#### **5.3.4 Suggestions for future research**

Research regarding EMEs declaring a zero or a reduced income when completing and submitting tax-related returns after contracting with the state during the year of assessment; investigating the impact of tax evasion by EMEs on the total revenue of the country.

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## **APPENDIX A: INTERVIEW SCHEDULE**

### **Head Office SCM Demand and Acquisition practitioners (Participant SCM1 and SCM2):**

1. What process do you follow when selecting or nominating an EME to provide services or goods to SASSA?
2. What documents do you handle during this process?
3. What criteria do you follow when rotating an EME during the selection process?
4. How do you ensure the directors of an EME are not the same persons during the rotation process?
5. What process do you follow to confirm tax compliance by the EMEs?
6. What could be the reasons for not adhering to the SCM processes?
7. What is your understanding about the government revenue collection process that is used to fund SASSA?
8. What is your understanding about the concept “tax evasion”?
9. What is the relationship between tax evasion and “fraud and corruption” within the SCM?
10. How does tax evasion and “fraud and corruption” affect the collection of revenue?
11. What would you suggest must be done to minimise possible tax evasion within the SASSA SCM Process?

### **Head Office SCM compliance practitioner (Participant SCM3):**

1. What is the role of the compliance unit within the SCM processes?
2. What documents do you require during the process?
3. What is your understanding about the concept “tax evasion”?
4. What is the relationship between tax evasion and “fraud and corruption” within the SCM?
5. What is your understanding about the government revenue collection process that is used to fund SASSA?
6. How does tax evasion and “fraud and corruption” affect the collection of revenue?
7. What process do you follow to confirm tax compliance by the EMEs?
8. What proof does SARS provide to confirm the tax compliance?
9. How do you ensure the directors of EMEs are not the same persons during the rotation process?
10. What could be the reasons for not adhering to SCM processes by SCM practitioners or any other SASSA official?
11. What would you suggest could be done by SASSA to improve tax compliance by EMEs within the SCM processes to minimise possible tax evasion?

### **Head Office Internal Control Manager (Participant INM4):**

1. What is your mandate as internal control unit within SASSA SCM processes?
2. How often do you review the SCM internal controls?
3. How have been doing in terms of reviewing the internal controls annually, and what has been the challenges?
4. What is your understanding about the government revenue collection process that is used to fund SASSA?
5. What is your understanding about the concept “tax evasion”?
6. What is the relationship between tax evasion and “fraud and corruption” within the SCM?
7. How does tax evasion and “fraud and corruption” affect the collection of revenue?
8. What internal controls relating to possible tax evasion, have you implemented in SASSA’s SCM processes?
9. How successful is SASSA in terms of implementing the existing SCM internal controls?
10. What causes the internal controls not to be implemented effectively and consistently by the SCM practitioners?
11. What are the consequences of not complying with the SCM internal controls?
12. What would you suggest to improve the consistent implementation of internal controls within SASSA SCM processes?

### **Head Office Fraud and Corruption Investigations Manager (Participant FCI5):**

1. What is the role of the fraud and corruption unit within the SASSA SCM processes?
2. What is your understanding about the government revenue collection process that is used to fund SASSA?
3. What is your understanding about the concept “tax evasion”.
4. What is the relationship between tax evasion and “fraud and corruption” within the SCM?
5. How does tax evasion and “fraud and corruption” affect the collection of revenue?
6. What are your priorities when developing fraud and corruption strategies?
7. Why is dealing with possible tax evasion not a prioritised strategy?
8. What risks have you identified relating to fraud and corruption in the SCM processes?
9. How do you deal with SCM fraudulent and corrupt activities when discovered?
10. How have you been succeeding in terms of dealing with fraud and corruption activities that relate to SCM processes?
11. How have you been doing in terms of recovering back what has been lost to fraud and corruption activities at SASSA particularly losses in the SCM?
12. What are your challenges in recovering the money that has been lost?
13. What would you suggest must be done to minimise possible tax evasion, “fraud and corruption” within the SASSA SCM Process?

### **Head office Internal Auditor (Participant INA6):**

1. What is your mandate as internal audit unit within SASSA’s SCM processes?
2. How often do you test compliance with internal controls within the SASSA SCM processes?
3. How have you been succeeding in terms of the testing the compliance with internal controls?
4. What is your understanding about the government revenue collection process that is used to fund SASSA?
5. What is your understanding about the concept “tax evasion”?
6. What is the relationship between tax evasion and “fraud and corruption” within the SCM?
7. How does tax evasion and “fraud and corruption” affect the collection of revenue?
8. What process do you follow to test compliance with internal controls within SASSA SCM processes?
9. What has your findings and recommendation been regarding the effectiveness and consistent implementation of SCM internal controls?
10. What have been the findings and recommendation on possible tax evasion related controls?
11. How successful is SASSA in terms of implementing the existing SCM internal controls, in terms of you opining how successful is SASSA?
12. What are the consequences of not complying with the SCM internal controls?
13. How has SASSA been succeeding in terms of recovering back funds that has been lost to fraud and corruption activities at SASSA particularly losses within the supply chain processes?
14. What improvements, if any, can be recommended:
  - To improve the effectiveness of SASSA SCM internal controls with regards to possible tax evasion?
  - To ensure that SASSA implements its internal controls effectively and consistently?
  - To ensure that EMEs contracting with SASSA comply with all SCM processes truly and honestly to minimise possible tax evasion?

### **Head office Risk Assessment Manager (Participant RAS7):**

1. What is the role of the risk assessment unit within SASSA SCM processes?
2. How often do you perform risk assessment in SASSA?
3. What is your understanding about the government revenue collection process that is used to fund SASSA?
4. What is your understanding about the concept “tax evasion”?
5. What is the relationship between tax evasion and “fraud and corruption” within the SCM?
6. How does tax evasion and “fraud and corruption” affect the collection of revenue?
7. What risks relating to possible tax evasion, have you identified as a unit within the SCM value chain?

8. What mitigating strategy have you recommended or implemented to minimize fraud and corruption within SCM processes?
9. What are the risks of not performing risk assessment?
10. How have you been succeeding in terms of mitigating the risks of fraud and corruption activities that relate to SCM processes?
11. How have you been succeeding in mitigating the risk of not recovering back funds that have been lost to fraud and corruption, particularly losses in the SCM?
12. What would your suggestions be to improve the SASSA risk assessment in relation to possible tax evasion within the SCM processes?



## **APPENDIX B: SUMMARY OF THE INTERVIEWS**

### **SUMMARY OF PERSONAL INTERVIEWS WITH SASSA STAFF MEMBERS INVOLVED IN THE SCM VALUE CHAIN**

#### **Participant SCM1**

- 1. What process do you follow when selecting or nominating an EME to provide services or goods to SASSA?**
  - Request for a certain service by end user of goods
  - Check if procurement method is quotation or tender or petty cash
  - Below 500 000 is quotation
  - Source the service providers from the Central database
  - You say supplier and punch commodity you want
  - System provide a list of suppliers that are Tax compliant
  - Sometimes nomination register,
  - Get a CSD report
  
- 2. What documents do you handle during this process?**
  - Checklist, Budget report, Terms of references and Memo.
  
- 3. What criteria do you follow when rotating an EME during the selection process?**
  - There is a gab
  - Since the introduction of the CSD
  
- 4. How do you ensure the directors of an EME are not the same persons during the rotation process?**
  - We use to run a report on our internal system with name of the company, registration number tax number, banking details, list of directors.
  - Now everything is done via CSD.
  
- 5. What process do you follow to confirm tax compliance by the EMEs? What documents do you handle during this process?**
  - Two ways of confirming the suppliers tax compliance.
    - Supplier to submit verification PIN which through central database, which is real time link.
    - Call SARS and get a tax clearance certificate.
  
- 6. What could be the reasons for not adhering to the SCM processes?**
  - Unintentionally not following the process.
  - Deliberate fraud and corruption.
  
- 7. What is your understanding about the government revenue collection process that is used to fund SASSA?**
  - Government revenue is received from Personal income tax, Value Added Tax, Company taxes, Foreign and Custom taxes.
  
- 8. What is your understanding about the concept “tax evasion”.**

- An Illegal practice by person or a company to intentionally under declare or omit certain income so that tax can be minimum.
- They do not declare the true reflection of the business.

**9. What is the relationship between tax evasion and “fraud and corruption” within the SCM?**

- Tax evasion is also fraud and not legal.
- Fraudulent tax clearance certificate.

**10. How does tax evasion and “fraud and corruption” affect the collection of revenue?**

- Government will not collect more.

**11. What would you suggest must be done to minimize possible tax evasion within the SASSA SCM Process?**

- Rely on a service provider to declare the correct information then you are not going anywhere.

<b>Participant SCM2</b>
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**1. What process do you follow when selecting or nominating an EME to provide services or goods to SASSA?**

- Follow the process on Central Supply Database (CSD)
- Suppliers are registered per commodity.

**2. What documents do you handle during this process?**

- Normal request or requisition.
- MAAA.

**3. What criteria do you follow when rotating an EME during the selection process?**

- That is still a challenge.
- No specific criteria.

**4. How do you ensure the directors of an EME are not the same persons during the rotation process?**

- No restriction, a person can register as many companies as they like, in different commodities.

**5. What process do you follow to confirm tax compliance by the EMEs? What documents do you handle during this process?**

- Print the CSD report.
- SARS authentication or SARS verification is real time to give tax status whether the supplier is tax compliant or not.

**6. What could be the reasons for not adhering to the SCM processes?**

- Want to collude with the aim of doing or committing fraud.
- Suppliers dodging tax.
- Evading tax.

**7. What is your understanding about the government revenue collection process that is used to fund SASSA?**

- Government revenue collection is from
  - Normal income tax.
  - Value Added Tax.
  - Budget bids.
- Budget bids and plans are submitted to national treasury.

**8. What is your understanding about the concept “tax evasion”?**

- Dodging to pay tax.
- Companies they will make sure that they do as much as possible to ensure that they evade tax.

**9. What is the relationship between tax evasion and “fraud and corruption” within the SCM?**

- They go hand in hand.
- Fraud and corruption it robs also the revenue.
- In corruption cash is paid as Kickbacks.
- If there was no corruption we wouldn't have tax evasion.

**10. How does tax evasion and “fraud and corruption” affect the collection of revenue?**

- SARS collected less by 30 billion in the previous financial year.

**11. What would you suggest must be done to minimize possible tax evasion within the SASSA SCM Process?**

- Sensitize and educate the buyers how to check tax compliance issues.

**Participant SCM3**

**1. What is the role of the compliance unit within the SCM processes?**

- To ensure compliance those rules and regulations.
- To ensure that tax matters on the supplier or the service provider are in place.
- Tax clearance confirmation with SARS.
- Ensure compliance to SCM policies.
- Ensure compliance to treasury regulations.

**2. What documents do you require during the process?**

- Checklist.
- SBD forms.
- Quotation.
- Bid file.
- Bid evaluation committee report.
- Bid specification committee report.

- 3. What is your understanding about the concept “tax evasion”?**
  - Corporations or Companies do not declare the full income so that they can pay less tax.
- 4. What is the relationship between tax evasion and “fraud and corruption” within the SCM?**
  - Supplier may collude with SARS official to issue a tax clearance certificate even when not in good standing.
- 5. What is your understanding about the government revenue collection process that is used to fund SASSA?**
  - Governments revenue is in a form of tax collection
  - South African Revenue Services is the custodians of revenue
  - Companies and individuals submit their tax returns
- 6. How does tax evasion and “fraud and corruption” affect the collection of revenue?**
  - Affect revenue negatively.
  - State collects less money.
  - Government will not be in the position to fund other projects.
  - Allocated less budget.
- 7. What process do you follow to confirm tax compliance by the EMEs?**
  - There are two processes:
    - Confirm the tax status of the supplier or service providers via Central Supplier Database.
    - Confirming the tax status by phoning in at SARS submit company registration number, Tax number as SARS will give a reference code for the tax status the suppliers must have submitted an original tax clearance certificate.
- 8. What proof does SARS provide to confirm the tax compliance?**
  - We rely 99 per cent on the central supplier database.
  - Supplier must submit the tax clearance certificate.
- 9. How do you ensure the directors of EMEs are not the same persons during the rotation process?**
  - Risk and a big challenge.
  - Service providers they have directorships in many companies, there is no legislation.
  - Service providers to hold more than one directorship, there isn't any law that stops one from having multiply directorships in companies.
  - Selection is done on companies not on directors.
  - System just picks up doesn't pick up the directors.
  - Rotate manually you only do that when they submit their documents.
- 10. What could be the reasons for not adhering to SCM processes by SCM practitioners or any other SASSA official?**
  - It could be out of ignorance.

- Somebody is just ignoring the law.
- Purposefully people will just want to bypass the SCM processes.
- Lack of knowledge.

**11. What would you suggest could be done by SASSA to improve tax compliance by EMEs within the SCM processes to minimize possible tax evasion?**

- Put systems in place for monitoring and ensuring compliance to tax matters.
- We rely on SARS to tell us on measures to put in place in terms of non-compliance.

**Participant INM4**

**1. What is your mandate as internal control unit within SASSA SCM processes?**

- Monitoring implementation and compliance.
- Identify the policy gaps.
- Review their policy.
- Ensure that those deficiencies are addressed.
- Investigation of financial misconduct cases.
- Irregular expenditure.
- Fruitless and wasteful expenditure.
- Quality responses given to the auditors.

**2. How often do you review the SCM internal controls?**

- No necessary some time lines

**3. How have you been doing in terms of reviewing the internal controls annually, and what has been the challenges?**

- Capacity in internal control unit, in terms of the human resources like the number of official.
- Secondly in terms of the skill which we are trying to build.

**4. What is your understanding about the government revenue collection process that is used to fund SASSA?**

- Government collect revenue obviously from taxes paid by companies and individuals.
- Budget get appropriated through appropriation bill through national treasury.
- Promulgated by government and by parliament.

**5. What is your understanding about the concept “tax evasion”?**

- Tax evasion in a way is part of fraud.
- Individual or companies do not disclosed their correct income.

**6. What is the relationship between tax evasion and “fraud and corruption” within the SCM?**

- They do wrong things knowingly and intentionally in order to evade the tax.

**7. How does tax evasion and “fraud and corruption” affect the collection of revenue?**

- Government does not get the money that it should get.
- Government cannot fund government programs which obviously deal with the wellbeing of the citizens in the country.
- Delays the economic growth in the country.

- Can't put infrastructure.

**8. What internal controls relating to possible tax evasion, have you implemented in SASSA's SCM processes?**

- Government through national treasury all companies are registered with the central Supplier Database so that SARS interface tax compliance status of those companies before you appoint a company.

**9. How successful is SASSA in terms of implementing the existing SCM internal controls?**

- Number of financial Misconduct cases which relate to irregular expenditure and fruitless.
- Think there is a deficiencies within the supply chain controls.
- Deficiencies are not dealt properly by management.
- Lack of accountability and responsibility by management.

**10. What causes the internal controls not to be implemented effectively and consistently by the SCM practitioners?**

- Limited knowledge, skills and experience, Induction, accountability.
- Lack of monitoring.
- Management might not closely monitoring the work.
- Signing in terms of the delegations.
- Review the transactions.
- Segregation of duties.
- Lack Compliance.
- Evaluated appropriately.
- Deficiency is also one of the problems.
- Company without enforcing that the company register for VAT.

**11. What are the consequences of not complying with the SCM internal controls?**

- Government will not make the revenue because award will be made to companies that do not pay tax.
- Impact on the fiscus of government.
- Result in your irregular expenditure and fruitless expenditure.
- SASSA is sitting in more than a Rbillion of irregular expenditure.

**12. What would you suggest to improve the consistent implementation of internal controls within SASSA SCM processes?**

- Professional development, training to be conducted on a regular basis.
- Updates in relation to tax requirements.
- Compliance with the tax laws and professional training.
- Improve knowledge in Management Branches and Executives.
- Know the strategies.
- Treasury's supply database system companies are registered.
- Complying with the tax, verification of the revenues companies are disclosing is the correct amount.
- Immediate access to such information.
- Registered for tax because of the thresholds.

1. **What is the role of the fraud and corruption unit within the SASSA SCM processes?**
  - Detect.
  - Investigate.
  - Suspicious transactions.
2. **What is your understanding about the government revenue collection process that is used to fund SASSA?**
  - Government receives its revenue from taxes collected by SARS.
  - From all service providers doing business with SASSA.
3. **What is your understanding about the concept “tax evasion”?**
  - To avoid paying tax.
  - Submit a nil return.
4. **What is the relationship between tax evasion and “fraud and corruption” within the SCM?**
  - Hiding documentations.
5. **How does tax evasion and “fraud and corruption” affect the collection of revenue?**
  - Government does not reach its goals.
  - Economy is not growing.
6. **What are your priorities when developing fraud and corruption strategies?**
  - Core function of the organization which is Social grants and officials themselves.
  - Some are also corrupt they defraud the system.
  - Fraudulent activities are being happening at SASSA.
7. **Why is dealing with possible tax evasion not a prioritised strategy?**
  - Requirements that need to be followed
8. **What risks have you identified relating to fraud and corruption in the SCM processes?**
  - Anybody can sign the GRV.
  - Practitioners accept any other quotation, which lead to paying wrong organization or SASSA be defrauded.
  - Companies whenever they submit quotations they claim not to have registered for tax
  - Finance they do not even detect that.
  - Claiming for VAT meanwhile they are not registered for VAT.
9. **How do you deal with SCM fraudulent and corrupt activities when discovered?**
  - We engage the supervision.
  - If we find that there are some suspicious transactions.
  - We start taking statements.
  - Statement is commissioned.
  - If is a criminal case we refer it to SAPS.
  - We refer it to SAPS.

- Suppliers we usually request the money back.
- Request the bank to freeze.
- If we are unable to get our money back.
- Refer the matter to SAPS.

**10. How have you been succeeding in terms of dealing with fraud and corruption activities that relate to SCM processes?**

- Detect the fraud.
- Omissions of the processes the policy not followed.

**11. How have you been doing in terms of recovering back what has been lost to fraud and corruption activities at SASSA particularly losses in the SCM?**

- Financial misconduct board to recover the funds.
- Recovered through the external service provider.
- Recovering that money via pensions.
- Succeeding through deduction garnishees.
- FMB made the person to pay.
- Write directly to that person if there is any transgressions and reach an agreement.
- Whenever it involves the supplier we refer it to the external service provider and law enforcement agencies.

**12. What are your challenges in recovering the money that has been lost?**

- We haven't had any challenges but, sometimes if you chase the Supplier you might not win because you never know where the supplier is.
- People who pay inside we can deal with.

**13. What would you suggest must be done to minimize possible tax evasion, "fraud and corruption" within the SASSA SCM Process?**

- SASSA always to liaise with the national treasury to make sure that there are no changes.
- Company registered becomes debunked they work on a twelve months period twelve month is too long cut maybe to 6 or even less if possible.
- This thing of three quotations kills us.
- Computer should do random list of suppliers not a person to choose companies that he prefers.



- 1. What is your mandate as internal audit unit within SASSA's SCM processes?**
  - To evaluate the system of internal control, whether they are adequate, effective efficient and recommend corrective action.
- 2. How often do you test compliance with internal controls within the SASSA SCM processes?**
  - We test it annually.
  - We draft an audit plan.
  - We have cyclical audit Supply Chain Management because we believe a lot is happening within the procurement processes.
- 3. How have you been succeeding in terms of the testing the compliance with internal controls?**
  - We have been successful.
  - Separate the tender processes.
  - Normal supply chain management process.
- 4. What is your understanding about the government revenue collection process that is used to fund SASSA?**
  - Revenue is that government is collecting tax.
  - Budget will be allocated.
- 5. What is your understanding about the concept "tax evasion"?**
  - Suppliers misrepresents their income.
- 6. What is the relationship between tax evasion and "fraud and corruption" within the SCM?**
  - Tax evasion is an Internationally, premeditated misrepresentation to benefit illegally.
  - Tax evasion is an offence and a criminal offence.
  - When you do tax evasion it's a fraud.
  - Service provider collusion leads to corruption.
- 7. How does tax evasion and "fraud and corruption" affect the collection of revenue?**
  - Government is losing money to develop projects and fund the mandates the government want to achieve.
- 8. What process do you follow to test compliance with internal controls within SASSA SCM processes?**
  - Business process flow.
  - Do the risk analysis of controls that are available to mitigate.
  - Select a sample of transactions.
  - Controls that are in place are adequate to check that are effective to assist with the Supply Chain Management Process.

- 9. What has your findings and recommendation been regarding the effectiveness and consistent implementation of SCM internal controls?**
- Controls are adequate, not effective, efficient because of one abuse of authority.
  - Senior officials force junior officials to process transaction knowing very well that those transaction are fraudulent.
  - Control that is in place will not be functioning because official within the SCM collude with Service provider to double the amount and share the money.
- 10. What has your findings and recommendation been on possible tax evasion related controls?**
- We have never specifically audited tax evasion.
- 11. How successful is SASSA in terms of implementing the existing SCM internal controls, in terms of you opining how successful is SASSA?**
- Controls that are in place are adequate.
  - Officials are doing deliberately because there is no consequence management.
  - People are just given verbal warning or the case taken to the Financial Misconduct Board and It will be condoned.
- 12. What are the consequences of not complying with the SCM internal controls?**
- Irregular and fruitless expenditure.
  - Could have been avoided.
- 13. How has SASSA been succeeding in terms of recovering back funds that has been lost to fraud and corruption activities at SASSA particularly losses within the supply chain processes?**
- Not convinced and not satisfied that we are winning.
  - Person commits the crime and then they resign.
  - We straggle as an organization to get information from that official.
  - No corporation from the state department so that we can recover the money.
  - Ends being prescribed so we have to write it off as a loss.
  - I won't say we are also succeeding.
  - Do not think we have either enough staff and we are not taking this seriously.
  - Service providers declare themselves as liquidated.
- 14. What improvements, if any, can be recommended**
- **To improve the effectiveness of SASSA's SCM internal controls with regards to possible tax evasion?**
    - Never been audited.
    - We have to start from the beginning by risk analysis to check the red flags of tax evasion.
    - If officials are involved consequence management should be implemented.
  - **To ensure that SASSA implements its internal controls effectively and consistently?**
    - Consequence management.
    - Interface with systems like CIPC, SARS and department of home affairs.
    - life style audit.

- **To ensure that EMEs contracting with SASSA comply with all SCM processes truly and honestly to minimise possible tax evasion?**
  - Educate our SMMEs.
  - Consequences should they not comply.
  - Impose a fines.
  - Suppliers should be blacklisted.

<b>Participant RAS7</b>
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- 1. What is the role of the risk assessment unit within SASSA SCM processes?**
  - To facilitate the risk assessment processes in the whole of SASSA.
  - Public Sector Risk Management Framework.
- 2. How often do you perform risk assessment in SASSA?**
  - Ideally we supposed to perform them annually.
  - Supposed to do risk assessment regularly.
  - Unfortunately we fail.
  - Due to challenges.
- 3. What is your understanding about the government revenue collection process that is used to fund SASSA?**
  - SASSA is funded through the revenue collected through SARS.
- 4. What is your understanding about the concept “tax evasion”?**
  - Illegal way of trying to reduce your tax.
- 5. What is the relationship between tax evasion and “fraud and corruption” within the SCM?**
  - “Fraud and corruption” is an umbrella name for tax evasion.
  - They are actually one and the same thing.
- 6. How does tax evasion and “fraud and corruption” affect the collection of revenue?**
  - It affects negatively the revenue collection.
- 7. What risks relating to possible tax evasion, have you identified as a unit within the SCM value chain?**
  - We have challenges in the risk management unit.
  - Not yet had a risk assessment for the supply chain unit.
  - We could not even identify the tax evasion risk.
  - Not our mandate
- 8. What mitigating strategy have you recommended or implemented to minimise fraud and corruption within SCM processes?**
  - Never had a risk assessment for the supply chain unit.
  - Wouldn't have the mitigating strategies relating to tax evasion.
- 9. What are the risks of not performing risk assessment?**

- Risk are that you are unable to identify relevant and high risks.
- Risk of not managing the highest risk.

**10. How have you been succeeding in terms of mitigating the risks of fraud and corruption activities that relate to SCM processes?**

- There is a fraud and corruption unit that exist.
- It has been handling issues that relate to fraud and corruption that relates to SCM.
- Financial misconduct board.

**11. How have you been succeeding in mitigating the risk of not recovering back funds that have been lost to fraud and corruption, particularly losses in the SCM?**

- We do not have that information as a risk management unit.
- We were never involved in this process.

**12. What would your suggestions be to improve the SASSA risk assessment in relation to possible tax evasion within the SCM processes?**

- Have a good tone at the top, the executives.
- Make sure the control environment is good.
- Risk management is never been discussed at EXCO or Branch meetings only in audit committee meetings.
- Should be discussed in every big meeting.
- Good knowledge of risk management.
- Make risk management a standing item.
- Risk not taken seriously especially at the top.
- Risk management supposed to report straight to CEO unfortunately that is not the case.
- When SASSA was establish people did not have that knowledge.
- Infant stage in our organization in terms of risk assessment.

## APPENDIX C: FRAMEWORK OF THE QUESTIONS

The questions, the reasons why they were asked and to whom, are presented below as per themes emanated from the data analysis:

**Please note:** Section 2.3, section 2.4 and section 2.5 is presented in chapter 2 above as separate themes and have been combine in theme 2 in section 4.2 and the following table.

### Theme 1: SASSA's procurement and source of revenue

Question asked	Participant	Reason for the question and supporting literature
❖ <i>What is your understanding about the government revenue collection process that is used to fund SASSA?</i>	All participants were asked this question.	<p><b>Reason:</b> To establish if they understand how SASSA is funded, so that they can contribute effectively to the strategy to minimise possible tax evasion that the researcher is envisaged to be proposed.</p> <p>The other reason for this question was to confirm that SASSA is funded from the revenue collected from taxes, through the South African budget process.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.2</b>.</p>

### Theme 2: Factors contributing to possible tax evasion

Question Asked	Participant	Reason for the question and supporting literature
<b>Ineffectiveness of the existing internal controls</b>		
❖ <i>What process do you follow when selecting or nominating an EME to provide services or goods to SASSA?</i>	<b>Participants SCM1 and SCM2</b> were asked this question.	<p><b>Reason:</b> To understand the SASSA SCM processes so that the researcher can be able to establish if the existing internal controls are effective enough to minimise the risk possible tax evasion within the SASSA SCM processes.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.5</b>.</p>
❖ <i>What document do you handle during the processes?</i>	<b>Participants SCM1, SCM2 and SCM3</b> were asked this question.	<p><b>Reason:</b> To establish the documents that are being handled during the process of appointing an EME in order to confirm if the tax clearance certificate is one of the documents.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.5</b>.</p>
❖ <i>What is your understanding about the concept "tax</i>	<b>All participants</b> were asked this question.	<b>Reason:</b> To establish if the participants understand the concept tax evasion so

Question Asked	Participant	Reason for the question and supporting literature
<i>evasion”?</i>		<p>that they (participants) can contribute effectively to the strategy to minimise possible tax evasion that the researcher is envisaged to be proposed.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.4</b>.</p>
❖ <i>How does tax evasion and “fraud and corruption” affect the collection of revenue?</i>	<b>All participants</b> were asked this question.	<p><b>Reason:</b> To establish if the participants understand the effect of tax evasion in the revenue collection so that they (participants) can contribute effectively to the strategy to minimise possible tax evasion that the researcher is envisaged to be proposed.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.3</b>.</p>
❖ <i>What is the relationship between tax evasion and “fraud and corruption” within the SCM?</i>	<b>All participants</b> were asked this question.	<p><b>Reason:</b> To establish if the participants understand the relationship between tax evasion and fraud and corruption so that they (participants) can contribute effectively to the strategy to minimise possible tax evasion that the researcher is envisaged to be proposed.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.3</b>.</p>
❖ <i>How have you been succeeding in terms of dealing with fraud and corruption activities that relate to SCM processes?</i>	This question was asked to <b>participant FCI5</b> .	<p>To establish if SASSA has an effective strategy to deal with fraud and corruption, including possible tax evasion.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.3</b></p>
❖ <i>How have SASSA been succeeding in terms of recovering back funds that has been lost to fraud and corruption activities at SASSA, particularly losses within the SCM process?</i>	This question was asked to <b>participant FCI5 and INA6</b> .	<p>To establish if SASSA has an effective strategy to recover funds that have been lost to fraud and corruption activities within the SCM including possible tax evasion.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.3</b></p>
❖ <i>What criteria do you follow to rotate the EME or the suppliers?</i>	This question was asked to <b>participant SCM1, SCM2 and SCM3</b> .	<p>To establish if the existing internal controls were effective enough to minimise the risk of possible tax evasion, fraud</p>

Question Asked	Participant	Reason for the question and supporting literature
		<p>and corruption within the SCM process.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.5</b>.</p>
<p>❖ <i>How do you ensure that the directors in the EME or the supplier are not the same directors in the company that you selecting?</i></p>	<p>This question was asked to <b>participant SCM1, SCM2 and SCM3</b>.</p>	<p><b>Reason:</b> To establish if the existing internal controls were effective enough to minimise the risk of possible tax evasion, fraud and corruption within the SCM process.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.5</b>.</p>
<p>❖ <i>What process do you follow to confirm tax compliance by the EMEs?</i></p>	<p>This question was asked to <b>participant SCM1, SCM2 and SCM3</b>.</p>	<p><b>Reason:</b> To establish if the existing internal controls were effective enough to minimise the risk of possible tax evasion, fraud and corruption within the SCM process.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.5</b>.</p>
<p>❖ <i>What is the role of fraud and corruption unit within the SASSA SCM processes?</i></p>	<p>This question was asked to <b>participant FC15</b>.</p>	<p><b>Reason:</b> To establish the role of the Fraud and Corruption Unit and its scope of work in order to confirm if the possible tax evasion is covered in the SASSA fraud and corruption strategy.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.5</b>.</p>
<p>❖ <i>What is your priority when developing fraud and corruption strategy?</i></p>	<p>This question was asked to <b>participant FC15</b>.</p>	<p><b>Reason:</b> To establish if the possible tax evasion is prioritised in the SASSA fraud and corruption strategy.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.5</b>.</p>
<p>❖ <i>Why is dealing with possible tax evasion not a prioritised strategy?</i></p>	<p>This question was asked to <b>participant FC15</b>.</p>	<p><b>Reason:</b> To establish the reason why possible tax evasion is not prioritised in the SASSA fraud and corruption strategy.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.5</b>.</p>
<p>❖ <i>What risks have you identified relating to fraud and corruption, and tax evasion?</i></p>	<p>This question was asked to <b>participant FC15</b>.</p>	<p><b>Reason:</b> To establish if the risk of possible tax evasion is one of the risks identified in the SASSA fraud and corruption strategy.</p>

Question Asked	Participant	Reason for the question and supporting literature
		<b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.5</b> .
❖ <i>How do you deal with SCM fraudulent and corrupt activities when discovered?</i>	This question was asked to <b>participant FCI5</b> .	<b>Reason:</b> To establish as how SASSA deals with the fraud and corruption cases involving EMEs.  <b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.5</b> .
❖ <i>What is the role of the risk assessment unit within SASSA SCM processes?</i>	This question was asked to <b>participant RAS7</b> .	<b>Reason:</b> To establish the role of the Risk Assessment Unit and its scope of work in order to confirm if possible tax evasion is covered in the SASSA's risk management processes and strategy.  <b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.3 and section 2.5</b> .
❖ What risks relating to possible tax evasion, have you identified as a unit within the SCM value chain?	This question was asked to <b>participant RAS7</b> .	<b>Reason:</b> To establish if the possible tax evasion is covered in the SASSA's risk management strategy.  <b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.5</b> .
❖ <i>What mitigating strategy have you recommended or implemented to minimise possible tax evasion or fraud and corruption within SCM processes?</i>	This question was asked to <b>participant RAS7</b> .	<b>Reason:</b> To establish if there is any mitigation strategy to minimise possible tax evasion in the SASSA's risk management processes.  <b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.5</b> .
❖ <i>How have you been succeeding in terms of mitigating the risks of fraud and corruption activities that relate to SCM processes?</i>	This question was asked to <b>participant RAS7</b> .	<b>Reason:</b> To establish if SASSA is succeeding with the existing internal controls to deal with the risk of fraud and corruption activities and to confirm if the possible tax evasion is covered in SASSA's risk management strategy.  <b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.3</b> .
❖ <i>How have you been succeeding in terms of mitigating the risks of recove-</i>	This question was asked to <b>participant RAS7</b> .	<b>Reason:</b> To establish if SASSA is succeeding with the existing internal controls to deal with the risk of not recovering



Question Asked	Participant	Reason for the question and supporting literature
<i>ring of funds lost to fraud and corruption activities that relate to SCM processes?</i>		<p>funds that have been lost as the result of fraud and corruption activities and also to confirm if the possible tax evasion is covered in the SASSA's risk management strategy.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.3</b>.</p>

Question Asked	Participant	Reason for the question and supporting literature
<b>Inconsistent implementation of the existing internal controls.</b>		
❖ <i>What is your mandate as internal control unit within SASSA SCM processes?</i>	This question was asked to <b>participant INM4</b> .	<p><b>Reason:</b> To establish the role of the internal control unit and its scope of work in order to confirm if possible tax evasion is covered in the SASSA's internal control processes and strategy.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.5</b>.</p>
❖ <i>How successful is SASSA in terms of implementing the existing SCM internal controls?</i>	This question was asked to <b>participant INM4</b> .	<p><b>Reason:</b> To establish if SASSA is succeeding in implementing the existing internal controls in order to confirm what has been reported in the SASSA annual report by the SASSA executive management.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.3</b>.</p>
❖ <i>What are the consequences of not complying with the SCM internal controls?</i>	This question was asked to <b>participant INM4</b> .	<p><b>Reason:</b> To establish the consequences of not complying with the SCM internal controls in order to confirm what has been reported in the SASSA annual report by the SASSA executive management.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.3</b>.</p>
❖ <i>How often do you perform risk assessment in SASSA?</i>	This question was asked to <b>participant RAS7</b> .	<p><b>Reason:</b> To establish if SASSA performs its risk assessment regularly as required by the SASSA Risk Management strategic document.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is pre-</p>

Question Asked	Participant	Reason for the question and supporting literature
		sented in <b>section 2.3 and section 2.5.</b>
❖ <i>What are the risks of not performing risk assessment?</i>	This question was asked to <b>participant RAS7.</b>	<b>Reason:</b> To establish the risk of not performing the risk assessment regularly.  <b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.3.</b>
❖ <i>How often do you review the SCM internal controls?</i>	This question was asked to <b>participant INM4.</b>	<b>Reason:</b> To establish is SASSA review its internal controls regularly.  <b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.5 and section 2.3.</b>
❖ <i>How have been doing in terms of reviewing the internal controls annually, and what has been the challenges?</i>	This question was asked to <b>participant INM4.</b>	<b>Reason:</b> To establish if there are any challenges in reviewing the controls regularly.  <b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.3.</b>
❖ <i>What causes the internal controls not to be implemented effectively?</i>	This question was asked to <b>participant INM4.</b>	<b>Reason:</b> To establish the causes of not implementing the internal controls effectively.  <b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.3.</b>
❖ <i>What could be the reasons for not adhering to the SCM process?</i>	This question was asked to <b>participant SCM1, participant SCM2 and participant SCM3.</b>	<b>Reason:</b> To establish the contributory factors that could contribute to not adhering to SCM process.  <b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.3.</b>
❖ <i>What internal controls relating to possible tax evasion, have you implemented in SASSA's SCM processes?</i>	This question was asked to <b>participant INM4.</b>	<b>Reason:</b> To establish if internal controls for the risk of possible tax evasion have been implemented in the SASSA SCM.  <b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.5.</b>
❖ <i>What is your mandate as internal audit unit within SASSA's SCM processes?</i>	This question was asked to <b>participant INA6.</b>	<b>Reason:</b> To establish the role of the internal control unit and its scope of work in order to confirm if the risk of possible tax evasion is covered in their scope of audit when auditing SASSA's SCM internal controls.  <b>Literature:</b> The literature supporting the

Question Asked	Participant	Reason for the question and supporting literature
		responses from the participants is presented in <b>section 2.5</b> .
❖ <i>What has your findings and recommendation been regarding the effectiveness and consistent implementation of SCM internal controls?</i>	This question was asked to <b>participant INA6</b> .	<p><b>Reason:</b> To establish if there are any findings and recommendation made regarding the effectiveness and consistent implementation of SCM internal controls.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.3</b>.</p>
❖ <i>What have been the findings and recommendation on possible tax evasion related controls?</i>	This question was asked to <b>participant INA6</b> .	<p><b>Reason:</b> To establish if there are any findings and recommendation made regarding the risk of possible tax evasion related controls.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.3</b>.</p>
❖ <i>How successful is SASSA in terms of implementing the existing SCM internal controls, in terms of your opinion how successful is SASSA?</i>	This question was asked to <b>participant INA6</b> .	<p><b>Reason:</b> To establish if SASSA is implementing the SCM internal controls accordingly.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.3</b>.</p>

### Theme 3: Proposed Solutions

Question asked	Participant	Reason for the question and supporting literature
<b>To improve the effectiveness of the existing internal control.</b>		
❖ <i>What would you suggest must be done to minimise possible tax evasion within the SASSA SCM Process?</i>	This question was asked to <b>participant SCM1 and SCM2.</b>	<p><b>Reason:</b> To establish the solutions that could be introduced by SASSA to minimise the risk of possible tax evasion within the SASSA SCM processes.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.6.</b></p>
❖ <i>What would you suggest could be done by SASSA to improve tax compliance by EMEs within the SCM processes to minimise possible tax evasion?</i>	This question was asked to <b>participant SCM3.</b>	<p><b>Reason:</b> To establish the solutions that could be introduced by SASSA to improve tax compliance by EMEs within the SCM processes to minimize possible tax evasion.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.6.</b></p>
❖ <i>What would you suggest must be done to minimize possible tax evasion, “fraud and corruption” within the SASSA SCM Process?</i>	This question was asked to <b>participant FC15.</b>	<p><b>Reason:</b> To establish if there are any solutions that could be introduced by SASSA to minimise the risk of possible tax evasion, “fraud and corruption” within the SASSA SCM processes.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.6.</b></p>
<b>To improve consistency in implementing the existing internal controls.</b>		
❖ <i>What would your suggestions be to improve the SASSA risk assessment in relation to possible tax evasion within the SCM processes?</i>	This question was asked to <b>participant RAS7.</b>	<p><b>Reason:</b> To establish if there are any solutions that could be introduced by SASSA to improve the SASSA risk assessment in relation to possible tax evasion within the SCM processes.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.6.</b></p>
❖ <i>What would you suggest to improve the effectiveness of SASSA’s SCM internal controls with regards to possible tax evasion?</i>	This question was asked to <b>participant INM4.</b>	<p><b>Reason:</b> To establish if there are any solutions that could be introduced by SASSA to improve the effectiveness of SASSA SCM internal controls with regards to possible tax evasion.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.6.</b></p>
❖ <i>What improvements can be recommended, if any:</i>	This question was asked to <b>participant INA6.</b>	<p><b>Reason:</b> To establish if there are any solutions that could be introduced by</p>

Question asked	Participant	Reason for the question and supporting literature
<p><i>To ensure that SASSA implements its internal controls effectively and consistently?</i></p>		<p>SASSA to ensure that SASSA implements its internal controls effectively and consistently.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.6</b>.</p>
<p>❖ <i>What improvements can be recommended, if any: To ensure that EMEs contracting with SASSA comply with all SCM processes truly and honestly to minimise possible tax evasion?</i></p>	<p>This question was asked to <b>participant INA6</b>.</p>	<p><b>Reason:</b> To establish if there are any solutions that could be introduced by SASSA to ensure that EMEs contracting with SASSA comply with all SCM processes truly and honestly to minimise possible tax evasion.</p> <p><b>Literature:</b> The literature supporting the responses from the participants is presented in <b>section 2.6</b>.</p>

## APPENDIX D: CODING AND THEMES

PARTICIPANT	Code Number	INITIAL CODING	THEMES
SCM1	34	Government	SASSA's procurement and source of revenue
SCM1	35	Revenue	SASSA's procurement and source of revenue
SCM1	36	Personal income tax	SASSA's procurement and source of revenue
SCM1	37	Value Added Tax	SASSA's procurement and source of revenue
SCM1	38	Company taxes	SASSA's procurement and source of revenue
SCM1	39	Foreign	SASSA's procurement and source of revenue
SCM1	40	Custom	SASSA's procurement and source of revenue
SCM1	41	Taxes	SASSA's procurement and source of revenue
SCM3	76	Governments revenue is in a form of tax collection	SASSA's procurement and source of revenue
SCM3	77	South African Revenue Services	SASSA's procurement and source of revenue
SCM3	78	Custodians of revenue	SASSA's procurement and source of revenue
SCM3	79	Companies	SASSA's procurement and source of revenue
SCM3	80	Individuals	SASSA's procurement and source of revenue
SCM3	81	Tax returns	SASSA's procurement and source of revenue
SCM3	82	National treasury	SASSA's procurement and source of revenue
SCM2	130	Government revenue collection	SASSA's procurement and source of revenue
SCM2	131	Normal income tax	SASSA's procurement and source of revenue
SCM2	132	Value Added Tax	SASSA's procurement and source of revenue
SCM2	133	National treasury	SASSA's procurement and source of revenue
SCM2	134	Budget bids	SASSA's procurement and source of revenue
SCM2	135	Budget plans	SASSA's procurement and source of revenue
INM4	160	Government collect revenue obviously from taxes	SASSA's procurement and source of revenue
INM4	161	Paid by companies and individuals	SASSA's procurement and source of revenue
INM4	162	Get appropriated through appropriation bill	SASSA's procurement and source of revenue
INM4	163	National treasury	SASSA's procurement and source of revenue
INM4	164	Promulgated by government	SASSA's procurement and source of revenue

<b>PARTICIPANT</b>	<b>Code Number</b>	<b>INITIAL CODING</b>	<b>THEMES</b>
<b>INM4</b>	165	By parliament	SASSA's procurement and source of revenue
<b>FCI5</b>	224	Government revenue	SASSA's procurement and source of revenue
<b>FCI5</b>	225	SARS is collecting all taxes	SASSA's procurement and source of revenue
<b>FCI5</b>	226	From all service providers	SASSA's procurement and source of revenue
<b>FCI5</b>	227	Doing business with SASSA	SASSA's procurement and source of revenue
<b>INA6</b>	303	Revenue is that government is collecting tax	SASSA's procurement and source of revenue
<b>INA6</b>	304	Budget will be allocated	SASSA's procurement and source of revenue
<b>RAS7</b>	382	SASSA is funded through the revenue collected	SASSA's procurement and source of revenue
<b>RAS7</b>	383	Through SARS	SASSA's procurement and source of revenue
<b>SCM1</b>	42	Illegal practice	Factors contributing to possible tax evasion
<b>SCM1</b>	43	Person or a company	Factors contributing to possible tax evasion
<b>SCM1</b>	44	Intentionally under declare	Factors contributing to possible tax evasion
<b>SCM1</b>	45	They do not declare the true reflection	Factors contributing to possible tax evasion
<b>SCM1</b>	46	Omit certain income	Factors contributing to possible tax evasion
<b>SCM1</b>	47	So that tax can be minimum	Factors contributing to possible tax evasion
<b>SCM3</b>	68	Corporations	Factors contributing to possible tax evasion
<b>SCM3</b>	69	Companies	Factors contributing to possible tax evasion
<b>SCM3</b>	70	Do not declare the full income	Factors contributing to possible tax evasion
<b>SCM3</b>	71	So that they can pay less tax.	Factors contributing to possible tax evasion
<b>SCM2</b>	136	Dodging to pay tax	Factors contributing to possible tax evasion
<b>SCM2</b>	137	Companies they will make sure that they do as much as possible to ensure that they evade tax.	Factors contributing to possible tax evasion
<b>INM4</b>	166	Tax evasion in a way is part of fraud	Factors contributing to possible tax evasion
<b>INM4</b>	167	Individual or companies do not disclosed their correct income	Factors contributing to possible tax evasion
<b>FCI5</b>	228	To avoid paying tax	Factors contributing to possible tax evasion
<b>FCI5</b>	229	Submit a nil return	Factors contributing to possible tax evasion
<b>INA6</b>	305	Suppliers	Factors contributing to possible tax evasion
<b>INA6</b>	306	Misrepresents	Factors contributing to possible tax evasion
<b>INA6</b>	307	Income	Factors contributing to possible tax evasion
<b>RAS7</b>	384	Illegal way of trying to reduce your tax	Factors contributing to possible tax evasion
<b>SCM1</b>	12	Checklist	Factors contributing to possible tax evasion
<b>SCM1</b>	13	Budget report	Factors contributing to possible tax evasion
<b>SCM1</b>	14	Terms of references	Factors contributing to possible tax evasion
<b>SCM1</b>	15	Memo	Factors contributing to possible tax evasion
<b>SCM1</b>	16	Above R500 000	Factors contributing to possible tax evasion
<b>SCM1</b>	17	Blacklisted	Factors contributing to possible tax evasion
<b>SCM1</b>	1	Request for a certain service	Factors contributing to possible tax evasion
<b>SCM1</b>	2	Procurement method	Factors contributing to possible tax evasion

<b>PARTICIPANT</b>	<b>Code Number</b>	<b>INITIAL CODING</b>	<b>THEMES</b>
<b>SCM1</b>	3	Quotation	Factors contributing to possible tax evasion
<b>SCM1</b>	4	Tender	Factors contributing to possible tax evasion
<b>SCM1</b>	5	Petty cash	Factors contributing to possible tax evasion
<b>SCM1</b>	6	Below 500 000	Factors contributing to possible tax evasion
<b>SCM1</b>	7	Central database	Factors contributing to possible tax evasion
<b>SCM1</b>	8	Commodity	Factors contributing to possible tax evasion
<b>SCM1</b>	9	Tax compliant	Factors contributing to possible tax evasion
<b>SCM1</b>	10	Nomination register,	Factors contributing to possible tax evasion
<b>SCM1</b>	11	CSD report	Factors contributing to possible tax evasion
<b>SCM1</b>	20	Name of the company	Factors contributing to possible tax evasion
<b>SCM1</b>	21	Registration number	Factors contributing to possible tax evasion
<b>SCM1</b>	22	Tax number	Factors contributing to possible tax evasion
<b>SCM1</b>	23	Banking details	Factors contributing to possible tax evasion
<b>SCM1</b>	24	List of directors	Factors contributing to possible tax evasion
<b>SCM1</b>	25	Internal database	Factors contributing to possible tax evasion
<b>SCM1</b>	26	Two ways of confirming the suppliers tax compliance.	Factors contributing to possible tax evasion
<b>SCM1</b>	27	Supplier to submit verification PIN	Factors contributing to possible tax evasion
<b>SCM1</b>	28	Call SARS	Factors contributing to possible tax evasion
<b>SCM1</b>	29	Through central database	Factors contributing to possible tax evasion
<b>SCM1</b>	30	Real time link	Factors contributing to possible tax evasion
<b>SCM1</b>	31	Tax clearance certificate	Factors contributing to possible tax evasion
<b>SCM1</b>	32	Unintentionally not following the process	Factors contributing to possible tax evasion
<b>SCM1</b>	33	Deliberate fraud and corruption	Factors contributing to possible tax evasion
<b>SCM1</b>	48	Tax evasion is also fraud	Factors contributing to possible tax evasion
<b>SCM1</b>	49	Not legal	Factors contributing to possible tax evasion
<b>SCM1</b>	50	Fraudulent tax clearance certificate.	Factors contributing to possible tax evasion
<b>SCM1</b>	51	Government will not collect more	Factors contributing to possible tax evasion
<b>SCM3</b>	53	To ensure compliance those rules and regulations	Factors contributing to possible tax evasion
<b>SCM3</b>	54	To ensure that tax matters on the supplier or the service provider are in place	Factors contributing to possible tax evasion
<b>SCM3</b>	55	Tax clearance confirmation with SARS	Factors contributing to possible tax evasion
<b>SCM3</b>	56	Ensure compliance to SCM policies	Factors contributing to possible tax evasion
<b>SCM3</b>	57	Ensure compliance to treasury regulations	Factors contributing to possible tax evasion
<b>SCM3</b>	58	Checklist	Factors contributing to possible tax evasion
<b>SCM3</b>	59	SBD forms	Factors contributing to possible tax evasion
<b>SCM3</b>	60	Quotation	Factors contributing to possible tax evasion
<b>SCM3</b>	61	Bid file	Factors contributing to possible tax evasion
<b>SCM3</b>	62	Bid evaluation committee	Factors contributing to possible tax evasion
<b>SCM3</b>	63	Bid specification committee	Factors contributing to possible tax evasion
<b>SCM3</b>	64	Bid adjudication committee	Factors contributing to possible tax evasion
<b>SCM3</b>	65	Tender	Factors contributing to possible tax evasion
<b>SCM3</b>	66	We rely 99 percent on the central supplier database	Factors contributing to possible tax evasion



<b>PARTICIPANT</b>	<b>Code Number</b>	<b>INITIAL CODING</b>	<b>THEMES</b>
<b>SCM3</b>	67	Tax clearance certificate	Factors contributing to possible tax evasion
<b>SCM3</b>	72	Supplier may collude	Factors contributing to possible tax evasion
<b>SCM3</b>	73	SARS official	Factors contributing to possible tax evasion
<b>SCM3</b>	74	Tax clearance certificate	Factors contributing to possible tax evasion
<b>SCM3</b>	75	Not in good standing	Factors contributing to possible tax evasion
<b>SCM3</b>	83	Affect revenue negatively	Factors contributing to possible tax evasion
<b>SCM3</b>	84	State collects less money	Factors contributing to possible tax evasion
<b>SCM3</b>	85	Government will not be in the position to fund other projects	Factors contributing to possible tax evasion
<b>SCM3</b>	86	Allocated less budget	Factors contributing to possible tax evasion
<b>SCM3</b>	87	Two processes	Factors contributing to possible tax evasion
<b>SCM3</b>	88	They submit an original tax clearance certificate	Factors contributing to possible tax evasion
<b>SCM3</b>	89	Confirm the tax status of the supplier or service providers	Factors contributing to possible tax evasion
<b>SCM3</b>	90	Central Supplier Database	Factors contributing to possible tax evasion
<b>SCM3</b>	91	Confirming the tax status by phoning in at SARS	Factors contributing to possible tax evasion
<b>SCM3</b>	92	Company registration number	Factors contributing to possible tax evasion
<b>SCM3</b>	93	Tax number	Factors contributing to possible tax evasion
<b>SCM3</b>	94	Reference code	Factors contributing to possible tax evasion
<b>SCM3</b>	95	We rely 99 percent on the central supplier database	Factors contributing to possible tax evasion
<b>SCM3</b>	96	Tax clearance certificate	Factors contributing to possible tax evasion
<b>SCM3</b>	97	Risk and a big challenge	Factors contributing to possible tax evasion
<b>SCM3</b>	98	Service providers they have directorships in many companies	Factors contributing to possible tax evasion
<b>SCM3</b>	99	There is no legislation	Factors contributing to possible tax evasion
<b>SCM3</b>	100	Service providers to hold more than one directorship	Factors contributing to possible tax evasion
<b>SCM3</b>	101	There isn't any law that stops	Factors contributing to possible tax evasion
<b>SCM3</b>	102	One from having multiply directorships in companies	Factors contributing to possible tax evasion
<b>SCM3</b>	103	Selection is done on companies not on directors	Factors contributing to possible tax evasion
<b>SCM3</b>	104	System just picks up doesn't pick up the directors	Factors contributing to possible tax evasion
<b>SCM3</b>	105	Rotate manually you only do that when they submit their documents	Factors contributing to possible tax evasion
<b>SCM3</b>	106	It could be out of ignorance	Factors contributing to possible tax evasion
<b>SCM3</b>	107	Somebody is just ignoring the law	Factors contributing to possible tax evasion
<b>SCM3</b>	108	Purposefully people will just want to bypass the SCM processes	Factors contributing to possible tax evasion
<b>SCM3</b>	109	Lack of knowledge	Factors contributing to possible tax evasion
<b>SCM2</b>	112	Central Supply Database (CSD)	Factors contributing to possible tax evasion
<b>SCM2</b>	113	Commodity	Factors contributing to possible tax evasion
<b>SCM2</b>	114	Normal request or requisition	Factors contributing to possible tax evasion
<b>SCM2</b>	115	MAAA	Factors contributing to possible tax evasion
<b>SCM2</b>	116	That is still a challenge	Factors contributing to possible tax evasion

<b>PARTICIPANT</b>	<b>Code Number</b>	<b>INITIAL CODING</b>	<b>THEMES</b>
<b>SCM2</b>	117	No specific criteria	Factors contributing to possible tax evasion
<b>SCM2</b>	118	No restriction	Factors contributing to possible tax evasion
<b>SCM2</b>	119	A person can register as many companies as the like	Factors contributing to possible tax evasion
<b>SCM2</b>	120	Different commodities	Factors contributing to possible tax evasion
<b>SCM2</b>	121	SARS authentication	Factors contributing to possible tax evasion
<b>SCM2</b>	122	SARS verification	Factors contributing to possible tax evasion
<b>SCM2</b>	123	Tax status	Factors contributing to possible tax evasion
<b>SCM2</b>	124	Tax compliant	Factors contributing to possible tax evasion
<b>SCM2</b>	125	Real time	Factors contributing to possible tax evasion
<b>SCM2</b>	126		Factors contributing to possible tax evasion
<b>SCM2</b>	127	Want to collude with the aim off doing or committing fraud	Factors contributing to possible tax evasion
<b>SCM2</b>	128	Suppliers dogging tax	Factors contributing to possible tax evasion
<b>SCM2</b>	129	Evading tax	Factors contributing to possible tax evasion
<b>SCM2</b>	138	They go hand in hand	Factors contributing to possible tax evasion
<b>SCM2</b>	139	Fraud and corruption it robes also the revenue	Factors contributing to possible tax evasion
<b>SCM2</b>	140	kickbacks	Factors contributing to possible tax evasion
<b>SCM2</b>	141	If there was no corruption we wouldn't have tax evasion	Factors contributing to possible tax evasion
<b>SCM2</b>	142	SARS collected less by 30 billion	Factors contributing to possible tax evasion
<b>SCM2</b>	143	Previous financial year	Factors contributing to possible tax evasion
<b>INM4</b>	147	Monitoring implementation and compliance	Factors contributing to possible tax evasion
<b>INM4</b>	148	Identify the policy gabs	Factors contributing to possible tax evasion
<b>INM4</b>	149	Review their policy	Factors contributing to possible tax evasion
<b>INM4</b>	150	Ensure that those deficiencies are addressed	Factors contributing to possible tax evasion
<b>INM4</b>	151	Investigation of financial misconduct cases	Factors contributing to possible tax evasion
<b>INM4</b>	152	Irregular expenditure	Factors contributing to possible tax evasion
<b>INM4</b>	153	Fruitless and wasteful expenditure	Factors contributing to possible tax evasion
<b>INM4</b>	154	Quality responses given to the auditors	Factors contributing to possible tax evasion
<b>INM4</b>	155	No necessary some time lines	Factors contributing to possible tax evasion
<b>INM4</b>	156	Capacity in internal control unit	Factors contributing to possible tax evasion
<b>INM4</b>	157	Man power	Factors contributing to possible tax evasion
<b>INM4</b>	158	Number of official	Factors contributing to possible tax evasion
<b>INM4</b>	159	Skill	Factors contributing to possible tax evasion
<b>INM4</b>	168	They do wrong things knowingly and intentionally in order to evade the tax.	Factors contributing to possible tax evasion
<b>INM4</b>	169	Government does not get the money that it should get	Factors contributing to possible tax evasion
<b>INM4</b>	170	Government cannot fund government programs	Factors contributing to possible tax evasion
<b>INM4</b>	171	Wellbeing of the citizens in the country	Factors contributing to possible tax evasion
<b>INM4</b>	172	Delays the economic growth in the country	Factors contributing to possible tax evasion

<b>PARTICIPANT</b>	<b>Code Number</b>	<b>INITIAL CODING</b>	<b>THEMES</b>
<b>INM4</b>	173	Can't put infrastructure	Factors contributing to possible tax evasion
<b>INM4</b>	174	Government through national treasury	Factors contributing to possible tax evasion
<b>INM4</b>	175	All companies are registered	Factors contributing to possible tax evasion
<b>INM4</b>	176	Central Supplier Database	Factors contributing to possible tax evasion
<b>INM4</b>	177	SARS interface tax compliance status of those companies	Factors contributing to possible tax evasion
<b>INM4</b>	178	Before you appoint a company	Factors contributing to possible tax evasion
<b>INM4</b>	179	Number of financial misconduct cases	Factors contributing to possible tax evasion
<b>INM4</b>	180	Irregular expenditure and fruitless	Factors contributing to possible tax evasion
<b>INM4</b>	181	Think there is a deficiencies within the supply chain controls	Factors contributing to possible tax evasion
<b>INM4</b>	182	Deficiencies are not dealt properly by management	Factors contributing to possible tax evasion
<b>INM4</b>	183	Lack of accountability and responsibility by management	Factors contributing to possible tax evasion
<b>INM4</b>	184	Limited knowledge, skills and experience	Factors contributing to possible tax evasion
<b>INM4</b>	185	Induction	Factors contributing to possible tax evasion
<b>INM4</b>	186	Accountability	Factors contributing to possible tax evasion
<b>INM4</b>	187	Lack of monitoring	Factors contributing to possible tax evasion
<b>INM4</b>	188	Management might not closely monitoring the work	Factors contributing to possible tax evasion
<b>INM4</b>	189	Signing in terms of the delegations	Factors contributing to possible tax evasion
<b>INM4</b>	190	Review the transections	Factors contributing to possible tax evasion
<b>INM4</b>	191	Segregation of duties	Factors contributing to possible tax evasion
<b>INM4</b>	192	Compliance	Factors contributing to possible tax evasion
<b>INM4</b>	193	Evaluated appropriately	Factors contributing to possible tax evasion
<b>INM4</b>	194	Deficiency is also one of the problems	Factors contributing to possible tax evasion
<b>INM4</b>	195	Company without enforcing that the company register for VAT	Factors contributing to possible tax evasion
<b>INM4</b>	196	Government will not make the revenue	Factors contributing to possible tax evasion
<b>INM4</b>	197	Government will not make the revenue	Factors contributing to possible tax evasion
<b>INM4</b>	198	Award to companies that do not pay tax	Factors contributing to possible tax evasion
<b>INM4</b>	199	Impact on the fiscus of government	Factors contributing to possible tax evasion
<b>INM4</b>	200	Result in your irregular expenditure	Factors contributing to possible tax evasion
<b>INM4</b>	201	Fruitless expenditure	Factors contributing to possible tax evasion
<b>INM4</b>	202	More than a billion of irregular expenditure	Factors contributing to possible tax evasion
<b>FCI5</b>	221	Detect	Factors contributing to possible tax evasion
<b>FCI5</b>	222	Investigate	Factors contributing to possible tax evasion

<b>PARTICIPANT</b>	<b>Code Number</b>	<b>INITIAL CODING</b>	<b>THEMES</b>
<b>FCI5</b>	223	Suspicious transactions	Factors contributing to possible tax evasion
<b>FCI5</b>	230	Hiding documentations	Factors contributing to possible tax evasion
<b>FCI5</b>	231	Government does not reach its goals	Factors contributing to possible tax evasion
<b>FCI5</b>	232	Economy is not growing	Factors contributing to possible tax evasion
<b>FCI5</b>	233	Core function of the organisation	Factors contributing to possible tax evasion
<b>FCI5</b>	234	Social grants	Factors contributing to possible tax evasion
<b>FCI5</b>	235	Officials themselves	Factors contributing to possible tax evasion
<b>FCI5</b>	236	Some are also corrupt they defraud the system	Factors contributing to possible tax evasion
<b>FCI5</b>	237	Fraudulent activities are being happening at SASSA	Factors contributing to possible tax evasion
<b>FCI5</b>	238	Requirements that need to be followed	Factors contributing to possible tax evasion
<b>FCI5</b>	239	Anybody can sign the GRV	Factors contributing to possible tax evasion
<b>FCI5</b>	240	Accept any other quotation,	Factors contributing to possible tax evasion
<b>FCI5</b>	241	Wrong organization	Factors contributing to possible tax evasion
<b>FCI5</b>	242	Defrauded	Factors contributing to possible tax evasion
<b>FCI5</b>	243	Companies whenever they submit quotations they claim not to have registered for tax	Factors contributing to possible tax evasion
<b>FCI5</b>	244	Finance they do not even detect that	Factors contributing to possible tax evasion
<b>FCI5</b>	245	Claiming for VAT meanwhile they are not registered for VAT	Factors contributing to possible tax evasion
<b>FCI5</b>	246	We engage the supervision	Factors contributing to possible tax evasion
<b>FCI5</b>	247	We find that there are some transactions	Factors contributing to possible tax evasion
<b>FCI5</b>	248	Start taking statements	Factors contributing to possible tax evasion
<b>FCI5</b>	249	Statement is commissioned	Factors contributing to possible tax evasion
<b>FCI5</b>	250	Criminal case	Factors contributing to possible tax evasion
<b>FCI5</b>	251	We refer it to SAPS	Factors contributing to possible tax evasion
<b>FCI5</b>	252	Suppliers we usually request the money back	Factors contributing to possible tax evasion
<b>FCI5</b>	253	Request the bank to freeze	Factors contributing to possible tax evasion
<b>FCI5</b>	254	If we are unable to get our money back	Factors contributing to possible tax evasion
<b>FCI5</b>	255	Refer the matter to SAPS	Factors contributing to possible tax evasion
<b>FCI5</b>	256	Detect the fraud	Factors contributing to possible tax evasion
<b>FCI5</b>	257	Omissions of the processes the policy not followed	Factors contributing to possible tax evasion
<b>FCI5</b>	258	Financial misconduct board to recover the funds	Factors contributing to possible tax evasion
<b>FCI5</b>	259	Recovered through the external service provider	Factors contributing to possible tax evasion
<b>FCI5</b>	260	Recovering that money via pensions	Factors contributing to possible tax evasion
<b>FCI5</b>	261	Succeeding	Factors contributing to possible tax evasion
<b>FCI5</b>	262	Through deduction	Factors contributing to possible tax evasion
<b>FCI5</b>	263	Garnishees	Factors contributing to possible tax evasion
<b>FCI5</b>	264	FMB made the person to pay	Factors contributing to possible tax evasion
<b>FCI5</b>	265	write directly to that person	Factors contributing to possible tax evasion
<b>FCI5</b>	266	Transgressions	Factors contributing to possible tax evasion

<b>PARTICIPANT</b>	<b>Code Number</b>	<b>INITIAL CODING</b>	<b>THEMES</b>
<b>FCI5</b>	267	Reach an agreement	Factors contributing to possible tax evasion
<b>FCI5</b>	268	Whenever it involves the supplier	Factors contributing to possible tax evasion
<b>FCI5</b>	269	We refer it to the external service provider	Factors contributing to possible tax evasion
<b>FCI5</b>	270	Law enforcement agencies	Factors contributing to possible tax evasion
<b>FCI5</b>	271	We haven't had any challenges	Factors contributing to possible tax evasion
<b>FCI5</b>	272	Sometimes if you chase the Supplier you might not win	Factors contributing to possible tax evasion
<b>FCI5</b>	273	Never know where the supplier is	Factors contributing to possible tax evasion
<b>FCI5</b>	274	People who pay inside	Factors contributing to possible tax evasion
<b>FCI5</b>	275	We can deal with	Factors contributing to possible tax evasion
<b>INA6</b>	290	To evaluate the system of internal control	Factors contributing to possible tax evasion
<b>INA6</b>	291	Whether they are adequate	Factors contributing to possible tax evasion
<b>INA6</b>	292	Effective	Factors contributing to possible tax evasion
<b>INA6</b>	293	Efficient	Factors contributing to possible tax evasion
<b>INA6</b>	294	Recommend corrective action	Factors contributing to possible tax evasion
<b>INA6</b>	295	Test it annually	Factors contributing to possible tax evasion
<b>INA6</b>	296	Draft an audit plan	Factors contributing to possible tax evasion
<b>INA6</b>	297	Supply Chain Management	Factors contributing to possible tax evasion
<b>INA6</b>	298	Cyclical audit	Factors contributing to possible tax evasion
<b>INA6</b>	299	A lot is happening within the procurement processes	Factors contributing to possible tax evasion
<b>INA6</b>	300	We have been successful	Factors contributing to possible tax evasion
<b>INA6</b>	301	Separate the tender processes	Factors contributing to possible tax evasion
<b>INA6</b>	302	Normal supply chain management process	Factors contributing to possible tax evasion
<b>INA6</b>	308	Misrepresentation	Factors contributing to possible tax evasion
<b>INA6</b>	309	Internationally	Factors contributing to possible tax evasion
<b>INA6</b>	310	Premeditated	Factors contributing to possible tax evasion
<b>INA6</b>	311	Benefit illegally	Factors contributing to possible tax evasion
<b>INA6</b>	312	Tax evasion is an offence	Factors contributing to possible tax evasion
<b>INA6</b>	313	Criminal offence	Factors contributing to possible tax evasion
<b>INA6</b>	314	When you do tax evasion it's a fraud	Factors contributing to possible tax evasion
<b>INA6</b>	315	Service provider	Factors contributing to possible tax evasion
<b>INA6</b>	316	Collusion	Factors contributing to possible tax evasion
<b>INA6</b>	317	leads to corruption	Factors contributing to possible tax evasion
<b>INA6</b>	318	Government is losing	Factors contributing to possible tax evasion
<b>INA6</b>	319	Money	Factors contributing to possible tax evasion
<b>INA6</b>	320	To develop	Factors contributing to possible tax evasion
<b>INA6</b>	321	Projects	Factors contributing to possible tax evasion
<b>INA6</b>	322	Fund the mandates the government want to achieve	Factors contributing to possible tax evasion
<b>INA6</b>	323	Business process flow	Factors contributing to possible tax evasion
<b>INA6</b>	324	Do the risk analysis	Factors contributing to possible tax evasion
<b>INA6</b>	325	Controls that are available to mitigate	Factors contributing to possible tax evasion
<b>INA6</b>	326	Sample of transections	Factors contributing to possible tax evasion

<b>PARTICIPANT</b>	<b>Code Number</b>	<b>INITIAL CODING</b>	<b>THEMES</b>
INA6	327	Controls that are in place are adequate	Factors contributing to possible tax evasion
INA6	328	Effective to assist	Factors contributing to possible tax evasion
INA6	329	Supply Chain Management Process	Factors contributing to possible tax evasion
INA6	330	Controls are adequate	Factors contributing to possible tax evasion
INA6	331	Not effective, efficient because of one abuse of authority	Factors contributing to possible tax evasion
INA6	332	Senior officials	Factors contributing to possible tax evasion
INA6	333	Force junior officials	Factors contributing to possible tax evasion
INA6	334	Process transaction	Factors contributing to possible tax evasion
INA6	335	Knowing very well that those transection are fraudulent	Factors contributing to possible tax evasion
INA6	336	Control that is in place will not be functioning	Factors contributing to possible tax evasion
INA6	337	Official within the SCM	Factors contributing to possible tax evasion
INA6	338	Service provider	Factors contributing to possible tax evasion
INA6	339	Double the amount	Factors contributing to possible tax evasion
INA6	340	Share the money	Factors contributing to possible tax evasion
INA6	341	We have never specifically audited tax evasion	Factors contributing to possible tax evasion
INA6	342	Controls that are in place are adequate	Factors contributing to possible tax evasion
INA6	343	Officials are doing deliberately	Factors contributing to possible tax evasion
INA6	344	No consequence management	Factors contributing to possible tax evasion
INA6	345	Just given verbal warning	Factors contributing to possible tax evasion
INA6	346	Financial Misconduct Board	Factors contributing to possible tax evasion
INA6	347	It will be condoned	Factors contributing to possible tax evasion
INA6	348	Irregular and fruitless expenditure	Factors contributing to possible tax evasion
INA6	349	Could have been avoided	Factors contributing to possible tax evasion
INA6	350	Not convinced	Factors contributing to possible tax evasion
INA6	351	Satisfied that we are wining	Factors contributing to possible tax evasion
INA6	352	Person commits the crime and then they resign	Factors contributing to possible tax evasion
INA6	353	We straggle as an organisa-tion to get information from that official	Factors contributing to possible tax evasion
INA6	354	No corporation	Factors contributing to possible tax evasion
INA6	355	State department so that we can recover the money	Factors contributing to possible tax evasion
INA6	356	Ends being prescribed so we have to write it off as a loss	Factors contributing to possible tax evasion
INA6	357	Won't say we are also succeeding	Factors contributing to possible tax evasion
INA6	358	Do not think we have either enough staff	Factors contributing to possible tax evasion
INA6	359	We are not taking this seriously	Factors contributing to possible tax evasion
INA6	360	Service providers	Factors contributing to possible tax evasion
INA6	361	Declare themselves as liquidated	Factors contributing to possible tax evasion

<b>PARTICIPANT</b>	<b>Code Number</b>	<b>INITIAL CODING</b>	<b>THEMES</b>
<b>RAS7</b>	376	To facilitate the risk assessment processes in the whole of SASSA	Factors contributing to possible tax evasion
<b>RAS7</b>	377	Public Sector Risk Management Framework.	Factors contributing to possible tax evasion
<b>RAS7</b>	378	Ideally we supposed to perform them annually	Factors contributing to possible tax evasion
<b>RAS7</b>	379	Supposed to do risk assessment regularly	Factors contributing to possible tax evasion
<b>RAS7</b>	380	Unfortunately we fail	Factors contributing to possible tax evasion
<b>RAS7</b>	381	Due to challenges	Factors contributing to possible tax evasion
<b>RAS7</b>	385	"Fraud and corruption"	Factors contributing to possible tax evasion
<b>RAS7</b>	386	The umbrella name	Factors contributing to possible tax evasion
<b>RAS7</b>	387	For tax evasion	Factors contributing to possible tax evasion
<b>RAS7</b>	388	They are actually one and the same thing	Factors contributing to possible tax evasion
<b>RAS7</b>	389	Negatively	Factors contributing to possible tax evasion
<b>RAS7</b>	390	It affects the revenue collection	Factors contributing to possible tax evasion
<b>RAS7</b>	391	We have challenges in the risk management unit	Factors contributing to possible tax evasion
<b>RAS7</b>	392	Not yet had a risk assessment for the supply chain unit	Factors contributing to possible tax evasion
<b>RAS7</b>	393	We could not even identify the tax evasion risk	Factors contributing to possible tax evasion
<b>RAS7</b>	394	Not our mandate	Factors contributing to possible tax evasion
<b>RAS7</b>	395	Never had a risk assessment for the supply chain unit	Factors contributing to possible tax evasion
<b>RAS7</b>	396	Wouldn't have the mitigating strategies relating to tax evasion	Factors contributing to possible tax evasion
<b>RAS7</b>	397	Risk are that you are unable to identify relevant and high risks	Factors contributing to possible tax evasion
<b>RAS7</b>	398	Risk of not managing the highest risk	Factors contributing to possible tax evasion
<b>RAS7</b>	399		Factors contributing to possible tax evasion
<b>RAS7</b>	400	There is a fraud and corruption unit that exist	Factors contributing to possible tax evasion
<b>RAS7</b>	401	It has been handling issues that relate to fraud and corruption that relates to SCM	Factors contributing to possible tax evasion
<b>RAS7</b>	402	Financial misconduct board	Factors contributing to possible tax evasion
<b>RAS7</b>	403	We do not have that information as a risk management unit	Factors contributing to possible tax evasion
<b>RAS7</b>	404	We were never involved in this process	Factors contributing to possible tax evasion
<b>SCM1</b>	18	There is a gab	Factors contributing to possible tax evasion
<b>SCM1</b>	19	Since the introduction of the CSD	Factors contributing to possible tax evasion
<b>SCM1</b>	52	Rely on a service provider to declare the correct informa-	Proposed solutions and strategies suggested

<b>PARTICIPANT</b>	<b>Code Number</b>	<b>INITIAL CODING</b>	<b>THEMES</b>
		tion then you are not going anywhere	
<b>SCM3</b>	110	Put systems in place for monitoring and ensuring compliance to tax matters	Proposed solutions and strategies suggested
<b>SCM3</b>	111	We rely on SARS to tell us on measures to put in place in terms of none-compliance	Proposed solutions and strategies suggested
<b>SCM2</b>	144	Sensitize	Proposed solutions and strategies suggested
<b>SCM2</b>	145	Educate	Proposed solutions and strategies suggested
<b>SCM2</b>	146	Tax compliance issues	Proposed solutions and strategies suggested
<b>INM4</b>	203	Professional development	Proposed solutions and strategies suggested
<b>INM4</b>	204	Training	Proposed solutions and strategies suggested
<b>INM4</b>	205	Conducted on a regular basis	Proposed solutions and strategies suggested
<b>INM4</b>	206	Updates in relation to tax requirements	Proposed solutions and strategies suggested
<b>INM4</b>	207	Compliance with the tax laws	Proposed solutions and strategies suggested
<b>INM4</b>	208	Professional training	Proposed solutions and strategies suggested
<b>INM4</b>	209	Knowledge	Proposed solutions and strategies suggested
<b>INM4</b>	210	Management	Proposed solutions and strategies suggested
<b>INM4</b>	211	Branches	Proposed solutions and strategies suggested
<b>INM4</b>	212	Executives	Proposed solutions and strategies suggested
<b>INM4</b>	213	Know the strategies	Proposed solutions and strategies suggested
<b>INM4</b>	214	Treasury's supply database system	Proposed solutions and strategies suggested
<b>INM4</b>	215	Companies are registered	Proposed solutions and strategies suggested
<b>INM4</b>	216	Complying with the tax	Proposed solutions and strategies suggested
<b>INM4</b>	217	Verification of the revenues	Proposed solutions and strategies suggested
<b>INM4</b>	218	Companies are disclosing is the correct amount	Proposed solutions and strategies suggested
<b>INM4</b>	219	Immediate access to such information	Proposed solutions and strategies suggested
<b>INM4</b>	220	Registered for tax because of the thresholds	Proposed solutions and strategies suggested
<b>FCI5</b>	276	SASSA always to liaise with the national treasury	Proposed solutions and strategies suggested
<b>FCI5</b>	277	To make sure that there are no changes	Proposed solutions and strategies suggested
<b>FCI5</b>	278	Company registered	Proposed solutions and strategies suggested



<b>PARTICIPANT</b>	<b>Code Number</b>	<b>INITIAL CODING</b>	<b>THEMES</b>
			suggested
<b>FCI5</b>	279	Becomes debunked	Proposed solutions and strategies suggested
<b>FCI5</b>	280	They work on a twelve months period	Proposed solutions and strategies suggested
<b>FCI5</b>	281	Twelve month is too long	Proposed solutions and strategies suggested
<b>FCI5</b>	282	Cut maybe to 6 or even less if possible	Proposed solutions and strategies suggested
<b>FCI5</b>	283	This thing of three quotations	Proposed solutions and strategies suggested
<b>FCI5</b>	284	Kills us	Proposed solutions and strategies suggested
<b>FCI5</b>	285	Computer	Proposed solutions and strategies suggested
<b>FCI5</b>	286	Random list of suppliers	Proposed solutions and strategies suggested
<b>FCI5</b>	287	Particular service	Proposed solutions and strategies suggested
<b>FCI5</b>	288	Not a person to choose	Proposed solutions and strategies suggested
<b>FCI5</b>	289	Companies that he prefers	Proposed solutions and strategies suggested
<b>INA6</b>	362	Never audited	Proposed solutions and strategies suggested
<b>INA6</b>	363	We have to start from the beginning	Proposed solutions and strategies suggested
<b>INA6</b>	364	Risk analysis	Proposed solutions and strategies suggested
<b>INA6</b>	365	Red flags	Proposed solutions and strategies suggested
<b>INA6</b>	366	Tax evasion	Proposed solutions and strategies suggested
<b>INA6</b>	367	Officials are involved	Proposed solutions and strategies suggested
<b>INA6</b>	368	Consequence management should be implemented	Proposed solutions and strategies suggested
<b>INA6</b>	369	Consequence management	Proposed solutions and strategies suggested
<b>INA6</b>	370	Interface with systems like CIPR, SARS and department of home affairs	Proposed solutions and strategies suggested
<b>INA6</b>	371	life style audit	Proposed solutions and strategies suggested
<b>INA6</b>	372	Educate our SMMEs	Proposed solutions and strategies suggested
<b>INA6</b>	373	Consequences should they not comply	Proposed solutions and strategies suggested
<b>INA6</b>	374	Impose a fines	Proposed solutions and strategies suggested
<b>INA6</b>	375	Be blacklisted	Proposed solutions and strategies suggested
<b>RAS7</b>	405	Have a good tone at the top.	Proposed solutions and strategies suggested
<b>RAS7</b>	406	executives	Proposed solutions and strategies suggested

<b>PARTICIPANT</b>	<b>Code Number</b>	<b>INITIAL CODING</b>	<b>THEMES</b>
			suggested
<b>RAS7</b>	407	Control environment is good	Proposed solutions and strategies suggested
<b>RAS7</b>	408	Risk management is never been discussed at EXCO	Proposed solutions and strategies suggested
<b>RAS7</b>	409	Branch meetings	Proposed solutions and strategies suggested
<b>RAS7</b>	410	Only in audit committee meetings	Proposed solutions and strategies suggested
<b>RAS7</b>	411	To be discussed in every big meeting	Proposed solutions and strategies suggested
<b>RAS7</b>	412	Good knowledge of risk management	Proposed solutions and strategies suggested
<b>RAS7</b>	413	Standing item	Proposed solutions and strategies suggested
<b>RAS7</b>	414	Not taken seriously especially at the top	Proposed solutions and strategies suggested
<b>RAS7</b>	415	Supposed to report straight to CEO	Proposed solutions and strategies suggested
<b>RAS7</b>	416	Unfortunately that is not the case	Proposed solutions and strategies suggested
<b>RAS7</b>	417	People did not have that knowledge	Proposed solutions and strategies suggested
<b>RAS7</b>	418	Infant stage in our organisation in terms of risk assessment	Proposed solutions and strategies suggested

## APPENDIX E: DOCUMENTS ANALYSED

### DOC 1: SASSA SCM POLICY

1. Type of document:	<b>SASSA SCM POLICY</b>
2. Unique physical qualities of the documents:	SASSA'S LOGO
3. Date of documents:	3 February 2016
4. Author of the document:	Mrs. Virginia Peterson
5. Position:	SASSA'S CEO
6. For which users was the document written:	SASSA's Head and Regional Office Staff
7. What is the purpose of the document:	This document was written to standardise SCM processes within SASSA and to ensure compliance with all procurement legislations, policies and regulations.
8. Why the researcher selected the document:	To critically analyse the SASSA SCM processes in order to identify the risk of possible tax evasion within the SCM process.
9. What is the outcome of the analysis, for this document in particular:	The analysis revealed that the risk of possible tax evasion was never taken into account when preparing this document, which makes the SCM internal controls ineffective to deal with the risk of possible tax evasion in the SCM processes.
10. Website to access the document:	<a href="http://home.sassa.gov.za/index.php?option=com_phocadownload&amp;view=file&amp;id=585:supply-chain-management-policy&amp;Itemid=2">http://home.sassa.gov.za/index.php?option=com_phocadownload&amp;view=file&amp;id=585:supply-chain-management-policy&amp;Itemid=2</a>

## DOC 2: SASSA SCM DELEGATIONS

1. Type of document:	<b>SASSA SCM DELEGATIONS</b>
2. Unique physical qualities of the documents:	SASSA'S LOGO
3. Date of documents:	7 <sup>th</sup> May 2015
4. Author of the document:	Mrs. Virginia Peterson
5. Position:	SASSA'S CEO
6. For which users was the document written:	SASSA's Head and Regional Office Staff
7. What is the purpose of the document:	In terms of section 56 of the Public Finance Management Act (1999), the executive authority may delegate certain powers to the designated officials within SASSA. This document contains the rules and conditions of these delegated powers.
8. Why the researcher selected the document:	To examine the SASSA SCM rules and conditions of the delegations in order to identify the risk of possible tax evasion within the SASSA SCM delegations.
9. What is the outcome of the analysis, for this document in particular:	The analysis revealed that the risk of possible tax evasion was never taken into account when preparing this document, which makes the SCM internal controls ineffective to deal with the risk of possible tax evasion in the SCM processes.
10. Website to access the document:	<a href="http://home.sassa.gov.za/index.php?option=com_phocadownload&amp;view=file&amp;id=571:scm-delegations-in-terms-of-the-pfma&amp;Itemid=2">http://home.sassa.gov.za/index.php?option=com_phocadownload&amp;view=file&amp;id=571:scm-delegations-in-terms-of-the-pfma&amp;Itemid=2</a>

### DOC 3: CENTRAL SUPPLIER DATABASE INSTRUCTIONS

1. Type of document:	<b>CENTRAL SUPPLIER DATABASE INSTRUCTIONS</b>
2. Unique physical qualities of the documents:	NATIONAL TREASURY'S LOGO
3. Date of documents:	22 <sup>nd</sup> April 2016
4. Author of the document:	Mr. Kenneth Brown
5. Position:	Chief Procurement Officer
6. For which users was the document written :	All Accounting Officers of departments and the Accounting Authorities of public entities, of which in the case of SASSA is the Accounting Authority (the SASSA CEO).
7. What is the purpose of the document:	This document was written to improve the level of compliance in all areas including tax compliance and confirmation of the BEE status of the EME with CIPC.
8. Why the researcher selected the document:	To scrutinize the Central Supplier Database instructions in order to identify the risk of possible tax evasion within the instructions.
9. What is the outcome of the analysis, for this document in particular:	The analysis revealed that there are no controls in the system to combat fraud and corruption activities including possible tax evasion. Example a person registering multiple companies to evade tax be-cause the tax status of the newly registered com-pany is always in good standing.
10. Website to access the document:	<a href="http://www.treasury.gov.za/legislation/pfma/TreasuryInstruction/Instruction%20no%204A%20of%201617%20Central%20Supplier%20Database.pdf">http://www.treasury.gov.za/legislation/pfma/TreasuryInstruction/Instruction%20no%204A%20of%201617%20Central%20Supplier%20Database.pdf</a>

#### DOC 4: FRAUD PREVENTION STRATEGY

1. Type of document:	<b>FRAUD PREVENTION STRATEGY</b>
2. Unique physical qualities of the documents:	SASSA'S LOGO
3. Date of documents:	30 <sup>th</sup> April 2015
4. Author of the document:	Mrs. Virginia Peterson
5. Position:	SASSA'S CEO
6. For which users was the document written:	SASSA's Head and Regional Office Staff
7. What is the purpose of the document:	This document was written to outlines the SASSA's detail action to be taken to prevent and detect activities of fraud and corruption.
8. Why the researcher selected the document:	To understand the SASSA's fraud and corruption strategy and to investigate if the risk of possible tax evasion is covered in the strategy.
9. What is the outcome of the analysis, for this document in particular:	The analysis revealed that the risk of possible tax evasion was never taken into account when preparing this document, which makes the SCM internal controls ineffective to deal with the risk of possible tax evasion in the SCM processes.
10. Website to access the document:	<a href="http://home.sassa.gov.za/index.php?option=com_phocadownload&amp;view=file&amp;id=534:fraud-prevention-strategy-30-april-2015&amp;Itemid=2">http://home.sassa.gov.za/index.php?option=com_phocadownload&amp;view=file&amp;id=534:fraud-prevention-strategy-30-april-2015&amp;Itemid=2</a>

**Doc 5: RISK MANAGEMENT STRATEGY**

1. Type of document:	<b>SASSA RISK MANAGEMENT STRATEGY</b>
2. Unique physical qualities of the documents:	SASSA'S LOGO
3. Date of documents:	10 November 2015
4. Author of the document:	Mrs. Virginia Peterson
5. Position:	SASSA'S CEO
6. For which users was the document written:	SASSA's Head and Regional Office Staff
7. What is the purpose of the document:	This document was written to outlines the process on how risk management should be conducted within SASSA to ensure that risks identified are assessed, ranked, prioritised and managed effectively.
8. Why the researcher selected the document:	To understand the SASSA's risk management process and to investigate if the risk of possible tax evasion has been covered in the process.
9. What is the outcome of the analysis, for this document in particular:	The analysis revealed that the risk of possible tax evasion was never taken into account when preparing this document, which makes the SCM internal controls ineffective to deal with the risk of possible tax evasion in the SCM processes.
10. Website to access the document:	<a href="http://home.sassa.gov.za/index.php?option=com_p_hocadownload&amp;view=file&amp;id=542:risk-management-strategy-2015&amp;Itemid=2">http://home.sassa.gov.za/index.php?option=com_p_hocadownload&amp;view=file&amp;id=542:risk-management-strategy-2015&amp;Itemid=2</a>

**DOC 6: 2012 - 2016 SASSA ANNUAL REPORTS**

1. Type of document:	<b>2012 - 16 SASSA ANNUAL REPORT</b>
2. Unique physical qualities of the documents:	SASSA'S LOGO
3. Date of documents:	29 August 2016 (2015/16 SASSA Annual Report) 17 July 2015 (2014/15 SASSA Annual Report) 28 July 2014 (2013/14 SASSA Annual Report) 28 July 2013 (2012/13 SASSA Annual Report) 22 August 2012 (2011/12 SASSA Annual Report)
4. Author of the document:	Mrs Virginia Peterson
5. Position:	SASSA CEO
6. For which users was the document written:	SASSA's Head and Regional Office Staff
7. What is the purpose of the document:	An annual report is developed by the executive management once a year to give a comprehensive report on all SASSA's activities throughout previous year.
8. Why the researcher selected the document:	To investigate how successful is SASSA in terms of implementing the existing SCM internal controls and what are consequences of not complying with the SCM internal controls.
9. What is the outcome of the analysis, for this document in particular:	The analysis revealed that SASSA has not been implementing SCM processes, policies and legislation consistently and the consequences of not complying the SCM internal controls is the increasing trend of irregular expenditure.
10. Website to access the document:	<a href="http://www.sassa.gov.za/index.php/knowledge-centre/annual-reports">http://www.sassa.gov.za/index.php/knowledge-centre/annual-reports</a>



## APPENDIX F: ETHICS-CLEARANCE CERTIFICATE



### COLLEGE OF ACCOUNTING SCIENCES RESEARCH ETHICS REVIEW COMMITTEE

Date: 21 February 2017

Ref: 2017\_CAS\_007  
Name of applicant:  
Mr E Matshiga  
Student/Staff #: 37302930

Dear Mr E Matshiga

**Decision: Ethics Approval**

**Name:** Mr E Matshiga  
elijahm@sassa.gov.za

**Title:** Possible tax evasion due to ineffective and inconsistent implementation of internal controls within the supply chain management

**Qualification:** Postgraduate student research

Thank you for the application for research ethics clearance by the College of Accounting Sciences Research Ethics Review Committee for the above mentioned research. Final approval is granted for the completion of the research.

**For full approval:** *The primary data research application was reviewed in compliance with the Unisa Policy on Research Ethics by the College of Accounting Sciences Research Ethics Review Committee on 21 February 2017.*

*The proposed research may now commence with the proviso that:*

- 1) The researcher/s will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.*
- 2) Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study, as well as changes in the methodology, should be communicated in writing to the College of Accounting Sciences Research Ethics Review Committee. An amended application could be requested if there are substantial changes from the existing proposal, especially if those changes affect any*



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*of the study-related risks for the research participants.*

- 3) *The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study.*

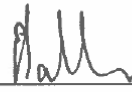
**Note:**

*The reference number [top right corner of this communiqué] should be clearly indicated on all forms of communication [e.g. Webmail, E-mail messages, letters] with the intended research participants, as well as with the College of Accounting Sciences RERC.*

Kind regards,



Ms L Grebe  
(Chairperson of CAS RERC)  
grebel@unisa.ac.za  
(012) 429 4994



Prof Elmarie Sadler  
(Executive Dean of CAS)



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Approval template 2017



# MEMO

To: **CHIEF EXECUTIVE OFFICER: DR V.L. Petersen**

From: **Senior Manager: Zulu Elijah Matshiga**

Branch: **Finance**

Unit: **Grants Accounting**

Date: **25 April 2016**

Subject: **TO REQUEST APPROVAL TO CONDUCT RESEARCH IN THE SASSA FINANCE BRANCH FOR MY MPhil: TAXATION DEGREE**

Enquiries: **Elijah Matshiga (012 4002571/0833901504)**

## 1. PURPOSE

To request approval to do research in the South African Social Security Agency (SASSA) finance branch for my MPhil: Taxation degree.

## 2. BACKGROUND

I am currently registered for a Master of Philosophy in Accounting Science (Taxation) degree with the University of South Africa. This is a full research degree and in terms of the agreement with my supervisor, I have to adopt a government department or entity, so that I can analyze information that relates to internal controls introduced in the Supply Chain Management processes of the entity with regards to the taxation of Exempted Micro Enterprises(EMEs) that are contracting with it.

I have chosen SASSA because I am currently employed by the agency (SASSA) in its finance branch and this will make it possible for me to finish my study and contribute effectively in the SASSA fraud and corruption strategy.



**Together.**  
*Moving South Africa Forward*

South African Social Security Agency  
Head Office

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SASSA News @OfficialSASSA

TO REQUEST APPROVAL TO CONDUCT RESEARCH IN THE SASSA FINANCE BRANCH FOR MY MPHIL: TAXATION DEGREE

**3. DISCUSSION AND MOTIVATION**

The study will look into the strengths, weaknesses and the implementation of the internal controls that relate to taxation within the South African Social Security Agency (SASSA) SCM processes.

This study will assist SASSA in improving its controls in its SCM policies and processes, and the South African Revenue Service (SARS) will also benefit by improving its revenue collection because the anticipated strategy will assist in minimizing the possibility of tax evasion by EMEs that are contracting with SASSA.

**4. FINANCIAL IMPLICATIONS**

None

Approved/~~Not-Approved~~



DR V.L. Petersen  
Chief Executive Officer  
Date: 26/04/2016



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South African Social Security Agency  
Head Office

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