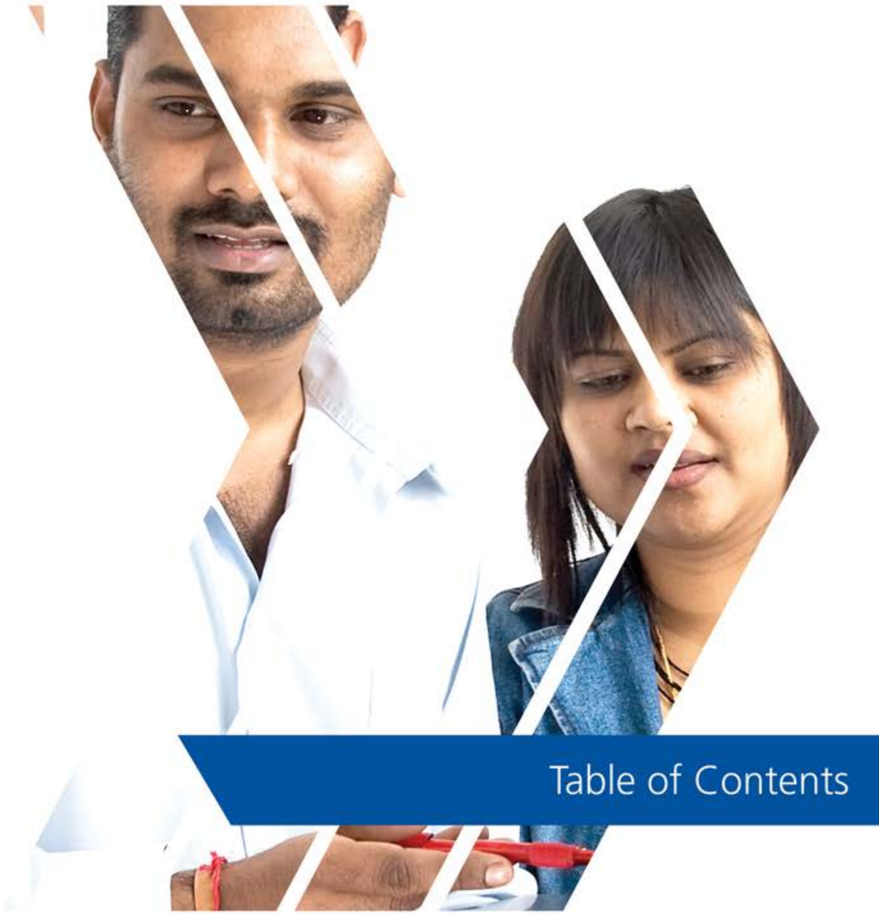
SITA

state information technology agency

Annual Report **2011**

SITA today, **SITA** tomorrow, **SITA** to the future



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Vision, Mission and Corporate Values

Vision

Be the lead Information and Communications Technologies (ICT) agency to enable public sector delivery.

Mission

To render an efficient and value-added ICT service to the public sector in a secure, cost-effective and integrated manner, contributing to citizen convenience.

Corporate Values

In seeking to promote good governance and a code of conduct, SITA has developed and promotes the following values:

- Service Excellence
  We shall strive to attain internationally recognised standards of service quality, and to maintain continuous improvement in service delivery

- Innovation
  We shall pursue innovation by demonstrating thought leadership and proactive behaviour on the use of information and communication technology to enhance public service delivery

- Transparency
  We shall always ensure transparency in everything we do in order to build trust and confidence with all our stakeholders

- Integrity
  We shall conduct our business with integrity at all times to inculcate a culture of honesty, respect and accountability among all our employees

- Fairness
  We shall treat all our partners, suppliers and employees with fairness and equity at all times

- Prudence
  We shall exercise prudence and economy in running the business of SITA

Mandate

The State Information Technology Agency (Proprietary) Limited (SITA) was established in 1999 to consolidate and coordinate the South African government's Information Technology (IT) resources in order to achieve cost savings through economies of scale, increased delivery capabilities and enhanced interoperability of systems. SITA is committed to leveraging IT as a strategic resource for government, managing the IT procurement and delivery process to ensure that government receives value for money, and using IT to support the delivery of e-government services to all citizens.

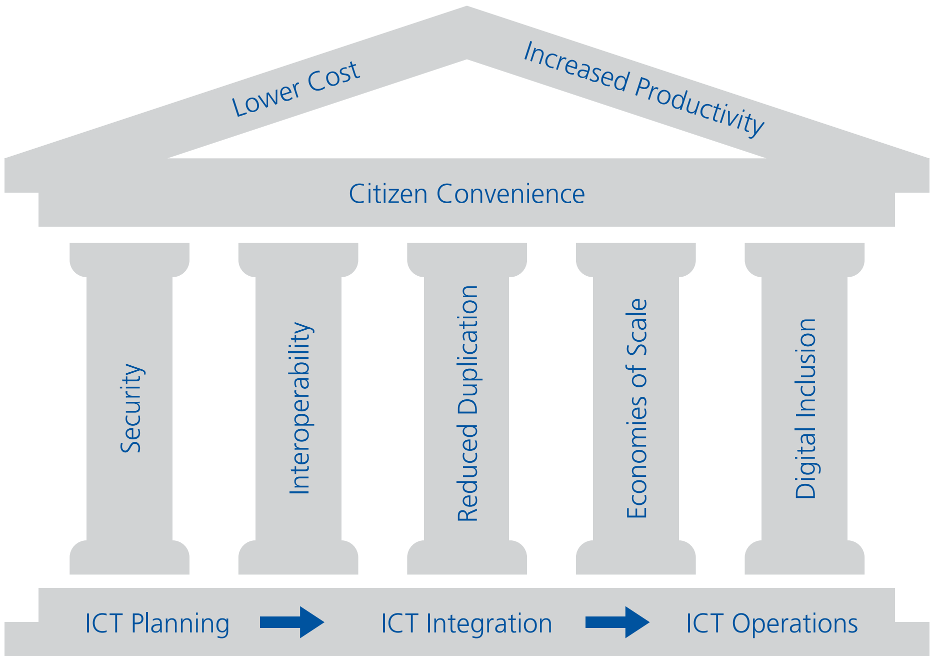
SITA is governed by the SITA Act No.88 of 1998, as amended by the SITA Act No. 38 of 2002. Section 6 of this Act states the objectives of the agency as follows:

› To improve service delivery through the provision of information technology, information systems and related services, in a maintained information system security environment, to government departments and public bodies; and

› To promote the efficiency of government departments and public entities through the use of information technology.

Furthermore, the Act separates SITA's services into mandatory services (services that SITA must provide) and non-mandatory services (services that SITA may provide). SITA remains committed in all its activities to adhere to government's 'ICT House of Value', which seeks to leverage economies of scale, enhance interoperability of government systems security, eliminate duplication and enhance black economic empowerment (BEE).

ICT House of Value



The Year Under Review: April 2010 – March 2011

Becoming the PSI Driven, Relevant, Customer-oriented Service Agency Of Choice

Foreword by the Minister

Mr. Masenyani Richard Baloyi
Minister for Public Service and Administration

When the State IT Agency celebrated its 10 year anniversary in 2009, one of our key commitments in the Ministry for Public Service and Administration was to rebuild the organisation and capacitate it in order to ensure that it is able to rise to the challenge of modernising various systems that our government utilises. This profound commitment came from our deep recognition of the pivotal and indispensable role that SITA plays in providing IT support to government institutions to accelerate the delivery of quality services to the citizens of South Africa. Most notably, our vision of a high-performing and efficient SITA importantly signaled our strong belief in the relevance of this organisation and its impact in view of government's national priorities and the millennium going forward.

At the beginning of 2010, President Zuma used the State of the Nation Address to declare 2010 a year of *action* – a year where government would have to work faster, harder and smarter, and most importantly, know where people live, understand their needs, and respond accordingly.

Delivering services and meeting the diverse needs of citizens within the context of a developmental state is a challenge that requires galvanised action and commitment by all government institutions working together towards improved state performances.

For the 2010/2011 financial year, government's agenda comprised five priorities to which all institutions including entities were committed. These were education, health, rural development and land reform, creating decent work, and fighting crime. Also important was the commitment by government to improve the effectiveness of local government, infrastructure development and human settlements. A key requirement at the centre of these priorities would be state institutions that work effectively as well as employees who are dedicated, capable and caring with regard to the needs of citizens.

For us at the Ministry, it is important that we strengthen the capacity of line departments through effective policies and frameworks, in order to deliver services to meet these national priorities. More than that, we need to deliver in an integrated and seamless manner anytime, anywhere, while also being responsive to the needs of citizens. This requires the development of cost-effective, efficient and innovative IT infrastructure, skills development in IT, extensive IT expertise and thought leadership to develop an effective IT strategy and to guide IT deployment and usage in the country. All these fundamental requirements are encompassed within the SITA mandate as the official IT arm of the state.

The 2010/11 financial year was in reality a year of action when it comes to our efforts to transform the agency and reposition it to lead IT initiatives in the country. We have made considerable progress in many respects pertaining to the implementation of the Turnaround strategy to ensure improved performance, relevance, accountability and improved good governance.

SITA'S Turnaround Journey

The approval of the SITA Turnaround Framework by Cabinet in March 2010 set in motion the wheels that took SITA on a journey towards transformation. SITA's Turnaround Framework was a product of joint efforts by a task team comprising representatives from a cluster of government institutions including the Department of Public Service and Administration, Department of Communications (DOC), Department of Defence (DoD), State Security and Government Information Technology Officers Council (GITOC) to ensure representation and diversity of inputs.

Earlier in the year, given the priority to strengthen leadership of the agency, we all knuckled down to identify and recommend a group of individuals with proven expertise and knowledge in various organisational areas to the Board of Directors of the agency to lead the organisation during this important Turnaround period.

In January 2011, we were happy to appoint Mr Blake Mosley-Lefatola, a reputable Turnaround specialist, to the position of Chief Executive Officer of the Agency, mainly to drive the implementation of the strategy.

Part of the main thrust of SITA's Turnaround strategy is to re-build and transform the organisation's operational and business approach to align it with its original mandate so that SITA can support the achievement of government's national priorities.

Already, numerous commendable achievements have been realised in this endeavour, including the formulation of many core models and strategies that will hopefully see improvements in strategic core business areas.

Government's Prime Systems Integrator (PSI)

One of the key milestones on SITA's transformational journey envisioned in the Turnaround strategy is for the organisation to become government's Prime Systems Integrator (PSI). This strategic role positions SITA to converge and integrate the various fragmented systems which currently still exist in government. This will ensure that we move closer to achieving the ultimate dream of the seamless integration of government business systems through converged, interoperable IT systems.

Leveraging on ICTs to Support Key National Programmes

The mandate to enhance government's performance through ICTs positions SITA as a key role player and strategic partner of government institutions as they implement projects according to their respective mandates. With all the changes that were taking place as a result of the Turnaround strategy, expectations were high for SITA to continue delivering the necessary services to government to ensure non-interruption of service delivery.

The Ministry of Public Service and Administration applauds SITA for its role in working in collaboration with other government departments in projects of national importance. During the 2010 FIFA World Cup, for instance, SITA successfully established a National Health Operations Centre (NatHOC) for the Department of Health (DOH) and the Department of Defence (DOD) Military Health Services. Linked to the Provincial Health Operating Centres (ProvHOCs) the NatHOC enabled health officials from the DOH and DOD to provide and control national health and medical related crises during and after the 2010 FIFA World Cup event. This project was completed successfully despite the tight time constraints and, most importantly, it bore testimony to the potential of ICTs in facilitating quick and secure sharing of vital information.

Leveraging e-Government for Innovative Service Delivery

Despite the recent global economic turmoil, every year the government of South Africa invests money in the deployment of leading-edge IT infrastructure in order to modernise its systems and enhance its capacity to meet the growing service delivery needs of its citizens.

During the year in review, SITA continued to play a pivotal role in promoting the use of e-government services to the citizens. E-government is the ultimate realisation of citizen-centred service delivery. It is the hallmark of integrated and collaborative governance and service delivery where services provided are built around the citizen and where the citizen becomes a partner with a voice rather than a passive recipient of government services.

However, with the rapid developments in the use of IT globally, we in the Public Service and Administration Ministry strongly believe that SITA has the potential to leverage on expertise to rigorously research and explore new technologies such as cloud computing to build on government's capacity to deliver services to its citizens.

In conclusion, on behalf of the Ministry for Public Service and Administration, I would like to take this opportunity to thank the Chairperson of the SITA Board of Directors, Ms Z. Manase, and the entire Board of Directors for their hard work and commitment in overseeing the implementation of the Turnaround strategy within SITA. We acknowledge the many challenges that they had to contend with, having to balance the responsibility of overseeing the transformation of the organisation while at the same time ensuring that it remains on course to deliver on its strategic projects.

In addition, we also commend the CEO, Mr Mosley-Lefatola, for his capable stewardship and visionary leadership that he has already displayed during the short period that he has been at the helm of the agency. The 2010/11 financial year was certainly very challenging to everyone within SITA, particularly in view of the ongoing transformation and the level of uncertainty and insecurity often associated with that.

Together we can succeed in realising the goal of building SITA into a high-performing, customer-centred organisation, and a partner and IT support for the public service.

Mr. Masenyani Richard Baloyi
Minister for Public Service and Administration

01

Perfomance Overview

Chairperson's Statement

Ms. Zodwa Manase
Chairperson of the SITA Board

01

The State IT Agency has turned the corner and is gradually clawing its way back to being a competitive and influential role-player in the local IT industry and government. This, in essence, sums up our conclusion looking at the transformation within the organisation over the past financial year. Not that the transformational journey is near the end with victory beckoning; far from that. Notably, there have been some commendable milestones achieved during the year in review, while we acknowledge at the same time the many challenges lying ahead. SITA continues to show strong financial results and has, notwithstanding many challenges, consistently obtained unqualified audit reports.

From our perspective as the Board of Directors, the 2010/11 financial year has predominantly been about overseeing the implementation of the new Turnaround strategy within SITA. Our responsibility was to ensure compliance with the Turnaround strategy. This means ensuring that improvements take place in targeted strategic areas according to the Turnaround strategy such as our performance capacity and business environment to enable SITA to achieve the envisioned Turnaround goal of becoming a high-performance, customer-focused IT service provider of choice.

Normally, this responsibility had to be balanced with the statutory responsibilities of Boards of companies, i.e. ensuring corporate governance, performance according to the corporate balanced scorecard and, of course, compliance with the Public Finance Management Act (PFMA) and other government regulations.

Earlier in the year, given the enormity of this responsibility, the Board of Directors was strengthened with the introduction of new members. These Board members have extensive and invaluable experience as well as in-depth knowledge covering a wide area of business management, which would critically ensure a broader monitoring capacity.

One of the challenging factors about the agency was the level of instability within the organisation, particularly at management level. In July last year, Ms Nontobeko Ntsinde joined SITA as Acting Chief Executive Officer. In January 2011, we were delighted with the appointment of the new Chief Executive Officer of SITA, Mr. Blake Mosley-Lefatola.

Following the appointment of Mr. Blake Mosley-Lefatola, a number of new strategic appointments were also made at senior management level. The new appointments were made in accordance with the newly rearranged business environment comprising new lines of business that support intended performance targets.

Though not finally concluded and approved, the organogram is informed by the organisation's Turnaround strategy and it is primarily aimed at enabling SITA to function optimally in accordance with its value proposition. Above all, it is an important step towards strengthening the leadership capacity requisite in ensuring effective change management in the organisation.

Another important milestone regarding the implementation of the Turnaround strategy was primarily about reconfiguration and reengineering of the internal organisational and business environment. SITA had for a long time been dogged by allegations of non-performance, poor customer-service and a value proposition that was non-aligned with its original mandate of providing IT support to government. To counter that, a plethora of new models were formulated and circulated, ready for implementation in the new financial year. These included new business, operational, partnership, costing, recovery and pricing models.

As a sequel to that, SITA is in a process of reviewing one of its vital core-business functionaries, i.e. transforming its environment into a fully fledged Supply Chain Management (SCM) function. This is done mainly to ensure that it responds to the Turnaround imperatives to win back shareholder confidence and the trust in customers and key stakeholders.

Critically, SITA's original mandate entrusts the organisation with the key responsibility of centralising governance services, converging government fragmented systems to achieve interoperability and establishing strategic industry partners.

In order to achieve all that and as envisaged as a short-term milestone within the Turnaround strategy, SITA will have to transform and reposition itself as a Prime Systems Integrator (PSI) for government. Being a Prime Systems Integrator for government will ensure that SITA has the capacity to realise government's long-held goal of a seamless, integrated, 'single' public service.

To us as the Board, SITA's impact as the official ICT arm of government lies in its ability to contribute towards sustainable development and economic growth, empower citizens through IT skills development to bridge the widening digital-divide and promote local economic growth through SMMEs.

During the year under review, SITA was not without challenge. Although there were many milestones achieved, there were several challenges, particularly considering the level of uncertainty regarding change paired with the pressure to perform as expected. However, if anything, this period has shown the existence of a collective spirit of resilience; dedication and commitment by everybody, including the Board, Executive, management and employees.

On behalf of the Board of Directors of SITA, I would like to thank our shareholder: Minister for Public Service and Administration Mr Richard Baloyi for his commendable leadership and for trusting us, the Board of Directors of SITA, with the major responsibility of presiding over SITA during this critical time.

Finally, thanks must go to the Chief Executive Officer of SITA, Mr Blake Mosley-Lefatola, and the SITA Executive, management and employees who executed their duties with commitment and professionalism throughout a challenging year.

Ms. Zodwa Manase
Chairperson of the SITA Board

Board of Directors
for the Year Ended 31 March 2011


Ms Z P Manase
Chairperson


Ms F C Potgieter-Gqubulé
Deputy Chairperson


Mr B K Mosley-Lefatola
Executive Board Member


Ms S V Bvuma


Ms C B Clark


Mr P R Kgame


Mr C C W Kruger


Mr A M Luthuli


Mr W S Mabena


Ms M Makhekhe Mokhuane


Ms K T Mdlulwa


Ms T Moloko


Prof M I Mphahlele


Ms K R Mthimunye


Ms N Ntsinde


Ms R Sekese


Ms N J Shibambu

Alternate Board Members


Ms B M Malongete


Ms N M Mhlakaza


Mr D C Niddrie


Mr G Pillay

Board of Directors
as at 31 March 2011

Initial and Surname	Position	Term	Qualification
Ms Z P Manase	Chairperson	07 Aug 2008 - 06 Aug 2011	BCompt (Hons) HDip Tax Chartered Accountant (SA)
Ms F C Potgieter-Gqubulé	Deputy Chairperson	17 Mar 2010 - 16 Mar 2013	MA (Public and Development Management)
Mr B K Mosley-Lefatola	Executive Board Member	10 Jan 2011 -09 Jan 2014	BA (African Political Studies and Industrial Sociology) BA Hons (Industrial Sociology)
Ms S V Bvuma	Non Executive Board Member	17 Mar 2010 - 16 Mar 2013	Diploma in Project Management MSc (Clinical Psychology)
Ms C B Clark	Non Executive Board Member	19 May 2008 - resigned 30 April 2010	MPhil (Political Management) Advanced Diploma in Labour Law MBA
Mr P R Kgame	Non Executive Board Member	17 Mar 2010 - 16 Mar 2013	BCom
Mr C C W Kruger	Non Executive Board Member	01 Sept 2008 - 31 Aug 2011	BCom (Hons) (Economics)
Mr A M Luthuli	Non Executive Board Member	19 May 2008 - resigned 28 Feb 2011	BSc (Electrical Engineering) MBA
Mr W S Mabena	Non Executive Board Member	17 Mar 2010 - 16 Mar 2013	Political Science Diploma Management Advanced Programme
Ms M Makhekhe – Mokhuane	Non Executive Board Member	19 May 2008 - resigned 30 April 2011	Advanced Project Management Certificate Information Technology Management Certificate MBA
Ms K T Mdlulwa	Non Executive Board Member	17 Mar 2010 - 16 Mar 2013	Bluris LLB
Ms T Moloko	Non Executive Board Member	17 Mar 2010 - 16 Mar 2013	Edward G Mason Programme in Public Policy and Management MPA

Initial and Surname	Position	Term	Qualification
Prof M I Mphahlele	Non Executive Board Member	17 Mar 2010 - 16 Mar 2013	SSTC BSc (Hons) MSc (Computer Science)
Ms K R Mthimunye	Non Executive Board Member	01 May 2010 - 30 April 2013	BCompt (Hons) Higher Diploma in Tax Law Chartered Accountant (SA)
Ms N Ntsinde	Non Executive Board Member	01 May 2010 - 30 April 2013	Certificate in Treasury (Risk Management) BProc MBA
Ms R Sekese	Non Executive Board Member	15 Oct 2007 - 14 Oct 2010	Diploma in Advanced Project Management BSc (Electrical Engineering) MBA
Ms N J Shibambu	Non Executive Board Member	01 May 2010 - resigned 31 May 2011	BCom MBA
Ms B M Malongete	Alternate Board Member	17 Mar 2010 - 16 Mar 2013	National Diploma in Food Science BProc MSc (Financial Law)
Ms N M Mhlakaza	Alternate Board Member	17 Mar 2010 - 16 Mar 2013	National Diploma in HR Management BTech (HR Management)
Mr D C Niddrie	Alternate Board Member	17 Mar 2010 - 16 Mar 2013	Policy Development and Management Course BEd (Cum Laude) Masters in Education (in progress)
Mr G Pillay	Alternate Board Member	01 May 2010 - 30 April 2013	Non Graduate Higher Education Diploma B Ed Diploma in specialised Education
Acting Company Secretary			
Mr E H Odendaal	Acting Company Secretary	01 Feb 2010 – 31 Mar 2011	BA Industrial Relations Development Programme Full Credit: The Institute for Company Secretary and Administrators' Qualification (ICSA)

Chief Executive Officer's Report

Mr B K Mosley-Lefatola
Chief Executive Officer

01

Introduction

The story of the State Information Technology Agency (SITA) as it unfolded during the 2010/11 financial year is the story of a government entity in transition. It is a profile of a government entity that not only decided on a transformational course but most importantly, invested ardent effort to ensure its success in pursuing that course as it will ultimately determine its impact as an official IT agency of the state.

The 2010/2011 financial year under review was an important episode in SITA's tale of change, where the plot is outlined in the Turnaround strategy that is being implemented within the organisation. A turnaround is an important organisational development exercise that organisations undertake to re-discover their value-add and, most importantly, re-adjust themselves accordingly in terms of managing, stabilising and ensuring sustainability at a strategic organisational and operational level.

SITA's Turnaround Framework is a product of intense and profound consultations involving various key role-players and decision-makers in ICT from the public sector and the local ICT industry. Importantly, it was approved by the SITA Board of Directors and the Cabinet in 2010. Additionally, as a cornerstone for transformation for the organisation, this comprehensive and strategic document calls for re-building and re-engineering SITA into a high-performing, customer-orientated IT service provider of choice.

Looking at the organisation during the year under review, the predominant paradox was that of uncertainty and anxiety amongst staff members, hence the rise in terminations particularly in key technical strategic positions. However, a number of key top leadership portfolios were filled which saw the organisation displaying a commendable measure of resilience and strength to continue to focus on the task of implementing its strategic projects to improve government's capacity to deliver on its key priority areas.

In the past financial year revenue growth of 9,13% was achieved, while operating costs were successfully reduced. The management of cash flow proved favourable as cash generated reflected an increase during the period under review.

Financial Performance

During the past financial year, the capital expenditure budget was limited to the procurement of only critical resources. In the year ahead an appropriate capital budget is allocated to ensure the long-term financial sustainability of the organisation. Cash resources will be utilised for the execution of the capital expenditure plan.

SITA has revised its credit policy and its debt management policy and it is in the process of being implemented to reduce debtor's days; thereby supporting the Turnaround strategy implementation and capital expenditure plan.

Providing ICT Leadership to Modernise Government Operations

SITA's core business, as emphasised in the organisation's Turnaround strategy, based on the ICT House of Value, can be summarised as an enabler and integrator of ICT goods, systems, infrastructure and related services for the public sector.

Part of that is ensuring operability among government systems, so that information systems can talk to each other, interconnect and exchange data. SITA has to set standards for interoperability and certify goods and services for compliance with those standards. Additionally, SITA has to ensure integration amongst government systems by providing and developing ICT Systems and Technology Infrastructure into integrated ICT solutions.

Over the years, SITA has been engaged in a number of strategic initiatives to transform and converge the fragmented IT systems to create a harmonious IT environment that is highly integrated.

Government-Wide Enterprise Architecture

The provision of ICT leadership that is denoted as one of the critical outcomes of SITA's Turnaround strategy based on the foundation of government's ICT House of Value, holds SITA responsible for ICT planning.

SITA's value proposition as defined by the SITA Act and Regulations is to act as an enabler of information technology use in government, directly or through partnerships, and to become the main driver for information security and information system convergence in government.

This regulatory role requires SITA to set interoperability standards and to validate and certify conforming and performance of every acquisition against such standards.

Following the development of the Government-Wide Enterprise Architecture (GWEA) Framework in 2009 by SITA in collaboration with the Government Information Technology Officers Council (GITOC) in 2009, an associated GWEA Implementation Guide was completed in 2010. Both the GWEA Framework and Implementation guide were approved by the Minister for Public Service and Administration and GITO Council in 2010 respectively. The value of both the GWEA framework and implementation guide is to standardise the ICT planning processes throughout government and to ensure that ICT plans are aligned with the government strategic business plans as prescribed by the Public Service Regulations.

SITA has revised the Minimum Interoperability Standards (MIOS) for Government Information systems and has improved its certification function. The new MIOS (version 5) was developed by SITA in consultation with government stakeholders. Version 5 includes the following:

- A revised set of technical standards to ensure more efficient inter-connectivity and interface among Government ICT infrastructure components;
- A new set of data standards to enhance data exchange capacity among information systems in the Public Service; and
- An outline of the processes and responsibilities for setting standards and certification against those standards in order to improve accountability of these processes.

The revised MIOS was submitted to the GITO Council in March 2011 for recommendation and promulgation by the Minister. Through its certification function, SITA has, during the past financial year, certified all new acquisition of ICT products by government departments for conformance with the standards in the existing approved MIOS (version 4.1).

In the past financial year, SITA has established a rudimentary inventory of information systems that are in use in all national and provincial government departments. The over 1200 systems in the inventory will serve as a basis in the new financial year to develop a convergence strategy that aims to reduce duplications and encourage sharing of information systems across government departments and also serve as reference to detect potential duplication in the acquisition or development of new information systems in government.

Creating Enabling Platorms

An effective proficient lead agency in public sector ICT has, as one of its critical responsibilities, the duty to promote and encourage ICT innovation, learning and research for effective ICT service delivery solutions for the entire public sector.

In terms of its mandate as an official IT agency responsible for government service delivery improvement, SITA has to leverage ICT as a strategic tool to support and enhance service delivery initiatives in various government departments. In terms of its Turnaround strategy SITA has to align its service delivery offerings and value proposition with its original mandate to facilite the achievement of government's priority areas.

During the year in review, SITA has used its expertise as a though-leader and IT service delivery enabler to support various departmental initiatives to deliver services to the public and enhanced administration and governance capacity.

SITA as a Wireless Application Service Provider (WASP)

SITA has packaged the Wireless Application Service Provider (WASP) platform as a service to Government Departments with the corresponding architecture models, go-to-market strategy and costing and pricing models.

The WASP Project entails the establishment of a Wireless Applications Service Provider Platform that will enable communication to mobile devices.

The WASP Project uses the SITA WASP capability, to provide SMS-notification and SMS-query-and-response functionality to Departmental mainframe applications to send notifications to system end-users. There are two distinct services that may be offered to Departments, in terms of the WASP Platform. These include:

- Notifications using the SITA WASP platform which can only be used by Departmental application that utilise SITA WASP SMS capabilities to enable it to "trigger" SMS notifications to a citizen that has made an application for a Government Departmental service; and
- To provide a full WASP platform implementation, similar to the Department of Home Affairs application, that can track the status of a citizens' application.

The WASP platform will empower officials with information to deal with queries regarding the status of government services provided to the citizens. It will also notify the public about the developments around the government service they have requested. By using the WASP platform, the service levels associated with the process of the government service can also be monitored and deviations can be reported upon so that supervisors can identify bottlenecks and eliminate the problems. This will also result in identification of process improvements. The service is being handed over to ICT Service Delivery for further roll-out.

The Thusong Service Centre – advancing the notion of a single public service

ICT adoption in government to modernise systems and processes for citizen's convenience forms an important element of E-government. The roll-out of Thusong Service Centres has taken government closer to societies by ensuring that within one building multiple government services can be sourced by citizens without any unnecessary expenses. During the year under review, government officially launched a Thusong Service Centre in Mamelodi.

The Mamelodi Thusong Service Centre provides a bouquet of e-enabled services on behalf of several departments such as:

- The Departments of Home Affairs;
- Department of Labour;
- Justice;
- South African Social Security Agency;
- Human settlements;
- City of Tshwane; and
- The Independent Electoral Commission.

Services offered will include ID applications, birth registrations, foster care grants, pension applications, maintenance and notifications of death. These services will be offered in partnership with SITA.

The Thusong Centre programme is part of a government-wide access strategy which in turn forms an integral part of the Single Public Service framework. Currently there are more than 150 Thusong Service Centres across the country. The programme is now well into its second phase. Going forward, Cabinet has approved a 2014 business plan to establish a Thusong Centre in each of South Africa's 283 municipalities.

Integrated Financial Management System (IFMS)

Of the many projects that SITA manages, the IFMS is a critical example of SITA's contribution towards modernising the phase of government with ICTs.

IFMS is a strategic project which was initiated by Cabinet in 2005 to replace current legacy transversal applications utilised in government such as the Basic Accounting System (BAS), the Personnel and Salary System (PERSAL) as well as the Logistics Management System (LOGIS). The project is categorised as a multi-stakeholder transversal initiative and it involves a number of departments, namely National Treasury, DPSA (Department of Public Service and Administration) and SITA (State Information Technology Agency).

In terms of progress on the project recorded during the 2010/11 financial year, the IFMS project team has built and configured five of the nine modules that make up the complete solution. These are Asset Management, Procurement Management, Master Data Management, Catalogue Management and Human Resource Management.

The Asset Management Module was implemented at two lead sites, namely National Treasury in March 2010 and Limpopo Provincial Treasury in May 2010. Other roll-out sites included the Department of Agriculture, Department of Local Government and Housing and the Department of Roads and Transport where the Asset Management Module went live in the first quarter of 2011.

The IFMS project reached a landmark on 25 February 2011 when the Minister for Public Service and Administration, Mr. Richard Baloyi launched the Human Resource (HR) Management Module for the public service at the Department of Public Service and Administration (DPSA).

The DPSA, as "policy owner" for HR management in the public service, is leading the development and implementation of the HR work stream of the IFMS project. Further work is expected with lead site implementations in the Free State Provincial Department of Education during the new financial year.

As the official IT agency for the state, SITA, through projects such as the IFMS, leads the way in demonstrating how ICTs can improve government's administrative and governance capacity. Beyond that, it also shows the organisation's determination to achieve one of the critical outcomes of the Turnaround Strategy, to be a proficient lead agency in public sector ICT.

Department of Justice and NPA VPN Contracts

Converged Communications succeeded in securing new business to the value of over R 70 million with the Next Generation Network (NGN) Virtual Private Network (VPN) service offering. Two external clients, namely the Department of Justice (DOJ) and Constitutional Development (CD) as well as the National Prosecuting Authority (NPA), that previously received its network services from Telkom, accepted SITA's VPN proposals. The migration of these 600 + sites onto the NGN could result in a reduction in port cost to the benefit of the whole of government, based on economies of scale. Comprehensive costing models were developed to analyse the financial implication of the cost of sale and revenue, resulting in informed decision making when taking on new business opportunities.

To facilitate the migration process, SITA entered into extensive negotiations with Telkom to ensure that the best possible phased migration approach would be applied, with the least impact on client service delivery and business continuity. The migration projects for these two clients are currently in process and the DOJ & CD have already signed-off on the six pilot sites that were successfully migrated onto the NGN.

Enhancing Government Service Delivery Initiatives

Independent Electoral Commission (IEC) Call Centre

Following the successful provisioning of call centre service for the national elections in 2009, SITA has managed the provision of a similar service for the Local Government/Municipal Elections in May 2011.

Preparations for the local elections started early in the 2010/2011 financial year and included the expansion in hardware capacity, floor space and human resources.

Recruitment of call centre agents took place in December 2010 while contracting and training took place in January 2011. The IEC Call Centre was officially launched on 18 January 2011 with a full component of 120 agents.

A total of 29,048 calls from citizens went through the call centre during the first voter registration weekend of 5-6 February 2011. An even larger number of 37,902 calls were handled during the second voter registration weekend of 5-6 March 2011.

South African Police Service (SAPS)

Under the SAPS Network Upgrade Programme plan, SAPS upgraded its network Infrastructure nationally in order to provide adequate network capacity for the existing and future application systems roll-out. This involved:

- Replacing old cabling infrastructure;
- Replacing obsolete Local Area Network (LAN) switches & Routers;
- Upgrading Switching Centres;
- Upgrading the SAPS Core Network;
- Upgrading Data lines; and
- Connecting unconnected workstations.

Since the inception of the Network Upgrade Programme in 2006, R1,5 billion has been spent on such upgrades, and 1400 SAPS sites have been upgraded nationally to date. This includes LAN upgrades on 340 sites between January 2011 and March 2011 alone, to the value of R383 million.

National Health Operational Centre

During the 2010 FIFA World Cup soccer tournament, SITA demonstrated its capacity to support government through the establishment of the National Health Operational Control Centre complete with video connectivity.

The business objective was to establish the National Health Operation Centre (NatHOC), linked to the Provincial Health Operating Centers (ProvHOCs), from where the Department of Health and DoD health officials would be able to provide and control national health and/or medical-related crises.

The NatHOC would gather information regarding possible assistance required at various centres in the event of national disasters, major accidents, injuries during strikes and/or riots, as well as refer injured patients to the nearest hospitals. Information about the location of the nearest hospital(s) and bed occupancy is provided on a daily basis. All this data is made available to management, enabling them to make informed management decisions.

The successful establishment and technical support that SITA provided to the NatHOC proved once again the important role that this agency can play in supporting government. Most importantly, it also highlights the potential in ICT's to enhance public service delivery.

Department of Defence (DoD) Service Commission Portal

In 2010 Parliament endorsed the passing of the Defence Amendment Act which provides for a permanent defence force service commission to determine service conditions in the military. This amendment is meant to ensure that the DoD treats its soldiers with the respect and dignity commensurate with their responsibility as protectors of the country and the last line of defence of South Africa's democracy and freedom.

The main purpose of the system was to facilitate the electronic nomination process of commissioners for the National Defence Force Service Commission (NDFSC) on the DOD intranet as well as the Open net by:

a) Providing individuals with the means of submitting nominations electronically, or manual submission and processing;
b) Providing members of the Selection Committee with secure access to the nomination databases; and
c) Aiding members of the Selection Committee with the selection process, e.g. through sorted fields and management of information.

The system was developed on time with officials from across SITA all working together to ensure timely delivery. In addition, the system was deployed on both DOD intranet and Open net making it accessible to all RSA citizens as requested by Ms Lindiwe Sisulu (Minister of Defence and Military Veterans).

South African Military Health Service (SAMHS) Digital Scanning System

The SAMHS Digital Scanning System was developed to replace the old microfilm system. The SAMHS enables users to retrieve a mainframe control list with current mainframe information to add to images which are then scanned with high speed, high quality scanners situated at 1-, 2-, and 3-Military hospitals, the Institute of Aviation Medicine (IAM) as well as at the Institute of Maritime Medicine (IMM).

With the system in place, users can now view high quality documents anywhere on the DoD intranet. A complete audit trail is available if needed for legal purposes. All documents are safely stored on the central server with digital certificates that give the latest electronic signature verification to documents which cannot be tampered with.

Clean Audit

Project Clean Audit was implemented following an audit by the Auditor General of the Department of Defence (DoD) ICT systems and asset management reporting capability. Implemented by The Department of Defence, with support from the SITA DoD Client Business Unit (CBU), the Clean Audit was rolled out primarily to address qualifications in the audit report. SITA provided the DoD with assistance in the drafting of phase 1 of the Asset Management Project Plan which enabled the adaptation of the Logistic systems to provide the required functionality.

For the first time, using the Logistic system, the South African Army, SA Air Force, South African Navy and South African Medical Services were able to align the financial asset data with the data on the Logistic systems and to accurately report on the major equipment for the 2010/2011 financial year.

SITA at a glance

Turnaround Strategy

SITA is currently undergoing transformation and this process of transformation is mapped out in a comprehensive Turnaround strategy. The SITA Turnaround strategy document is a product of wide consultations and has been pre-approved firstly by the Board of Directors of SITA as well as the Minster for Public Service and Administration who is the representative of the main shareholder. The purpose of the Turnaround strategy is to re-build and re-engineer SITA to become a customer-oriented IT service provider of choice.

Towards the end of the financial year, a lot of work was done in terms of transforming the internal business environment for optimal performance. A new business, operational, partnership and cost and pricing models were developed for implementation in the next financial year. In addition, ground work has commenced for the restructuring and reconfiguration of various work streams within the organisation in line with its value proposition. This will also include job evaluation and subsequent redistribution of resources to enhance organisational performance.

SITA as Government's Prime Systems Integrator (PSI)

As a key milestone of the Turnaround strategy, SITA is gearing up to be a Prime Systems Integrator (PSI) of government. The PSI is defined as an entity that has the strategic, management and core technical capabilities to integrate all the various production inputs, including business (legislative, policy, functional), management (governance) and technical components (sub-systems and software) with the relevant skills and knowledge to produce a system (product, construct, network or service) that is of value to Government.

SITA as Government's leading ICT agency must be able to perform as a PSI and in accordance with its mandate to provide or maintain transversal information systems; and provide data-processing or associated services for transversal information systems. The Integrated Financial Management System (IFMS) must be used as a catalyst for the PSI as stipulated in the Cabinet Memorandum No. 22 of 2007.

SITA as a PSI should demonstrate the ability to manage the life cycle of the IFMS project in line with mature industry best practice. SITA has embarked on a transformation journey that includes the re-engineering of various models in order for the organisation to become a certified Prime System Integrator (PSI).

Supply Chain Management

The "pillars" of Government's ICT House of Value which encapsulates SITA's mandate signify the principles that must guide the **value** that the organisation should contribute to the public sector ICT acquisition. Accordingly, SITA should leverage economies of scale to provide cost-effective service (i.e. use collective purchasing power of departments to negotiate lower unit prices from industry).

During the 2010/11 financial year, SITA transformed its procurement functionality into a Supply Chain Management operating and capability model. The deployment of a fully automated Supply Chain process has proven to be a challenge in the past year, however, going forward, SITA intends to improve both processes and people skills that support the Supply Chain environment.

In the year under review, SITA embarked on a process to engage key industry players within the ICT business space. This forms part of SITA's commitment to work closer with the ICT industry in an attempt to foster and grow the industry at large as well as create a common understanding of some of the goals SITA seeks to achieve as an agency on behalf of government.

During the next financial year the focus will be on fully transforming the Supply Chain Management process within SITA with a stronger emphasis on improved turnaround times, greater efficiency and value creation to all stakeholders. Additionally, there will be a shift towards visible participation of SMME's in government ICT related business within their own local communities.

Costing and Pricing

SITA has always been accused of being expensive compared with other competitors within the ICT industry. While internal analysis using the Osterwalder Business Model proved otherwise, what emerged was an apparent weakness in SITA's business model which contributed to prices not being uniform across operations.

During the year under review, a new Costing and Pricing model was developed and approved by the Board. This model will enable competitive and uniform pricing of SITA services and will enable SITA to deal directly with complaints of being expensive. The model encourages transparency of the costs to an extent that SITA customers will be in a better position to understand and negotiate services they receive.

SITA Initiative to Manage Revenue Collection

Debt management has always posed a major challenge to SITA. However, during the year under review, the Board formally requested that the finance department handles the collection of revenue as a primary responsibility.

Following that, a debt management strategy was developed as well as a debt management policy. This policy has been operational since March 2011.

A Debt Management Unit (DMU) will be established during the 2011/12 financial year to focus on minimising the debtors balance through reducing outstanding debtor's days and ultimately ensuring an increased cash flow in the organisation.

GovTech 2010

In September 2010, SITA hosted Govtech 2010 at the Durban International Conference Centre in KwaZulu-Natal.

GovTech is a strategic platform that SITA uses to strengthen partnerships with its key stakeholders in the private and public sector and to encourage collaboration and innovation in ICT matters.

GovTech Conference leverages worldwide expertise and experience of ICT leaders, decision makers and exhibitors across the public and private sector as well as SMMEs. The inclusion of SMMEs enhances the value and impact of ICT in public service delivery, to promote ICT growth as a strategic resource for local economic development and to bridge the digital divide.

Going forward, and as the organisation continues on its transformational journey that is guided by its Turnaround Strategy, SITA will leverage GovTech to reposition itself as a lead agency in public sector ICT that is developing into a high performing, customer-centred service provider and aspirant Prime systems Integrator (PSI) for government.

Enhanced Stakeholder Relations Management

SITA's engagement with all stakeholders is vital in driving the organisational transformation objectives, enhancing innovation capabilities and empowering the agency to promote effective use of information technology to ultimately deliver services to the citizens.

SITA used several platforms to strengthen and enhance Parliamentary, Inter-governmental and International Relations.

As mandated by the Board of Directors, a comprehensive SITA Stakeholder Relations Management Strategy is being developed that will be aligned with SITA's Turnaround key objectives. This will bring alignment to SITA's marketing, communications, media and stakeholder relations management to foster the Agency's subscription to and interaction with government stakeholders and other related stakeholders.

In addition, a road-show to Provincial Governments was also undertaken to effectively engage with the provincial Government offices to present SITA's Turnaround strategy as well as plan and expand on deliverables in line with the Agency's mandatory and non-mandatory ICT services.

Corporate Social Responsibility (CSR)

During the 2010/2011 financial year SITA's corporate social responsibility programme has continued to be characteristic of the era of economic transformation. The programmes continue to focus on empowering communities through ICT's and ultimately towards bridging the digital divide. SITA is also committed to sustainability and to that end strives to conduct its business operations in an environmentally responsible manner.

The ICT schools project is an integrated socio-economic development programme designed to address escalating poverty levels and under development. The primary focus this past year was on maintaining existing projects as well as providing ICT integration training. SITA has engaged SchoolNet SA, a non-profit organisation, to provide ICT integration training to seven schools in the KZN province; thereby ensuring optimal utilisation of infrastructure deployed as well as sustainability of its projects.

SITA's CSR strategy is also inclusive of employee involvement to support programme implementation. This has been achieved through employees taking the initiative to actively contribute in cash and volunteering their time to support CSI (Corporate Social Investment) initiatives both during work time as well as in their personal time. Going forward, SITA will give consideration to launching its employee volunteer programme in the next financial year affording its employees volunteer opportunities which match their interest and abilities.

In the past financial year, SITA has also continued to implement its green strategy to promote green business values. In conducting the GovTech 2010 conference, SITA adopted sustainable practices thereby ensuring a green conference. Further, SITA also launched recycle centres at some of its offices encouraging staff to actively participate in recycling waste material.

SITA ensures that its obsolete ICT equipment is safely disposed of by donating usable ICT equipment to the National Department of Education and lease workstations are sold to users. SITA has also embarked on the installation of a digital messaging system to integrate corporate communications at all SITA offices.

Currently the systems belonging to SITA and Government Departments are disparate systems. Each system has its own infrastructure that includes servers, disk storage sub-systems and back-up infrastructure. There is no sharing of resources amongst the systems. The consolidation of resources will help resolve existing problems and contribute to SITA's efforts towards a green data centre resulting in power and energy savings. In the coming year, SITA is considering the implementation of the consolidated infrastructure which will support green computing.

Conclusion

While the past year for SITA has been characterised by many challenges, there have also been many successes. With SITA well on its way into Turnaround mode, the organisation strives to deliver on all its commitments of being a high-performing, relevant, customer-oriented service provider of choice; thereby ultimately ensuring streamlined service delivery to all the citizens of this country.

Mr B K Mosley-Lefatola
Chief Executive Officer of SITA

Executive Committee
for the Year Ended 31 March 2011


Mr B K Mosley-Lefatola


Ms K P S Ntshavheni


Mr R Alli


Mr E Khan


Dr D J Mashao


Ms R E Magoma – Nthite


Ms T L Mjoli


Mr S T Mthethwa


Mr M M Mtimunye


Mr B D Mushwana


Ms N Ntsinde


Mr L M A Pama


Mr A Pretorius


Mr B E Ramfolo


Ms N J Shibambu


Mr M Tisani

Executive Committee
as at 31 March 2011

Initial and Surname	Position	Term	Qualification
Mr B K Mosley-Lefatola	Chief Executive Officer	10 Jan 2011	BA (African Political Studies and Industrial Sociology) BA Hons (Industrial Sociology)
Ms K P S Ntshavheni	Chief Operations Officer	01 Nov 2010	BA (Political Science) BA Hons (Development Studies and Labour Relations) MBA (with merit)
Mr R Alli	Acting Executive: Internal Audit Executive: Internal Audit	Acting: 01 Sept 2009 - 31 Jan 2011 Permanent: 01 Feb 2011	Chartered Accountant (SA) Certified Internal Auditor (CIA) IT Infrastructure Library (ITIL) Foundation
Mr E Khan	Executive: Information Officer Acting Executive: Solution Development, Norms and Standards	01 Jan 2008 - 04 Nov 2010 05 Nov 2010 - 31 Mar 2011	BCom (Informatics) MCP UNISA programme in Electronic Commerce
Ms R E Magoma – Nthite	Executive: Shared Services Acting Chief Executive Officer	01 Jan 2008 - 05 Aug 2010 01 Oct 2009 - 05 August 2010	Diploma in Educational Technology (Mechanical Engineering) MA (Education Technology) PhD (in progress)
Dr D J Mashao	Acting Executive: Strategic Services	13 Aug 2010 - 05 Nov 2010	PhD
Ms T L Mjoli	Executive: Supply Chain Management	01 Mar 2011	BCom BCom (Hons) MA (Business Leadership)
Mr S T Mthethwa	Acting Executive: ICT Service Delivery	05 Nov 2010	BSc MBA
Mr M M Mtimunye	Acting Chief Executive Officer	22 May 2009 - 05 Aug 2010	PG Dip Project Management MCom Project Management MBA
Mr B D Mushwana	Executive: Corporate Services	01 Feb 2011	Bluris LLB (in progress)
Ms N Ntsinde	Acting Chief Executive Officer	01 Jul 2010 - 09 Jan 2011	Certificate in Treasury (Risk Management) BProc MBA
Mr L M A Pama	Acting Executive: Business Operations	01 Sept 2009 - 04 Nov 2010	Customer Relationship Management Programme (Gordon Institute of Business Science) World Class Services Programme (Gordon Institute of Business Science) BSc (Hons) Applied Economics
Mr A Pretorius	Acting Chief Financial Officer	01 Jan 2008	Member of the Institute of Directors LLB (in progress) Chartered Accountant (SA)
Mr B E Ramfolo	Acting Executive: Regulatory Affairs and Procurement	01 Oct 2009 - 17 Sept 2010	BSc (Industrial Engineering) MSc (Industrial Engineering) MBA
Ms N J Shibambu[1]	Acting Executive: Regulatory Affairs and Procurement	18 Sept 2010 - 28 Feb 2011	BCom MBA
Mr M Tisani	Acting Executive: Shared Services	13 Aug 2010 - 04 Nov 2011	BA (History and Industrial Sociology) BA Hons (Industrial Sociology)

1 Board approved Ms NJ Shibambu's absense from the Board: 18 Sept 2010 – 28 Feb 2011

02

Human Capital Management

Human Capital Management

02

"People are our greatest asset". This statement is widely used by captains of industry the world over, and by and large is the main justification for having a Human Capital Management (HCM) Department within an organisation. Human Capital Management is the main driver towards ensuring that a company attracts and acquires the most appropriately skilled candidates and, where required, develops and enhances existing skills in order to achieve organisational goals. This is accomplished by rewarding performance, building teams, as well as ensuring that organisational harmony is maintained. The 2010/2011 financial year was particularly challenging for the organisation particularly because of the changes in strategic direction of the organisation and changes in leadership.

As a result of the Turnaround strategy, the Human Capital Management Department in its current form has been transformed into a newly re-engineered Corporate Services business unit. The main objective of this change is to consolidate shared functions whilst reducing organisational costs. Corporate Services now includes the following Departments: Human Capital, Internal Services, Legal Services, Internal IT and Risk Management.

Talent Management

Youth Development

During the 2010/2011 financial year, Talent Management focused much of its efforts on Youth Development. The organisation is moving away from the Internship Programme where training is limited and somewhat unfocussed, towards a Learnership Programme which focuses intensively on IT skills allowing graduates to acquire scarce skills in the IT field. This programme is also aligned to the Governments call to assist youth in acquiring jobs. In the past financial year the focus on Youth Development was in the Limpopo province where 47 trainees completed the Leadership programme successfully.

Training and Development

Development of skills in the organisation remains one of the key drivers towards achieving organisational objectives. As a result of a slower recovering economy, less training took place, compared to previous years, but the organisation still spent in the region of R4 million on training needs. The focus was on technical IT skills which comprised just over 65% of the training budget spent.

Organisational Design and Development

Organisational development is a key component of transforming SITA. The agency is charged with creating strategies for a cohesive culture to convert SITA into a high performing organisation which will ultimately be an employer of choice.

A recent climate survey shed light on some important aspects of the organisation. One of the most interesting outcomes was that employees want to be involved in decision-making in the organisation and prefer to be informed so that they can be partners in any change process.

Most employees who responded to the culture survey are hopeful about the Turnaround strategy and believe that change was inevitable for SITA. There seems to be a comprehensive understanding that the organisation has to adjust its business processes in order to meet and satisfy customer requirements. Therefore, a comprehensive Change Management strategy has been developed and is being implemented throughout the organisation.

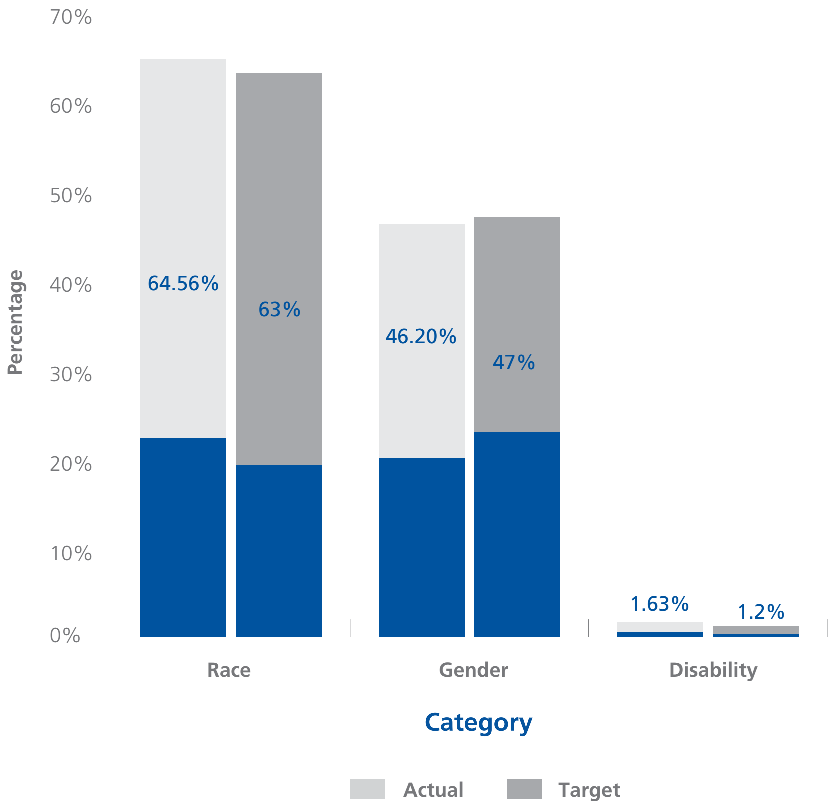
Organisational Size and Demographics

Over the past five years the organisation has not increased significantly in size, and, in order to achieve organisational goals, Temporary Employment Services (TES) were engaged to achieve organisational objectives. During the past financial year, in a drive to reduce costs, SITA embarked on an effort to drastically reduce the number of TES employees within its ranks.

The total number of employees for the 2010/2011 financial year was three thousand four hundred and forty four. Two thousand five hundred and eighty two of these individuals or 74.97% were permanent employees and eight hundred and sixty two or 25.03 % were Temporary Employment Services employees. This is viewed as a healthy ratio for the organisation as almost three quarters of the workforce was permanently employed.

In the quest to adhere to the Employment Equity (EE) legislative requirements, the composition of permanent employees met the set targets to a large degree. The graph below indicates the performance against set EE targets for the past financial year, considering the well documented fact that there is a dire shortage of qualified IT personnel in the country. A challenge exists in attracting appropriately qualified female candidates who can occupy middle and high level management positions. The table on page 32 displays a more detailed representation of SITA's EE status as at the end of the 2010/2011 financial year.

EE Target Performance



Graph1: EE target performance

Employment Equity Status

Job Level	African			Coloured			Indian			White		
	F	M	T	F	M	T	F	M	T	F	M	T
A1A3	24	35	59	0	0	0	0	0	0	0	0	0
B1B2	34	21	55	1	0	1	0	0	0	0	0	0
B3B5	175	141	316	31	16	47	6	8	14	54	18	72
C1C2	161	155	316	15	23	38	6	9	15	61	49	110
C3C5	149	188	337	19	29	48	12	40	52	146	195	341
D1D3	94	112	206	9	16	25	12	20	32	134	192	326
D4D5	21	32	53	2	5	7	3	12	15	14	42	56
E1E3	5	12	17	1	1	2	1	4	5	1	9	10
F1F2	3	2	6	0	0	0	0	1	1	0	0	0
F3	0	1	1	0	0	0	0	0	0	0	0	0
Total	**666**	**699**	**1365**	**78**	**90**	**168**	**40**	**94**	**134**	**410**	**505**	**915**

Table1 : Employment Equity Status

Employee Wellness

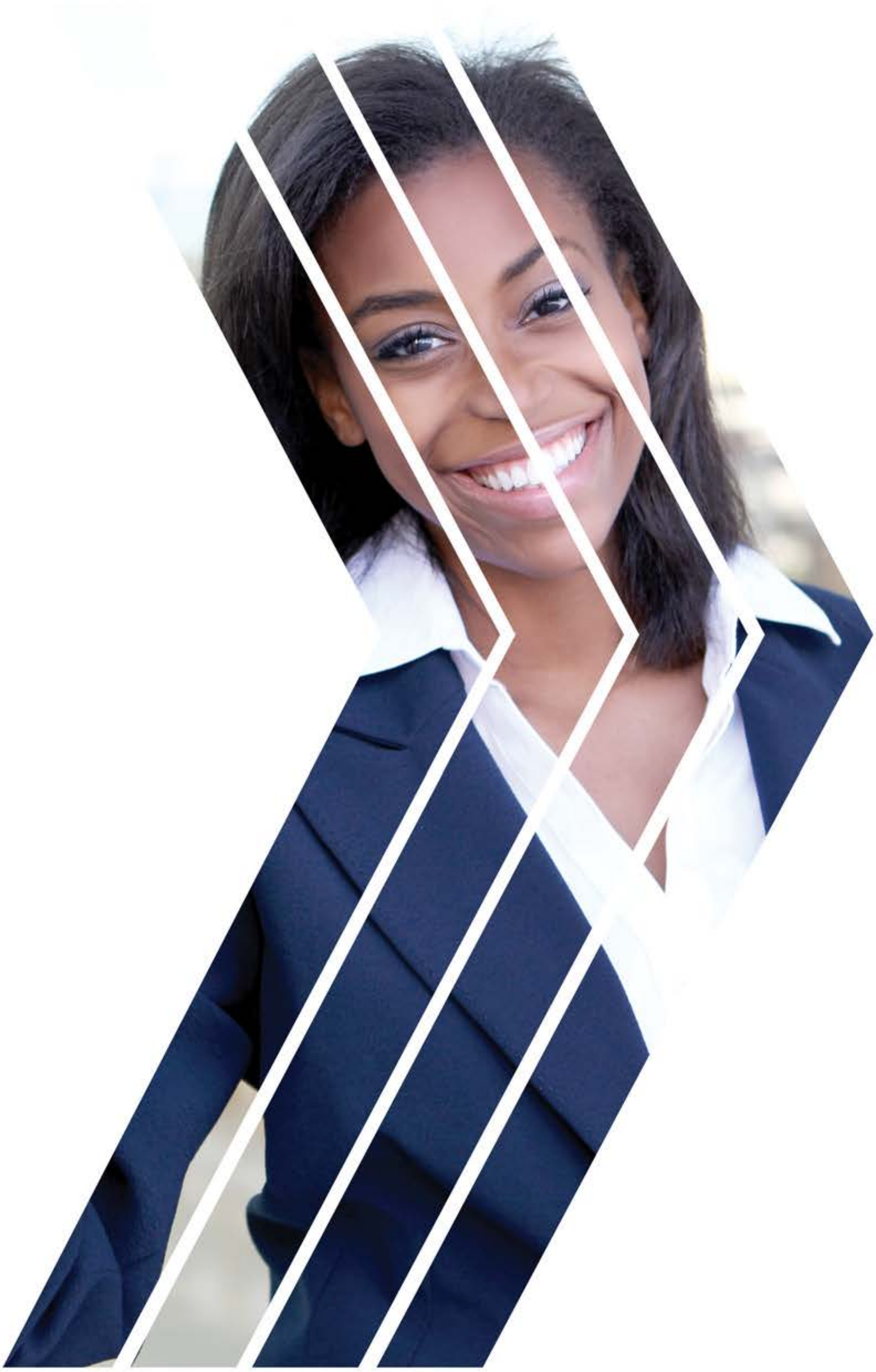
As part of SITA's commitment to employee wellbeing, SITA through the Employee Health and Wellness division has planned, developed and implemented HIV/ AIDS strategies which include: a non-discrimination policy, primary health and disability programmes, and chronic conditions management processes. In addition, the Wellness Department is sufficiently equipped to manage all aspects relating to continuous transformation. A service provider has been appointed to assist employees in coping with the anxiety and tension that could be experienced during organisational change processes.

Personnel Security Vetting

Personnel security is crucial in SITA's business due to the level and sensitivity of information. The organisation continues to ensure that its labour force maintains the highest level of security competency, as prescribed by the Departments of State Security and Defence. In order to ensure that the classified information of the organisation and that of its clients is not compromised, all employees undergo a security clearance investigation, to the required level, as part of their employment conditions. The company maintains a close relationship with the Intelligence Community in order to ensure that its personnel security measures meet the prescribed legislative requirements. Over 44% of all employees and contractors are currently in possession of a valid security clearance, issued by either the Department of State Security or Defence Intelligence. A further 44% of clearances have been completed and are currently with the vetting authorities for evaluation and issuing. The remaining 12 percent consists of new employees, new contractors and expired clearances, which are addressed at individual level.

Total Permanent Employees			Total EE			Race %		Gender %		Disabled		
F	M	T	F	M	T	Total	Target	Female	Target	No	%	Target %
24	35	59	24	35	59	100.00%	63.00%	40.68%	47.00%	0	0.00%	1.20%
35	21	56	35	21	56	100.00%	63.00%	62.50%	47.00%	0	0.00%	1.20%
266	183	449	212	165	377	83.96%	63.00%	59.24%	47.00%	18	4.01%	1.20%
243	236	479	182	187	369	77.04%	63.00%	50.73%	47.00%	7	1.46%	1.20%
326	452	778	180	257	437	56.17%	63.00%	41.90%	47.00%	10	1.29%	1.20%
249	340	589	115	148	263	44.65%	63.00%	42.28%	47.00%	3	0.51%	1.20%
40	91	131	26	49	75	57.25%	63.00%	30.53%	47.00%	4	3.05%	1.20%
8	26	34	7	17	24	70.59%	63.00%	23.53%	47.00%	0	0.00%	1.20%
3	3	7	3	3	7	100.00%	63.00%	42.86%	47.00%	0	0.00%	1.20%
0	1	1	0	1	1	0.00%	63.00%	0.00%	47.00%	0	0.00%	1.20%
1194	**1388**	**2582**	**784**	**883**	**1668**	**64.60%**	**63.00%**	**46.24%**	**47.00%**	**42**	**1.63%**	**1.20%**

03



Corporate Governance

Corporate Governance

Introduction

The Board of Directors of SITA (Proprietary) Limited regards corporate governance as fundamental to the success of the business. The Board is fully committed to ensuring that good governance is practised in order for the company to remain a sustainable and viable business. This commitment is embraced at all levels of the company.

SITA ensures that its processes and practices are regularly reviewed for compliance with legal provisions, the use of funds in an economic, efficient and effective manner, and adherence to good corporate governance practices. Processes and practices are underpinned by the principles of transparency, integrity and accountability as well as an inclusive approach that recognises the importance of all stakeholders.

Compliance remains a priority for the organisation. As a state owned enterprise, SITA is guided by the principles of the Code of Corporate Practices and Conduct contained in the King III report on Corporate Governance for South Africa. Furthermore, the statutory duties, responsibilities and provisions imposed on the Directors of SITA by the Companies Act 61 of 1973, are augmented by those contained in the SITA Act no. 88 of 1998 as amended, and the Public Finance Management Act (PFMA), 1 of 1999, as amended by Act 29 of 1999.

Shareholding

The Government of the Republic of South Africa is the sole shareholder of SITA. The shareholder representative is the Minister for Public Service and Administration.

Shareholder Compact

SITA, in the spirit of good governance and in consultation with its Executive Authority the Minister for Public Service and Administration, annually concludes a Shareholder Compact which documents the mandated key performance measures and indicators to be attained by SITA, as agreed between the Board of Directors (Accounting Authority) and the Executive Authority. This compact is not intended to interfere in any way with normal company law principles.

In terms of the compact, the relationship between the shareholder and the Board is preserved, as the Board is responsible for ensuring proper internal controls are in place and that SITA is effectively managed.

Governing Bodies

Board of Directors

Composition of the Board

Details of the Directors appear on pages 12 to 15.

The SITA Act No 88 of 1998, as amended, provides that SITA will be governed and controlled by a Board of Directors appointed by the Minister after consultation with Cabinet.

SITA has a Board structure comprising thirteen Non-Executive Directors and one Executive Director as at 31 March 2011. In addition, it has four Alternate Directors who are invited to attend all Board meetings in the interest of continuity.
Non-Executive Directors, including Alternate Directors, are appointed for a term of three years and retire by rotation, but are eligible for reappointment. Executive Directors have standard employee service contracts.

Board meetings are scheduled annually in advance, and additional meetings are convened as and when material issues arise requiring decisions by the Board.

Attendance at Meetings During the Period Under Review

Name	Board Meetings	Audit & Risk Committee	Finance and Capex Committee	Human Resource & Remuneration Committee	Stakeholder Management and Communications Committee	Procurement Committee	Ethics and Governance Committee	Chairperson's Committee
Number of meetings held	**19**	**7**	**8**	**18**	**6**	**13**	**3**	**9**
Ms Z P Manase (Chairperson)	15	5	-	8	3	4	-	3
Ms F C Potgieter-Gqubulé (Deputy Chairperson)	17	1	-	6	2	-	1	8
Ms S V Bvuma	19	-	-	18	4	-	2	9
Ms C B Clark[1]	0	-	-	-	-	-	-	-
Mr P R Kgame	15	-	-	-	3	13	-	9
Mr C C W Kruger	16	-	7	-	-	-	0	-
Mr A M Luthuli[2]	4	-	3	1	-	-	1	-
Mr W S Mabena	17	4	-	5	6	12	2	7
Ms M Makhekhe – Mokhuane[3]	2	-	-	1	-	-	-	-
Ms K T Mdlulwa	16	5	-	2	3	8	2	6
Ms T Moloko	5	3	-	13	-	-	-	-
Prof M I Mphahlele	16	6	-	-	6	-	1	8
Ms K R Mthimunye	14	1	8	-	-	11	-	8
Ms N Ntsinde[4]	14	2	-	-	1	-	-	1
Ms R Sekese[5]	2	-	-	-	-	-	-	-
Ms N J Shibambu[6]	10	-	-	5	3	-	1	-
Mr B K Mosley-Lefatola[7]	3	-	-	-	-	-	-	-
Alternates								
Ms B M Malongete	11	-	7	13	-	-	-	-
Ms N M Mhlakaza	3	5	-	-	-	-	2	-
Mr D C Niddrie	0	-	4	-	-	-	-	-
Mr G Pillay	12	5	-	9	1	-	2	-

1 Resigned on 30 April 2010
2 Resigned on 28 February 2011
3 Resigned on 30 April 2010
4 Granted leave of absence from the Board to act as CEO from 01 July 2010 until 09 January 2011
5 Term ended 14 October 2010
6 Granted leave of absence from the Board to act as Executive: Procurement and Regulatory Affairs from 18 September 2010 until 28 February 2011
7 Appointed on 10 January 2011

Role and Function of the Board

The SITA Board is the Accounting Authority in terms of the provisions of the PFMA.

The role of the Board embraces the following:

- Providing strategic direction and leadership
- Determining the goals and objectives of the company
- Approving key policies including investment and risk management
- Reviewing the company's annual goals and strategies for achieving its objectives
- Approving and monitoring compliance with corporate plans, financial plans and budgets
- Reviewing and approving the company's financial objectives, plans and expenditure
- Considering and approving the annual financial statements, interim statements and notices to the Shareholder
- Ensuring good corporate governance and ethics
- Monitoring and reviewing the company's performance and effectiveness of internal controls
- Ensuring effective communication with relevant stakeholders
- Liaising with and reporting to the Shareholder
- Providing key guiding initiatives
- Approving transactions beyond the authority of Management

Delegation of Authority

The Board retains full and effective control over the operations of the organisation. This responsibility is facilitated by a well-developed governance structure comprising various Board Committees and a Delegation of Authority Framework. This framework assists in the management and control of the company decision-making process and does not dilute the duties and responsibilities of the Directors.

Director Induction and Orientation

All new Directors are taken through an induction programme that is designed to enhance their understanding of SITA's legislative framework, its governance processes and the nature and operations of its business.

Continuous training is also provided on request to meet the needs of Directors. Directors are also made aware of new laws and regulations on an ongoing basis.

Directors' Remuneration

Non-Executive Directors who are not employed by government receive fees for their contribution to the Board and the Committees on which they serve. Fees are determined by the Minister, from time to time, with the concurrence of the Minister of Finance. Non-Executive Directors are also reimbursed for out-of-pocket expenses for the execution of work incurred on the company's behalf.

Further information on Directors' remuneration appears on pages 118 to 125.

Company Secretariat Function

Directors have unrestricted access to the advice and services of the Company Secretary as well as the Secretariat Department. The Directors are entitled to obtain independent professional advice at SITA's expense should they deem this necessary.

In addition to the Company Secretary's normal duties and functions as prescribed in the Companies Act and further outlined in the King III report, the Company Secretary assists with other assurance functions in the monitoring of SITA's compliance in terms of the provisions of the PFMA, Companies Act and other relevant legislation

Board Sub-Committees

Board Sub-Committees exist to assist the Board in discharging its responsibilities. This assistance is rendered to the Board in the form of recommendations and reports received from Management which are submitted to Board meetings in ensuring transparency and full disclosure of Sub-Committee activities. Each Committee operates within the ambit of its defined terms of reference that sets out the composition, role, and responsibilities, delegated authority and meeting requirements of the Committee. All Board Members may attend the Sub-Committees by invitation.

The Board has the following Sub-Committees:

- Audit and Risk Committee
- Finance and Capital Expenditure Committee
- Human Resource and Remuneration Committee
- Procurement Committee
- Ethics and Governance Committee
- Stakeholder Management and Communications Committee
- Chairperson's Committee
- Executive Management Committee (EXCO)

Audit and Risk Committee

The SITA Audit and Risk committee was established in terms of section 51(1)(a)(ii) of the PFMA and section 27.1.1 of the Treasury Regulations (PFMA 76(4)(d) whereby the board must establish an audit committee as a sub-committee of the board. This requirement is supported by King III. In terms of King III, the Board may appoint a Risk Committee to review the risk management process and the significant risks facing the company, and to report on these matters to the Board. The Audit and Risk Committee operates within a terms of reference which is reviewed by the Board on an annual basis.

The membership of this committee comprises the Chairperson who is a Non-Executive Director and other Non-Executive Directors. Management and the External Auditors may attend by invitation. A qualified and experienced external member was appointed in March 2011 to strengthen the membership from a financial perspective.

The committee monitors compliance with relevant legislation and ensures that appropriate systems of internal control are implemented and maintained to protect SITA's interests and assets. It reviews the activities of the Internal Audit Department and its effectiveness. It is also responsible for the evaluation of the independence, objectivity and effectiveness of the external auditors and the review of accounting and auditing concerns identified by internal and external audits. The committee reviews the accuracy, reliability and credibility of financial reporting, and recommends the annual Financial Statements and the Annual Report, together with the external auditors' report, for approval by the Board.

The committee reviews the adequacy and overall effectiveness of the company's Risk Management strategy, policy, procedures and functions as well as the implementation by Management of internal risk control and risk recommendations, and ensures that appropriate actions have been taken.

Finance and Capital Expenditure Committee

The Finance and Capital Expenditure Committee is a Sub-Committee of the SITA Board and comprises Non-Executive members. SITA Management is invited to attend committee meetings when appropriate.

The committee assists the Board in discharging its responsibilities in the form of recommendations and reports submitted to Board meetings regarding financial matters in which transparency and full disclosure of committee activities are ensured.

Human Resources and Remuneration Committee

The Human Resources and Remuneration committee comprises Non-Executive Directors. Management may attend by invitation.

The committee:

- Makes recommendations to the Board on the appointment of Senior Executives and General Managers
- Is responsible for the oversight and monitoring of the Human Capital Management strategies and implementation within the company
- Determines, agrees on, and develops the company's general policy on executive and senior management remuneration
- Recommends to the Board specific remuneration packages for Executive Management

Procurement Committee

The Procurement Committee is chaired by a Non-Executive Director supported by other Non-Executive Directors as members. Members of Management may attend meetings by invitation. The objective of the Procurement Committee is to provide the final evaluation and approval of all tenders that are recommended by Management for award, as well as the renewal of contracts that have expired. Before tenders are awarded by this committee, the Internal Audit Department executes agreed procedures on all tenders.

Ethics and Governance Committee

The Ethics and Governance Committee is chaired by a Non-Executive Director, supported by other Non-Executive Directors as members. Management may attend by invitation.

The objective of the committee is to evaluate SITA's governance structures, meeting terms of references, governance in SITA in general, and to make recommendations to the Board and Management on the improvement, execution and control of governance and ethics in the company.

Stakeholder Management and Communications Committee

The Stakeholder Management and Communication Committee is a Sub-Committee of the SITA Board of Directors.

The objectives of this committee are to:

- Define the SITA Stakeholder Management strategy in line with the SITA mandate
- Guide and lead the implementation of the strategy
- Monitor the development and implementation of the strategy
- Ensure efficient stakeholder relations
- Monitor the strategy capability requirements

Chairperson's Committee

The Chairperson's Committee is chaired by the Deputy Board Chairperson and comprises the Chairperson of the Board and all other Chairpersons of the above mentioned Board Sub-Committees. The Chief Executive Officer and Executive Management may attend the meeting by invitation.

The Committee is responsible for guiding and leading the strategic direction of SITA and the implementation thereof.

Their role includes:

- Defining the SITA strategy in line with SITA's mandate
- Guiding and leading the implementation of the strategy
- Developing and managing the strategy capability requirements
- Managing business needs

Executive Management Committee (EXCO)

EXCO is chaired by the Chief Executive Officer and the membership comprises the Executives of SITA's various departments. Meetings are attended by other relevant corporate officials by invitation. Details of the EXCO members appear on pages 27 and 28.

The committee assists the Chief Executive Officer in guiding and controlling the overall direction of the business and in exercising executive oversight. It is responsible for ensuring the effective management of the day-to-day operations of the business.

Executive Committee (EXCO)

Members	Attendance
Number of meetings held	27
Mr B K Mosley-Lefatola[1]	7
Mr E Khan[3]	26
Ms R E Magoma-Nthite[4]	4
Dr D J Mashao[12]	11
Mr S T Mthethwa[9]	9
Mr M M Mtimunye[5]	7
Mr B D Mushwana[10]	5
Ms K P S Ntshavheni[8]	9
Ms N Ntsinde[2]	15
Mr A Pretorius	25
Mr B E Ramfolo[6]	11
Ms N J Shibambu[7]	8
Mr M Tisani[11]	11

1 Appointed as Chief Executive Officer on 10 January 2011
2 Acted as Chief Executive Officer from 01 July 2010 until 09 January 2011
3 Acting Executive: Solution Development, Norms and Standards from 05 November 2010 until 31 March 2011
4 Leave of absence from 05 August 2010
5 Leave of absence from 05 August 2010
6 Acting Executive: Procurement and Regulatory Affairs from 01 Oct 2009 until 17 Sept 2010
7 Seconded by the DPSA as Acting Executive: Supply Chain Management from 18 September 2010 until 28 February 2011
8 Appointed Chief Operations Officer on 01 November 2010
9 Acting Executive: ICT Service Delivery from 05 November 2010
10 Appointed Executive: Corporate Services on 01 February 2011
11 Acting Executive: Shared Services from 13 August 2010 until 05 August 2010
12 Acting Executive: Strategic Services from 13 August 2010 until 05 August 2010

Public Finance Management Act (PFMA), no. 1 Of 1999

The PFMA regulates financial management inclusive of all revenue, expenditure, assets and liabilities in state owned enterprises in order to ensure that they are managed efficiently and effectively and to provide for the responsibilities of persons entrusted with financial management. The Board, as the Accounting Authority, complies with these fiduciary duties as set out in the PFMA. In terms of the PFMA, the responsibilities of the Board include inter alia taking appropriate action to ensure that:

- Economic, efficient, effective and transparent systems of financial and risk management and controls are in place;
- All major capital projects are evaluated prior to a final decision on each project;
- Appropriate and effective measures are implemented to prevent unauthorised, irregular, fruitless and wasteful expenditure, expenditure not complying with legislation, or losses from criminal or fraudulent conduct;
- All revenues due to SITA are accounted for;
- There is economic and efficient management of available working capital;
- The definition of objectives and the allocation of resources are allocated in an economic, efficient, effective and transparent manner.

In terms of the Treasury Regulations (TR 28.3.1), SITA as Accounting Authority must, for purposes of 'material' and 'significance', in terms of sections 54(2) and 55(2) of the PFMA, develop and agree on a framework of acceptable levels of materiality and significance with the relevant Executive Authority.

The King III report requires that disclosure be made on matters of significance, interest and relevance to the Shareholder and a wide range of stakeholders. The Accounting Authority should establish guidelines of materiality for disclosure by the organisation. The materiality and significance framework is reviewed and updated annually. The materiality and significance framework for the financial year under review, which is determined and annually reviewed by Management and approved by the Board, is as follows:

Material and Significance Framework

Section	Requirement	Material/Significant
Section 50(1)	The Accounting Authority for a public entity must – **(c)** On request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way may influence the decisions or actions of the executive authority.	SITA submits quarterly reports to the executive authority which include all relevant information which may influence the decisions or actions of the executive authority. These reports cover ***all*** transactions/ventures not included in the SITA strategic plan and SITA mandate and all other information as requested/required by the Minister.
Section 51(1)(g)	An Accounting Authority for a public entity must promptly inform the National Treasury on any new entity which that public entity intends to establish or in the establishment of which it takes the initiative.	SITA will inform the National Treasury of individual transactions covered by this section irrespective of the materiality or significance of the transaction. The application will be done simultaneously with the section 54 application to the DPSA.
Section 54(2)	Before a public entity concludes any of the following transactions, the Accounting Authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction :	**1. Quantitative factors** **1.1** **Sections 54(2)(a)-(e)** : Any transaction will be regarded as significant if its rand value exceeds **R40 million**. This materiality figure is based on a percentage of 1.5% (the recommended range is 1% - 2%) applied to the total assets value of **R 2.6 billion**. The asset value was used because the transactions to which the materiality limit relates are asset-based. 1.2 Section 54(2)(f) : Any change in interest will be regarded as significant if the rand value exceeds R28 million. This figure is based on a percentage of 0.7% (the recommended range is 0.5% - 1%) applied to the total revenue of R4.0 billion. Revenue was used as a basis to determine the materiality limit because it is more appropriate to the nature of transactions than assets.
	(a) establishment or participation in the establishment of a company;	**2. Qualitative factors** The following qualitative factors will be taken into account when determining the significance of transactions : 2.1 Any transaction of this nature that causes any interest (equity or loans) to be taken by SITA in the company to be established requires approval from the Executive Authority irrespective of its materiality or significance.

Section	Requirement	Material/Significant
		2.2 Concerning participation in the establishment of a company, where an interest (equity or loans) is to be taken by SITA in the company to be established, any involvement by SITA in the establishment process will necessitate an application for approval, regardless of the degree of involvement by SITA. 2.3 Flowing from 1 and 2 above, where no interest (equity or loans) is to be held by SITA in the company to be established, for instance, where SITA is only facilitating the formation on behalf of or with other parties in pursuance of a social objective, such participation need not necessitate an application for approval. 2.4 The establishment (or participation in the establishment) by SITA of any company that is domiciled outside the Republic of South Africa requires approval from the Executive Authority irrespective of the materiality or significance of the transaction. 2.5 For purposes of establishment of an entity as envisaged under section 51(1)(g), the above principles will also apply.
	(b) Participation in a **significant** partnership, trust, unincorporated joint venture or similar arrangement;	2.6 Any transaction that entails incorporation under the Companies Act (or similar foreign legislation) should be dealt with under 2.1 to 2.5 above. 2.7 For transactions not entailing incorporation, any transaction will be considered as significant if participation is in any partnership, trust, unincorporated joint venture or similar arrangement that is located outside the Republic.
	(c) acquisition or disposal of a **significant** shareholding in a company;	2.8 Transactions are to be regarded as significant where ownership control is affected; or 2.8.1 SITA's right to pass or block a special resolution is affected; or 2.8.2 there is a change in shareholding of at least 20%; or 2.8.3 for an acquisition, any transaction results in a shareholding of at least 20% in a company.

Section	Requirement	Material/Significant
	(d) acquisition or disposal of a **significant** asset;	2.9 Although the acquisition or disposal of shares or of an interest in an unincorporated vehicle, as envisaged by sections 54(2)(b), (c) and (f), would also be an acquisition or disposal of an asset, such transactions are more appropriately dealt with under the guidelines for those sections. 2.10 Assets classified as current assets according to GAAP are not regarded as falling under this subsection. 2.11 Regarding the acquisition of assets through a finance lease, the principles in 2.10 above will apply.
	(e) commencement or cessation of a **significant** business activity; and	2.12 A business activity that falls within SITA's core business is not regarded as falling under this subsection.
	(f) a **significant** change in the nature or extent of its interest in a **significant** partnership, trust, unincorporated joint venture or similar arrangement.	2.13 The significance of a change in interest should only be considered if the participation in the partnership, trust, unincorporated joint venture or similar arrangement was originally regarded as significant per 2.12 above. 2.14 Where the nature changes between any of the vehicles (that is between a partnership, trust, unincorporated joint venture or similar arrangement), this will be regarded as significant. 2.15 Any transaction that results in a cumulative interest of at least 20% in the vehicle (partnership, trust, unincorporated joint venture or similar arrangement) is regarded as significant. 2.16 Any subsequent transaction that results in an increase of the cumulative interest by at least 10% in the vehicle (partnership, trust, unincorporated joint venture or similar arrangement) is regarded as significant.
Section 55(2)	The annual report and financial statements referred to in subsection 55(1)(d) must – (b) include particulars of – (i) any **material** losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year;	2.17 Losses in excess of **R50, 000** arising from criminal conduct are considered to be material and will be reported in accordance with the provisions of section 55(2) of the PFMA. 2.18 Any individual transaction arising from irregular expenditure and fruitless & wasteful expenditure will be considered to be material and will be dealt with in accordance with the provisions of section 55(2) of the PFMA irrespective of the rand amount involved.

Internal Control

Internal Audit

SITA Internal Audit was established in terms of section 51(1) (a) (ii) of the Public Finance Management Act (PFMA) which requires the Accounting Authority (the Board) to ensure that SITA has and maintains a system of Internal Audit under the control and direct supervision of the Audit and Risk Committee (ARC). The Internal Audit department has the authority to independently determine the scope and extent of work performed. The purpose, authority and responsibility of the Internal Audit function is formally defined in the internal audit charter which is annually reviewed and submitted to the Audit and Risk Committee (ARC) and the SITA Board for approval. In accordance with the overriding requirement of independence and objectivity, the Executive: Internal Audit reports functionally to the Chairman of the Audit and Risk Committee and administratively to the Chief Executive Officer. Internal Audit provides assurance services to evaluate and assist Management in improving the effectiveness of risk management, control and governance processes within SITA.

Internal Audit conducts its audits and reviews in accordance with the standards set by the International Professional Practices Framework (IPPF) as promulgated by The Institute of Internal Auditors (IIA) and the standards set by the Information Systems and Control Association (ISACA). All internal auditors are required to apply and uphold the principles of integrity, objectivity, independence, confidentiality and competency under the IIA's formal Code of Ethics.

Internal Audit continues to improve its operational efficiencies through the continued training of its staff, strengthening of its Quality Assurance and Improvement Programme and keeping updated with developments within the profession.

Specific effort is being invested in developing more sophisticated audit techniques to enhance its value proposition to business which consists of the introduction and implementation of more value adding audit procedures, and focusing on high risk priority areas, and continuous auditing and monitoring.

An automated solution and process for following up on previously reported audit findings was developed by Internal Audit and successfully implemented during the year with full real-time workflow functionality. This has greatly assisted management in the tracking of all audit findings within their environments including their online status, quicker resolution times of audit findings, and more accurate reporting on the outstanding issues to both management and the Audit and Risk Committee.

The Internal Audit Plan for the 2010/11 financial year was developed through the identification of key high risks that were derived from SITA's internal risk management processes, discussions with management and SITA's strategic plan. Internal Audit follows a risk-based audit approach in conducting its audits. The best practice recommendations of the King III report on Corporate Governance and the requirements of the new Companies Act of 2008 were considered in developing the Internal Audit Plan.

The Internal Audit Plan was approved by the Audit and Risk Committee at the beginning of the financial year. The Internal Audit Plan is regularly reviewed and is updated when necessary in response to any new and emerging risks identified that may impact on the risk profile of the company. The Executive: Internal Audit attends all Audit and Risk Committee meetings where reporting occurs on all identified material or significant control weaknesses, the actions taken by Management to address the control deficiencies, progress and performance made on its plan including any significant matter that may need to be brought to the attention of the Audit and Risk Committee. The Internal Audit quarterly report assists the Audit and Risk Committee in discharging its responsibilities in terms of the National Treasury Regulations.

An independent Quality Review Assessment of the Internal Audit function is scheduled for later this year to assess whether Internal Audit is conducting its activities in compliance with the International Standards for the Professional Practice of Internal Audit.

Integrity Assurance Services (Forensic Investigations)

In support of the strategic intent of SITA, Internal Audit has an in-house forensic capability that allows it to conduct all forensic investigations in response to Management and Board requests. SITA also operates an independent complaints ethics hotline which allows the public and employees to report any alleged fraud, corruption, improper conduct and other contraventions of SITA's Code of Ethics.

Investigations are conducted independently and reported to the Audit and Risk Committee. Internal Audit monitors the outcome of all actions taken by Management on all forensic investigations reported. The integrated Anti-Fraud and Prevention strategy is reviewed annually and updated where necessary to reduce the incidents, possible risks, irregularities and fraud.

Responsibility of Reporting

In order to present a balanced and understandable assessment of its position, SITA continuously strives to ensure that reporting and disclosure to stakeholders are comprehensive, relevant, transparent, clear and effective. It places great emphasis on addressing both positive and negative aspects in order to demonstrate the long-term viability and sustainability of the organisation.

Risk Management

In terms of section 51 (1) of the Public Finance Management Act of 1999, the Board maintains an effective, efficient and transparent system of, among others, risk management. The recommendations of the King III report on the Code for Corporate Governance have been considered, applied and integrated in the daily activities of all employees within the organisation.

However, following the appointment of the new Board of Directors and the concurrent implementation of the Turnaround Strategy, the risk profile of SITA had changed substantially. The formal annual risk assessment that is required to be performed in terms of the PFMA and National Treasury regulations was not adequately concluded before the end of the financial year.

The Stakeholder, Ethics and Governance Committee were established during the financial year to ensure that the organisation has a robust risk management function in place. The Board is responsible for the governance of risk, ensuring that a comprehensive enterprise-wide Risk Management strategy has been developed and implemented, as well as the acceptable risk appetite and risk tolerance levels have been set. The Board has ensured that appropriate mechanisms for the monitoring and reporting of risks by Management have been implemented.

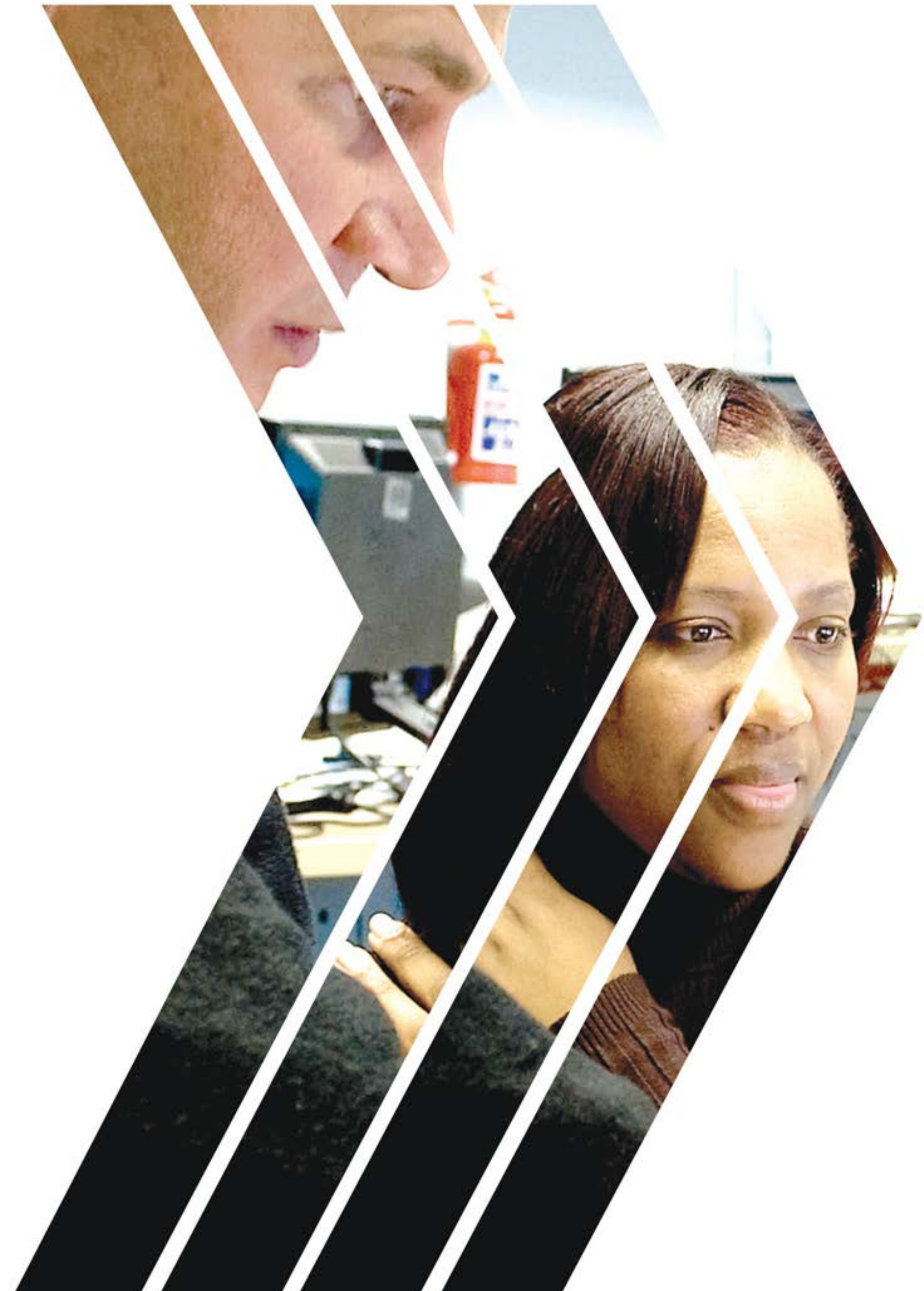
SITA's Risk Management methodology is based on the guidelines of the Risk Management Framework as issued by the National Treasury. A formal risk assessment is conducted annually by the Board and Management.

Risk Management includes the identification and assessment of key risks, their designs, the implementation and continual review and monitoring strategy processes to ensure that all risks are managed and mitigated to acceptable levels as set by the Board.

The SITA strategic risk profile, which comprises all risks that could have a material impact on the achievement of SITA's strategic objectives are continually evaluated and monitored at both Board and Executive level. Risk registers are maintained by the various lines of businesses to ensure that all identified risks are cascaded to an operational level with proper mitigation recommendations.

Communication with Stakeholders

SITA recognises the rightful interests of stakeholders in its affairs, including government as shareholder, government departments, employees, consumers, suppliers, the media, policy and regulatory bodies. Communication and interactive initiatives with stakeholders are ongoing and are addressed through appropriate channels depending on the different needs of the various stakeholders.



04

Performance Against Strategic Objectives

For the Year Ended 31 March 2011

Objective	Key Performance Indicator	Target
Financial Perspective		
Financial viability and sustainability	Liquidity ratio	≥1.5:1
	Solvency ratio	≥2:1
	Debtor Days	≤ 30 Days
	Profitability	≥ Budgeted Gross Surplus achieved
		≥ Budgeted Operating Margin achieved
	Return on Investment	ROI Strategy and Plan approved
Customer Perspective		
Stakeholder and Customer Relationship management	Stakeholder Satisfaction Index (SSI)	SSI Study Commissioned
	Customer Satisfaction Index (CSI)	CSI Study Commissioned
Economies of Scale (SCM)	Cost saving on Hardware, Software Licenses and Services purchase	Hardware and Software License Management strategy approved; Government Hardware, Software and Services Baseline Established for major suppliers:
Customer Contract Compliance	Standardisation and compliance of Service Level Agreements (SLA)	Service Strategy approved

For the Year Ended 31 March 2011

Performance Result	Variance Explained
Achieved : Liquidity ratio was 2.22:1	No variance
Achieved : Solvency ratio was 2.40:1	No variance
Not Achieved:	Debtors days were 56.6, this was a result of: a. Delays in payment from customers b. Service delivery disputes c. Debt management strategy only finalised towards end of the financial year
Achieved : Budgeted Gross Surplus achieved was **R763.3m.** Actual Gross Surplus was **R775.0m**	No variance
Achieved : Budgeted Operating Margin achieved was **1.04%.** Actual Operating Surplus Margin was **4.34%**	No variance
Not Achieved:	This activity was postponed due to capacity constraints
Achieved: SSI Study was commissioned Achieved: CSI Study was commissioned	No variance No variance
Not Achieved: **Not Achieved:**	Draft strategy document available and awaiting the alignment of the Partnership and Engagement models Engagements with OEM's in process.
Not Achieved : SLA templates were developed for standardisation	SLA templates to be aligned to the strategy

For the Year Ended 31 March 2011

Objective	Key Performance Indicator	Target
Internal Perspective		
Service Portfolio Management	Performance against metrics as contracted in SLA: a. Hosting Services b. Network Services c. Internet Services d. Other Services (excluding SCM)	a. Hosting ≥99% b. Network ≥95% c. Internet ≥98% d. Other ≥95%
	Systems Integration Capability	PSI capability establishment team in place. The ToR & PSI Roadmap approved by Board
SCM Performance, processes, systems and integrity	SCM Capability Maturity Level	SCM Framework approved
	SCM Service Performance Index	Average turnaround time for SCM Services: a. Tenders ≤ 78 working days b. Contracts ≤ 30 working days.
SCM Contract management	Contract Management Practice	Contract Database in Place
Pricing and Costing	Standardised Costing and Pricing Framework across service portfolio	Cost Recovery and Pricing Models developed and approved by Board
Integrated systems, processes, people & technology	Integrated Financial Systems Implemented	1. Business Intelligence Toolset implemented for Finance and Business Operations; 2. Business Intelligence Toolset for Projects and Customer Relationship Management procured
	URS for Budgeting approved	Budgeting System acquired
Regulatory Role	Government ICT Standards, Certification and Research	Government Convergence Framework submitted for Board approval
		Inventory of Government Transversal Information Systems commenced; Over 50% captured (assumption there is over 2000 systems)
		Interoperability standards updated and approved by EXCO
		Research Plan to Support Government POA and Outputs
Governance, Monitoring and Compliance	Level of Compliance and audit findings to Governance Risk and Controls.	GRC Framework approved by Board and Implemented according to Plan
		≥ 75% of critical audit findings on FY2009/10 mitigated or resolved

For the Year Ended 31 March 2011

Performance Result	Variance Explained
Achieved: a. Hosting ≥99% b. Network ≥95% c. Internet ≥98% d. Other ≥95%	No variance
Achieved	No variance
Achieved: SCM capability model finalise. SCM Framework approved	No variance
Not Achieved: Average turnaround time for SCM Services: a. Tenders ≤ 160 working days b. Contracts ≤ 102 against turnaround time of 30 working days	The delays were due to: 1. Back-logs from the previous years. 2. Lack of capacity 3. Poor performance
Achieved: Manual Contract Database in Place	No variance
Not Achieved	A draft costing and pricing policy and models were compiled, the delays in approval were as a result of incomplete commercial service catalogue, which is impacted by the pricing model.
Not Achieved	A plan for enhancement and development of the system is in place but not fully implemented at year-end
Achieved	No variance
Achieved: Government Convergence Framework approved by the Board	No variance
Achieved: Over 50% Inventory of Government Transversal Information Systems captured (assumption there is over 2000 systems	No variance
Not Achieved	Drafted interoperability standards (MIOS) are in place and consulted with relevant stakeholder.
Not Achieved	Draft research plan available and needs to be aligned to the Innovation strategy
Not Achieved	Not achieved due to: 1. Leadership instability 2. Poor performance
Not Achieved	55% of findings have been resolved, with major challenges in the following areas: SCM has resolved 36, with 50 outstanding, Finance has resolved 38, with 14 outstanding. Corporate Services has resolved 12, with 3 outstanding.

For the Year Ended 31 March 2011

Objective	Key Performance Indicator	Target
Organisational Architecture	Alignment of Organisation Architecture with value proposition (service offering) Organisational core competence and competencies dictionary	New SITA Business Model, Operating Model and implementation plan approved Job profiles completed for top three tiers
Learning and Growth Perspective		
Innovative and Learning organisation	Knowledge Management maturity level	Knowledge Management Strategy developed and approved by EXCO.
Human Resources and Capacity Development	Baseline of Capacity of SITA	a. Skills Plan adopted by Board b. Benchmark Report on Scarce Skills c. Baseline Capacity of the organisation b. Integrated Performance Management Policy and Procedure approved and implemented
Human Resources and Capacity	Employment Equity	≥61% Race ≥46% Gender ≥1.1% Disability
Leadership Excellence	SITA's integrated and standardised management reporting cycle (Corporate Performance Management)	100% compliance with Management approach

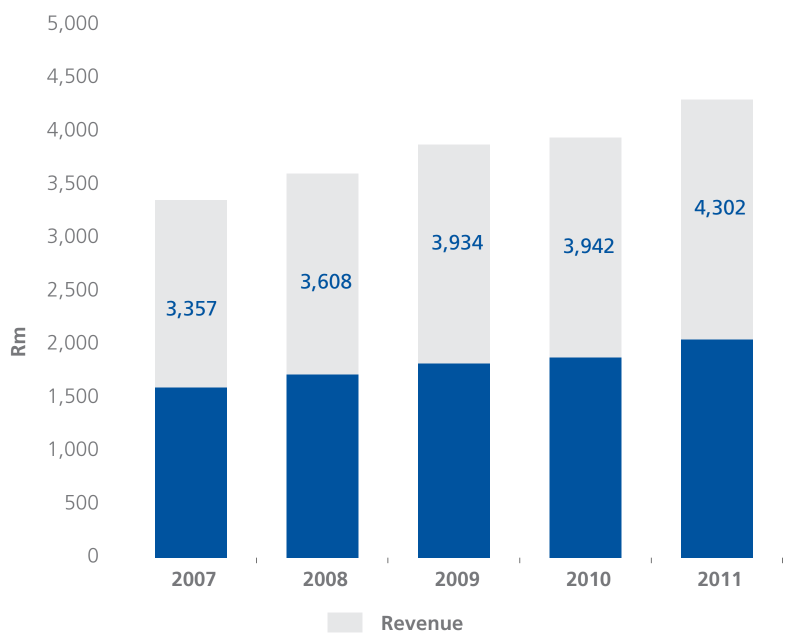
For the Year Ended 31 March 2011

Performance Result	Variance Explained
Achieved: Business model and operating model were approved by the Board	No variance
Not Achieved	Tier 1 achieved and Tiers 2-3 still in progress pending the approval of the structure in the 2011/2012 financial year.
Not Achieved	Knowledge Management Strategy developed but not yet approved by EXCO
Not Achieved	a. An HRD strategy, Integrated Performance Management Policy and Procedure to be approved in the 2011/2012 financial year. b. Benchmark on Scarce Skills done. c. Skills Audit roll-out in progress pending finalisation of the organisational design in the 2011/2012 financial year.
Achieved : 64.60% for Race	No variance
46.24% for Gender	No variance
1.63% for Disability	No variance
Not Achieved	Not achieved due to: 1. Leadership instability 2. Poor performance

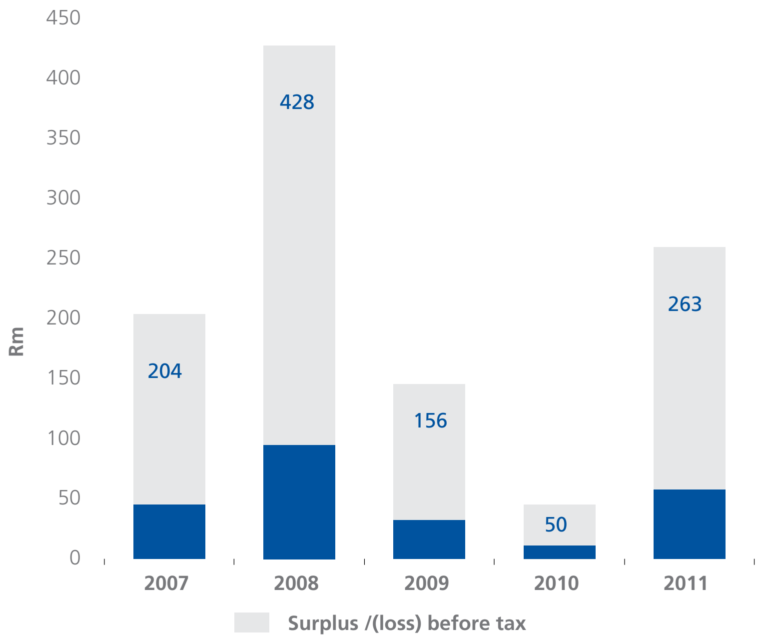
Salient Features
for the Year Ending 31 March 2011

(in Rand million)	31-Mar-11	31-Mar-10	% change
Revenue	4,302	3,942	9.13%
Gross Profit margin	775	681	13.80%
Operating surplus/(deficit)	187	(22)	-950.00%
Net surplus for the year	186	32	481.25%
Total assets	2,910	2,669	7.46%
Total net assets	1,696	1,510	12.32%
Cash flow from operating activities	526	192	173.96%
Capital expenditure	28	86	-66.28%
Critical Ratios			
Gross Profit margin (%)	18.01%	17.28%	
Liquidity ratio	2.22:1	2.02:1	
Solvency ratio	2.40:1	2.30:1	
Cash cover	1.44	1.04	
Operating surplus (%)	4.35%	-0.56%	
Net surplus for the year (%)	4.32%	0.81%	

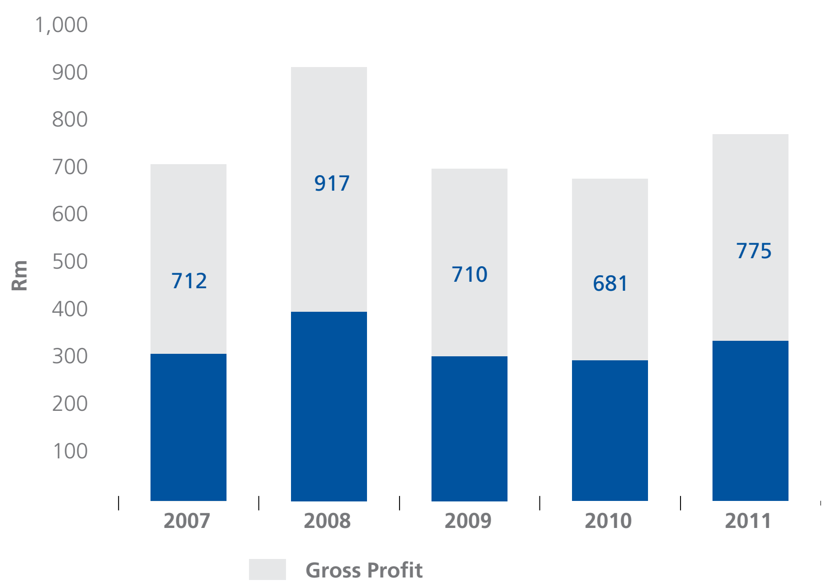
Revenue



Surplus/(Loss) Before Tax



Gross Profit



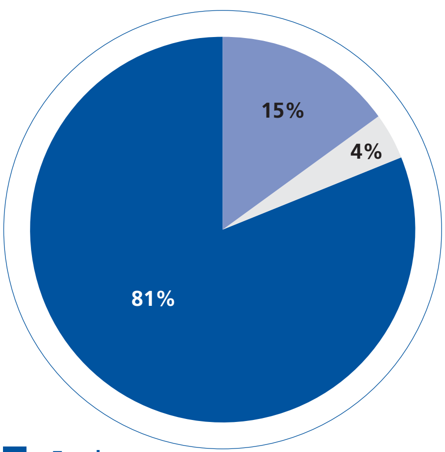
Company Value-Added Statement

The statement shows the wealth the company has created through its provision of information technology, information systems and related services. The statement shows how wealth was created and how it was disbursed amongst stakeholders, leaving a retained amount which was re-invested in the company for the development of activities and the maintenance of required capabilities.

Value Added Statement in Rm	Mar-11	%	Mar-10	%
Revenue	4,302		3,942	
Paid to suppliers for materials and services	2,367		2,162	
Value added by operations	1,935	92%	1,780	92%
Other income	44	2%	28	1%
Interest income	115	6%	130	7%
Total Wealth Created	**2,094**	**100%**	**1,938**	**100%**
Distributed as follows:				
Employees:	1,695	81%	1,710	88%
Salaries, wages and other benefits	1,615		1,616	
Retirement benefit costs	80		94	
Government:				
Income tax	78	4%	18	1%
Re-invested to Maintain and Expand Operations:	321	15%	210	11%
Depreciation/Amortisation	135		178	
Accumulated surplus	186		32	
Total Wealth Distributed	**2,094**	**100%**	**1,938**	**100%**

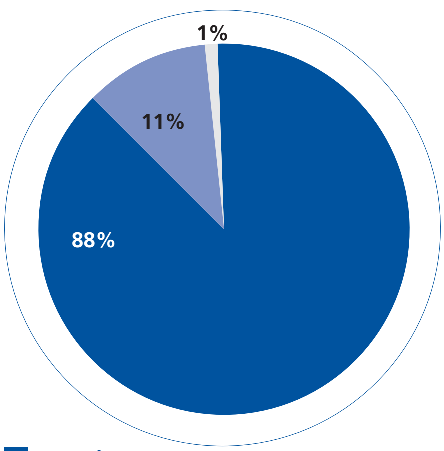
Total Wealth Distributed

March 2011



- Employees
- Government
- Re-invested to maintain and expand operations

March 2010

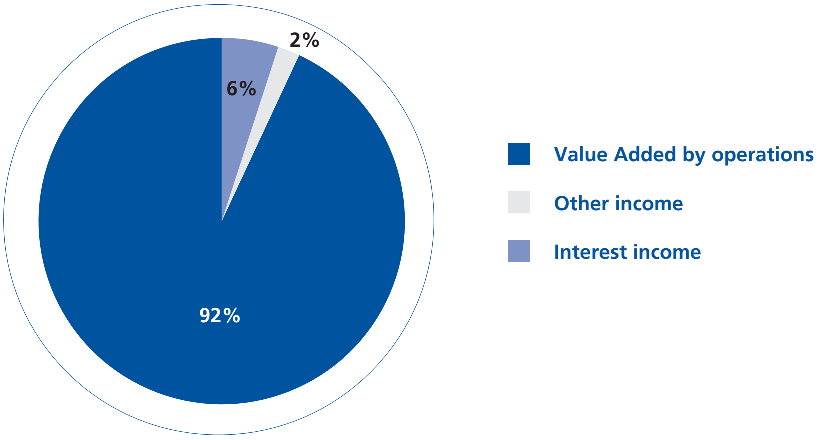


- Employees
- Government
- Re-invested to maintain and expand operations

Total Wealth Distributed -cont

Distributed as follows:	R Mar-11		R Mar-10	
Employees:	1,695	81%	1,710	88%
Government:	78	4%	18	1%
Re-invested to maintain and expand operations:	321	15%	210	11%

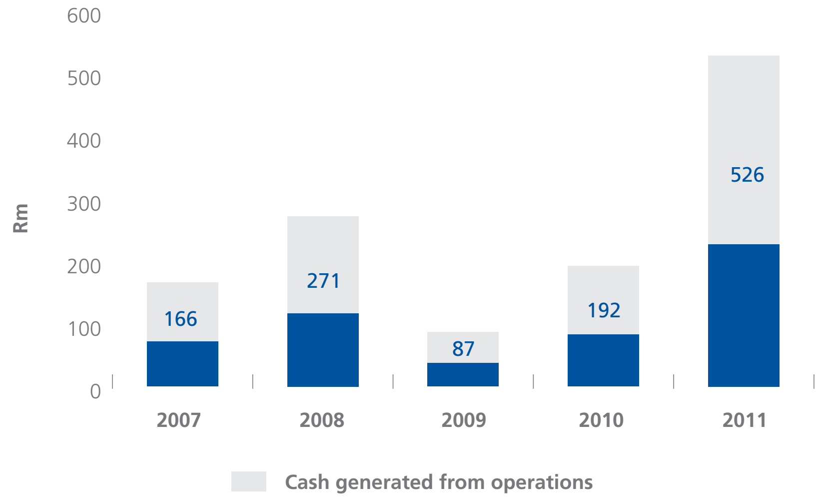
	R Mar-11		R Mar-10	
Value added by operations	1,935	92%	1,780	92%
Other income	44	2%	28	1%
Interest income	115	6%	130	7%



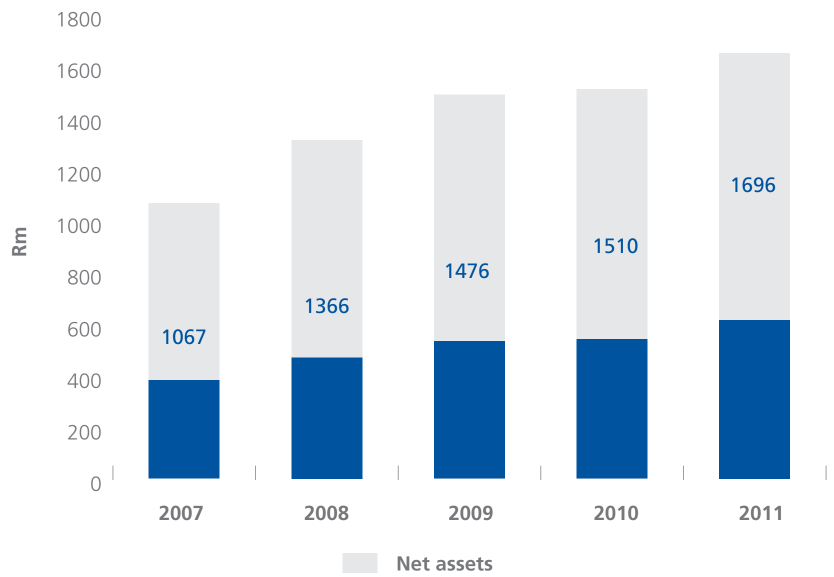
Five Year Review

Statement of Financial Performance and Cash Flow	31-Mar-11	31-Mar-10	31-Mar-09	31-Mar-08	31-Mar-07
Revenue	4,302	3,942	3,934	3,608	3,357
Gross profit	775	681	710	917	712
Other income	44	28	51	42	20
Finance income	115	130	178	124	89
Finance costs	39	58	74	48	25
Operating expenses	632	732	709	607	592
Surplus /(Loss) before tax	263	50	156	428	204
Income tax expense	77	18	46	129	61
Surplus /(Loss) for the year	186	32	111	299	143
Cash generated from operations	526	192	87	271	166
Statement of Financial Position					
Current assets	2,437	2,103	1,930	1,927	1,828
Non-current assets	475	566	682	634	517
Total Assets	**2,910**	**2,669**	**2,612**	**2,561**	**2,345**
Net assets	1,696	1,510	1,476	1,366	1,067
Current liabilities	1,097	1,043	1,023	1,086	1,172
Non-current liabilities	117	116	113	109	106
Total Net Assets and Total Liabilities	**2,910**	**2,669**	**2,612**	**2,561**	**2,345**
Capital expenditure	**28**	**86**	**198**	**149**	**81**

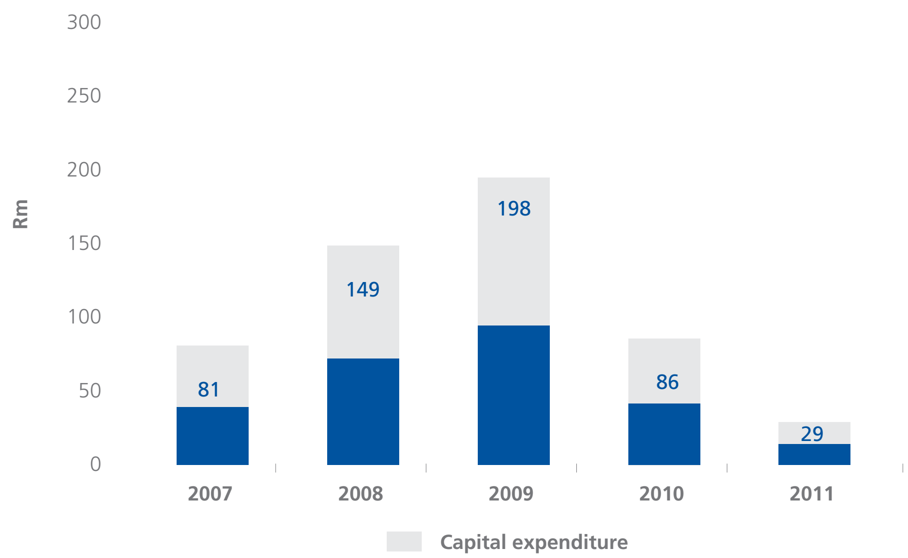
Cash Generated From Operations



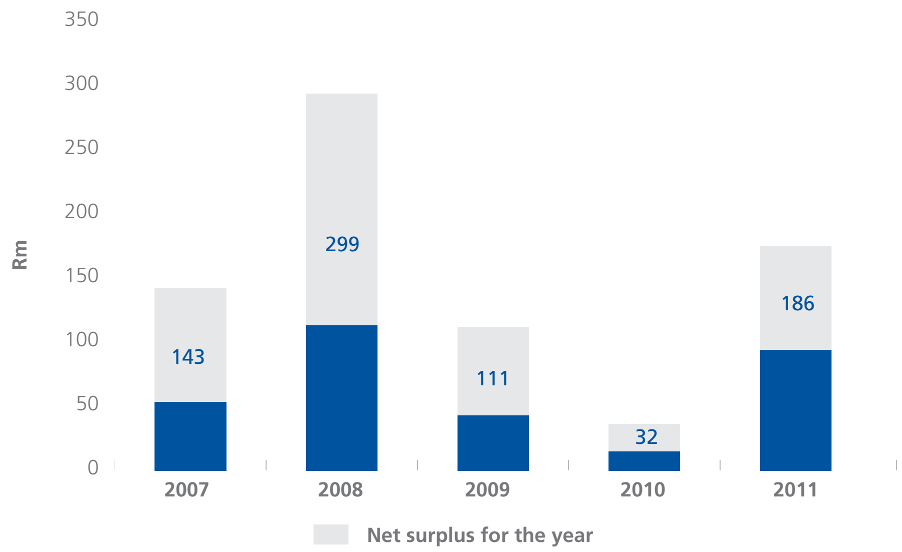
Net Assets



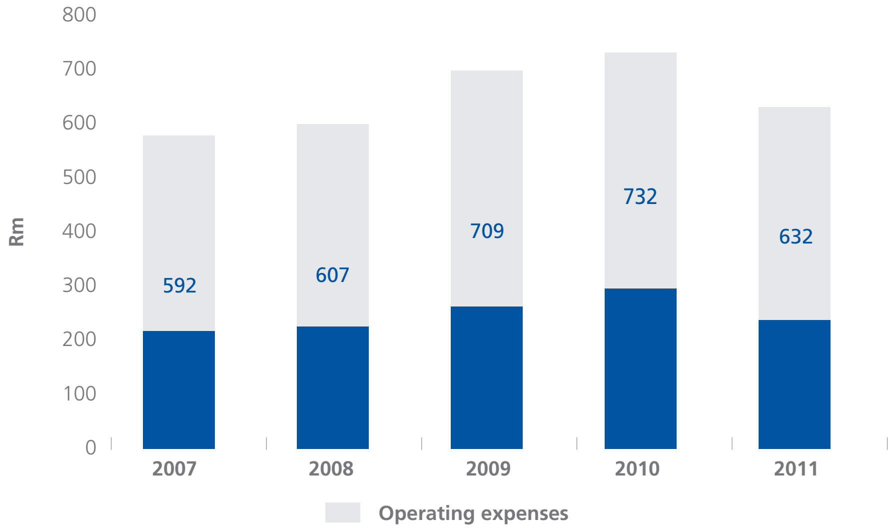
Capital Expenditure



Net Surplus for the Year



Operating Expenses



SITA

SITA Annual Financial Statements

for the Year Ended 31 March 2011

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Annual Financial Statements

Report of the Audit and Risk Committee

In terms of regulations 27(1) (10) (b) and (c) of the Public Finance Management Act no. 1 of 1999

The Audit and Risk Committee is pleased to report that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this Charter, and has discharged all of its responsibilities contained therein.

In conducting its duties, the Audit and Risk Committee has, ***inter alia***, reviewed the following:

- The effectiveness of the internal control systems;
- The activities and effectiveness of SITA's Internal Audit division including its activities, its annual internal coverage plan, co-operation with the Auditor-General, the reports of significant audits and investigations conducted, and the response of Management to specific recommendations;
- The risk areas of the entity's operations covered in the scope of internal and external audits;
- The independence and objectivity of the Auditor-General;
- The adequacy, reliability and accuracy of financial information provided by Management and other users of such information;
- Accounting and auditing concerns identified as a result of internal and Auditor-General reports;
- The entity's compliance with legal and regulatory provisions.

05

Based on the information and explanations provided by Management and Internal Audit and discussions with the Auditor-General on the results of their audits, the Audit and Risk Committee is of the opinion that the internal accounting controls are in place to ensure that the financial records may be relied upon for preparing the Annual Financial Statements, and that accountability for assets and liabilities is maintained.

Where important matters relating to weaknesses in the control environment have been identified by Internal Audit and the Auditor General during the financial year under review, these matters have been reported to Management for remedial action.

The Audit and Risk Committee has evaluated the Annual Financial Statements of the company for the Year ended 31 March 2011, and, based on the information provided to the Audit and Risk Committee, considers that it complies, in all material respects, with the requirements of the Companies Act No. 61 of 1973, as amended, the Public Finance Management Act no. 1 of 1999, as amended, the SITA Act no. 88 of 1998, as amended, and the South African Statements of Generally Accepted Accounting Practice, including the statements of Generally Recognised Accounting Practice issued by the Accounting Standards Board.

The Audit and Risk Committee concludes that the adoptions of the going concern premised in the preparation of the Annual Financial Statements are appropriate. At its meeting held on 29 July 2011, the Audit and Risk Committee recommended the adoption of the Annual Financial Statements by the Board of Directors.

Ms K T Mdlulwa
Chairperson of the Audit and Risk Committee

Report of the Auditor-General to Parliament on the State Information Technology Agency (Proprietary) Limited

Report on the Financial Statements

Introduction

- I have audited the accompanying financial statements of the State Information Technology Agency (Proprietary) Limited (SITA), which comprise the statement of financial position as at 31 March 2011, and the statement of financial performance, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information, and the Accounting Authority's report as set out on pages 71 to 125.

Accounting Authority's Responsibility for the Financial Statements

- The Accounting Authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and in the manner required by Companies Act of South Africa, 1973 (Act No. 61 of 1973), and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's Responsibility

- As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
- I conducted my audit in accordance with International Standards on Auditing and General Notice 1111 of 2010 issued in Government Gazette 33872 of 15 December 2010. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

- In my opinion, the financial statements present fairly, in all material respects, the financial position of the SITA as at 31 March 2011, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP, and the requirements of the PFMA and in the manner required by the Companies Act of South Africa.

Additional Matter

- I draw attention to the matter below. My opinion is not modified in respect of this matter:

SITA as the Procurement Agent on Behalf of Other Government Institutions

- According to section 7(3) and (5) of the State Information Technology Agency Act, 1998 (Act No. 88 of 1998) (SITA Act), every department must while other public bodies may procure information technology goods and services through SITA.
- In instances where requests are received from government departments and public bodies, SITA acts as the procurement agent on behalf of these institutions. SITA must facilitate the procurement process strictly in terms of the prescribed legislation. SITA will make a recommendation to the accounting officer or Accounting Authority on a preferred bidder(s), while the accounting officer or Accounting Authority retains the right to accept or reject SITA's recommendation.
- During the audit of the procurement of information technology goods and services for government departments and other public bodies by SITA, I have identified several instances of non-compliance with laws and regulations pertaining to the procurement process, contract management and adherence to internal control. These non-compliance matters could have caused modifications to the government departments and other public bodies' auditors' reports.

Report on Other Legal and Regulatory Requirements

- In accordance with the PAA and in terms of ***General Notice 1111 of 2010***, issued in ***Government Gazette 33872 of 15 December 2010***, I include below my findings on the annual performance report as set out on pages 71 to 125 and material non-compliance with laws and regulations applicable to the public entity.

Predetermined Objectives

- There were no material findings on the annual performance report concerning the presentation, usefulness and reliability of the information.

Compliance with Laws and Regulations

Strategic Planning and Performance Management

- In contravention with the requirements of Treasury Regulations (TR) 30.1.1, the Accounting Authority did not submit the proposed strategic plan to the executive authority for approval at least six months before the start of the financial year of the designated department, or another time period as agreed to between the executive authority and the public entity.

- The Accounting Authority did not establish procedures for quarterly reporting to the executive authority in order to facilitate effective performance monitoring, evaluation and corrective action as required by TR 30.2.1. The quarterly reports were not prepared for submission to the executive authority within 30 days of the quarter end in terms of the Framework for Strategic Plans and Annual Performance Plans section 4.4, issued by the National Treasury, to ensure effective performance monitoring, evaluation and corrective action.
- The quarterly reports on the progress in achieving measurable objectives and targets were not prepared as required by TR 30.2.1, for two quarters in the financial year and in the third quarter not all predetermined objectives were reported on.
- The Accounting Authority did not ensure that a risk management strategy was developed as required by TR 27.1.2.

Annual Financial Statements

- The Accounting Authority submitted financial statements that were not in all material aspects in accordance with generally accepted accounting practice as required by section 55(1)(a) and (b) of the PFMA. The material misstatements identified by the AGSA with regard to revenue, unearned revenue, unbilled revenue, debtors, accounts payables and fixed assets were subsequently corrected.

Procurement and Contract Management

The audit in respect of compliance with supply chain management laws and regulation has yielded a number of findings as noted below. Unless otherwise stated the findings relate to the current year service level agreements, tenders, request for quotations and contracts selected for testing. The findings are considered material based on their qualitative nature and/or on the number of instances of non-compliance.

- Approximately 40% of service level agreements with government departments and other public bodies were not signed or concluded as required by section 20(2) of the SITA Act. Services were, however, rendered in respect of these service level agreements.
- Contrary to the requirements of section 55(1)(a) of the PFMA the Accounting Authority did not maintain full and proper records of the affairs of the public entity as in some cases bid responses for tender files and quotations; information in tender master files and contracts for tenders awarded during the 2002-03, 2003-04, 2006-07 and 2009-10 financial year-ends could not be provided on my request as envisaged in section 54 (1) of the PFMA.
- The bid invitations related to a tender published in the 2008-09 financial year-end were not always approved by the designated officials at the government departments or public bodies, as required in terms of SITA Act Regulation 8.1.7(a).
- In some cases there was no proof that bids relating to tenders published in the 2008-09 financial year-end had been advertised as required by the SITA Act Regulation 8.3.1 and TR 16A3.2(a) and 16A6.3(c).
- The declaration of interest form was not always completed and signed at the meetings of the Bid Evaluation Committee (BEC); Supplier Recommendation Committee (SRC); Procurement Committee (PC), Recommendation Committee (RC) and Supplier Selection Authority (SSA) held to evaluate tenders in the 2003-04, 2004-05 and 2010-11 financial year-ends. As a result I could not confirm that the members of these committees did recognise and disclose any conflict of interest in the tenders being evaluated as required by TR 16A8.3(a) and 16A8.4 and National Treasury Practice Note 7 of 2009-10, paragraphs 3.2.1.and 4.1.2.

- Contrary to the requirements of TR 16A6.4 and National Treasury Practice Note 8 of 2007-08, paragraph 3.4.3, an instance was identified where the approval of deviation from the prescribed competitive bidding process was not obtained for a request for quotation (RFQ) awarded during the 2009-10 financial year-end in excess of the prescribed limit for procuring in terms of the RFQ process.
- Bid documents evaluated during the 2009-10 and 2010-11 financial year-ends were in some cases not customised to utilise the standard bidding documents (SBDs) issued by the National Treasury as required by TR 16A6.3 (a), Practice Note 9 of 2007-08; Practice Note 4 of 2006 and Practice Note 7 2009-10.
- Bidders evaluated during the 2007-08, 2008-09, 2009-10 and 2010-11 financial year-ends were not always checked against the National Treasury's database prior to awarding any contract to ensure that no recommended bidders, nor any of its directors, are listed as companies or persons prohibited from doing business with the public sector as required by TR 16A9.1(c).
- A bid was awarded in the 2005-06 financial year-end to a supplier who failed to provide written proof from South African Revenue Service (SARS) that they have no outstanding tax obligations or have made arrangements to meet outstanding tax obligations. This constituted a non-compliance with TR 16A9.1(d) and National Treasury Practice Note 8 of 2007-08 paragraph 6.1 and 6.2 as the bid was not appropriately rejected.

Expenditure Management

- In the current year the entity, under the leadership of the Accounting Authority, has put measures in place to prevent and detect irregular expenditure as required by section 51(1)(b) of the PFMA. As disclosed in note 31 to the financial statements, these measures have led to the identification of significant irregular expenditure amounting to R425 million (2010: R214 million).
- The steps implemented by the Accounting Authority, did not prevent all fruitless and wasteful expenditure as per the requirements of section 51(1) (b) of the PFMA. The Accounting Authority has investigated the instances of fruitless and wasteful expenditure as disclosed in note 31.2 to the financial statements and appropriate actions have been taken in this regard.

Internal Control

- In accordance with the PAA and in terms of ***General Notice 1111 of 2010***, issued in ***Government Gazette 33872 of 15 December 2010***, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the findings on compliance with laws and regulations included in this report.

Leadership

- Ongoing monitoring and supervision undertaken to enable management to determine whether internal controls over financial reporting is present and functioning were not adequate, which led to material adjustments to the financial statements and non-compliance with laws and regulations.
- The strategic plan and annual performance plan was approved by the executive authority after year-end, quarterly reports were not submitted timeously to the executive authority and in some quarters did not include a report on predetermined objectives. The non-compliance matters identified in strategic planning and performance management did not allow the executive authority to facilitate effective performance monitoring, evaluation and corrective action during the period under review.

- Controls to ensure compliance with procurement laws and regulations have not been designed and implemented effectively, resulting in poor risk management, increased exposure to fraud and irregular expenditure.
- The action plans to address internal control deficiencies identified and reported in the past were not appropriately monitored and in some areas of SITA were not effective given the number of repeat findings from the prior year.
- Ongoing monitoring and supervision were not undertaken to enable management to determine whether internal control over information technology is present and functioning. This resulted in action plans developed to address the IT internal audit and external audit findings and recommendations identified in the previous year, not being implemented timeously.

Financial and Performance Management

- The information systems used for recording and processing of transactions is not used to produce reliable information without extensive manual intervention for preparation of the annual financial statement at year-end.
- The following internal control deficiencies were identified in the management of financial reporting:
  - Difficulties were experienced during the audit concerning delays and the availability of requested information. In the procurement environment some of the requested information could not be provided at all.
  - Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised and are completely and accurately processed.
  - Monthly management accounts are incomplete and therefore decision-making by management is impacted negatively.
  - System reports are not readily available in the financial and reporting system, resulting in ineffective monitoring and reconciliation of accounts.
- General, hardware and application controls have not been implemented to ensure the reliability of the operating system, the accuracy of the data outputs, and the protection of equipment and files.
- SITA's financial information system has control weaknesses that negatively impact on the reliability of transactions recorded and reported for some revenue streams, accounts receivable and payables, payments of suppliers and journal entry processing.

Governance

- The Accounting Authority did not ensure that a risk strategy is developed which is in line with the new Turnaround strategy, consequently the efforts of internal audit during the period under review were not directed by a risk strategy which has been approved by the Accounting Authority.
- Considering the number of repeat findings in the current year, the governance structures and management did not appropriately address identified internal control deficiencies and non-compliance to laws and regulations.

Other Reports

Investigations

Investigations in progress

- The special investigation unit is currently investigating three cases relating to procurement irregularities.
- As at 31 March 2011, there were 22 cases under investigation by internal audit. These investigations related to:
  - Procurement irregularities
  - Conflicts of interest
  - Alleged irregularities in the human resource and payroll departments

The financial impact of the above investigations has not been quantified at this stage as the investigations are still in progress.

Investigations finalised

- As at 31 March 2011, internal audit had completed 26 investigations for the period under review. These investigations related to:
  - Procurement irregularities
  - Irregularities in the human resource and payroll departments
  - Conflicts of interest.

Auditor-General

Pretoria
29 July 2011

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Statement of Responsibility by the Board of Directors

The Directors of the company are responsible for the preparation and fair presentation of the annual financial statements of SITA (Pty) Limited which comprise the Statement of financial position at 31 March 2011, the Statement of financial performance for the year then ended, the Statement of changes in net assetsfor the year then ended , the Cash flow statement for year then ended, the Notes to the financial statements, which includes a summary of significant accounting policies and other explanatory notes; and the Directors' Report, in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations and directives issued by the International Accounting Standards Board (IASB), and in a manner required by the Companies Act of South Africa.

The Directors' responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management, as well as the preparation of the supplementary schedules included in these Financial Statements.

The Directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the Annual Financial Statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the Annual Financial Statements

The Annual Financial Statements of SITA (Pty) Ltd, as outlined in the first paragraph, were approved by the Board of Directors on 29 July 2011 and are signed on its behalf by:

Ms Z P Manase
Director

Ms F C Potgieter-Gqubulé
Director

Certificate by the Company Secretary

I, Ernst Odendaal, in my capacity as Acting Company Secretary of SITA (Pty) Ltd, hereby certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies all such returns as are required of it in terms of the Companies Act No. 61 of 1973, and all such returns are true, correct and up to date.

Mr E H Odendaal
Acting Company Secretary

Directors' Report

The directors have pleasure in presenting their report, which forms part of the audited annual financial statements of the State Information Technology Agency (Pty) Ltd for the year ended 31 March 2011. This report and the annual financial statements comply with the requirements of the Public Finance Management Act No 1 of 1999, as amended, the SITA Act No 88 of 1998, as amended, and the Companies Act No 61 of 1973. The Board of Directors is the Accounting Authority in terms of section 49(2) (a) of the Public Finance Management Act.

Nature of Business

The nature of the company's business is the provision of information technology, information systems and related services in a maintained information systems security environment to, or on behalf of, participating national government departments, provincial government departments, and local government. In this regard the company is an agent of the South African Government, in accordance with SITA Act No 88 of 1998 (as amended by Act 38 of 2002). The company derives all its revenue from ICT services and goods.

Registration Details

The company's registration number is 1999/001899/07. The registered office is 459 Tsitsa Street, Erasmuskloof, Pretoria 0001.

Ownership

The company is wholly owned by the Government of the Republic of South Africa as represented by the Minister for Public Service and Administration, Mr R Baloyi.

Equity Contributed

There were no changes to either the authorised or issued share capital of the company during the year ended 31 March 2011. Details of the authorised and issued share capital can be found in note 12 to the annual financial statements.

Financial Highlights

The financial performance is set out on page 76 of this report.

The company's financial performance is summarised as follows:

	31 March 2011 Rand	31 March 2011 % Change
Revenue	4 302 402 597	9.15
Gross surplus	775 069 907	13.73
Surplus for the Year - before Tax	263 493 119	431.64
Total Assets	2 909 722 367	9.00
Net Assets	1 695 887 810	12.00
Cash generated from Operations	526 192 287	174.50

Dividends

There were no dividends declared for the current financial year (2010: R Nil).

Internal Controls

The Board has the ultimate responsibility for establishing a framework of internal controls. The controls are designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. The internal control environments were managed by management and monitored by the internal audit department.

- Where important matters relating to weaknesses in the control environment have been identified, these are in the process of being addressed by management.
- Although internal controls were in place during the year, internal control weaknesses were identified as noted in the audit report.

Public Finance Management Act (PFMA)

PFMA Compliance

Various sections of the Public Finance Management Act place responsibility on the Board to ensure that the company complies with all applicable legislations. Any non-compliance with legislation is reported on a quarterly basis to both the Executive Committee and the Board of Directors.

Materiality and Significance Framework

A Materiality and Significance Framework has been developed for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, as well as for significant transactions per section 54(2) of the Public Finance Management Act No 1 of 1999, that require ministerial approval. The framework was approved by the Board of Directors and the Minister of Public Services and Administration for the 2010/11 financial year.

Material Losses Through Criminal Conduct, Irregular, Fruitless and Wasteful Expenditure

Section 55(2) b of the Public Finance Management Act requires that SITA includes in the annual report particulars of any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year.

Losses through criminal conduct amounting to R 1 557 020 have been discovered during the financial year. Disciplinary action has been instituted against the responsible official and he was found guilty of the charges brought against him and was therefore dismissed. There is a process in place for the recoverability of the money and we have subsequently recovered an amount of R 865 120 to date.

Public Private Partnerships

The company did not enter into Public Private Partnership during the current financial year.

Basis of Presentation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations and directives issued by the International Accounting Standards Board (IASB). In terms of these standards (GRAP), in the absence of a standard or pronouncement comprising the GRAP financial reporting frameworks that specifically applies to a transaction, other event or condition, management should apply judgement and may consider the following pronouncements, in descending order, in developing an accounting policy for such a transaction, event or condition.

- Standards of Generally Recognised Accounting Practices that have been issued, but are not yet effective
- International Public Sector Accounting Standards
- International Financial Reporting Standards
- SA Statements of Generally Accepted Accounting Practices

Events Subsequent to the Date of Financial Position

Subsequent to the date of financial position, the directors are not aware of any matters or circumstances that may materially affect the financial statements.

Going Concern

The directors confirm that they are satisfied that the company has adequate resources to continue in business for the twelve month period from the date of this report. For this reason they continue to adopt the going concern basis for preparing the financial statements as confirmed in the Statement of Responsibility by the Board of Directors on page 69.

Directors

Disclosure of directors' remuneration is detailed in Annexure A to the Annual Financial Statements.

The following individuals were directors during the year under review:

Non-Executive Directors

Ms Z P Manase
Ms F C Potgieter-Gqubule
Ms S V Bvuma
Ms C B Clark
Mr P R Kgame
Mr C C W Kruger
Mr A M Luthuli
Mr R Mabena
Ms M Makhekhe-Mokhuane
Ms K T Mdlulwa
Ms T Moloko
Prof M I Mphahlele
Ms N Ntsinde[1]
Ms R Sekese
Ms M Williams
Ms K Mthimunye
Alternate
Ms B M Malongete (Alternate)
Ms N M Mhlakaza (Alternate)
Mr D C Niddrie (Alternate)
Mr G Pillay (Alternate)

[1] Ms N Ntsinde was a Non-Executive Director from 01 May 2010 until 30 June 2010. She was excused from Board duties while she acted as Chief Executive Officer after which she resumed her Board duties again on 10 January 2011.

Company Secretary

Mr E H Odendaal (Acting)	01 February 2010 – 31 March 2011
Mrs T Zide	01 April 2011

Statement of Financial Position
as at 31 March 2011

(in Rand)	Note	2011	2010
Assets			
Non-current assets		475,068,763	565,523,355
Property, plant and equipment	4	370,573,644	463,749,908
Intangible assets	5	38,015,875	53,473,112
Deferred tax assets	7	66,479,244	48,300,335
Current assets		2,434,653,604	2,103,576,972
Cash and cash equivalents	8	1,577,925,471	1,085,151,461
Trade and other receivables	9	714,444,206	767,614,404
Contract work in progress	10	58,403,516	67,633,835
Income Tax receivable		32,964,824	96,321,270
Prepayments	11	50,915,587	86,856,002
Total assets		2,909,722,367	2,669,100,327
Net assets and liabilities			
Net assets		1,695,887,810	1,510,209,597
Share Capital	12	1	1
Reserves	13	627,334,546	627,334,546
Accumulated surpluses		1,068,553,263	882,875,050
Liabilities			
Non-current liabilities		117,103,090	116,034,829
Interest-bearing borrowings	14	-	5,200,090
Post-retirement employee benefits	15	117,103,090	110,834,739
Current Liabilities		1,096,731,467	1,042,855,901
Trade and other payables	16	839,822,085	577,156,708
Current portion of interest-bearing borrowings	14	5,200,090	5,200,080
Provisions	17	25,000,000	-
Income received in advance	18	226,709,292	460,499,113
Total Net Assets and Liabilities		2,909,722,367	2,669,100,327

Statement of Financial Performance
for the Year Ended 31 March 2011

(In Rand)	Note	2011	2010
Revenue	19	4,302,402,597	3,941,772,740
Cost of sales	20	3,527,332,690	3,260,281,462
Gross surplus		775,069,907	681,491,278
Other income	21	44,186,050	28,356,314
Operating expenses	22	632,411,783	732,092,574
Surplus/(Deficit) from operating activities		186,844,174	(22,244,982)
Finance income	23	115,185,809	129,544,393
Finance expenses	24	38,536,865	57,737,195
Surplus before income tax		263,493,118	49,562,216
Income tax expense	25	77,814,905	17,822,647
Surplus for the year attributable to shareholder		**185,678,213**	**31,739,569**

Statement of Changes in Net Assets
for the Year Ended 31 March 2011

(in Rand)		Share capital	Reserves	Accumulated surpluses	Total
Balance as at 31 March 2009		1	625,333,736	851,135,481	1,476,469,218
Adjustment		-	2,000,810	-	2,000,810
Surplus for the year		-	-	31,739,569	31,739,569
Balance as at 31 March 2010		1	627,334,546	882,875,050	1,510,209,597
Surplus for the year		-	-	185,678,213	185,678,213
Balance as at 31 March 2011		**1**	**627,334,546**	**1,068,553,263**	**1,695,887,810**
	Note	12	13		

Cash Flow Statement
for the Year Ended 31 March 2011

(in Rand)	Note	2011	2010
Cash flows from operating activities			
Receipts			
- Sale of goods and services		4,349,043,122	4,050,790,953
- Finance income received		65,783,484	56,385,495
Payments			
- Payment to suppliers and employees		(3,852,334,882)	(3,809,390,436)
- Finance costs paid		(3,662,068)	(16,940,106)
- Income tax paid	32.1	(32,637,369)	(89,170,331)
Cash flows from operating activities	**32.2**	**526,192,287**	**191,675,575**
Cash flows from investing activities			
Purchase of property, plant and equipment		(21,923,377)	(64,856,780)
Purchase of intangible assets		(6,298,359)	(21,191,154)
Proceeds from the sale of property, plant and equipment		3,548	6,430
Cash flows from investing activities		**(28,218,188)**	**(86,041,504)**
Cash flows from financing activities			
Repayment of interest-bearing borrowings		(5,200,090)	(5,200,080)
Cash flows from financing activities		**(5,200,090)**	**(5,200,080)**
Increase in cash and cash equivalents		492,774,010	100,433,991
Cash and cash equivalents at beginning of year		1,085,151,461	984,717,470
Cash and cash equivalents at end of year		**1,577,925,471**	**1,085,151,461**

Notes to the Annual Financial Statement

for the Year Ended 31 March 2011

1. Reporting Entity

State Information Technology Agency (Pty) Ltd (SITA) is a private company domiciled in South Africa. The company is primarily involved in the provision of information technology, information systems and related services in a maintained systems security environment on behalf of participating government departments, including provincial and local government departments. The financial statements for the year ended 31 March 2011 were authorised in accordance with a resolution of the Board of Directors on 29 July 2011.

2. Basis of Preparation

These financial statements are presented in South African Rands (R), which is the company's functional currency. They have been prepared on the historical cost basis except for financial instruments which are recorded at fair value.

a) Statement of Compliance

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations and directives issued by the International Accounting Standards Board (IASB). In terms of these standards (GRAP), in the absence of a standard or pronouncement comprising the GRAP financial reporting frameworks that specifically applies to a transaction, other event or condition, management should apply judgement and may consider the following pronouncements, in descending order, in developing an accounting policy for such a transaction, event or condition.

- Standards of GRAP (Generally Recognised Accounting Practices) that have been issued, but are not yet effective
- IPSAS (International Public Sector Accounting Standards)
- IFRS (International Financial Reporting Standards)
- SA Statements of GAAP (Generally Accepted Accounting Practice)

Paragraphs 11-15 of GRAP1 : Presentation of financial statements requires entities to provide information in their financial statements on whether resources were obtained and used in accordance with the legally adopted budget. In order to ensure full compliance with GRAP1, National Treasury has prescribed the inclusion of a reconciliation between actual surplus and budgeted surplus in the notes to the financial statements, as the minimum for compliance with paragraphs 11-15 of GRAP 1. (Refer to note 33)

b) Use of Estimates and Judgements

The preparation of financial statements in conformity with the basis of preparation requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Foreign Currency Transactions

Transactions in currencies other than the company's functional currency are defined as foreign currency transactions. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the reporting date. Non monetary assets and liabilities that are measured in terms of the historical cost in a foreign currency are translated at the exchange rate ruling at the original transaction date. Any foreign exchange differences are recognised in surplus or deficit in the period in which the difference occurs.

3.2 Financial Instruments

Financial assets and liabilities are recognised in the statement of financial position when the company has become party to contractual provisions of the financial instruments.

A financial asset and a financial liability is initially recognised at its fair value plus, in the case of a financial asset or a financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of a financial asset or a financial liability. After initial recognition, financial assets, including derivative assets, are measured at their fair values, without any transaction costs it may incur on sale or other disposal, except for the following financial assets:

Loans and receivables are measured at amortised cost using the effective interest method.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities at fair value through surplus or deficit. Financial liabilities at fair value through surplus or deficit, including derivatives that are liabilities, are measured at fair value.

At the end of each reporting period, financial assets measured at amortised cost are assessed whether or not there is any objective evidence of impairment. If objective evidence exists that an impairment loss has been incurred, such loss is recognised in surplus or deficit. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

When a subsequent event causes the amount of an impairment loss to decrease, the decrease in the impairment loss is reversed through surplus or deficit.

A gain or loss on a financial asset or a financial liability classified as at fair value through surplus or deficit, including a derivative asset or liability, is recognised in surplus or deficit.

3.3 Property, Plant and Equipment

a) Recognition and Measurement

Items of property, plant and equipment, except land, are measured at cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost and is not depreciated. The cost of items of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Where an asset is acquired at no cost, or for a nominal amount , its cost is its fair value as at the date of acquisition.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment at disposal date and are recognised in surplus or deficit.

b) Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. Repairs and maintenance costs are not capitalised, they are recognised in the surplus or deficit as incurred.

c) Depreciation

Depreciation is recognised in the surplus or deficit on a straight-line basis over the estimated useful life of each item of property, plant and equipment. Land is not depreciated. Depreciation begins when the item of property, plant and equipment is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases when the asset is derecognised.

The estimated useful lives for the current and comparative periods are as follows:

	Original useful lives	Revised useful lives
Buildings	17 - 50 years	17 - 50 years
Computer Equipment	3 - 8 years	3 - 10 years
Office Furniture	7 - 10 years	7 - 10 years
Vehicles	9 - 10 years	9 - 10 years

Depreciation methods, useful lives and estimated residual values are reviewed at each reporting date. The effect of changes in the depreciation methods, useful lives and estimated residual values are accounted for in accordance with the Standard on Accounting Policies, Changes in Accounting Estimates and Errors as a change in estimate.

d) Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset at the disposal date and is recognised in surplus or deficit.

3.4 Intangible Assets

Intangible assets that are acquired by the company are initially measured and recognised at cost. Subsequently they are carried at cost less accumulated amortisation and impairment losses.

Intangible assets with finite useful lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation is charged to surplus or deficit on a straight line basis over the estimated useful lives of intangible assets. The amortisation period and the amortisation method is reviewed annually and any changes are accounted for in terms of the Standard on Accounting Policies, Changes in Accounting Estimates and Errors, as a change in accounting estimate.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis.

An estimate of an asset's residual value is based on the amount recoverable from disposal using prices prevailing at the date of the estimate for the sale of a similar asset that has reached the end of its useful life and has operated under conditions similar to those in which the asset will be used. The residual value is reviewed at least at each reporting date.

Expenditure on an intangible item is recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria.

Computer Software

Computer software is initially recognised at cost. Subsequently it is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight line basis over the estimated useful life of the software not exceeding three years. Annual license fees on software are expensed in the year of accrual. The useful lives of software have been revised to 5 years.

Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in surplus or deficit in the year in which it is incurred.

There are no development costs.

3.5 Leases

a) Lessee

Leases where the company does not retain a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in the surplus or deficit on a straight-line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position.

b) Lessor

Rental income (net of any incentives given to the lessee) from operating leases is recognised on a straight-line basis over the term of the relevant lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised, as an integral part of the total lease income on a straight-line basis, over the lease term.

There are no items of property, plant and equipment classified as finance leased assets.

c) Determining Whether an Arrangement Contains a Lease

The company ensures that the following two requirements are met, in order for an arrangement transacted by the company to be classified as a lease in terms of GRAP 13:

Fulfilment of the arrangement is dependent on the use of an asset or assets, and this fact is not necessarily explicitly stated by the contract but rather implied; and

- The arrangement conveys a right to use the asset or assets, if one of the following conditions is met:
  - the purchaser has the ability or right to operate the asset or direct others to operate the asset; or
  - the purchaser has the ability or right to control physical access to the asset; or
  - there is only a remote possibility that parties other than the purchaser will take more than a insignificant amount of the output of the asset, and the price that the purchaser will pay is neither fixed per unit of output nor equal to the current market price at the time of delivery.

The company's assessment of whether an arrangement contains a lease is made at inception of the arrangement, with reassessment occurring in the event of limited changes in circumstances as specified by GRAP 13.

3.6 Contract Work in Progress

Contract work in progress is stated at cost plus profit recognised to date, less provisions for foreseeable losses and less progress billings. Costs include all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the company contract activities based on normal operating activities.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

As soon as the outcome of a contract can be estimated reliably, contract revenue is recognised in surplus or deficit in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

3.7 Impairment

The carrying amount of the company's tangible and intangible assets with a finite useful life, other than financial assets, work in progress and deferred taxation assets, are reviewed at each reporting date to determine if there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated to determine the extent of impairment loss (if any). Where an asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash generating unit to which the asset belongs. For intangible assets that have an indefinite useful life, the recoverable amount is estimated at each reporting date and whenever there is an indication that the asset may be impaired.

An impairment loss is recognised in surplus or deficit whenever the carrying amount of an asset exceeds the recoverable amount.

The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset after deducting any costs relating to the realisation of the asset. In assessing the value in use, the expected future cash flows from the asset are discounted to their net present values using a pre-taxation discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates previously used to determine the recoverable amount, to an amount not higher than the carrying amount that would have resulted, net of depreciation and amortisation, had no impairment loss been recognised. A reversal of an impairment loss is recognised as income immediately if the impairment was recognised previously as an expense.

3.8 Employee Benefits

a) Defined Contribution Plan

A defined contribution plan is a post-retirement benefit plan under which the company pays fixed contributions into a separate company and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the surplus or deficit when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

b) Defined Benefit Plan

The post retirement benefit plan is a defined benefit plan. Medical benefits are provided for all permanent employees via three medical funds. All contributions paid are charged to the surplus or deficit in the year to which they relate. The company provides post-retirement health care benefits to a closed group of qualifying employees and retirees. The entitlement to post-retirement health care benefits is based on the qualifying employee remaining in service up to retirement age. The expected cost of these benefits is accrued for over the period of employment, using the projected unit credit method. Annual valuations of these obligations are carried out by independent qualified actuaries. Any actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are deferred and recognised in surplus or deficit over the remaining working lives of employees.

c) Termination Benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without a realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present values.

d) Short-Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.9 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

3.10 Revenue

Revenue comprises amounts invoiced to customers for goods and services, and excludes value added tax.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, recovery of the consideration is considered probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the company.
- The stage of completion of the transaction at the reporting date can be measured reliably.
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

3.11 Finance Income

Finance income comprises interest income earned on funds invested and adjustments in terms of IAS 39 (AC 133) interpreted in Circular 9/2006 issued by SAICA.

Interest is recognised on the time proportion basis using the effective interest method over the period to maturity, when it is determined that such income will accrue to the company.

3.12 Finance Expenses

Finance expenses comprise interest payable on borrowings and is calculated and recognised in surplus or deficit using the effective interest method.

3.13 Taxation

Income tax comprises current and deferred tax. Income tax expense is recognised in the surplus or deficit except to the extent that it relates to items recognised directly in the statement of changes in net assets.

Current taxation comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment of the tax payable for previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. The effects of deferred taxation of any changes in tax rates is recognised in surplus or deficit, except to the extent that it relates to items previously charged and credited directly to the statement of changes in net assets.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.14 Related Parties

The company operates in an economic environment currently denominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence that is guaranteed for the different spheres of government, only parties within the national sphere of government are considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the company.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by key management individuals in their dealings with the company.

All related party transactions are disclosed in terms of the requirements of IPSAS 20 Related Party Disclosures. The objective of the standard and the financial statements is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

3.15 Irregular, Fruitless and Wasteful Expenditure

Irregular expenditure is defined as expenditure incurred in contravention of or not in accordance with a requirement of any applicable legislation.

Fruitless and wasteful expenditure represents expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All irregular, fruitless and wasteful expenditure is charged in surplus or deficit in the period in which it is identified.

3.16 Cash and Cash Equivalents

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

4. Property, Plant and Equipment

At 31 March 2011

(in Rand)	Land	Buildings	Computer Equipment	Office Furniture	Vehicles	Total
Cost						
Balance at beginning of year	24,743,595	255,881,969	583,728,871	107,546,145	1,148,757	973,049,337
Additions and improvements	-	2,657,084	17,832,337	1,433,956	-	21,923,377
Disposals/Retirements	-	(218,344)	(32,783,744)	(980,436)	-	(33,982,524)
Balance at end of year	**24,743,595**	**258,320,709**	**568,777,464**	**107,999,665**	**1,148,757**	**960,990,190**
Accumulated Depreciation						
Balance at beginning of year	-	59,784,420	400,679,024	48,106,346	729,639	509,299,429
Depreciation charge	-	15,857,947	81,276,911	16,571,565	39,644	113,746,067
Disposals/Retirements	-	(214,980)	(31,474,188)	(939,782)	-	(32,628,950)
Balance at end of year	**-**	**75,427,387**	**450,481,747**	**63,738,129**	**769,283**	**590,416,546**
Net Carrying Amount	24,743,595	182,893,322	118,295,717	44,261,536	379,474	370,573,644

At 31 March 2010

(in Rand)	Land	Buildings	Computer Equipment	Office Furniture	Vehicles	Total
Cost						
Balance at beginning of year	22,742,785	238,144,933	697,887,657	111,274,548	886,529	1,070,936,452
Additions and improvements	-	17,737,036	43,639,963	3,055,725	424,056	64,856,780
Adjustment	2,000,810	-	-	-	-	2,000,810
Disposals/Retirements	-	-	(157,798,749)	(6,784,128)	(161,828)	(164,744,705)
Balance at end of year	**24,743,595**	**255,881,969**	**583,728,871**	**107,546,145**	**1,148,757**	**973,049,337**
Accumulated Depreciation						
Balance at beginning of year	-	46,956,839	437,119,647	37,991,491	886,529	522,954,506
Depreciation charge	-	12,827,581	112,456,993	16,493,713	4,938	141,783,225
Impairment	-	-	158,417	7,810	-	166,227
Disposals/Retirements	-	-	(149,056,033)	(6,386,668)	(161,828)	(155,604,529)
Balance at end of year	-	59,784,420	400,679,024	48,106,346	729,639	509,299,429
Net Carrying Amount	24,743,595	196,097,549	183,049,847	59,439,799	419,118	463,749,908

None of the items of property, plant and equipment are held under finance lease.

A register of land and buildings is available for inspection at the registered office of the company.

Property in Erasmuskloof with a carrying value of R36.9million (2010 :R37.9million) was pledged as security for borrowings of R5.2 million (2010: R10.4 million). Refer to Note 14.

5. Intangible Assets

(in Rand)	2011	2010
Cost		
Balance at beginning of year	179,581,913	162,174,360
Additions and improvements	6,298,359	21,191,154
Disposals/Retirements	(12,713,162)	(3,783,601)
Balance at end of year	**173,167,110**	**179,581,913**
Accumulated Amortisation		
Balance at beginning of year	126,108,801	94,165,451
Amortisation charge	21,752,402	35,726,951
Disposals/Retirements	(12,709,968)	(3,783,601)
Balance at end of year	**135,151,235**	**126,108,801**
Net Carrying Amount	38,015,875	53,473,112

Intangible assets comprise software and licenses.

6. Capital Commitments

(in Rand)	2011	2010
Capital commitments contracted for	142,671,702	-
Budgeted but not contracted for	157,917,581	93,800,000
Balance at end of year	**300,589,283**	**93,800,000**

The capital commitments are funded through operations of the company.

7. Deferred Tax Assets

Deferred Tax Assets are attributable to the following:

(in Rand)	Statement of financial performance movement	2011	2010
Movement in impairment on trade receivables	5,445,036	22,818,350	17,373,314
Accrual for leave pay benefits	1,317,557	19,437,660	18,120,103
Post-retirement employee benefits	1,755,138	32,788,865	31,033,727
Income received in advance	(65,461,150)	63,478,602	128,939,752
Performance bonus	7,000,000	7,000,000	-
Circular 9 adjustment	(536,305)	756,710	1,293,015
Leases	638,611	2,464,762	1,826,151
Prepayments	24,319,681	-	(24,319,681)
Section 24C allowance	65,795,041	(62,974,787)	(128,769,829)
Depreciation/amortisation	3,288,891	(19,290,916)	(22,579,807)
Calculated tax loss	(25,383,590)	-	25,383,590
		66,479,244	**48,300,335**

Reconciliation Between Opening and Closing Balance

Deferred tax asset at beginning of year	48,300,335	66,122,979
Statement of financial performance movement	18,178,909	(17,822,644)
- current year	18,178,909	(17,822,644)
Deferred Tax Asset at End of Year	**66,479,244**	**48,300,335**

8. Cash and Cash Equivalent

(in Rand)	2011	2010
Ring-fenced cash	268,100,506	467,430,087
- IFMS Project	39,627,577	66,662,635
- Income received in advance	153,690,929	325,985,452
- Municipal guarantees	1,437,000	1,437,000
- Post retirement employee benefits	73,345,000	73,345,000
Other Surplus Cash	**1,309,824,965**	**617,721,374**
	1,577,925,471	**1,085,151,461**
Analysis of Other	1,309,824,965	617,721,374
- Current account balance	228,046,605	10,180,819
- Call account balance	126,401,664	212,366,454
- Investment account balance	955,364,996	395,161,101
- Cash float	11,700	13,000

Ring-fenced cash represents cash received from customers to be utilised for specific projects in future, deposits held for rental and municipalities and money that has been ring-fenced to manage the immediate risk of an uncovered post-retirement medical benefit liability.

The company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26.

The average rate of interest on the cash balances was 6.68 % (2010 : 8.24%)

9. Trade and Other Receivables

(in Rand)	2011	2010
Trade receivables	808,593,430	836,031,822
Less: Impairment of trade receivables	(104,385,711)	(79,476,637)
	704,207,719	756,555,185
Other receivables	10,236,487	11,059,219
	714,444,206	**767,614,404**

Refer to note 27 for the breakdown of trade receivables due from related parties.

The company's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in note 26.

10. Contract Work in Progress

(in Rand)	2011	2010
Projects in progress	58,403,516	67,633,835

This amount represents expenditure incurred to date on projects for which billing has not yet taken place as milestones have not yet been reached. This amount has been considered for impairment and is recoverable.

11. Prepayments

(in Rand)	2011	2010
Software maintenance costs	50,915,587	86,856,002
	50,915,587	**86,856,002**

Prepayments relates to payments made for software maintenance costs.

12. Share Capital

(in Rand)	2011	2010
Authorised and issued		
One ordinary share at R1.00 each	1	1

13. Reserves

(in Rand)	2011	2010
Opening balance	627,334,546	625,333,736
Movement	-	2,000,810
Closing balance	627,334,546	627,334,546

The State Information Technology Agency Act, 1998 (Act no.88 of 1998) (as amended by Act no 38 of 2002) resulted in the reduction of the company's share capital from R625 333 737 to R1. Approval was granted by National Treasury to transfer the difference to reserves.

14. Interest-bearing Borrowings

(in Rand)	2011	2010
Long-term portion	-	5,200,090
Current portion	5,200,090	5,200,080
Closing Balance	**5,200,090**	**10,400,170**

Terms and Repayment Schedule

This portion represents the long-term loan from Denel (Proprietary) Limited in accordance with the business transfer agreement between Denel and the company on incorporation of SITA.

This loan is secured by a mortgage bond over Erasmuskloof property with a carrying amount of R 36.9 million (2010: R37.9 million) (Refer note 4).

It bears interest at a fixed rate of 9% per annum up to 31 March 2010 after which the rate will change to the Government R186 Bond coupon rate. The loan is repayable in equal annual instalments effective 1 April 2002. The last instalment is payable on 31 March 2012.

Interest-bearing borrowings are payable as follows:

(in Rand)	Future minimum lease payments 2011	Interest 2011	Present value of minimum lease payments 2011	Future minimum lease payments 2010	Interest 2010	Present value of minimum lease payments 2010
Less than one year	5,287,476	(87,386)	5,200,090	6,042,530	(842,450)	5,200,080
Between one and five years	-	-	-	5,287,476	(87,386)	5,200,090
More than five years	-	-	-	-	-	-
	5,287,476	**(87,386)**	**5,200,090**	**11,330,006**	**(929,836)**	**10,400,170**

15. Post-retirement Employee Benefits

(in Rand)	2011	2010
Present value of unfunded obligations	114,230,403	84,010,040
Unrealised actuarial gains	2,872,687	26,824,699
	117,103,090	**110,834,739**

Notes to the Annual Financial Statements – cont.
for the Year Ended 31 March 2011

Movement in the Present Value of the Defined Benefit Liability

(in Rand)	2011	2010
Balance at beginning of year	110,834,739	102,381,973
Statement of financial performance movement	6,268,351	8,452,766
Current service cost	2,806,047	3,097,977
Interest cost	5,850,277	7,231,600
Contributions paid	(500,299)	(234,515)
Realised actuarial gain	(1,887,674)	(1,642,296)
Balance at End of Year	**117,103,090**	**110,834,739**

Principal Actuarial Assumptions

Long term discount rate before tax	8.9%	8.0%
Long-term medical inflation rate	7.4%	6.5%
Normal retirement age	60 years	60 years

The company provides for post-retirement medical benefits to the following qualifying employees:

- Ex-Infoplan employees who transferred to the company on 1 April 1999 and are still members of the U-Med medical aid fund.
- Ex-SAPS employees who transferred to the company on 1 April 1999, and
- Other former public sector employees who transferred to the company on or after 1 April 1999 and remain members of their respective medical aids.

The amounts due in respect of the company's liability regarding the post-retirement medical benefit have been determined by independent actuaries as at 31 March 2011 using the projected unit credit method.

Sensitivity Analysis

	Liability	Change in liability
	R	%
Increase of 1%	139,407,960	22.04%
Base liability	114,230,403	0%
Decrease of 1%	91,214,712	-20.15%

Experience adjustments

(in Rand)	2010	2009	2008	2007
Realised actuarial gain	(1,642,296)	(1,225,174)	(1,006,503)	(582,087)

15.1 Employee Benefits

All permanent employees are members of the following independent funds:

Denel Retirement Fund:

The Denel Retirement Fund is a defined contribution fund, managed by a Board of Trustees in terms of the Pension Funds Act of 1956 (Act no. 24 of 1956). The company has no financial liability in respect of this fund.

Government Employees Pension Fund:

Retirement benefits are provided by membership of the Government Employees Pension Fund which is a defined benefit fund. The company's responsibility regarding the funding of the shortfall of the pension fund is limited to the current contributions made on behalf of its employees. The Government of South Africa as the employer is responsible for any shortfall in this Fund. This responsibility is governed by the General Pensions Act 29 of 1979 and Government Employees Pension Law, Proclamation 21 of 1996.

SITA Pension Fund:

The SITA Pension Fund, which is administered by Alexander Forbes, is a defined contribution fund. The company has no financial liability in respect of this fund.

Current Medical Benefits:

The company contributes to three medical aid schemes for the benefit of permanent employees and their dependants. Contributions charged against income amounted to R74.3 million (2010: R68.2 million). The company's financial obligation is limited to the current company contributions.

16. Trade and Other Payables

(in Rand)	2011	2010
Trade payables	741,088,913	493,503,179
Leave pay accrual	74,464,771	69,759,210
Accrual for 13th cheque	5,350,931	5,488,566
FEC liability	-	2,509,966
Non-trade payables	18,917,470	5,895,787
	839,822,085	577 156 708

The company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

17. Provisions

(in Rand)	2011	2010
Balance at beginning of year	-	66,942,801
Additional provision raised during the year	25,000,000	7,663,860
Reversal of provision during the year	-	(74,606,661)
Balance at end of year	**25,000,000**	**-**

No provision for performance bonuses was made during the 2009/10 financial year.

18. Income Received in Advance

(in Rand)	2011	2010
Unearned Revenue	33,390,786	67,851,026
Ring-fenced cash (Refer to note 8)	193,318,506	392,648,087
	226,709,292	**460,499,113**

Income received in advance represents monies received from customers to be utilised for specific projects in future periods.

Unearned Revenue represents amounts that have been billed and received as per agreement with the customer, but for which the milestones have not been met.

19. Revenue

(in Rand)	2011	2010
Project Related Revenue	3,035,729,065	2,419,909,718
Agency Revenue	308,079,714	433,405,890
Infrastructure	958,593,818	1,088,457,132
	4,302,402,597	**3,941,772,740**

Refer to note 27 for the breakdown of revenue earned from related parties.

20. Cost of Sales

(in Rand)	2011	2010
Direct depreciation	87,565,797	115,897,242
Direct amortisation	17,283,491	25,490,201
Direct labour	1,323,095,184	1,333,222,197
Service delivery overheads	2,099,388,218	1,785,671,822
	3,527,332,690	**3,260,281,462**

21. Other Income

(in Rand)	2011	2010
Catering (deficit)/surplus	(718,255)	155,496
Sundry income	44,904,305	28,200,818
	44,186,050	**28,356,314**

22. Operating Expenses

The following separately disclosable items are included in operating expenses:

(in Rand)	2011	2010
Auditor's remuneration		
– Audit fees	11,397,848	7,700,466
Amortisation		
Total amortisation	21,752,402	35,726,951
Included in Cost of sales	(17,283,491)	(25,490,201)
Non-recoverable amortisation	**4,468,911**	**10,236,750**
Depreciation		
– Total depreciation	113,746,067	141,783,225
– Included in cost of sales	(87,565,797)	(115,897,242)
Non-recoverable depreciation	**26,180,270**	**25,885,983**
Impairment movement		
– Property, plant and equipment	-	170,747
– Trade and other receivables	24,909,074	9,600,990
Loss on disposal of assets	**1,353,228**	**9,146,612**
Operating lease expense	**34,774,768**	**40,714,739**
Operating lease income	**6,746,642**	**6,778,685**
Research costs	**13,647,759**	**7,604,661**
Staff costs	**372,379,483**	**376,423,531**

Refer to Annexure A for Directors' remuneration

23. Finance Income

(in Rand)	2011	2010
Fair value adjustment on Trade Receivables in terms of SAICA Circular 9/2006	49,402,325	73,158,898
Foreign exchange gain	9,029,246	-
Interest on cash balances	56,754,238	56,385,495
	115,185,809	**129,544,393**

24. Finance Expenses

(in Rand)	2011	2010
Fair value adjustment on trade payables in terms of SAICA Circular 9/2006	34,874,797	41,247,089
Foreign exchange loss	-	5,583,727
Interest paid	3,662,068	10,906,379
	38,536,865	**57,737,195**

25. Income Tax Expense

(in Rand)	2011	2010
Current Tax Expense		
Income Tax Charge	95,993,814	-
Deferred Tax Expense		
Origination and reversal of temporary differences	(18,178,909)	43,206,237
Calculated tax loss	-	(25,383,590)
Total income tax expense	**77,814,905**	**17,822,647**
Reconciliation of Effective Tax Rate		
Profit for the period	185,678,213	31,739,569
Total income tax expense	77,814,905	17,822,647
Profit excluding income tax	**263,493,118**	**49,562,216**

	2011		2010	
	%	R	%	R
Income tax using the company's domestic tax rate	28.0%	73,778,073	28.0%	13,877,420
Non-deductible expenses	1.5%	4,036,832	8.0%	3,945,227
Effective income tax	**29.5%**	**77,814,905**	**36.0%**	**17,822,647**

26. Financial Instruments

a) Credit Risk

Credit risk is the risk of financial loss to the company when the customer or counterparty to the financial instrument fails to meet its contractual obligations and arises principally from the company's receivables from customers.

The company limits its counterparty exposure arising from money market instruments by dealing only with well-established financial institutions of high credit standing. Exposure relating to trade and other receivables, which mainly consist of national, provincial and local government departments, is managed by entering into contractual agreements that indicate payment terms of the services rendered. These customers fall within the ambit of the Public Finance Management Act,1999 (Act No. 1 of 1999) and the Municipal Finance Management Act No.56 of 2003. These legislations prescribe that suppliers of products and services be paid within 30 days or as stipulated by agreements entered into.

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date was:

		Carrying Amount	
(in Rand)	Note	2011	2010
Trade Receivables	**9**	704,207,719	756,555,185
Other receivables	**9**	10,236,487	11,059,219
Cash and cash equivalents	**8**	1,577,925,471	1,085,151,461
Contract work in progress	**10**	58,403,516	67,633,835
		2,350,773,193	1,920,399,700
Forward exchange contracts		-	**79,119,883**

The maximum exposure to credit risk for trade receivables at the reporting date by major customer cluster was:

	Carrying Amount	
(in Rand)	2011	2010
Crime and prevention cluster	362,252,105	197,006,597
Economic and investment cluster	39,793,633	44,861,586
Government, administration and International cluster	89,794,962	69,252,123
Social cluster	142,362,812	104,797,375
Provincial and Local departments	70,004,207	340,637,504
	704,207,719	**756,555,185**

The maximum exposure to credit risk for contract work in progress at the reporting date by major customer cluster was:

	Carrying Amount	
(in Rand)	2011	2010
Crime and prevention cluster	34,160,736	17,743,485
Economic and investment cluster	263,659	19,617,198
Government, administration and International cluster	1,552,216	1,101,882
Social cluster	8,231,163	3,619,968
Provincial and Local departments	14,195,642	25,551,302
	58,403,416	**67,633,835**

Impairment Losses

The aging of trade receivables net of the impairment loss at the reporting date was:

	Carrying amount	
	2011	2010
Not past due	326,412,024	434,436,210
Past due 0 - 30 days	140,881,555	118,267,092
Past due 31 - 90 days	57,249,548	108,587,848
Past due 91 - 360 days	163,662,839	95,264,035
Past due - more than 360 days	16,001,753	-
	704,207,719	**756,555,185**

The due date of invoices is determined as being 30 days after the invoice date.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2011	2010
Balance at beginning of year	79,476,637	69,875,647
Impairment loss recognised	24,909,074	9,600,990
Balance at end of year	**104,385,711**	**79,476,637**

The impairment loss is based on specifically identified invoices that are considered doubtful based on information in the company's possession. Each invoice is analysed individually and a decision to impair is made.

b) Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach in managing liquidity risk is to ensure, as far as possible , that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. This risk is managed by maintaining adequate cash reserves by continuously monitoring cash flow forecasts, actual cash flows and the maturity profile of financial assets and liabilities.

Cash flow forecasts are done on a weekly and monthly basis. They are tightly managed in order to accurately predict daily funding needs. Favourable interest rates on the current, call and investment accounts are negotiated with the banks.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

31 March 2011

(in Rand)	Carrying Amounts	Contractual Cash flow	6 Months or Less	6 - 12 Months	1 - 2 Years
Trade and other payables	815,351,996	815,351,996	815,351,996	-	-
Interest bearing borrowings	5,200,090	5,287,476	5,287,476	-	-
	820,552,086	820,639,472	820,639,472	-	-

31 March 2010

(in Rand)	Carrying Amounts	Contractual Cash flow	6 Months or Less	6 - 12 Months	1 - 2 Years
Trade and other payables	574,646,742	574,646,742	574,646,742	-	-
Interest bearing borrowings	10,400,170	10,574,952	5,287,476	-	5,287,476
Forward exchange contracts:	2,509,966	2,509,966	2,509,966	-	-
	587,556,878	587,731,660	582,444,184	-	5,287,476

c) Currency Risk

Currency risk arises from exposure to foreign currencies when the value of the rand changes in relation to these currencies. In the current year the company has changed its policy and no longer hedges the foreign currency exposure against exchange rate fluctuations. Going forward all losses incurred from foreign currency transactions will be recovered from the clients. The company primarily transacts in US dollar when dealing with foreign transactions.

The company's exposure to foreign currency risk was as follows based on notional amounts:

	US$ 2011	US$ 2010
Forward exchange contracts	-	10,660,634

The following significant exchange rates have been applied during the year

	Average Rate		Reporting Spot Rate	
	2011	2010	2011	2010
US$ 1	6.68	7.80	-	7.34

Sensitivity Analysis

The company's business policies require that all losses incurred should be recovered from the clients. Therefore a sensitivity analysis regarding currency risk is not provided.

d) Interest Rate Risk

At the reporting date the interest rate profile of the company's interest-bearing financial instrument was:

	Carrying Amount	
(in Rand)	2011	2010
Fixed interest rate		
Interest bearing borrowings	**5,200,090**	**10,400,170**

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial liabilities at fair value through surplus or deficit, and the company does not designate derivatives (interest-rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rate at reporting date would not affect surplus or deficit.

(in Rand)	Carrying Amount	
	2011	2010
Variable interest rate		
Cash and cash equivalents	**1,577,925,471**	**1,085,151,461**

Fair value sensitivity analysis for variable interest rate instruments

The sensitivity analysis below has been determined based on the exposure to interest rates at reporting date and the stipulated change taking place at the beginning of the financial year and held constant in the case of variable rate borrowings. A 100 basis point increase or decrease has been used, as this represents management's assessment of the possible change in the interest rates.

If interest rates had been 100 basis points higher/lower and all other variables held constant, the company's surplus before taxation would increase/decrease by:	**1,577,925**	**1,085,151**

e) Fair values of financial instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as flows:

(in Rand)	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Trade and other receivables	714,444,206	714,444,206	767,614,404	767,614,404
Cash and cash equivalents	1,577,925,471	1,577,925,471	1,085,151,461	1,085,151,461
Contract work in progress	58,403,516	58,403,516	67,633,835	67,633,835
	2,350,773,193	2,350,773,193	1,920,399,700	1,920,399,700
Financial Liabilities				
Trade and other payables	815,351,996	815,351,996	574,646,742	574,646,742
Loans payable	5,200,090	5,200,090	10,400,170	10,400,170
Forward exchange contracts	-	-	2,509,966	2,509,966
	820,552,086	820,552,086	587,556,878	587,556,878

f) Categories of financial instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as flows:

(in Rand)	2011	2010
	Carrying Amount	Carrying Amount
Fair value through profit and loss		
Cash and cash equivalents	1,577,925,471	1,085,151,461
Loans and receivables		
Loans payable	5,200,090	10,400,170
Trade and other receivables	714,444,206	767,614,404
Contract work in progress	58,403,516	67,633,835
Trade and other payables	815,351,996	574,646,742

27. Related Parties

Transactions with National Departments

The company is 100% owned by the government of South Africa represented by the Minister for Public Service and Administration.

The company is a schedule 3A National Public Entity in terms of the Public Finance Management Act,1999 (Act No.1 of 1999). The related party disclosures are in terms of the requirements of IPSAS 20 (Related Party Disclosures) and the specific guidance given by the South African Institute of Chartered Accountants.

Related parties of the company consist of government departments, state-owned enterprises and other public entities in the national sphere of government and key management personnel of the company and close family members of related parties. All transactions entered into with related parties are at arm's length.

Revenue for the Year

(in Rand)	2011	2010
Crime and Prevention Cluster	2,331,555,490	2,064,082,575
Economic and Investment Cluster	297,756,847	267,811,461
Government, administration and International cluster	238,131,684	189,804,825
Social Cluster	274,093,972	343,528,531
Local and provincial	-	4,328,247
Revenue from related parties	**3,141,537,993**	**2,869,555,639**
Revenue from other parties	**1,160,864,604**	**1,072,217,101**
Revenue per statement of financial performance	4,302,402,597	3,941,772,740

Amounts Owed at Year-End

(in Rand)	2011	2010
Crime and Prevention Cluster	362,252,105	197,006,597
Economic and Investment Cluster	39,793,633	44,861,586
Government, administration and International cluster	89,794,962	69,252,123
Social Cluster	142,362,812	104,797,375
Other related parties	-	135,090
Total related parties	**634,203,512**	**416,052,771**
Balance of trade receivables	**70,004,207**	**340,502,414**
Trade receivables	704,207,719	756,555,185

(in Rand)	2011	2010
Crime and Prevention Cluster	34,160,736	17,743,485
Economic and Investment Cluster	263,659	19,617,198
Government, administration and International cluster	1,552,216	1,101,882
Social Cluster	8,231,163	3,619,968
Other related parties	14,195,642	25,551,302
Contract work in progress	58,403,416	67,633,835

Amounts Received in Advance at Year-End

(in Rand)	2011	2010
Crime and Prevention Cluster	176,476,761	326,705,105
Economic and Investment Cluster	34,761,032	51,550,064
Government, administration and International cluster	8,645,413	14,123,845
Social Cluster	-	6,561,098
Other related parties	-	736,335
Total related parties	**219,883,206**	**399,676,447**
Balance of income received in advance	**6,826,086**	**60,822,666**
Income received in advance per statement of financial position	226,709,292	460,499,113

Transactions with Key Management Personnel

The key management personnel are directors and executive managers of the company for the year ended 31 March 2011.

Transactions with key management personnel are disclosed in Annexure A.

28. Operating Leases

Operating lease expense

The company entered into non-cancellable operating lease agreements for the occupation of certain premises and for the use of computer equipment. At the reporting date, the future minimum lease payments under these lease agreements were as follows:

(in Rand)	2011	2010
Less than 1 year	34,149,975	32,798,628
Between 1 and 5 years	33,766,467	55,984,387
	67,916,442	88,783,015

Operating lease income

The company entered into non-cancellable operating lease agreements with tenants. At reporting date, the future minimum lease payments receivable under these lease agreements were as follows:

(in Rand)	2011	2010
Less than 1 year	849,926	5,934,660
Between 1 and 5 years	235,036	235,017
More than 5 years	-	52,174
	1,084,962	6,221,851

The average period for operating lease agreements is 5 years.

29. Contingent Liabilities

Section 40(3)(b)

Material losses occurred during the current financial year due to criminal conduct of an employee. Disciplinary action as a result of this loss was taken. In addition, management is undertaking measures to recover it in full from the dismissed employee.

Litigations and Claims

The Company has a possible liability towards three former employees and one current employee resulting from legal action taken by these employees. It is not possible at this stage to estimate the potential damages and legal costs involved as the Company has not been formally notified of the outcome of the court proceedings.

There are various other claims against SITA estimated at R15 million. Based on legal advice, the probability is not determinable in the majority of these claims as the ruling could go either way. It is not possible at this stage to estimate the potential damages and legal costs involved as these have not yet been communicated to the Company.

A claim of an unknown amount has been instituted against the company and two national government departments. This matter arose out of a tender. Based on legal advice, the outcome of this claim cannot be determined with reasonable certainty. However, the matter is being handled by the State Attorney.

Contingent liability relating to surplus funds

In terms of section 53(3) of the Public Finance Management Act, SITA is required to remit back to National Treasury, any surpluses at the end of its financial year. However, as SITA does not receive a vote from National Treasury and is self-sustaining, self-funding entity, a submission is in the process of being made to National Treasury via DPSA for SITA to retain its accumulated surpluses as at 31 March 2011. Until such time as this approval is granted, the accumulated surplus of R185 678 213 is considered to be a contingent liability. Based on previous experience, it is expected that the request to retain 2011 surplus might be granted.

30. Standards Issued but not yet effective

At the date of approval of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

	Standard/Interpretation	Applicable to SITA
GRAP 18	Segment reporting	N/A
GRAP 21	Impairment of non-cash-generating assets	N/A
GRAP 23	Revenue from non-exchange transactions (taxes and transfers)	N/A
GRAP 24	Presentation of budget information in financial statements	YES
GRAP 25	Employee benefits	YES
GRAP 26	Impairment of cash-generating assets	YES
GRAP 103	Heritage assets	N/A
GRAP 104	Financial instruments	YES
IPSAS 25	Employee benefits	YES
IPSAS 27	Agriculture	N/A
IPSAS 28	Financial instruments: Presentation	YES
IPSAS 29	Financial instruments: Recognition & measurement	YES
IPSAS 30	Financial instruments: Disclosures	YES
IPSAS 31	Intangible assets	YES
IFRS 1 (AC 138) amendment	Limited exemption from comparative IFRS 7 disclosures for first time adopters	N/A
IFRS 1 amendment	Severe hyperinflation and removal of fixed dates for first time adopters	N/A
IFRS 7 (AC 144) amendment	Disclosures - Transfers of financial assets	N/A
IFRS 9 (2009) (AC 146)	Financial instruments	YES
IFRIC 14 (AC 447)	IAS 19 - The limit on a Defined Benefit Asset, Minimum funding requirements and their interaction	N/A
IFRIC 19 (AC 452)	Extinguishing financial liabilities with equity instruments	N/A

31. Irregular Expenditure

(in Rand)	2011	2010
Opening Balance	216,198,177	19,022,955
Add: Irregular expenditure - current year	425,777,520	214,906,769
Less: Amounts condoned	(371,770,377)	-
Less: Prior year adjustment	-	(17,731,547)
Less: Amounts recoverable (not condoned)	(1,557,020)	-
Irregular expenditure awaiting condonation	**268,648,300**	**216,198,177**

Analysis of Expenditure Awaiting Condonation per Age Classification

(in Rands)	2011	2010
Current year	104,019,769	197,175,222
Prior years	164,628,531	19,022,955
Irregular expenditure awaiting condonation	**268,648,300**	**216,198,177**

Notes to the Annual Financial Statements – cont.
for the Year Ended 31 March 2011

31.1 Details of Irregular Expenditure - Current Year

	Incident	Disciplinary Steps Taken	2011 Amount (R)	Financial Loss to the Company
1	Irregular expenditure arising from the continued procurement of mainframe services after expiry of the initial contract on 30 September 2010.	No disciplinary action was instituted against management and the officials involved because they could not be held responsible for the irregular expenditure as they initiated the process for the renewal of the contract in good time, on 3 March 2010, prior to expiry of the initial contract on 30 June 2010. However, protracted delay was experienced with the conclusion and approval of the contract which management had no control over.	76 570 333	Nil
2	Irregular expenditure arising from the procurement of Personnel Development Programme(PDP) without a valid contract in place.	An internal Audit investigation is underway to establish the facts and to recommend the necessary process for finalisation.	7,631,790	Nil
3	An employee irregularly utilised a non-transversal tender to purchase software on behalf of a client from a vendor which is not listed as approved supplier on the SITA supplier database.	Disciplinary action is in progress. A process has commenced to refer the matter to the Special Investigations Unit for further investigation in order to identify all individuals and entities that may have been involved in any illegal activity and where appropriate institute the necessary criminal and/ or civil action.	3,951,063	Nil
4	Irregular expenditure arising from the contravention of procurement processes and procedures by procuring LAN and desktop support services from service providers without valid contracts in place.	Awaiting conclusion of the Internal Audit Investigation the outcome of which will inform the decision concerning the institution of disciplinary process.	61,948,047	Nil
5	Irregular expenditure incurred on scope extension to include additional voice/data/ LCR on an existing contract.	An Internal Audit investigation is underway to establish facts and to recommend the necessary process for finalisation.	16,460,692	Nil
6	A supplier was engaged without following the normal procurement process in that only one quotation instead of 3 quotes was obtained.	An Internal Audit investigation is underway to establish facts and to recommend the necessary process for finalisation.	241,995	Nil

Notes to the Annual Financial Statements – cont.
for the Year Ended 31 March 2011

	Incident	Disciplinary Steps Taken	2011 Amount (R)	Financial Loss to the Company
7	Irregular expenditure arising from the continued use of security services after expiry of the initial contract.	Management has requested Internal Audit to conduct an investigation to confirm the facts and to recommend the necessary process for finalisation.	192,250	Nil
8	A Sourcing Specialist contravened the procurement policies and procedures by taking part in the actual evaluation of tenders, approved/signed the letter of award though he had no delegation of authority and also facilitated the procurement process.	The disciplinary process has been initated and is in progress.	5,144,202	Nil
9	Failure by senior officials to follow proper procurement processes when engaging the services of a consultant.	Awaiting conclusion of the Internal Audit investigation the outcome of which will inform the decision concerning the institution of discplinary action.	184,210	Nil
10	A service provider was engaged in a manner that is not in line with the engagement model (paragraph 5 of the "Engagement process for hardware maintenance on a time and material basis"). Furthermore, the supplier was engaged without a valid contract.	Management has requested Internal Audit to conduct an investigation to confirm the facts and to recommend the necessary process for finalisation.	4,476,967	Nil
11	A service provider was engaged without a valid contract.	An Internal Audit investigation is underway to establish facts and to recommend the necessary process for finalisation.	4,235	Nil
12	Irregular expenditure arising from the continued procurement of services after expiry of the initial contract. Although the expenditure was critical and necessary from a business perspective, protracted delays were experienced in the negiotation process for the renewal of the contract due to changes in leadership.	No discplinary action was instituted against management and the officials involved because they could not be held responsible for the irregular expenditure as the events that caused the delays in the renewal of the contracts were beyond their control.	243,630,398	Nil

Notes to the Annual Financial Statements – cont.

for the Year Ended 31 March 2011

	Incident	Disciplinary Steps Taken	2011 Amount (R)	Financial Loss to the Company
13	Losses due to criminal conduct resulting from manipulation of the internal finance process by an employee who submitted a fraudulent letter, purporting to have been sent by a supplier, requesting a change to their banking details to an account number that belonged to the employee. The employee also submitted a forged statement of account and a false invoice for payment that appeared to have issued by the supplier while knowing that the payment will be effected into his bank account.	Disciplinary action was instituted against the employee. He was found guilty on fraudulent activities and dismissed.	1,557,020	1,557,020
14	Irregular expenditure arising from the failure of management to renew the lease agreement for the SITA office accomodation in Middelburg after expiry of the initial lease agreement.	Management has requested Internal Audit to conduct an investigation to confirm facts and to recommend the necessary process for finalisation.	39,186	Nil
15	Irregular expenditure arising from the continued procurement, without a valid contract, of LAN and desktop services for KZN Office of the premier and KZN Department of Transport after expiry of the initial contract on 30 September 2010. The expenditure incurred subsequent to expiry of the initial contract on 30 September 2010 up to the end of March 2011 constitutes irregular expenditure as the contracts had still not been concluded during this period.	Internal Audit investigation to establish facts and recommend course of action for finalisation which is in progress.	3,745,132	Nil
			425,777,520	**1,557,020**

Notes to the Annual Financial Statements – cont.

for the Year Ended 31 March 2011

Details of Irregular Expenditure Condoned

	Incident	Steps Taken / Financial Loss to the Company	Condoned by	Amount (R)
1	Senior officials failed to adhere to procurement policies and procedures when procuring cabling infrastructure on behalf of a client.	Disciplinary action was instituted against the responsible employee. No financial loss was suffered as the company received value for money.	The Accounting Authority	1,477,869
2	Senior officials failed to adhere to procurement policies and procedures in relation to tenders for the implementation of the performance management system and acceptance testing for a client. A senior official contravened his delegation of authority by a signing software enterprise agreement for a period of 3 years, thereby committing SITA to a binding contract with potential serious financial consequences; and senior official exceeded his delegation of authority by unilaterally entering into an agreement with a supplier for an advance payment thereby creating an undue financial obligation for SITA.	The employees involved in the contravention were dismissed following a disciplinary action held against them. The matter was also reported to the SAPS and referred to the SCCU. No financial loss was suffered by the company.	The Accounting Authority	16,024,896
3	Irregular expenditure arising from the continued procurement of services after expiry of the initial contract. Although the expenditure was critical and necessary from a business perspective, protracted delays were experienced in the negotiation process for the renewal of the contract due to changes in leadership.	No financial loss was suffered by the company as the expenditure incurred is considered necessary for the operations.	The Accounting Authority	243,630,398
4	Irregular expenditure arising from senior officials who failed to timeously renew the lease agreement for an office building. Rentals were incurred during the period 1 May 2009 to 31 July 2009 prior to renewal of the lease agreement. Protracted delays were experienced with the negotiations for the renewal of the lease due to ownership of building changing hands and the new landlord introducing terms and conditions which were not acceptable to the company.	There was no financial loss suffered as the rental was paid for the period that the building was occupied by the company.	The Accounting Authority	462,870
5	Irregular expenditure resulting from failure by management to renew the contract for LAN connect services. The irregular expenditure was incurred over a period of 3 months after expiry of the initial contract. Failure to renew the contract on time resulted from delays by the supplier to provide the necessary information eventhough SITA officials involved in the transaction did their best to expedite the process.	There was no financial loss to the company and neither was there any unfair benefit to the supplier.	The Accounting Authority	202,680

	Incident	Steps Taken / Financial Loss to the Company	Condoned by	Amount (R)
6	Irregular expenditure arising from the continued procurement of services after expiry of the initial contract between the supplier and SITA's client. The client requested SITA to contract with the supplier on their behalf. The contract was set to commence a day after expiry date of the initial contract.	The retrospective implementation of the contract meant that SITA had to account for the irregular expenditure that took place prior to approval of the contract. Therefore it is only by technicality that SITA has to account for the irregular expenditure in its books.	The Accounting Authority	25,380,344
7	Irregular expenditure arising from the continued procurement of mainframe services after expiry of the initial contract on 30 September 2010. Protracted delays were experienced with the conclusion and approval of the contract which management had no control over.	No financial loss was suffered by SITA in this transaction as the expenditure incurred is considered necessary for the operations and corresponding value was received for the expenditure.	The Accounting Authority	76,570,333
8	Irregular expenditure arising from the failure by Senior officials to renew the contract with service providers prior to expiry of the initial contract. The reason for the delay was the structural changes in the client environment (which includes the dismissal of the Chief Director) which affected all contractual approvals.	No financial loss was suffered by the company as value was received for the expenditure incurred.	The Accounting Authority	6,355,087
9	SITA Contractor Management Policy was not followed in the appointment of contractors.	Disciplinary action was instituted against one of the two responsible officials and he was found not guilty of the charges brought against him. No disciplinary action could be taken agagints the other official as he is no longer in the company's employ.	The Accounting Authority	1,665,900
				371,770,377

31.2 Fruitless and Wasteful Expenditure

(in Rand)	2011	2010
Opening Balance	2,689,673	2,005,662
Add: Fruitless and Wasteful expenditure - current year	184,478	684,011
Less : Amounts condoned	-	-
Less : Amounts recoverable (not condoned)	(466,480)	-
Less: Amounts not recoverable (not condoned)	(361,676)	-
Fruitless and wasteful expenditure awaiting condonation	**2,045,995**	**2,689,673**

Analysis of Expenditure Awaiting Condonation per Age Classification

(in Rand)	2011	2010
Current year	184,478	684,011
Prior years	1,861,517	2,005,662
Total	**2,045,995**	**2,689,673**

Details of Fruitless and Wasteful Expenditure

Current Year

The fruitless and wasteful expenditure resulted from interest of R 144,690 levied by suppliers for late payment and cancellation penalties of R 38 500.

32. Cash Flow Notes

32.1 Normal Tax Paid

(in Rand)	2011	2010
Opening balance	(96,321,270)	(7,150,939)
Current year normal tax charge	95,993,815	-
Closing balance	32,964,824	96,321,270
	32,637,369	**89,170,331**

32.2 Reconciliation of Net Cash Flows from Operating Activities

(in Rand)	2011	2010
Net Cash Inflow from Operating Activities		
Surplus before taxation	263,493,118	49,562,216
Adjustments for non-cash flow items:		
– Depreciation/Amortisation	135,498,469	177,510,176
– Impairment	-	170,747
– Increase in provision for impairment	24,909,074	9,600,990
– Loss on disposal or scrapping of property, plant and equipment	1,353,228	9,146,612
– Increase in provision for post-retirement employee benefits	6,268,351	8,452,766
– Finance costs paid	34,874,797	41,247,089
– Finance income received	(49,402,325)	(73,158,898)
– Increase/(Decrease) in provisions	25,000,000	(66,942,801)
Operating profit before working capital changes	441,994,712	155,588,894
Working capital changes:		
Decrease in trade and other receivables	28,261,124	114,679,774
Decrease /(Increase)in prepayments made	35,940,415	(60,332,381)
Decrease/(Increase) in work in progress	9,230,320	(48,049,391)
Increase/(Decrease) in trade and other payables	262,665,378	(113,396,018)
(Decrease)/Increase in income received in advance	(233,789,821)	200,460,605
Cash generated in operations	544,302,128	248,951,483
Normal taxation	(32.637,369)	(89,170,331)
Finance costs paid	(34,874,797)	(41,247,089)
Finance income received	49,402,325	73,158,898
	526,192,287	191,692,964

33. Reconciliation of Budget Surplus with the Surplus in the Statement of Financial Performance

(in Rand)	2011	2010
Net surplus per the statement of financial performance	185,678,213	31,739,569
Adjusted for:		
› Fair value adjustments	84,277,122	116,915,954
› Impairments recognised	104,385,711	79,647,383
› Deficit on the sale of assets	(1,353,228)	(9,146,612)
› Decreases in provisions	(326,589,818)	(97,814,292)
› Leave pay provision	4,705,561	11,735,502
› Performance bonus provision	25,000,000	(66,942,801)
› Other	(356,295,379)	(42,606,993)
Net Surplus per Approved Budget	**46,398,000**	**121,342,003**

34.1 Change in Accounting Estimate - Useful Lives of Property, Plant and Equipment

SITA (Pty) Ltd reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, management determined that the useful lives of certain items of equipment should be increased, due to the expected increased utility of these assets.

The financial effect of this reassessment, assuming that the assets are held until the end of their estimated useful lives, is to decrease the consolidated depreciation expense in the current financial year and for the next 2 years, by the following amounts:

(in Rand)	2011	2012	2013
(Decrease)/Increase in depreciation expense	(10,514,176)	6,822,384	6,880,779

34.2 Change in Accounting Estimate - Useful Lives of Intangible Assets

SITA (Pty) Ltd reviews the estimated useful lives of intangible assets at the end of each reporting period. During the current year, management determined that the useful lives of certain items of equipment should be increased, due to the expected increased utility of these assets.

The financial effect of this reassessment, assuming that the assets are held until the end of their estimated useful lives, is to decrease the consolidated depreciation expense in the current financial year and for the next 2 years, by the following amounts:

(in Rand)	2011	2012	2013
(Decrease)/Increase in depreciation expense	(6,345,550)	2,442,245	2,875,152

Annexure A - 2011

(in Rand at 31 March 2011)

Position		Duration (months ending)	Fees as Director	Acting Allowance	Basic Salary	Annual Payment[1]
Non-Executive Directors						
Chairperson						
Ms Z P Manase	12	31-Mar-11	1,143,317	-	-	-
Deputy Chairperson						
Ms F C Potgieter-Gqubulé	12	31-Mar-11	498,264	-	-	-
Board Members						
Ms S V Bvuma	12	31-Mar-11	944,573	-	-	-
Mr P R Kgame	12	31-Mar-11	527,098	-	-	-
Mr M A Luthuli	12	31-Mar-11	87,058	-	-	-
Mr W S Mabena	12	31-Mar-11	939,666	-	-	-
Ms M Makhekhe-Mokhuane	12	31-Mar-11	5,641	-	-	-
Ms B M Malongete	12	31-Mar-11	393,726	-	-	-
Ms K T Mdlulwa	12	31-Mar-11	812,835	-	-	-
Ms N M Mhlakaza	12	31-Mar-11	155,357	-	-	-
Ms T Moloko	12	31-Mar-11	183,516	-	-	-
Prof M I Mphahlele	12	31-Mar-11	797,980	-	-	-
Ms K R Mthimunye	12	31-Mar-11	603,007	-	-	-
Mr D C Niddrie	12	31-Mar-11	87,362	-	-	-
Ms N Ntsinde	6	31-Mar-11	231,381	-	-	-
			7,410,781	**-**	**-**	**-**

Travel Allowances	Petrol Card	Company Contributions[2]	Commissions or Profit Sharing	Share Options	Other - Performance Bonus	Total
368	-	-	-	-	-	1,143,685
						-
6,938	-	-	-	-	-	505,202
						-
2,077	-	-	-	-	-	946,650
9,684	-	-	-	-	-	536,782
-	-	-	-	-	-	87,058
20,535	-	-	-	-	-	960,201
-	-	-	-	-	-	5,641
220	-	-	-	-	-	393,946
-	-	-	-	-	-	812,835
3,850	-	-	-	-	-	159,207
	-	-	-	-	-	183,516
18,280	-	-	-	-	-	816,260
460	-	-	-	-	-	603,467
2,273	-	-	-	-	-	89,635
465	-	-	-	-	-	231,846
65,150	**-**	**-**	**-**	**-**	**-**	7,475,931

Notes to the Annual Financial Statements – cont.
for the Year Ended 31 March 2011

(in Rand at 31 March 2011)

Position		Duration (months ending)	Fees as Director	Acting Allowance	Basic Salary	Annual Payment[1]
Executive Committee Members						
Mr B K Mosely-Lefatola (CEO)	3	31-Mar-11	-	-	422,829	-
Ms R E Magoma-Nthite	12	31-Mar-11	-	29,003	1,024,604	26,925
Mr M M Mtimunye	12	31-Mar-11	-	33,670	1,101,164	-
Mr A Pretorius	12	31-Mar-11	-	73,091	974,301	-
Mr B Ramfolo	12	31-Mar-11	-	-	693,000	-
Mr E Khan	12	31-Mar-11	-	28,233	822,022	50,000
Ms N M Ntsinde (Acting CEO)	6	31-Jan-11	-	-	1,341,667	108,349
Mr A Pama	12	31-Mar-11	-	56,214	683,202	-
Dr D J Mashao	12	31-Mar-11	-	16,285	326,388	104,068
Mr M V Tisani	8	31-Mar-11	-	16,117	273,960	-
Mr S T Mthethwa	5	31-Mar-11	-	-	275,006	-
Ms K P Ntshavheni	5	31-Mar-11	-	-	687,167	4,167
Mr B D Mushwana	2	31-Mar-11	-	-	229,684	-
Ms T L Mjoli	1	31-Mar-11	-	-	127,815	-
		-		**252,613**	**8,982,808**	**293,509**

Travel Allowances	Petrol Card	Company Contributions[2]	Commissions or Profit Sharing	Share Options	Other - Performance Bonus	Total
40,645	-	10,719	-	-	6,300	480,493
70,951	-	183,912	-	-	6,000	1,341,395
107,676	-	307,753	-	-	-	1,550,263
-	-	94,312	-	-	6,000	1,147,704
-	-	-	-	-	-	693,000
192,000	-	207,688	-	-	6,000	1,305,943
-	-	-	-	-	-	1,450,016
64,000	-	82,685	-	-	1,200	887,301
-	-	42,507	-	-	1,200	490,448
52,000	-	52,283	-	-	950	395,310
125,000	-	38,226	-	-	6,000	444,232
-	-	42,000	-	-	6,000	739,334
20,000	-	24,667	-	-	4,200	278,551
-	-	11,470	-	-	2,100	141,385
672,272	**-**	**1,098,222**	**-**	**-**	**45,950**	**11,345,375**

Annexure A -2010

(in Rand - 31 March 2010)

Position		Duration (months ending)	Fees as Director	Other Services	Basic Salary	Annual Payment[1]
Non-Executive Directors						
Chairperson						
Ms Z P Manase	12	31-Mar-10	1,067,362	-	-	-
Deputy Chairperson						
Ms F C Potgieter-Gqubulé	1	31-Mar-10	6,000	-	-	-
Board Members						
Ms S V Bvuma	1	31-Mar-10	6,000	-	-	-
Ms C B Clark	12	31-Mar-10	-	-	-	-
Mr P R Kgame	1	31-Mar-10	6,000	-	-	-
Mr C C W Kruger	12	31-Mar-10	-	-	-	-
Mr A M Luthuli	12	31-Mar-10	160,830	-	-	-
Mr W S Mabena	1	31-Mar-10	-	-	-	-
Ms M Makhekhe-Mokhuane	12	31-Mar-10	-	-	-	-
Ms B M Malongete	1	31-Mar-10	-	-	-	-
Ms K T Mdlulwa	1	31-Mar-10	6,000	-	-	-
Ms N M Mhlakaza	1	31-Mar-10	-	-	-	-
Ms T Moloko	1	31-Mar-10	-	-	-	-
Prof M I Mphahlele	1	31-Mar-10	6,000	-	-	-
Ms K R Mthimunye	1	31-Mar-10	6,000	-	-	-
Mr D C Niddrie	1	31-Mar-10	-	-	-	-
Ms N Ntsinde	1	31-Mar-10	6,000	-	-	-
Ms R Sekese	12	31-Mar-10	-	-	-	-
Ms M O Williams	6	30-Sep-09	-	-	-	-
		-	**1,270,192**	**-**	**-**	**-**

Expense Allowances	Petrol Card	Company Contributions[2]	Commissions or Profit Sharing	Share Options	Other - Performance Bonus	Total
249	-	-	-	-	-	1,067,611
-	-	-	-	-	-	6,000
-	-	-	-	-	-	6,000
-	-	-	-	-	-	-
-	-	-	-	-	-	6,000
-	-	-	-	-	-	-
-	-	-	-	-	-	160,830
-	-	-	-	-	-	-
24,960	-	-	-	-	-	24,960
-	-	-	-	-	-	-
-	-	-	-	-	-	6,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	6,000
-	-	-	-	-	-	6,000
-	-	-	-		-	-
-	-	-	-	-	-	6,000
-	-	-	-	-	-	
-	-	-	-	-	-	-
25,209	**-**	**-**	**-**	**-**	**-**	**1,295,401**

Notes to the Annual Financial Statements – cont.
for the Year Ended 31 March 2011

(in Rand - 31 March 2010)

Position		Duration (months ending)	Fees as Director	Other Services	Basic Salary	Annual Payment[1]
Executive Committee Members						
Acting CEO						
Mrs F Pienaar	5	31-Aug-09	-	22,750	497,298	156,852
Mr E Khan (CEO Team)	12	31-Mar-10	-	62,242	797,045	20,000
Mr M Mtimunye (CEO Team)	12	31-Mar-10	-	73,634	1,059,600	24,242
Ms E R Magoma-Nthite (CEO Team)	12	31-Mar-10	-	63,589	971,626	26,925
Members						
Mr B E Ramfolo (Acting)	6	31-Mar-10	-	-	660,000	-
Mr A Pedlar	7	31-Oct-09	-	-	846,288	288,614
Mr A Pama (Acting)	12	31-Mar-10	-	41,357	968,344	-
Mr A Pretorius (Acting)	12	31-Mar-10	-	119,960	899,749	-
Company Secretary						
Ms E Strydom	10	31-Jan-10	-	-	628,175	29,303
		-	**-**	**383,532**	**7,328,125**	**545,936**

1 The annual salary includes a 13th cheque and leave.
2 Company contributions to pension, medical or insurance funds.
3 State employees that serve on the Board of Directors do not receive compensation from the company.

Expense Allowances	Petrol Card	Company Contributions[2]	Commissions or Profit Sharing	Share Options	Other - Performance Bonus	Total
25,000	-	23,203	-	-	438,223	1,163,326
192,000	-	65,103	-	-	375,307	1,511,697
107,676	-	1,512	-	-	445,939	1,712,603
70,951	-	2,622	-	-	389,491	1,525,204
-	-	-	-	-	-	660,000
70,462	-	59,007	-	-	588,903	1,853,274
96,000	-	1,293	-	-	212,648	1,319,642
24,000	-	54,630	-	-	192,112	1,290,451
17,500	-	-	-	-	167,980	842,958
603,589	**-**	**207,370**	**-**	**-**	**2,810,603**	**11,879,155**

Shareholders' Diary

Schedules

Twelfth Annual General Meeting	23 August 2011
Submission of Financial Statements and Annual Report to The Minister for Public Service and Administration	24 August 2011
Submission of Annual Report to Parliament	September 2011
End of the new Financial Year	31 March 2012

Annual Budget 2011/2012

Approval by the Board of Directors	March 2011
Submission to DPSA	March 2011
Submission to National Treasury	March 2011

Strategic Plan 2011/2012 to 2013/2014

Approval by the Board of Directors	August 2011 & March 2012
Submission to DPSA	March 2012
Submission to National Treasury	March 2012

Quarterly Reports

Submission to DPSA	On a quarterly basis

Administration

Directorate: 01 April 2010 to 31 March 2011

Name	Term
Full Board Members	
Ms Z P Manase	Appointed as Chairperson on 07 August 2008
Ms F C Potgieter-Gqulé	Appointed as Deputy-Chairperson on 17 March 2010
Mr B K Mosley-Lefotola [1]	Appointed on 10 January 2011
Ms S V Bvuma	Appointed on 17 March 2010
Ms C B Clark	Resigned on 30 April 2010
Mr P R Kgame	Appointed on 17 March 2010
Mr C C W Kruger	Re-appointed on 01 September 2008
Mr A M Luthuli	Resigned on 28 February 2011
Mr W S Mabena	Appointed on 17 March 2010
Ms M Makhekhe-Mokhuane	Resigned on 30 April 2010
Ms K T Mdlulwa	Appointed on 17 March 2010
Ms T Moloko	Appointed on 17 March 2010
Prof M I Mphahlele	Appointed on 17 March 2010
Ms K R Mthimunye	Appointed on 01 May 2010
Ms N Ntsinde	Appointed on 01 May 2010
Ms R Sekese	Term ended on 14 October 2010
Ms N J Shibambu [2]	Appointed on 01 May 2010
[1] Appointed as an Executive Board Member	
[2] Resigned on 31 May 2011	
Alternate Board Members	
Ms B M Malongete	Appointed on 17 March 2010
Ms N M Mhlakaza	Appointed on 17 March 2010
Mr D C Niddrie	Appointed on 17 March 2010
Mr G Pillay	Appointed on 01 May 2010
Company Secretary	
Mr E H Odendaal	Appointed as Acting Company Secretary on 01 February 2010
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E-mail .	ernst.odendaal@sita.co.za
Sita Addresses	
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Auditors	
Auditor-General	271 Veale Street (New Building), New Muckleneuk, Pretoria
Bankers	
Banking Institute	Standard Bank of South Africa Limited

Contact Details Of Executive Committee:

Name	Executive Committee	Telephone	E-mail
Mr B K Mosley-Lefatola	Chief Executive Officer	+27 12 482-3321	vanessa.spitsbaard@sita.co.za
Ms K P S Ntshavheni	Chief Operations Officer	+27 12 482-2045	dorcas.mabidikama@sita.co.za
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