

# ANNUAL REPORT

2020/2021



stateinformationtechnologyagency



**SITA**

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# PART A

**GENERAL  
INFORMATION**

## 1. SITA General Information

### REGISTERED NAME

State Information Technology Agency (SITA) SOC Ltd

### REGISTRATION NUMBER

1999/001899/30

### PHYSICAL ADDRESS

459 Tsitsa Street  
Erasmuskloof  
Pretoria  
0048  
South Africa

### POSTAL ADDRESS

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South Africa

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### EMAIL ADDRESS

shirley.kgope@sita.co.za

### WEBSITE ADDRESS

www.sita.co.za

### EXTERNAL AUDITORS

Auditor-General of South Africa

### BANKERS

Standard Bank of South Africa  
PO Box 6232  
Marshalltown  
Gauteng, 2107

### ACTING COMPANY SECRETARY

Shirley Kgope

## 2. List of Abbreviations/Acronyms

<b>4IR</b>	Fourth Industrial Revolution	<b>MIOS</b>	Minimum Interoperability Standards
<b>AFS</b>	Annual Financial Statements	<b>MLP</b>	Management Letter Points
<b>AGSA</b>	Auditor- General of South Africa	<b>MTSF</b>	Medium-Term Strategic Framework
<b>API</b>	Application Programming Interface	<b>NDP</b>	National Development Plan
<b>APP</b>	Annual Performance Plan	<b>NGN</b>	Next-Generation Network
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment	<b>OEM</b>	Original Equipment Manufacturers
<b>BBI</b>	Broadband Infracore	<b>OSS</b>	Open Source Software
<b>CAPEX</b>	Capital Expenditure	<b>OSM</b>	Original Software Manufacturers
<b>CEO</b>	Chief Executive Officer	<b>PFMA</b>	Public Finance Management Act
<b>CSIR</b>	Council for Scientific and Industrial Research	<b>PaaS</b>	Platform-as-a-Service
<b>DOD</b>	Department of Defence	<b>PRC</b>	Presidential Review Committee
<b>DHA</b>	Department of Home Affairs	<b>SAPS</b>	South African Police Services
<b>DHET</b>	Department of Higher Education and Training	<b>SARS</b>	South African Revenue Service
<b>DCDT</b>	Department of Communications and Digital Technologies	<b>SCM</b>	Supply Chain Management
<b>EC</b>	Executive Caretaker	<b>SDN</b>	Software Defined Network
<b>EE</b>	Employment Equity	<b>SHE</b>	Safety, Health and Environment
<b>Exco</b>	Executive Committee	<b>SITA</b>	State Information Technology Agency SOC Ltd
<b>Gbps</b>	Gigabytes per Second	<b>SLA</b>	Service Level Agreement
<b>GITOC</b>	Government Information Technology Officers Council	<b>SMME</b>	Small, Medium and Micro Enterprise
<b>GPCE</b>	Government's Private Cloud Ecosystem	<b>SOC</b>	State-Owned Company
<b>GRCI</b>	Governance and Risk, Compliance and Integrity	<b>SOCC</b>	Security Operations Centre Capability
<b>HCM</b>	Human Capital Management	<b>WAN</b>	Wide Area Network
<b>ICT</b>	Information and Communication Technology	<b>WSP</b>	Workplace Skills Plan
<b>LAN</b>	Local Area Network		

### 3. FOREWORD BY THE CHAIRMAN OF THE INTERIM BOARD

The financial year under review was framed by work executed in a national lockdown and state of disaster, given the COVID-19 pandemic. The resultant restrictions necessitated remote working as the country and government grappled with the devastating economic and social consequences.

The pandemic affected all the agency's internal and external stakeholders, but SITA's executive management reacted swiftly to ensure operational continuity and uninterrupted service delivery, enabling and enhancing digital and video-conferencing services and platforms to allow government departments and SITA's own personnel to operate safely and efficiently from home.

These unprecedented times led the organisation to accelerate digital transformation while remaining mindful of its ICT service-delivery mandate, its objectives in line with the National Development Plan (NDP) 2030, and its vital role in contributing towards a Fourth Industrial Revolution (4IR) knowledge economy. SITA made good progress in positioning itself to execute the government's digital transformation strategy.

In the 2020 State of the Nation Address, which drives the national agenda of the country, the President Cyril Ramaphosa projected that the digital economy would increasingly become a driver of growth and a creator of employment, noting global developments and the commendations from the Presidential Commission on the Fourth Industrial Revolution.

During the 2020 lockdown months, SITA also increasingly supported and promoted localisation, while unlocking opportunities for SMMEs. As part of ongoing work, the agency implemented a new procurement business model that remains aligned to the SITA Act and the Broad-Based Black Economic Empowerment Act to support economic transformation. Although the supply chain management sector was under considerable strain during the national lockdown, SITA continued to prioritise client service delivery. This included a reduction in tender backlogs, noting however that SITA procurement turnaround times remain an area that needs to be improved upon in the new financial year.



**Mr Mxolisi Tsika**  
Chairman of SITA Interim Board of Directors  
10 May 2021

SA Connect and broadband implementation is critical to all digital transformation efforts in urban and rural areas. Some of the outcomes in the NDP prescribe 100% broadband access for the country's population by 2030. Service delivery during this financial year included the upgrading of 249 sites, bringing the total number of connected sites to 970 since the inception of the programme in 2018/19.

A future challenge for SITA is its ageing infrastructure and legacy technologies employed by the client departments we serve, and the capital investment required to create a new era. The SITA digital transformation strategy will start laying the architectural building blocks to support a network of the future, in line with its vision and 4IR expectations.

Corporate social responsibility is at the core of SITA's character, and the agency focused on upskilling for the digital era through strategic stakeholder partnerships with the Department of Communications and Digital Technologies and other government departments on community outreach programmes, learner career exhibitions and the establishment of cyber labs in rural areas.

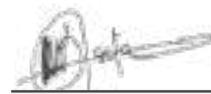
It is gratifying that, despite an extraordinarily testing year, SITA through various controls, optimisation and accountability measures, achieved a sound financial position, improved profitability, and net cash collection rates.

On behalf of the Board we thank all the SITA executives (under the stewardship of the Executive Caretaker), as well as all the management teams for their leadership, service and work over the past year. We also acknowledge all SITA employees for their continued diligence and hard work during these unprecedented and difficult times. It is with thanks to the SITA collective that we can look back and celebrate these service delivery achievements and improvements, despite the unexpected obstacles presented by COVID-19.

Our sincere gratitude goes to the Parliament Portfolio Committee on Communications, which oversees SITA, for its investment and guidance into critical transformational work aligned to the SITA Strategic Plan, financial results, and broad transformation initiatives. We remain appreciative of the work of all the portfolio committees that continue to hold the organisation and its leadership accountable.

We could not fulfil our mandate without the support of the Minister of Communications and Digital Technologies and Deputy Minister. Their continued support and guidance, on the organisational mission to deliver effective digital services that make a real contribution to citizens' quality of life, is inspirational.

Together we are poised to grow, improve and further extend our services as we journey into a new digital world. Thank you to all who stood strong in turbulent times while we navigated a most challenging year together.



**Mr Mxolisi Tsika**

Chairman of the Interim Board  
State Information Technology Agency SOC Ltd



## 4. EXECUTIVE CARETAKER'S OVERVIEW

SITA's work and mandate is at the heart of government service delivery to citizens. This became more apparent – and vital – than ever in the past financial year. The COVID-19 pandemic not only threatened citizens lives, livelihoods and modes of existence, but created a global “new normal” that saw the rapid acceleration of digital transformation.

Despite COVID-19 pressures and obstacles, the organisation continued its journey to record significant successes. In line with government's state-owned enterprises rationalisation plan, SITA has embarked on a repurposing exercise that will drive national and organisational digital transformation. The key focus areas are e-government, research and development, innovation, localisation, cyber-security and IT service management.

SITA's leadership layer was stabilised during the year under review, with nearly all executive positions being filled by the end of the financial year. Head of department positions were also prioritised as part of SITA's repurposing.

The agency successfully identified drivers for self-sustainability over the reporting period and proved financially resilient during the pandemic, with a provisional average annual performance result of 72.22% across five strategic programmes; thought leadership and service delivery, digital infrastructure, skills and capacity development, financial sustainability, and procurement and industry transformation.

On a high note, SITA achieved 100% of its targets for financial sustainability despite tough economic circumstances. In the coming financial year, the agency aims to build on its successes while taking steps to enhance performance where required.

SITA optimised cloud capacity through its Government Private Cloud (GPC) ecosystem, infrastructure modernisation and network infrastructure provisioning. The investment and implementation in projects such as the data centre modernisation, Cloud ID, Dev Ops platforms, and the Software Defined Network (SDN) will bear fruit in the future. The challenges around hyper-scale capability for South Africa remain a reality to be grappled with in the future. Given the complexity associated with digital transformation to bring about a fundamental change in the public service, SITA transformed itself into a platform-driven business. In this regard, SITA aligned its efforts to the Digital Government Platform Ecosystem (DGPE) by establishing three digital platforms; big data analytics, Application Programming Interface (API) middleware platform, and the Business Process Management (BPM) platform. This integration ensures that everyone within the ecosystem derives value, as SITA continues to mature its GPC offering into a Platform-as-a-Service (PaaS) cloud computing service model.



**Luvuyo Keyise**  
Executive Caretaker:  
28 January 2020

The agency's vision for e-Government being a catalyst to digital transformation is premised on not just developing and deploying e-services, but also on optimising government operations and services as well as integrating data and systems. This means that the business of government should be integrated to transform public service delivery and enhance citizens' experience. As a result, SITA has established the e-Government portal that serves as a single point of entry into government's electronic services.

In the 4IR era, cyber-security is a critical component for work execution, noting the exponential and accelerated growth of technology during the past year. SITA responded with the implementation of a government private cloud infrastructure and the information stored, processed and transmitted over the network necessitated to the adoption of a holistic approach to cyber-security within the ICT security value chain. SITA commenced with implementing the Security Operations Centre (SOC), which centralises information security on an enterprise level through 24/7 monitoring and analysis of security events to prevent, detect and respond to security incidents, using a combination of processes and technologies.

Another key component to digital transformation is the organisational Research and Innovation (R&I) capabilities. To ensure collaboration across the sector, industry and SMMEs were engaged to discuss opportunities in R&I, while maintaining the resolve to address complex and common challenges facing South African society. The organisation continues to build partnerships with universities, research institutions and funding agencies in pursuit of its objective to develop and implement innovative solutions and extend its skills base.

SITA established an open innovation framework to source innovation from SMMEs in particular, to support economic development, BEE transformation and innovations that result in the commercialisation of open innovations. Through the SITA Innovation Hub memorandum of understanding, two solutions (Impilo Yam and Vimba Izinyoka) were developed. The former is a mobile application to enable citizens to manage their chronic diseases and consumption of prescribed medication while the latter is a cable theft detection application to reduce the number of cable theft incidents.

Within the SMME space, SITA compelled suppliers who received contracts over R30 million to subcontract a minimum of 30% of the contract value to designated groups, particularly black EMEs and SMMEs, which translated in the organisation exceeding its planned APP target. The organisation further unlocked SCM opportunities through the implementation of preferential procurement enablers that included channelling 40% of its procurement spend to emerging suppliers and other preferred groups, namely black-owned businesses, youth, women, people living in rural areas, and persons with disabilities.

The organisation's long-term strategy is dependent on addressing and managing our risk profile related to the repurposing of SITA and new revenue generation.

My heartfelt thanks to the SITA Board of Directors, Executive Committee, management and employees for their work commitment and dedication to deliver on our mandate during an unusually difficult and pressure-driven time. My sincere thanks and appreciation to our champions for digital transformation, Minister of Communications and Digital Technologies and Deputy Minister for remaining steadfast in supporting us in our mission and service delivery journey.



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**Mr Luvuyo Keyise**

Executive Caretaker  
State Information Technology Agency SOC Ltd

## 5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

We, the undersigned, do hereby confirm that:

(A)

the information and amounts disclosed in the annual report are consistent with the Annual Financial Statements (AFS) audited by the Auditor-General;

(B)

the Annual Report is complete, accurate and free from any omissions;

(C)

the Annual Report has been prepared in accordance with the guidelines on annual reports as issued by National Treasury;

(D)

The AFS (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice standards applicable to public entities;

(E)

the Accounting Authority of the entity is responsible for both the preparation of the AFS and for the judgements made based on the information contained in the AFS;

(F)

the Accounting Authority is responsible for establishing and implementing a system of internal controls, which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the AFS;

(G)

the external auditors are engaged to express an independent opinion on the AFS; and

(H)

in our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2021.



**Mr Mxolisi Tsika**

Chairman of the Interim Board  
State Information Technology Agency SOC Ltd



**Mr Luvuyo Keyise**

Executive Caretaker  
State Information Technology Agency SOC Ltd

## 6. STRATEGIC OVERVIEW



In a quest to achieve its mission and vision, SITA has adopted and seeks to promote the following values:

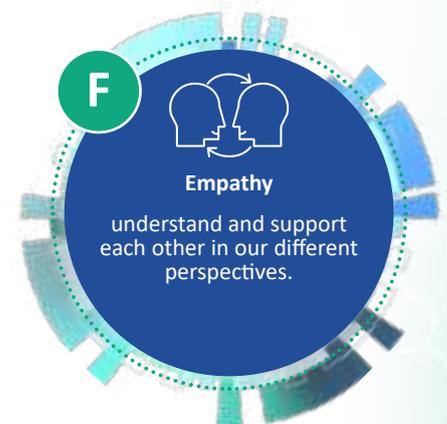
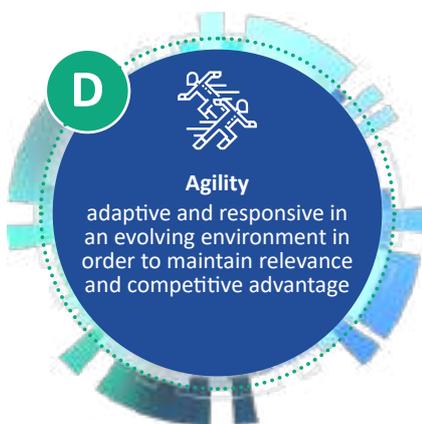
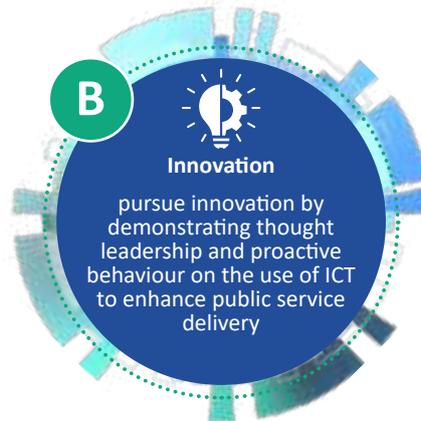


FIGURE 1 – SITA VALUES

## 7. LEGISLATIVE AND OTHER MANDATES

### SITA ACT, 88 OF 1998, AS AMENDED (ACT 38 OF 2002)

SITA was established in terms of the SITA Act, 88 of 1998, and listed as a schedule 3A public entity in terms of the Public Finance Management Act (PFMA). Government is the sole shareholder of SITA, and the Minister of Communications and Digital Technologies exercises the custodian rights attached to the shareholder on behalf of the state.

The mandate of SITA as stated in the Act is as follows:

**A**

**to improve service delivery to the public** through the provision of information technology, information systems and related services in a maintained information systems security environment to departments and public bodies, and

**B**

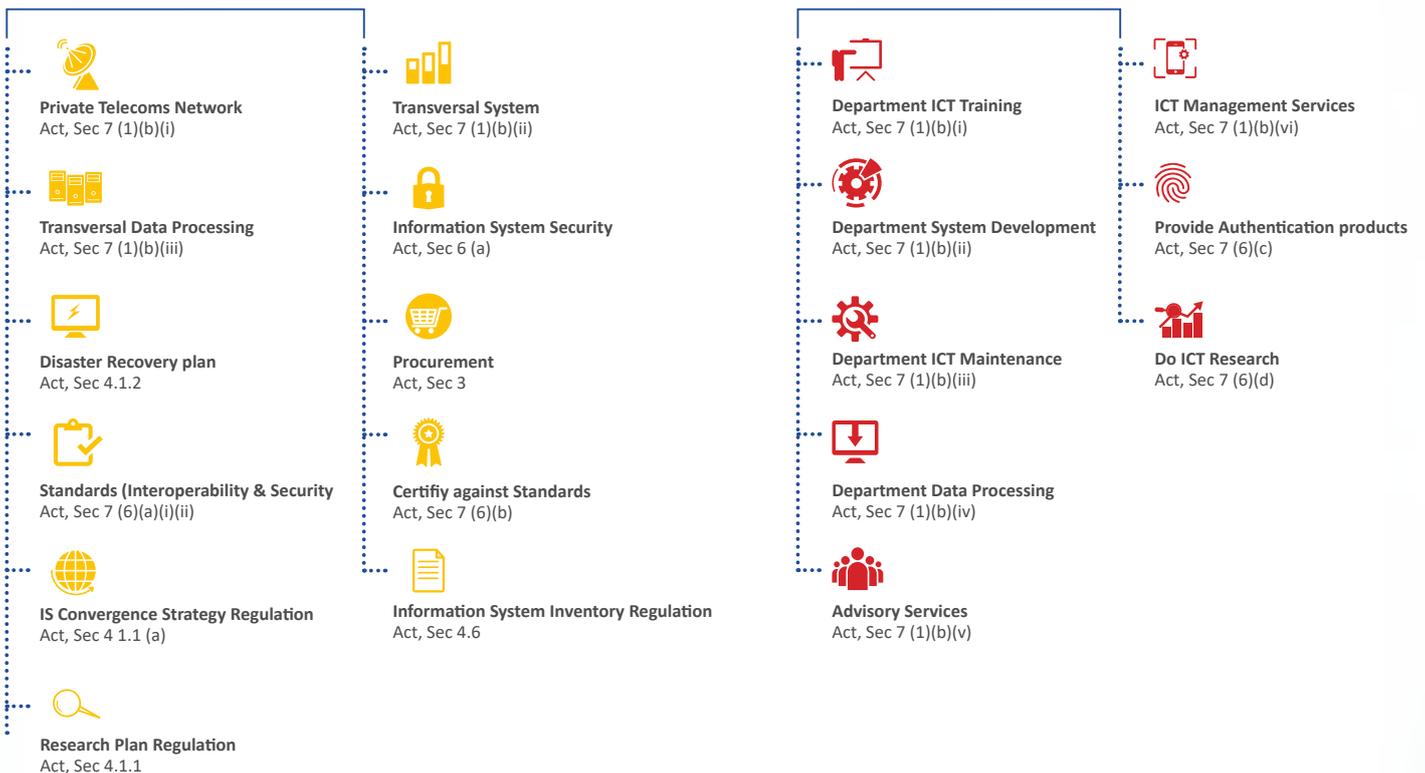
**to promote the efficiency of departments and public bodies** through the use of information technology.

The underlying operational principle of SITA is to be a self-funded and financially sustainable public entity. The SITA Act, however, makes provision for negotiation on this underlying principle for the achievement of the overarching government goals.

The figure below depicts the “must” and “may” services that SITA provides in order to achieve its mandate.

#### SITA MUST

#### SITA MAY



**FIGURE 2 – SITA MUST AND MAY SERVICES**

In executing its role, SITA is also guided by all public services legislation and regulations, including but not limited to:

- a) SITA Regulations of 2005;
- b) Public Finance Management Act, 1 of 1999;
- c) Companies Act, 71 of 2008;
- d) Public Service Act, 103 of 1994, as amended by the Public Service Amendment Act, 30 of 2007;
- e) Electronic Communication and Transactions Act, 21 of 2002;
- f) National Key Points Act, 102 of 1980, as amended by the National Key Points Amendment Act, 47 of 1985;
- g) Government IT House of Values, as contained in the e-Government Policy;
- h) The Machinery of Government (May 2003);
- i) Minimum Interoperability Standards (MIOS);
- j) Minimum Information Security Standards;
- k) Preferential Procurement Policy Framework Act, 5 of 2000;
- l) Broad-based Black Economic Empowerment Act, 53 of 2003;
- m) National Treasury Regulations;
- n) National e-Government Strategy; and
- o) National Integrated ICT Policy White Paper.

## 7.2. CONSTITUTIONAL MANDATES

### 7.2.1 Chapter 1 of the Constitution: The right to dignity

Everyone has inherent dignity and the right to have their dignity respected and protected. The right to dignity is reiterated as a founding value of our democratic state, alongside equality and freedom. Section 1(a) of the Constitution calls for “human dignity, the achievement of equality and the advancement of human rights and freedoms”.

### 7.2.2 Chapter 2 of the Constitution: The Bill of Rights

The Bill protects the rights of all people in South Africa, not only citizens. The state must respect, promote and fulfil the rights in the Bill. These rights can be limited in certain circumstances. The Bill of Rights mentions various liberties, including the following:

- a) Everyone is equal before the law and has the right to equal protection of the law.
- b) Affirmative action measures may be taken to achieve greater equality in society.
- c) No unfair discrimination is allowed against anyone for reasons which include race, sex, language, ethnic or social origin, religion, sexual orientation or pregnancy.
- d) Everyone has the right to freedom of movement and may not be deprived of it unless there is a good reason.
- e) Everyone has the right to freedom of religion, belief, opinion and expression.
- f) Every adult citizen has the right to form a political party and to participate in its activities and to vote in regular elections.
- g) Everyone has the right of access to information and to administrative action that is just.
- h) Everyone has the right to an environment that is not harmful to their health or well-being.

### 7.2.2 Section 195: Basic values and principles governing public administration as relevant to public enterprises

Public administration must be governed by the democratic values and principles enshrined in the Constitution, including -

- a) a high standard of professional ethics must be promoted and maintained;
- b) efficient, economic and effective use of resources must be promoted;
- c) public administration must be development-oriented;
- d) services must be provided impartially, fairly, equitably and without bias;
- e) people’s needs must be responded to, and the public must be encouraged to participate in policy-making;
- f) public administration must be accountable;
- g) transparency must be fostered by providing the public with timely, accessible and accurate information;
- h) good human resource management and career-development practices, to maximise human potential, must be cultivated; and
- i) public administration must be broadly representative of the South African people with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation.

#### 7.2.4 Section 217: Procurement

- a) When an organ of state in the national, provincial or local sphere of government, or any other institution identified in the national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective.
- b) Subsection (1) does not prevent the organs of state or institutions referred to in that subsection from implementing a procurement policy providing for the following:
  - (1) categories of preference in the allocation of contracts and
  - (2) protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.
- c) National legislation must prescribe a framework within which the policy referred to in subsection (2) must be implemented.



## 8. ORGANISATIONAL STRUCTURE

SITA has implemented a fit-for-purpose organisational structure, thereby improving overall leadership stability. By the end of the financial year, all vacant executive positions had been filled with the exception of one position resulting from a merger of two executive functions to allow for integration of all digital transformation initiatives into the strategic planning process. The macro organisational structure is depicted in figure below:

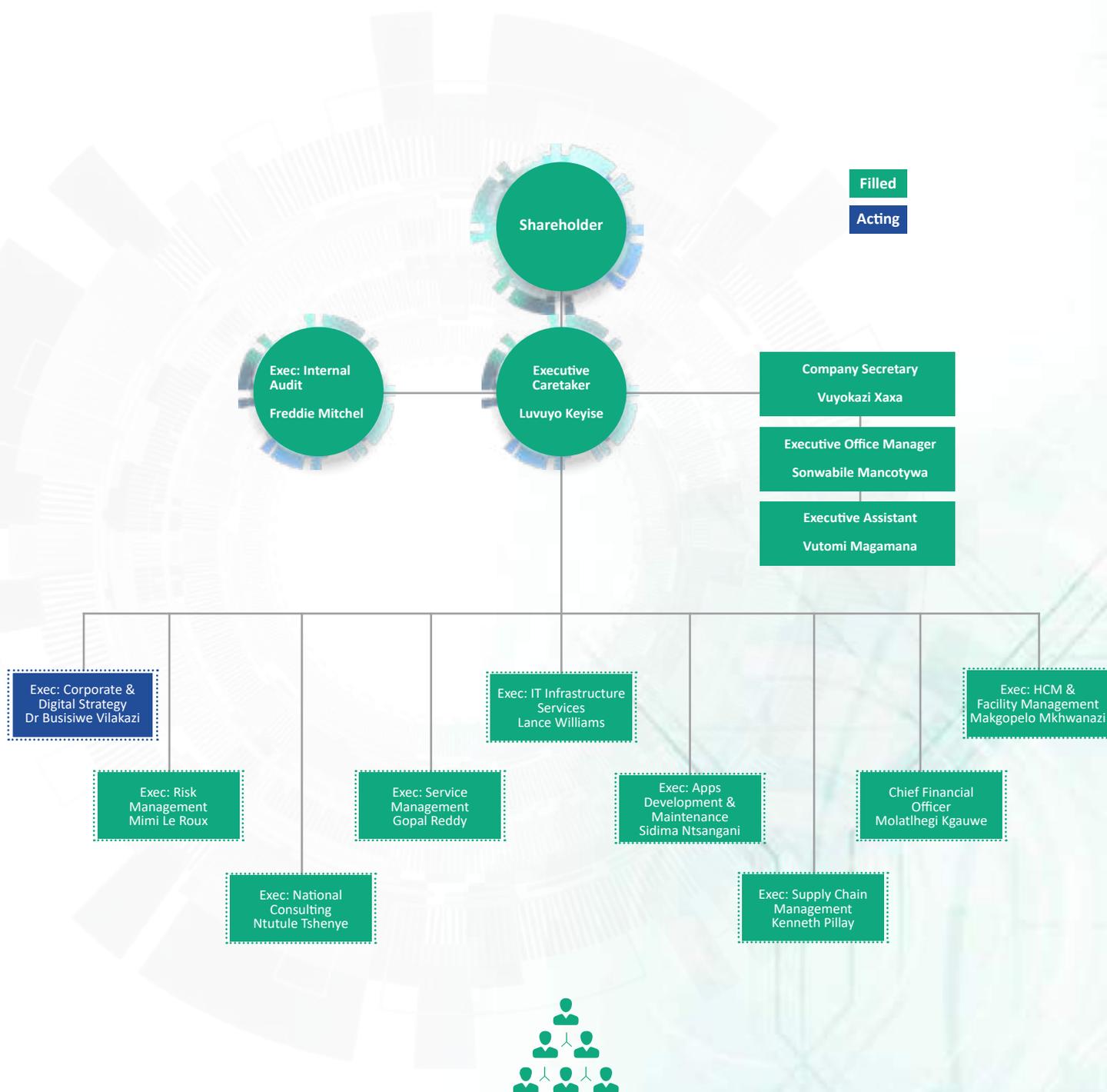
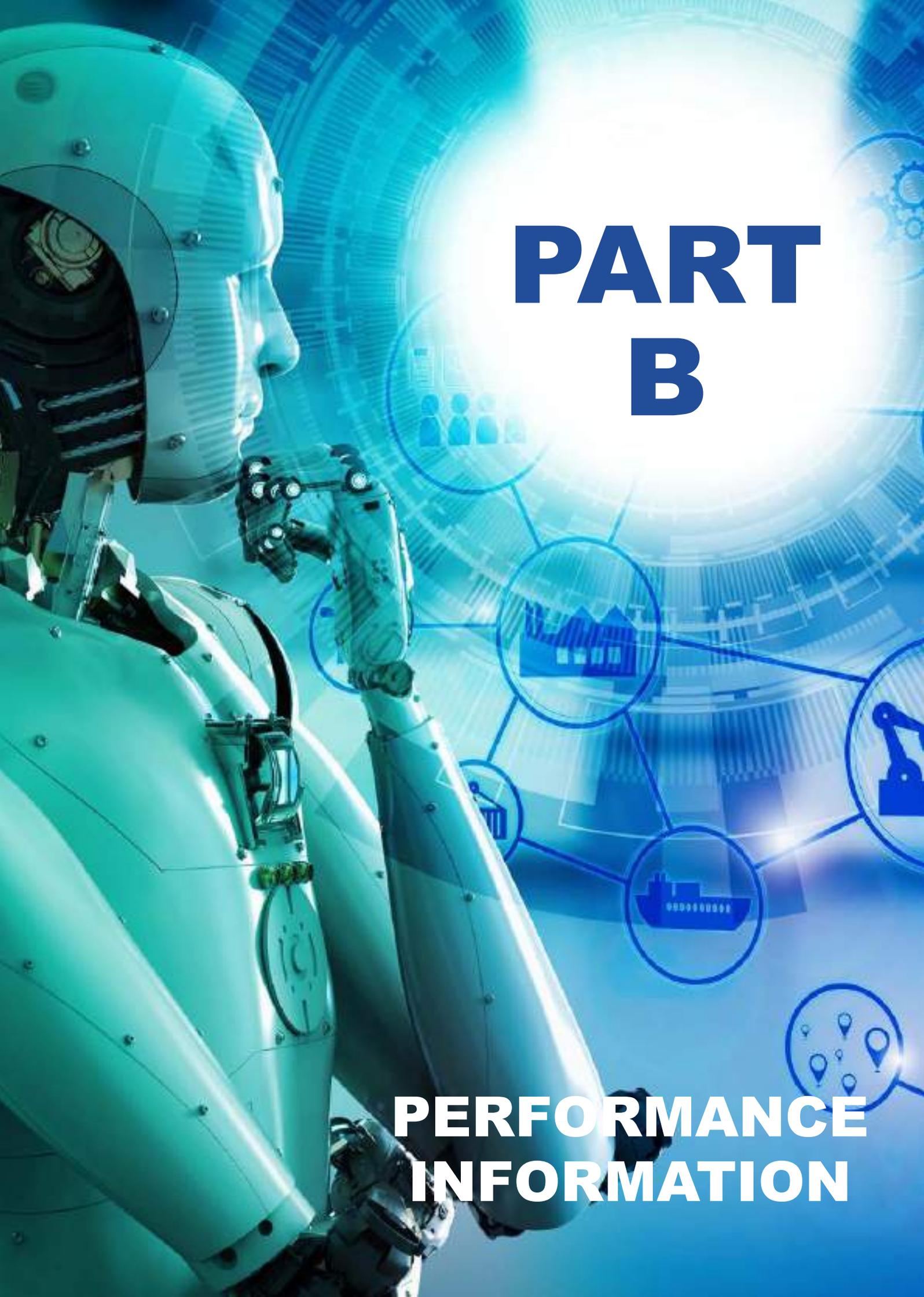


FIGURE 3 – ORGANISATIONAL STRUCTURE



# **PART B**

**PERFORMANCE  
INFORMATION**

## 9. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General has conducted audit procedures on some of the predetermined objectives for usefulness and reliability, compliance with laws and regulations and internal control.

Refer to page 79 - 85 of the Auditors-General's Report, included in Part E: Financial Information.

## 10. SITUATIONAL ANALYSIS

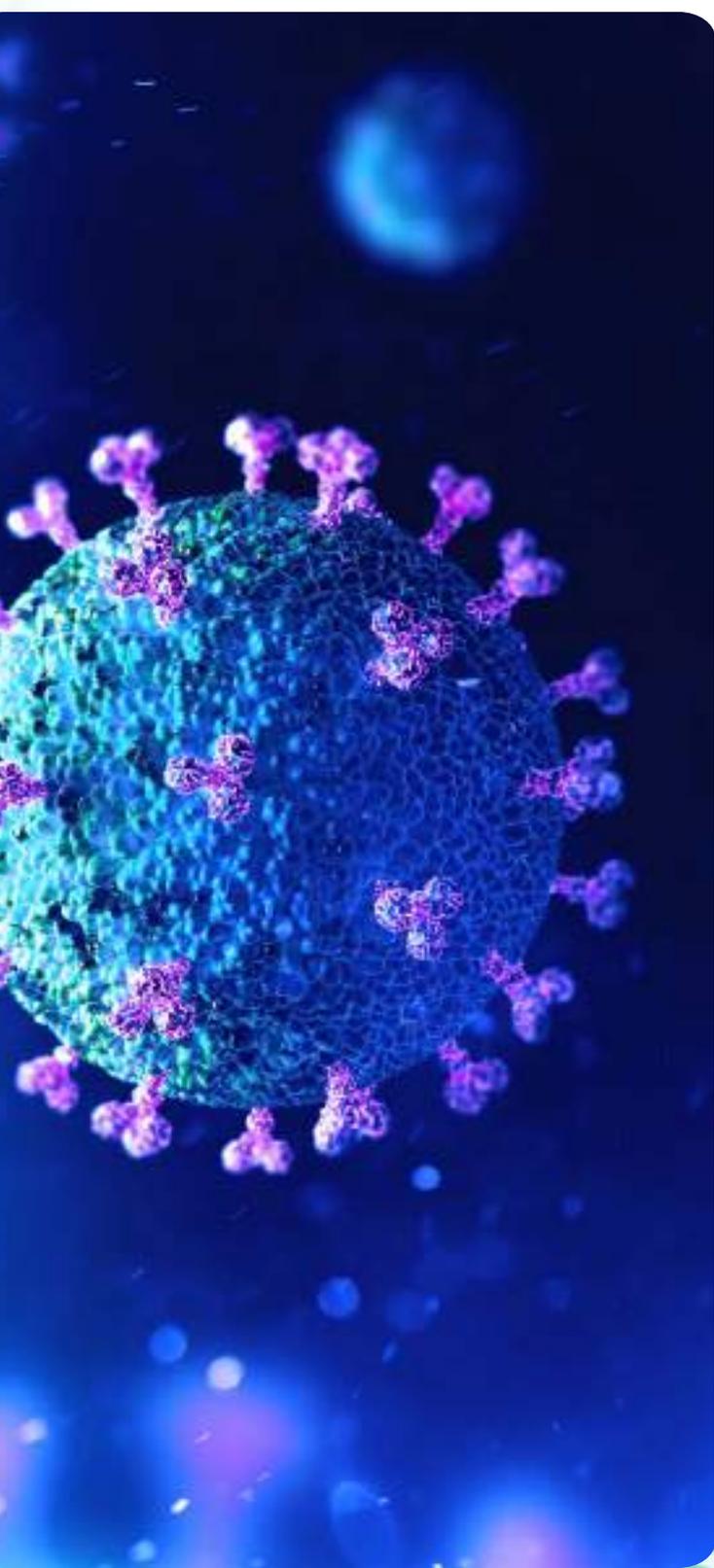
The 2020/21 financial year (FY) was the first year of the implementation of the newly developed and approved five-year SITA Strategic Plan through its FY2020/21 Annual Performance Plan (APP). SITA complied with the Department of Planning, Monitoring and Evaluation (DPME) guidelines on the Revised Framework for Strategic Plans and APP and other government legislation for planning processes. This section of the report provides an analysis of the significant developments that affected SITA's performance during the financial year.

### 10.1 Service delivery environment

The 2020/21 FY was dominated by a national state of disaster as declared by President Cyril Ramaphosa in response to the global COVID-19 pandemic, with a profound impact on business operations across the country. Destabilising lockdowns, unending work-from-home weeks and the widespread economic crisis with dire societal consequences affected the lives and livelihoods of both SITA's internal and external stakeholders. While the crisis created uncertainty and exposed certain fundamental shortcomings in pandemic preparedness, the executive leadership charted a clear course to support ongoing public service delivery and effectively positioned SITA as the "go-to" entity for ICT services.

A SITA disaster management team was speedily established to ensure strict adherence to all pandemic regulations and protocols, with top priority being given to safeguarding its employees' health and wellbeing. In keeping with the agency's commitment to building a digital and ethical culture, all necessary measures were implemented to ensure optimal productivity of its workforce and ongoing customer interactions through the roll-out of a secure and scalable state-of-the-art video-conferencing facility that was made available to both SITAzens and government departments.

In keeping with the NDP2030 and the 4IR commission perspectives on digital transformation, SITA fulfilled a pertinent role by enabling government departments to deliver public services. Furthermore, the rate of digital transformation was accelerated and a compelling case was made for the greater use of digital technologies. To this end, SITA, as the ICT agency of government, enabled government and its departments to operate remotely and seamlessly, making available more digital platforms while remaining cost-effective. In addition, more e-services were developed, capacity on cloud was optimally utilised, and the backlog on the certifications for higher education was incrementally reduced for the convenience of the citizens.



Another significant event in 2020 involved the DCDT's initiation of the state-owned company (SOC) rationalisation process which envisions a change in the delivery of government services through the effective use of information and communication technologies (ICT) to South African citizens. It seeks to streamline available enterprise capabilities for efficiency in the best interest of service delivery. This was initially articulated in the FY2019/20 State of the Nation Address by the President where government committed to undertake a process of SOC rationalisation to ensure that they serve strategic economic and developmental purposes. To give effect to the implementation of the SOC rationalisation process, SITA embarked upon a repurposing exercise to deliver effective and efficient ICT services and drive digital transformation in government in line with the key focal areas identified by the shareholder, namely e-government, research and development, innovation, localisation, cyber-security, and IT service management.

Government, through the DCDT, has prioritised the establishment of a hyper-scale computing capability for South Africa as a key objective in its 4IR implementation plan. SITA as a government digital transformation partner is expected to play a leading role in this regard. However, in its current form, SITA may be unable to fund the investments required to establish the hyper-scale infrastructure and still remain financially sustainable. Therefore, the agency may require additional resources and buy-in to optimally fulfil its role, noting that this requirement becomes crucial given the anticipated acceleration of demand from government for hyper-scale services.



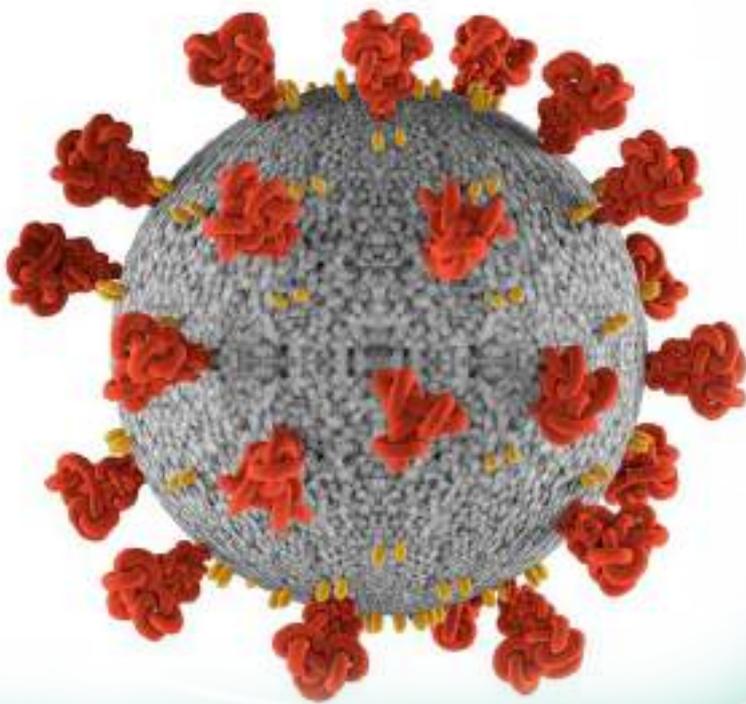
## 10.2 Organisational environment

FY2020/21 saw the organisation successfully operating within an unprecedented environment created by the COVID-19 pandemic. SITA's executive management speedily implemented business continuity arrangements to build resilience and capability to withstand and recover from the acute shock, thereby equipping itself to face new challenges and ensure continuity of its business operations and service delivery to its customers.

Under the leadership of the Executive Caretaker and a new accelerated pace of digital transformation which was triggered by the pandemic, the organisation implemented a fit-for-purpose organisational structure. A new macro structure was configured characteristic of relevant executive technical expertise. This supports the repurposing transformational process, which envisions a change in the delivery of government services through the effective use of ICT to citizens.

The structure is also optimally aligned to key focus areas as identified by the shareholder, namely e-government, research and development, innovation, localisation, cyber-security and IT service management. This supports SITA's digital transformation agenda and value proposition to government departments, allows for integration of all digital transformation initiatives, consolidates all provincial and local consulting capabilities and supports the achievement of business goals.

In order to achieve organisational stability, an interim Board was appointed in April 2021. Furthermore, SITA top leadership layer was stabilised through the filling of almost all executive positions by the end of its FY2020/21, with the Executive: Corporate and Digital Strategy post being filled by 7 April 2021. In addition, the organisation prioritised the filling of head of department (HOD) positions and successfully implemented its micro organisation project to ensure optimal capacitation to meet the service delivery needs of its customers.



Despite the disruptive nature of the COVID-19 pandemic, which fatally affected some of its workforce, as well the impact on employment in general across South Africa and globally, there were no retrenchments in SITA and all employees were remunerated with full benefits.

SITA's sound financial position was attained through the implementation of national budget adjustment guidelines and control measures, financial frameworks, tools and systems that enabled prudence, optimisation and accountability. These efforts resulted in improved profitability and net cash collection rates, which then became a means for SITA to transform its internal business operations and support capital investment projects. The end result was a sound, financially stable organisation.

Moreover, the year under review tested SITA's ability to respond, recover and thrive during a national economic recession on both service delivery and organisational levels. Although the social and psychological impacts of the pandemic may remain for years to come, the organisation successfully steered itself in times of exceptional uncertainty to best improve the citizen experience of government service delivery through digital channels and improved efficiency of government operations through the provisioning of secure and cost-effective ICT solutions, products and services.

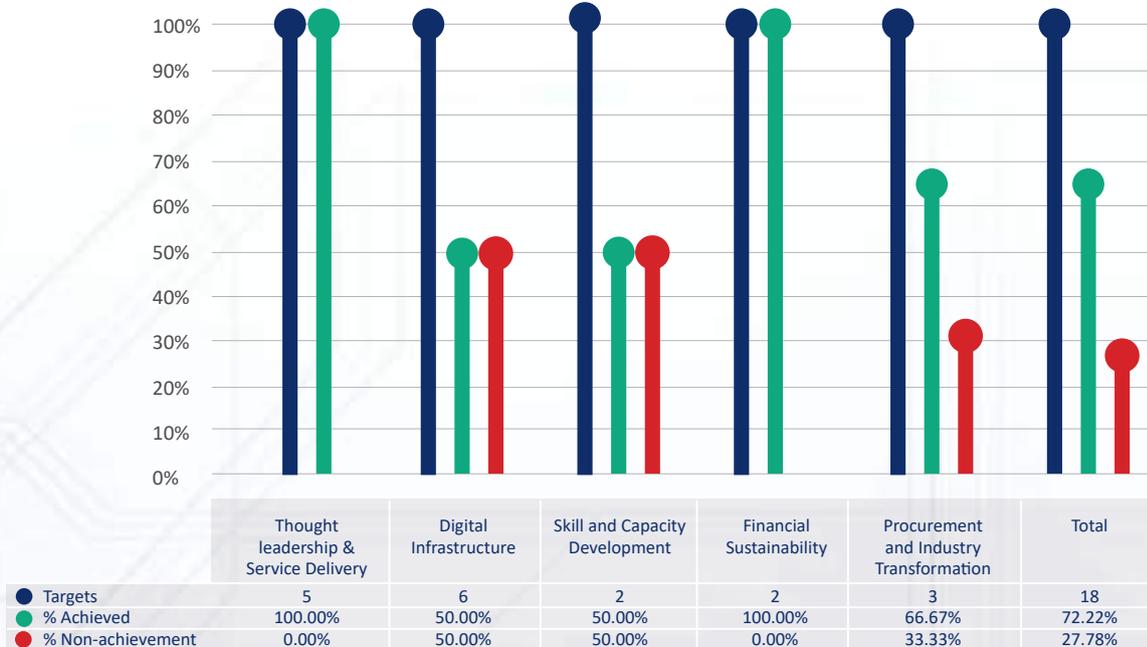
## 10.3 Key policy developments and legislative changes

There have been no significant changes in SITA's legislative and other mandates during the year under review.

## 10.4 Corporate performance overview for FY2020/21

Given the unpredictable nature of the COVID-19 pandemic, government reprioritised its plans and budget within an already depressed economy, effectively moving resources around in anticipation of worst-case scenarios. SITA, being an entity that does not obtain funding from the fiscus to execute on its mandate, identified drivers for self-sustainability such as the implementation of cost-containment measures and the revision of its delegations of authority policy to support business continuity across the organisation and particularly at provincial level. The end result was attaining a financially resilient organisation that stemmed the tide of an unstable economy without any negative impact on its planned financial targets.

Despite this uncertainty, SITA endeavoured to execute its planned activities for its five strategic programmes. This was done within the context of the repurposing process, which is aimed at optimising and driving the digital transformation strategy of government. While overall corporate planned performance was impacted both positively and negatively to varying degrees by the COVID-19 pandemic, SITA’s performance gained traction as the year unfolded, culminating in an annual performance result of 72.22%, as depicted in figure below:



**FIGURE 4 – ANNUAL PERFORMANCE PER PROGRAMME AS AT 31 MARCH 2021**

Government’s reprioritisation rescue plan, coupled with remote working protocols, placed severe pressure on the supply chain in general and in particular SITA’s procurement services. In keeping with its customer-centric approach to doing business, the agency prioritised external client service delivery procurement requests over some of its internal procurement requirements, thereby minimising disruptions in public service delivery.

#### 10.4.1 Programme 1: Thought leadership and service delivery

The thought leadership and service delivery programme achieved 100% of its planned targets. This is attributed to various successes, among which is SITA’s contribution in the e-Government space, initiatives implemented to improve security of government data assets and network modernisation projects such as the implementation of the unified communications capability. A challenge that was beyond SITA’s control was experienced with regard to determining the increase in market share due to challenges with funding reprioritisation.

Even so, SITA has managed to increase its revenue year on year, which demonstrates the confidence that government departments have in the agency. In the future, SITA will use a measure of revenue changes for efficacy.

#### 10.4.2 Programme 2: Digital infrastructure

Although the Digital Infrastructure Programme’s performance achieved a score of 50% of its planned targets, impactful contributions were made to support government’s ambitious goal to digitally transform at the pace influenced by the COVID-19 pandemic. Supply chain challenges spilled over to internal operations, resulting in adverse impact on many planned initiatives for this programme. The most prominent was evident in the implementation plans for projects such as the deployment of Cloud IDE and Dev Ops platforms, the SDN and data centre modernisation. This, however, did not limit SITA from enhancing the machinery of government for public service delivery.

### **10.4.3 Programme 3: Skills and capability development**

While an overachievement was registered regarding training against the organisational workplace skills plan (WSP), the Skills and Capacity Development Programme achieved a performance level of 50% due to the digital culture plan deliverables that were not implemented as a result of budget constraints and the adverse challenges brought by the COVID-19 pandemic.

### **10.4.4 Programme 4: Financial sustainability**

The Financial Sustainability Programme registered 100% achievement of its planned targets despite turbulent economic times, thereby stabilising the organisation and making available funds to outlay for capital investments. Critical success factors that have contributed to the marked improvement in the financial status of SITA include the implementation of a costing and pricing policy, financial monitoring of strategic projects, institution of cost-containment measures and the automation of some financial processes.

### **10.4.5 Programme 5: Procurement and industry transformation**

The past year saw most supply chain initiatives being placed under severe strain. Therefore, the Procurement and Industry Transformation programme achieved 66.67% of its planned targets, falling short in attaining its targeted procurement turnaround times. The root cause for this shortfall was extended timeframes assigned to tender processes aimed at ensuring fair and equitable time for the submission of proposals within the business unusual environment, which had far-reaching implications on the operations of almost all public and private sector entities.

In the forthcoming financial year, the agency will endeavour to replicate its successes while concurrently implementing measures to fast track performance in those strategic programmes whose performance lagged behind. This approach will support the achievement of its overall planned medium-term strategy targets and deeply entrench its footprint as government's digital transformation partner.

## **10.5 Key service delivery successes**

In line with the 4IR digital transformation trends articulated in the strategic plan and APP, SITA focussed its efforts on executing key components of the repurposing vision during a period when national crises were rife – with serious implications on public service delivery. The agency tactfully selected and sequenced its priorities and projects to respond to the disruptive changes and advance the digital transformation agenda to enable government service delivery. The following key successes were registered:

### **10.5.1 e-Government**

A digital transformation agency should not just develop and deploy e-services but rather optimise government operations and services, i.e. the business of government should be integrated, public service delivery transformed and citizen experience of government services improved. SITA commenced with the deployment of e-government services and the establishment of the e-Government portal that serves as a single point of entry to government's electronic services. The agency successfully deployed two big data analytics use cases, one within SITA as part of its supply chain efficiency programme and the other within government to integrate data and systems.

With regards to the SITA SCM tender lifecycle data analytics use case, a suite of reports that provides information on tenders in the pipeline to prioritise requests, craft appropriate policy interventions, improve procurement services and productivity levels was delivered. These reports will be enhanced over time to provide both qualitative and quantitative analytics that are required for establishing a data-driven SCM function.

The DHET TVET business intelligence use case was developed through SITA's data analytics expertise, resulting in business intelligence reports being made available to the DHET TVET colleges, which will enable improved efficiencies in their domain. Furthermore, these reports also provide insights to other departments such as the Department of Labour, to determine whether or not the country is producing appropriate and relevant skills to effectively support economic activity, and to enable the implementation of appropriate interventions where gaps are identified.

In response to a public outcry about the huge backlog of DHET certificates, which dates back to 1992, SITA prioritised clearing the backlog and achieved a reduction of 95.18% by 31 March 2021. This entrenched SITA's position as the backbone of government service delivery, satisfying the needs of deserving candidates.

During the heat of the COVID-19 pandemic in 2020, SITA was instrumental in enabling government efficiency by ensuring seamless and secure communication and remote access solutions services through partnerships in the ICT ecosystem. A total of 8 336 officials (government and SITA) were enabled with remote access, including the implementation of various interventions to enable policy and decisions-makers, as well as the administration, to implement their business continuity plans, thereby supporting ongoing citizen service delivery.

The following interventions were implemented at no additional cost to government:

- a) the provisioning and upgrade of connectivity to members of Cabinet,
- b) the upgrading of sites and maintaining over 5 000 sites for government to ensure that remote working was enabled,
- c) the upgrading of internet bandwidth (by 2.5 Gbps) for government departments,
- d) the increase of onsite/remote access capability to over 7 500 users (from 4 826 users),
- e) the provisioning of video-conferencing tools to the executive and administration,
- f) the provisioning of LAN and desktop support to the executive and administration, and
- g) 24 x 7 x 365 support, which spanned across the length and breadth of the country.

Recognising that digital transformation is not merely about developing digital solutions, but rather a tool that should bring about fundamental change to public service, SITA aligned its efforts to the Digital Government Platform Ecosystem (DGPE) (depicted in the figure below), by establishing three digital platforms, thereby transforming itself into a platform-driven business. These platforms are- the big data analytics platform, API middleware platform, and the BPM platform, which are intended to support a digital economy where everyone within the ecosystem derives value and enables SITA to mature its GPCE offering into a PaaS model. In order to strike a balance in the public service digital landscape, these platforms were established by implementing a hybrid of open-source software (OSS) offerings and proprietary software.

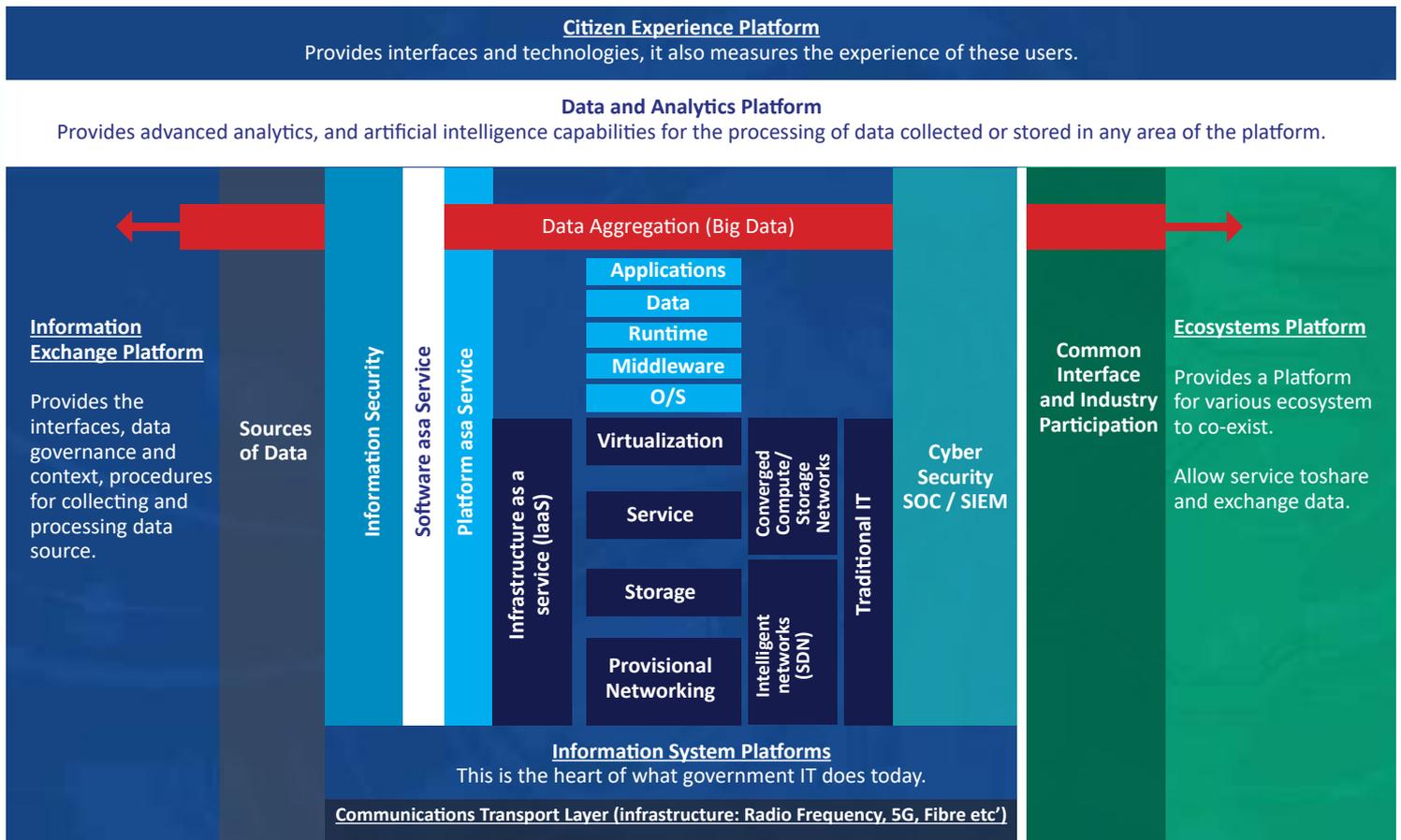


FIGURE 5 – DIGITAL GOVERNMENT PLATFORM ECOSYSTEM

Importantly, the public service is enabled with capabilities to realise the Medium-Term Strategic Framework 2019-2024 (MTSF 2019-2024) priorities for digital transformation, namely integration of government-wide systems and data, as well as the modernisation of government’s business processes. Therefore, the established platforms serve as a core foundation for readying the country for the 4IR while ultimately enriching the citizen experience.

As SITA continues to repurpose itself, it recognises that the intended impact of government digitisation depends heavily on access to credible government data. Therefore, the current initiatives to finalise data-sharing practises, policies and legislation, accompanied by the requisite financial support, will enable the agency to gain full control of the development and maintenance of applications within government, including access to the data that runs on these applications. This will ultimately achieve the desired outcomes of the thought leadership and service delivery programme i.e seamless, integrated and trusted public services.

### 10.5.2 Research and innovation

In response to the strategic direction provided by the shareholder, SITA focused on building its research and innovation capability to support the implementation of services and solutions that improve the effectiveness and efficiency of government service delivery to the public. To this end, SITA appointed the Head of Research and Innovation with a mandate to build capabilities in the R&I department, thereby enabling the organisation to play an advisory role to government on ICT-related matters, and ultimately fulfil its role of being the trusted digital advisor to government.

As depicted in figure to the top right, R&I partners with several stakeholders, uses emerging trends and proofs-of-concept from industry, academia and other state agencies as inputs, then filters the data for relevance to the public sector and incubates it in the SITA prototype lab/digital hub, in order to develop solutions that are fit-for-purpose within SITA and government.



**FIGURE 6 – THE INNOVATION PIPELINE**

Key stakeholders in the local ICT industry were engaged to identify synergistic opportunities in R&I to resolve common challenges facing SA society, secure SMME participation for economic transformation through ICT, and other areas of mutual interest. Additionally, SITA established an open innovation framework to source expertise from the ICT industry, in particular SMMEs, to develop their current solutions for government consumption. The end result is that SMMEs will be assisted in growing their businesses into larger entities, thereby supporting economic transformation. SITA will ensure that innovative ideas are conceptualised through a product lifecycle management approach, which should ultimately result in the commercialisation of open innovation solutions that government can consume, as well as find their way into the SITA catalogue of service offerings to government departments. During the reporting period, SITA developed two open innovation solutions, i.e. e-Reporting and e-Monitoring, in response to customer demands triggered by the accelerated pace of digital transformation.



The partnerships that SITA is establishing with universities, research institutions such as the Council for Scientific and Industrial Research (CSIR), and funding agencies such as Technology Innovation Agency (TIA), will ensure that innovative digital solutions are developed and implemented in government transversally, while simultaneously ensuring a fit-for-purpose skills base for the agency.

### 10.5.3 Localisation

While state-owned entities were being overhauled, the President called upon all companies during the COVID-19 crisis to promote localisation and industrialisation, and to strengthen the informal sector. In response to this call, the agency continued with implementing the pillars of its enterprise and supplier development strategy which are enterprise and supplier development, preferential procurement, black industrialist/ localisation, skills development and job creation.

The organisation fulfilled its role by enabling and unlocking opportunities for procurement and innovation for SMMEs. The growth of ICT SMMEs was driven through the implementation of preferential procurement enablers such as channelling 40% of SITA's procurement spend to emerging suppliers and other designated groups, including black-owned businesses, youth, women, military veterans, people living in rural areas, and persons with disabilities.

SITA also facilitated other opportunities for SMMEs through the provision of training, collaboration and partnering with original equipment manufacturers (OEMs) and original software manufacturers (OSM) using targeted procurement approaches. By the end of March 2021, SITA through service providers (Netcampus, Torque IT, KweLanga and iSolve) trained 33 SMMEs that are on its supplier database. Courses completed include business writing, business analysis, Cisco certification, ITIL certification, quality assurance, programming fundamentals, web development, Microsoft certification (Microsoft 365) introduction and ISO-IEC 27001 foundation.

SITA enforced the principle of 30% subcontracting of black EMEs and SMMEs in contracts that are more than R30 million in value, which translated in exceeding the planned APP target and registering 40.67% of acquisition spend through these entities. SITA created an opportunity for the participation of SMMEs in the Eastern Cape broadband roll-out and a LAN cabling tender, which allows SMMEs to be accredited and participate in these through requirements from different departments.



#### 10.5.4. Cyber-security

Given that research trends revealed a notable increase in the risk of cyber-crime, there was a need for SITA to play both a detective and preventative role across its ICT value chain, which includes applications, data centres, and network connectivity. SITA securely hosted and protected South African government's critical databases such as the Home Affairs population databases, the financial systems, logistics and government employee databases during the reporting period.

Cyber-security is critical as citizens become virtually present and more sensitive information goes online. The exponential and accelerated growth in the use of technology during the past year, accompanied by the implementation of a government private cloud infrastructure and the information stored, processed and transmitted over the network, compelled SITA to strengthen defences on all fronts. SITA adopted a holistic approach to not only respond to cyber-security threats but also looked at the entire end-to-end value chain of ICT security. A SOC is planned as a centralised environment that deals with information security at an enterprise level by monitoring and analysis (around-the-clock) of security events to prevent, detect and respond to security incidents, using a combination of technologies and well-defined processes.

While ensuring prudent spending, SITA achieved 99.38% implementation related to completing a number of building blocks in the preparation phase for the establishment of the SOC. The SOC capability provides a clear roadmap to enhance the security of government data assets. Key stakeholder representatives from the Government Information Technology Officers Council (GITOC) were included in the SOC procurement process. Due to internal procurement clarification processes, the onboarding of the service provider was delayed but successfully concluded in May 2021.

SITA will thereafter finalise the implementation of the SOC to ensure that ICT services offered to government are deployed in a manner that best secures government's information assets. The implementation will create capability for SITA to effectively prevent and respond to any threat on the ICT landscape under its management.



### 10.5.5 Procurement

SITA implemented its procurement business model with a focus on addressing pertinent components of the procurement process, namely an automated procurement platform, commodity sourcing, strategic sourcing and demand management. The model is aligned to the SITA role of procuring ICT goods and services on behalf of the government as per the SITA Act and the BBEE Act in order to support economic transformation, enable the previously disadvantaged suppliers to benefit in the supply chain, demonstrate the value of digitisation, build trust and promote ethical behavioural practices.

A Supply Chain Management (SCM) efficiency programme aimed at repositioning the procurement function and providing strategic value to both organs of state and SITA lines of business gained momentum as various reform initiatives were implemented. The dual focus is on improving service delivery and bringing government third-party costs down. Prioritising the reform of its internal environment to better serve its external stakeholders, various initiatives were implemented, including the revision of the supply chain delegation of authority and policy, institution of a new bid committee system, optimally capacitating the division at HOD level, upskilling employees on governance-related matters, training interventions on PPPFA, verification of tax status, local content, as well as proactive demand planning and commencement of the upgrading of the SITA e-Procurement platform.

By the end of the 2nd quarter, SITA had in comparison to 2019 substantially reduced the tender backlog and significantly improved the number of tenders closed within targeted customer timeframes. However, the annual planned target for completing procurement awards was not attained due to the impact of COVID-19. Tender publishing timeframes were extended, coupled with remote working, annual slowdown periods in the 3rd and 4th quarter, and a notable influx of new requests towards financial year end. In line with its customer-centric approach, SITA prioritised client requests and 73.17% of external procurement requests versus 51.47% of internal procurement requests were achieved. In order to expedite resolving these challenges, SITA has adopted improvement mechanisms such as the utilisation of automated platforms and systems to process procurement requests below R500K, streamlined the process on approval of cancellations and approval of award of bids processed through existing contracts, framework agreements and panels, as well as closely collaborating with internal counterparts to resolve external transactions.

Building on framework agreements that were established with notable industry players in the previous financial year, SITA continued to develop and implement its long-term strategy for future framework, panels and transversal contracts in order to simplify government procurement, reduce costs, provide better solutions, improve efficiency, and support the national socioeconomic transformation agenda. During the annual reporting period, SITA achieved its target by implementing five transversal contracts in the areas of video-conferencing solutions, CCTV and access control systems, refresh models for cabling, and computer and peripheral procurements. In the rest of the medium-term period, SITA will continue to identify and implement additional complementary initiatives that will benefit government as well as test industry's ability to become more innovative and to provide better, more cost-effective and efficient solutions for the benefit of the ultimate stakeholders – the citizens of South Africa.

### 10.5.6 Customer service delivery successes

To manage the COVID-19 impact on customers, SITA adopted a thoughtful and judicious approach. Strategic and tactical consulting capability, product lifecycle and service management capability, and solution delivery capability are three distinct but interrelated and augmenting engagement capabilities. Through the deployment of operating model premised on the aforementioned capabilities, SITA is able to create value and deliver the ultimate customer experience.

Through its client-facing consulting capability, which is delivered through customer advocates, the Programme Management Office (PMO) and strategic business consultants, SITA successfully understood its client problem statements and skilfully provided business-efficiency-orientated solutions. On the other hand, the product lifecycle and service management capability focused on performance management for both internal and third-party service providers. It also played a crucial coordinating role between the consulting services function and solution delivery capabilities. This ensured efficient handshakes between the client-facing and solution-delivering components of SITA business, especially when customer demands shifted in both magnitude and abruptness due to the pandemic.



The agency also significantly improved engagements with clients through frequent coordinated SLA project meetings, including steering committees; thereby promoting faster and more effective two-way communications. Engagements extended to public service bodies such as office of the Government Chief Information Officer (OGCIO), GITOC, the Government IT Officers (GITO) and directly with client departments in order to short-circuit communication on critical information, including the management of escalations.

Within the context of the abovementioned approach, the signing of business agreements and service level agreements supported by government orders, timely invoicing and receipt of payments yielded a phenomenal improvement. The end result for the year, and which is an inaugural achievement, was that 96% of SLAs were signed within the financial period despite the adoption of remote working practices. In addition, SITA exceeded its planned target of 90% performance against measured contracted SLA metrics – i.e. a performance level of 96.18% was registered, thereby positively impacting the management of service-level expectations and contracts.

With regard to key clients, namely the South African Police Service (SAPS) and the Department of Defence (DOD), who constitute more than 30% of SITA’s total business and a significant strategic business portion respectively, SITA initiated governance structures including the Inter-Ministerial Committee to ensure issues are addressed immediately and effectively. Furthermore, with the repurposing of SITA and intentional positioning as the IT company of the state and a digital service delivery arm of government, SITA commenced with building its research and innovation capabilities to be a trusted advisor and ICT thought leader.

The agency is strengthening its partnerships and cooperation with institutions such as the CSIR and institutions of higher learning, among others, while internally a corporate and digital strategy capability was incorporated in the new macrostructure to ensure enablement of SITA’s digital transformation strategy and plans, aligned to the digital service provision requirements.

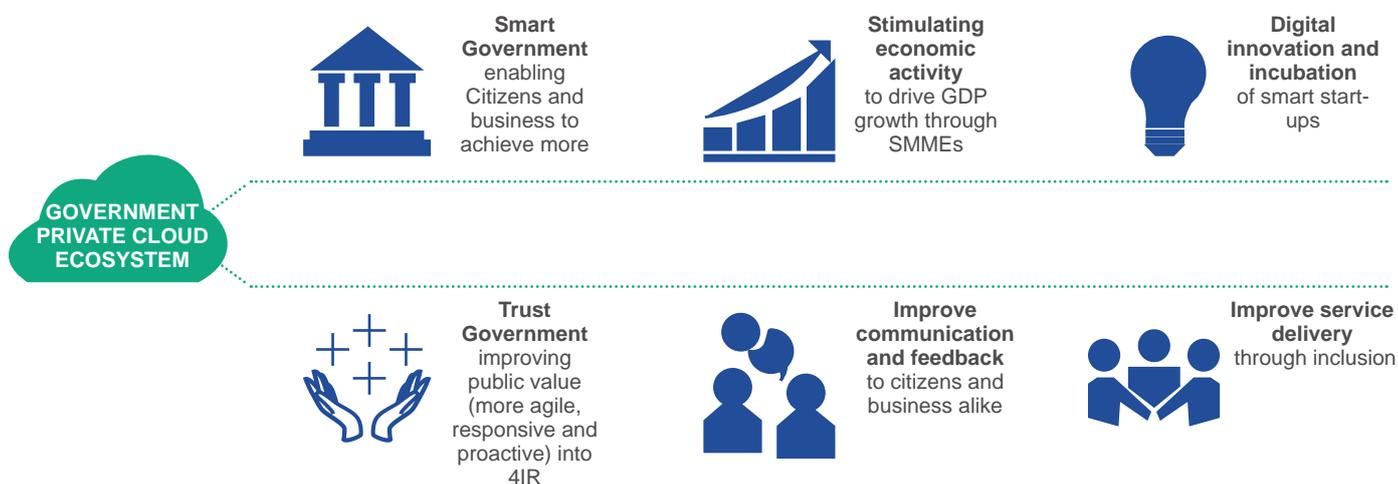
### 10.5.7 IT Services

#### 10.5.7.1 Cloud Foundation Infrastructure

The disruption caused by the pandemic created more opportunities for SITA to fulfil its role as an enabler and a strategic partner to help shape and shift government into the digital era through the use of new digital technologies and tools, and the migration of more services to the cloud to replace traditional business models and create new ways of meeting consumer needs in a digital world.

SITA has made significant investments in establishing the GPCE as a fundamental building block for a digital government, which has resulted in benefits of cost savings and tangible service improvements for government departments. The GPCE is not only an environment where traditional IT Infrastructure services can be offered to the different spheres of government in a modernised way, but it is also a nexus where industry cloud operators, such as Microsoft, Amazon, Google, etc., can participate in creating value for government through their unique service offerings and support the digital transformation programmes in partnership with SITA. However, certain challenges surfaced with regard to architecture-related matters and work will be further progressed in the forthcoming year.

The GPCE, as depicted in the figure below, brings together private and hybrid clouds, hosted either within a government data centre or at a third-party data centre, into a single ecosystem from where cloud services can be provisioned through a single cloud suite.



**FIGURE 7 – GPCE AS AN ENABLER OF DIGITAL TRANSFORMATION**

During the period under review, the DPSA e-Disclosure production environment was successfully migrated from the Oracle virtual cloud appliance (OVCA) environment to the private on-premise OEM cloud (Oracle). Stats SA was successfully onboarded as the first client onto the private off-premise cloud variant at Dimension Data for Disaster-Recovery-as-a-Service (DRaaS). These are just a few examples where clients benefitted from cloud-based capabilities in line with best practice. Government may leverage this existing investment in order to establish a world-class capability.

The capital outlay for SITA CFI stands at a contract value of R1.6 billion and a spend of R225 million registered to date. Once the Gauteng Provincial Government (GPG) is migrated to the CFI, its utilisation is expected to rise to 127% by April 2021.

With regard to the provision of hosting services, SITA successfully maintained an uptime average of 99,56% across the national departments, DOD and SAPS hosting environments for both open systems and mainframe environments. SITA is currently providing Infrastructure-as-a-Service (IaaS) across the GPCE to 125 clients. To date, SITA has 54 internal and external clients who currently have business solutions hosted on the GPCE. Other key deployments on the private on-premise CFI include a video-conferencing solution, TE Mobile, used by senior government executives for virtual meetings; and the portal and e-services developed by SITA as part of the e-Government programme.

The GPCE is therefore a strategic enabler for the digital transformation of government that improves public value through digital technologies, stimulates economic activity to drive GDP growth and enables smart citizens, communities, villages, cities and start-ups. It also embraces multiple technologies to establish access channels to improve communication and feedback to citizens and businesses alike.

#### 10.5.7.2 Infrastructure modernisation

As part of the Infrastructure Modernisation programme, a SITA data centre (DC) facility modernisation plan was developed, which focussed on the modernisation of the DC facility to ensure adequate DC capacity to clients over the FY2021-2023 period. This included upgrades on the engineering plants of the DC where the private on-premise CFI has a footprint, to ensure that SITA achieves tier III status, as defined by the Uptime Institute as part of building a hyper-scale data centre capability. The associated financial investment committed for the engineering plant upgrades since 2015 amounted to R138 508 375,83 with a cost of R122 631 920,41 incurred by the end of March 2021. The key benefit of this capital investment is to support optimal stability of services from the DCs, which are also supported by an extended warranty and maintenance of the equipment supplied.

The data centre modernisation programme did not achieve 100% of its planned targets for the 2020/21 financial year due to cancellations and restarting of some tender processes, among others. This resulted in completing the configuration and testing of the uninterruptible power supply (UPS) and fire suppression system at the Centurion DC, while the access control system will receive attention in the new financial year.

Below is the existing SITA DC footprint:

- a) Centurion DC – primary DC for the private on-premise CFI, the on-premise OEM cloud (Oracle), as well as national and SAPS mainframe and open systems;
- b) Beta DC – secondary DC for the private on-premise CFI, as well as national and SAPS mainframe and open systems and
- c) SITA KZN DC – secondary DC for the on-premise OEM cloud (Oracle) and primary DC for KZN provincial government.

The above DCs are connected with an active-active configuration, in the northern region for high availability and fail-over of the private on-premise CFI between Centurion DC and Beta DC and an active-active configuration in the northern region for high availability and fail-over of the private on-premise OEM cloud (Oracle) between Centurion DC and SITA KZN DC.

Another important consideration of the DC infrastructure modernisation programme is to consolidate DCs to reduce the size of a single facility or merge one or more facilities, thereby bringing down overall operating costs and reducing the IT footprint. SITA will therefore consider the closure and consolidation of specific DCs as the modernisation programme unfolds in the years ahead while also establishing and upgrading other DCs in some provinces to support regional disaster recovery capability.

Under the umbrella of its infrastructure modernisation, SITA successfully enabled its internal IT infrastructure modernisation project by migrating the legacy distributed private analogue branch exchange (PABX)-based voice communication systems to a hosted internet protocol (IP)-based PBX platform. The benefits of this initiative are better quality voice calls and employees are empowered to initiate voice calls from their laptops using a soft client, as well as to collaborate using video-conferencing and instant messaging from the comfort of their laptops.

### 10.5.7.3 Network Infrastructure Provisioning

SITA fulfilled its responsibility for the end-to-end value chain of ICT service provisioning to the customer as well as ensured the security and protection of data and information assets of its customers. A private telecommunication network or value-added network service was provided and maintained in accordance with the Telecommunications Act. This includes layer-3 network infrastructure services such as computing, LAN and desktop support, customer experience and digital experience.

In order to implement government's digitisation vision and effectively and efficiently execute on the layer-3 network infrastructure services, SITA implemented a network modernisation initiative through prioritising the deployment of the SDN. The benefits include transforming the government network to be more agile and flexible while enabling the network to be intelligently and centrally controlled, as well as enabling efficient network configuration that improves network performance and monitoring and improved responsiveness to the evolving needs of government.

The year-end performance of the SDN blueprint implementation project was 61% against a planned target of 100% implementation of project activities.

The shortfall is attributed to a changed procurement approach, budget constraints on capital expenditure, funding availability and a bid cancellation. Key milestones achieved included completion of connectivity between Centurion and Pietermaritzburg for the Oracle cloud and conclusion of an industry engagement on the financial funding model using a shared risk approach. It is envisaged that progress on the targets lagging behind will be fast-tracked early in the new financial year, thereby ensuring that the medium-term deliverables for the SDN programme are still achieved.

SITA implemented 100% of planned activities on its unified communication (UC). Key milestones achieved on the plan included the development of two service packages, inclusive of product pricing under the UC service category. These were video-conferencing capability and UC solutions available through SITA contracts, which provide solutions for IP telephony and PBX systems. Other achievements in this space included developing the product marketing plan and supporting toolkit, as well as training initiatives to build capability at national and provincial levels.

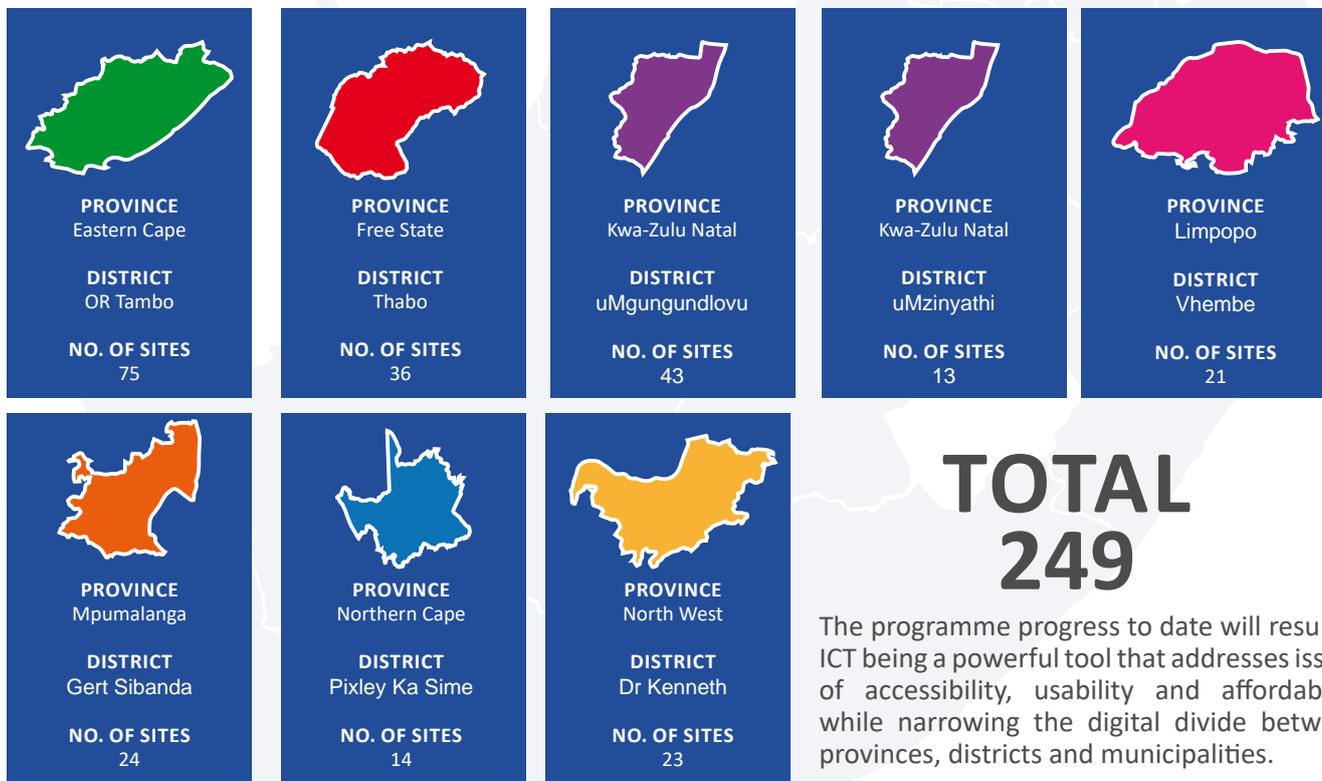
Broadband as an ecosystem of digital networks, services, applications, content and devices, is intended to be firmly integrated into the economic and social fabric of the country. The failure to connect the poor, the remote and the marginalised became very visible as the pandemic unfolded. Many South Africans remain unconnected via anything but a mobile handset, daunted by high data prices. Therefore, the rollout of broadband connectivity as per the SA Connect broadband policy through available resources remained a top priority for SITA, in collaboration with the executive authority and other government entities in partnerships with industry.

SITA supported government's SA Connect project, which aims to deliver widespread broadband access to 100% of the country's population by 2030, thereby meeting the technology goals of the NDP. This resulted in upgrading of 249 sites, bringing the total number of connected sites to 970 (713 new sites and 257 upgraded sites) since inception of the programme in the FY2018/19. Through this programme, SITA provided virtual private network services to improve connectivity and access of citizens and organisations to government services through a secure, efficient and cost-effective medium.



For the reporting period, the benefits of the SA Connect programme were realised in different provinces and districts as depicted in the table below.

**Table 1 – SA Connect programme**



The programme progress to date will result in ICT being a powerful tool that addresses issues of accessibility, usability and affordability while narrowing the digital divide between provinces, districts and municipalities.

## 10.6 Service delivery challenges and corrective actions

### 10.6.1 Customer service delivery

Concerted efforts made to drive billing process delays did not yield desired results due to some procurement requests not being timeously processed, as well as delays in other internal lines of business service delivery turnaround times. As most client resources continued to work remotely, challenges were experienced in respect of efficiently processing billing requests. Nonetheless, the collection drive yielded a positive result of over 80% net collection rate.

In addition, SITA also had to manage the influx of negative sentiments relating to customer service delivery complaints and escalations across its client base. These stemmed predominately from the impact of the pandemic, where there were unforeseen procurement delays in those instances where bid publishing timelines were extended and a large component of SITA's procurement workforce worked remotely. Going forward, SITA will manage its customer experiences and implement the necessary improvement initiatives that will assist clients to fulfil their mission and purpose, which are foundational to any service provider partnership.

### 10.6.2 Cloud foundation infrastructure

SITA's commitment as per its APP was to fully capacitate the current regional private on-premise CFI; however, delays were experienced in the migration of the GPG fully managed data centre, which was out of SITA's control. An alternative workload was identified and managed to achieve 90,42% capacitation. The migration of the GPG workload is expected to be completed before Q2 of FY2021/22 and an additional four high-performance nodes were deployed to cater for this.

The inclusion of hybrid off-premise cloud variants such as Microsoft, AWS, Huawei, Oracle, etc., remain problematic, as SITA wants to ensure that the architecture around this meets the security requirements of the State Security Agency (SSA). In partnership with the public cloud service providers (CSPs), SITA completed the reference architectures for Microsoft and AWS while that of Huawei is 80% complete.

The commercial model and supply chain model for the subscription to the services of the hybrid off-premise cloud variants, once included in the GPCE, remains to be finalised. This must, in the interest of openness and fairness, inter alia address what fair and open process SITA follows to add public digital services to the service catalogue and what fair and open process government follows to choose from similar public digital services on the service catalogue.

### 10.6.3 Network infrastructure provisioning

The existing SITA core network (SITA NGN) was designed in 2007 and built in 2008 to fulfil requirements set out during that period. However, the needs of users have evolved due to the large number of applications and users – as related to their individual needs to fulfil their jobs. The proliferation of cloud-based applications, the Internet of Things (IoT), unified communication and collaboration technologies resulted in increased demand for bandwidth and robust networks.

Key challenges that SITA is facing with its core network infrastructure include aging infrastructure, which is fast approaching its end-of-life, as well as aging technologies that underpin the SITA NGN design and architecture. In order to execute on its digital transformation strategy, innovate products and preparing the organisation for the future, SITA will commence with laying down the architectural building blocks that support a network of the future. This will be accomplished through its network transformation programme aimed at modernising its core network to the SDN and Software-Defined Wide Area Network (SDWAN).

SITA will, through its strategic partners, establish SDN and SDWAN services intended to transform existing core network services and thereby yielding benefits such as greater flexibility, speed, visibility and control over the network, reduced costs, provision of a future-proofed and cloud-ready government WAN, among others.

### 10.6.4 Financial Sustainability

SITA is a self-sustainable organisation that does not currently obtain funding from the fiscus to execute its mandate. While the organisation has identified and implemented drivers of financial sustainability, the entity still faced challenges with its funding model, which hinders it from fully executing on government's digitisation mandate.

In order for SITA to fully execute its mandate, interventions from relevant government stakeholders are needed with regard to the consolidation and centralisation of ICT capital investment and operational budgets of the national and provincial spheres of government, coordination of payments for services rendered and an independent assessment of return on investment of the ICT spend versus service delivery improvement. The key benefits of such a funding model will come at no additional cost to government, will align government overall investment to its objectives of creating a digital society, as well as realise costs savings from the consolidation of purchasing power through economies of scale.

In addition, an amendment to the SITA Act to change the scheduling status of SITA from a 3A public entity to a schedule 2 public entity will also build in added flexibility for SITA to borrow funds when required. The amendment of regulations that allow for an automatic annual rate increase for labour services and hosting services, and a supporting approval process will further improve SITA's financial sustainability status.

### 10.6.5 Localisation

Opportunities for SMME entities had been identified with the SA Connect project through a procurement panel. However, there are challenges regarding enabling procurement legislation to empower the organisation to implement its strategic plan. The identified legislative amendments have been submitted to National Treasury to ensure progress within this component. SITA also supports localisation through its open innovation vehicle, which is intended to source innovative solutions and ideas from SMME entities and then implement them in government to improve operations and solve socioeconomic challenges.

It is imperative to note that SITA's role in localisation is to grow SMMEs by providing platforms to develop software solutions – from conceptualisation until it is a packaged product ready for market consumption. In this regard, the role of SITA is limited to software solutions. When it comes to hardware and other solutions, SITA will form strategic partnerships with other state entities that have the mandate and capability. SITA will monitor the incubation process to ensure that the outputs are aligned to the requirements of government, interoperability and also that security standards are adhered to, and that they offer value for money.



## 11. Programme performance information

The detailed organisational performance per programme, together with performance indicators, targets, deviations and reasons for variance are reflected in the tables below.

### Programme 1: Thought leadership and service delivery

The purpose of this programme is to provide well-researched, tested innovative and secure solutions, products and services aimed at digitising government to improve citizen's experience of government services.

**Table 2 – Programme 1: Thought leadership and service delivery**

Output	Output indicator	Actual achievement 2019/20	Planned target 2020/21	Actual achievement 2020/21	Deviation from planned target	Reasons for variance
Contracted SLA metrics achieved	% performance against measured contracted SLA metrics	95.40% performance against measured contracted SLA metrics	90% performance against measured contracted SLA metrics	<b>Achieved</b> 96.18% performance against measured contracted SLA metrics	6.18%	Normalisation/ stabilisation of operations as more people are starting to return to the office.
Open solutions commercialised	# of open solutions commercialised	1 open innovation solution commercialised	1 open innovation solution commercialised	<b>Achieved</b> 2 open innovation solutions commercialised	1	Clientele demand and digital transformation journey provided opportunity to develop additional innovation solution.
Achieve growth in government market share	% increase in government market share	24.6% increase in government market share	10% increase in government market share on designated services (redefined baseline based on SITA's 2019/20 service portfolio in scope)	<b>-5.8%</b> increase in government market share on designated services (redefined baseline based on SITA's 2019/20 service portfolio in scope)	<b>-15.8%</b>	<ul style="list-style-type: none"> <li>(a) The accuracy of data related to the ICT budget (i.e. R10.75bn) from the government's Business Accounting System was stated as a risk in the measure profile.</li> <li>(b) All indications are that the ICT budget information has not been updated/changed by government departments as finances were reprioritised in response to the national COVID-19 pandemic.</li> <li>(c) The ICT budget could also not be verified through National Treasury. It would be a challenging task, if at all possible, to verify through each national and provincial department.</li> </ul>

Output	Output indicator	Actual achievement 2019/20	Planned target 2020/21	Actual achievement 2020/21	Deviation from planned target	Reasons for variance
Digital platforms established	# of digital platforms deployed	-	Big data analytics platform in production and establish the cloud IDE and Dev Ops platforms in production	3 digital platforms deployed	None	No variance
Integration of government data and systems	# of use cases developed through the integration of government data and systems	-	1 Big Data Analytics Use Case deployed	Achieved 2 Big Data Analytics use cases deployed	1	Demand from our clientele that necessitated response by delivering on additional requirements which relate specifically to the fact that government is seeing data as a strategic asset for evidence-based decision-making and appropriate policy interventions.

## 11.2 Programme 2: Digital infrastructure

The purpose of this programme is to optimise and/or build the required computing capabilities such as platforms, networks, storage, etc., to enable the provisioning of digital services and solutions at increased availability, flexibility, scalability, predictability and security.

**Table 3 – Programme 2: Digital infrastructure**

Output	Output indicator	Actual achievement 2019/20	Planned target 2020/21	Actual achievement 2020/21	Deviation from planned target	Reasons for variance
SA Connect sites connected	% SA Connect sites connected as per the government order (layer-3 connectivity)	126.9% of SA Connect sites connected at bandwidth of 10 Mbps as per the government order	100% SA Connect sites connected as per the government order (layer-3 connectivity)	<b>Achieved</b> 100% SA Connect sites connected as per government order (layer-3 connectivity)	None	No variance
Improve Security of Government Data assets	% Establishment and operationalization of the Security Operations Centre Capability (SOC)	-	100% implementation of planned activities for security operational centre capability	99.38% implementation of planned activities for security operational centre capability	-0.62%	The bid award for SOC/SIEM has not been concluded as additional clarification information has been requested by EBAC to consider in the adjudication process and therefore the procurement process could not be finalised in time.
	% of Implementation of Unified Communications Capability	-	100% Implementation of planned activities for the unified communication plan for SITA	<b>Achieved</b> 100% implementation of planned activities for unified communication plan for SITA	None	No variance
Modernisation Network — Software Defined Network (SDN)	% Establishment and operationalization of the Software Defined Network (SDN) capability	-	100% Implementation of the planned activities for the Software Defined Network (SDN) capability	<b>Not achieved</b> 61% Implementation of the planned activities for the Software Defined Network (SDN) capability	-39%	(a) The procurement process for the SDN took longer to conclude than anticipated due to incorporating the feedback received from industry as well as the request to extend the closing date for the bid. (b) The SDN procurement culminated in the cancellation of the bid.
On-boarding of clients to private on-premise of Cloud Foundation Infrastructure (CFI)	% of Cloud Foundation Infrastructure (CFI) capacity utilised	-	100% Cloud Foundation Infrastructure (CFI) capacity utilised	<b>Not achieved</b> 90.42% Cloud Foundation Infrastructure (CFI) capacity utilised	-9.58%	The biggest contributor to this is the delayed take-on of the GPG workload. GPG delayed to finalise the earmarked workload even though the proposal was signed and GOs for the migration issued.

Output	Output indicator	Actual achievement 2019/20	Planned target 2020/21	Actual achievement 2020/21	Deviation from planned target	Reasons for variance
Modernise Data Centre Facilities	# of Data Centres facilities modernized	-	Completed the following upgrade in line with tier 3 requirement: (a) Uninterruptible power supply (UPS) (b) Fire suppression (c) Access control systems	<b>Not achieved</b> Completed the following upgrades in line with tier 3 requirement: (a) Uninterruptible power supply (UPS) – not completed (b) Fire suppression - not completed (c) Access control systems - not completed	-56.70%	Only 43.30% implementation against data centre facilities modernization plan was achieved due to delays experienced with the procurement process: (a) Tender for electrical support contractors was cancelled and had to be re-started. (b) Tender for additional electrical infrastructure was cancelled. (c) No responses were received for the fire suppression RFQ for engineering consultants.

### 11.3 Programme 3: Skills and capability development

The purpose of this programme is to develop, build and/or buy the required digital skills and capability to enable the strategic drive to digitalise government while building a culture of performance, accountability, corruption-free and consequence management.

**Table 4 – Programme 3: Skills and capability development**

Output	Output indicator	Actual achievement 2019/20	Planned target 2020/21	Actual achievement 2020/21	Deviation from planned target	Reasons for variance
Employees trained against the workplace skills plan (WSP) with focus on digital skills	% of employees trained against the workplace skills plan	79.5% of employees trained against the workplace skills plan	60% of employees trained against the workplace skills plan	<b>Achieved</b> 81% of employees trained against the workplace skills plan	21%	(a) Due to COVID-19 and lockdown, the demand for Microsoft Teams course (technical) to support our customers with the use of virtual platforms to conduct meetings increased and HCM prioritised the requests for the training to build capability for SITA to deliver the service effectively to clients (b) High demand for cloud-related training courses, which is a key deliverable for SITA to clients.
Digital and Ethical culture developed	% implementation of the Culture Plan	-	100% implementation of planned activities as per Culture Plan	<b>Not achieved</b> 54.34% implementation of planned activities as per Culture Plan	-45.66%	(a) Budget constraints (b) COVID-19 challenges

### 11.4 Programme 4: Financial sustainability

The purpose of this programme is to ensure effective and efficient financial management and commercial awareness in investment decisions to ensure financial growth and sustainability.

**Table 5 – Programme 4: Financial sustainability**

Output	Output indicator	Actual achievement 2019/20	Planned target 2020/21	Actual achievement 2020/21	Deviation from planned target	Reasons for variance
Improved EBITDA	% EBITDA	R343,4m	R84.3m	R521.5m	R437.2m	(a) Substantial savings (and non-spending) under cost of sales, mainly in IT infrastructure, NGN core and CFI where less than anticipated costs translated into a positive increase in profitability. (b) Additional revenue materialised from DOD mainframe revenue that was not budgeted for and for which there were no costs incurred in the current financial year.
Improved net collection rate	% net collection rate	87% net collection rate	80% net collection rate	Achieved 85.40% net collection rate	5.40%	(a) Continuous engagement and follow up with customers done on a monthly basis. (b) A process to clean up the debtors' book in order to ensure that resources focus on valid and collectable debt.

#### Summary of revenue collection

SITA underperformance in revenue is due to budgeted business that did not materialize as planned; this was counteracted by a concerted effort to contain costs to ensure the financial sustainability of the entity.

The table below reflects revenue billed as per the SITA service catalogue.

**Table 6 – Revenue Billed**

Revenue Type	"Actual R'000"	"Budget R'000"	"Variance R'000"
<b>Drop Shipment Revenue</b>	<b>773 214</b>	<b>496 575</b>	<b>276 639</b>
<b>Service Revenue</b>	<b>4 994 558</b>	<b>5 646 112</b>	<b>(651 555)</b>
Application Development	386 150	379 028	7 122
Application functional support	179 464	227 289	(47 825)
Application maintenance	456 621	599 772	(143 152)
BPO service desk	12 444	17 394	(4 950)
Cloud Hosting services	83 184	139 096	(55 912)
Dedicated VPN	143 210	290 789	(147 579)
Enterprise architecture	7 356	65 624	(58 268)
Hosted batch printing	38 865	42 267	(3 402)
Internet connectivity	148 030	121 306	26 724
LAN and desktop	780 860	957 554	(176 694)
Mainframe hosting	1 092 700	1 039 632	53 068
Midrange hosting	164 226	162 849	1 376
Project management	16 218	15 839	378
Security policy development and maintenance	75 264	94 026	(18 762)
Service management	306 582	69 323	237 259
Shared VPN	1 017 798	1 077 472	(59 673)
Training (solution/applications)	33 771	50 322	(16 551)
Other	51 814	296 530	(244 715)

Capital investment, maintenance and asset management plan

The year-to-date capital expenditure incurred for the FY2020/21 amounted to R166m against the approved budget for Capex of R350m.

The table below provides details of capital expenditure in line with the budget for year under review

**Table 7 – Capital Expenditure**

Sources of revenue	2020/2021			2019/2020		
	Budget	Actual	Over / (under) collection	Budget	Actual	Over / (under) collection
	R'000	R'000	R'000	R'000	R'000	R'000
Infrastructure: Network		71		94 500	14 656	79 844
Infrastructure: Switching Centres				24 000		24 000
Infrastructure: Data Centres		103,477		176 484	211 215	(34 731)
Infrastructure: Modernisation		9 291		36 354	32 972	3 383
Infrastructure: SA Connect					13 945	(13 945)
Solution Development: Transversal						
Solution Development: Customer Unique					1 848	(1 848)
Solution Development: Modernisation						
Solution Development: Integration				24 000		24 000
Solution Development: R & D						
IT Security				32 400	13 344	19 056
Service Management: Contact Centres				35 135	14 337	20 798
Service Management: Decentralised Support and 1st line support		1 700		30 271	5 690	24 581
Operational Support: Internal IT		47 475		97 239	843	96 397
Operational Support: Facilities				2 520		2 520
Operational Support: Production Toolsets		1 288		6 895		6 895
Operational Support: Integrated Security		722		40 200	724	39 476
<b>Total</b>	<b>350 000</b>	<b>164 023</b>	<b>183 981</b>	<b>600 000</b>	<b>309 574</b>	<b>290 425</b>

The approved capital budget was not broken down per programme.

## Programme 5: Procurement and Industry Transformation

The purpose of this programme is to advance transformation of the ICT sector to stimulate economic growth, development of local ICT content and radically transforming the procurement capability towards the reduction of unemployment and poverty alleviation, supporting skills development and promoting fair, equitable, transparent and cost-effective procurement services.

**Table 8 – Programme 5: Procurement and industry transformation**

Output	Output indicator	Actual achievement 2019/20	Planned target 2020/21	Actual achievement 2020/21	Deviation from planned target	Reasons for variance
Procurement awards made within targeted customer timeframes	% of procurement awards completed within the targeted turnaround times	27.04% of tender awards completed within the targeted turnaround times	75% of procurement awards completed within the targeted turnaround times	<b>Not achieved</b> 56.50% of procurement awards completed within the targeted turnaround times	-18.50%	Increase in the number of procurement requests coming towards financial year-end and delays in finalising requests caused by remote working.
Improved procurement turnaround times from SITA for procurements	# of transversal contracts implemented	-	5 transversal contracts implemented	<b>Achieved</b> 5 transversal contracts implemented	None	No variance
Increased acquisition spend through black SMME entities on influenceable spend	% of acquisition spend through black SMME entities	9.71% of ICT acquisition spend through black SMME entities on influenceable spend	40% of acquisition spend through black SMME entities on influenceable spend	<b>Achieved</b> 40.67% of acquisition spend through black SMME entities on influenceable spend	0.67%	There was an increase on “black SMME” spend during the financial year.



**PART  
C**

*AUDIT*

**GOVERNANCE**

### 13. Introduction

The SITA Corporate Governance Framework is based on the principles of accountability, responsibility, transparency, fairness and stakeholder inclusivity. SITA is guided by the principles contained in the “King IV Report on Corporate Governance”, as well as the “Protocol on Corporate Governance in the Public Sector 2002”. The statutory duties, responsibilities and provisions imposed on the directors of SITA by the Companies Act, 71 of 2008, are augmented by those contained in the Public Finance Management Act, 1 of 1999, as amended.

### 14. Portfolio Committees

#### 14.1 Composition of the Parliamentary Portfolio Committee

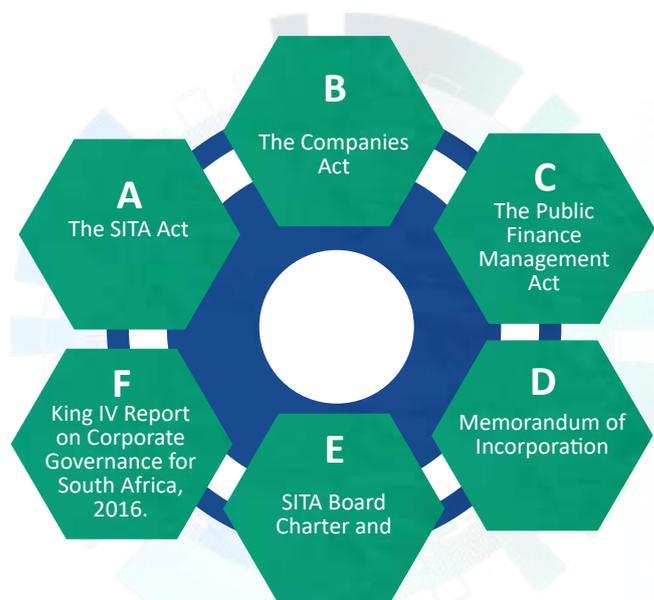
As part of its obligations to ensure good governance, to promote transparency and accountability, SITA briefs Parliament’s portfolio committees on areas that include its legislative mandate, strategic plans and annual performance plans and related service delivery activities. This is in addition to responding to parliamentary questions mainly overseen by the Portfolio Committee on Communications.

#### 14.2 Portfolio Committee on Communications engagements with SITA

- a) In 2020/21, SITA briefed the committee on the following items:
  - (1) FY2020/21 Strategic Plan and Annual Performance Plan;
  - (2) FY2019/20 Annual Report and Financial Results;
  - (3) 2nd quarter expenditure and performance reports for FY2020/21; and
  - (4) turnaround plan and repurposing business case.
- b) SITA also briefed the following committees as follows:
  - (1) Portfolio Committee on Higher Education and Training on the progress of eradicating the NC(V), NATED and GETC certification backlog;
  - (2) Portfolio Committee on Home Affairs on the status of the missing master files of the Automated Biometric Identification System (ABIS)/EOH contract; and
  - (3) Portfolio Committee on Police on the systems available to address the replacement of the PCEM system.

### 15. The SITA Accounting Authority and Board of Directors

The Interim Board (“Board”) is the Accounting Authority, as defined by the Public Finance Management Act (PFMA). The Board provides strategic direction and guidance to ensure the achievement of sustainable performance. The roles and responsibilities of the Board are stipulated in, among others:



**FIGURE 8 – ROLES AND RESPONSIBILITIES OF BOARD**

#### 15.1 The role of the Board

The Board has determined its main function and responsibility as adding significant value to the agency by:

- a) retaining full and effective control over the agency and providing effective leadership in the interest of sustainability of the agency;
- b) informing and approving the strategies and strategic objectives of the agency and ensuring that strategy, risk, performance and sustainability considerations are effectively integrated and appropriately balanced;
- c) determining and setting the tone of the agency values, including principles of ethical business practice and the requirement of being a responsible corporate citizen;
- d) bringing independent, informed and effective judgment to bear on material decisions of the agency, including policies, approval of the appointment or removal of executive managers, capital expenditure, transactions and consolidated agency budgets;
- e) satisfying itself that the agency is governed effectively in accordance with corporate governance best practice, including risk management, legal compliance management, appropriate and relevant non-binding industry rules, codes and standards and internal control systems to
  - (1) maximise sustainable returns,
  - (2) safeguard the people, assets and reputation of the agency, and
  - (3) ensure compliance with applicable laws and regulations;
- f) monitoring through Board committees and executive management the implementation of the Board’s strategies, decisions, values and policies employing an approved governance framework which provides for a structured approach to governance, the reporting, risk management, information management (including information technology) and risk-based auditing;

- g) ensuring that the agency has effective Board committees as required by the Companies Act, Memorandum of Incorporation (MOI) and recommended by best corporate governance practice that the company chooses to apply;
- h) ensuring that there is an effective risk-based internal audit;
- i) governing the disclosure control processes of the agency, including ensuring the integrity of the agency's integrated report and reporting on the effectiveness of the agency's system of internal controls;
- j) ensuring that disputes are resolved as effectively, efficiently and expeditiously as possible; and
- k) monitoring the relationship between management and stakeholders of the agency.

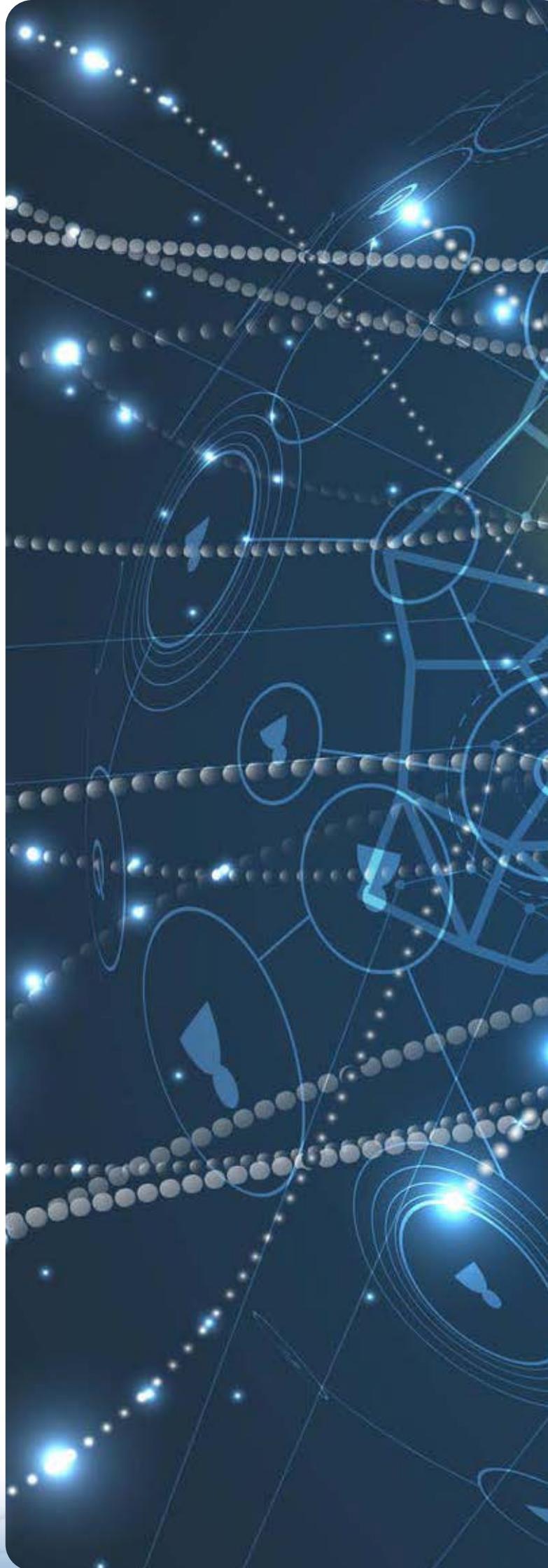
## 15.2 Board Charter

The SITA Board Charter's departure point is that governance in any context reflects the value system of the society in which it operates. It acknowledges that corporate governance thrives on co-existence, consultation, and high standards of ethics and trust. It further recognises that corporate governance is essentially about leadership – leadership for efficiency, for probity, with responsibility, and which is both transparent and accountable. These are the ideals that inform the SITA Board Charter.

The charter begins by acknowledging the constitutional and legislative roots of SITA governance. This is followed by a brief overview of the principles of corporate governance and the detailing of the powers, functions and responsibilities of the Board and the directors, including delegation of authority. The charter then deals with the constitution, responsibilities and management of the Board in session and Board committees, the disclosure of directors' interest in the business of the SITA, and the need to assess the performance of individual directors and directors as a collective. It provides for alternative dispute resolution, and highlights the nature and importance of risk management, internal audit, information technology, compliance, and the management of stakeholder relationships. The charter also recognises that directors are entitled to have access to the office of the Company Secretary and to secure independent professional advice at the company's expense.

## 15.3 Composition of the Board

As at 1 April 2020, the Board comprised of an acting Chairperson, the Executive Caretaker and the Chief Financial Officer, as appointed by the shareholder representative in terms of section 10(1)(c)(iv) of the SITA Act, 88 of 1998, as amended.



**Table 9 – Composition of the Board**

Name and surname	Designation (in terms of the Public Entity Board structure)	Date of appointment	Qualifications	Area of expertise	Other committees/ boards	Notes
Mr O Shelembe	Acting Chairman	18 March 2020	Bachelor of Social Science (Honours) Degree in Economics  Master of Business Leadership (MBL)	Leadership	Board	<sup>1</sup> End of term as Non-Executive Director and acting Chairperson and – 18 March 2021
Mr L Keyise	Executive Caretaker	28 January 2020	Master’s Degree in Computer Sciences  Master of Business Administration (MBA in progress)	Information technology, telecommunications and academia	Board ARCC (permanent invitee/ official)	
Mr A Pretorius	Chief Financial Officer (acting)	18 March 2020	Chartered Accountant CA (SA)  Corporate Law (LLM)	Finance	Board ARCC (permanent Invitee/ official)	<sup>1</sup> End of term as Executive Director – 25 Jan 2021
Mr MK Kgauwe	Chief Financial Officer	1 December 2020 (as Chief Financial Officer)	Chartered Accountant CA (SA)	Finance	Board ARCC (permanent invitee/ official)	<sup>2</sup> Appointed as Executive Director – 24 January 2021

## 15.4 Board and Board committees

The table below provides a summary of Board and Board committees meetings held during the year under review.

**Table 10 – Board and Board committees**

Members	Board	Special Board	ARCC	AGM	Notes
Number of meetings	3	16	6	1	
Mr. O Shelembe	1	10		1	
Mr. L Keyise	3	16	6	1	
Mr. M K Kgauwe	1	8	1		
Mr. A Pretorius	2	8	5	1	
Ms. N Pietersen			6		Independent Committee (Audit, Risk and Compliance Committee) members
Mr. A Murray			6		
Mr. M Ntanga			6		

The following board sub-committees will be re-constituted in the next financial year:

- a) Human Resource and Remunerations (HR&Rem) Committee;
- b) Social and Ethics (S&E) Committee; and
- c) Information Communication and Technology, Research Development and Innovation (ICTRDI) Committee.

## 15.5 Remuneration of Board members

Non-executive directors and committee members who are not employed by government receive a fee for their contributions to the Board and committees on which they serve. Fees are determined by the shareholder, with the concurrence of the Minister of Finance.

Non-executive directors and committee members who are employed by government are not entitled to remuneration.

Executive directors are remunerated according to the policies of the organisation.

Full disclosure on the remuneration of non-executive and executive directors is included in the annexure on financial statements.

## 15.6 Board Profiles



**Omega Shelembe**

Acting Chairman  
SITA Board of  
Directors:  
19 March 2020

Mr Shelembe is currently employed as Deputy Director-General: SOE Oversight and ICT Enterprise Development in the Department of Communications and Digital Technologies since January 2016. The role provides support on the oversight responsibilities of state-owned enterprises (SOEs) in the portfolio of the department. Otherwise, his career spans over 20 years in the public sector, most of which has been in government, with senior management positions at National Treasury and the Department of Higher Education and Training. Responsibilities included economic policy development, financial management, corporate planning and governance. These responsibilities have over the years provided opportunities to serve in various boards of SOEs as a non-executive director and several interdepartmental committees working on specific sectorial inquiries. He has also participated in several bilateral and multilateral international engagements and conferences. Mr Shelembe is passionate about the role of management and leadership as a profession in resolving the challenges confronting government, business and society in general. Recent and future interests include executive coaching, writing on various leadership subjects, facilitating difficult conversations, public speaking and lecturing. He was born in Pietermaritzburg, KwaZulu-Natal, and attended school and matriculated there. He completed a Bachelor of Social Science (Honours) Degree in Economics at the University of KwaZulu Natal in 1993 and subsequently completed a Master's Degree in Business Leadership (MBL) in 2003 from the University of South Africa with specialisation in corporate finance, corporate strategy and international financial markets. He also completed the Integral Africa Coaching Programme with the Coaching Centre in April 2020. Mr Shelembe currently resides in Centurion, Gauteng.



**Luvuyo Keyise**

Executive  
Caretaker:  
28 January 2020

**Master's Degree in Computer Science (Howard University USA), Henley Executive MBA (in progress)**

Mr Keyise is a multi-skilled and experienced IT executive with more than 25 years' experience in information technology, telecommunications, academia, and the public sector, with almost 20 years at executive level.

He started programming in AI in 1996, during his BSc Hons Computer Science studies at University of Fort Hare. He has extensive experience in corporate governance, IT governance, enterprise architecture, business and IT strategy development and implementation, IT operations, business value of IT, IT risk management and business continuity, IT service and maturity models, business intelligence and data warehouse, and knowledge and information management. He has implemented complex -company wide- digital transformation projects and solutions, such as an integrated core banking solution at Ithala Bank; an enterprise resource planning solution covering all business functions while replacing legacy systems previously used by nine provincial departments and integrating them into one centralised system used by more than 7 000 employees in more than 2 000 offices countrywide (SASSA). He follows industry trends and understands the implications of 4IR for the country and specific industries, moving to e-services, and big data's impact on a company's competitive advantage, to the impacts of robotics and artificial intelligence (AI) in 4IR. He has also implemented robotics solutions to streamline some business operations and free staff to focus on more complex user requirements, as well as the broader developments in artificial intelligence, among other industry trends.



**LLB (Unisa), LLM (Corporate Law) (Unisa), B Com Hons (Unisa), B. Com (UP) and Chartered Accountant (SA)**

Mr Pretorius is currently the acting Chief Financial Officer of SITA. He was appointed in 2006 as Head of Department: Financial Accounting and has acted as the Chief Financial Officer on various previous occasions. Prior to his appointment at SITA, he worked as a senior manager at Ernst & Young and a manager at the Auditor-General. A Chartered Accountant by profession, he completed his articles at the Auditor-General, during which he was seconded to PriceWaterhouseCoopers for a period of two years.

**Mr Andre Pretorius**

Acting Chief  
Financial Officer:  
18 March -  
3 November 2020



**Diploma in Accounting (UCT) and Bachelor of Commerce (Financial Accounting), (UCT), Chartered Accountant (SA)**

Mr Kgauwe is a Chartered Accountant who has previously worked in SITA as a General Manager in the Finance division. He has worked his way through various ranks and returned to SITA to assume his role as CFO on 1 December 2020. He also previously served as CFO in City of Matlosana, Competition Commission of South Africa and South African Health Products Regulatory Authority (SAHPRA). He spent some time at PricewaterhouseCoopers where he was also counsellor for trainee accountants. Directorships and other associations include serving as Chairman of Employment Equity for CIPS1, and approved assessor at the South African Institute of Chartered Accountants (SAICA), among other roles.

**Mr Molatlhegi  
Kgauwe**

Chief Financial  
Officer:  
1 December 2020

## 16. Internal Control and Internal Audit

The Board is ultimately responsible for establishing a framework of internal controls. These controls are designed to provide cost-effective assurance of the financial wellness and financial management of the company. The internal control environment (including the assignment of authority and responsibility, segregation of duties, supervision, integrity and ethical values, and governance structures) is managed and monitored by the Internal Audit department.

While internal controls were in place during the year, internal control weaknesses were nevertheless identified by Internal Audit and by the Auditor-General of South Africa. These deficiencies were reported to management for appropriate corrective action. Progress on the implementation of the corrective action is further monitored by the Executive Committee (Exco) and the Audit, Risk and Compliance Committee (ARCC) and the Board.

The Internal Audit department reports functionally to the ARCC. The 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 subcommittee of the Board. The committee monitors, inter alia, compliance with legislation and ensures that appropriate systems of internal control are implemented and maintained to protect SITA's interests and assets. The committee further reviews the activities and effectiveness of internal audit.

Internal Audit focuses on the risk, governance, compliance and control processes of the organisation and is responsible for expressing an opinion on the adequacy and effectiveness of the internal controls within those processes. Internal Audit is not responsible for the implementation and related controls of any business processes. However, SITA management is responsible for the achievement of the business objectives, which includes the design, implementation and monitoring of adequate and effective internal controls.

Internal Audit evaluates processes with the view of providing assurance that the internal controls with the company are operating as intended and in so doing, assist in the achievement of the strategic objectives of the organisation. Internal Audit further ensures that any identified weaknesses in controls, governance and risk are adequately and timeously resolved. The work of internal audit and external audit is monitored by the ARCC. The table below discloses relevant information on the ARCC members.



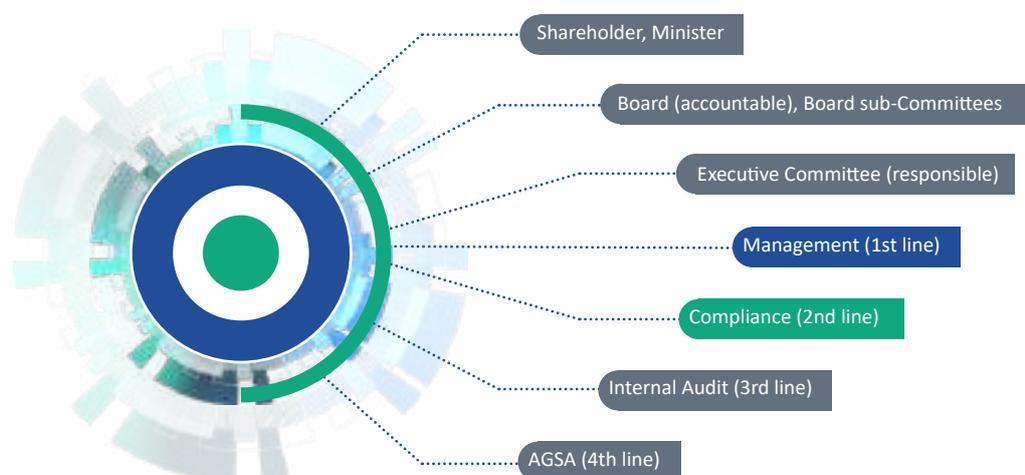
**Table 11 – Audit, Risk and Compliance Committee members**

Members	Qualifications	Internal/external	Date of appointment	Number of meetings attended
Ms. N Pietersen	1. Masters in Business Administration (MBA) 2. Chartered Accountant (SA) 3. B Com (Accounting) Honours/CTA 4. B Com (Accounting)	External	01 June 2020	6
Mr. A Murray	1. Masters in Social Sciences 2. B Social Sciences (Honours) 3. B Social Sciences	External	01 June 2020	6
Mr. M Ntanga	1. Master of Laws (LLM) 2. Drafting and Interpretation of Contracts 3. H Dip Tax 4. B Proc	External	01 June 2020	6

## 17. Compliance with Laws

The Board is accountable for all statutory, regulatory and legislative compliance and are liable for the consequences of non-compliance.

The Compliance unit reports to the Governance and Risk, Compliance and Integrity division and has adopted the Generally Accepted Compliance Practice Framework (GACPF) of the Compliance Institute of Southern Africa, which is aligned to ISO 19600, ISO 31000 and the King IV report on Corporate Governance of South Africa, as depicted in the figure below.



**FIGURE 9 – GENERALLY ACCEPTED COMPLIANCE PRACTICE FRAMEWORK**

Significant focus and effort were put into the development of controls to ensure compliance with the Protection of Personal Information Act, 4 of 2013 (POPIA), ensuring that SITA can fully respond to requirements by 1 July 2021. Following non-compliance-related PFMA findings by the Auditor-General, the Compliance unit detailed a compliance risk management plan (CRMP), which respective line management can reference in maintenance and embedding of their standard operating procedures.

The regulatory universe is updated annually and reported quarterly to the Audit, Risk and Compliance Committee of the Board.

The Compliance unit has been strengthened with additional capacity, but the real improvement in compliance posture is enabled through the distributed responsibility for compliance by the respective business process owners.

## 18. Risk Management

The SITA enterprise risk management policy, framework and risk tolerance and appetite statements were reviewed and approved by the Board in October 2019. The policy statement clarifies that the SITA Board, along with its executives and management, recognises that risk management is a critical management tool for ensuring the achievement of objectives and ultimately delivering on its mandate.

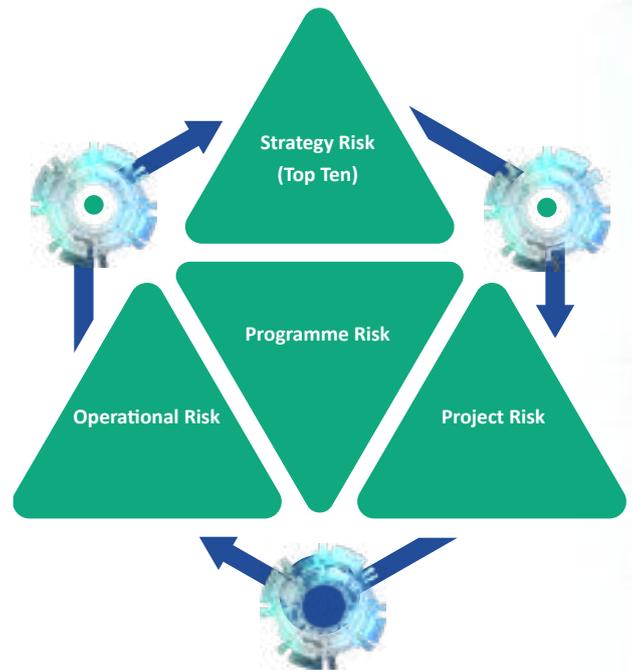
An enterprise-wide approach to risk management is adopted by SITA, meaning that every key risk in each part of the organisation will be included in a structured and systematic process of risk management. This approach increases risk awareness, ensures appropriate management of risks, and makes the divisions' risk profiles transparent, therefore enabling risks to be compared and aggregated and allowing a portfolio approach to risk management.

A risk implementation plan was developed and approved for the 2020/21 year, which guided the activities of the Governance and Risk, Compliance and Integrity (GRCI) division to identify new and emerging risks. Monthly reports on key risk indicators and risks outside tolerance levels are reported to the Assurance and Finance Committee. In addition, GRCI reports to the Executive Committee, as well as the Audit, Risk and Compliance Committee on a quarterly basis to ensure appropriate remediation is being taken and to monitor the effectiveness of the system of risk management.

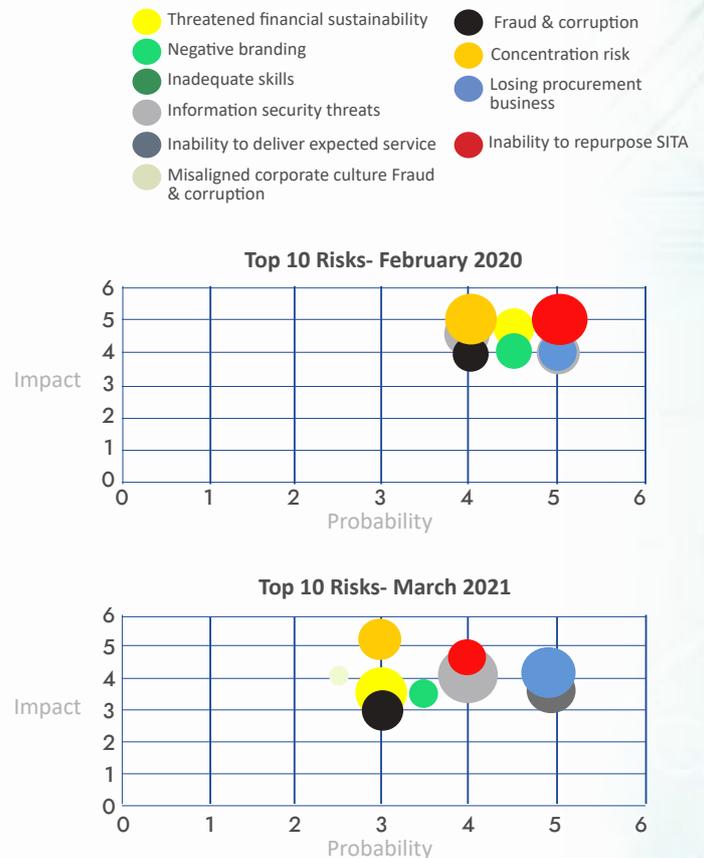
The risk profile of SITA caused concern to shareholders and the Board alike, with significant risks outside tolerance levels. Progress is reflected in the remediation action, with the reduction in probability of the risks materialising, but consequence impact remains high to critical.

The graphs to the right depict top 10 risks, with movement on the horizontal axis (reduction in probability). The following risks remain high on the agenda of the Board and Executive Committee :

- a) repurposing of SITA;
- b) cyber-security threats that are increasing in velocity (based on external factors); and
- c) the risk of SITA's inability to deliver services, which negatively affects both rationalisation and new revenue generation.



**FIGURE 10 – ENTERPRISE RISK MANAGEMENT FRAMEWORK**



**FIGURE 11 – TOP TEN RISKS**

## 19. Fraud and Corruption

SITA continues to prioritise the management of fraud risks as per the PFMA and fraud-related regulations, with a zero tolerance to acts of fraud and corruption. The fraud prevention plan (FPP)- to promote ethical behaviour within the organisation-was formally approved and executed. The COVID-19 pandemic and subsequent lockdown regulations had an impact on the implementation of the 2020/21 FPP, as it prevented in-person gatherings and meetings that would, under normal circumstances, have created opportunities for fraud prevention and awareness activities. The Executive Caretaker officially launched the 2020 SITA Fraud Awareness Week, which coincided with the International Fraud Awareness Week that was observed globally from 15 - 21 November 2020.

SITA's ethics hotline has been in place for a considerable time. A recent benchmark of hotline calls (both volumes and type of calls) against other subscribers in the public and ICT sector, indicated that the total volume (normalised for number of employees) is slightly below average, but includes the correct type of calls and less of the human-resource related calls pushing other companies' hotline numbers up.

## 20. Minimising Conflict of Interest

The SITA conflict of interest policy prohibits SITA employees from conducting business with SITA or government. Employees are also prohibited from having interests in IT or IT-related companies. All declarations are reviewed against potential or perceived conflicts of interest with SITA business activities and thereafter approved or rejected.

SITAzens achieved a 99.7% declaration of interest submission rate, which reflects very positively on the efforts by the Ethics Office to improve the awareness and understanding of the policy. The rate of rejections reduced by 9% year-on-year, further illustrating an improved appreciation of the policy and the high levels of ethical conduct.

The Ethics Office validates all declarations against the CIPC and Central Supplier Database to ensure all possible transgressors are identified and consequence management instituted.



FIGURE 12 – EC LAUNCHES THE 2020 FRAUD WEEK

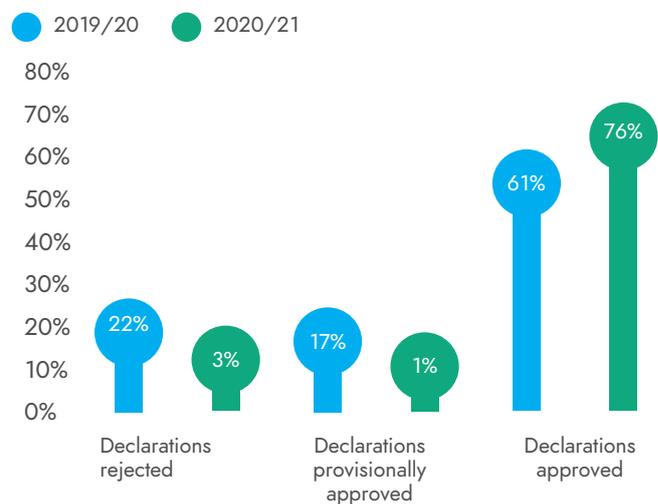


FIGURE 13 – DECLARATION OF INTEREST

## 21. Code of Conduct

The SITA Code of Conduct sets out SITA's ethical values and standards. The spirit of the code is to support ethical and sound business conduct by all SITA directors and employees.

The Ethics Office re-emphasised the values underpinning the Code of Conduct, with corporate communication detailing what this means both to the collective and the individual:

- a) Customer-centricity: Exceed customer expectations by providing the best appropriate services and solutions.
- b) Innovation: Pursue innovation by demonstrating thought leadership and proactive behaviour on the use of information and communication technology to enhance public service delivery.
- c) Integrity: Conduct our business with integrity at all times to inculcate a culture of respect, trust and accountability among all our employees and for all the environments in which we operate.
- d) Agility: Be adaptive and responsive in an evolving environment in order to maintain relevance and a competitive advantage.
- e) Collaboration: Cooperate and support each other in pursuit of our shared goals to achieve synergies and greater productivity.
- f) Empathy: Understand and support each other in our different perspectives.



## 22. Occupational Health and Safety

A fundamental principle in the Occupational Health and Safety (OHS) Act, 85 of 1993, is that the employer must, as far as is reasonably practicable, provide and maintain a working environment that is safe and without risk to the health and safety of employees. Moreover, an employee must also take reasonable care for his or her health and safety, and for the health and safety of others.

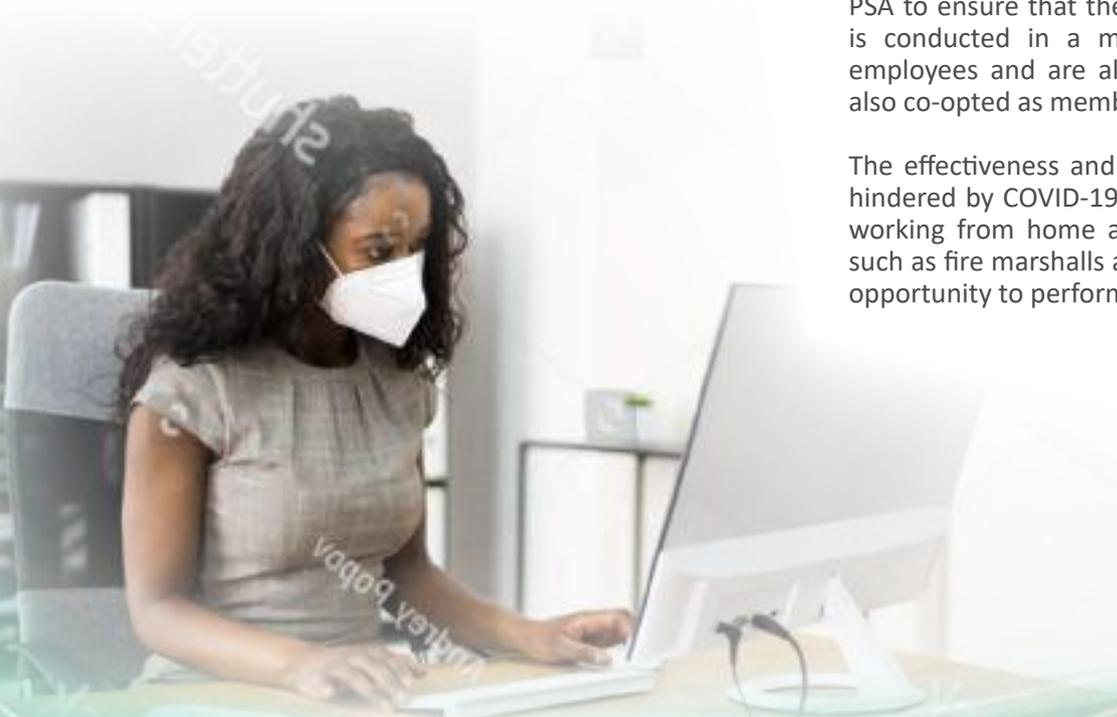
SITA as a responsible employer is committed to compliance with the OHS Act and its regulations. In this regard, SITA must, as far as is reasonably practicable, provide and maintain a working environment that is safe and without risk to the health and safety of employees. Moreover, an employee must also take reasonable care for his or her own health and safety, and for the health and safety of others. SITA as a responsible employer is committed to compliance with the OHS Act and its regulations. In this regard, the status below may be noted.

### 22.1 Health and safety structure

The Health and Safety structure provides a coordinated and systematic approach to managing health and safety. All OHS Act-related appointments, which include section 16.2 duly appointed delegates, health and safety (SHE) representatives, incident investigators, first-aiders, and firefighters and evacuation wardens are valid.

An agreement was drafted between SITA and the PSA to ensure that the appointment of SHE delegates is conducted in a manner free from prejudice to employees and are also legal. Union members were also co-opted as members of the SHE committees.

The effectiveness and efficiency of the structure was hindered by COVID-19, as most employees have been working from home and some of the SHE delegates such as fire marshalls and first-aiders would not get an opportunity to perform their health and safety duties.



## 22.2 Establishment of SHE committees

SHE committees have been established and quarterly meetings are held to comply with the requirements of section 19 of the OHS Act. Each committee includes a SHE representative, OHS consultant, chairpersons of the SHE committee, first-aiders, evacuation officers and facilities management representatives.

The Social and Ethics Subcommittee of the Board monitors compliance and activities of the SHE committees. A continuous awareness campaign was implemented, together with employee engagements, to sensitize employees about risks in the workplace and the importance of observing good OHS practices.

## 22.3 Health and safety legal appointments

All OHS Act-related appointments within SITA, which include section 16.2 duly appointed delegates, SHE representatives, SHE committees, incident investigators and first-aiders, as well as firefighters, are valid. SITA currently has a total of 187 SHE delegates trained during the year under review. The training provided SHE delegates with knowledge, skills and competence to fulfil their responsibilities.

## 22.4 Legal Compliance with health and safety

SITA is committed to complying with the requirements of the OHS Act and thus any non-compliance is dealt with promptly. During the year under view, occupational hygiene surveys were conducted to determine the quality of air and lighting within the building. Certificates of Compliance were issued for buildings to ascertain that electrical installations are safe. Evacuation chairs have been installed across SITA buildings to ensure easy access for persons with disabilities.

Furthermore, occupational hygiene surveys were conducted to evaluate and control environmental factors such as lighting, noise and air quality that may cause illness, discomfort and injury to employees. Remedial action plans were drafted to ensure that the recommendations are implemented.

There were a number of injury-on-duty incidences reported, which resulted in loss of productivity. Another risk was identified related to the fire protection systems. The Facilities department has since secured a service provider to maintain the fire protection systems to ensure that they comply with the OHS Act. An awareness programme was developed and delivered to minimise the risks identified.

Furthermore, legal compliance audits were conducted in the year under review to determine the level of compliance with the OHS Act. The agency established OHS committees to monitor compliance to the OHS Act and progress related to OHS improvements.

## 22.5 Compliance challenges

Although COVID-19 has put occupational health and safety in the spotlight, it also brought a new challenge to OHS. Employers were forced to think of better ways to sustain core business activities while managing the health and safety of employees. SITA was adversely affected, and as a result some internal OHS audits were not conducted due to employees working from home.

Emergency evacuation drills, which are conducted to acquaint appointed SHE delegates on their roles and responsibilities in an emergency situation, and to test employee's response to an emergency, were not conducted due to COVID-19 pandemic and related restrictions.

## 22.6 Compliance improvements

During the year under review, the OHS policy was reviewed and communicated to relevant parties. This showed a commitment to managing and improving OHS within SITA.

First-aid grab bags, first-aid refills and blood pressure testing kits were procured to ensure that appointed first-aiders are prepared to deal with injuries that may require first-aid.

All SHE delegates attended training interventions to ensure readiness to act in an emergency.

Walk-through risk assessments were continuously conducted for all SITA buildings to ensure compliance with COVID-19 OHS directives.



## 23. Company Secretary

All directors have access to the advice and services of the SITA Company Secretary, who is responsible to the Board for ensuring compliance with established procedures, statutes and regulations. The Company Secretary's responsibilities include:



ensuring that directors (individually and collectively) are aware of, and understand the law applicable or relevant to SITA and are kept abreast of changes in the law, the implications of the changes and how to respond to the changes;



ensuring that SITA is compliant with all applicable laws and regulations, and that the Board is conversant and complies with the provisions of the SITA Act, the Companies Act, the Companies Regulations and the PFMA;



inducting and orienting new directors and guiding directors as to their duties, responsibilities and powers, with particular reference to ethics and good governance;



providing legal advice to the Board and Board committees on issues pertaining to SITA;



assisting with the Board Strategic Plan and APP development sessions, as well as monitoring performance against predetermined objectives;



ensuring the Board has relevant, accurate, timely and complete information in order to monitor, review, make decisions and report to the shareholders;



preparing agendas for Board and Board committee meetings in consultation with the chairman of the Board and chairpersons of Board committees, as well as ensuring that adequate notices of meetings are given and all meeting papers and other important information are provided in time;



ensuring that Board meetings are properly constituted and providing support to the Board Chairman and the chairpersons of Board committees during and outside meetings so as to ensure the proper running of Board and Board committee meetings;



developing Board and Board committee terms of reference, policies and procedures for approval by the Board and ensuring that they are regularly reviewed, and that Board policy, resolutions, instructions and wishes are consistently implemented;



arranging indemnification for Directors to the extent allowed by the law, ensuring the protection of the intellectual property of SITA and that the interests of SITA are protected when contracting;



ensuring that the Board has comprehensive communication and stakeholder management frameworks, strategies, policies and programmes; and



acting as chief correspondent of SITA, and ensuring the preservation of institutional memory as prescribed by legislation and policy, or as deemed appropriate by the Board.

## 24. Social Responsibility

South Africa joined the rest of the world in battling the most virulent strain of the Coronavirus, which was first identified in 2019 (COVID-19) and quickly went on to become a global pandemic. World economies were adversely impacted by the prolonged lockdowns that disrupted the entire economy value chains, and the South African society was not spared.

With the President publicly announcing the drastic measures necessary to mitigate the spread of the pandemic, a patriotic appeal was made to all South Africans, both private and public, to assist the government and the country to in combatting the wrath unleashed by the pandemic on society, its institutions, economy and healthcare systems. In came the centrally coordinated Solidarity Fund set up by the President, and internally SITA mobilised and galvanised its employees to heed to the call in the spirit embodied by the SITA value of SITAzens care for citizen convenience.

As part of the cost containment efforts brought by the aftermath of COVID-19, an exit strategy was agreed on to ease the strategic partnership between the Free State Department of Education and SITA on the establishment and operationalisation of the School of Software Engineering (SOSE) in the province. The cooperation that began in May 2017 as a national pilot project to upskill secondary school learners as part of the national skills pipeline and strategy to support a digital society. Future investments in the concept will be guided by the district development model approach to economic growth and revival, bringing heightened impact through more regions participating and benefitting from the concept.



On the strategic stakeholder relationship management front, the agency continued to contribute to a digital society (promoting access, inclusivity and transformation) by collaborating with the shareholder on a number of community outreach programmes intended to bring the different spheres of government together to deliver digital interventions to the socioeconomic challenges facing citizens.

This collaboration culminated in SITA's partnership with the DCDT as well as the departments of Higher Education, Science, Technology and Innovation to work at establishing high-tech classrooms for selected TVET colleges in the country. This was in support of the recommendations contained in the Report on the President's Commission on 4IR, to institutionalise and achieve outcomes on human capacity development, digital infrastructure investment and industrialisation, helping to make South Africa globally competitive through digital interventions in support of the district development model.



## 25. Broad-Based Black Economic Empowerment

SITA supports the government's vision of economic transformation as outlined in the Broad-Based Black Economic Empowerment (BBBEE) Act and codes of good practice. The agency has established practices to drive the six key elements of the BBBEE scorecard, which are aimed at achieving the following objectives:

- a) advance the transformation agenda and bridge the digital divide by actively promoting access to ICT;
- b) implement targeted procurement mechanisms to ensure the growth of SMMEs in the ICT sector;
- c) provide access to market opportunities within SITA and create empowerment procurement instruments to enable preferential procurement;
- d) broaden the development of SMMEs beyond procurement, facilitate access to ICT skills and driving innovation;
- e) contribute towards the reduction of unemployment and poverty by developing the unemployed youth, entrepreneurship and previously disadvantaged communities;
- f) contribute towards the realisation of the digital society and a knowledge economy brought about by the imperatives of 4IR;
- g) promote the use of ICT to influence socioeconomic conditions; and
- h) implement community skilling and development to enable socioeconomic upliftment, including human resources transformation.

SITA currently has a BBBEE recognition of level 5 and has maintained this level for two consecutive financial years. During the year under review, SITA developed implementation plans aimed at addressing transformation of all elements of the BBBEE scorecard. The COVID-19 pandemic created challenges with regard to the planned implementation of the enterprise and supplier development and socioeconomic elements, since most of the initiatives required engagements with external stakeholders, mostly through face-to-face interactions. As a result, the agency's recognition status and transformation objectives were impacted negatively.



## 26. Audit, Risk and Compliance Committee Report

### 26.1 Introduction

The Audit, Risk and Compliance Committee (ARCC) report is prepared in terms of the PFMA, National Treasury Regulation 27 and in line with the recommendations of the King IV Report on Corporate Governance for South Africa.

The Audit, Risk and Compliance Committee was constituted as an independent committee to fulfil its statutory duties in terms of section 51(1)(a)(ii), sections 76 and 77 of the PFMA, and associated National Treasury Regulations, the Companies Act, as well as all other duties assigned to it by the Board.

### 26.2 Terms of reference

The ARCC adopted formal Terms of Reference as approved by the Board. The ARCC confirms that it has complied with its statutory obligations and terms of reference during the financial year under review. The committee's Terms of Reference are reviewed annually and are amended as required to incorporate changes in legislation, business circumstances and corporate governance principles.

A key responsibility of the ARCC is to assist the Board in fulfilling its oversight responsibilities with regard to the evaluation of the adequacy and efficiency of accounting policies, internal controls and financial and corporate reporting processes. In addition, the ARCC reviews and assesses the effectiveness of the Internal Audit function and the independence and effectiveness of the company's external auditors (Auditor-General of South Africa).

### 26.3 Responsibility

The committee has complied with its responsibilities arising from the requirements of the Companies Act of 2008, the PFMA, and National Treasury Regulations of 2005. The committee has adopted appropriate formal Terms of Reference as its charter, has regulated its affairs in compliance with this charter and has discharged its responsibilities as contained therein.

### 26.4 The quality of financial information provided

The committee is of the opinion, based on the information and explanations given by management, the internal auditors and the Auditor-General of South Africa on the results of the audits conducted, that the financial information provided to the users of such information is adequate, reliable and accurate.



## 26.5 The effectiveness of internal control

The committee considered the effectiveness of the entity's internal control system, including information technology security and controls. In relation to the latter, the committee is satisfied that current plans, developed during the reporting period and in the process of implementation, are adequate to ensure business continuity and delivery of business operations.

The committee reviewed Internal Audit and AGSA findings and related remedial action plans regularly, to understand the impact on the financial reporting process, the recommended and planned remedial actions, considered their appropriateness and advised accordingly. The committee is adequately providing the assurances required in line with the statutory requirements.

The committee, with management, internal audit and the AGSA, have discussed the audit opinion on the Financial Statements and accept the audit outcome received. As such, the committee notes the weaknesses in the internal controls as identified by the Auditor-General that has led to the qualification of the audit opinion with regards to property, plant and equipment, intangible assets as well as capital commitments and other items highlighted in the report. Action plans will be developed by management and these will be monitored by the committee in order to address the identified weaknesses.

## 26.6 Internal financial control

During the 2020/21 financial year, the ARCC reviewed the effectiveness of the company's system of internal financial control and, based upon the processes and assurances obtained from management, internal audit and external audit, the committee is satisfied that the significant internal financial controls are effective.

## 26.7 The effectiveness of Internal Audit

The committee received a wide variety of risk-based audit reports from the internal auditors and is of the opinion that Internal Audit is effective in the fulfilment of its mandate. We are satisfied with the activities of the Internal Audit function, including its annual work programme, quality assurance, coordination with the external auditors, the reports of significant investigations and generally, the responses of management to specific recommendations.

## 26.8 Risk management

The Risk Management division assists the ARCC in discharging its responsibilities in relation to the management of risks within the company in line with the committee's oversight responsibilities. The ARCC receives and considers regular reports in relation to risk-management-related activities from the Risk Management division. These reports reflect on strategic, operational and programme-related risks.

## 26.9 Compliance with legal and regulatory provisions

The committee has received regular reports from, among others, the Legal Services and Finance divisions on compliance with the SITA Act, PFMA and all other applicable laws and regulations and is satisfied with the quality thereof.

## 26.10 Evaluation of the Financial Statements

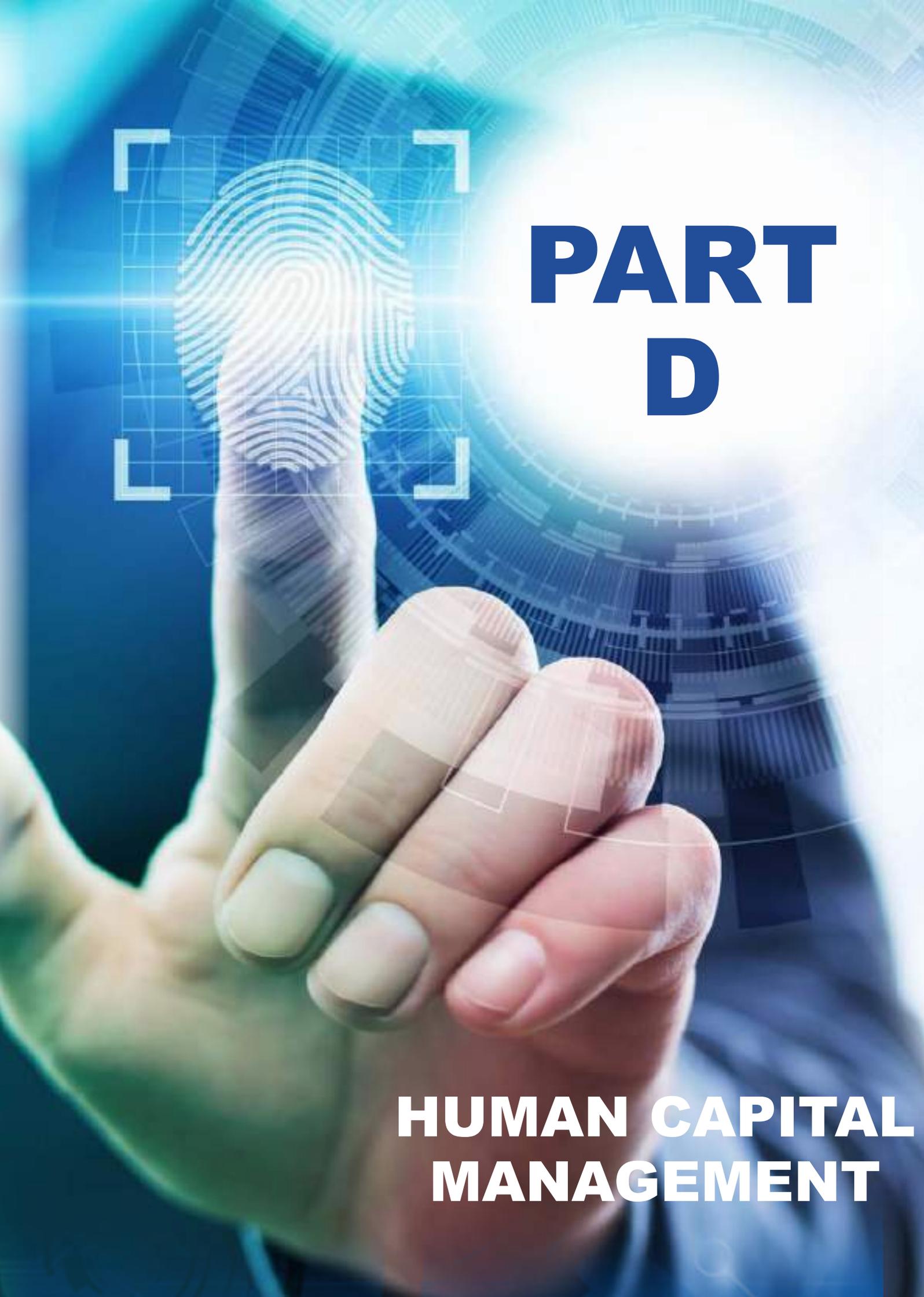
The committee has evaluated the Annual Financial Statements of the agency for the year ended 31 March 2021 and, based on the information provided, concurs and accepts the Auditor-General's conclusions on the Annual Financial Statements, and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor-General.



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### Nolitha Pietersen

Chairperson of the Audit, Risk and Compliance Committee  
State Information Technology Agency SOC Ltd

A close-up photograph of a hand with a fingerprint being scanned by a futuristic, blue, glowing interface. The interface consists of a grid and a circular pattern, suggesting a high-tech or artificial intelligence theme. The background is a bright, glowing blue light.

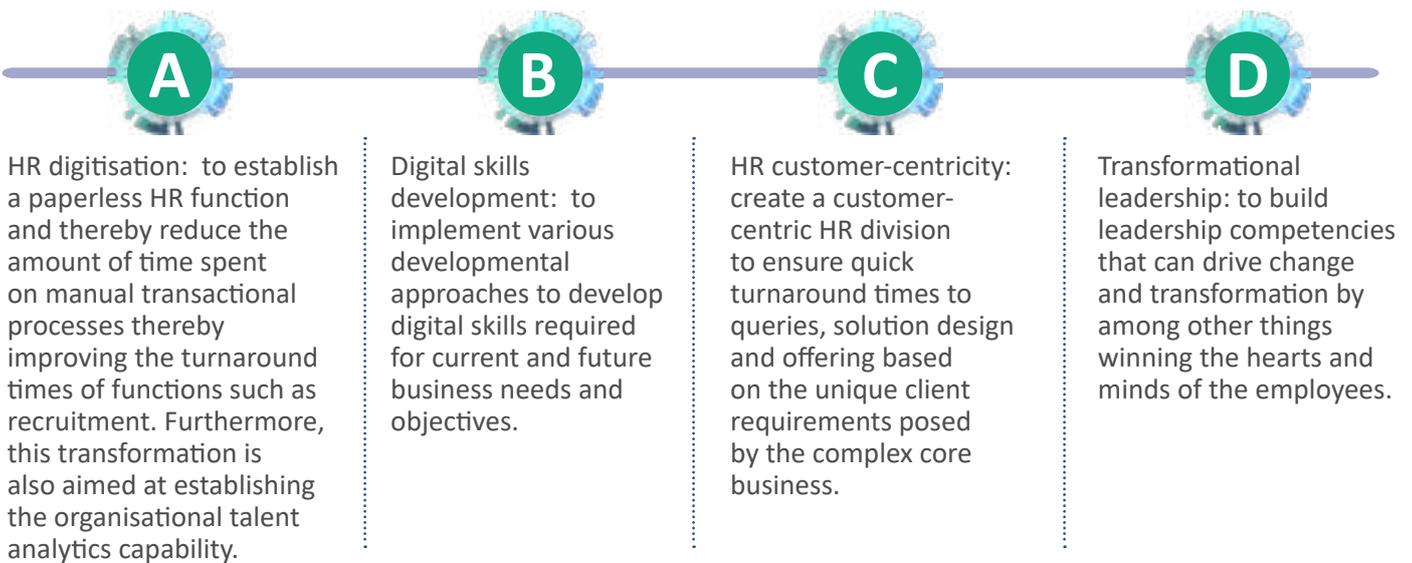
# **PART D**

## **HUMAN CAPITAL MANAGEMENT**

## 27. Introduction

SITA strives to optimally support the government's digital transformation agenda, aimed at addressing SA's developmental challenges through ICT by adopting a focused approach on augmenting digital skills in all areas of its business. In order to attract, create, transform and retain such skills, the Human Capital Management (HCM) function embraces a thorough understanding of a strategic digital transformation journey. This includes efficient management of overall requirements of talent in the digital age and managing processes and systems through digital channels and toolsets such as advanced big data HR analytics and artificial intelligence.

During the year under review, SITA continued to implement its HCM strategy, which focusses on the following four key elements:



**FIGURE 14 – FOUR KEY ELEMENTS OF HCM STRATEGY**

SITA, like all organisations throughout the world, faced quite a number of challenges in adapting to the the global and national response to the COVID-19 pandemic. These challenges compounded some of the existing challenges, such as the lack of brand strength to attract talent, dealing with the overall skills shortage challenges, as well as responding to many other factors in the macro and micro environment. SITA implemented an effective employee wellness strategy, covering all health and safety legislative requirements, to ensure a safe and healthy work environment. Furthermore, SITA implemented various programmes to support and motivate employees to continue to perform regardless of COVID-19 challenges.

Performance management has been a priority during the year under review, with increased need for the organisation to meet its predetermined objectives and client requirements. SITA leadership sponsored the overall corporate and divisional performance activities in a visible and tangible manner with an emphasis on timely performance improvement. The integrated performance management policy was revised to enable agility and a high-performing work environment.

In a quest to position SITA as the driver for the government's digital transformation, the organisational structure has been revised to ensure that it is fit-for-purpose. The structure provides for a split of networks and service management capabilities into separate executive roles Executive: IT Infrastructure Services, which is crucial to SITA's digital transformation agenda and value proposition to government departments, and Executive: Service Management, which is central to appropriate processes, technology and people to ensure SITA can achieve its business goals.

Additionally, the structure caters for an Executive: Corporate and Digital Strategy, which was created through the merging of the Chief Digital Officer and Executive: Strategy Management positions. This allows for integration of all digital transformation initiatives into the strategic planning process, ensuring that digital innovation and transformation is at the heart of the corporate strategy. It also allows for the creation of innovative digital solutions for products, services, processes, customer experiences, marketing channels and business models and enabling central monitoring of the digital innovation project portfolio. The structural realignment further consolidates all provincial and local consulting capabilities under the Executive: National Consulting, thereby reducing the higher-end labour budget without any disruption to customer service delivery.

SITA will in the next financial year accelerate the implementation of the implementation of the HCM strategy, which includes the completion of a revised talent management strategy, developing a SITA skills academy, rollout of the leadership development programme and automation of HCM processes.

## 28. HR Digitisation

SITA is in the process of optimising its HR from being transactional to strategic partnering with organisations to unleash more value. A new operating model has been designed to create a customer-centric HR service management centre, which focusses on providing a delightful customer service and efficient transactional processing. Core to the optimisation process is the digitisation of the employee lifecycle processes depicted in the diagram below.



**FIGURE 15 – EMPLOYEE LIFE CYCLE**

The HCM department had previously conducted a customer satisfaction survey in 2018 to measure satisfaction levels of HCM service delivery and to determine where improvements could be made. The outcome of the survey showed dissatisfaction levels in service delivery, with an overall satisfaction score of 33%. Improvement initiatives were implemented during the year under review. These included the deployment of the HR self-service system, which was piloted in July 2020 in four departments (i.e. HCM, Finance, Internal IT and Government ERP). The system enables HCM to streamline and automate services for quick and efficient case management. Furthermore, a digital training platform, SITAVarsity, was launched, and various trainings were provided through the platform. The HR self-service system will, in future, be rolled out to all business units within the organisation.

## 29. Organisational Culture

The envisaged outcomes for the programme are incorporated into the visual below.



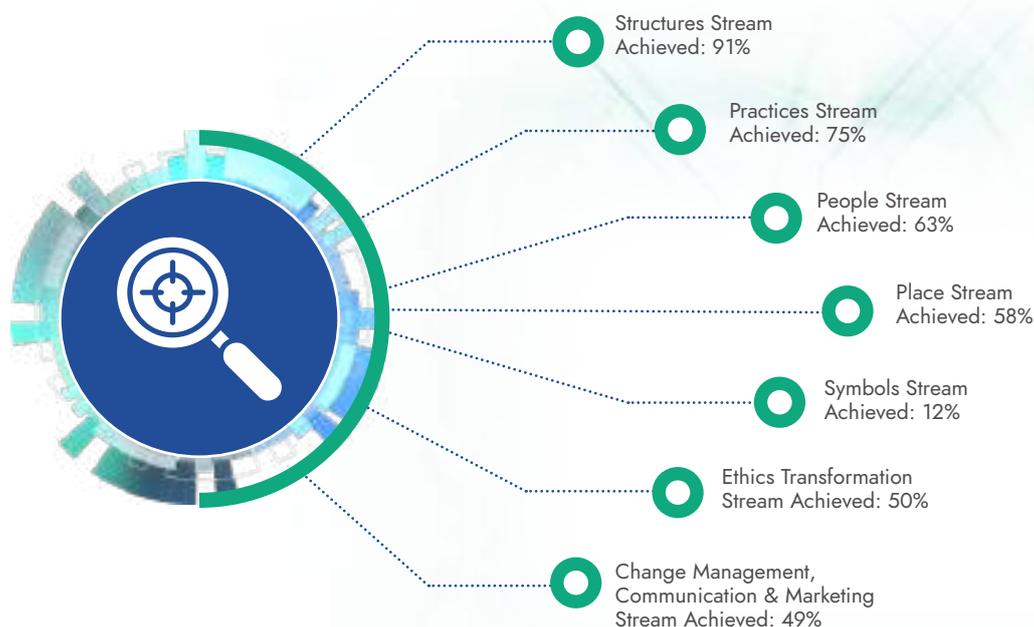
SITA is mandated to drive the creation of a digital government and a knowledge economy – both seen as significant government outcomes that impact positively on the advent of 4IR.

In response to this fast-changing macro environment, SITA needs to undergo an internal culture change while focussing on building core and relevant competencies to drive a state IT agency that is as youthful, energetic and agile as it is innovative.

The defined culture will create an environment in the organisation and influence the nature of the long-term plans that drive the organisation toward its vision. The culture will also dictate the policies and processes that will enable the organisation to live its mission.

The culture transformation strategy and plan is a five-year project. In the year under review and the first year of implementation, only 54.34% of planned activities were achieved out of the 100% planned activities. SITA EXCO members are sponsors for the project, which encompassed a multifunctional approach, that includes marketing and communications, employee training programmes, an ethics component and lastly the core business transformation projects and culture-related technology projects for both internal and external clients.

The key focus areas incorporated into the rollout plan and its detailed achievements, are shown in the figure below.



**FIGURE 16– CULTURE FOCUS AREAS**

*Hello! I'm SAAZI (Your Culture Transformation Mascot). SITA's culture is transforming towards achieving excellence and delivering value to all stakeholders! Let's enjoy the digital transformation journey together!!*



**FIGURE 17 – SAAZI, CULTURE TRANSFORMATION MASCOT**

The focus for the FY2020/21 was to develop and obtain approval of the strategy, roadmap and implementation of year 1 milestones to support SITA's journey to digital transformation. The table below lists the milestones per culture stream for year 1.

**Table 12 – Culture streams**

				
People Stream	Place Stream	Symbols Stream	Structures Stream	Practices Stream
Define work measures for BSC simplification and automation	Upgrade basic infrastructure (toilets, kitchens and replace carpets)	Develop a comprehensive corporate identity	Implement SharePoint (KM practices)	Identify skills required for a future-fit IT agency per division – general and division-specific
Develop a SITA heat map	Review access into the building (Erasmuskloof) in line with NKP Act	Conduct brand audit	Establish enterprise architecture for brand-specific procurement	Launch online training platforms, divisional areas broadcasting online learning
Conduct management training	Ventilation: Conduct an air quality study in all offices with recommendation for improvements	Develop brand guidelines	Revise SCM committees	Buddy initiative system, induction programme – new and old employees
	Bring in new indoor plans and deploy vertical gardens in open plans	Conduct internal brand awareness (educational)	Increase audit frequency	Engagement with academia to offer free seminars and lectures, implement coaching and mentoring programme
	Deploy VoIP phones in line with the adopted UCC strategy for communication	Develop guidelines for localisation	Employ/redeploy strong technical and linguistic skills for bid specifications	Implement non-financial rewards, employee/team of the month, short-term and long-term incentives programmes
	Implement multifunctional devices (OCR, PKI, SharePoint, electronic forms and Equitrac for print management)	Conduct brand localisation awareness	Implement transversal procurement panels for recurring products and services	Implement Individual and collective recognition programmes
			Formulate ecosystem strategy	Implement salary increases linked to performance and BSC cascading
			Build innovation partnerships	Implement policies vs. practices processes and social programmes
			Revive Information Security Steering Committee	Revise DOA
				Enhance fraud and corruption hotline
			Revive SITA ICT Steering Committee	

Below are the key achievements for the year under review.

### 29.1 People stream

In order to assess the outcomes and impact of the culture, matrices were identified as inputs to the heat map. Work measures were defined for executives and head of departments for BSC assessment. These will be followed by measures for the rest of the organisational levels.

### 29.2 Place stream

As part of health and safety, a study (air quality test) was conducted across SITA buildings. The exercise included offices in the provinces. A report was made available to SITA for closing any gaps identified.

In order to ensure SITA digitisation and leveraging the latest technologies, VoIP phones were deployed, with enabled cell-phone pick-up and follow-me numbers. SharePoint was successfully piloted across a number of environments with the organisation-wide roll-out anticipated in the 2021/22 financial year. Electronic forms and surveys were implemented – with the work from home survey being the test survey, which was successfully deployed.

PKI signatures to ensure security on digital signatures was deployed for employees to enrol in the 2021/21 financial year. The optical character recognition (OCR) server was commissioned and deployed, and the current multifunctional devices are already OCR-ready. This technology can already be leveraged.

### 29.3 Structures stream

In order to improve SCM turnaround times, the SCM-related committees (BSC, BEC, BAC) were revised to deal with lower-value transactions speedily, with requisite controls in place. The ad hoc Bid Specification Committee was established to facilitate backlogs. The ownership of bid specifications was devolved to lines of business to reduce the load on the central BSC.

As part of building innovation partnerships beyond service provider scope, OEM framework agreements and MOUs with government entities were successfully reassessed.

The Information Security Steering Committee was revived, TORs approved and the committee attended to related matters successfully for the financial year. The work of the ICT Steering Committee was devolved to various committees across the organisation and AGSA audit findings were prioritised for rectification and closure.

### 29.4 Practices

Part of the focus of digital transformation is to ensure that the organisation has future-fit IT skills. The WSP was designed and approved with both generic and division-specific required data. Online training platforms were launched in collaboration with SITA partners, such as IBM-DNA, and were broadcasted across the organisation.

The delegation of authority (DOA) was revised and approved as part of governance.

The rewards and recognition policy was approved with related guidelines. The policy and guidelines will also cover other programmes, such as rewards for milestone projects, and employees and teams of the month, as defined by lines of business.

### 29.5 Support functions

The ethics and code of conduct policies were approved. As part of enhancing the fraud and corruption hotline and whistle-blowing, a service provider was contracted and awareness training was completed during the international Fraud Awareness Week.

The new SITA values and descriptors were shared via the Intranet and corporate communication to ensure that awareness is created around ethics and values.

The SITA digital transformation campaign was successfully launched online, with subsequent Q&A sessions held with the executive leadership. The culture theme was embedded through various communications mediums such as the Intranet, SITAVarsity and corporate communications. The campaigns continued throughout the year with the introduction of Digital Information-Sharing Fridays as part of knowledge and information-sharing.

### 30. Talent Management

Talent management seeks to aid SITA with capabilities for both leadership and technical skills requirements. These skills are not available in abundance and the need to either develop these skills internally or alternatively customise sourcing strategies to attract capable candidates has been a focus for the year under review.

As part of the strategic talent acquisition process, the recruitment of young talent with the relevant IT qualifications has been a focus area, to create a talent pipeline and to build skills from entry levels while also investing in current employees.

The main focus area of the SITA integrated talent management strategy is to build a talent culture that will ensure that SITA becomes a digitally transformed ICT agency to enable public sector service delivery. The integrated talent management strategy seeks to address the following major challenges:

- a) The scarcity of ICT digital skills through the balancing of creating, buying, transforming, building and retaining talent in order to build organisational capacity (e.g. implementing and developing a SITA value proposition).
- b) Responding to client and stakeholder concerns around organisational performance (e.g. creating a high performance and customer-centric culture enabled by an effective recognition and reward programme).
- c) Ensuring that best people practices are inculcated in a manner that improves best practice bench strength and employee and client perceptions of SITA (e.g. implementing best practices and purposeful employee engagement) to position SITA as a premier employment destination within the ICT industry.

During the year under review, SITA provided training to its employees in line with the approved workplace skills plan (WSP), which is intended to build a framework that develops employees' skills and competencies so that they match SITA's organisational capability requirements. The training of resources is also driven by the dynamic changes in technology and warrants constant attention being given to leadership pipeline development and career development of employees, including succession planning. The training was successfully delivered – with set targets exceeded due to the shift to online and virtual learning, as necessitated by the COVID-19 pandemic restrictions.



SITA also provided 403 bursaries to internal and external youth candidates, including people living with disabilities. Furthermore, a number of interns were appointed through the SITA Internship and Learnership programme in response to the South African Government's priority on job creation.

SITA has reviewed the leadership competency model in order to support the attraction and retention of required skills. Importantly, upskilling its internal workforce at all levels is not only a corporate moral obligation but an absolute imperative that will enable the organisation to remain competitive and thrive both today and into the future.

### 31. Employee Wellness

The Employee Wellness Programme is intended to support and achieve the imperatives and directives of the HCM strategy, with the overall goal of optimising human and social capital. The SITA employee wellness services are designed to fulfil a continual process aimed at entrenching a culture of optimal functioning through a dynamic balance among all aspects of an individual. In its nature as a holistic concept, wellness is comprised of various interrelated components of everyday life that are utilised to predict overall health. In this light, SITA has adopted a holistic approach to wellness, as it is believed that wellness can only be achieved by examining a person as a whole rather than individual parts. SITA has established a dedicated team of trained wellness champions, whose role include improving health and well-being awareness, promoting SITA wellness services and resources among employees, as well as encouraging involvement in wellness activities and programmes.



The following initiatives have been implemented during the year under review:

- a) Incapacity and reduction of absenteeism and sick leave rate: Data analysis was conducted as a basis to develop an action plan for the reduction of absenteeism and sick leave, followed by targeted interventions.
- b) Proactive wellness initiatives (nutrition, exercise and weight loss): Due to COVID-19 limitations, a large number of planned activities could not take place. Resources and efforts were redirected towards mitigating the risk and impact of the pandemic.
- c) COVID-19 case management, training and communication: In order to capacitate employees, COVID-19 training was conducted organisation-wide, focusing on identifying signs, symptoms and risks of COVID-19, appropriate use of PPE, waste management, screening guidelines, as well as general awareness and health-related information. 90% of reported COVID-19 cases were referred/closed and 39% of SITA employees participated in the activities that were implemented under the action plan for reduction of absenteeism and sick leave. For the reported cases, coordination and engagement was conducted to manage those employees under investigation as well as the positive COVID-19 cases, either in hospital or in isolation at home, all the way through to return to work. Contact tracing was conducted, direct contacts were interviewed for all the reported cases, as well as for probable cases. Employees were also provided with PPE (sanitiser, cloth masks, etc.) to ensure optimum safety. In partnership with Careways, a number of virtual sessions were held to support employees on matters such as work-life balance, coping with grief during the pandemic, and the impact of exercise and nutrition on lifestyle diseases. Furthermore, a COVID-19 Implementation Committee was established to give effect to the requirements of the consolidated COVID-19 pandemic direction on health and safety in the workplace, issued by the Minister of Employment and Labour in terms of Regulation 4(10) of the National Disaster Regulations.

- d) Employee retention (increasing employee retention for critical skills): The SITA employee value proposition endeavours to attract and retain an employee that have a passion for changing the service experience of ordinary SA citizens by offering practices that are biased towards individual and team performance. One of the key goals of the HCM digital strategy is to attract, retain, diversify and develop excellent talent, thus enabling SITA to realise its vision and achieve its strategic goals. Stay interviews were conducted as a proactive measure to help give an overview on what SITA can improve to retain employees, as opposed to exit interviews conducted when employee leaves the organisation. Employee Wellness facilitated these stay conversations with individual employees to gather information and gauge how they feel about work, as well as to build trust with employees. Quarterly surveys were conducted, and participants came from a population of 600 employees with 0 to 3 years tenure (experience) within SITA (with a 43% response rate).



## 32. Human Capital Management oversight statistics

### 32.1 Employment equity statistics per occupational level

The workforce population distribution is based on the Quarterly Labour Force Survey (QLFS) published by Statistics South Africa on the economically active population (EAP). The EAP includes people between the ages 15 to 64 years of age who are either employed, unemployed or who are seeking employment. The EAP is used to assist employers in the analysis of their workforce to determine the degree of under-representation of the designated groups. Furthermore, it guides employers in the setting of self-imposed numerical goals and targets towards achieving an equitable and representative workforce.

Section 15 of the Employment Equity Act (EEA) requires designated employers to implement affirmative action measures “designed to ensure that suitably qualified people from designated groups have equal employment opportunities and are equitably represented in all occupational levels in the workforce of a designated employer”. Employers are required to use the EAP as a guide, together with an evaluation of the suitably qualified available labour pool. It is important to note that the analysis of this report focuses on the EAP.

The current EE Plan for SITA has been created for a five-year period from 1 June 2019 to 31 May 2024, with its targets based on the QLFS of the third quarter of 2015:

Population Group	Male	Female	Total
African	42.1%	35.3%	77.4%
Coloured	5.4%	4.6%	10.0%
Indian	1.7%	1.0%	2.7%
White	5.6%	4.6%	9.9%
<b>Total</b>	<b>54.8%</b>	<b>45.2%</b>	<b>100.0%</b>

**FIGURE 18 – NATIONAL EAP BY POPULATION GROUP AND GENDER<sup>1</sup>**

Category	Target %	Actual %
Race	90.1	80.5
Gender	45.2	47.5
Disability	2	1.8

**FIGURE 19– SITA’S TARGETS VS. ACTUALS FY2020/2021**

The tables below reflect employment equity statistics per occupational level.

**Table 13 – Employment equity statistics - Males**

Occupational levels	Male Employees							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	1	0	0	0	0	0	0
Senior Management	16	21	2	3	3	1	5	3
Professional qualified	230	309	23	40	24	12	139	41
Skilled	714	791	63	102	60	32	176	105
Semi-skilled	165	193	9	25	5	8	7	26
Unskilled	31	27	0	3	0	1	0	4
<b>Total</b>	<b>1158</b>	<b>1342</b>	<b>97</b>	<b>173</b>	<b>92</b>	<b>54</b>	<b>327</b>	<b>179</b>

<sup>1</sup>Source : Statistics South Africa, (QLFS 3<sup>rd</sup> Quarter, 2015)

**Table 14 – Employment equity statistics - Females**

Occupational levels	Female Employees							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	1	0	0	0	0	0	0
Senior Management	16	17	0	2	3	0	4	2
Professional qualified	180	259	16	34	12	7	110	32
Skilled	663	664	29	86	10	19	165	81
Semi-skilled	235	162	17	21	7	5	14	20
Unskilled	30	22	1	3	0	1	0	3
<b>Total</b>	<b>1124</b>	<b>1125</b>	<b>63</b>	<b>146</b>	<b>32</b>	<b>32</b>	<b>293</b>	<b>138</b>

**Table 15 – Employment equity statistics – Persons with disabilities**

Occupational levels	Persons with Disabilities							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	0	1	0	0	0	0	0	0
Professional qualified	0	12	0	2	0	0	4	2
Skilled	4	29	0	4	0	2	10	4
Semi-skilled	13	7	0	1	1	0	6	1
Unskilled	20	1	0	0	0	0	0	0
<b>Total</b>	<b>37</b>	<b>50</b>	<b>0</b>	<b>6</b>	<b>1</b>	<b>2</b>	<b>20</b>	<b>7</b>

## 32.2 Employment and vacancies

SITA doesn't receive grants whereby a certain number of vacancies are approved to be filled, therefore SITA opted to fill only business critical and recoverable vacancies in the FY2020/21. Vacancies are reviewed and approved annually based on operational demands for government ICT services contracted with SITA. The main focus on appointments for the year under review was aimed at stabilising the organisation and completing the organisational restructure process through the MOD project.

SITA utilised internal and external recruiting channels to advertise all approved vacancies, and efforts were aimed at ensuring proper capacitation for the organisation, while simultaneously ensuring the placement of employees who have been displaced during the restructuring process. The table below reflects a summary of employment and vacancies for the year under review.

**Table 16 – Employment and vacancies**

Occupational levels	2019/2020 No. of Employees	2020/2021 Approved Posts	2020/2021 No. of Employees	2020/2021 Vacancies	% of Vacancies
Top Management	2	2	2	0	0
Senior Management	36	59	49	10	17.0%
Professional qualified	692	875	734	141	16.1%
Skilled	1 835	2 241	1880	361	16.1%
Semi-skilled	544	547	459	88	16.1%
Unskilled	8	75	62	11	16.0%
<b>Total</b>	<b>3 117</b>	<b>3 799</b>	<b>3 186</b>	<b>611</b>	<b>16.1%</b>

## 32.3 Employment changes

Turnover refers to the percentage of workers who leave an organisation (total number of terminations for a given period divided by the average number of employees for the same period). SITA's monthly turnover remains below 1% but for FY2020/21 the turnover rate was 4.49%. The staff turnover rate for FY2020/21 was mostly positive due to more appointments made than terminations. The table below reflects a summary of employment changes.

**Table 17 – Employment changes**

Occupational levels	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	2	1	0	2
Senior Management	36	13	8	49
Professional qualified	692	52	42	734
Skilled	1 835	73	56	1880
Semi-skilled	544	82	44	459
Unskilled	8	0	1	62
<b>Total</b>	<b>3 117</b>	<b>221</b>	<b>151</b>	<b>3186</b>

### 32.4 Reasons for staff turnover

Generally, the main reasons provided upon termination of employment for FY2020/21 were as follows:

- a) retirement for 25% of the total number of terminations;
- b) end of contract for 24% of the total number of terminations;
- c) deceased for 14% of the total number of terminations;
- d) ill health 2.2%;
- e) resignation 28%;
- f) dismissals 5.1%; and
- g) other 1.4%.

The MOD process has been effective in ensuring replacement of the lost skills as a result of staff leaving the organisation for various reasons. The table to the top right reflects a summary of reasons for staff leaving.

**Table 18 – Reasons for staff leaving SITA**

Reason	Number	% of total no. of staff leaving
Death	19	13,8
Resignation	39	28,3
Dismissal	7	5,1
Retirement	35	25,4
Ill health	3	2,2
Expiry of contract	33	23,9
Other	2	1,4
<b>Total</b>	<b>138</b>	<b>100</b>

### 32.5 Misconduct and disciplinary action

Disciplinary action taken should be seen primarily as a corrective measure, aimed at preventing further misconduct or poor performance. When there is a minor offence of misconduct; in cases where a verbal warning fails to produce the desired result, the organisation resorts to issuing a warning in written form for stricter action, which is valid for three months.

A written warning may be given after a reprimand has not resulted in the desired correction or where the misconduct is so serious that a verbal reprimand would be inadequate. It is valid for six months.

A final written warning can be given after a verbal and/or written warning has failed to achieve the desired correction or if the warning justifies it, irrespective of the absence of previous warnings. It is valid for twelve months. No employee may be dismissed because of misconduct without the benefit of a disciplinary enquiry. The table to the middle right reflects misconduct and disciplinary action.

**Table 19 – Disciplinary action**

Nature of disciplinary Action	Number
<b>Verbal warning</b>	For the period April 2020 to March 2021, in total 3 verbal warnings were issued
<b>Written warning</b>	For the period April 2020 to March 2021, in total 26 written warnings were issued
<b>Final written warning</b>	For the period April 2020 to March 2021, in total 6 final written warnings were issued
<b>Dismissal</b>	For the period April 2020 to March 2021, in total 5 dismissals were issued

### 32.6 Personnel cost per occupational level

The table to the right reflects personnel costs per occupational level on total guaranteed cost, including variable pay for the FY ended 31 March 2021. In the same financial year, SITA also incurred cost on variable pay allowances (acting, mobile, overtime, shift and standby), the amount of **R66 629 270** being the cost to compensate variable pay.

**Table 20 – Personnel costs per occupational level**

Occupational levels	Head Count	Personnel Expenditure	% of performance rewards to total personnel cost
Top Management	2	6 855 214	0.4%
Senior Management	49	95 595 522	5.0%
Professional qualified	735	764 934 909	40.2%
Skilled	1879	924 391 593	48.6%
Semi-skilled	459	103 330 562	5.4%
Unskilled	62	7 149 953	0.4%
<b>Total</b>	<b>3186</b>	<b>1 902 257 753</b>	<b>100.0%</b>

The following employee costs are included in the personnel cost of R1 929 476 155 disclosed in the annual financial statements but are excluded from table 20 above. This is because these costs cannot be allocated to personnel cost per occupational level on a reasonable basis.

Description	Amount
Provision for post-retirement	26 456 800
Provision for long service award	761 602
<b>Total</b>	<b>27 218 402</b>

### 32.7 Performance rewards

The table below reflects performance rewards which were compensated to employees as the once-off performance payment to eligible employees who were appraised for their performance for the FY2019/20.

**Table 21 – Performance rewards per occupational level**

Occupational levels	Performance rewards	Personnel Expenditure	% of performance rewards to total personnel cost
Top Management	0	0	0
Senior Management	30	2 234 198	1.1%
Professional qualified	669	26 597 099	24.0%
Skilled	1781	32 720 307	64.0%
Semi-skilled	295	3 098 514	10.6%
Unskilled	8	65 746	0.3%
<b>Total</b>	<b>2783</b>	<b>64 715 865</b>	<b>100%</b>

The table below summary that highlights the total personnel cost expenditure and includes the personnel cost per occupational level and performance rewards.

**Table 22 – Total personnel cost**

Programme	Total Expenditure for the entity	Personnel Expenditure	Personnel expenditure. as a % of total expenditure	No. of employees	Average personnel cost per employee
SITA employees	5 430 815 690	1 929 476 155	35%	3 187	605 421

### 32.8 Training costs

The table below reflects a summary of training costs for the year under review.

**Table 23 – Training costs**

Occupational levels	Training Expenditure	Training expenditure as a % of total personnel cost	No. of employees	Average training cost per employee
Top management	0	0,000%	2	0
Senior management	163 367	0,009%	14	11669
Professional qualified	3 236 362	0,172%	390	8298
Skilled	8 853 665	0,469%	972	9108
Semi-skilled	6 265 635	0,332%	241	25998
Unskilled	11 071 868	0,587%	280	39542
<b>Total</b>	<b>29 590 897</b>	<b>1,569%</b>	<b>1899</b>	<b>94615</b>



# PART E

**FINANCIAL  
INFORMATION**

## 1. CERTIFICATE BY COMPANY SECRETARY

I, Shirley Kgope, in my capacity as acting Company Secretary for the State Information Technology Agency SOC Ltd, hereby certify that, to the best of knowledge and belief, the company has lodged with the Registrar of Companies, all such returns as required by the Companies Act, 71 of 2008, and all such returns are true, correct and up to date.



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**Shirley Kgope**

Current Acting Company Secretary

## 2. 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 SOC Ltd for the year ended 31 March 2021. This report and the annual financial statements comply with the requirements of the Public Finance Management Act No 1 of 1999 (PFMA), the SITA Act No 88 of 1998 (as amended by Act 38 of 2002) and the Companies Act No 71 of 2008. The Board of Directors is the accounting authority in terms of section 49(2) (a) of the PFMA.

### 2.1. 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.

### 2.2. Registration details

The company's registration number is 1999/001899/30. The registered office is 459 Tsitsa Street, Erasmuskloof, Pretoria, 0001.

### 2.3. Ownership

The company is wholly owned by the Government of the Republic of South Africa as represented by the Minister of Communications, Telecommunications and Postal Services, Ms Stella Ndabeni-Abrahams.

### 2.4. Equity Contributed

There were no changes to either the authorised or issued share capital of the company during the year ended 31 March 2021. Details of the authorised and issued share capital can be found in note 11 to the annual financial statements.

### 2.5. Financial Highlights

The financial performance is set out on pages 86 to 168 of this report.

#### The financial performance is summarised as follows:

	31 March 2021 Rand	31 March 2020 % change
Revenue	5 828 855 546	+11.4%
Net surplus for the year – before tax	398 039 855	+65%
Total asset	5 197 448 842	+10.8%
Net asset	3 490 528 842	+2.8%
Cash generated from operations	656 155 045	+47.8%

From the above it is evident that SITA has improved its performance from the previous year despite some of the challenges it faced during this financial year. The company continues to be sustainable and financially viable.

### 2.6. Dividends

There were no dividends declared for the current financial year ended 31 March 2020.

### 2.7. Public Finance Management Act (PFMA)

#### 2.7.1 PFMA compliance

Various sections of the PFMA 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 EXCO and the Board of Directors.

## 2.7.2 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 Act, that require ministerial approval.

## 2.7.3 Material losses through criminal conduct, irregular, fruitless and wasteful expenditure

Section 55(2)b of the PFMA requires that SITA include 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. Refer to note 27 in the financial statements.

## 2.8. 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 effectively managed by management and monitored by the internal audit department. During the year internal controls operated effectively, except for internal control weaknesses as reflected below.

### 2.8.1 Audit qualification

The entity received a qualification for the second year on Property Plant and Equipment as well as Intangible Assets. Although a lot of work has been done in this area, it felt short of the AG's expectations. However, due to the volume of work involved, management should be able to revise the information and request an independent service provider to audit the work performed and to assist with any further corrections that may be necessary.

The Auditor-General has also included a qualification on the disclosure note on commitments. An action plan to address the associated challenges are in progress.

### 2.8.2 Material Irregularities

The following Material Irregularities are reported on in the report of the Auditor-General and actions that Management committed to will be monitored and reported on. The following two findings reported were identified and investigated by Management:

#### 2.8.2.1 Payment for licenses not utilised

Officials signed off on the certification of invoices in instances where the licenses were not deployed and utilised. Arbitration proceedings have been instituted in order to recover moneys paid in respect of the licenses. Appropriate consequence management will be implemented against officials that did not perform their duties diligently.

#### 2.8.2.2 Payment for services not rendered

Officials committed the entity through a contract for the payment of R1 500 000 to a service provider without having the necessary authority to do so. Legal proceedings have been initiated to recover the money and disciplinary action against responsible staff in the employ of the entity is in progress.

#### 2.8.2.3 Irregular Expenditure

Management has made great progress in putting controls in place to detect irregular expenditure and as a result, many cases have been identified. Management has now changed its focus to the prevention of irregular expenditure. The following measures, amongst others were taken in response to the cases identified:

- Automated Contract Management module has been implemented for notification of contracts that are about to expired and escalation process on those notification.
- Appointment of HoDs and Senior Managers within SCM to provide leadership and management on the SCM operations.
- Implementation of MS Sharepoint for storage of documents.
- Review of the SCM policies and procedures
- Regular training of SCM Staff and all the role players in the SCM value chain.

## 2.9. Public Private Partnerships

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

## 2.10. 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 GRAP that have been issued, but are not yet effective,
- International Public Sector Accounting Standards (IPSAS)
- International Financial Reporting Standards (IFRS)

## 2.11. Events Subsequent to the Date of Financial Position

The then Minister of the Communication and Digital Technologies, The Honourable Ms Stella Tembisa Ndabeni-Abrahams appointed four (4) new non-executive directors effective from 21 April 2021 for a period twelve (12) months. The appointment of the non-executive directors is to assist SITA to strengthen the governance structures within the organisation.

On the fifth (5th) August 2021, The President of the Republic of South Africa announced the appointment of the new Minister of the Communication and Digital Technologies, The Honourable Khumbudzo Ntshavheni.

## 2.12. 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.

## 2.13. Directors

Disclosure of Directors' remuneration is detailed in Annexure of the Annual Financial Statements. The following individuals were Directors during the year under review:

### Non-Executive Directors:

#### Chairperson

Mr O Shelembe

Term ended 18 March 2021

#### Executive Directors:

Luvuyo Keyise (Executive Caretaker)

Appointed 28 January 2020

Mr A Pretorius (Acting Chief Financial Officer)

Appointed 1 October 2018 until 30 November 2020

Mr M Kgauwe (Chief Financial Officer)\*

Appointed 1 December 2020

#### Company Secretary

Ms M Mohlabi

Resigned 30 April 2020

Ms M le Roux (Executive Enterprise Risk Management)#

Appointed 1 May 2020

Ms V Xaxa

Appointed 1 July 2020

\*Seconded to Post Bank until 31 December 2021

#Acted as company secretary for 2 months until 30 June 2020

# Report of the auditor-general to Parliament on the State Information Technology Agency SOC Limited

## Report on the audit of the financial statements

### Qualified opinion

1. I have audited the financial statements of the State Information Technology Agency SOC Limited, set out on pages 86 to 168, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net asset, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matter described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the State Information Technology Agency SOC Limited, as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP), and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act).

### Basis for qualified opinion

#### Property, plant and equipment

3. The public entity did not review the useful lives of the property plant and equipment in accordance with GRAP 17, Property, plant and equipment. In addition, the public entity did not perform an impairment assessment at the reporting date for property, plant and equipment in accordance with GRAP 26, Impairment of asset. As a result, I was unable to determine the correct carrying amount of property plant and equipment, stated at R1 239 million (2019-20: R1 309 million) in note 4 to the financial statements as well as operating expenses, cost of sales, deferred tax liability and correction of prior period error note as it was impracticable to do so. This also has an impact on the surplus for the period and on the accumulated surplus.

#### Intangible assets

4. The public entity did not review the useful lives of intangible assets in accordance with GRAP 31, Intangible assets. In addition, intangible assets were not adequately assessed for impairment at the reporting date as required by GRAP 26, Impairment of assets. As a result, I was unable to determine the carrying value of the intangible assets, stated at R394 million (2019-20: R367 million) in note 5 to the financial statements as well as operating expenses, cost of sales, deferred tax liability and correction of prior period error note as it was impracticable to do so. This also has an impact on the surplus for the period and on the accumulated surplus.

#### Capital and operational commitments

5. The public entity did not correctly recognise the commitment in accordance with GRAP 1, Presentation of financial statements. Included in the commitment balance disclosed in note 6 were accruals raised and recognised in the current financial year and prior financial year, but not excluded from the commitment balance due to inadequate systems of internal controls. Consequently, the commitments balance is overstated by R313,1 million (2019-20: R125 million).

### Context for the opinion

6. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

7. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

#### **Emphasis of matter**

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

#### **Restatement of corresponding figures**

10. As disclosed in note 30 to the financial statements, the corresponding figures for 31 March 2020 were restated as a result of errors in the financial statements of the public entity at, and for the year ended, 31 March 2021.

#### **Responsibilities of the accounting authority for the financial statements**

11. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the PFMA and the Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
12. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

#### **Auditor-general's responsibilities for the audit of the financial statements**

13. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
14. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## **Report on the audit of the annual performance report**

#### **Introduction and scope**

15. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
16. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the public entity's annual performance report for the year ended 31 March 2021:

Programme	Pages in the annual performance report
Programme 2 – digital infrastructure	37 – 38

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

19. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:

- Programme 2 – digital infrastructure

#### Other matters

20. I draw attention to the matters below.

#### Achievement of planned targets

21. Refer to the annual performance report on pages 35 to 41 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets.

#### Adjustment of material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of programme 2: digital infrastructure. As management subsequently corrected the misstatements, I did not report any material findings on the usefulness of the reported performance information.

## Report on the audit of compliance with legislation

#### Introduction and scope

23. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

24. The material findings on compliance with specific matters in key legislation are as follows:

#### Annual financial statements

25. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA. Material misstatements on non-current liabilities, current liabilities, cost of sales, revenue, operating expenses and disclosure items identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements on property, plant and equipment; intangible assets; and commitments resulted in the financial statements receiving a qualified opinion.

## Expenditure management

26. Effective and appropriate steps were not taken to prevent irregular expenditure of R819,7 million disclosed in note 27 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.
27. Resources of the State Information Technology Agency SOC Limited were not utilised economically, as required by section 57(b) of the PFMA. Payments were made for excess licences that were not utilised/deployed as internal controls were not implemented by officials to ensure effective, efficient, economical and transparent use of financial resources as required by section 57(b) of the PFMA. The non-compliance resulted in a material irregularity as reported in the section on material irregularities.

## Procurement and contract management

28. Some goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations, as required by treasury regulation 16A6.1 and paragraph 3.3.1 of Practice Note 8 of 2007/08.

## Other information

29. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
30. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
31. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
32. If, based on the work I have performed, I conclude that there is a material misstatement in this other information; I am required to report that fact. I have nothing to report in this regard.

## Internal control deficiencies

33. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and the findings on compliance with legislation included in this report.
34. Management developed a plan to address prior years' external audit findings; specifically those that resulted in the modification of the audit report. However, adherence to the plan was not implemented effectively, resulting in material findings identified during the audit process and, ultimately, a modification of the audit opinion.
35. The accounting authority and management did not exercise adequate oversight regarding compliance and related internal controls to ensure that compliance requirements were met in order to prevent irregular expenditure.
36. Effective systems of internal control were not implemented to ensure accurate financial statements. The preparation of financial statements was not adequately executed to ensure a comprehensive review of year-end adjustments and reconciliations, resulting in material adjustments identified through the audit process, some of which were subsequently corrected.

## Material irregularities

37. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of the material irregularities reported in the previous year's auditor's report.

### Material irregularities identified during the audit

38. The material irregularities identified are as follows:

#### Payment made for licences that were not used

39. Payments were made for excess licences that were not utilised/deployed as internal controls were not implemented by officials to ensure effective, efficient, economical and transparent use of financial resources as required by section 57(b) of the PFMA.

40. The payment for the excess licences resulted from an official of the unit certifying that the services were received and the official's supervisor certifying that the invoices could be processed for payment despite there being no use/deployment for the 31 898 licences. Thus, both officials that were responsible for ensuring that only licences in use were being paid did not fulfil their responsibilities.

41. The non-compliance is likely to result in a material financial loss for the public entity of R12 162 169,52 as a result of the payment for licences not in use. Reference is made to note 27b, where the amount has been included as part of the fruitless and wasteful expenditure balance.

42. The accounting authority was notified of the material irregularity on 16 September 2021 and invited to make a written submission on the actions taken, and that will be taken, to address the matter.

The following actions have been taken to address the material irregularity :

- The accounting authority has already instituted an arbitration proceeding against the supplier to recover the likely financial loss. The accounting authority anticipates to finalise the arbitration proceeding by 15 April 2022.
- Attorneys have been briefed and will identify all employees that are responsible for the material irregularity. The consequence management against employees that were involved (after identification) will also be implemented. The accounting authority anticipates to finalise the consequence management against involved employees by 15 April 2022.

43. I will follow-up on the investigation and the implementation of the planned actions during my next audit.

#### Payment for services not delivered

44. A payment was made for an event that did not take place as internal controls established for the public entity were not carried out within the area of responsibility of the respective official as required by section 57(a) of the PFMA.

45. An official approved a business case for an event without the necessary authority. The entity entered into a contract with the supplier on 31 March 2019. Payment was made to the supplier on 11 April 2019, however the services were not received. As a result of the official committing the public entity to a payment of R1 500 000 without the authority to do so, the system of financial management and internal control established for the public entity was not carried out within the area of responsibility. This resulted in non-compliance with section 57(a) of the PFMA

46. The non-compliance is likely to result in a material financial loss for the public entity as the payment of R1 500 000 was made to the service provider for the Sita stakeholder engagement: broadband rollout event that did not take place. Reference is made to note 27b where the amount has been included as part of the fruitless and wasteful expenditure balance.

47. The accounting authority was notified of the material irregularity on 16 September 2021 and invited to make a written submission on the actions taken, and that will be taken, to address the matter.

The following actions have been taken to address the material irregularity :

- The accounting authority has instituted legal action to recover the amount from the supplier. The court action is based on undue enrichment.
- The accounting authority is holding a disciplinary hearing against one of the employees involved in authorising the payment to the supplier. Sita is likely to know of the outcome before the end of November 2021.

48. I will follow up on the investigation and the implementation of the planned actions during my next audit.

*Auditor - General*

**Pretoria**

**17 November 2021**



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence.*

## Annexure – Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the public entity’s compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor’s report, I also:
  - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
  - obtain an understanding of internal control relevant to the audit 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 public entity’s internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
  - conclude on the appropriateness of the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the State Information Technology Agency SOC Limited to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a public entity to cease operating as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.



# ANNUAL FINANCIAL STATEMENTS

For the year ended 31 MARCH 2021

## STATE INFORMATION TECHNOLOGY AGENCY SOC LTD INDEX

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## STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

### GENERAL INFORMATION

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<b>Legal form</b>	State Information Technology Agency (SITA) SOC Ltd
<b>Nature of operations</b>	Information Communication Technology (ICT)
<b>Physical address</b>	459 Tsitsa Street Erasmuskloof Pretoria 0048 South Africa
<b>Postal address</b>	PO Box 26100 Monument Park 0105 South Africa
<b>Auditor</b>	Auditor General - South Africa
<b>Executive Caretaker</b>	L Keyise
<b>Chief Financial Officer</b>	M Kgauwe

#### ABBREVIATIONS

GRAP	Generally Recognised Accounting Practice
PFMA	Public Finance Management Act
SITA	State Information Technology Agency

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021**

Figures in Rand Thousand

	Note	2021	Restated 2020
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>1 634 011</b>	<b>1 675 761</b>
Property, plant and equipment	4	1 239 825	1 309 230
Intangible assets	5	394 186	366 531
<b>Current assets</b>		<b>3 563 438</b>	<b>3 013 353</b>
Cash and cash equivalents	8	1 853 992	1 350 978
Trade and other receivables	9	1 368 504	1 171 705
Income tax receivable		127 590	166 170
Current portion of Prepayments	10	62 847	30 770
Inventory	26	150 505	293 730
<b>Total Assets</b>		<b>5 197 449</b>	<b>4 689 114</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Net assets</b>		<b>3 490 530</b>	<b>3 395 634</b>
Share capital	11	-	-
Reserves	12	627 335	627 335
Accumulated surpluses		2 863 195	2 768 299
<b>Total net assets</b>		<b>3 490 530</b>	<b>3 395 634</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>		<b>348 702</b>	<b>168 632</b>
Post-retirement employee benefits	13.1	113 197	83 145
Long service award benefit	13.2	10 393	10 358
Finance lease liability	29	41 581	66 988
Deferred tax liability	7	183 531	8 141
<b>Current liabilities</b>		<b>1 358 217</b>	<b>1 124 848</b>
Trade and other payables	14	1 049 442	848 384
Income received in advance	15	280 213	251 595
Finance lease liability	29	25 740	23 700
Post-retirement employee benefits	13.1	1 763	1 169
Long service award benefit	13.2	1 059	-
<b>Total Liabilities</b>		<b>1 706 919</b>	<b>1 293 480</b>
<b>Total Equity and Liabilities</b>		<b>5 197 449</b>	<b>4 689 114</b>

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2021**

Figures in Rand Thousand

	Note	2021	Restated 2020
Revenue from Exchange Transactions	16	5 828 857	5 230 890
Revenue from Non-Exchange Transactions	34	-	6 869
Total Revenue		5 828 857	5 237 759
Cost of sales	17	(3 924 979)	(3 658 068)
Gross surplus		1 903 877	1 579 691
Operating expenses	18	(1 496 659)	(1 336 270)
(Deficit)/Surplus from operating activities		407 218	243 421
Finance expense	19	(9 176)	(2 221)
(Deficit)/Surplus before income tax		398 042	241 200
Income tax	20	(303 145)	(117 635)
(Deficit)/Surplus for the year attributable to shareholders		94 897	123 565

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2021**

Figures in Rand Thousand

	Note	2021	2020
<b>Cash flows from operating activities</b>			
<b>Receipts</b>		6,488,286	6,764,947
- Sale of goods and services		6 444 375	6 710 908
- Finance income received		43 911	54 039
<b>Payments</b>		(5,832,131)	(6,321,087)
- Payment to suppliers and employees		(5 740 457)	(6 257 031)
- Income tax paid	28,1	(91 674)	(64 056)
<b>Net Cash flows from operating activities</b>	28,2	656 155	443 861
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(42 335)	(180 128)
Purchase of intangible assets		(109 495)	(85 743)
<b>Net Cash flows from investing activities</b>		(151 830)	(265 871)
<b>Cash flows from financing activities</b>			
Repayment on finance lease		(1 312)	(168)
<b>Net Cash flows from financing activities</b>		(1 312)	(168)
(Decrease)/Increase in cash and cash equivalents		503 014	177 822
Cash and cash equivalents at beginning of year		1 350 978	1 173 156
Cash and cash equivalents at end of year	8	1 853 992	1 350 978

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2021**

Figures in Rand Thousand

	Share capital	Reserve	Accumulated surpluses	Total
Restated adjusted balance as at 31 March 2019	-	627 335	2 208 759	2 836 093
Prior year error	-	-	488 915	488 915
Restate opening balance as at 1 April 2019	-	627 335	2 697 674	3 325 008
Restated surplus for the year	-	-	123 565	123 565
Restated balance as at 31 March 2020	-	627 335	2 821 239	3 448 573
Prior year error	-	-	(52 940)	(52 940)
Restated balance as at 31 March 2020	-	627 335	2 768 299	3 395 633
Surplus for the year	-	-	94 897	94 897
Balance as at 31 March 2021	-	<b>627 335</b>	<b>2 863 195</b>	<b>3 490 530</b>
<b>Note</b>	<b>11</b>	<b>12</b>		

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2021**

Figures in Rand Thousand

	<b>STATEMENT OF FINANCIAL PERFORMANCE (A)</b>	<b>BUDGET (B)</b>	<b>VARIANCE % (A-B)/B</b>	
Revenue from Exchange Transactions	a	5 828 857	6 183 167	-5,73%
Cost of sales	b	(3 924 979)	(4 822 846)	18,62%
Gross surplus		1 903 877	1 360 321	
Operating expenses	c	(1 496 659)	(1 349 778)	-10,88%
(Deficit)/Surplus from operating activities		407 218	10 543	
Finance expense		(9 176)	-	0,00%
(Deficit)/Surplus before income tax		398 042	10 543	3675,40%
Income tax		(303 145)	-	
<b>Surplus for the year attributable to shareholder</b>		<b>94 897</b>	<b>10 543</b>	<b>800,09%</b>

- The budget represented above is the approved final budget that has been prepared on the accrual basis

**Notes:**

- The variance is mainly due to services revenue that was not realised as originally planned. This was as a result of planned growth and new business opportunities which were not be executed on due to customers' financial constraints and impacts from the pandemic.
- The variance is mainly due to revenue targets that were not met resulting in a lower cost of sales as explained in (a) above as well as lower cost of sales as a result on non-spending. This is also due to cost containment measures that have been implemented to manage costs and allow only the necessary expenses to flow. There is also an impact with regard to the reallocation of labour from direct to indirect.
- The variance is mainly due to higher operating cost as a result of the reallocation of labour from Direct to Indirect. If this reallocation journal did not materialise there is actually a savings that will be seen on Opex.

# STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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### 1 Reporting Entity

The State Information Technology Agency SOC Ltd (SITA) is a state owned 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 departments and local government. The financial statements for the year ended 31 March 2021 were authorised and approved in accordance with a resolution of the Board of Directors on 17 November 2021.

### 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. The financial statements are prepared on accrual basis of accounting.

#### Going Concern

After careful consideration of the companies current financial performance, review of the current operating environment, budget and going concern assessment performed by management, the directors have reasonable expectations that the company has and anticipate to have adequate financial resources to continue in operational existence for the foreseeable future. The financial statements are therefore prepared on a going concern basis.

#### 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 Accounting Standards Board (ASB). 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 of the hierarchy listed below, 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); and
- IFRS (International Financial Reporting Standards).
- PFMA (Public Finance Management Act)
- Companies Act, no 71 of 2008

#### 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 thereof 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 on-going 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.

#### Estimates of useful lives of property, plant and equipment

Property, plant and equipment are depreciated over their useful lives. Useful lives are reviewed at each reporting date, taking into account the condition and the manner of recovery.

#### Estimates of useful lives of intangible assets

Intangible assets are amortised over their useful lives. Useful lives are reviewed at each reporting date, taking into account the manner of recovery and innovation in technology.

#### Estimates of useful lives of finance lease assets

Finance lease assets are depreciated over their useful lives, which is directly linked to the lease term of the underlying lease term or period in which the asset is expected to be available for use. Useful lives are reviewed at each reporting date, taking into account the lease term extension and termination option.

### **Asset designation**

Assets are classified as either cash generating or non-cash generating upon acquisition based on their intended use by management. Where the asset's intended use is to generate commercial return in the form of revenue, the asset is designated as a cash generating asset. Assets acquired for use other than the generation of revenue are classified as non-cash generating assets.

### **Allocation of costs**

Management allocates amortisation and depreciation based on the employee type indicator linked to an employee which is accepted to represent the use of the assets. Labour costs are allocated based on an employee's costing type on the General Ledger and then transferred as borrowed and lent labour costs (between Cost of Sales and Operating Expenses) if the employee participates in projects outside of their cost centres. In addition, the hours recorded on an employees' timesheets (which is deemed to be indicative of the actual tasks performed) are utilised to further allocate the labour costs between Cost of Sales Operating Expenses

## **3 Significant accounting policies**

The principle accounting policies adopted in the preparation of these financial statements are set out below. The accounting policies are consistent with those used to present previous years financial statements, unless specifically stated otherwise.

### **3.1 Foreign currency transactions**

Transactions in currencies other than in Rand 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 Rand 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 financial liabilities are recognised in the statement of financial position when the company has become party to the 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 the 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 at amortised cost are assessed of whether there is an 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.

#### **Cash and cash equivalent**

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. Cash and cash equivalent is accounted for at amortised cost and measured at an effective interest due to interest earned from the banking institutions.

#### **Derecognition**

SITA derecognises a financial asset when:- contractual rights to the cash flow from the financial asset expire, are settled or waived; - financial asset risk and reward have been substantially transferred to another entity; or - financial asset control has been transferred to another party and the other party has a practical ability to sell the financial asset. SITA derecognise a financial liability when:- when obligation specified in the contract is discharged, cancelled, expires or waived

### **3.3 Property, plant and equipment**

#### **a) Recognition and measurement**

An item of property, plant and equipment is recognised at cost when:

- it is probable that future economic benefits or service potential will flow to SITA;
- the cost or fair value of the asset can be measured reliably.

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.

Management expects to use items of property, plant and equipment for their economic life and therefore the residual values are estimated to be negligible.

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.

**Repairs and maintenance costs** incurred in relation to the maintaining items of property, plant and equipment are included in surplus or deficit during the financial period in which they are incurred. The specific amounts incurred for repairs and maintenance relate to costs incurred on repairs and maintenance done by service providers. Labour costs are not included because these services are outsourced and SITA employees do not provide the repair or maintenance services but just monitor the maintenance and the cost of monitoring is insignificant.

#### **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 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.

Classification of all costs, including depreciation, in the statement of financial performance as either cost of sales or operating expenses is based on the association of the expenditure with either revenue generating activities or non- revenue generating activities. All costs associated with revenue generating activities are classified as cost of sales whilst other costs are operating expenses.

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

	<b>Useful lives</b>
-Land	Indefinite
- Buildings	64 years
-?Infrastructure Equipment	10 -40 years
- *Computer equipment	10 - 30 years
- #Office furniture and fittings	10 - 40 years
- ^Vehicles	10 - 25 years

? Included in this asset categories are various assets with varying useful lives

\* Included under computer equipment category are the following: Computer Equipment, Network Equipment and Mainframe Equipment which have their own useful lives. The reason for this bigger range is due to this assets categories having their own useful lives but are disclosed combine in the disclosure under one class Computer Equipment.

# Included under this category is Office Equipment and Fittings which have different subcategories resulting in this wide category within this one class and assets within this class are assessed separately for useful lives but are disclosed under one category.

^ Included in this category is not just normal vehicle but other assets within the vehicle class that have varying useful lives.

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 GRAP 3 (Standard on Accounting Policies, Changes in Accounting Estimates and Errors), as a change in estimate.

**d) Impairment**

Assets are assessed for impairment when there are indicators for impairment. Where there are indicators, SITA compares the carrying amounts and the recoverable amount, and where carrying amount exceed the recoverable amount, impairment loss is recognised in surplus or deficit.

**e) 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

An item of intangible asset is recognised when:

- a) the definition of an intangible asset is met;
- b) (i) it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to SITA; and  
(ii) the cost or fair value of the asset can be measured reliably.

Intangible assets that are acquired by the SITA 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. 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 GRAP 3 (Standard on Accounting Policies, Changes in Accounting Estimates and Errors), as a change in accounting estimate.

#### Impairment assessment

Intangible assets with finite useful lives:

- a) are assessed at each reporting date for indicators of impairment;
- b) where the indicators exist, the assets are tested for impairment through comparing the carrying amounts to recoverable amounts; and
- c) where carrying amounts exceeds recoverable amounts impairment loss is recognised in surplus or deficit.

Intangible assets with indefinite useful life or an intangible assets not yet available for use shall be assessed for impairment annually irrespective of whether there is any indication of impairment, this is done by comparing its carrying amounts with its recoverable amount.

#### Subsequent costs

Subsequent 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. Annual license fees on software are expensed in the year of accrual.

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

	<b>Useful lives</b>
- %Computer Software	3 - 34 years

%Included in this asset category are the following: Mainframe Software, Network Software and Computer Software which have varying useful lives.

**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.

Development costs that have been incurred on internally generated intangible assets are capitalised and recognised as an intangible asset when management can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits or service potential.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

**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.

**3.5 Leases**

**Lessee**

**Operating lease**

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.

**Finance lease**

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an assets. Title may or may not eventually be transferred. The assets and liability associated with the finance lease have been recognised at amounts equal to the present value of the minimum lease payments as this is lower than the fair value of the leased property.

Initial direct costs incurred in negotiating and arranging a finance lease are added to the carrying amount of the leased asset.

Depreciation on the finance lease asset is recognised in the surplus or deficit on a straight-line basis over the lease term and useful life for different components. Depreciation begins when the leased asset(s) is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases when the leased asset(s) is derecognised.

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

	<b>Original useful lives</b>
Nodes	4 - 5 years
Capitalised directly attributable costs	9 - 10 years

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.

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

#### **a) 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 (Leases):

- 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 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 (Leases).

### **3.6 Impairment**

The carrying amount of the company's tangible and intangible assets with a finite useful life, other than financial assets 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, SITA estimates the recoverable amount of the cash generating unit to which the asset belongs.

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.

Assumptions used to determine value in use, but not limited:

1. Discount rate is equal to the Reserve Bank CPD rate.
2. Cash flows increase by the applicable CPI rate.
3. Amounts committed by clients i.e. signed SLA or negotiations at an advance stage, are taken into account when assessing expected cash flows.
4. Pricing models; the commercial viability included in the business cases for execution.
5. Assessment supported by discussion with the implementation lines of business and related project plans.

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.

### **3.7 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**

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The post-retirement benefit plan is a defined benefit plan and 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. SITA 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 are 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 recognised as an expense in the period in which the plan is amended.

#### **c) Short-term benefits**

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

##### **Bonus**

A provision 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.

##### **Leave pay**

Provision for employee entitlement to annual leave represents the present obligation that SITA has as a result of employees' services provided up to the reporting date. The provision is calculated using the number of days that accrue to employee on a monthly basis.

### **3.8 Provisions**

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

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

### 3.9 Revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Revenue can arise from exchange and non-exchange transactions

#### **Revenue from Exchange transactions:**

Revenue comprises amounts due by customers for goods and services and is recognised at the fair value of the consideration received or receivable, and excludes value added tax.

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- (a) the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 stage of completion is performance based and dependant on the terms of the contract. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recoverable recognised.

#### **Revenue from non-exchange transaction**

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor

Control of an asset arise when SITA can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting SITA.

Transfers are inflows of future economic benefits or service potential from nonexchange transactions, other than taxes.

**Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

**Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by SITA.

The following are the major classes of revenue from non-exchange transactions, the basis on which the fair value of inflowing resources has been measured:

Replacement of inventory lost: The inflow of economic benefits from the replacement of inventory shall be measured at fair value of the inventory lost, which is the value of inventory actually received as replacement

Assets arising from non-exchange transactions

**Recognition**

An inflow of resources arising from non-exchange transactions, other than services in kind, that meet the definition of an asset shall be recognised as an asset when and only when:

- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- (b) The fair value of the asset can be reliably measured

**Measurement**

An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

**Subsequent measurement**

An asset acquired through a non-exchange transactions shall subsequently be measured in terms of the respective standard that the asset relates to.

**Liabilities arising from non-exchange transactions**

**Recognition**

A present obligation arising from a non-exchange transaction that meets the definition of a liability shall be recognised as a liability when, and only when:

- (a) It is probable that an outflow of resources embodying future economic benefits or service potential will be required to settle the obligation; and
- (b) A reliable estimate can be made of the amount of the obligation. Apart from Services in kind, which are not recognised, SITA recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

**Measurement**

The amount recognised as a liability shall be the best estimate of the amount required to settle the present obligation at the reporting date.

**Subsequent measurement**

The liabilities arising from a non-exchange transaction are subsequently measured in terms of the respective standard that the liability relates to

### **3.10 Finance income**

Finance income comprises interest income earned on funds invested, interest accrued on overdue customer accounts and adjustments required in terms of GRAP 104 (Financial Instruments).

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.

### **3.11 Finance expenses**

Finance expenses comprise interest and penalties payable on overdue accounts and adjustments required in terms of GRAP 104 (Financial Instruments). Interest is calculated and recognised in surplus or deficit using the effective interest method.

### **3.12 Taxation**

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

Current tax comprises tax payable or refundable calculated on the basis of the expected taxable income or taxable loss 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 tax purposes. The amount of deferred tax provided for is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The effects of deferred taxation of any changes in tax rates is recognised in the 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their assets and liabilities will be realised simultaneously.

### **3.13 Contingencies**

#### **Contingent Liabilities**

Contingent liabilities are possible obligations that arose from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the entity; or a present obligation that arises from past events but is not recognised because:

- a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities existing at reporting date are not recognised.

**Contingent Asset**

Contingent Asset are :

(b) possible assets that arise from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of SITA ; or

(a) a present obligation that arise from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

SITA does not recognise contingent asset, but disclose contingent asset where there is a possibility of an unflow.

**3.14 Capital Commitments**

Capital commitments are disclosed in respect of contracted amounts for which delivery by the contractor is outstanding at the accounting date.

**3.15 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. The company, however, uses paragraph 34 of GRAP 20 to disclose related party

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 that are less favourable are disclosed separately in the financial statements. The objective of the financial statements is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

**3.16 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 are charged to surplus or deficit in the period in which they are incurred.

**3.17 Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost includes materials, labour and all directly attributable costs to bring inventory to the intended use by management. Net realizable value is either the estimated selling price less estimated costs of completion, disposal, and transportation or the estimated replacement cost. The entity uses the Weighted Average Method to measure the Inventories it currently holds. The entity regularly review inventory quantities on hand against government purchase orders. If our review indicates a reduction in utility below carrying value, we reduce our inventory to a new cost basis and any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

### **3.18 Prepayment**

Prepayment relate to amounts paid in line with contracts for which the benefit will be received in the future periods. SITA recognises an expense after the benefit has been received against the prepaid amount. Prepayment made for goods or services in the current financial year relating to future benefits to be reliaised in the next financial period are recorded as prepayment.

### **3.19 Events after reporting date**

Events after the reporting date are those events, both favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue.

Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- (b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

4 Property, plant and equipment

Figures in Rand Thousand

	Land	Buildings	Infrastructure Equipment	Computer Equipment	Office furniture and fittings	Vehicles	Finance lease - Cloud infrastructure	Construction in progress - PPE	Total
<b>Carrying amount 31 March 2021</b>	<b>24,744</b>	<b>103,278</b>	<b>109,549</b>	<b>800,502</b>	<b>67,908</b>	<b>803</b>	<b>123,579</b>	<b>9,464</b>	<b>1,239,825</b>
Cost	24,744	170,613	173,017	1,405,284	149,531	1,448	166,889	9,464	2,100,990
Accumulated depreciation and impairment losses	-	(67,335)	(63,468)	(604,783)	(81,624)	(645)	(43,311)	-	(861,165)
<b>Carrying amount 1 April 2020</b>	<b>24 744</b>	<b>105 737</b>	<b>119 825</b>	<b>824 612</b>	<b>72 000</b>	<b>288</b>	<b>157 309</b>	<b>4 716</b>	<b>1 309 229</b>
Reconciliation of carrying amount:									
Cost: Additions and improvements	-	-	1 958	46 293	156	588	-	7 882	56 877
*Cost Adjustment	-	-	908	13 409	1 720	-	-	-	16 038
Disposal/Retirements	-	-	-	(449)	(17)	(56)	-	-	(522)
Reclassification	-	-	(1 946)	(10 502)	4 530	-	-	-	(7 918)
Transfer to other asset class	-	-	3 134	-	-	-	-	(3 134)	-
Depreciation	-	(2 459)	(14 851)	(51 967)	(4 779)	(56)	(33 730)	-	(107 841)
Impairment	-	-	(376)	(19 361)	(393)	-	-	-	(20 130)
+Adjustment	-	-	897	8 744	(9 141)	-	-	-	500
Disposals/Retirements	-	-	-	333	11	39	-	-	383
Reclassification	-	-	-	(10 611)	3 820	-	-	-	(6 790)
<b>Carrying amount at end of period</b>	<b>24 744</b>	<b>103 278</b>	<b>109 549</b>	<b>800 502</b>	<b>67 908</b>	<b>803</b>	<b>123 579</b>	<b>9 464</b>	<b>1 239 825</b>

\* relates to additional invoices or credit note from the original invoice

+ relates to depreciation adjustments as a result of cost adjustment

Expenditure incurred relating to repairs and maintenance

74,490

<b>Carrying amount 31 March 2020</b>	<b>24 744</b>	<b>105 737</b>	<b>119 825</b>	<b>824 612</b>	<b>72 000</b>	<b>288</b>	<b>157 309</b>	<b>4 716</b>	<b>1 309 230</b>
<b>Restated cost</b>	<b>24 744</b>	<b>170 613</b>	<b>170 151</b>	<b>1 356 533</b>	<b>143 142</b>	<b>916</b>	<b>166 890</b>	<b>4 716</b>	<b>2 037 704</b>
Original stated cost	24 744	126 936	171 634	1 350 060	143 142	916	166 890	57 634	2 041 955
Prior year error	-	43 677	(1 483)	6 473	-	-	-	(52 918)	(4 251)
<b>Restated Accumulated depreciation and impairment loss</b>	<b>-</b>	<b>(64,876)</b>	<b>(50,326)</b>	<b>(531 921)</b>	<b>(71 143)</b>	<b>(628)</b>	<b>(9 581)</b>	<b>-</b>	<b>(728 475)</b>
Original stated accumulated depreciation and impairment losses	-	(21,199)	(95 403)	(592 442)	(70 175)	(608)	(8 342)	-	(788 169)
Prior year error	-	(43,677)	45 076	60 521	(967)	(20)	(1 239)	-	59 694

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

	Land	Buildings	Infrastructure Equipment	Computer Equipment	Office furniture and fittings	Vehicles	Finance lease - Cloud infrastructure	Construction in progress - PPE	Total
<b>Restated Carrying amount 1 April 2019</b>	24 744	108 196	103 876	804 197	77 518	324	-	87 229	1 206 084
Originally stated carrying amount 1 April 2019	24 744	108 196	63 754	482 966	41 498	177	-	116 644	837 978
Prior year error cost	-	-	23 170	-	-	-	-	(29 416)	-
Prior year error accumulated depreciation and impairment	-	-	16 952	321 232	36 020	146	-	-	374 351
Reconciliation of carrying amount:									
Cost: Additions and improvements	-	-	1 095	121 037	869	-	95 036	12 843	230 881
Disposals/Retirements/Cost Adjustment	-	-	(75)	(45 979)	(1 570)	-	-	-	(47 624)
Depreciation	-	(2 459)	(5 806)	(72 987)	(6 201)	(36)	(9 581)	-	(94 610)
Originally stated depreciation	-	(2 459)	(5 739)	(134 981)	(5 233)	(16)	(8 342)	-	-
Prior year error	-	-	(67)	61 994	(967)	(20)	(1 239)	-	-
Impairment	-	-	(20)	(2 449)	(171)	-	-	-	(2 640)
Transfer to other asset class	-	-	-	-	-	-	71 854	(71 854)	-
+Adjustment	-	-	81	933	40	-	-	-	1 054
Disposals/Retirements	-	-	182	14 858	1 515	-	-	-	16 554
Prior year error	-	-	20 491	5 000	-	-	-	(23 502)	1 988
<b>Carrying amount at end of period</b>	<b>24 744</b>	<b>105 737</b>	<b>119 825</b>	<b>824 612</b>	<b>72 000</b>	<b>288</b>	<b>157 309</b>	<b>4 716</b>	<b>1 309 230</b>

Expenditure incurred relating to repairs and maintenance

14,797

The finance lease asset consists of hardware nodes which form part of the cloud foundation infrastructure. This infrastructure, together with its related software then create a hyper-converged cloud suite which is used to house client data.

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

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**5 Intangible assets**

Figures in Rand Thousand

	Intangible assets	Internally generated intangible asset	Construction in progress - intangible assets	Total
<b>Carrying amount 31 March 2021</b>	298 806	91 151	4 229	394 186
Cost	636 640	104 450	14 778	755 868
Accumulated amortisation and impairment losses	(337 834)	(13 299)	(10 549)	(361 682)
<b>Carrying amount 1 April 2020</b>	237 744	98 724	30 063	366 531
Reconciliation of carrying amount:				
Cost: Additions and improvements	104 340	-	2 806	107 147
*Cost adjustment	(20)	-	-	(20)
Disposals/Retirements	(14 597)	-	-	(14 597)
Reclassification	7 918	-	(18 091)	(10 173)
Amortisation	(55 506)	(7 574)	-	(63 080)
Impairment	-	-	(10 549)	(10 549)
Reclassification	7 727	-	-	7 727
Disposals/Retirements	11 200	-	-	11 200
<b>Carrying amount at end of period</b>	298 806	91 151	4 229	394 186

gCommerce was previously impaired during the 2019 financial year end. SITA has continued to use the system internally and an assessment to determine the value of internal use is currently on going. On completion of the assessment the value of internal use will be determined and this will result in reversal of impairment relating to gCommerce.

<b>Carrying amount 31 March 2020</b>	<b>237 744</b>	<b>98 724</b>	<b>30 063</b>	<b>366 531</b>
<b>Restated cost</b>	538 999	104 450	30 063	673 512
Original stated cost	582 667	131 358	53 309	767 334
Prior year error	(43 669)	(26 908)	(23 246)	(93 823)
<b>Restated Accumulated amortisation and impairment losses</b>	(301 255)	(5 726)	-	(306 981)
Original stated accumulated amortisation and impairment	(332 990)	(15 641)	-	(348 631)
Prior year error	31 735	9 916	-	41 651
<b>Carrying amount 1 April 2019</b>	203 922	38 633	134 632	377 188
Originally stated carrying amount	83 112	38 633	134 632	256 378
Prior year error - accumulated amortisation and impairment	120 810	-	-	
Reconciliation of carrying amount:				
Cost: Additions and improvements	89 331	87 677	92 402	269 410
*Cost adjustment	(52)	-	-	(52)
Disposals/Retirements	(4 773)	-	-	(4 773)
Reclassification	1 221	-	-	1 221
Transfer to intangible assets	-	-	(173 726)	(173 726)
Amortisation	(47 612)	(10 594)	-	(58 206)
Originally stated amortisation	(42 983)	(10 594)	-	(53 577)
Prior year error	(4 629)	-	-	(4 629)
Disposals/Retirements	4 082	-	-	4 082
+Adjustment	(1 071)	-	-	(1 071)
Prior year error	(7 305)	(16 993)	(23 246)	(47 543)
<b>Carrying amount 31 March 2020</b>	237 744	98 724	30 063	366 531

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021**

\* relates to additional invoices or credit note from the original invoice

+ relates to depreciation adjustments as a result of cost adjustment

Internally generated intangible assets relate to the solution developments.

The company discontinued development of the following Internally generated intangible assets and processed related impairment losses. This is due to clients not signing agreement to use the platform and as a result no future cash inflows are expected to flow to the company resulting from these assets.

Project name	Impairment
1. E-Gov proof of concept	1 738
2. e-Government Data and Business Intelligence	2 524
3. e-Queries	365
4. e-Health Solution	221
5. e-Complaints Development	173
6. APPS_DEV eCorrectional Service	1 963
7. e-Recruitment	174
8. Business Take-On Framework	153
9. Data Sharing Platform Common Components	389
10. Film Publication Board Mobile Application	427
11. Integrated Database Management System	430
12. Java Development	1 992
<b>Total</b>	<b>10 549</b>

## 6 Capital and Operational commitments

Figures in Rand Thousand

	2021	2020
Budgeted and contracted for:		
- Operational commitments	8 435 802	6 159 647
- Capital commitments	33 691	13 031
- Computer Equipment	19 336	3 844
- Intangible assets	14 355	9 187
	<b>8 469 493</b>	<b>6 172 678</b>

The capital and operational commitments are funded through the company's operational activities.

All operating lease commitments are disclosed separately on the Annual Financial Statements under note 23.

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021**

**7 Deferred tax asset/(liability)**

Deferred tax assets are attributable to the following:  
 Figures in Rand Thousand

**Reconciliation between opening and closing balance**

	2021	Restated 2020
Deferred tax asset at beginning of year	(8 141)	38 884
Statement of financial performance movement	(175 390)	(47 025)
- current year	(56 794)	38 592
*Prior year under provision on the IFMS project	-	(80 640)
Prior year under provision on the Capital allowances	(122 901)	(3 993)
Prior year under provision on Circ 9	-	-
Prior year underprovision - Other	4 305	0
- Assessed loss	-	(984)
Deferred tax asset/(liability) at end of year	<u>(183 531)</u>	<u>(8 141)</u>
Impairment on trade receivables	39 471	33 422
Intangible asset impairment	12 697	12 697
Accrual for leave pay benefits	30 344	22 455
Post-retirement medical benefits	32 189	23 608
Income received in advance	78 460	70 447
Doubtful debt allowance s11(j)	(31 546)	(5 057)
Leases	958	1 163
Prepayments	(1 333)	(3 392)
Section 24C allowance	(78 353)	(68 797)
Depreciation/amortisation	(270 450)	(95 534)
Overtime and standby allowance accruals	-	1 134
Section 89quat interest receivable	-	(1 404)
Finance lease asset	(18 022)	(24 274)
Finance lease liability	18 850	25 393
Tax loss	-	-
Provision for long service	3 207	-
	<u>(183 531)</u>	<u>(8 141)</u>

\* A capital loss of R288 000 000 was derecognised due to company not anticipating to have capital gains in the immediate future.

## 8 Cash and cash equivalents

Figures in Rand Thousand

	2021	2020
<b>Cash with Banks</b>	1 853 992	1 350 978
Current account balance	32 761	15 811
Call account balance	19 569	892 682
Payroll account	20	76
CPD account	1 801 631	442 398
Cash float	11	11
<b>Ring-fenced cash</b>	(217 917)	(189 299)
Cash Float - SITA Cafeterias	11	11
Income received in advance	217 906	189 288
<b>Available Cash</b>	<b>1 636 075</b>	<b>1 161 679</b>

Ring-fenced cash represents cash received from customers to be utilised for specific projects in the 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.

Included in the available cash is R62.3 million relating to the IFMS project and R9.7 million relate legal dispute between a customer and service provider.

The company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 23.

The average rate of interest on the cash balances was 3,83% (2020: 6,09%)

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021**

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**9 Trade and other receivables**

Figures in Rand Thousand	2021	2020
Trade receivables	1 505 975	1 272 434
Doubtful debt allowance	(162 113)	(132 280)
	<hr/>	<hr/>
	1 343 862	1 140 154
Other receivables	24 642	31 551
	<hr/>	<hr/>
	<b>1 368 504</b>	<b>1 171 705</b>

The company's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in Note 23.

## 10 Prepayments

Figures in Rand Thousand

	2021	2020
Current portion	62 847	30 770
Prepayments	<b>62 847</b>	<b>30 770</b>

Prepayment amounts relate to amounts paid in line with contracts for which the benefit will be received in future periods.

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021**

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**11 Share Capital**

In Rands

**2021**

**2020**

**Authorised and issued**

Share Capital

1

1

SITA has one authorised and issued share which is held by the Government of the Republic of South Africa. The share issued and fully paid at R1.

## 12 Reserves

Figures in Rand Thousand

	2021	2020
Opening balance	627 335	627 335
Movement	-	-
Closing balance	627 335	627 335

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 R627 334 547 to R1. Approval was granted by National Treasury to transfer the difference to reserves.

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021**

**13 Employee Benefits**

**13.1 Post-retirement employee benefits**

Post-retirement employee benefit relate to post-employment medical aid subsidy promises made to current employees ('in-service members') and former employees ('continuation members').

Figures in Rand Thousand

	2021	2020
Present value of unfunded obligations	114 960	84 314
	<b>114 960</b>	<b>84 314</b>

**Movement in the present value of the defined benefit liability**

Balance at beginning of year	84 314	69 198
Statement of financial performance movement	30 646	15 116
Past Service Cost - Post Retirement	33 334	-
Service Cost - Post Retirement	3 401	2 024
Finance Cost - Post Retirement	13 964	7 404
Contribution Paid - Post Retirement	(1 763)	(754)
Actuarial (gain)/loss - Post Retirement	(18 290)	6 442
Balance at end of year	114 960	84 314

**Employee benefit expense:**

Past service cost	33 334	-
Current service cost	3 401	2 024
Interest cost	13 964	7 404
Net actuarial gains recognised in surplus or deficit	(18 290)	6 442
Total employee benefit expense	32 409	15 870

The above employee benefit costs have been recognised in the Statement of Financial Performance in the following line items:

*Past Service Costs	- Cost of sales - Services cost of sales - Operating expenses - Staff costs
*Current Service cost	- Cost of sales - Services cost of sales - Operating expenses - Staff costs
*Interest cost	- Cost of Sales - Services cost of sales
*Net Actuarial gains	- Finance expense - Interest expense - Cost of sales - Services cost of sales - Staff costs

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**Principal actuarial assumptions**

Discount Rate	14,37% p.a.	11.96% p.a.
CPI inflation	9,84%	7.67% p.a.
Healthcare Cost Inflation	11,48% p.a.	9.67% p.a.
Increase in Rand Cap	11,48% p.a.	9.67% p.a.
Real discount rate	2.59% p.a.	2.06% p.a.
Mortality Rates: Pre-retirement	SA85-90 L	SA85-90 L
Post-retirement	PA(90) rated down 2 year(s) plus 1% future improvement 2006	PA(90) rated down 2 year(s) plus 1% future improvement 2006
Withdrawal assumptions	0% to 15% from ages 20 to 45	0% to 15% from ages 20 to 45
Expected retirement ages	65 for Ex Infoplan employees ; 60 for other	65 for Ex Infoplan employees ; 60 for other
Percentage of members discontinuing medical aid at retirement	0%	0%
Percentage of in-service members married at retirement	90%	90%
Husband and wife age difference	4 years	4 years

Zero-coupon South African government bond yield curves was used to set the financial assumptions to project future employer benefit payments. The nominal yield curve is regarded as an estimate of the investment that can be achieved from investing in risk free assets, and is therefore used to set the discount rate.

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 who remain members of SITA approved medical aids.
- 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 who remain members of SITA approved medical aids.

The amounts due in respect of the company's liability regarding the post-retirement medical benefit has been determined by independent actuaries as at 31 March 2020 using the projected unit credit method.

It is anticipated that the contributions to be paid within 12 months	1 763	1 169
	1 763	1 169
	1 763	1 169

**Sensitivity analysis relating to the assumed medical cost trend rates:**

	Increase of 1%	Base	Decrease of 1%	
Change in Liability in Rand	136 457	114 960	97 601	
Change in Liability as a %	18,7%		-15,1%	
Service cost and Interest cost in Rand	20 716	17 365	14 673	
	2020	2019	2018	2017
<b>Experience adjustments</b>	(10 392)	(12 112)	(17 649)	(18 145)
<b>Present value of defined benefit obligation</b>	84 314	40 719	97 677	129 329

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021**

**13.2 Long service award benefit**

Figures in Rand Thousand

	2021	2020
Long-service award benefit	11 452	10 358
	<b>11 452</b>	<b>10 358</b>

**Movement in the present value of the long-service award benefit**

Balance at beginning of year	10 358	-
Statement of financial performance movement	1 094	10 358
Prior year error	-	10 358
LSA - Service cost	739	-
LSA - Interest Cost	1 107	-
LSA - Actuarial (gain)/loss	704	-
LSA - Expected Benefit Payment	(1 457)	-
Balance at end of year	<b>11 452</b>	<b>10 358</b>

**Employee benefit expense:**

Service cost	739	-
Interest cost	1 107	-
Net actuarial gains recognised in surplus or deficit	704	-
Total employee benefit expense	<b>4 362</b>	-

**The above employee benefit costs have been recognised in the Statement of Financial Performance in the following line items:**

\*Service cost

\*Interest cost

\*Net Actuarial gains

It is anticipated that the contributions to be paid within 12 months	1 059	-
	<b>1 059</b>	-

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

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**13.3 Other 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. However, as 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, this fund is classified as a defined contribution fund from the company's perspective. 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.

Pension fund contribution	96 990	99 192
	<u>96 990</u>	<u>99 192</u>

**Current medical benefits:**

The company contributes to three medical aid schemes for the benefit of permanent employees and their dependents. Contributions charged against income amounted to R114,96 million (2020: R84,3 million). The company's financial obligation is limited to the current company contributions.

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**14 Trade and other payables**

Figures in Rand Thousand	2021	2020
Trade payables	871 015	653 866
Leave pay accrual	108 370	80 195
VAT payable	10 553	56 616
Non-trade payables	59 505	57 707
	<b>1 049 443</b>	<b>848 384</b>

**Reclassification**

Nature	Amount	Reason
VAT payables was previously disclosed as part of non-trade payables, for the 2020/2021 financial year VAT payable is disclosed separately apart from the non-trade payables	R56,616	To enhance understandability of the trade and other payables note and give users more information about non-trade payables

The company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

15 Income received in advance

Figures in Rand Thousand

	2021	2020
	280 213	251 595
Income received in advance	217 906	189 288
IFMS	62 307	62 307
	280 213	251 595

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

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**16 Revenue from Exchange Transactions**

Figures in Rand Thousand	Reference	2021	2020
* Drop Shipment Revenue		773 214	693 673
+ Service Revenue		4 994 558	4 428 261
Other Income	16,1	15 566	48 608
Finance income	16,2	45 519	60 348
		<b>5 828 857</b>	<b>5 230 890</b>

Note:

\*Drop Shipment Revenue : revenue earned mainly as a result of procurement-related transactions and sale of inventory held by the organisation.  
 +Service Revenue: revenue earned mainly from the provision of ICT and ICT-related services rendered to clients.

**16.1 Other Income**

Figures in Rand Thousand	2021	2020
Profit on disposal of assets	27	-
Rental income	13 440	15 559
Foreign Exchange Gain	1 405	0
Sundry income	694	33 049
	<b>15 566</b>	<b>48 608</b>

**16.2 Finance income**

Figures in Rand Thousand	2021	2020
Interest on cash balance	43 363	55 332
Interest on Provisional tax overpayment	2 156	5 016
	<b>45 519</b>	<b>60 348</b>

## 17 Cost of Sales

Figures in Rand Thousand

	2021	2020
Drop Shipment cost of sales	682 147	683 253
Services cost of sales	3 242 832	2 974 815
-Direct depreciation	93 798	90 494
-Direct amortisation	47 626	54 383
-Direct labour	955 799	952 340
-Repairs and maintenance	299 632	298 151
-Service delivery expenditure	1 845 977	1 579 447
	<b>3 924 979</b>	<b>3 658 068</b>

## Reclassification

Nature	Amount	Reason
Cell phone costs were previously disclosed under service delivery expenditure in 2019/20 financial year. For the 2020/21 financial year, cell phone are disclosed as part of direct labour.	10,145	Cell phone costs relate to voice and data allowances paid to employees in order to be carry out their respective revenue generating activities i.e. be able to contact clients where necessary and work remotely.

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**18 Operating expenses**

The following separately disclosable items are included in operating expenses:

Figures in Rand Thousand	2021	2020
Audit fees	10 829	11 590
Staff costs	973 677	884 495
Directors remuneration	236	1 773
Doubtful debt movement	21 604	2 896
* Impairment	28 039	2 640
+ Repairs and maintenance	17 927	5 714
Indirect depreciation	13 465	6 247
Indirect amortisation	2 761	4 150
Net loss on disposal of assets	2 820	1 101
Operating lease expense	30 957	31 494
Inventory write-off	18 024	-
Inventory loss due to theft	-	6 652
Other expenses	376 320	377 518
	<b>1 496 659</b>	<b>1 336 270</b>

\*Impairment relates to PPE and intangible assets

+ Repairs and maintenance of SITA's assets

**Reclassification**

Nature	Amount	Reason
Depreciation and amortization were previously disclosed together under one line item Indirect depreciation and amortisation, for the 2020/2021 financial year these two items have been separated	Depreciation: 11 906 Amortization: 4 150	Depreciation relates to consumption of value for the property, plant and equipment over its useful life, whereas the amortization relates to consumption of value for intangible asset over its useful life. SITA relies on its property, plant and equipment and intangible asset to operate and generate income. Disclosing depreciation and amortization separately enhances the users understanding about usage and aging of entities assets.
Cell phone costs were previously disclosed under other expenses in 2019/20 financial year. For the 2020/21 financial year, cell phone are disclosed as part of staff costs.	3 703	Cell phone costs relate to voice and data allowances paid to employees in order to be carry out their respective activities.

## 19 Finance expenses

Figures in Rand Thousand

	2021	2020
Interest expense - other	9 176	2 221
	<b>9 176</b>	<b>2 221</b>

Interest expense - relate to finance cost portion of employee benefits considered indirect as per the actuarial reports

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

20 Income tax expense

Figures in Rand Thousand

	2021	2020
Current tax expense	127 755	70 610
Income tax charge	129 692	70 610
Prior year under provision	(1 937)	-
<b>Deferred tax expense</b>	175 390	47 025
Origination and reversal of temporary differences	56 794	(38 592)
Prior year under provision on the IFMS project	-	80 640
Prior year under provision on the Capital allowances	122 901	3 993
Prior year under provision on Circ 9	-	-
Prior year underprovision - Other	(4 305)	(0)
- Assessed loss	-	984
Total income tax expense	<b>303 145</b>	<b>117 635</b>
<b>Reconciliation of effective tax rate</b>		
Surplus/(Deficit)for the period	94 897	123 565
Total income tax expense	(303 145)	(117 635)
Surplus/(Deficit) excluding income tax	<b>398 042</b>	<b>241 200</b>

	2021		2020	
	%	R	%	R
Income tax using the company's domestic tax rate	28,00%	111 452	28,00%	67,536
Non-deductible expenses	18,85%	75 034	-2,89%	(34,534)
Overprovision current tax	-0,49%	(1 937)	0,00%	-
Underprovision deferred tax asset	29,79%	118 596	47,82%	84,633
Effective income tax	<b>76,16%</b>	<b>303 145</b>	<b>72,93%</b>	<b>117,635</b>

## 21 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 and provincial government departments as well as local government, 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, 2003 (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:

Figures in Rand Thousand	Note	Carrying amount	
		2021	2020
Trade Receivables	9	1 343 862	1 140 154
Other receivables	9	24 642	31 551
Cash and cash equivalents	8	1 853 992	1 350 978
		<b>3 222 496</b>	<b>2 522 683</b>

**Impairment losses**

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

Figures in Rand Thousand	2021	2020
Not past due	1 015 164	913 979
Past due 0 - 30 days	179 479	70 715
Past due 31 - 90 days	76 308	122 276
Past due 91 - 360 days	83 129	88 581
Past due - more than 360 days	(10 218)	2 632
	<b>1 343 862</b>	<b>1 198 183</b>

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

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**Credit quality of financial assets**

**Trade receivables**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings, except for the credit quality of individual government debt that cannot be determined individually as government as a whole is assessed by international rating agencies in total. Management does not deem it appropriate to assign a national rating to specific debtors.

**Cash at bank**

	2021	2020
CPD	1 801 631	442 398
Fitch BB-	52 350	908 569
Cash on hand	11	11
	1 853 992	1 350 978

In relation to risks associated with funds held in the CPD account, SARB has issued a guarantee in favour of the CPD to the value of R3.45 billion for all amounts required by it for the due and punctual performance of its obligation under the CPD Act. This guarantee is a continuing covering security and will remain in force for 12 months after the signature date of 11 June 2020.

In terms of section 15 of the CPD Act, a contingency reserve is maintained to provide against risks to which the CPD is exposed to. No additional risk has been identified in current reporting period as there has been no communication from the CPD/SARB. Any change in risk will be updated as per the indicators that will be noted in the CPD annual report and or communication.

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

	2021	2020
Balance at beginning of year	132 280	110 086
Impairment loss recognised	29 833	22 194
Balance at end of year	162 113	132 280

The impairment loss is based on history on invoices over 360 days and specifically identified invoices that are considered doubtful based on information in the company's possession. Each debtor 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.

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

31 March 2021

Figures in Rand Thousand

	Carrying amounts	Contractual cash flow	6 months or less	6 - 12 months	1 - 2 years
Trade and other payables	1 038 890	1 038 890	1 038 890	-	-
	1 038 890	1 038 890	1 038 890	-	-

31 March 2020

Figures in Rand Thousand

	Carrying amounts	Contractual cash flow	6 months or less	6 - 12 months	1 - 2 years
Trade and other payables	791 768	791 768	791 768	-	-
Originally stated	848 384	848 384	848 384	-	-
Prior year	(56 616)	(56 616)	(56 616)	-	-
	791 768	791 768	791 768	-	-

## c) Currency risk

Currency risk arises from exposure to foreign currencies when the value of the rand changes in relation to these currencies. The company primarily transacts in US dollar when dealing with foreign transactions.

The company's exposure to foreign currency risk was minimal.

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**d) Interest rate risk**

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

Figures in Rand Thousand	Carrying amount	
	2021	2020

**Fixed interest rate**

The company does not hold any fixed interest rate financial instruments.

**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.

**Variable interest rate**

Cash and cash equivalents	1 853 992	1 350 978
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**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 cash and cash equivalent would increase/decrease by:	18 540	13 510
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**e) Categories of financial instruments**

**Financial instruments at amortised cost:**

Cash and cash equivalents	1 853 992	1 350 978
Trade and other receivables	1 368 504	1 171 705
Trade and other payables	1 038 890	791 768

**f) Concentration risk**

Concentration risk encompasses the level in which the company earns most of its revenue that result in financial assets. The company has a number customers, however, the company's top five customers exposes the company to a concentration ratio of 65,22%. This is however mitigated by a number of projects the company is embarking on to increase its product offering to attract new customers.

**g) Covid 19 impact on receivables**

Due to the low level 1 that was adjusted, our customers have been slow in paying but did not have significant impact due to Covid-19. We did not have significant collectability concerns so therefore we had a gradual increase in receipts. There were also no formal or informal communication received from our customers indicating any inability to settle their debt due to Covid-19. No disputes were lodged so after the level was adjusted business has stabilised.

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**22 Related parties**

**Transactions with government**

The company is 100% owned by the government of South Africa represented by the Minister of Communications and Digital Technologies

The company is a schedule 3A National Public Entity in terms of the Public Finance Management Act,1999 (Act No.1 of 1999).

GRAP 20 Related Party Disclosures is applicable to SITA from 1 April 2019. SITA implemented the standard using the full retrospective approach and accordingly, to show both information related to prior years. The purpose of the standard is to draw attention to the possibility that its financial position and surplus or deficit may have been effected by the existence of related parties and by transactions and outstanding balances with such parties.

SITA has applied paragraph 34 of GRAP 20 in term of disclosure of related party information which require narrative information about the nature of the transaction and the related outstanding balance for most of its transaction. Where transactions are less favourable, SITA is required to disclosed in terms of paragraph 27 of the standard.

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. This entails that all transactions occur in the normal course of operations and are at the same terms and conditions as available to all customers and suppliers, unless disclosed otherwise.

**Transactions with related parties**

**22.1** Services rendered to related parties comprise principally the provision of information technology, information systems and related services in a maintained systems security environment.

The following is a summary of outstanding balances due to SITA by the related parties at year-end according to SITA's records.

Figures in Rand Thousand		Restated	
		2021	2020
<b>Organisation</b>	<b>Nature of Transaction</b>		
National Departments	Provisioning of ICT services and products	865 356	752 460
Public Entities	Provisioning of ICT services and products	135 501	188 905
Original stated - Public Entities		135 501	23 217
Prior year error		-	165 688
Controlling department	Provisioning of ICT services and products	1 480	3 198
Entities under Same Control*	Provisioning of ICT services and products	556	482
		<b>1 002 893</b>	<b>945 045</b>

Nature	Amount	Reason
Controlling department was previously disclosed as part of National department. For 2021 financial year, the controlling department is disclosed separately	3,20	To enhance understandability of the related party note and give users more information about related party transactions
Entities under same control were previously disclosed as part of Public Entities. For 2021 financial year, the entities under same control are disclosed separately	482	To enhance understandability of the related party note and give users more information about related party transactions

\*Entities under Same Control are those entities that are controlled by the Department of Communication and Digital Technologies (DCDT) ministry

\*Film and Publication Board (FSB)

\*Independent Communications Authority of South Africa (ICASA)

Included in the amount disclosed above, is the rental income in relation to office space provided to one National Department. SITA is charging market related rates for office space. There is no rental agreement in place with the department but negotiations are underway to finalise the agreement.

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

SITA did not charge interest on amounts outstanding from customers due to the fact that the interest amount would not be recoverable. In terms of the conceptual framework asset should be recognised when there is probability of inflow of economic benefits, (probability is interpreted as being more likely than not) and cost should be measured reliability. It is not likely that the future inflow of economic benefits will flow to SITA from the interest because as per SITA practice's, interest is not charged by the entity and thus it would be misleading to users to recognise assets that are not recoverable. When users of the financial statements look at the asset base of the entity, they have an idea of the expected future economic benefits that will flow into SITA when the value is recovered, and thus SITA shows the true value of the expected economic benefits which is the account receivables excluding the interest.

Disclosure in terms of paragraph 27

SITA has been providing office space to a client at both Erasmuskloof and Centurion offices since 1999 when SITA was incorporated. The client is not paying for occupying the office space and there is no contract in this regard. The annual market related rental in relation to the 2020/21 financial year is estimated at R383 169 (Vat excl.)

**22.2** Services rendered by related parties to SITA comprise principally the provision of information technology, information systems and related services in a maintained systems security environment.

The following is a summary of outstanding balances due to related parties by SITA at year-end according to SITA's records. Included in the outstanding balance is the pre-received income by SITA from the related parties/clients. These amounts are included as part of outstanding balance due to the fact that SITA must still render services to respective clients/related parties.

Figures in Rand Thousand		Restated	
		2021	2020
<b>Organisation</b>	<b>Nature of Transaction</b>		
National Departments	Provisioning of ICT services and products	133 431	153 696
Originally stated		133 431	-
Prior period error		-	153 696
Public Entities	Provisioning of ICT services and products	10 559	58 012
Originally stated		10 559	-
Prior period error		-	58 012
Entities under Same Control*	Provisioning of Postal services and ICT services and products	7 506	0
Controlling department	Provisioning of ICT services and products	34 745	68 457
Originally stated		34 745	0
Prior period error		0	68 457
		<b>186 241</b>	<b>280 165</b>

\*Entities under Same Control are those entities that are controlled by the Department of Communication and Digital Technologies (DCDT) ministry.

\* South African Post Office (SAPO)

\* Broadband Infra Co SOC Ltd

**Transactions with key management personnel**

The key management personnel are directors and executive managers of the company for the year ended 31 March 2020.

Transactions with key management personnel are disclosed in are disclosed in notes 33a and 33b.

## 23 Operating leases

## Operating lease expense

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

Figures in Rand Thousand	2021	2020
Less than 1 year	21 013	23 066
Between 1 and 5 years	20 737	46 386
	<b>41 750</b>	<b>69 452</b>

The company entered into an operating lease for use of printers. At the reporting date, the future minimum payments under these lease agreement were as follows:

Figures in Rand Thousand	2021	2020
Less than 1 year	1 539	1 514
Between 1 and 5 years	358	3 255
	<b>1 897</b>	<b>4 769</b>

## 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:

Figures in Rand Thousand	2021	2020
Less than 1 year	1 047	90
Between 1 and 5 years	452	271
More than 5 years	211	482
	<b>1 710</b>	<b>843</b>

The average period for operating lease agreements is 5 years.

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**24 Contingent liabilities and Contingent Asset**

**24.1 Contingent Liabilities**

Figures in Rand Thousand	2021
Commercial disputes	4 506
Employee claims	2 629
	<b>7 135</b>

**Litigations and claims:**

Legal claims relate to various claims against SITA arising from disputes between SITA and its service providers.

Employee claims relates to claims arising from labour disputes through the CCMA and the labour courts. Based on the legal advice sought from the legal team, the ruling could still go either way. The court outcomes will confirm the existence or non-existence of obligation for SITA. At the moment the obligation is possible. For some cases the amount is uncertain (cannot be measured reliably), this is due to large possible outcomes expected from the court, the financial effect of those cases is not included because it is impractical to reliably estimate the amount.

**24.2 Contingent Assets**

Figures in Rand Thousand	2021
Commercial disputes	13 986
Labour disputes	200
	<b>14 186</b>

Commercial Dispute - Contingent assets relates to one case that has been identified as possible assets that arise from past events and which existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of SITA. When there is a probability that economic benefits will flow into SITA from any commercial or labour dispute, SITA assesses with the assistance of the legal team and applying management's professional judgement the likelihood of the economic benefits flowing to the entity. SITA does not recognise contingent assets rather discloses it since this may result in the recognition of income that may never be realised and assets that may never be recovered, and that would provide misleading information to users of the financial statements. Where SITA has sufficient information or can obtain information without undue cost or effort to estimate the financial effect of the contingent asset, the financial effect is disclosed. In a situation where SITA has no enough information to estimate the financial impact, the effect of financial information is excluded from the disclosure, this is because SITA seeks to provide relevant and reliable financial information to the users.

Labour Dispute - Contingent asset relate to one case of labour dispute that result in a possible assets that arise from past events and which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of SITA. Where there is a probability that economic benefits will flow to SITA from labour dispute, SITA assesses with the assistance of the legal team and applying management's professional judgement, the likelihood of the economic benefits flowing to SITA. SITA does not recognise contingent assets that may never be recovered, and that would provide misleading information without undue cost or effort to estimate the financial statements. Where SITA has sufficient information or can obtain information without undue cost or effort to estimate the financial effect of the contingent asset, the financial effect is disclosed. In a situation where SITA has no enough information to estimate the financial impact, the effect of financial information is excluded from the disclosure, this is because SITA seeks to provide relevant and reliable financial information to the users.

**25 Standards and amendments to standards issued but not yet effective**

SITA only considers the standard of GRAP that are applicable to SITA business operations, some standards might be issued but likely not have an impact to SITA business operations.

Standards of GRAP and amendment to Standards of GRAP that have been issued and are not yet effective, will have the following impact on SITA when they become effective:

Standard of GRAP	Impact	Effective date
-GRAP 25 (revised): Employee Benefits	The proposed changes mostly affect defined benefit plans. The proposed changes would require entities to identify, classify and present the information on defined benefit plans differently in future. SITA will assess the type of impact these changes will have in its reporting.	Proposed effective date is 1 April 2023
-GRAP 104 (revised): Financial Instruments	The amendments in the standard is not expected to have significant impact on SITA financial statements as the changes relating to Net asset definition will not result in an impact to SITA, as well as accounting for trading instruments in current asset and current liabilities.	Effective date has not been determined yet

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**26 Inventories**

The components of inventories were as follows:

Figures in Rand Thousand

	2021	2020
<b>Inventories on hand at year end</b>	150 505	293 730
	<b>150 505</b>	<b>293 730</b>
Inventory Reconciliation:		
Opening balance 1 April	293 730	178 956
Inventory movement	(143 225)	114 774
-Purchases inventory	-	135 585
-Replacement of inventory	-	6 869
-Inventory sold	(122 329)	(11 838)
-Inventory write-off	(18 024)	-
-Inventory transferred to capital assets	(2 872)	(9 189)
-Inventory loss due to theft	-	(6 652)
Closing balance 31 March	<b>150 505</b>	<b>293 730</b>

## 27 a) Irregular Expenditure

Figures in Rand Thousand

	2021	2020
Opening Balance	2 229 326	1 338 574
Prior period error	171 749	(145 372)
<b>Restated Opening Balance</b>	<b>2 401 075</b>	<b>1 193 202</b>
Add: Irregular Expenditure - detected in prior years continuing in current year	560 084	258 846
Add: Irregular Expenditure - detected in the current financial year	259 612	777 278
Less: Prior year amounts condoned	(1 055 016)	-
Less: Current year amounts condoned	(415 512)	-
Less: Amounts removed	-	-
<b>Irregular expenditure awaiting condonation/removal</b>	<b>1 750 243</b>	<b>2 229 326</b>
<b>Analysis of expenditure awaiting condonation per age classification</b>		
Current year	819 696	1 036 124
Amounts condoned	(1 470 528)	-
Prior year adjustment	171 749	(145 372)
Amounts removed	-	-
Prior years	2 229 326	1 338 574
<b>Total</b>	<b>1 750 243</b>	<b>2 229 326</b>

## b) Fruitless and Wasteful Expenditure

Figures in Rand Thousand

	2021	2020
Opening Balance	6 474	4 727
Prior period error	13 965	(1 618)
<b>Restated Opening Balance</b>	<b>20 439</b>	<b>3 109</b>
Add: Fruitless and Wasteful expenditure - detected in the current financial year	18 560	3 365
- Amount relating to prior financial years	4	3 365
- Amount relating to current financial year	18 556	-
Less : Amounts written off/removed	-	-
<b>Fruitless and wasteful expenditure awaiting write-off/removal</b>	<b>38 999</b>	<b>6 474</b>
<b>Analysis of expenditure awaiting write-off/removal per age classification</b>		
Current year	18 560	3 365
Prior years	20 439	3 109
<b>Total</b>	<b>38 999</b>	<b>6 474</b>

All amounts are exclusive of VAT.

Management has established the Loss Control Committee to ensure effective management of incidents of financial misconduct. Formal investigations relating to irregular expenditure and fruitless and wasteful expenditure have been initiated and disciplinary action is in progress where responsible parties have been identified.

Further possible irregular expenditure cumulatively amounting to R40,6 million in respect of 3 cases has been identified and is currently being assessed by Internal Audit.

**Details of Fruitless and Wasteful Expenditure**

**Prior Years**

The prior years' fruitless and wasteful expenditure is made up of R20 895 resulting from interest charged on late payments; R1 617 588 resulting from interest charged on long outstanding disputed invoices where the court ruled in favour of the supplier; R1 632 910 that relates to a matter that was finalised and ruled in favour of SITA; an amount of R1 454 544 which represents fruitless and wasteful expenditure resulting from rental charged for the SITA Perseus Park office building for the period after officials vacated the premises due to delays in reinstatement of the building as required by the lease agreement; and R3 863 833 was incurred as a result of maintenance and support payments made for VOIP equipment procured that is not in use.

**Current year**

An amount of **R3 840** represents fruitless and wasteful expenditure resulting from payment of traffic fines. The organisation has initiated the recovery of the monies from the responsible employees. Fruitless and wasteful expenditure amounting to **R18 024 258** was incurred in respect of software licenses that were not deployed; and **R531 986** relates to SARS penalties and interest.

1. Details of Irregular Expenditure - Detected and/or incurred during the current year				
Figures in Rand Thousand				
Item No.	Incident	Detected in prior years incurred in current year	Detected in current year incurred in current year	Disciplinary action taken
1	IE00149-IE00154,IE00159 Irregular expenditure incurred due to the continued procurement of access links and bandwidth for various sites after the expiry of the respective contracts on 31 March 2018.	39 813	-	Three officials identified as responsible. One official received a sanction of one month suspension and final written warning. Action withdrawn against other two officials.
2	IE00194 Irregular expenditure incurred due to the continued use of access links services after the expiry of the contract with the supplier on 10 February 2019.	893	-	Investigation in progress. Consequence management can only be instituted once the responsible parties are identified.
3	IE00196 Irregular expenditure incurred due to entering into a contract with an existing supplier to provide critical cyber security services to a customer without following the required SCM processes.	27 281	-	Final written warning issued to responsible official identified.
4	IE00199 Continued use of hosting services for the GDE learner admissions system without a valid contract in place.	97 024	-	Investigation in progress. Consequence management can only be instituted once the responsible parties are identified.
5	IE00204 Irregular expenditure incurred due to the incorrect application of the emergency procurement process to appoint a service provider for the installation and rental of a dataline on behalf of the client.	43 053	-	Investigation in progress. Consequence management can only be instituted once the responsible parties are identified.
6	IE00210 Irregular expenditure incurred due to the appointment of a service provider for the supply of equipment, software, professional services, training and maintenance for the establishment of a cloud capability built on hyper-converged infrastructure to SITA for a period of ten years where the technical evaluation requirements were relaxed.	109 787	-	No disciplinary action taken as responsible parties identified are no longer in the employ of SITA. Case has been condoned by National Treasury.
7	IE00211 Irregular expenditure incurred due to the bid being awarded to a supplier that did not meet the minimum qualifying criteria.	721	-	Warnings issued to four officials.
8	IE00213 The irregular appointment of a service provider for the supply, installation, configuration and implementation of network infrastructure where technical evaluation requirements were relaxed rendering all expenditure in respect of this contract irregular.	305 004	-	No disciplinary action taken as responsible parties identified are no longer in the employ of SITA. Case has been condoned by National Treasury.
9	IE00220 Irregular expenditure incurred for the provision of hardware maintenance, software support and replacement of WAN and LAN for the client after the contract expired on 30 September 2019.	19 649	-	Internal audit investigation in progress as at 31 March 2021.
10	IE00221 Irregular expenditure incurred for the rental of data line services (GPRS APN) from the service provider without a contract in place.	227	-	Internal audit investigation in progress as at 31 March 2021.
11	IE00222 Irregular expenditure incurred for the rental of data line services (GPRS APN) from Vodacom without a contract in place.	171	-	Internal audit investigation in progress as at 31 March 2021.
12	IE00225 Irregular expenditure has been incurred relating to the security software license and maintenance used by SITA after the expiry of the contract on 31 October 2019 whilst the replacement contract is being finalised.	411	-	Internal audit investigation in progress as at 31 March 2021.
13	IE00226 Irregular expenditure incurred relating to use of office accommodation in the Free State without entering into a valid lease agreement. Previous lease expired on 31 March 2019.	1 508	-	Internal audit investigation in progress as at 31 March 2021.
14	IE00231 Continued use of access links after the approved RFQ expired in January 2020.	163	-	Internal audit investigation in progress as at 31 March 2021.

15	IE00232 Storage and insurance of SITA assets from November 2019 to March 2020 without a contract in place. No SCM process undertaken to appoint service provider.	1 152	-	Internal audit investigation in progress as at 31 March 2021.
16	IE00250 Overspending on the contract with the supplier.	-	807	Internal audit investigation in progress as at 31 March 2021.
17	IE00251 Inappropriate use of emergency procurement vehicle to appoint service provider for office accommodation	-	2 859	Investigation in progress.
18	IE00252 Award not made to the bidder scoring the highest points - Non-compliance with Preferential Procurement Policy Framework No. 5 of 2000	-	31	Investigation in progress.
19	IE00253 Award not made to the bidder scoring the highest points - Non-compliance with Preferential Procurement Policy Framework No. 5 of 2000	-	32	Investigation in progress.
20	IE00254 Missing SBD forms in respect of request to procure Huawei TE Desktop/Mobile Video conferencing software solution and support for a period of 3 years	-	2 872	Investigation in progress.
21	IE00255 Missing SBD forms in respect of request for training providers to provide training for different IT framework courses.	-	73	Investigation in progress.
22	IE00256 No SBD forms in respect of request for Microsoft courses for 195 delegates in Gauteng.	-	389	Investigation in progress.
23	IE00257 Missing SBD forms in respect of renewal of the operating lease agreement for office accommodation.	-	1 122	Investigation in progress.
24	IE00258 Emergency procurement of Erasmuskloof building to waterproof the roof structure for the main building due to poor planning	-	1 188	Investigation in progress.
25	IE00259 Missing SBD forms in respect of the request to appoint a service provider for infrastructure rental administration and support for GDE scholar administration system.	-	144	Investigation in progress.
26	IE00260 Missing SBD forms in respect of request for the provision of BA and business process modelling courses for 66 delegates in Gauteng.	-	77	Investigation in progress.
27	IE00261 Missing SBD forms in respect of the procurement of different COMPTIA courses for 251 SITA delegates in GP, CT, EC, FS, LP and KZN through contract 1626.	-	444	Investigation in progress.
28	IE00262 Missing SBD forms in respect of procurement of different project management courses for 207 SITA Delegates in GP through contract 1626.	-	173	Investigation in progress.
29	IE00263 Missing SBD forms and less than 3 quotes were processed without appropriate approval in respect of request for the appointment of a service provider to deep clean pebble stone floor, stairs and tiled floor in SITA Erasmuskloof.	-	29	Investigation in progress.
30	IE00264 Missing SBD forms in respect of request for replacement of window blinds in SITA Erasmuskloof.	-	99	Investigation in progress.
31	IE00265 Missing SBD forms in respect of request for service provider to conduct integrity review to establish a new three-years development, support and license maintenance agreement for the ITSM Technology	-	46	Investigation in progress.
32	IE00267 Minimum and type of CIDB EB/EP grading not included the for electrical contractors for request to approve the urgent procurement of maintenance cover for 68 SAPS High Sites facilities for a period of 36 months	-	825	Investigation in progress.
33	IE00268 Contract with corporate insurance brokers extended for 12 months whilst National Treasury provided approval for only 6 months.	-	1 584	Investigation in progress.
34	IE00274 Irregular expenditure incurred in respect of emergency appointment of service provider for maintenance and support of existing connectivity lines where SBD forms were not obtained.	-	223 415	Investigation in progress.
35	IE00275 Irregular expenditure incurred in respect of emergency appointment of service provider for the provision of internet bandwidth upgrades, with maintenance and support where SBD forms were not obtained.	-	20 400	Investigation in progress.

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

36	IE00276 Irregular expenditure incurred in respect of the appointment of a service provider for the supply and installation of structured LAN cabling at the house of the President where local content was not considered.	-	15	Investigation in progress.
37	IE00277 Irregular expenditure incurred in respect of an award for replacement of UPS parts where less than 3 quotes were obtained without appropriate approval.	-	427	Investigation in progress.
38	IE00278 Irregular expenditure incurred in respect of an award for job evaluation assessment services where less than 3 quotes were obtained without appropriate approval.	-	390	Investigation in progress.
39	IE00279 Irregular expenditure incurred due to the emergency procurement process inappropriately followed for the appointment of security guards at the SITA PE offices.	-	76	Investigation in progress.
40	IE00280 Irregular expenditure incurred due to the emergency procurement process inappropriately followed for the procurement of PPE suits for cleaners.	-	8	Investigation in progress.
41	IE00284 Irregular expenditure incurred as supplier did not provide proof of tax obligations from the SARS when the tender was awarded on the 29 May 2020.	-	1 911	Investigation in progress.
42	IE00285 Irregular expenditure incurred as bid was advertised with incorrect minimum threshold for latex gloves therefore not in accordance with National Treasury Instruction note 11 of 2020/21.	-	177	Investigation in progress.
<b>Totals</b>		<b>506 919</b>	<b>259 612</b>	

2. Details of prior year adjustment - Irregular Expenditure						
The table below indicates cases that were identified as prior year adjustments as a result of them not being identified in the years in which they were incurred. Some of these cases are continuing in the current year.						
Figures in Rand Thousand						
Item No.	Incident	Total	Incurred in 2020/2021	Incurred in 2019/2020	Incurred prior to 2019/2020	Disciplinary action taken
1	IE00233 Emergency procurement process followed inappropriately to extend a contract for physical security services where National Treasury approval was required.	10 127	2 504	7 623	-	Investigation in progress.
2	IE00236 Advertisement of bid for a shortened period that was in contravention with TR16A6.3(c) and not compliant with paragraph 21.11 and 21.17 of the SCM policy.	5 929	4 469	1 460	-	Investigation in progress.
3	IE00237 Award to supplier where less than 3 quotes were obtained without appropriate approval.	184	-	184	-	No disciplinary action taken. Cases recommended for condonation
4	IE00238 Award to supplier where less than 3 quotes were obtained without appropriate approval & award to supplier that should have been disqualified for not submitting the required SBD 4 form	193	-	193	-	Investigation in progress.
5	IE00239 Award to supplier where less than 3 quotes were obtained without appropriate approval & award to supplier that should have been disqualified for not submitting the required SBD 4 form	183	-	183	-	Investigation in progress.
6	IE00240 Award to supplier where less than 3 quotes were obtained without appropriate approval.	282	-	282	-	No disciplinary action taken. Cases recommended for condonation
7	IE00241 Award to supplier where less than 3 quotes were obtained without appropriate approval.	177	-	177	-	No disciplinary action taken. Cases recommended for condonation
8	IE00242 Award not made to the bidder scoring the highest points - Non-compliance with Preferential Procurement Policy Framework No. 5 of 2000	791	791	-	-	Investigation in progress.
9	IE00243 Award to a supplier that was not tax compliant on the date of award.	17 960	13 170	4 790	-	Investigation in progress.
10	IE00244 Award to a supplier that was not tax compliant on the date of award.	50 000	-	50 000	-	Investigation in progress.
11	IE00245 Award to supplier where less than 3 quotes were obtained without appropriate approval.	414	414	-	-	No disciplinary action taken. Cases recommended for condonation
12	IE00246 Irregular expenditure was incurred due to the continued usage, maintenance and support of the VoyagerNetz software after the expiry of the contract.	222	-	222	-	Written warnings issued to two officials
13	IE00247 Award not made to the bidder scoring the highest points - Non-compliance with Preferential Procurement Policy Framework No. 5 of 2000	419	419	-	-	Investigation in progress.
14	IE00248 Award to supplier where less than 3 quotes were obtained without appropriate approval.	291	291	-	-	No disciplinary action taken. Cases recommended for condonation

15	IE00249 Rental of office space was incurred due to the continued occupation of the building without a valid contract in place.	207	102	105	-	Internal audit investigation in progress as at 31 March 2021.
16	IE00266 Requirement to subcontract a minimum of 30% not included (PPPFA Regulation 2017 section 9(1)) in respect of RFB 1929/2019 - request for provision of GOVTECH and Hackathon branding and promotions services for 36 months	5 329	2 998	2 331	-	Investigation in progress.
17	IE00187 Irregular expenditure incurred as a result of the irregular award of contracts for the maintenance and technical support of the Firearms Permit System that was detected after the finalisation of the financial statements	63 669	-	63 669	-	Disciplinary action was instituted against several employees. This resulted in the dismissal of 4 officials. A further 6 officials resigned before disciplinary processes could be concluded.
18	IE00224 Irregular expenditure previously recorded was re-assessed, and it was confirmed that bursaries were appropriately awarded. This was not in fact irregular expenditure.	-16 256	-	-16 256	-	n/a
19	IE00269 Irregular expenditure incurred in respect of inappropriately approved contract extensions after April 2016 in contravention of NT SCM Instruction No 3 of 2016/2017.	20 710	4 902	4 497	11 312	Investigation in progress.
20	IE00270 Irregular expenditure incurred as a result of missing SBD forms in respect of award to supplier for the supply and implementation of Electronic Document Delivery	10 600	2 640	2 760	5 200	Investigation in progress.
21	IE00271 Irregular expenditure incurred as a result of missing SBD forms in respect of award to supplier for lease of SITA accommodation in the Western Cape.	36 718	11 232	10 420	15 067	Investigation in progress.
22	IE00272 Irregular expenditure due to the award of a contract to a supplier for the maintenance and support services related to the CISCO CPE, NGN and OSIS equipment provided for in the SA Connect project, where the local content with stipulated minimum thresholds were not considered in the specification and evaluation processes as required.	10 694	7 453	3 241	-	Investigation in progress.
23	IE00273 Irregular expenditure incurred in respect of contract awarded for landscaping, garden terrains and indoor plant maintenance where there are missing SBD forms and tax compliance status could not be verified.	6 070	1 780	2 444	1 846	Investigation in progress.
<b>Totals</b>		<b>224 914</b>	<b>53 165</b>	<b>138 325</b>	<b>33 424</b>	

3. Details of prior year adjustment - Fruitless and Wasteful Expenditure						
The amount in respect of the prior year adjustment relates to the correction of understatement of expenditure reported in the previous year as well as cases identified in the current year that were not identified in the years in which they were incurred.						
In Rand Thousand						
Item No.	Incident	Total	Incurred in 2020/2021	Incurred in 2019/2020	Incurred prior to 2019/2020	Disciplinary action taken
1	FWE0008 Correction of understatement of expenditure reported in FY2020 as fruitless and wasteful in respect of payments made for maintenance and support of VOIP equipment purchased that were not in use.	499	-	-	499	Legal action in progress to recover losses from former employee
2	FWE0011 Fruitless and wasteful expenditure detected that was incurred in April 2019 relating to a matter where a supplier payment was made for a SITA Stakeholder Engagement: Broadband Rollout event that did not take place.	1 304	-	1 304	-	Disciplinary action in progress
3	FWE0013 Fruitless and wasteful expenditure incurred relating to payment made for Flexnet subscription for the period of Oct-18 to Sep-21 that was never deployed.	12 162	-	12 162	-	Investigation in progress
<b>Totals</b>		<b>13 965</b>	<b>-</b>	<b>13 467</b>	<b>499</b>	

2. Details of Irregular Expenditure condoned by National Treasury					
	Figures in Rand Thousand				
Item No.	Incident	Prior year amount condoned	Current year amount condoned	Total Amount condoned	Disciplinary action taken
1	IE00073 Procurement of VSAT services after expiry of contract on 31 January 2014 due to inadequate contract management.	2 774	-	2 774	Two officials identified as responsible. One official left the employ of SITA following a mutual separation agreement. Second official received sanction of one month suspension and final written warning.
2	IE00094 Continued procurement of office cleaning services, after expiry of the initial contract extension on 30 June 2015 due to inadequate contract management.	29	-	29	Two officials identified as responsible. One official dismissed in respect of another matter. Second official could not be disciplined as they had left the employ of SITA.
3	IE00096 Continued procurement of systems security services due to inadequate contract management.	6 117	-	6 117	Sanction of one month suspension and final written warning was given to the employee identified as responsible.
4	IE00107 Irregular Expenditure resulting from exceeding the contract amount. This was due to inclusion of services within the contract between SITA and the supplier without costing as the customer did not provide the full service requirements to enable the supplier to quote for these services.	9 661	-	9 661	Sanction of one month suspension and final written warning was given to the employee identified as responsible.
5	IE00112 Irregular Expenditure due to continued procurement of services after the contract expired. This was in respect of provision of infrastructure maintenance services for the customer.	7 625	-	7 625	Sanction of one month suspension and final written warning was given to the employee identified as responsible.
6	IE00120 Irregular expenditure due to broad band upgrades that were not properly approved by the delegated authority. This was due to inadequate contract management.	101 980	-	101 980	Sanction of one month suspension and final written warning was given to the employee identified as responsible.
7	IE00140 Irregular expenditure arising from the continued infrastructure maintenance and support services within the contract period but over the agreed contract value.	435	-	435	Sanction of one month suspension and final written warning was given to the employee identified as responsible.
8	IE00141 Irregular expenditure arising from the scope expansion of a contract with the supplier increasing the contract value by more than 15% without the appropriate approval. This was for forensic audit investigations.	10 696	-	10 696	A mutual separation agreement was reached with the official identified as responsible.
9	IE00143 Irregular expenditure due to scope expansion in respect of a full integrated solution to the client without obtaining the relevant approval and amending the MoA with the supplier.	86	-	86	Disciplinary action could not be instituted against the former official.
10	IE00180 Irregular expenditure incurred as a result of a single source deviation that should have been avoided had proper planning been done in respect of a lease of office accommodation in the North West.	280	-	280	Written warnings issued to two officials.
11	IE00192 Irregular expenditure incurred due to the occupation of office premises for a period of three months without an approved extension of the lease agreement.	96	-	96	Disciplinary action resulted in the dismissal of one employee.
12	IE00084 Continued procurement of software maintenance and support services after expiry of contract due to inadequate contract management.	7 141	-	7 141	Written warning issued to one official.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

13	IE00124 Continued procurement of security services after the contract expiry due to inadequate contract management.	439	-	439	Written warning issued to one official.
14	IE00113-IE00118 Continued procurement of services after the contract expired. This was in respect of provision of access links & bandwidth for various sites.	187 041	-	187 041	Sanction of one month suspension and final written warning was given to the employee identified as responsible.
15	IE00125 Continued procurement of access links from the service provider after expiry of contract.	1 387	-	1 387	Sanction of one month suspension and final written warning was given to the employee identified as responsible.
16	IE00145 Use of data line and access links services not included in the contract with the supplier.	873	-	873	Sanction of one month suspension and final written warning was given to the employee identified as responsible.
17	IE00148 Payments exceeding the contract value in respect of access lines and bandwidth for various sites.	632	-	632	Sanction of one month suspension and final written warning was given to the employee identified as responsible.
18	IE00155 Payments exceeding the contract value in respect of access lines and bandwidth for various sites. This was due to upgrades not included in the scope of the contract.	488	-	488	Sanction of one month suspension and final written warning was given to the employee identified as responsible.
19	IE00162-IE00164 Payments exceeding the contract value in respect of access lines and bandwidth for various sites.	265	-	265	Sanction of one month suspension and final written warning was given to the employee identified as responsible.
20	IE00147 Procurement of annual license fees and maintenance of point of sale equipment without obtaining appropriate approval.	33	-	33	Written warning issued to one official.
21	IE00173 Award to a consultancy firm for the provision of architectural consultancy services that should have been disqualified as incorrect information provided by the supplier resulted in unfair evaluation.	25 101	-	25 101	Disciplinary action could not be instituted against the former official. Disciplinary action in respect of other matters was instituted, and subsequently, a mutual separation agreement was reached.
22	IE00139 Continued use of network support services on behalf of a customer without a valid contract with the supplier in place.	1 580	-	1 580	Written warnings issued to two officials.
23	IE00202 Appointment of a Board sub-committee workshop facilitator without following any SCM process	26	-	26	Written warning issued to one official.
24	IE00211 Bid awarded to a supplier that did not meet the minimum qualifying criteria.	930	721	1 651	Written warnings issued to four officials.
25	IE00197 Overspending on the supplier contract due to the omission of work done from an approved scope expansion	1 633		1 633	No disciplinary action could be taken as the official identified as responsible is no longer in the employ of SITA.
26	IE00187a Irregular award of contracts for the procurement of maintenance and technical support of the Firearms Permit System.	94 459		94 459	Disciplinary action was instituted against several employees. This resulted in the dismissal of 4 officials. A further 6 officials resigned before disciplinary processes could be concluded.
27	IE00190 Overspending on the supplier contract due to the omission of work done from an approved scope expansion	11 335		11 335	Three officials identified as responsible. Two officials no longer in the employ of SITA. Third official provided sufficient evidence during the disciplinary process to be exonerated.

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

28	IE00210 Irregular expenditure incurred due to the appointment of a service provider for the supply of equipment, software, professional services, training and maintenance for the establishment of a cloud capability built on hyper-converged infrastructure to SITA for a period of ten years where the technical evaluation requirements were relaxed.	152 166	109 787	261 953	No disciplinary action taken as responsible parties identified are no longer in the employ of SITA. Case has been condoned by National Treasury.
29	IE00213 The irregular appointment of a service provider for the supply, installation, configuration and implementation of network infrastructure where technical evaluation requirements were relaxed rendering all expenditure in respect of this contract irregular.	429 707	305 004	734 710	No disciplinary action taken as responsible parties identified are no longer in the employ of SITA. Case has been condoned by National Treasury.
<b>Totals</b>		<b>1 055 016</b>	<b>415 512</b>	<b>1 470 528</b>	
<p>Note: The basis for the request to condone was that value for money was received, measures have been put in place to prevent recurrence, the officials responsible for the irregular expenditure are either no longer within the employ of the entity and therefore disciplinary action would not be possible, or all recommended disciplinary action has been finalised.</p>					

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**28 Cash flow notes**

**28,1 Normal tax (received)/paid**

Figures in Rand Thousand

	2021	2020
Opening balance	(166 170)	(167 709)
Current year normal tax charge	127 755	70 610
Interest accrual on provisional tax underpayment	4 655	(5 016)
Interest accrual on provisional tax overpayment	(2 156)	-
Closing balance	127 590	166 170
	<b>91 674</b>	<b>64 056</b>

**28,2 Reconciliation of net cash flows from operating activities**

Figures in Rand Thousand

**NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2021	2020
Surplus/(Deficit) before taxation	398 042	241 200
Adjustments for non-cash flow items:		
-Depreciation/Amortisation/Adjustments	170 919	154 035
-Impairment	28 039	2 640
-Increase/(Decrease) in provision for impairment - debtors	-	1 543
-Asset retirement	(3 537)	16 554
-Doubtful debt movement	21 604	2 896
-Bad debt written-off	-	15 385
-Inventory write-off	18 024	-
-Leave	-	8 714
-Loss on disposal or scrapping of property, plant and equipment	2 820	1 101
-Profit on disposal or scrapping of property, plant and equipment	(27)	-
-Post-retirement employee benefits cost	30 646	15 870
-Long-service award benefit	1 094	-
-Other non cash items	(179)	221
-Forex gain	1 405	-
-Foreign Exchange Loss	26	1 392
-Interest Finance lease	3 536	1 261
-Rounding differences	835	(618)
-Forex gain COS	(353)	(408)
-Forex Loss COS	5 531	-
-Finance Expense	9 176	2 221
-Finance income	(45 518)	(60 347)
-Increase in leave pay provisions	-	(1 359)
<b>Operating profit before working capital changes</b>	<b>642 083</b>	<b>402 301</b>
Working capital changes:		
-(Increase)/Decrease in trade and other receivables	(226 631)	519 873
-Decrease/(Increase) in prepayments made	(32 077)	35 832
-(Decrease)/Increase in trade and other payables	169 464	(533 531)
-(Increase)/Decrease in Inventory	125 200	(114 558)
-(Decrease)/Increase in income received in advance	28 618	115 847
-(Decrease)/increase in Post-retirement employee benefits	594	415
-(Decrease)/Increase in Finance Lease Liability	(2 040)	23 700
<b>Cash generated in operations</b>	<b>705 211</b>	<b>449 880</b>
Normal taxation	(91 674)	(64 056)
Finance income received	42 619	54 039
	<b>656 155</b>	<b>439 864</b>

## 29 Finance leases

## Finance lease liability

Figures in Rand Thousand

	2021	2020
Current portion of lease obligation	25 740	23 700
Non-current portion of lease obligation	41 581	66 988
	67 321	90 688

The lease liability is secured by the related underlying assets.

The undiscounted maturity analysis of lease liabilities at 31 March 2021 is as follows:

Figures in Rand Thousand

	<1 year	1-5 years
<b>31 March 2021</b>		
Lease payments	29 276	43 914
Finance charges	(3 536)	(2 333)
Net present values	25 740	41 581

The discount rate used to measure the finance lease liability is the rate found in the Standard interest rates to be levied on debt owing to the state as published (in the Government Gazette) by the Minister of Finance. Due to insufficient information to compute the interest rate implicit in the lease, an incremental borrowing rate was used. However due to SITA being a schedule 3A public entity in terms of the Public Finance Management Act, it does not have any externally sourced debt funds, thus not having a borrowing rate. The guidelines provided in the Accounting Guideline on GRAP 13, issued in February 2020 by the National Treasury, were followed which resulted in SITA applying the government lending rate as the discount rate for the measurement of the lease.

The finance lease is in respect of capitalized leased assets in the form of nodes, which form part of the cloud foundation infrastructure that makes up the cloud suite.

During the current financial year SITA and Gijima had an engagement whereby SITA informed Gijima that the official SITA view in respect of the node rental payments is that the payment for these nodes will be based on consumption in line with cloud-based principles. An agreement was reached between SITA and Gijima that SITA lease payments will be based on consumption and not on the available nodes. Since the lease does not have minimum lease payments (all lease payments are contingent), suggesting that in fact there is no financing arrangement or a basis or raise a finance lease liability. Based on the evidence and applying GRAP 13 principles, conclusion to reclassify the agreement between SITA and Gijima on the nodes from finance lease to an operating lease, therefore resulting to derecognition of the finance lease.

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**30 Correction of Prior Period Error**

Figures in Rand Thousand

**30,1 Long Service Bonus Awards**

As at 31 March 2020, SITA erroneously omitted the long service bonus award liability and the related expense from the financial statements. The omission resulted in the understatement of long-service bonus award liability and the related expense, the related tax implications have been taken into account under note 7. For the year ended 31 March 2021, SITA approached One Pangaea expertise and solution to do a calculation for the long service bonus award liability for both year ended 2020 and 2021.

	Previously stated	Impact	Restated 31 March 2020
<b>The Net effect of prior period error(s) relating to the Statement of Financial Position are as follows:</b>			
Long-service award benefit	-	10 358	10 358
<b>Net effect on Statement of Financial Position</b>	<b>-</b>	<b>10 358</b>	<b>10 358</b>
<b>The Net effect of prior period error(s) relating to the Statement of Changes in Net Assets are as follows:</b>			<b>31 March 2020</b>
			<b>2020</b>
Accumulated surplus	-	(10 358)	(10 358)
<b>Net effect on Statement of Changes in Net Assets</b>	<b>-</b>	<b>(10 358)</b>	<b>(10 358)</b>

**30,2 Property, plant and equipment and Intangible asset**

As at 31 March 2020, SITA had erroneously misstated the useful lives of the items of property, plant and equipment and intangible assets. The misstatement is as a result of inconsistencies in the useful lives of similar assets being different even though used for the same purpose. Assets within the company tend to be used much longer than would be anticipated, also due to budget constraint and much bigger asset book which makes it difficult to plan for asset replacement and this also resulted in the error due to possible many useful lives re-estimates in the prior year. Due to the nature of data available for assets, SITA has all the information about each asset as the asset register has information from when each asset was acquired or placed in service enabling the management to revise the useful lives of the assets as if they were applied from when acquired or placed in service. Old useful lives resulted in some assets being recognised at zero netbook value, as the depreciation or amortisation was accelerated. The new revised useful lives were determined after considering the assets lives within the asset book as this is more reliable indicator about the usage of assets within the company. The related tax implications have been taken into account under note 7.

	Previously stated 31 March 2020	Impact	Restated 31 March 2020
<b>The Net effect of prior period error(s) relating to the Statement of Financial Performance are as follows:</b>			
<b>Cost of sales (Depreciation)</b>	<b>194 290</b>	<b>(52 875)</b>	<b>141 416</b>
-Direct depreciation	144 536	(57 504)	87 032
-Direct amortisation	49 754	4 629	54 383
<b>Operating expenses</b>	<b>16 056</b>	<b>(5 659)</b>	<b>10 397</b>
-Indirect depreciation	11 906	(5 659)	6 247
-Indirect amortisation	4 150	-	4 150
<b>Net effect on Statement of financial Performance</b>	<b>210 347</b>	<b>(58 534)</b>	<b>151 813</b>

	Previously stated 01 April 2019	Impact	Restated 01 April 2019
<b>The Net effect of prior period error(s) relating to the Statement of Financial Position are as follows:</b>			
<b>Property, plant and equipment</b>			
<b>Decrease in accumulated depreciation/ increase in carrying amount</b>	<b>588 394</b>	<b>376 422</b>	<b>964 816</b>
Infrastructure Equipment	63 754	19 023	82 777
Computer Equipment	482 966	321 232	804 197
Office Furniture and Fitting	41 498	36 020	77 518
Vehicle	177	146	324
<b>Intangible asset</b>			
<b>Decrease in amortisation / increase in carrying amount intangible asset</b>	<b>83 112</b>	<b>120 810</b>	<b>203 922</b>
	83 112	120 810	203 922
<b>Net effect on Statement of Financial Position</b>	<b>671 506</b>	<b>497 232</b>	<b>1 168 738</b>

			Opening balance 1 April 2019
<b>The Net effect of prior period error(s) relating to the Statement of Changes in Net Assets are as follows:</b>			
Accumulated surplus	2 209	497 232	499 440
<b>Net effect on Statement of Changes in Net Assets</b>	<b>2 209</b>	<b>497 232</b>	<b>499 440</b>

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**30,3 Property, plant and equipment and Intangible assets**

As at 31 March 2020, SITA had erroneously not capitalised items of property, plant and equipment and intangible assets even though economic benefit resulting from these assets were being earned by the company, instead these items were kept under the construction in progress account - intangible assets. Construction in progress account keeps all the cost of assets still under development and this was not the case for the affected assets. This resulted in overstatement of construction in progress account - intangible assets. Related tax implications have been taken into account under note 7.

	Previously stated 31 March 2020	Impact	Restated 31 March 2020
<b>The Net effect of prior period error(s) relating to the Statement of Financial Position are as follows:</b>			
<b>Property, plant and equipment</b>			
<b>Increase in carrying amount - Computer Equipment</b>	-	5 000	5 000
Cost - Computer Equipment	-	6 473	6 473
Accumulated depreciation and impairment loss	-	(1 473)	(1 473)
<b>Intangible asset</b>	-	11 047	11 047
Cost - Internally Generated Intangible Asset	-	16 773	16 773
Accumulated depreciation and impairment loss	-	(5 726)	(5 726)
Construction in progress - intangible assets	23 246	(23 246)	-
Cost	23 246	(23 246)	-
<b>Net effect on Statement of Financial Position</b>	<b>23 246</b>	<b>(7 199)</b>	<b>16 047</b>

**The Net effect of prior period error(s) relating to the Statement of Changes in Net Assets are as follows:**

Accumulated surplus	-	(7 199)	(7 199)
<b>Net effect on Statement of Changes in Net Assets</b>	<b>-</b>	<b>(7 199)</b>	<b>(7 199)</b>

**30,4 Property, plant and equipment**

As at 31 March 2020, SITA had erroneously recognised costs that should have been expense as part of the cost an asset (Infrastructure equipment) and depreciated these cost over the period which they were capitalised to the asset. This error resulted in the overstatement of property, plant and equipment. The related tax implication are taken into account under note 7.

	Previously stated 31 March 2020	Impact	Restated 31 March 2020
<b>The Net effect of prior period error(s) relating to the Statement of Financial Position are as follows:</b>			
<b>Decrease in carrying amount - Infrastructure Equipment</b>	<b>38</b>	<b>(38)</b>	<b>-</b>
Cost - Infrastructure Equipment	1 505	(1 505)	-
Accumulated depreciation and impairment loss	(1 466)	1 466	-
<b>The Net effect of prior period error(s) relating to the Statement of Changes in Net Assets are as follows:</b>			
Accumulated surplus	1 466	(1 505)	(38)
<b>Net effect on Statement of Changes in Net Assets</b>	<b>1 466</b>	<b>(1 505)</b>	<b>(38)</b>

**30,5 Property, plant and equipment**

As at 31 March 2020, SITA had erroneously overstated the costs and accumulated depreciation relating to infrastructure Equipment and understated costs and accumulated depreciation relating to Building.

The Net effect of prior period error(s) relating to the Statement of Financial Position are as follows:

	Buildings	Infrastructure Equipment
<b>Carrying amount</b>	-	-
Cost	43 677	(43 677)
Accumulated depreciation and impairment losses	(43 677)	43 677
<b>Net effect on Statement of Changes in Net Assets</b>	-	-

**30,6 Intangible Asset**

As at 31 March 2020, SITA had erroneously recognised costs that should have been an expense as part of the cost an asset and depreciated these cost over the period which they were capitalised to the asset. This error resulted in the overstatement of intangible assets. The related tax implications are taken into account under note 7.

The Net effect of prior period error(s) relating to the Statement of Financial Position are as follows:

	Previously stated 31 March 2020	Impact	Restated 31 March 2020
<b>Decrease in carrying amount: intangible assets</b>	<b>898</b>	<b>(898)</b>	-
Cost	1 610	(1 610)	-
Accumulated Depreciation	(712)	712	-
<b>Net effect on Statement of Financial Position</b>	<b>898</b>	<b>(898)</b>	-

The Net effect of prior period error(s) relating to the Statement of Changes in Net Assets are as follows:

Accumulated surplus	712	(1 610)	(898)
<b>Net effect on Statement of Changes in Net Assets</b>	<b>712</b>	<b>(1 610)</b>	<b>(898)</b>

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**30,7 Intangible Asset**

As at 31 March 2020, SITA had erroneously recognised costs that should have been expense as part of the cost an asset and depreciated these cost over the period which they were capitalised to the asset. This error resulted in the overstatement of intangible assets. The related tax implication are taken into account under note 7.

The Net effect of prior period error(s) relating to the Statement of Financial Position are as follows:

**Decrease in carrying amount: Internally generated intangible assets**

Cost

Accumulated Depreciation

**Decrease in carrying amount: Intangible assets**

Cost

Accumulated Depreciation

**Net effect on Statement of Financial Position**

The Net effect of prior period error(s) relating to the Statement of Changes in Net Assets are as follows:

Accumulated surplus

**Net effect on Statement of Changes in Net Assets**

	Previously stated 31 March 2020	Impact	Restated 31 March 2020
<b>Decrease in carrying amount: Internally generated intangible assets</b>	<b>28 040</b>	<b>(28 040)</b>	-
Cost	43 681	(43 681)	-
Accumulated Depreciation	(15 641)	15 641	-
<b>Decrease in carrying amount: Intangible assets</b>	<b>6 406</b>	<b>(6 406)</b>	-
Cost	42 058	(42 058)	-
Accumulated Depreciation	(35 652)	35 652	-
<b>Net effect on Statement of Financial Position</b>	<b>34 446</b>	<b>(34 446)</b>	-
<b>The Net effect of prior period error(s) relating to the Statement of Changes in Net Assets are as follows:</b>			
Accumulated surplus	51 293	(85 739)	(34 446)
<b>Net effect on Statement of Changes in Net Assets</b>	<b>51 293</b>	<b>(85 739)</b>	<b>(34 446)</b>

**30,8 Revenue**

The amount of rental income, foreign exchange gain and sundry income was disclosed under Other Income note (Note 18) as this income is not from the core business operations of SITA rather secondary to the primary operations. The idea behind the disclosure was to provide users of the financial statements with a clear picture of revenue generated from primary operations and the gross profit of SITA. However, to enhance disclosure in terms of GRAP 9, these income items have been reclassified to revenue and disclosed as such under Revenue note (Note 16). The impact of the error is the increased revenue amount since other income are now included as revenue and decreased other income. The error is corrected by moving other income from other income note (note 18) and disclosing it as revenue under note 16. There is no impact of this reclassification to the Statement of Net Asset and Statement of Financial Position as the amounts were already in profits in the year ended 31 March 2020.

The Net effect of prior period error(s) relating to the Statement of Financial Performance are as follows:

**Other Income**

Rental income

Foreign Exchange Gain

Sundry income

**Revenue**

Rental income

Foreign Exchange Gain

Sundry income

**Net effect on Statement of financial Performance**

	Previously stated 31 March 2020	Impact	Restated 31 March 2020
<b>Other Income</b>	<b>48 608</b>	<b>(48 608)</b>	-
Rental income	15 559	(15 559)	-
Foreign Exchange Gain	0	(0)	-
Sundry income	33 049	(33 049)	-
<b>Revenue</b>	-	<b>(48 608)</b>	<b>48 608</b>
Rental income	-	(15 559)	15 559
Foreign Exchange Gain	-	(0)	0
Sundry income	-	(33 049)	33 049
<b>Net effect on Statement of financial Performance</b>	<b>48 608</b>	-	<b>48 608</b>

## 30,9 Revenue

Finance income was disclosed under finance income note (note 20) as rather than disclosing it as revenue (note 16). The idea behind the disclosure is that the finance income is income received from monies invested in financial institutions and interest from provisional tax overpayment so it becomes challenging to assess revenue performance year on year as this income is subject to large volatility for example movement in the interest rate and it is difficult to budget for this income. Disclosing this amount separately from revenue enabled users to compare revenue performance from primary operations year on year and actual revenue against budget and identify variances and then implementing any corrective measures. However, GRAP 9 requires finance income to be disclosed as revenue. The impact of the error is the increased revenue amount since finance income is included as revenue and decrease finance income. The error is corrected by moving finance income from finance income note (note 20) and disclosing it as revenue under note 16. A Other Income note (Note 18) instead of under Revenue note (Note 16). There is no impact of this reclassification to the Statement of Net Asset and Statement for Financial Position as the amounts were already in profits in the year ended 31 March 2020.

	Previously stated 31 March 2020	Impact	Restated 31 March 2020
<b>The Net effect of prior period error(s) relating to the Statement of Financial Performance are as follows:</b>			
<b>Finance income</b>	<b>60 347</b>	<b>(60 347)</b>	<b>-</b>
Interest on cash balance	55 332	(55 332)	-
Interest on Provisional tax overpayment	5 016	(5 016)	-
<b>Revenue</b>	<b>-</b>	<b>(60 347)</b>	<b>60 347</b>
Interest on cash balance	-	(55 332)	55 332
Interest on Provisional tax overpayment	-	(5 016)	5 016
<b>Net effect on Statement of financial Performance</b>	<b>60 347</b>	<b>-</b>	<b>60 347</b>

## 30,10 Inventory

During the 2019/20 financial year, 325 television screens that were part of inventory held at the supplier warehouse, were stolen. In the same financial year, the television screens were replaced by the supplier. This transaction was not disclosed during 2019/20 financial year.

	Previously stated 31 March 2020	Impact	Restated 31 March 2020
<b>The Net effect of prior period error(s) relating to the Statement of Financial Performance are as follows:</b>			
<b>Revenue</b>	<b>-</b>	<b>6 869</b>	<b>6 869</b>
-Replacement of inventory	-	6 869	6 869
<b>Operating expenses</b>	<b>-</b>	<b>(6 652)</b>	<b>(6 652)</b>
-Inventory loss due to theft	-	(6 652)	(6 652)
<b>Net effect on Statement of financial Performance</b>	<b>-</b>	<b>217</b>	<b>217</b>

	Previously stated 31 March 2020	Impact	Restated 31 March 2020
<b>The Net effect of prior period error(s) relating to the Statement of Financial Position are as follows:</b>			
Inventory	-	217	217
	-	217	217
<b>Net effect on Statement of Financial Position</b>	<b>-</b>	<b>217</b>	<b>217</b>

**The Net effect of prior period error(s) relating to the Statement of Changes in Net Assets are as follows:**

		2020
Accumulated surplus	-	217
<b>Net effect on Statement of Changes in Net Assets</b>	<b>-</b>	<b>217</b>

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**30,11 Finance Lease**

During the 2019/20 financial year, depreciation in relation to the nodes was erroneously calculated based on the period of 60 months instead of 49 months for the initial 10 nodes and 44 months for the 204 nodes.

The Net effect of prior period error(s) relating to the Statement of Financial Performance are as follows:

Cost of Sales

-Depreciation

Net effect on Statement of financial Performance

Previously stated 31 March 2020	Impact	Restated 31 March 2020
3 685	1 239	4 924
3 685	1 239	4 924
3 685	1 239	4 924

The Net effect of prior period error(s) relating to the Statement of Financial Position are as follows:

Finance lease - Cloud infrastructure

Accumulated depreciation and impairment

Net effect on Statement of Financial Position

Previously stated 31 March 2020	Impact	Restated 31 March 2020
(8 342)	(1 239)	(9 581)
(8 342)	(1 239)	(9 581)
(8 342)	(1 239)	(9 581)

The Net effect of prior period error(s) relating to the Statement of Changes in Net Assets are as follows:

Accumulated surplus

Net effect on Statement of Changes in Net Assets

Previously stated 31 March 2020	Impact	Restated 31 March 2020
-	(1 239)	(1 239)
-	(1 239)	(1 239)

**30,12 Infrastructure Equipment**

Cost incurred in relation to Modernisation of the data centre project were erroneously capitalised in the Construction in Progress (CIP) account instead of transferring them infrastructure equipment and portion to an expense account. The related depreciation was not processed in the prior years. The error resulted in overstatement of CIP account in the prior years.

The Net effect of prior period error(s) relating to the Statement of Financial Performance are as follows:

	Previously stated 31 March 2020	Impact	Restated 31 March 2020
Cost of sales	-	5 196	5 196
-Depreciation	-	2 223	2 223
-Repairs and maintenance	-	2 973	2 973
<b>Net effect on Statement of financial Performance</b>	<b>-</b>	<b>5 196</b>	<b>5 196</b>

The Net effect of prior period error(s) relating to the Statement of Financial Position are as follows:

**Property, plant and equipment****Increase in carrying amount - Infrastructure Equipment**

	Previously stated 01 April 2019	Impact	Restated 01 April 2019
Cost	-	21 099	21 099
Accumulated Depreciation	-	23 170	23 170
	-	(2 071)	(2 071)
<b>Decrease in CIP</b>	<b>29 416</b>	<b>(29 416)</b>	<b>-</b>
Cost	29 416	(29 416)	-
<b>Net effect on opening balance</b>	<b>29 416</b>	<b>(8 316)</b>	<b>21 099</b>

**Property, plant and equipment****Increase in carrying amount - Infrastructure Equipment**

	Previously stated 31 March 2020	Impact	Restated 31 March 2020
Cost	-	18 306	18 306
Accumulated Depreciation	-	20 529	20 529
	-	(2 223)	(2 223)
<b>Decrease in CIP</b>	<b>23 502</b>	<b>(23 502)</b>	<b>-</b>
Cost	23 502	(23 502)	-
<b>Net effect on Statement of Financial Position</b>	<b>23 502</b>	<b>(5 196)</b>	<b>18 306</b>

The Net effect of prior period error(s) relating to the Statement of Changes in Net Assets are as follows:

	Previously stated 01 April 2019	Impact	Restated 01 April 2019
Accumulated surplus	-	(8 316)	(8 316)
<b>Net effect on Statement of Changes in Net Assets - opening balance</b>	<b>-</b>	<b>(8 316)</b>	<b>(8 316)</b>

The Net effect of prior period error(s) relating to the Statement of Changes in Net Assets are as follows:

	Previously stated 31 March 2020	Impact	Restated 31 March 2020
Accumulated surplus	-	(5 196)	(5 196)
<b>Net effect on Statement of Changes in Net Assets</b>	<b>-</b>	<b>(5 196)</b>	<b>(5 196)</b>

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

**30,13 Deferred tax**

During the 2019/2020 the cost relating to installation and configuration were incorrectly accounted for in the tax calculation, this resulted in an incorrect tax loss been included in deferred tax calculation, this was subsequently correct in the tax return submitted for the period.

The Net effect of prior period error(s) relating to the Statement of Financial Performance are as follows:

	Previously stated 31 March 2020	Impact	Restated 31 March 2020
Tax expense	137 755	(20 119)	117 635
<b>Net effect on Statement of financial Performance</b>	<b>137 755</b>	<b>(20 119)</b>	<b>117 635</b>

The Net effect of prior period error(s) relating to the Statement of Financial Position are as follows:

	Previously stated 31 March 2020	Impact	Restated 31 March 2020
<b>Deferred tax</b>			
- current year	39 346	(755)	38 592
Prior year under provision on Circ 9	(113)	113	-
Prior year under provision - Other	(5 583)	5 583	-
- Assessed loss	(16 161)	15 178	(984)
<b>Net effect on statement of financial position</b>	<b>17 489</b>	<b>20 119</b>	<b>37 608</b>

The Net effect of prior period error(s) relating to the Statement of Changes in Net Assets are as follows:

	Previously stated 31 March 2020	Impact	Restated 31 March 2020
Accumulated surplus	-	20 119	20 119
<b>Net effect on Statement of Changes in Net Assets</b>	<b>-</b>	<b>20 119</b>	<b>20 119</b>

**30,14 Related party transactions**

Transactions with related parties which had not been disclosed in note 22 in 2019/20 financial year. The transaction does not have financial implications as it had been correctly included in the 2019/20 financial statements. This does not have an impact in the net assets as this is a disclosure related correction.

**Related party transactions - accounts receivable**

	Previously disclosed 31 March 2020	Impact	Restated 31 March 2020
Public entities	-	166 170	166 170
	-	<b>166 170</b>	<b>166 170</b>

**Related party transactions - accounts payable**

	Previously disclosed 31 March 2020	Impact	Restated 31 March 2020
National Departments	-	153 696	153 696
Public Entities	-	58 012	58 012
Controlling department	-	68 457	68 457
	-	<b>280 165</b>	<b>280 165</b>

**30,15 Repairs and maintenance**

The repairs and maintenance in relation to SITA's assets were not disclosed in the note to the property, plant and equipment 2019/20 financial year. This was a disclosure error and does not have impact on the net assets to the financial statements.

	Previously disclosed 31 March 2020	Impact	Restated 31 March 2020
Repairs and maintenance	-	14 797	14 797
	-	14 797	14 797

**30,15 Cell phone allowance**

Cell phone costs relate to voice and data allowances paid to employees in order to be carry out their respective revenue generating activities. These costs were erroneously disclosed and service delivery expenditure instead of labour costs. There is not impact to the net assets as the amounts were included in the previous financial year, this was mainly a reclassification between the expenses.

	Previously stated 31 March 2020	Impact	Restated 31 March 2020
<b>The Net effect of prior period error(s) relating to the Statement of Financial Performance are as follows:</b>			
<b>Cost of Sales</b>	<b>10 145</b>	-	<b>10 145</b>
-Labour costs	-	10 145	10 145
-Service delivery expenditure	10 145	(10 145)	-
<b>Operating expenses</b>	<b>3 703</b>	-	<b>3 703</b>
-Labour costs	-	3 703	3 703
Other expenses	3 703	(3 703)	-
<b>Net effect on Statement of financial Performance</b>	<b>13 848</b>	-	<b>13 848</b>

**The Net effect of prior period error(s) relating to the Statement of Changes in Net Assets are as follows:**

	Previously stated 31 March 2020	Impact	Restated 31 March 2020
Accumulated surplus	13 848	-	13 848
<b>Net effect on Statement of Changes in Net Assets</b>	<b>13 848</b>	-	<b>13 848</b>

31 Change in Accounting policy

SITA previously applied specific identification for inventory recognition as the items that were bought were segregated for specific project. SITA has changed the method to weighted average method due to the fact that there was a change in the project plan. The change in the method will result in providing reliable and more relevant information, the supplier applied discounts to different line items resulting in different prices for similar items.

The change did not result in change of the cost of inventory as no further acquisitions were made. The purpose for the change is to ensure that goods that are sold are measured correctly in relation to the disposal of inventory items. As a result, this will not result in a retrospective application as goods in respect of which the application of discount resulted different prices of similar items were not sold in the prior year. The average unit price for the goods that were sold in the prior year is similar to the unit price of goods purchased as per the supplier invoice.

**32 Events after the Reporting Date**

SITA appointed four new non-executive directors with effect from 21 April 2021

The President of South Africa, appointed the new Minister of the Communication and Digital Technologies The Honourable Khumbudzo Ntshavheni on the 5 August 2021

## STATE INFORMATION TECHNOLOGY AGENCY SOC LTD NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Figures in Rand Thousand - 31 March 2021

POSITION	Duration		Fees as Director	Acting Allowance	Basic Salary	Ad-hoc payment	Travel Allowances	Other allowances	Contributions to pension, medical or insurance funds	Total
<b>NON-EXECUTIVE DIRECTORS</b>										
<b>Chairperson</b>										
Mr Omega Shelembe	12 months	31-Mar-21	-	-	-	-	-	-	-	-
<b>BOARD MEMBERS</b>										
Mrs N Pietersen	10 months	31-Mar-21	111	-	-	-	-	-	-	111
Mr A Murray	10 months	31-Mar-21	58	-	-	-	-	-	-	58
Mr M Ntaga	10 months	31-Mar-21	67	-	-	-	-	-	-	67
			<b>236</b>	-	-	-	-	-	-	<b>236</b>
<b>EXECUTIVE DIRECTORS</b>										
Mr L Keyise (Executive Caretaker)	12 months	31-Mar-21	-	-	3 059	-	-	7	617	3 683
Mr A Pretorius (Acting: Chief Financial Officer)	8 months	30-Nov-20	-	97	1 106	-	-	10	116	1 329
Mr M Kgauwe (Chief Financial Officer)	4 months	31-Mar-21	-	-	758	-	-	5	75	838
			-	<b>97</b>	<b>4 923</b>	-	-	<b>21</b>	<b>809</b>	<b>5 850</b>

\*State employees that serve on the Board of directors do not receive compensation from the company.

\*\* These are alternate directors of the company.

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

POSITION	Duration	Fees as Director	Acting Allowance	Basic Salary	Ad-hoc payment	Travel Allowances	Other allowances	Contributions to pension, medical or insurance funds	Total	
<b>EXECUTIVE COMMITTEE MEMBERS</b>										
Ms MP Mohlabi (Company Secretary)	1 months	30-Apr-20	-	-	145	-	-	1	23	169
Mrs M Mkhwanazi (Executive: HCM)	12 months	31-Mar-21	-	-	2 237	-	15	14	240	2 507
S Mancotywa (Executive: Support Management)	5 months	31-Mar-21	-	-	709	-	-	6	80	795
Mr L Williams (Executive: Provincial and Local Consulting)	12 months	31-Mar-21	-	-	2 231	-	120	14	366	2 731
Mr F Mitchel (Executive: Internal Audit)	12 months	31-Mar-21	-	-	2 059	-	-	14	282	2 355
Mrs J Shibambu (Acting Executive: Strategy Management)	7 months	30-Sep-20	-	109	684	-	-	11	104	908
Mr G Reddy (Acting Executive: IT Infrastructure Services) #	12 months	31-May-20	-	28	1 600	-	139	11	284	2 062
Ms M le Roux (Chief Risk Officer) *	12 months	31-Mar-21	-	24	2 053	-	-	14	64	2 155
Ms V Xaxa (Company Secretary)	9 months	31-Mar-21	-	-	1 322	-	-	11	185	1 517
B Vilakazi (Acting Executive: Corporate and Digital Strategy)	5 months	28-Feb-21	-	52	527	-	-	7	31	618
Mr J Loubser (Executive: Corporate and Digital Strategy)	4 months	31-Jul-20	-	-	1 366	-	-	5	-	1 371
Mr K Pillay (Chief Procurement Officer)	12 months	31-Mar-21	-	-	1 791	-	120	14	159	2 084
Mr S Ntsangani (Executive: Application Development and Maintenance)	12 months	31-Mar-21	-	-	1 633	-	240	14	293	2 180
Mr N Tshenye (Executive: Strategic Stakeholder Management)	12 months	31-Mar-21	-	-	2 248	-	240	-	412	2 900
			-	213	20 603	-	875	138	2 523	24 352

\* Acted as company secretary for 2 months until 30 June 2020

# Acted for 2 months until 31 May 2020 and was appointed to the position

## STATE INFORMATION TECHNOLOGY AGENCY SOC LTD NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Figures in Rand Thousand - 31 March 2020

POSITION	Duration	Fees as Director	Acting Allowance	Basic Salary	Ad-hoc payment	Travel Allowances	Other allowances	Contributions to pension, medical or insurance funds	Total	
<b>NON-EXECUTIVE DIRECTORS</b>										
<b>Chairperson</b>										
Mr Z Nomvete	9 months	31-Dec-19	277	-	-	-	10	-	-	286
<b>Deputy Chairperson</b>										
<b>BOARD MEMBERS</b>										
Ms S Chaba	9 months	31-Dec-19	335	-	-	-	11	-	-	346
Ms N Magubane	9 months	31-Dec-19	132	-	-	-	1	-	-	133
Ms N Mhlangu	9 months	31-Dec-19	205	-	-	-	6	-	-	211
Ms P Matlala	9 months	31-Dec-19	279	-	-	-	8	-	-	288
Mr MT Sadik	9 months	31-Dec-19	276	-	-	-	9	-	-	285
Mr G Victor	9 months	31-Dec-19	218	-	-	-	7	-	-	225
			<b>1 446</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42</b>	<b>-</b>	<b>-</b>	<b>1 488</b>
<b>EXECUTIVE DIRECTORS</b>										
Mr L Keyise (Executive Caretaker)	2 months	31-Mar-20	-	-	541	-	-	-	112	652 564
Mr N Tshenye (Acting Chief Executive Officer)	10 months	31-Jan-20	-	169	1 920	-	200	-	345	2 634 207
Mr A Pretorius (Acting: Chief Financial Officer)	12 months	31-Mar-20	-	136	1 682	-	-	14	184	2 016 663
			<b>-</b>	<b>306</b>	<b>4 142</b>	<b>-</b>	<b>200</b>	<b>14</b>	<b>641</b>	<b>5 303 433</b>

\*State employees that serve on the Board of directors do not receive compensation from the company.

\*\* These are alternate directors of the company.

**STATE INFORMATION TECHNOLOGY AGENCY SOC LTD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)**

POSITION	Duration	Fees as Director	Acting Allowance	Basic Salary	Ad-hoc payment	Travel Allowances	Other allowances	Contributions to pension, medical or insurance funds	Total	
<b>EXECUTIVE COMMITTEE MEMBERS</b>										
Mr N Tshenye (Executive: Strategic Stakeholder Management)	2 Months	31-Mar-20	-	-	375	-	40	-	73	<b>487</b>
Mrs M le Roux (Executive: Risk Management)	12 Months	31-Mar-20	-	-	1 995	-	-	14	60	<b>2 070</b>
Mr F Mitchell (Executive: Internal Audit)	12 Months	31-Mar-20	-	-	2 117	-	-	14	266	<b>2 397</b>
Mrs J Shibambu (Acting Executive: Strategy Management)	12 Months	31-Mar-20	-	94	1 564	-	-	25	250	<b>1 934</b>
Mr S Ntsangni (Executive: Hosting and Secure Operations)	12 Months	31-Mar-20	-	-	1 662	-	240	14	310	<b>2 227</b>
Mr G Reddy (Acting Executive: Networks and Service Management)	12 Months	31-Mar-20	-	101	1 228	-	139	11	245	<b>1 724</b>
Mrs M Mkhwanazi (Executive: HCM)	12 Months	31-Mar-20	-	-	2 288	-	8	14	248	<b>2 558</b>
Mrs S Kgope (Acting Company Secretary)	12 Months	31-Mar-20	-	90	888	-	10	11	107	<b>1 107</b>
Mr J Loubser (Chief Digital Officer)	12 Months	31-Mar-20	-	-	3 679	-	-	14	-	<b>3 693</b>
Mr Kenneth Pillay (Chief Procurement Officer)	3 Months	31-Mar-20	-	-	448	-	30	4	44	<b>526</b>
Mrs L Mgego (Acting Executive Supply Chain Management)	9 Months	31-Mar-20	-	92	1 477	-	-	11	-	<b>1 579</b>
			-	<b>377</b>	<b>17 720</b>	-	<b>467</b>	<b>134</b>	<b>1 604</b>	<b>20 303</b>

34 Revenue from Non-Exchange Transactions

Figures in Rand Thousand

Replacement of inventory

	2021	2020
	-	6 869
	-	6 869

Replacement of inventory is as a result of lost goods been replaced by insurance











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