



**SITA**

state information technology agency

**2021-2022**

**ANNUAL REPORT**



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**PART A**  

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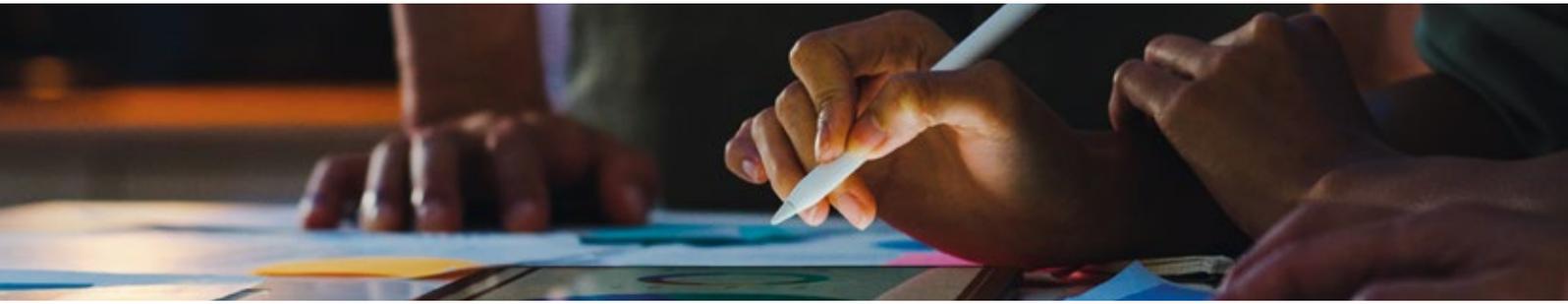
**GENERAL INFORMATION**

# Part A: General Information

## 1. PUBLIC ENTITY'S GENERAL INFORMATION

|                            |   |
|----------------------------|---|
| <b>REGISTERED NAME</b>     | State Information Technology Agency (SITA) SOC Ltd                            |
| <b>REGISTRATION NUMBER</b> | 1999/001899/30  |
| <b>PHYSICAL ADDRESS</b>    | 459 Tsitsa Street<br>Erasmuskloof<br>Pretoria<br>0048<br>South Africa         |
| <b>POSTAL ADDRESS</b>      | PO Box 26100<br>Monument Park<br>0105<br>South Africa                         |
| <b>TELEPHONE NUMBER</b>    | +27 12 482 3000   |
| <b>FAX NUMBER</b>          | +27 12 367 5151   |
| <b>EMAIL ADDRESS</b>       | makwena.mohlabi@sita.co.za  |
| <b>WEBSITE ADDRESS</b>     | www.sita.co.za  |
| <b>EXTERNAL AUDITORS</b>   | Auditor-General South Africa (AGSA)   |
| <b>BANKERS</b>             | Standard Bank of South Africa<br>PO Box 6232<br>Marshalltown<br>Gauteng, 2107 |
| <b>COMPANY SECRETARY</b>   | Makwena Mohlabi   |





## 2. LIST OF ABBREVIATIONS/ACRONYMS

### List of abbreviations/acronyms

|               |   |
|---------------|---|
| <b>4IR</b>    | Fourth Industrial Revolution                                    |
| <b>AFS</b>    | Annual Financial Statements                                     |
| <b>AGSA</b>   | Auditor-General South Africa                                    |
| <b>APIs</b>   | Application Programming Interfaces                              |
| <b>APP</b>    | Annual Performance Plan   |
| <b>APR</b>    | Annual Performance Report                                       |
| <b>ARCC</b>   | Audit, Risk and Compliance Committee                            |
| <b>B-BBEE</b> | Broad-Based Black Economic Empowerment                          |
| <b>BBI</b>    | Broadband Infracore   |
| <b>CAPEX</b>  | Capital Expenditure   |
| <b>CSIR</b>   | Council for Scientific and Industrial Research                  |
| <b>DCDT</b>   | Department of Communications and Digital                        |
| <b>DHA</b>    | Department of Home Affairs                                      |
| <b>DHET</b>   | Department of Higher Education and Training                     |
| <b>DHETST</b> | Department of Higher Education, Training Science and Technology |
| <b>DOD</b>    | Department of Defence   |
| <b>DPME</b>   | Department of Planning, Monitoring, and Evaluation              |
| <b>DPSA</b>   | Department of Public Service and Administration                 |
| <b>DSI</b>    | Department of Science and Innovation                            |
| <b>EBITDA</b> | Earnings before interest, taxes, depreciation, and amortisation |
| <b>EC</b>     | Executive Caretaker   |
| <b>EE</b>     | Employment Equity   |
| <b>Exco</b>   | Executive Committee   |
| <b>FY</b>     | Financial Year  |

## List of abbreviations/acronyms

|                 |  |
|-----------------|--|
| <b>GPCE</b>     | Government's Private Cloud Ecosystem               |
| <b>HCM</b>      | Human Capital Management                           |
| <b>ICT</b>      | Information and Communication Technology           |
| <b>IMD</b>      | Interim Managing Director                          |
| <b>IMST</b>     | Information Management Systems and Technology      |
| <b>LAN</b>      | Local Area Network                                 |
| <b>MIOS</b>     | Minimum Interoperability Standards                 |
| <b>MLP</b>      | Management Letter Points                           |
| <b>MTSF</b>     | Medium-Term Strategic Framework                    |
| <b>NDP</b>      | National Development Plan                          |
| <b>NGN</b>      | Next-Generation Network                            |
| <b>NT</b>       | National Treasury                                  |
| <b>PFMA</b>     | Public Finance Management Act                      |
| <b>PPFA</b>     | Preferential Procurement Policy Framework Act      |
| <b>PRC</b>      | Presidential Review Committee                      |
| <b>SAHPRA</b>   | South African Health Products Regulatory Authority |
| <b>SAPS</b>     | South African Police Services                      |
| <b>SARS</b>     | South African Revenue Service                      |
| <b>SCOPA</b>    | Standing Committee on Public Accounts              |
| <b>SCM</b>      | Supply Chain Management                            |
| <b>SDN</b>      | Software Defined Network                           |
| <b>SHE</b>      | Safety, Health and Environment                     |
| <b>SITA</b>     | State Information Technology Agency SOC Ltd        |
| <b>SITAzens</b> | All SITA employees                                 |
| <b>SLA</b>      | Service Level Agreement                            |
| <b>SMME</b>     | Small, Medium and Micro Enterprise                 |
| <b>SOC</b>      | State-Owned Company                                |
| <b>SOCC</b>     | Security Operations Centre Capability              |
| <b>UC</b>       | Unified Communications                             |
| <b>VPN</b>      | Virtual Private Network                            |
| <b>WAN</b>      | Wide Area Network                                  |
| <b>WSP</b>      | Workplace Skills Plan                              |

### 3. 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 Statement (AFS) audited by the AGSA;
- 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) has 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 control, 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 2022.



**Ms Makano Mosidi**

**Chairperson of the Board**



**Mr Molatlhegi Kgauwe**

**Acting Managing Director**



## 4. FOREWORD BY THE CHAIRPERSON OF THE BOARD

### Positive progress

The Covid-19 pandemic situation seems to be easing yet with many uncertainties, SITA has emerged stronger and more positive given its going concern status. The unqualified annual financial statements, with a decent profit increase of R486.9 million, and a 91% collection rate are some of the highlights achieved amidst the difficult environment.

SITA's ability to create value to all stakeholders has been proven amidst a challenging economic climate, and its potential to create even more value is more attainable.

### New Board

The Minister of Communications and Digital Technologies, Ms. Khumbudzo Ntshavheni, appointed the Board of Directors (hereinafter referred to as "the Board") with a balanced set of skills that is built in line with SITA's needs. The Board has progressively striven to have subcommittees that optimally reflect the strategic priorities of SITA and the diversity of all the stakeholders.

This new Board which took over the baton from its predecessor (hereinafter referred to as "interim Board") in February 2022, is technically a successor in title, and had the responsibility to oversee the delivery of commitments SITA had undertaken to its customers, the shareholder and stakeholders up to the end of the financial year. We painstakingly ensured that there was a seamless transition, as we took over the implementation of the plans that had

been signed off by the shareholder as embedded in the Annual Performance Plan (APP) of SITA for the period under review.

### Management leadership

The management team worked on improving SITA performance. This was a daunting task in light of the outbreak of Covid-19 when many things were uncertain and unknown. With the new SITA Board on board, the focus is on strengthening SITA and setting it up for even greater heights and achievements working with management. The urgent focus for the Board is to fill in the key leadership positions.

### Futuristic approach

The focus for the coming two to three years, given the strong fundamentals SITA has in place, is to zealously focus on transforming Government and SITA into paperless environments. This will contribute towards making government more responsive and efficient and the process will also include doing away with manual processes. The strategic areas such as our ports of entry, with this modernization project rolled out, are likely to make South Africa a country of choice for travel, either for business or leisure. We are unflinching in our quest to transform services that the citizenry consumes, to modernize the common platforms that Government departments use and make communication intelligent with software driven infrastructure.



## **Modus operandi**

SITA will champion the consultation, design and approval of the digital transformation framework, whose implementation must have a positive impact on the public service delivery landscape. This includes building on much of the work that SITA has already started. This calls for a purpose fit SITAzens, with the right competencies, skills and a can-do-attitude. Gender diversity, intentional recruitment of disabled persons and digitally native youth will ensure a corporate that is both responsible and responsive.

## **Partnerships**

We will achieve this by partnering with our various stakeholders, that is, GITOC, Government departments, industry professional bodies, hackathon communities for proudly South African, technology and software manufacturers amongst others, who rightly expect us to deliver on the provisioning of ICT services and contribute to the creation of a digitally capable state. The acceleration of digital infrastructure growth and programmatic expansion aimed at yielding improved services and growth in client satisfaction and the knock-on effect on economic development cannot be underestimated in the transformation envisioned.

The SITA Annual Report 2021-2022 records progress and opportunities provided for SMMEs, and is a baseline that will be extended to include key areas related to growth and sustainability.

## **Cyber security**

Another area of increasing concern for many institutions and governments across the globe is safety in a digital world, as the public service evolves to become more reliant on technology. Information technology security – as the body of technology, process and practice, designed to protect systems, networks, programs and data from cyber-risks, attacks, damage or unauthorised access – is crucial. SITA will invest and improve its security posture to prevent core threats and close any emerging cracks, as the organisation evolves through its digital transformation journey. SITA's position as a national key point requires the highest standard and pedigree of network security solutions to protect itself and the public service from the wild and ever-growing landscape of cyber-threats.

## In memoriam

We experienced great loss over the last two years and have endured grief, especially as a result of the Covid-19 pandemic. We mourn and remember the dearly departed SITAzens, and other stakeholders who contributed to SITA and the society at large. We are thankful for their contributions. We also extend our condolences to all SITAzens and their families who lost loved ones throughout this difficult period.

## Words of gratitude

### To Management and staff

We would like to thank management and staff for the commitment, hard work and achievement of these positive results which form a solid foundation for a more positive trajectory. In the same breath, we also believe that much more needs to be done to realise the change and capitalise on the opportunities ushered in by the Fourth Industrial Revolution. This requires a concerted effort that focuses on recruiting scarce ICT skills to augment what is already available and to upskill our employees in preparation for the demands of the future. This will have to be balanced with other transformation imperatives of our country and the industry to bring in the right gender mix as part of our workforce.

Our sincere gratitude is extended to the SITA Executive Committee, senior management and every SITA employee for their courage, endurance and delivery under exacting conditions.

### To the Board

Thank you to all my fellow Board members for their vigour and rigour in ensuring a SITA that is responsive and impactful within a robust governance environment. .

### To the Minister

In conclusion, on behalf of all Board members, I would like to thank the Minister of Communications and Digital Technologies, Ms Khumbudzo Ntshavheni, for the incredible role that she has played within the ICT and SITA space. We express our sincerest gratitude for her fortitude, leadership, vision and her ongoing support to see transformation and service delivery improvements become a lived experience by all.



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**Ms Makano Mosidi**

**Chairperson of the Board**



## 5. MANAGING DIRECTOR'S OVERVIEW

Central to the digital transformation journey, is government's vision for SITA to facilitate and implement ICT driven services and solutions that practically support the business of government, in this challenging context, driven by a new digital industrial revolution. It is within this context that we would like to have the work we have undertaken during the period under review to be understood. This annual report represents our performance scorecard, identifying among other things, specific programmes and initiatives SITA focused on in ensuring digital transformation geared towards improved public sector service delivery.

Getting work done and focusing on its practical implementation, remained the core theme for the year. Within this period, we put more emphasis on implementation than conceptualisation. We believe that notwithstanding many challenges in the ICT public sector, implementation of programmes, releases real value within the service delivery space.

The context that we currently operate in, that is driven by this new industrial revolution, challenges all government departments to ensure that their citizens benefit from the opportunities ushered in by new technologies. Thus, SITA's mandate is to lead the way, in ensuring that government has the capacity to realise a digitally transformed service delivery landscape for all citizens of South Africa.

SITA's digital transformation programme is premised on implementing an ICT infrastructure renewal programme, to modernise existing ICT infrastructure and optimise networking capacity and stabilise data centre operations. As a key enabler, SITA's intent is to provide scalable digital platforms for both universal services as well as services that are unique to individual government departments.

Continuous improvement within the ICT sector includes an investment in infrastructure, so investment in its capital expenditure programme remains a critical component towards change. We cannot ensure relevant, efficient and/or cost-effective services on an ageing infrastructure. Old legacy systems and infrastructure remain one of the most pressing challenges that face the public sector at the moment.

It is important to ensure that SITA continues to invest and upgrade its own infrastructure in a real and meaningful way. This will ensure that the different services that are linked to our data centres, to our internet services and our security services, will remain of the highest standard, as it delivers the services that citizens and departments require during this new digital age.



The entire public sector needed to reprioritise its plans and budget given the performance of our economy and the unpredictability of the Covid-19 pandemic in the last two years. Adjustments on the reallocation of resources is key and also most complex, in the current era.

SITA has identified key drivers for continued self-sustainability and implemented cost-cutting initiatives, including a revision of its internal governance framework for accountability and efficiency. These interim initiatives support business continuity across the organisation.

Given the above, SITA has performed in a reasonably satisfactory manner and realised an EBITDA of R633.7 million and a net collection rate of 91%. The organisation realised a marginal 2% growth rate, from the 10% revenue growth baseline generated from its 2020-2021 service portfolio.

Transforming SITA into a customer-focused organisation and adopting an organisational model to succinctly respond to customer needs, has also been key. SITA implemented this approach through its customer engagement and delivery models, where consulting and advisory services capability plays an important role in responding to client digital needs and solutions.

Additionally, SITA has revised its customer centricity programme to eliminate internal inefficiencies and address critical areas of customer service challenges. Several service improvement initiatives, and meaningful customer engagements through various government platforms to improve customer satisfaction and address customer service delivery challenges were also implemented. With an understanding of the customer's business environment, the organisation can confidently offer strategic and tactical consulting services, to guide the deployment of appropriate business and digital solutions.

SITA took incremental steps to capacitate itself internally and to provide its clients with a renewed value proposition, that consists of an end-to-end view of unique solutions and services for individual departmental business challenges, to digitally transform their environments to better respond to citizen needs.

As a result of our endeavors, SITA successfully reclaimed key client business, which is partly reflected by our improved market share statistics and growth.

Our internal business decision changes have been informed by government ICT needs, focusing on the effective allocation and control of financial resources, establishing a network of external business partners and developing strong relationships with key stakeholders. This improvement signals a gradual increase in SITA's competitive advantage and means that, through its combined service delivery and marketing efforts, SITA is offering its clients relevant and needed products and services.

SITA continued to prioritise supporting the implementation roadmap of the Department of Communications and Digital Technologies (DCDT) for the national e-Government Strategy, which is focused on digital transformation and modernising the public service, to improve service delivery to our citizens.

Broadband connectivity remains a vital part of the South African national development strategy. Without connectivity there can be no digital or service delivery transformation. High-speed connectivity is the catalyst for change and the foundation to unlock avenues, that create value and present opportunities to deliver solutions and services, to significantly and positively impact society as a whole.

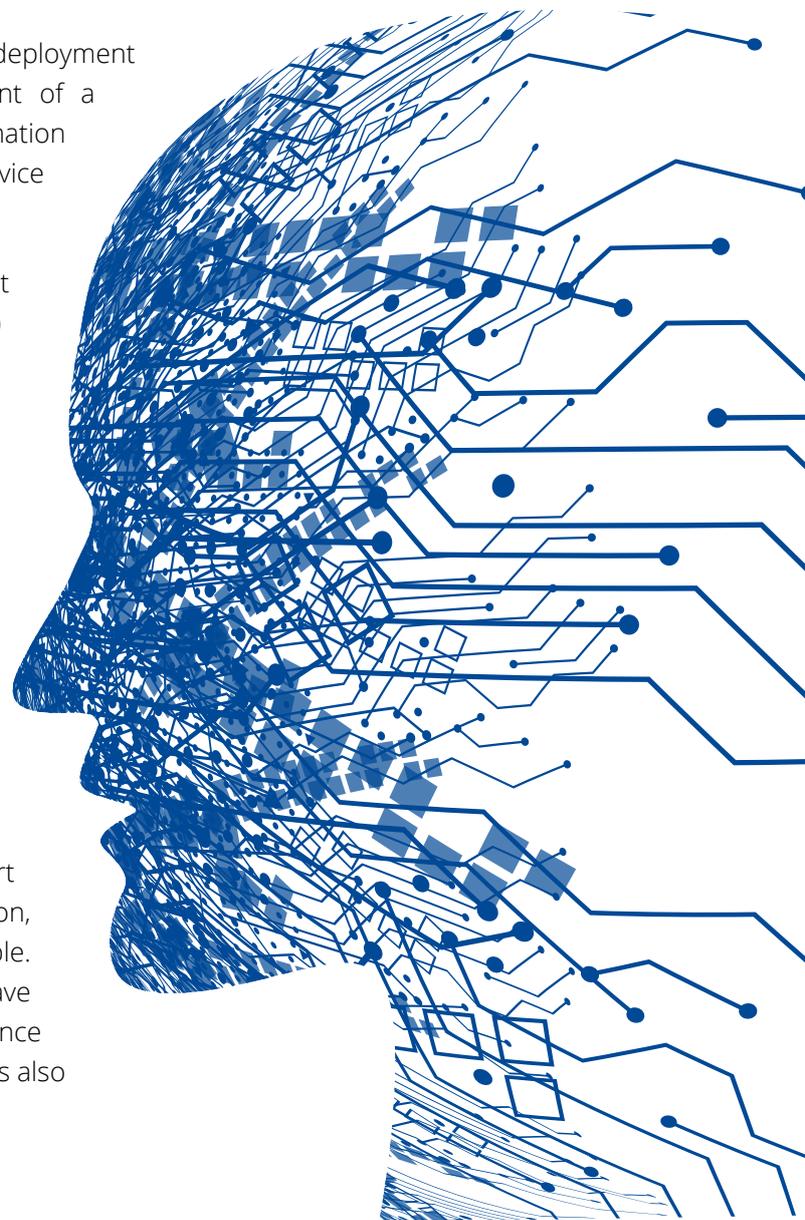
Another key achievement for SITA in this financial year, has been the data centre modernisation plan in which the first phase of the upgrade is almost completed, as we set our sights on meeting hyperscale infrastructure requirements.

SITA's infrastructure modernisation journey also included enabling a collaborative e-Government services platform, shared by various government departments and which empowers the agency to create, provide and deliver services with certainty, pace and efficiency.

In addition, SITA worked on the development and deployment of e-service products. This included the development of a governance framework structure for public service automation to ensure adequate scoping aligned to the necessary service requirements.

Three (3) big data analytics use cases, using government data and infrastructure, were completed. Thirteen (13) APIs were built and published in production, with the modernisation ensuring that cloud-enabled Apps are successfully migrated to cloud under new re-engineered architecture. SITA has finished the adjudication and contracting processes with successful innovators/ SMMEs, and is putting together a panel of innovators to address specific customer service delivery improvements.

Our transformation journey is anchored on the government's ideal to create a state innovation agency purposefully capacitated to improve service delivery, in all its multi-faceted ways. People who possess the right skills are critical to SITA's success. To support the digital transformation agenda of the organisation, we set out to onboard an increased number of people. Additionally, the internal promotion of employees who have been building their skills sets and amassing ICT experience that can serve SITA well, within an evolving ICT space, was also given attention.



Also given the pace of technological change in the context of Fourth Industrial Revolution, SITA continued to prioritise the upskilling of critical skills in its annual workplace skills plan. A significant number of employees were trained on core skills such as a cloud computing and software development. In addition, SITA embarked on a leadership skills assessment. Digital leadership and the right skillset across all levels of leadership are crucial to leverage digital technology, make decisions and embrace digital opportunities to further strengthen our organisational brand and reputation.

SITA continued working on overhauling of its organisational culture. Our commitment to prevent, detect and root out fraud and corruption continues. SITA's fraud awareness and prevention implementation plan are aligned to the National Anti-Corruption Strategy. The organisational values were amended to include elements of agility, collaboration and empathy. A smart solution competition was launched to further promote a culture of innovation. Awareness programmes on various employee relations initiatives that promote a healthy work life balance were implemented and a culture of high performance is being main-streamed as the norm. These initiatives put together, provide a broader overview of the programmes rolled out to support cultural change.

The transition towards implementing a digital transformation strategy requires going against the grain of established ways of working and embracing a corporate culture that is underpinned by good business ethics and a culture of integrity.

In conclusion, the overall work and performance contract for SITA for this financial year, was built around nineteen (19) targets. Our performance output resulted in eleven (11) targets being fully met; and eight (8) targets were not achieved. The annual performance result is at 57.89% , and more service delivery detail and reasons for variations, are included elsewhere in the relevant sections of this annual report.

Given the performance and what we achieved, I sincerely extend my heartfelt gratitude to the SITA Board of Directors, Executive Committee, management and employees for their work commitment and dedication to deliver on our mandate and improve our service delivery. Our shortcomings must mobilise us into a zeal to do more, and better. Our leader and champion who is driving a strong digital transformation agenda: Minister of Communications and Digital Technologies: Ms Khumbudzo Ntshavheni, supported by Deputy Minister Philly Mapulane are correspondingly singled out for passionately endorsing SITA's transformation journey – we cannot thank them enough.



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**Mr Molatlhegi Kgauwe**

**Acting Managing Director**

## 6. STRATEGIC OVERVIEW

Figure 1 - SITA mission, vision and values



## 7. LEGISLATIVE AND OTHER MANDATES

### 7.1 Presidential Review Committee

In 1996, a Presidential Review Commission (PRC) was appointed to review the structures and functions of Government and make recommendations on the transformation of the public service. Chapter 6 of the PRC report, which focuses on Information Management Systems and Technology (IMST) in government, identified a number of challenges. These included the lack of clear roles and responsibilities for IMST in the public sector, lack of co-ordination of IMST initiatives, incompatible systems and architecture that are unable to talk to each other, fragmented investments, duplicate and wastages of resources, insufficient knowledge and skills, and that procurement and development of IMST are not informed by the business objectives and processes of government.

In response to the challenges of Government's IMST, the PRC recommended the establishment of an IMST Lead Agency. Such a Lead Agency should:

- a) procure ICT goods and services, using economies of scale to reduce cost of ICT;
- b) develop standards, architectures and strategies to enable systems to exchange information;
- c) enhance government productivity through the use of ICT; and
- d) focus government ICT provision towards the betterment of citizen-centric services.

In addition, such a Lead Agency would coordinate the whole-of-government IMST initiatives in relation to a specific set of IMST functions with other participating departments. In order to ensure inter-agency cooperation, personnel and resources should be shared on a programme and/or project basis, but ultimately the Minister and senior management responsible for the lead agency would be held accountable for performance.

## 7.2 State Information Technology Agency Act, 88 of 1998

Following the PRC recommendations, SITA was established in April 1999 through the SITA Act 88 of 1998 and is registered as a Schedule 3A Public Entity which is self-sustaining and self-funding and government is the sole shareholder. The Minister of Communications and Digital Technologies exercises the custodian rights attached to the shareholder on behalf of the State.

SITA was established with a core mandate to provide IT Services to Government. The establishment was from the amalgamation of a number of entities listed below which had different operating methods, procedures, skills sets, infrastructure and technologies which had to work seamlessly in order to deliver on its mandate:

- a) Infoplan (Pty) Ltd, the ICT Service Provider to Department of Defence;
- b) Central Computer Services of the Department of State Expenditure; and

- c) Sub-component Information Systems within the Department of Safety and Security.

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.

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

- a) Electronic Communications Act, 36 of 2005;
- b) Public Finance Management Act, 1 of 1999;
- c) Companies Act, 71 of 2008;
- d) Public Service Act, Proclamation 103 of 1994;
- e) Electronic Communication and Transactions Act, 25 of 2002;
- f) National Key Points Act, 102 of 1980;
- g) Preferential Procurement Policy Framework Act, 5 of 2000;
- h) Protection of Personal Information Act, 4 of 2013;
- i) Cybercrimes Act, 19 of 2020;
- j) Government IT House of Values, as contained in the e-Government Policy;
- k) The Machinery of Government (May 2003);
- l) Minimum Interoperability Standards (MIOS);
- m) Minimum Information Security Standards; and
- n) National Integrated Information Communication Technology (ICT) Policy White Paper.

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

**Figure 2 - SITA must and may services**

| SITA MUST   |  | SITA MAY  |   |
|---|--|---|---|
|    | <b>Private Telecoms Network</b><br>Act, Sec 7 (1)(b)(i)                          |    | <b>Department ICT Training</b><br>Act, Sec 7 (1)(b)(i)        |
|    | <b>Transversal Systems</b><br>Act, Sec 7 (1)(b)(ii)                              |    | <b>Department System Development</b><br>Act, Sec 7 (1)(b)(ii) |
|    | <b>Transversal Data Processing</b><br>Act, Sec 7 (1)(b)(iii)                     |    | <b>Department ICT Maintenance</b><br>Act, Sec 7 (1)(b)(iii)   |
|    | <b>Information System Security</b><br>Act, Sec 6 (a)                             |    | <b>Department Data Processing</b><br>Act, Sec 7 (1)(b)(iv)    |
|    | <b>Disaster Recovery Plan</b><br>Regulation, Sec 4.1.2                           |    | <b>Advisory Services</b><br>Act, Sec 7 (1)(b)(v)              |
|    | <b>Procurement</b><br>Act, Sec 7 (3)   |    | <b>ICT Management Services</b><br>Act, Sec 7 (1)(b)(vi)       |
|  | <b>Standards (Interoperability &amp; Security)</b><br>Act, Sec 7 (6)(a)(i), (ii) |  | <b>Provide Authentication Products</b><br>Act, Sec 7 (6)(c)   |
|  | <b>Certify against Standards</b><br>Act, Sec 7 (6)(b)                            |  | <b>Do ICT Research</b><br>Act, Sec 7 (6)(d)                   |
|  | <b>IS Convergence Strategy</b><br>Regulation, Sec 4.1.1 (a)                      |   |   |
|  | <b>Information System Inventory</b><br>Regulation, Sec 4.6                       |   |   |
|  | <b>Research Plan</b><br>Regulation, Sec 4.1.1                                    |   |   |

## 7.3 Constitutional mandates

According to the Constitution of the Republic of South Africa 1996, SITA is subject to the constitutional mandates below, as outlined in chapter 10.

### 7.3.1 Section 195: Basic values and principles governing public administration

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

- 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.

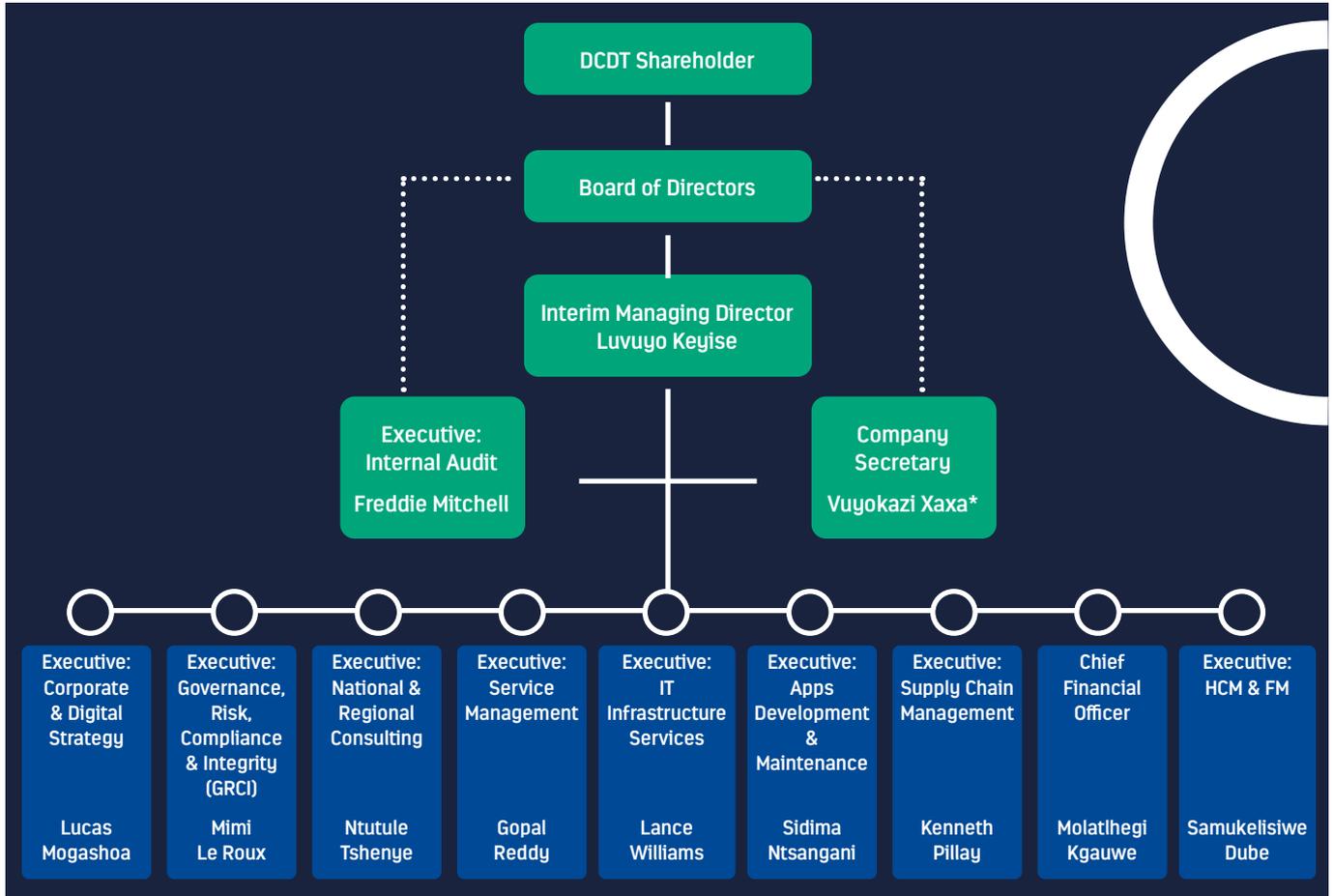
### 7.3.2 Section 217: Procurement

- 1) 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.
- 2) 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:
  - a) categories of preference in the allocation of contracts; and
  - b) protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.
- 3) National legislation must prescribe a framework within which the policy referred to in subsection 2 must be implemented.

## 8. ORGANISATIONAL STRUCTURE

The macro structure as depicted in the figure below is woven into the corporate strategy and is configured to support the strategic objectives of the organisation. By the end of the financial year, almost all executive positions were filled and the recruitment process for the appointment of the Executive of Human Capital post was underway; the new Executive assumed duty on 1 August 2021.

**Figure 3 – SITA macro organisational structure**



\* Ms Shirley Kgope (Acting Company Secretary - acted from 1 October - 30 November 2021)  
Ms M Le Roux (Acting Company Secretary) - acted from 1 December 2021 - 31 March 2022





## **PART B**

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# **PERFORMANCE INFORMATION**



# Part B: Performance Information

## 9. AUDITOR-GENERAL SOUTH AFRICA REPORT: PREDETERMINED OBJECTIVES

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

Refer to pages (95-102) of the Auditors-General's Report, included in Part E: Financial Information.

## 10. SITUATIONAL ANALYSIS

SITA has successfully laid the groundwork for digitalised service delivery by implementing the ICT infrastructure renewal programme, which is geared to modernise existing ICT infrastructure, optimise networking capacity, and improve data centre operations. The 2021/22 financial year was the second year of the newly planned and authorised five-year SITA Strategic Plan, which was carried out through the 2021/22 Annual Performance Plan (APP). SITA adhered to the Department of Planning, Monitoring, and Evaluation (DPME) on the Revised Framework for Strategic Plans and APP, as well as other government planning regulations, to ensure proper governance and compliance to policy. This section of the report reflects SITA's performance throughout the course of the financial year.

### 10.1 Service delivery environment

SITA has developed a governance framework structure for public service automation that assures proper scoping of the necessary service requirements to be implemented. This is to ensure improved customer participation and buy-in, but more importantly to guarantee whatever service SITA digitises is what the rest of the government requires. As a result, SITA continues to prioritise customer-facing innovative projects, including ensuring that adequate funding is allocated and spent efficiently throughout the digitisation process. SITA's priority competencies have been shaped as a result of the partnership between SITA, Department of Communications and Digital Technologies (DCDT), and Department of Public Service and Administration (DPSA). Digital services, digital infrastructure, procurement and transformation, customer service improvement, financial stability, strategic enablers, and organisational structure were among SITA's primary priority areas at the time. SITA, also endeavours to partner with the ICT industry, particularly SMMEs to construct creative solutions that will digitally transform government.

Despite SITA's marginal progress in service delivery, legislative constraints in procurement are hindering the effective execution of SITA's digital strategy. SITA will continue to work with the National Treasury to ease or find solutions to procurement challenges.



### 10.1.1 Digital services

SITA in collaboration with DCDT has worked on ensuring successful deployment of innovative transversal and sector specific solutions and applications with the view of end-to-end public service value chains to ensure improved digital service delivery and citizen convenience as well as improved experience of public services. The organisation is nearing the completion of the government e-portal that will have a single entry for government, focusing on reducing duplication, but most importantly to stimulate efficiencies. Leading from this development, SITA has established a baseline of potential essential public-facing services for digitalisation, and three (3) big data analytics use cases have been successfully delivered using government data and infrastructure. Around thirteen (13) APIs were built and published in production, with the modernisation ensuring that cloud-enabled apps are successfully migrated to cloud under a new reengineered architecture. SITA has finished the adjudication and contracting processes with successful innovators/SMMEs and is currently putting together a panel of innovators to address specific customer pain issues.

### 10.1.2 Digital infrastructure

SITA continues to work closely with the DCDT to ensure that digital infrastructure is provisioned successfully. The organisation's plan is to continue to modernise infrastructure in order to effectively host cloud-based applications and services. During the financial year, SITA welcomed ten (10) new Unified Communications clients. The Security Operations Centre Capability (SOCC) on SITA's virtual private network is still being established and operationalised; the award thereof is contingent on feedback from the State Security Agency (SSA). SITA has made improvements in the software defined network (SDN) capability project implementation. The data centre modernisation plan is nearing the end of its Phase 1 upgrade that will see it meeting hyperscale infrastructure requirements.

### 10.1.3 Procurement and transformation

While SITA's procurement processes are still prolonged in most instances, the Agency has managed to take advantage of economies of scale by digitising the procurement service offering, and this will assist the Agency to eliminate the long turnaround times and non-compliance in the procurement value chain. The journey toward full deployment of well-automated and digitalised supply chain operations to drive broad reform to address turnaround challenges is still underway. With 45.95% of acquisitions strictly spent through black SMME organisations on influenceable spend, SITA continues to strengthen SMMEs. Approximately 70.26% of procurement awards were completed within the specific timeframes. Furthermore, twelve (12) transversal and panel contracts, also referred to as framework agreements, were effectively implemented in terms of reshaping supply chains through ICT economic transformation. SITA's strategic focus is to continue digitising supply chain management processes with stringent controls in order to maximise productivity and reduce the likelihood of opportunistic fraud and corruption.

## 10.1.4 Customer service improvement

To deliver on customer requirements, SITA has revised its customer centricity programme to eliminate internal inefficiencies and address existing and critical customer service challenges. With an in-depth understanding of the customer's business environment and thought leadership, the organisation has effectively offered strategic and tactical consulting services, guiding the deployment of appropriate business and digital solutions.

## 10.1.5 Financial stability

Despite the fact that the Covid-19 pandemic has had a negative impact on South Africa's current political and economic landscapes, SITA has achieved an EBITDA of R633,7 million, and this is likely to rise further in the current financial year, with a net collection rate of 91%. On the other hand, a 2% growth rate has been realised from the 10% revenue growth baseline based on 2020-2021 SITA's service portfolio in scope.

## 10.1.6 Strategic Enablers

To strengthen the governance management driven by digital transformation, SITA has engaged in developing internal capabilities for emerging technologies and ICT governance frameworks. This initiative aims to accelerate SITA's internal as well as government digitization. Furthermore, SITA has also built capacity to develop innovative product/service, operational and management solutions.

## 10.2 Organisational environment

It has been nearly three (3) years since the outbreak of the pandemic which created challenges for governments, corporations, social organisations, and individuals all around the world. The pandemic has drastically altered people's lives and had a significant impact on South Africa's digital landscape.

In accordance with its mandate to improve overall public service delivery for South African citizens through the effective use of ICT, SITA continued on the trajectory of its three-year transformation journey to transform government digitally. The Agency delivered on its APP by focusing on key service offerings namely; research and development, innovation, localisation, e-Government and implementation, IT service management and procurement of IT products.

Regardless of the Covid-19 pandemic's challenges, as well as overall organisational challenges, the citizens' desire to access government services through digital platforms has never been greater, necessitating the urgency to implement programmes and policies aimed at minimising the digital divide and creating a more inclusive digital economy. The newly appointed SITA Board and Executive Management have adopted the citizen-facing programmes in order to elevate digital infrastructure, fourth industrial revolution (4IR), and systems integration initiatives in conjunction with accelerating digital service delivery.

SITA is striving to maintain a structure that is fit-for-purpose in order to tackle the challenges that have kept the Agency from performing as expected. The Agency's goals on e-government, R&D, innovation, localisation, cyber-security, and IT service management are among the areas where the structure is well-aligned with the shareholders' core priorities. This supports SITA's digital transformation agenda and value proposition to government departments by integrating all digital transformation initiatives, consolidating all provincial and local consulting capabilities, and supporting the achievement of business objectives.



### 10.3 Key policy developments and legislative changes

A key legislative development which has impacted SITA business operations was the Constitutional judgement - Minister of Finance vs Afribusines NPC [2022] ZACC 4 - regarding the validity of the regulations to the Preferential Procurement Policy Framework Act 5 of 2000 ("the Regulations"); and subsequent guidance provided by National Treasury (NT) on the treatment of procurement processes.

On 16 February 2022, the Constitutional Court in a majority judgment held that the Regulations were invalid and that the Minister of Finance usurped its powers when promulgating the Regulations. As a result, SITA was compelled (in complying with a National Treasury instruction) to suspend all procurement processes which were advertised on or after 16 February 2022 until NT directed otherwise. This negatively impacted the achievement of some of the planned APP targets for the financial year.

## 10.4 Progress towards achievement of institutional impacts and outcomes

### 10.4.1 Progress made on the Strategic Plan 2020-2025

SITA's impact statement continues to guide the organisation to execute the approved strategy and deliver on its mandate. The organisation has continued to carry out planned actions to support the government's digital transformation goal, as guided by its mandate, amended MTSF focus areas, shareholder outcomes, and PC4IR targets.

**Table 1 - Progress on the Strategic Plan 2020-2025**

| IMPACT STATEMENT: Improved 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. |   |  |                                 |  |
|--|---|--|---------------------------------|--|
| MTSF PRIORITY 1: ECONOMIC TRANSFORMATION AND JOB CREATION  |   |  |                                 |  |
| PROGRAMME  | PERFORMANCE OUTCOME   | OUTCOME INDICATOR  | BASELINE <sup>1</sup>           | FIVE-YEAR TARGET <sup>2</sup>  |
| PROGRESS AS AT 31 MARCH 2022   |   |  |                                 |  |
| <b>Thought Leadership and Service Delivery</b>   | Seamless integrated and trusted public services   | % increase in customer satisfaction level                    | 51% customer satisfaction level | 80% customer satisfaction level  |
| <b>Digital Infrastructure</b>  | Increased citizen value through availability and accessibility of core government public-facing services on digital platforms | % core public facing services available on digital platforms | -                               | 100% core public facing services available on digital platforms  |
|  |   |  |                                 | <ul style="list-style-type: none"> <li>51% customer satisfaction level achieved in FY17/18; a survey was not conducted in FY19/20 due to the cost containment measures.</li> <li>Service improvement plans for specific priority services were prioritised and going forward greater efforts will be made to drive service improvement across the Agency to achieve the planned outcome.</li> <li>New target, no baseline for FY20/21.</li> <li>Baseline of candidate core public-facing services for digitisation established in FY2021/22, including 13 APIs that were developed and published in production and 3 big data analytics use cases were deployed instead of 4. Plans to implement the fourth big data analytics use case are still underway.</li> </ul> |

<sup>1</sup> Baseline for the outcome indicator at March 2020

<sup>2</sup> Planned target for the outcome indicator at March 2025

| <b>IMPACT STATEMENT: Improved 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.</b>  |                                  |  |                             |   |
|--|----------------------------------|--|-----------------------------|---|
| <b>MTSF PRIORITY 1: ECONOMIC TRANSFORMATION AND JOB CREATION</b>   |                                  |  |                             |   |
| <b>PROGRAMME</b>   | <b>PERFORMANCE OUTCOME</b>       | <b>OUTCOME INDICATOR</b>                     | <b>BASELINE<sup>1</sup></b> | <b>FIVE-YEAR TARGET<sup>2</sup></b>   |
| <b>Digital Infrastructure</b>  | Optimised digital infrastructure | Maturity level of the digital infrastructure | -                           | Attain maturity level 3 digital infrastructure as per the digital government maturity model |
|  |                                  |  |                             | <b>PROGRESS AS AT 31 MARCH 2022</b>   |
| <ul style="list-style-type: none"> <li>▪ SITA implemented various multiyear initiatives to optimise its infrastructure, namely;                             <ul style="list-style-type: none"> <li>- 99.38% implementation of planned activities for SOCC in FY20/21 and 22% implementation of SOCC on SITA VPNs for FY21/22</li> <li>- 100% implementation of planned activities for the UC plan for SITA in FY20/21 and onboarding of clients in FY21/22</li> <li>- 61% implementation of the planned activities for SDN capability in FY20/21 and 80.2% in FY21/22</li> <li>- SITA SCM processes to procure services to support Data Centre upgrades in line with tier 3 requirements were unsuccessful in FY20/21 and only 35.18% of strategic data centre facilities upgrades were completed to support hyperscale infrastructure requirements in FY21/22</li> <li>- 3 digital platforms deployed in FY20/21 and 2 digital platforms deployed in FY21/22.</li> </ul> </li> <li>▪ Multiple procurement related matters e.g. cancellation of bids tenders, cost containment measures, impact of Constitutional court judgement on Preferential Procurement Framework Act (PPFA) relating to preferential procurement as well external funding dependencies affected planned outcomes.</li> <li>▪ SITA is currently working to resolve delays in the appointment of professional service providers to assist with the designs and specifications for the essential infrastructure upgrades, including the fire suppression system.</li> <li>▪ Plans are in place to expedite the design and specification development. The early stages of the procurement process, which include approving bid specifications, have been reexamined with National Treasury in order to expedite the publication and approval of tenders.</li> </ul> |                                  |  |                             |   |

<sup>1</sup> Baseline for the outcome indicator at March 2020

<sup>2</sup> Planned target for the outcome indicator at March 2025

**IMPACT STATEMENT: Improved 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.**

**MTSF PRIORITY 1: ECONOMIC TRANSFORMATION AND JOB CREATION**

| PROGRAMME                                      | PERFORMANCE OUTCOME  | OUTCOME INDICATOR                 | BASELINE <sup>1</sup>               | FIVE-YEAR TARGET <sup>2</sup>       | PROGRESS AS AT 31 MARCH 2022  |
|--|--|-----------------------------------|-------------------------------------|-------------------------------------|---|
| <b>Skills and Capability Development</b>       | Enhanced workforce capability solving complex problems and adopting innovative solutions | % digitally capable workforce     | -                                   | 85% digitally capable workforce     | <ul style="list-style-type: none"> <li>▪ New target, no baseline for FY20/21.</li> <li>▪ 81% of employees trained against the WSP in FY20/21 and 52.64% in FY21/22.</li> <li>▪ Progress was impacted by challenges to source training as per WSP. SITA is addressing the gaps through multiple approaches to source employees training requirements to achieve the desired outcome of an enhanced workforce capability.</li> </ul>  |
| <b>Financial Sustainability</b>                | Innovative digital service investments promoting financial sustainability                | % increase in profitability       | -1% profitability                   | 5% increase in profitability        | <ul style="list-style-type: none"> <li>▪ -1% profitability in FY20/21 due to impact of Covid-19 and cash flow challenges.</li> <li>▪ In comparison to its original aims, SITA has improved its profitability through its debt management strategy, improved billing &amp; invoice management and cost containment measures.</li> </ul>  |
| <b>Procurement and Industry Transformation</b> | Reshaping supply chain through ICT economic transformation                               | % of black SMME suppliers in SITA | 10% of black SMME suppliers in SITA | 60% of black SMME suppliers in SITA | <ul style="list-style-type: none"> <li>▪ 10% of black SMME suppliers in SITA in FY20/21.</li> <li>▪ SITA aligned its targets to Shareholder (DCDT) targets and SA national transformation agenda i.e. acquisition spend, channeled through black SMME entities supports this outcome</li> <li>▪ SITA registered 40.67% and 45.95% of acquisition spend through black SMME entities on influenceable spend in FY20/21 and FY21/22 respectively. Performance was also impacted by PPPFA regulation which halted all procurement during Q4.</li> </ul> |

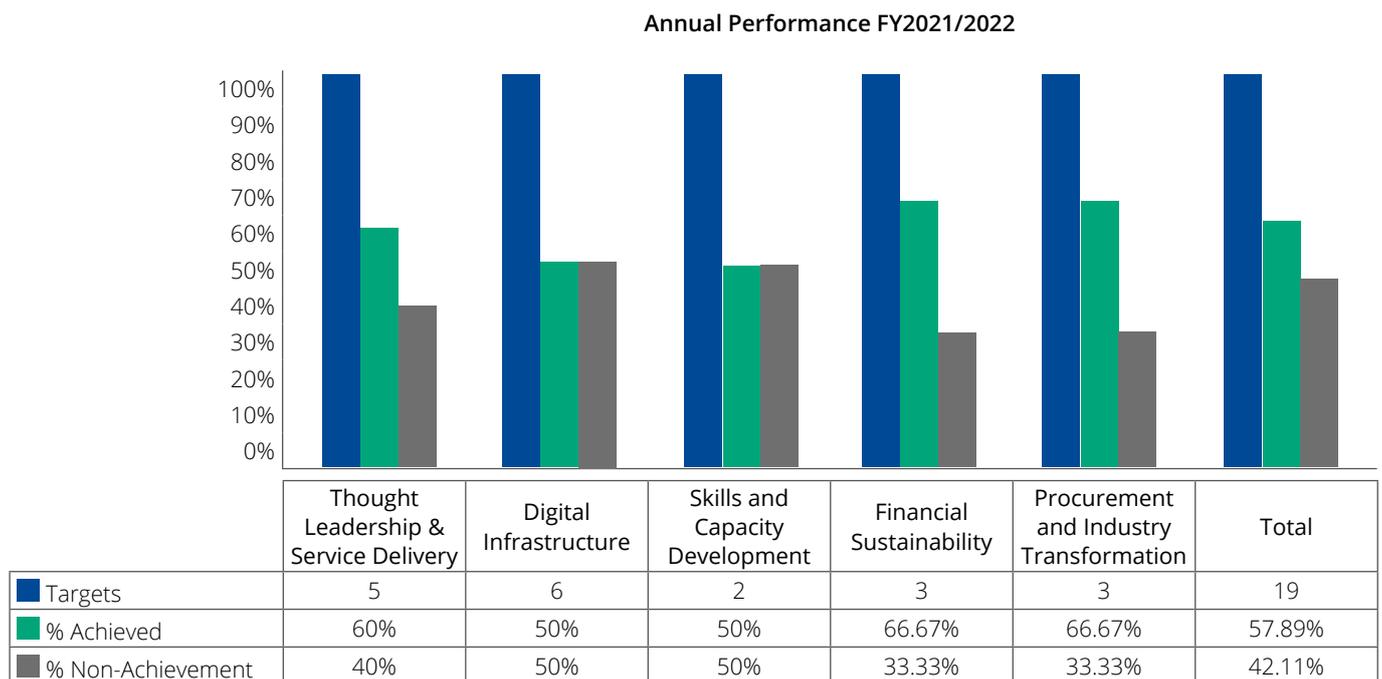
<sup>1</sup> Baseline for the outcome indicator at March 2020

<sup>2</sup> Planned target for the outcome indicator at March 2025

## 10.5 Programme performance information

The government reprioritised its plans and budget for an already stagnant economy whilst it adjusted to the volatility of the Covid-19 pandemic throughout financial years 2019/20 to date. Key adjustments related to the reallocation of resources in preparation for worst-case situations. As a result, SITA identified key drivers for self-sustainability, such as cost-cutting initiatives and a revision of its delegations of authority policy, to support business continuity across the organisation, and at the provincial level, especially since the Agency does not receive funding from the fiscus to carry out its mandate. Notwithstanding, SITA has achieved on 11 out of the 19 targets while 8 targets were not achieved, resulting in an annual performance result of 57.89% as depicted in the figure below:

**Figure 4 – FY2021/22 APP annual performance as at 31 March 2022**



Detailed programme performance results are provided in the following table:

### 10.5.1 Outcomes, Outputs, Output Indicators, Targets and Actual Achievements

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

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

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

| Outcome   | Output   | Output Indicator   | Audited Actual Performance |         | Planned Annual 2021/2022   | Actual achievement 2021/22  | Deviation from planned target to Actual Achievement | Reasons for Deviations |
|---|--|--|----------------------------|---------|--|---|---|------------------------|
|   |  |  | 2019/20                    | 2020/21 |  |   |   |                        |
| Increased citizen value through availability & accessibility of core government public facing services on digital platforms | Core public-facing services available on digital platforms | % core public-facing services available on digital platforms | -                          |         | Baseline of candidate core public-facing services for digitisation established | <b>Achieved</b><br>Baseline of candidate core public-facing services for digitisation established | No variance   | N/A                    |

| Outcome  | Output   | Output Indicator  | Audited Actual Performance |   | Planned Annual 2021/2022   | Actual achievement 2021/22  | Deviation from planned target to Actual Achievement | Reasons for Deviations  |
|--|--|---|----------------------------|---|--|---|---|---|
|  |  |   | 2019/20                    | 2020/21                                 |  |   |   |   |
|  | Application programming interfaces (APIs) established and published in production            | # of APIs established to enable heterogeneous systems to integrate                                | -                          |   | 8 APIs established and published in production   | <b>Achieved</b><br>13 APIs established and published in production  | 5   | <ul style="list-style-type: none"> <li>Identification of APIs at the beginning of the year assisted in ensuring there was enough time to be able to deliver the required APIs.</li> <li>Having a dedicated team with a full complement of the resources assisted the successful implementation.</li> </ul>        |
|  | Big data analytics use cases deployed through the integration of government data and systems | # of big data analytics use cases deployed through the integration of government data and systems | -                          | 2 big data analytics use cases deployed | 4 Big data analytics use cases deployed through the integration of government data and systems | <b>Not achieved</b><br>3 Big data analytics use cases deployed through the integration of government data and systems | -1  | The two internal use cases (CRM and resource utilisation) were developed; however, the analytics component was not finalised on time. The demand for the use cases was received late in the financial year.   |
| <b>Seamless integrated and trusted public services</b> | Open innovation solutions commercialised   | # of open innovation solutions commercialised   | -                          |   | 2 open innovation solutions commercialised   | <b>Not achieved</b><br>1 open innovation solution commercialised  | -1  | <ul style="list-style-type: none"> <li>There is no signed client proposal as yet for the cable theft solution, which was developed and commercialised.</li> <li>Various potential clients have been engaged on the solution, however no client has accepted the proposal for the cable theft solution.</li> </ul> |

| Outcome | Output                          | Output Indicator                                      | Audited Actual Performance                                 |  |   | Planned Annual 2021/2022  | Actual achievement 2021/22 | Deviation from planned target to Actual Achievement  | Reasons for Deviations |
|---------|---------------------------------|---|--|--|---|---|----------------------------|--|------------------------|
|         |                                 |   | 2019/20  | 2020/21  | 2021/22   |   |                            |  |                        |
|         | Contracted SLA metrics achieved | % performance against measured contracted SLA metrics | 95.40% performance against measured contracted SLA metrics | 96.18% performance against measured contracted SLA metrics | 95% performance against measured contracted SLA metrics | <b>Achieved</b><br>95.73% performance against measured contracted SLA metrics | 0.73%                      | <ul style="list-style-type: none"> <li>Focused management of the Service Desk area as best as possible, given the impact of Covid-19 through the year. This included shift management and remote support.</li> </ul> |                        |

### 10.5.1.2 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**

| Outcome                          | Output   | Output Indicator   | Audited Actual Performance  |  |   | Planned Annual 2021/2022   | Actual achievement 2021/22 | Deviation from planned target to Actual Achievement   | Reasons for Deviations |
|----------------------------------|--|--|---|--|---|--|----------------------------|---|------------------------|
|                                  |  |  | 2019/20   | 2020/21  | 2021/22   |  |                            |   |                        |
| Optimised digital infrastructure | SA Connect sites connected   | % of SA Connect sites connected as per the government order (layer 3 connectivity) | 126.9% of SA Connect sites connected at bandwidths of 10 Mbps as per the government order | 100% SA Connect sites connected as per the government order (layer 3 connectivity)     | 100% of SA Connect sites connected as per the government order (layer 3 connectivity) | <b>Not achieved</b><br>0% of SA Connect sites connected as per the government order (layer 3 connectivity) | -100%                      | DCTD did not provide funding to continue with the implementation of the additional sites for the SA Connect programme in FY2021/22. Without a GO, SITA was unable to plan for the rollout of SA Connect in this financial year.   |                        |
|                                  | Establishment and operationalisation of the Security Operations Centre capability (SOCC) on SITA virtual private networks (VPNs) | % implementation of SOCC on SITA virtual private networks (VPNs)                   | -   | 99.38% implementation of planned activities for security operational centre capability | 100% implementation of SOCC on SITA VPNs  | <b>Not achieved</b><br>22% implementation of SOCC on SITA VPNs   | -78%                       | Due to outstanding Project activities not completed. The award, contracting, review of security recovery response process and implementation on SITA VPNs was dependent on the award of the service provider, which was delayed due to Board adjudication. A provisional award was made that is subject to SSA confirmation related to risks associated with the award. |                        |

| Outcome | Output  | Output Indicator  | Audited Actual Performance |  | Planned Annual 2021/2022  | Actual achievement 2021/22   | Deviation from planned target to Actual Achievement | Reasons for Deviations  |
|---------|---|---|----------------------------|--|---|--|---|---|
|         |   |   | 2019/20                    | 2020/21  |   |  |   |   |
|         | Establishment of the Unified Communications (UC) capability                           | % implementation of UC capability   | -                          | 100% implementation of planned activities for the Unified Communications plan for SITA         | Onboard 10 clients on UC platform   | <b>Achieved</b><br>Onboard 10 clients on UC platform   | No variance   | N/A   |
|         | Establishment and operationalisation of the software-defined network (SDN) capability | % implementation of planned remediation to address core network single point of failure | -                          | 61% implementation of the planned activities for the Software-Defined Network (SDN) capability | 75% implementation of planned remediation to address core network single point of failure | <b>Achieved</b><br>80.2% implementation of planned remediation to address core network single point of failure | 5.2%  | With the appointment of the service provider for the NGN Remedial Plan, the organisation was able to fast-track the implementation process with special focus on: <ul style="list-style-type: none"> <li>▪ delivery of equipment;</li> <li>▪ implementation of the 13 priority sites; and</li> <li>▪ mitigation of risks and management of electrical challenges to ensure successful installation of devices.</li> </ul> |

| Outcome | Output                           | Output Indicator   | Audited Actual Performance |   | Planned Annual 2021/2022  | Actual achievement 2021/22   | Deviation from planned target to Actual Achievement | Reasons for Deviations   |
|---------|----------------------------------|--|----------------------------|---|---|--|---|--|
|         |                                  |  | 2019/20                    | 2020/21   |   |  |   |  |
|         | Modernise data centre facilities | % completion of strategic data centre upgrades to support hyperscale infrastructure requirements | -                          | Complete the following upgrades in line with tier 3 requirement: <ul style="list-style-type: none"> <li>supply (UPS) – not completed</li> <li>Fire suppression – not completed</li> <li>Access control systems – not completed</li> </ul> | 40% strategic data centre facilities upgrades completed to support hyperscale infrastructure requirements | <b>Not achieved</b><br>35.18% of strategic data centre facilities upgrades completed to support hyperscale infrastructure requirements | 4.82%   | Mainly due to: <ul style="list-style-type: none"> <li>delayed appointment of professional service providers to assist SITA with the designs and specifications for the required infrastructure upgrades, including fire suppression system;</li> <li>the duration to develop the designs and specifications was longer than what was anticipated; and</li> <li>the initial stages of the procurement process to approve the bid specifications were delayed, and with the National Treasury notice on tenders, it further delayed publication of the bids and approval of bid specifications.</li> </ul> |
|         | Digital platform deployed        | # of digital platforms deployed  | -                          | 3 digital platforms deployed  | 2 digital platforms deployed  | <b>Achieved</b><br>2 digital platforms deployed  | No variance   | N/A  |

### 10.5.1.3 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 digitise government while building a culture of performance, accountability, corruption-free and consequence management.

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

| Outcome  | Output  | Output Indicator                              | Audited Actual Performance                 |   | Planned Annual 2021/2022                            | Actual achievement 2021/22  | Deviation from planned target to Actual Achievement | Reasons for Deviations  |
|--|---|---|--|---|---|---|---|---|
|  |   |   | 2019/20                                    | 2020/21   |   |   |   |   |
| Enhanced workforce capability solving complex problems and adopting innovative solutions | Employees trained against the workplace skills plan (WSP) | % of employees trained against the WSP        | 79.5% of employees trained against the WSP | 81% of employees trained against the workplace skills plan      | 70% of employees trained against the WSP            | <b>Not achieved</b><br>52.64% of employees trained against the WSP        | -17.36%   | Due to procurement challenges with sourcing of required courses through training service providers. |
|  | Digital and ethical culture developed                     | % milestones achieved as per the culture plan | -  | 54.34% implementation of planned activities as per culture plan | 100% of milestones achieved as per the culture plan | <b>Achieved</b><br>100.00% of milestones achieved as per the culture plan | No variance   | N/A   |

### 10.5.1.4 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**

| Outcome   | Output                    | Output Indicator      | Audited Actual Performance |                            | Planned Annual 2021/2022  | Actual achievement 2021/22  | Deviation from planned target to Actual Achievement | Reasons for Deviations  |
|---|---------------------------|-----------------------|----------------------------|----------------------------|---|---|---|---|
|   |                           |                       | 2019/20                    | 2020/21                    |   |   |   |   |
| Innovative digital service investments promoting financial sustainability | Improved profitability    | # EBITDA              | R245.7m (EBIT)             | R521.5m                    | R42.2m  | <b>Achieved</b><br>R633.7m  | R591.5m   | <ul style="list-style-type: none"> <li>Substantial savings (and non-spending) under cost of sales, mainly in IT infrastructure, NGN core and CFI where less than anticipated costs translated into an increase in profitability.</li> </ul>           |
|   | Improved profitability    | % net collection rate | 87% net collection rate    | 85.40% net collection rate | 80% net collection rate   | <b>Achieved</b><br>91% net collection rate  | 11%   | <ul style="list-style-type: none"> <li>Continuous engagement and follow up with customers done on a monthly basis.</li> <li>A process to clean up the debtors' book in order to ensure that resources focus on valid and collectable debt.</li> </ul> |
|   | Achieve growth in revenue | % growth in revenue   | -                          | -                          | 10% growth in revenue related to designated services (defined on SITA's 2020-2021 service portfolio in scope) | <b>Not achieved</b><br>2% growth in revenue related to designated services (defined on SITA's 2020-2021 service portfolio in scope) | -8%   | <ul style="list-style-type: none"> <li>Mainly due to lost business opportunities that were delayed and/or did not occur.</li> </ul>   |

### 10.5.1.5 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 competitive procurement services.

**Table 6 – Programme 5: Procurement and industry transformation**

| Outcome  | Output  | Output Indicator  | Audited Actual Performance  |  | Planned Annual 2021/2022  | Actual achievement 2021/22   | Deviation from planned target to Actual Achievement | Reasons for Deviations   |
|--|---|---|---|--|---|--|---|--|
|  |   |   | 2019/20   | 2020/21  |   |  |   |  |
| Reshaping supply chain through ICT economic transformation | Procurement awards completed within targeted turnaround times                   | % of procurement awards completed within targeted turnaround times        | 75% of procurement awards completed within targeted turnaround times        | 56.50% of tender awards completed within the targeted turnaround times         | 80% of procurement awards completed within targeted turnaround times        | <b>Not achieved</b><br>70.26% of procurement awards completed within the targeted turnaround times | -9.74%  | <ul style="list-style-type: none"> <li>Dec/Jan lag and Covid-19 situation impacted the performance negatively.</li> <li>Technology constraints where SCM had to operate manually.</li> </ul> |
|  | Concluded transversal and panel contracts / framework agreements                | # of transversal and panel contracts/ framework agreements implemented    | 5 transversal contracts implemented   | 5 transversal contracts implemented  | 10 transversal and panel contracts/ framework agreements implemented        | <b>Achieved</b><br>12 transversal and panel contracts/ framework agreements implemented            | 2   | Due to focused attention on high-repetitive single requests for on-tap procurement as well as additional resourcing capacity.  |
|  | Increased acquisition spends through black SMME entities on influenceable spend | % of acquisition spend through black SMME entities on influenceable spend | 40% of acquisition spend through black SMME entities on influenceable spend | 40.67% of acquisition spend through black SMME entities on influenceable spend | 40% of acquisition spend through black SMME entities on influenceable spend | <b>Achieved</b><br>45.95% of acquisition spend through black SMME entities on influenceable spend  | 5.95%   | Due to organisational drive and commitment towards SMME empowerment.   |

## 10.5.2 Linking performance with budgets

**Table 7 – Summary of expenditure by Programme**

The table below provides summary details of payments per programme for the financial year under review.

| Programme Name                                       | 2021/2022        |                  |                        | Restated 2020/2021 |                  |                        |
|--|------------------|------------------|------------------------|--------------------|------------------|------------------------|
|  | Budget R'000     | Actual R'000     | Over/under Expenditure | Budget R'000       | Actual R'000     | Over/under Expenditure |
| Programme 1: Thought-leadership and service delivery | 3 375 366        | 2 461 101        | 914 265                | 2 460 318          | 2 434 768        | 25 550                 |
| Programme 2: Digital infrastructure                  | 2 180 860        | 2 493 037        | (312 177)              | 2 865 995          | 2 310 025        | 555 970                |
| Programme 3: Skills and capability development       | 493 374          | 407 829          | 85 545                 | 411 083            | 519 896          | (108 813)              |
| Programme 4: Financial sustainability                | 96 762           | 74 618           | 22 144                 | 352 651            | 124 415          | 228 236                |
| Programme 5: Procurement & industry transformation   | 66 684           | 46 512           | 20 172                 | 78 973             | 44 481           | 34 492                 |
| <b>Total</b>   | <b>6 213 046</b> | <b>5 483 097</b> | <b>729 949</b>         | <b>6 169 020</b>   | <b>5 433 585</b> | <b>735 435</b>         |

*Cost savings are mainly due to cost containment measures implemented by the organisation.*

### 10.5.3 Strategies to overcome areas of underperformance

SITA's APP success was predicated on a number of performance-based elements, the bulk of which were beyond SITA's control, as mentioned in several sections of this report. The consequence of the continuing Covid-19 pandemic outbreak, which resulted in protracted procurement procedures, was one of the primary identified performance constraints that has hampered SITA's capacity to deliver quality service delivery.

## 10.6 Revenue collection

**Table 8 - Revenue collection**

| Revenue Type                   | 2021/2022 |           |           | 2020/2021 |           |           |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                | Actual    | Budget    | Variance  | Actual    | Budget    | Variance  |
|                                | R'000     | R'000     | R'000     | R'000     | R'000     | R'000     |
| <b>Agency Revenue</b>          | 719 788   | 514 103   | 205 685   | 764 793   | 496 575   | 268 218   |
| <b>Service Revenue</b>         | 5 110 730 | 5 688 304 | (577 574) | 4 968 780 | 5 647 271 | (678 491) |
| Application functional support | 166 549   | 168 496   | (1 947)   | 179 463   | 227 289   | (47 826)  |
| Application maintenance        | 471 555   | 555 593   | (84 038)  | 456 621   | 599 772   | (143 151) |
| BPO service desk               | 14 763    | 18 380    | (3 617)   | 12 444    | 17 394    | (4 950)   |
| Cloud Hosting services         | 81 251    | 133 994   | (52 743)  | 83 184    | 139 096   | (55 912)  |
| Dedicated VPN                  | 134 954   | 215 559   | (80 605)  | 143 210   | 290 789   | (147 579) |
| Enterprise architecture        | 12 211    | 40 586    | (28 375)  | 7 356     | 65 624    | (58 268)  |
| Hosted batch printing          | 30 339    | 27 344    | 2 995     | 38 865    | 42 267    | (3 402)   |
| Internet connectivity          | 176 206   | 150 344   | 25 862    | 148 030   | 121 306   | 26 724    |
| LAN and desktop                | 758 462   | 981 687   | (223 225) | 780 860   | 957 554   | (176 694) |
| Mainframe hosting              | 1 041 801 | 1 241 383 | (199 582) | 1 092 700 | 1 039 632 | 53 068    |
| Midrange hosting               | 118 338   | 129 837   | (11 499)  | 164 226   | 162 849   | 1 377     |
| Project management             | 14 583    | 15 434    | (851)     | 16 218    | 15 839    | 379       |
| Security Policy Dev and Maint  | 93 498    | 187 984   | (94 486)  | 75 264    | 94 026    | (18 762)  |
| Service management             | 563 599   | 384 887   | 178 712   | 306 582   | 69 323    | 237 259   |
| Shared VPN                     | 913 307   | 808 797   | 104 510   | 1 017 798 | 1 077 472 | (59 674)  |
| Training (Solution/App)        | 36 277    | 38 759    | (2 482)   | 33 725    | 50 322    | (16 597)  |
| Solution Development           | 220 922   | 297 314   | (76 392)  | 316 116   | 46 922    | 269 194   |
| Solution Deployment            | 123 813   | 81 568    | 42 245    | 46 810    | 353 956   | (307 146) |
| Unified Communications         | 47 904    | 57 755    | (9 851)   | 0         | 0         | 0         |
| Disaster Recovery Services     | 22 189    | 22 189    | 0         | 0         | 0         | 0         |
| Sec Architecture Dev/Maint     | 13 110    | 30 175    | (17 065)  | 5 535     | 54 507    | (48 972)  |
| Other                          | 55 099    | 100 239   | (45 140)  | 43 772    | 221 332   | (177 560) |

## 10.7 Capital investment

**Table 9 - Capital Investment**

| Sources of revenue   | 2021/2022      |                |                | 2020/2021      |                |                |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
|  | Budget         | Actual         | Variance       | Budget         | Actual         | Variance       |
|  | R'000          | R'000          | R'000          | R'000          | R'000          | R'000          |
| Infrastructure: Network  | 185 514        | 94 568         | 90 946         |                | 71             | (71)           |
| Infrastructure: Switching Centres                              | 500            |                | 500            |                |                |                |
| Infrastructure: Data Centres                                   | 86 350         | 8 266          | 78 084         |                | 103 477        | (103 477)      |
| Infrastructure: Modernisation                                  | 161 078        | 32 901         | 128 177        |                | 9 291          | (9 291)        |
| Infrastructure: SA Connect                                     |                |                |                |                |                |                |
| Solution Development: Transversal                              | 13 000         |                | 13 000         |                |                |                |
| Solution Development: Customer Unique                          |                |                |                |                |                |                |
| Solution Development: Modernisation                            |                |                |                |                |                |                |
| Solution Development: Integration                              |                | 2 882          | (2 882)        |                |                |                |
| Solution Development: R & D                                    |                |                |                |                |                |                |
| IT Security  |                |                |                |                |                |                |
| Service Management: Contact Centres                            |                |                |                |                |                |                |
| Service Management: Decentralised Support and 1st line support |                | 2 564          | (2 564)        |                | 1 700          | (1 700)        |
| Operational Support: Internal IT                               | 53 558         | 1 134          | 52 424         |                | 47 475         | (47 475)       |
| Operational Support: Facilities                                |                | 1 976          | (1 976)        |                |                |                |
| Operational Support: Production Toolsets                       |                |                |                |                | 1 288          | (1 288)        |
| Operational Support: Integrated Security                       |                | 1 135          | (1 135)        |                | 722            | (722)          |
| <b>Total</b>   | <b>500 000</b> | <b>145 426</b> | <b>354 574</b> | <b>350 000</b> | <b>164 023</b> | <b>185 977</b> |

*The 2020/21 approved budget was not broken down per programme*





## **PART C**

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# **GOVERNANCE**



# Part C: Governance

## 11. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA), 1 of 1999 and run in tandem with the principles contained in the King IV Report on Corporate Governance for South Africa, 2016, as well as the Companies Act, 71 of 2008.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

## 12. PORTFOLIO COMMITTEES

SITA is committed to good governance, transparency and accountability. The Agency briefs Parliament's portfolio committees on an ongoing basis on areas that relate to its legislative mandate, strategic plans, APP's and related service delivery activities.

The Agency had briefing engagements with the Portfolio Committee on Communications primarily focused on governance, APP and audit findings through the DCDT. The portfolio committees such as Police, Home Affairs, Higher Education Training, Science and Technology engaged with SITA on service delivery matters that have a bearing on the APP targets of departments to which they have oversight.

The interventions implemented to address the certification backlog by Department of Higher Education, Training Science and Technology (DHETST), Umalusi and SITA saw a drastic decline, which was on the verge of 100%, currently sitting at 99.85% leaving an outstanding 0.15%.

The Department of Home Affairs (DHA) is one of SITA's public-facing strategic stakeholders with high impact citizen service delivery. The Agency and DHA jointly developed an implementation plan to address the network downtimes experienced at Home Affairs offices. The implementation of other interventions proposed over the remainder of the MTSF, could lead to a significantly improved, stable and reliable network and other related services.

The Standing Committee on Public Accounts (SCOPA) convened hearings with the Agency focusing on its AFS 2019/20 audit, and flagged irregular expenditure, consequence management, procurement and contract management as well as material misstatements in AFS. SITA reported periodically on steps taken to address and cure some of the areas of attention identified.

SITA further implemented various approaches to ensure stakeholder expectations are met and mitigated risks that could harm its image and reputation.



The table below provides a comprehensive list of all portfolio committee engagements undertaken during the period under review.

**Table 10 - Portfolio committee**

| PORTFOLIO COMMITTEE                                     | FOCUS AREA  | DATES       |
|---|---|-------------|
| <b>Communications</b>                                   | SITA's Annual Report and Financial Results for FY2020/21  | 15 Feb 2022 |
|   | FY 2021/22 First and Second Quarter Performance and Expenditure Reports                           | 08 Mar 2022 |
|   | FY 2020/21 Third and Fourth Quarter Performance and Expenditure Reports                           | 07 Dec 2021 |
|   | FY 2021/22 Annual Performance Plans   | 12 May 2021 |
| <b>Home Affairs</b>                                     | Progress & plans to resolve downtimes at DHA offices  | 30 Nov 2021 |
|   | DHA & SITA on war on queues and chronic network downtimes at DHA offices                          | 31 Aug 2021 |
|   | Briefing the DHA and SITA on ABIS forensic investigation report                                   | 25 May 2021 |
| <b>Higher Education Training Science and Innovation</b> | Follow-up meeting with Umalusi, DHET and SITA on progress in eradication of certification backlog | 23 Mar 2022 |
| <b>Police</b>   | Briefing by the Central Firearm Registry on the progress report                                   | 23 Feb 2022 |
| <b>SCOPA</b>  | Hearing on SITA's FY 2019/20 audit, specifically irregular, fruitless and wasteful expenditure    | 12 May 2021 |
|   |   | 18 May 2021 |
|   |   | 26 May 2021 |

## 13. ACCOUNTING AUTHORITY

During the financial year under review the following reports were submitted to the Executive Authority:

**Table 11 - Accounting authority reports**

| No | DESCRIPTION  | DATE            | COMMENTS   |
|----|--|-----------------|--|
| 1  | Quarter 1 Corporate Performance Report   | 30 July 21      | The report highlighted the business continuity measures implemented by SITA during the continued lockdown measures. The risk to the SA Connect target relating to orders not being received was highlighted. |
| 2  | Quarter 2 Corporate Performance Report   | 30 October 2021 | This report was based on the APP 2021/22 targets, considering the impact of the Covid-19 pandemic on targeted outcomes.  |
| 3  | Quarter 3 Annual Performance Plan FY 2022/23<br>Strategic Plan FY2020-2025<br>Quarter 3 Corporate Performance Report | 31 January 2022 | The reports highlighted the performance of the Agency and the Committee noted the performance and requested plans for SITA to improve on the overall performance.  |
| 4  | Quarter 4 Annual Performance Plan FY 2022/23<br>Strategic Plan 2020-2025<br>Quarter 4 Corporate Performance Report   | 29 April 2022   | The provisional quarter 4 results of the organisation were highlighted in the report.  |

## 14. THE SITA BOARD OF DIRECTORS

The Board is the Accounting Authority, as defined by the PFMA. Board members need to define strategy, provide direction and establish the ethics and values that will influence and guide practices and behaviours to achieve sustainable performance. This is the fundamental purpose of the Board. The roles and responsibilities of the Board are provided for in:

- a) State Information Technology Agency Act, 38 of 1998;
- b) Public Finance Management Act (PFMA) 1 of 1999;
- c) Companies Act 71 of 2008;
- d) SITA Board Charter;
- e) Memorandum of Incorporation; and
- f) King IV Report on Governance for South Africa, 2016.

## 14.1 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, appropriate and relevant non-binding industry rules, codes and standards and internal control systems to:
  - i) maximise sustainable returns,
  - ii) safeguard the people, assets and reputation of the agency, and
  - iii) 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 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.

## 14.2 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 (the revised Charter is to be approved by the new board in 2022).

## 14.3 Composition of the Board

As at 21 April 2021, the SITA Interim Board was appointed following the exit of the SITA Board on 30 November 2021. A new full board was appointed 1 February 2022 by the shareholder representative in accordance with section 10 of the SITA Act.

**Table 12 - Interim Board – 21 April 2021 until 30 November 2021**

| Name and Surname    | Designation (in terms of the public entity board structure) | Date of appointment | Date resigned/ term expired | Qualifications  | Area of Expertise                                       | Board Directorships (List the entities)  | Other Committees or Task Teams (e.g.: Audit committee / Ministerial task team) | Number of meetings |
|---------------------|---|---------------------|-----------------------------|---|---|--|--|--------------------|
| <b>Mr MB Tsika</b>  | Chairperson   | 21 April 2021       | 30 November 2021            | B. Juris<br>Bachelor of Laws (LLB)<br>Master of Philosophy (M.Phil.)            |   |  | Board  | 7                  |
| <b>Mr L Keyise</b>  | Interim Managing Director                                   | 28 January 2020     |                             | Master's Degree in Computer Sciences<br>Master of Business Administration (MBA) | Information technology, telecommunications and academia | None   | Board<br>ARCC (permanent invitee/official)                                     | 6                  |
| <b>Ms J Morwane</b> | Board Member  | 21 April 2021       | 30 November 2021            | Bachelor of Arts in Information Science<br>Masters of Business Administration   |   |  | Board  | 6                  |
| <b>Mr AR Murray</b> | Board Member  | 21 April 2021       | 30 November 2021            | Masters in Social Sciences<br>B Social Sciences (Honours)<br>B Social Sciences  |   | Eastern Cape Socio Economic Consultative Council (ESSEC)<br>Government Technical Advisory Centre (GTAC): Advisor | Board<br>ARCC  | 7                  |

| Name and Surname      | Designation (in terms of the public entity board structure) | Date of appointment | Date resigned/ term expired | Qualifications   | Area of Expertise | Board Directorships (List the entities) | Other Committees or Task Teams (e.g.: Audit committee / Ministerial task team) | Number of meetings |
|-----------------------|---|---------------------|-----------------------------|--|-------------------|---|--|--------------------|
| <b>Mr TF Phiri</b>    | Board Member  | 21 April 2021       | 30 November 2021            | Master's Degree in Public Administration (Public Policy) |                   |   | Board  | 7                  |
| <b>Mr MK Kgauwe</b>   | Chief Financial Officer (Seconded)                          | 1 December 2020     |                             | Chartered Accountant (SA)                                | Finance           | SA Postbank (SOC) Ltd                   | Board ARCC (permanent invitee/ official)                                       | 0                  |
| <b>Mr A Pretorius</b> | Chief Financial Officer Acting                              | 18 March 2020       | 30 November 2021            | Chartered Accountant (SA)<br>Corporate Law (LLM)         | Finance           | None                                    | Board ARCC (permanent invitee/official)  | 7                  |

**Table 13 - New Board – Appointed 1 February 2022 to date**

| Name and Surname      | Designation (in terms of the public entity board structure) | Date of appointment | Date resigned/<br>Term expired | Qualifications  | Area of Expertise                             | Board Directorships (List the entities)  | Other Committees or Task Teams (e.g.: Audit committee / Ministerial task team) | Number of meetings |
|-----------------------|---|---------------------|--------------------------------|---|---|--|--|--------------------|
| <b>Ms M Mosidi</b>    | Chairperson   | 01 February 2022    |                                | BCom, majoring in Financial Accounting and Computer Science.<br>U.E.D (University Education Diploma), method of teaching Accounting and Economy | Finance                                       | Public Investment Corporation (SOC) Ltd  | Board  | 3                  |
| <b>Dr S Bvuma</b>     | Deputy Chairperson  | 01 February 2022    |                                | PhD IT Management,<br>M-Tech IT<br>B-Tech IT, TWR<br>ND IT, TWR   | Information Technology,<br>Telecommunications | Small Enterprise Development Agency (SEDA)   | Board<br>ICTRDI<br>Social & Ethics   | 3                  |
| <b>Ms Z Hill</b>      | Board Member  | 01 February 2022    |                                | Master in Business Administration<br>Postgraduate Diploma in Accountancy<br>Bachelor of Commerce (Accounting)                                   | Finance and Business                          | Governing Body: Western Province Preparatory School;<br>Social Housing Regulatory Authority (SHRA) | Board<br>HR & Rem<br>ICTRDI  | 3                  |
| <b>Ms O Ketsekile</b> | Board Member  | 01 February 2022    |                                | MBA general<br>BCom (hons) In Labour Relations<br>B.Com in Human Resource   | HR and Business                               |  | Board<br>HR & Rem<br>Social & Ethics   | 3                  |
| <b>Ms S Moonsamy</b>  | Board Member  | 01 February 2022    |                                | BCom (Accounting) Honours and CTA<br>CA(SA)<br>Master of Business Administration (MBA)  | Finance                                       | Johannesburg Development Agency (SOC) Ltd  | Board<br>ARCC<br>BPC   | 2                  |
| <b>Ms J Morwane</b>   | Board Member Representative (DCDP)                          | 01 February 2022    |                                | Bachelor of Arts in Information Science<br>Masters of Business Administration   | Information Technology                        |  | Board<br>BPC<br>ICTRDI   | 3                  |

| Name and Surname           | Designation (in terms of the public entity board structure) | Date of appointment | Date resigned/<br>Term expired | Qualifications   | Area of Expertise                                | Board Directorships (List the entities)  | Other Committees or Task Teams (e.g.: Audit committee / Ministerial task team) | Number of meetings |
|----------------------------|---|---------------------|--------------------------------|--|--|--|--|--------------------|
| <b>Ms L Mseme</b>          | Board Member (Representative National Treasury)             | 01 February 2022    |                                | Bachelor of Arts English and History<br>Masters Public Administrations (Cum Laude)<br>Honours Public Administration (Cum Laude)                            | Public Admin                                     | None   | Board<br>BPC<br>ARCC   | 3                  |
| <b>Ms N Pietersen</b>      | Board Member  | 01 February 2022    |                                | B.com (Accounting) Honours and CTA<br>CA(SA)<br>Master of Business Administration (MBA)  | Finance  | Mayibuye Transport Corporation (SOC) Ltd;<br>Eastern Cape Department of Health                         | Board<br>ARCC<br>BPC   | 3                  |
| <b>Mr VM Ratshimbilani</b> | Board Member  | 01 February 2022    |                                | B Proc<br>Certificate in Business Management<br>Certificate in Prospecting and Mining Law  | Law  | Tshisevhe Gwina Rathimbilani INC<br>Kouga Wind Farm Trust RF<br>Kouga Wind Community Development Trust | Board<br>BPC<br>ICT  | 3                  |
| <b>Dr T Ratshitanga</b>    | Board Member  | 01 February 2022    |                                | BA Development Studies<br>BA Honours Development Studies<br>Doctor of Philosophy   | Information Technology and Developmental Studies |  | Board<br>ICTRDI<br>BPC   | 3                  |
| <b>Mr R Ramabulana</b>     | Board Member  | 01 February 2022    |                                | National Diploma in Information Technology (Software Development)<br>Master in Engineering – Electrical and Information Engineering (Software Engineering) | Information Technology                           |  | Board<br>ICTRDI<br>HR & Rem  | 3                  |

| Name and Surname    | Designation (in terms of the public entity board structure) | Date of appointment | Date resigned/<br>Term expired | Qualifications  | Area of Expertise                                       | Board Directorships (List the entities) | Other Committees or Task Teams (e.g.: Audit committee / Ministerial task team) | Number of meetings |
|---------------------|---|---------------------|--------------------------------|---|---|---|--|--------------------|
| <b>Mr W Vukela</b>  | Board Member (Representative DPSA)                          | 01 February 2022    |                                | Masters of Public Administration<br>Masters in Human Rights Law<br>Masters of Business Administration<br>Higher Education Diploma<br>Post Graduate Diploma in Management Studies<br>Diploma in Negotiations | Public Admin and Law                                    | None                                    | Board<br>Social & Ethics<br>ICTRDI   | 3                  |
| <b>Mr L Keyise</b>  | Interim Managing Director                                   | 28 January 2020     |                                | Master's Degree in Computer Sciences<br>Master of Business Administration (MBA)   | Information technology, telecommunications and academia | None                                    | Board<br>ARCC (permanent invitee/official)                                     | 3                  |
| <b>Mr MK Kgauwe</b> | Chief Financial Officer                                     | 1 December 2020     |                                | Chartered Accountant (SA)   | Finance   | SA Postbank (SOC) Ltd                   | Board<br>ARCC (permanent invitee/ official)                                    | 3                  |

## 14.4 Board and Board committees

In order to properly discharge its responsibilities and duties, the Board has delegated certain responsibilities to various Board committees. However, the creation of these committees does not reduce the directors' overall responsibilities.

During the period under review, the Board organised itself in terms of various committees. The Board retained all the committees, which constitute the following:

- a) Audit Risk and Compliance Committee (ARRC)
- b) Human Resource and Remuneration Committee (HR & Rem)
- c) Social, Ethics and Culture Committee (SECC)
- d) Board Procurement Committee (BPC)
- e) Information Communication and Technology, Research and Development Committee (ICTRDI)

The table below provides details of the Board committee meetings for the year under review

**Table 14 - Board committee meetings**

| Committee                         | Name of members   | No of Meetings held (Special Meetings) | No. of Meetings attended |
|-----------------------------------|---|--|--------------------------|
| <b>Board of Directors Meeting</b> | Ms M Mosidi   | 3                                      | 3                        |
|                                   | Dr S Bvuma  | 3                                      | 3                        |
|                                   | Ms S Moonsamy   | 3                                      | 2                        |
|                                   | Ms N Pietersen  | 3                                      | 3                        |
|                                   | Ms Z Hill   | 3                                      | 3                        |
|                                   | Ms O Ketsekile  | 3                                      | 3                        |
|                                   | Dr T Ratshitanga  | 3                                      | 3                        |
|                                   | Mr W Vukela   | 3                                      | 2                        |
|                                   | Ms L Mseme  | 3                                      | 3                        |
|                                   | Ms J Morwane  | 3                                      | 3                        |
|                                   | Mr M Ratshimbilani  | 3                                      | 3                        |
|                                   | Mr L Keyise   | 3                                      | 3                        |
|                                   | Mr MK Kgauwe (Executive Director)                               | 3                                      | 3                        |
|                                   | <b>Human Resource and Remuneration Committee (HR &amp; Rem)</b> | Ms Z Hill                              | 2                        |
| Ms O Ketsekile                    |   | 2                                      | 2                        |
| Mr R Ramabulana                   |   | 2                                      | 2                        |
| Ms L Mseme                        |   | 2                                      | 2                        |

| Committee  | Name of members    | No of Meetings held (Special Meetings)            | No. of Meetings attended |
|--|--------------------|---|--------------------------|
| <b>Information Communication and Technology, Research and Development Committee (ICTRDI)</b> | Mr T Ratshitanga   | No meetings held during this period under review. |                          |
|  | Dr S Bvuma         |   |                          |
|  | Mr R Ramabulana    |   |                          |
|  | Ms J Morwane       |   |                          |
|  | Ms Z Hill          |   |                          |
|  | Mr W Vukela        |   |                          |
| <b>Board Procurement Committee (BPC)</b>   | Mr M Ratshimbilani | No meetings held during the period under review.  |                          |
|  | Dr T Ratshitanga   |   |                          |
|  | Ms L Mseme         |   |                          |
|  | Ms N Pietersen     |   |                          |
|  | Ms J Morwane       |   |                          |
|  | M S Moonsamy       |   |                          |
| <b>Social, Ethics and Culture Committee (SECC)</b>   | Mr W Vukela        | No meetings held during the period under review.  |                          |
|  | Ms O Ketsekile     |   |                          |
|  | Dr S Bvuma         |   |                          |

## 14.5 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 shareholders, with the concurrence of the Minister of Finance.

Non-executive directors and committee members who are employed by government (National Treasury and DPSA) 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 Note 31 on financial statements.

## 14.6 Interim board - 24 April to 30 November 2021

|   |   |
|---|---|
|    | <p><b>Mr Mxolisi Tsika - Non-executive Board member: 24 April 2021 – 30 November 2021</b></p> <p><b>Master of Philosophy (M. Phil) from Nelson Mandela University, Bachelor of Law (LLB) from University of Fort Hare and a Bachelor of Law (B. Juris) from University of Fort Hare</b></p> <p><b>Mr. Mxolisi Tsika is currently a Director at Tsika Attorneys and working at Matthew Moodley Attorneys specialising in Labour Law; Legal advice; Public Finance legislation and Supply Chain Management law; Civil &amp; Criminal Litigation and Commercial Law.</b></p> <p>He has served as a Board Non-Executive Director for SENTECH (current); Eastern Cape Liquor Board where he was Deputy Chairperson; Boxing South Africa; South African Cities Network and St Matthews Trust – Trustee. He also served as a board member of South African Cities Network (SACN).</p> <p>Mr. Tsika was credited for the seamless integration of the erstwhile King Williams Town and East London Municipalities. During his tenure at the municipality Mr. Tsika led the municipality to winning both the Provincial and National Vuna Awards for 2003. These honors were awarded for excellence in municipal service-delivery and all-round performance.</p> <p>He possesses strong management and administrative capabilities and has over 25 years' experience in the Private and Public sector.</p>  |
|   | <p><b>Mr Themba Phiri - Non-executive Board member: 24 April 2021 – 30 November 2021</b></p> <p><b>Mr Themba Frank Phiri is currently an Executive Head of Regulatory Affairs at Cell C; the functions. Mr Phiri has been a Board member of the Number Portability Company, Director from 2020. He also served as an advisor to the African Centre of Excellence on Information Ethics (AECIE), based at the University of Pretoria, where he provides guidance and leadership at the centre.</b></p> <p>Mr Phiri served as the Deputy Director-General at the Department of Telecommunications and Postal Services (former Department of Communications) from 2009-2015. During this period, he was responsible for ICT policy development and direction in the telecommunication, broadcasting and postal services and Information Technology in the country. He has over 20 years in the public and Private sectors.</p> <p>Mr. Phiri holds a Master's Degree in Public Administration (Public Policy), B-Tech Degree in Public Management specialisation Economics and Public Management, from Technikon Northern Transvaal, and National Diploma in Public Administration and Management from University of the Witwatersrand. Telecommunications Policy, and Regulation and Management (TPRM); University of Pretoria- Leadership and Management Development Programme; University of the Witwatersrand- Broadcasting Policy.</p> |
|  | <p><b>Mr Andrew Murray - Non-executive Board member: 24 April 2021 – 30 November 2021</b></p> <p><b>Master Soc Sci, from University of Cape Town (dissertation on changing production process and implications for farmworkers in the wine industry in the Western Cape), Bachelor. Soc Sci (Honours) from University of Natal and a Bachelor. Soc Sci, University of Natal.</b></p> <p>Mr. Andrew Murray is currently working at Government Technical Advisory Centre, National Treasury as a Technical Advisor. His previous employment includes serving as Chief Executive Officer, Eastern Cape Socio Economic Consultative Council, East London; Manager Public Sector Support Programme, Eastern Cape Socio-Economic Consultative Council; Lecturer, Department of Sociology, University of Fort Hare and University of Namibia. He has more than 12 years' experience in strategic and organizational management; Governance and leadership as accounting officer.</p>   |

## 14.7 Current Board - 1 February 2022

|  |  |
|--|--|
|   | <p><b>Ms Makano Mosidi - Chairperson SITA Board of Directors: 1 February 2022</b></p> <p><b>BCom, majoring in Financial Accounting and Computer Science, U.E.D (University Education Diploma), method of teaching Accounting and Economics from the University of the North (University of Limpopo). She is currently in the process of completing an M. Comm with the University of the Witwatersrand.</b></p> <p><b>Ms Makano Mosidi is the current Group Chief Technology Officer (CTO) for the Public Investment Corporation (PIC). Responsible for IT and Digital transformation.</b></p> <p>Prior to that she previously was a Group Chief Information Officer (CIO) for Corporate and Investment Banking (CIB) at Standard Bank responsible for IT and Digital transformation. She takes a vision and makes it reality through sound strategy development and execution.</p> <p>She is a seasoned and highly experienced CTO, having been in Executive roles for the past 24 years, with an overall ICT working experience of 31 years. Her career spans across both private and public sectors, small and medium enterprises (SMEs) in organisations including IBM, Accenture, Ernst and Young, the North West Provincial Government, the State Information Technology (SITA) SOC Ltd, New Dawn Technologies, EDS Enterprise Solutions, Relational Database Consulting (RDC), Dimension Data and Transnet SOC Ltd.</p> |
|  | <p><b>Dr Stella Bvuma – Deputy Chairperson SITA Board of Directors: 1 February 2022</b></p> <p><b>Diploma IT, B-Tech IT, M-Tech IT, PhD IT Management</b></p> <p><b>Dr Bvuma is a qualified IT specialist with over 15 years in ICT research, author for national and international publications on ICT4Development, Digital Strategy, Digital Economy and ICT adoption.</b></p> <p>Advisor for public and private sector on digital transformation and ICT adoption. Served on various IT boards and membership such as Non-Executive Director SEDA Board, Chairperson of Social &amp; Ethics Committee at SEDA, Non-Executive Director, and Advisor to the City of Joburg Mayor Committee Smart City/4iR. Honorary Secretary for the South African Institute of Computer Scientist and information Technologies.</p> <p>Public speaker on Women in ICT, ICT adoption and digital economy for inclusivity.</p> <p>She has participated as a key note speaker or panelist on 4iR and Digitalisation on both national, international platforms including national media platforms.</p> <p>Her area of expertise is providing strategic leadership to organisations on ICT adoption for growth, development and sustainability.</p>  |



**Mr Luvuyo Keyise – Interim Managing Director: 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 more than 15 years at executive level.**

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 digital transformation projects and solutions, such as an integrated core banking solution that transformed the whole company (Ithala Bank), as well as an enterprise resource planning solution covering every area of business 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 Fourth Industrial Revolution 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 in 4IR.

Mr Keyise 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. He started programming in AI in 1996, during his BSc Hons Computer Science studies.



**Ms Zimbini Hill - Non-executive Board member: 1 February 2022**

**Master of Business Administration, Higher Diploma in Accountancy,  
Bachelor of Commerce**

**Ms Hill is a media and communication entrepreneur and non-executive director. She founded Hluma Media in 2012 after a decade-long career in financial services.**

Her financial services career panned across various areas, including Private Equity, Mergers and Acquisitions, Investment (Equity) Research, Risk Management, and

Investor Relations. She has held positions at PriceWaterhouseCoopers, Rand Merchant Bank, UBS Warburg, Macquarie First South and Investec Bank.

Ms Hill has held various non-executive director positions in public and private sector entities since 2012.



**Mr Matodzi Ratshimbilani - Non-executive Board member: 1 February 2022**

**B Proc, University of the North (now University of Limpopo), Certificate in Business Management, University of Johannesburg, Certificate in Prospecting and Mining Law, University of the Witwatersrand.**

**Mr Ratshimbilani commenced legal practice in 1995 and has over 25 years' experience as a legal practitioner. He is the founder and managing director of MVR Attorneys. He focuses on company law, corporate governance, regulatory law, corporate acquisitions, disposals and mergers in the public and private sectors.**

Mr Ratshimbilani commenced legal practice in 1995 and has over 25 years' experience as a legal practitioner. He is the founder and managing director of MVR Attorneys. He focuses on company law, corporate governance, regulatory law, corporate acquisitions, disposals and mergers in the public and private sectors. He has published extensive commentary articles on state owned company's governance and has provided commentary on television and radio on the subject.

Mr Ratshimbilani has served and currently serves as a director, board member and trustee of various state owned and private entities.

**Ms Jeanette Morwane – Non-executive Board member: 1 February 2022**

**Masters of Business Administration (MBA), University of South Africa (School of Business Leadership), Bachelor of Arts in Information Science, University of Pretoria.**

**Ms Morwane is currently the Chief Director: ICT Innovation Programme at the DCDT.**

She is an ICT and innovation executive with more than 15 years' experience at operational, tactical and strategic management levels during which time she has accumulated substantial experience, knowledge and understanding of ICT governance, technology innovation, innovations systems development, policy formulation, strategic planning, programme management and human capital development.

She was the Head of the Secretariat for the Presidential Commission on the 4IR; the Commission was established and coordinated by the DCDT on behalf of President Cyril Ramaphosa. She previously worked as Director of ICT R&D and Services Industry at the Department of Science and Innovation (DSI). She started her career at The Innovation Hub, Africa's first internationally accredited Science Park as project officer and Activator Programme Manager.



**Mr Molatlhegi Kgauwe – Chief Financial Officer: 1 December 2020**

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

**Mr Kgauwe is a registered Chartered Accountant (SA) who has previously worked in SITA as 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 three different organisations, namely; City of Matlosana, Competition Commission of South Africa, and South African Health Products Regulatory Authority (SAHPRA).

In addition, he has worked at PriceWaterhouseCoopers and was recently seconded to act as an Interim Managing Director of the South African Post Bank (SOC) Ltd. Through various responsibilities, he has gained extensive and well-rounded experience in both the private and public sector.



**Ms Laura Mseme – Non-executive Board member: 1 February 2022**

**Masters Public Administrations (Cum Laude) from Stellenbosch University, Dissertation title: "Innovative Mechanisms to Accelerate Service Delivery at Local Government Level – Supersizing Service delivery with a side order of Innovation", Honours Public Administration (Cum Laude) Stellenbosch University, Bachelor Arts English and History of University of KwaZulu-Natal**

Laura Mseme currently serves at the National Treasury Acting COO; she manages the departments strategic and operational planning.

She has strong knowledge of both the public and private sector where she held senior level position.



**Ms. Olwethu Zoliswa Ketsekile - Non-executive Board member: 1 February 2022**

**BCom (hons) In Labour Relations from North-West University and BCom in Human resource degree also from the North-West University MANCOSA MBA (In progress).**

Ms. Olwethu Zoliswa Ketsekile is currently a Head of Human Capital Iwye, Partner at Old Mutual. She has extensive experience in Human Resource and Labour Relations.

She has worked in the private and public sector as a Group HR Manager, and as a Head of H.R Diploma faculty Manager at Damelin College. Ms Zoliswa is passionate about Human resources management.



**Dr. Tshildzi Ratshitanga - Non-executive Board member: 1 February 2022**

**Doctor of Philosophy University of Delaware (Biden School of Public Policy and Administration).**

**Dr. Tshildzi Ratshitanga is the Founder and Executive Chairman of New Cities New Economies Group. He has over 25 years' experience in the Public and private sectors.**

He is currently the Chairman of the board of the Housing Development Agency (HAD). He has served as a Board member in many organisations including being Board Chairperson of the Innovation Hub and Bokamoso Barona Trust. Dr. Ratshitanga is the author of the "The New Cities New Economies" Book.

In his book, Dr Ratshitanga presents a bold, new vision for development and provides a roadmap for achieving prosperity and equality for all South Africans. New Cities New Economies is a must read for anyone interested in the future of South Africa which is available in different book shops and online stores. Dr Ratshitanga is a social philanthropist who is passionate about development.



**Ms. Nolitha Pietersen - Non-executive Board member: 1 February 2022**

**Master of Business Administration (MBA) from NMMU Business School, BCom (Accounting) Honours and CTA from University of Johannesburg and a BCom (Accounting) form University of Fort Hare, Chartered Accountant (SA)**

**Ms Pietersen is a registered Chartered Accountant (South Africa), she holds a Master of Business Administration (MBA) degree from the Nelson Mandela University, a BCom (Accounting) Honours and Certificate in the Theory of Accounting (CTA) from University of Johannesburg and a BCom (Accounting) from the University of Fort Hare.**

Ms. Nolitha Pietersen is the founder and Managing Director of Zamindlela Consulting. She also has business interests/ventures in the construction industry. At some point in her career, she was also an auditor in the private sector and public sector (AGSA). She has extensive experience in both the private and public sector. She also fulfilled other roles within financial management and have thereby gained well-rounded experience.

She has extensive experience in serving in governance structures. She serves/served as a board member and/or Audit Committee chairperson or Risk Committee Chairperson in institutions such as (among other) : South African Post Office, PostBank, Mayibuye Transport Corporation, Eastern Cape Department of Health, Eastern Cape Development Corporation, Eastern Cape Rural Development Agency.



**Rendani Ramabulana - Non-executive Board member: 1 February 2022**

**Master in Engineering – Electrical and Information Engineering (Software Engineering from University of Witwatersrand 2017 and National Diploma in Information Technology (Software Development) from the University of Johannesburg.**

**Mr Rendani Ramabulana is a qualified and experienced software engineering professional. Having acquired the skills in managing small, medium and large software projects both in the private sector and public sector he sees software as a part of everything we do.**

Mr Rendani has skills in Strategic Management, People Development, Policy Development and Research and Development.

As a Blockchain Enthusiast Rendani has a very good understanding of Blockchain Technology platforms, such as Ethereum, Hyperledger, Ripple, Cryptocurrencies.

He understands various distributed consensus methodologies and in implementing smart contracts and side chain technologies. With that Rendani strongly believes the 4th Industrial Revolution is a term a country like South Africa should begin to internalize for various reasons, but mostly to start developing strategies and frameworks that can enable the country to be positioned as a market.





**Mr. Willie Vukela - Non-executive Board member: 1 February 2022**

**Masters of Public administration (MPA) from University of Pretoria, Masters in Multi-disciplinary Human Rights Law University of Pretoria and Masters of Business administration (MBA) from Mancosa. PhD candidate in Public Management and Administration at the University of North West**

Mr. Willie Vukela is the Deputy Director-General for Government Services Access and Improvement at Department of Public Service and Administration (DPSA). Mr Vukela is experienced in public management and administration and has over 25 years' experience working in the public sector, amongst others in the field of ICT space as Policy Development and Regulatory regime.



**Ms SheryLee Moonsamy - SITA Non-Executive Director**

**Qualified CA(SA) with experience in both private and public sector finance systems, She holds a B.Compt (Hons) / Certificate in the Theory of Accounting(CTA), Financial & Management Accounting, Auditing, Tax, from University of South Africa, B.Compt, Accounting & Auditing (Majors), from University of South Africa.**

**Ms Sherylee Moonsamy is a sincere and detail-oriented professional offering an experience of 4 years in auditing and over 8 years in overall financial management of the Johannesburg Development Agency with key focus in financial reporting, budgeting, fund management, procurement and contracts management.**

She has been part of the senior financial role within JDA for almost 9 years, including both as a Finance Manager and Chief Financial Officer. Her strengths lie in overseeing the finance functions encompassing determining financial objectives and designing policies and procedures to promote a good system of internal financial controls. She is skilled in mapping financial needs and managing funds to facilitate achievement of business objectives. She is a suave and pragmatic professional who is highly successful in building relationships with key decision makers and leading cross-functional teams for integrating their efforts to maximise operational efficiency.

## 15. RISK MANAGEMENT

The enterprise risk management programme resides under the Governance & Risk, Compliance and Integrity Management division. The risk management policy was reviewed in the past financial year, updating the existing policy with the following changes:

- a) Governance structure changes.
- b) Risk categories were reviewed to provide for the full risk universe, whilst maintaining a logical split of responsibility when operational risks are categorised.
- c) The risk impact table was reconsidered and aligned with categories, checked against the finance materiality framework and incorporating various impact areas.

The annual risk implementation plan sets out the activities to be undertaken within the risk department of GRCI, to ensure maturing of the risk activities in the organisation, with a focus on risk mitigation through the risk owners.

The policy and plan are recommended through the ARCC to the SITA Board. Quarterly reporting on the levels of risk is done through the Executive Committee (Exco) to the ARCC, with a focus on the top ten risks for reporting to the Board.

Operational risk ownership has improved in the past year, but delayed implementation of mitigation plans to improve supply chain effectiveness, information security enhancements across the technology stack and elimination of single points of failure in the network have negatively affected performance. The executives remain resolute to implement these measures to ensure long term sustainability.

## 16. INTERNAL AUDIT AND AUDIT COMMITTEES

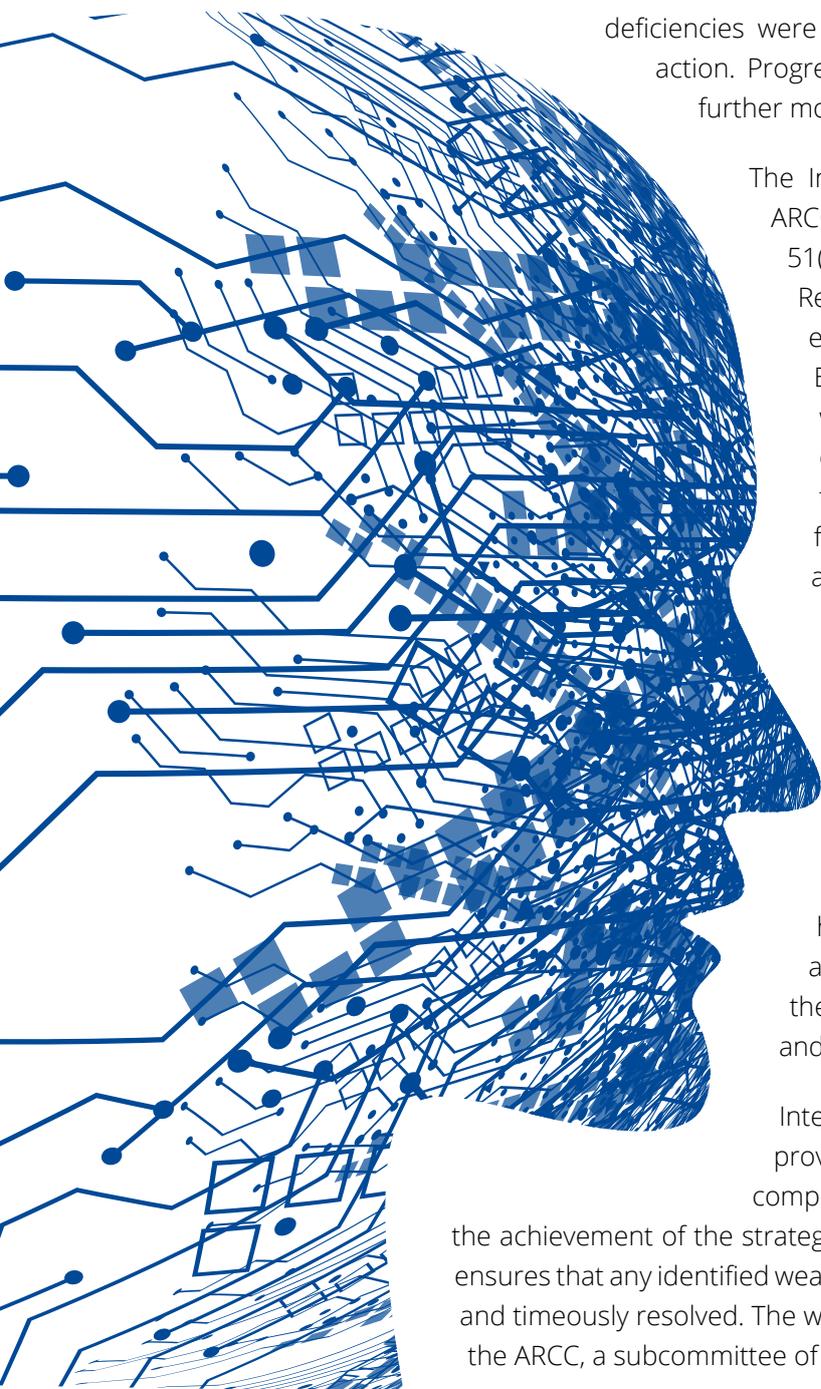
The Board is ultimately responsible for establishing a framework of internal controls. These controls are designed to provide cost-effective assurance of the financial wellness and financial management of the company. The internal control environment (including the assignment of authority and responsibility, 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 AGSA. These controls deficiencies were reported to management for appropriate corrective action. Progress on the implementation of the corrective action is further monitored by Exco and the 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, a subcommittee of the Board.



The table below discloses relevant information on the ARCC members.

**Table 15 - ARCC members**

| Member   | Qualifications   | Internal/<br>external | Date of<br>appointment | Number of<br>meetings<br>held              | No of<br>meetings<br>attended |
|--|--|-----------------------|------------------------|--|-------------------------------|
| <b>Ms N Pietersen</b>  | <ul style="list-style-type: none"> <li>▪ Master's in Business Administration (MBA)</li> <li>▪ Chartered Accountant (SA)</li> <li>▪ BCom (Accounting) Honours/CTA</li> <li>▪ BCom (Accounting)</li> </ul> | External              | 1 June 2020            | 7  | 7                             |
| <b>Mr A Murray</b>   | <ul style="list-style-type: none"> <li>▪ Masters in Social Sciences</li> <li>▪ B Social Sciences (Honours)</li> <li>▪ B Social Sciences</li> </ul>   | External              | 1 June 2020            | 7  | 6                             |
| <b>Mr M Ntanga</b>   | <ul style="list-style-type: none"> <li>▪ Master of Laws (LLM)</li> <li>▪ Drafting and Interpretation of Contracts</li> <li>▪ H Dip Tax</li> <li>▪ B Proc</li> </ul>                                      | External              | 1 June 2020            | 7  | 7                             |
| <b>ARCC Committee Members – 01 February to 31 March 2022</b> |  |                       |                        |  |                               |
| <b>Ms N Pietersen</b>  | <ul style="list-style-type: none"> <li>▪ Master's in Business Administration (MBA)</li> <li>▪ Chartered Accountant (SA)</li> <li>▪ BCom (Accounting) Honours/CTA</li> <li>▪ BCom (Accounting)</li> </ul> | External              | 1 February 2022        | No meetings held during the review period. |                               |
| <b>Ms S Moonsamy</b>   | <ul style="list-style-type: none"> <li>▪ BCom (Accounting)</li> <li>▪ Honours and CTA</li> <li>▪ CA(SA)</li> <li>▪ Master of Business Administration (MBA)</li> </ul>                                    | External              | 1 February 2022        |  |                               |
| <b>Ms L Mseme</b>  | <ul style="list-style-type: none"> <li>▪ Masters Public Administrations</li> <li>▪ Honours Public Administration</li> <li>▪ Bachelor of Arts English and History</li> </ul>                              | External              | 1 February 2022        |  |                               |
| <b>Mr VM Ratshimbilani</b>                                   | <ul style="list-style-type: none"> <li>▪ B Proc</li> <li>▪ Certificate in Business Management</li> <li>▪ Certificate in Prospecting and Mining Law</li> </ul>  | External              | 1 February 2022        |  |                               |

## 17. COMPLIANCE WITH LAWS

The SITA Regulatory Universe was reviewed in the past financial year and approved by the Board. The compliance programme was executed with compliance risk management plans developed and/or monitoring of compliance performed for the following legislation:

- a) SITA Act 88 of 1998
- b) National Archives and Records Services of South Africa Act (NARSSA), 43 of 1996
- c) Promotion of Access to Information Act (PAIA), 2 of 2000
- d) Protection of Personal Information Act, 4 of 2013 (POPIA)
- e) National Key Points (NKP) Act, 102 of 1980
- f) Critical Infrastructure Protection Act, 8 of 2019
- g) Electronic Communications Act (ECA), 36 of 2005
- h) Regulation of Interception of Communications and Provision of Communication-Related Information Act (RICA), 70 of 2002;
- i) Labour Relations Act (LRA), 66 of 1995
- j) Basic Conditions of Employment Act, (BCEA), 75 of 1997
- k) Unemployment Insurance Act, 63 of 2001
- l) Cybercrimes Act, 19 of 2020
- m) Prevention and Combating of Corrupt Activities Act, 12 of 2004 (PRECCA)
- n) Protected Disclosures Act, (PDA), 26 of 2000.

Compliance monitoring is maturing with monthly reporting on the status of compliance to the Strategy, Digitalisation, Architecture and Compliance Committee, a sub-committee of the Exco and quarterly reporting to the ARCC.

## 18. FRAUD AND CORRUPTION

SITA has expressed its commitment to prevent, detect and respond to the risk of fraud and corruption. The fraud awareness and prevention implementation plan was formally approved at the ARCC, supports the National Anti-Corruption Strategy and was successfully executed by the various role players. The awareness campaign was structured over the period, with the highlight of activities in November to coincide with the International Fraud Awareness week.



- SITA's anti-corruption hotline -

SITA has prioritised the management of fraud risk as per the PFMA and fraud-related regulations, with a zero tolerance to acts of fraud and corruption. SITA is committed to investigating any individual, group, or internal and external stakeholder who commits or attempts to commit acts of fraud and corruption through its systems, officials or clients. Significant forensic investigations have been undertaken and additional detective measures have been implemented, as well as lifestyle reviews of SITA employees.

Fraud prevention, detection and response plans are in place and fraud and awareness campaigns have been rolled out to sensitise employees on promotion of ethical behaviour within the organisation.

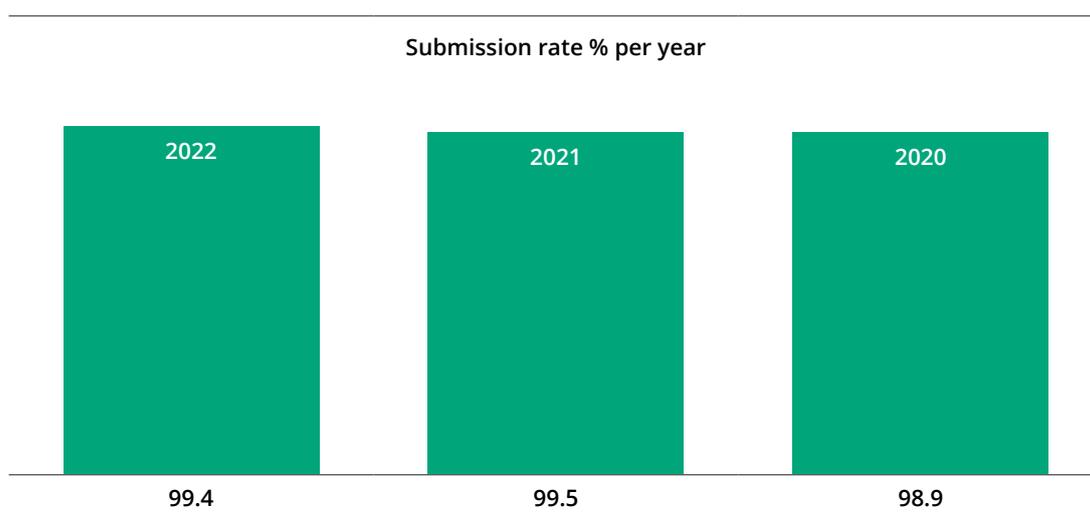
An anonymous fraud hotline has been implemented as a mechanism for whistle-blowers to report any suspicion of fraud and corruption that might be taking place at SITA. The hotline is outsourced to and managed by a private company to ensure independence and protection of the confidentiality of reported incidences. SITA has sound internal controls in place to prevent the occurrence of fraud and corruption incidences. All reported cases are registered, investigated, monitored and progress is thereof is reported to the ARCC.

## 19. MINIMISING CONFLICTS OF INTEREST

All employees are required to make a full declaration of any outside interests which may cause actual or perceived conflict of interest on an annual basis. Interests that are prohibited include:

- a) any IT or IT-related companies;
- b) companies that do or would do business with SITA or government (that are registered on the Central Supplier Database (CSD) of Government);
- c) companies that subcontract, either directly or indirectly, with companies that engage in business with SITA; and
- d) any line of work that is in conflict or might be objectively perceived to conflict with SITA's business operations e.g. providing consultancy services to SITA customers.

The submission rate of these annual declarations, year on year as reflected below, is very encouraging and the process and prohibitions are much better understood by all employees.



The declaration of interests are reviewed by the Integrity Management team for completeness and compliance against prohibitions articulated in the Declaration of Interest Policy, where after line managers either approve or

reject the outside interests with due consideration of performance. As required, consequence management is implemented through the Employee Relations team in the Human Capital Management division.

All interests must furthermore be declared at every stage of the procurement process i.e. from bid specification development and evaluation to adjudication. Members of adjudication committees are required to recuse themselves, should the possibility of a conflict arise.

In alignment to SITA's Gift and Hospitality Policy the practice of gifting is discouraged; employees are required to declare all gifts, and no gift with a value exceeding R350 is permissible. The Integrity Management team engages with suppliers from time to time, to review the completeness of the gift declaration register. For the year under review, only three gifts, all below R350, were received and declared by SITAzens.

## 20. CODE OF CONDUCT

SITA's ethical values and standards, which are consistent with the constitutional and legal framework in which SITA operates, are set out in SITA's Code of Conduct (the Code). The Code provides a framework of corporate values and behaviours that describes the way that SITA treats its clients, makes decisions, develops its employees, and partners with suppliers.

All SITA employees are required to comply with the Code. The principles contained in the Code also apply to contract labour, consultants, temporary employees, casual employees, suppliers and others acting for and on behalf of SITA. Any employee who believes that his or her actions have, or may have, contravened the Code is required to report the matter to their immediate supervisor, a manager, the Managing Director or the Company Secretary, as appropriate.

Any employee who suspects that a fellow employee has contravened the Code should report this promptly and confidentially, preferably in writing, to his or her immediate supervisor, a manager or the Company Secretary. The Code of Conduct for Non-Executive Directors of SITA provides a framework for directors' ethical behaviour, honesty, integrity and good judgment.

Any breach or suspected breach of ethical standards by a Board member will be dealt with in accordance with the applicable disciplinary policies and procedures. It is the Board's responsibility to bring any breach of ethical standards by a Board member to the attention of the President of the Republic of South Africa through the office of the responsible minister.

During the year under review, the Code was further socialised throughout the organisation through a series of employees' engagement sessions. These sessions incorporated the entrenchment of SITA Values, an initiative that was rolled out across the organisation as part of the Digital Culture programme.

The Code is regularly reinforced at an operational level through various people-centred engagements as well as the Human Capital initiatives.

## 21. OCCUPATIONAL HEALTH AND SAFETY

SITA adheres to relevant South African Regulations that include the Compensation for Occupational Injuries and Diseases Act and the Occupational Health and Safety Act to provide and maintain a work environment conducive to the health and safety of its employees.

Since 2020, the focus of SITA shifted from our business-as-usual OHS activities to the implementation of Covid-19 regulations and protocols to ensure employees safety within our buildings. Covid-19 risk assessment and mitigations plans were compiled to ensure compliance with the Disaster Management Act 2020 and Covid-19 regulations issued by the Department of Employment and Labour. During 2021, Covid-19 building protocols were monitored and managed and employee awareness initiatives were specifically focussed on implementing measures to minimise and curb the spread of the Covid-19 pandemic.

The number of Injury on Duty incidents reported was automatically reduced given that the majority of employees worked remotely.

Occupational health and safety training was provided to the safety, health and environment representatives, evacuation wardens, first-aiders and firefighters amidst the Covid-19 restrictions, ensuring compliance to the Occupational Health and Safety Act.

Occupational health and safety audits were conducted towards the end of 2021/22 financial year, to assess the effectiveness of occupational health and safety as well as to ensure that all SITA buildings continue to comply with the requirements of the Act and the National Building Regulations (SANS 10400). The results of the audit were satisfactory without any major findings.

## 22. COMPANY SECRETARY

The Company Secretary is appointed in terms of section 86(1) of the Companies Act, 71 of 2008, and is responsible to ensure corporate governance by the Board of Directors, their committees and Exco.

**In line with section 88 of the Companies Act, the Company Secretary is accountable to the Board of Directors and his/her duties include, but are not restricted to:**

- a) providing the directors of SITA, collectively and individually, with guidance as to their duties, responsibilities and powers;
- b) making the directors aware of any law relevant to or affecting SITA;
- c) reporting to SITA's Board of Directors any failure on the part of the entity or a director to comply with the memorandum of incorporation, or policies of SITA or the Companies Act;
- d) ensuring that minutes of all Board meetings and the meetings of any sub-committees of the Board of Directors, are properly recorded in accordance with the Companies Act;
- e) certifying in SITA's annual financial statements whether the entity has filed the required returns and notices in terms of the Companies Act, and whether all such returns and notices appear to be true, correct and up to date; and
- f) ensuring that a copy of SITA's annual financial statements is sent, in accordance with the Companies Act, to every person who is entitled to it.

### Other duties of the Company Secretary include:

- a) inducting and orienting new directors and guiding directors as to their duties, responsibilities and powers, with particular reference to ethics and good governance;
- b) assisting with the Board Strategic Plan and APP development sessions, as well as monitoring performance against predetermined objectives;
- c) ensuring the Board has relevant, accurate, timely and complete information in order to monitor, review, make decisions and report to the shareholders;
- d) 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;
- e) 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;
- f) 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;
- g) 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;
- h) ensuring that the Board has comprehensive communication and stakeholder management frameworks, strategies, policies and programmes; and
- i) 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.

## 23. SOCIAL RESPONSIBILITY

The Agency continued to contribute to a digital society (promoting access, inclusivity and transformation) by collaborating with a network of stakeholders, including the shareholder (DCDT) on a range of community outreach programmes intended to bring the different spheres of government together to deliver among other things, digital interventions to the socio-economic challenges facing the citizens.

Some of the outreach programmes, SITA was part of, included a community outreach programme in Mpumalanga led by the Honourable, the Deputy President, Mr David Mabuza and the Minister of Communications and Digital Technologies, Ms Stella Ndabeni Abrahams, MP. The outreach programme was part of government's efforts to cement a social compact between the state and the citizens. Additional programmes were supported by SITA when the Minister and Deputy Minister of Communications and Digital Technologies, Ms Pinkie Kekana, MP, undertook a visit to QwaQwa and Bethlehem in the Free State Province. The visit to the Free State was preceded by another community outreach initiative led by the Deputy Minister in Steynsburg in the Eastern Cape. SITA offered training to learners on digital literacy and coding during the outreach programme in Mpumalanga and also made inputs to the form and content of the four (4) government programmes that took place during the period under review (Mpumalanga, Eastern Cape and 2 x Free State). Community empowerment and development remains the outcome of these public participation forums, thereby strengthening social cohesion and helping to build a nation.

SITA took steps to demonstrate that it is possible for an ICT Agency to drive digital transformation and consider the environmental impact of our operations at the same time. For SITA, this meant putting plans in place and making real progress in Electronic Waste Management initiatives. This included the appointment of a panel of service

providers, responsible for the disposal of electronic devices as part of furthering our efforts towards a sustainable environment. The decision to undertake this initiative was born out of the fact that some electronic devices contain toxic substances and heavy metals that may be dangerous to the environment if not properly disposed of.

Additionally, SITA held discussions to foster collaboration with Industry partners to look at areas of partnership in electronic waste management and what needed to be done to encourage social and environmentally friendly operations across the public sector. This commitment acknowledges SITA's responsibility in the entire value chain and this extends to all operations where there may be assets due for disposal. This means taking all steps necessary across the country to make sure that the manner in which SITA manages the disposal of its electronic devices, and helps to reduce our environmental footprint and protect communities impacted by adverse environmental effects.

## **24. AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT**

We are pleased to present our report for the financial year ended 31 March 2022.

### **24.1 Introduction**

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

### **24.2 Terms of Reference of the ARCC**

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 (AGSA).



### **24.3 ARCC 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.

### **24.4 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 AGSA on the results of the audits conducted, that the financial information provided to the users of such information is adequate, reliable and accurate, except for qualification areas.

### **24.5 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 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.

### **24.6. Internal financial control**

The Committee is of the opinion, based on the information and explanations given by management, the Internal Auditors and the AGSA on the results of the audits conducted, that the financial information provided to the users of such information is adequate, reliable and accurate, except for qualification areas highlighted in the AGSA report.

### **24.7 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, co-ordination with the external auditors, the reports of significant investigations and generally, the responses of management to specific recommendations.

### **24.8 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 Governance, Risk, Compliance and Integrity division. These reports reflect on strategic, operational and programme related risks.

## 24.9 Compliance with legal and regulatory provisions

The Committee has received regular reports from, amongst others, the Governance, Risk, Compliance and Integrity division, 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.

## 24.10 Evaluation of the financial statements

The Committee has evaluated the annual financial statements of the State Information Technology Agency for the year ended 31 March 2022 and, based on the information provided, concurs and accepts the AG'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 AG.



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**Nolitha Pietersen**

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

## 25. BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The following table has been completed in accordance with the compliance to the B-BBEE requirements of the B-BBEE Act of 2013 and as determined by the Department of Trade, Industry and Competition.

**Table 16 - B-BBEE requirements**

| <b>Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:</b>                |                              |  |
|---|------------------------------|--|
| <b>Criteria</b>   | <b>Response<br/>Yes / No</b> | <b>Discussion</b>  |
| Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law | N/A                          |  |
| Developing and implementing a preferential procurement policy   | N/A                          |  |
| Determining qualification criteria for the sale of state-owned enterprises  | N/A                          |  |
| Developing criteria for entering into partnerships with the private sector  | N/A                          | SITA concluded a number of Framework Agreements with some of the OEMs/OSMs in order to advance the empowerment of SMMEs.   |
| Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad-Based Black Economic Empowerment                 | N/A                          | SITA provided skills training interventions to ensure meaningful participation by SMMEs in the broader ICT space. Some training initiatives were delivered through Framework Agreements with some OEMs/OSMs. In addition, SITA trained SMMEs on Fourth Industrial Revolution courses such as Internet-of-Things, Python and Cloud Computing; 63 black SMMEs were offered training on various skill sets. |



**PART D**

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**HUMAN CAPITAL MANAGEMENT**



# Part D: Human Capital Management

## 26. INTRODUCTION

The financial year 2021/22 affirmed SITA's commitment to reinventing the world of work as it embraced a remote work policy and a hybrid approach to work. It applied sound reason to all challenges faced by its employees and customers alike and implemented agile processes to ensure it remained relevant during multiple waves of the pandemic, social unrest and political uncertainty. These crises were managed through a reliance upon the SITA's values, technologies and humanistic approaches to protect, support and inspire our workforce.

During the year under review, SITA invested a total cost of R29 825 478 in continual skills development to drive and support reskilling and upskilling across the organisation in line with its approved workplace skills plan (WSP). The training of resources was also driven by the dynamic changes in technology as the organisation drives and supports the implementation of various development initiatives for employees, particularly those employees whose skills and capability have a direct impact on the service delivery to clients.

This focus on developing skills and constantly affording opportunities for employee development was ingrained in SITA's operational processes. Attention was given to leadership pipeline development and career development of employees, including succession planning. More than half of the planned training was delivered as planned through the WSP while other training interventions were conducted over and above the planned WSP training.

In support of addressing the national priority to develop youth, women and people with disabilities SITA has in the FY21/22 invested R6 199 513 for the provision of bursaries to 170 women which consist of SITA employees and external students who are studying towards ICT and other Fourth Industrial Revolution related qualifications. SITA also contributed to the national imperative of reducing unemployment by making available learnership and internship opportunities to 79 unemployed youth at a cost of R2 994 500.

An effective employee wellness strategy, covering all health and safety legislative requirements, ensured a safe and healthy work environment was provided to all employees for optimal productivity. The company wellness programme provided the necessary physical and psychological support to improve employee engagement and performance, especially in light of the nature of employee wellness challenges that surfaced during Covid-19.

### a) Employee performance management framework

SITA's employee performance management framework was a priority focus area aimed at building a high-performance culture which is core to employees supporting customer service delivery. Leadership sponsored the overall corporate and division performance management activities in a tangible manner with an emphasis on timely performance improvement. Continuous performance management and monitoring which is part of the overall management approach for the organisation resulted in the implementation of constant improvements to ensure responsiveness to employee and organisational requirements.



## b) Highlights

The Human Capital Management (HCM) highlights for the year under review include the following key achievements:

Despite the high volume of vacancies and scarcity of ICT skills SITA successfully filled 61% positions on its recruitment plan i.e. recruitment covered planned annual vacancies as well as vacancies for new business growth projects in the business.

In alignment with SITA's internal digital transformation drive, the e-Recruitment system to automate the manual recruitment process was successfully implemented thereby mitigating against manual and lengthy recruitment processes which often results in loss of potential employees.

The Digital Culture Programme presented a great opportunity to implement initiatives such as the entrenchment of SITA values as well as coaching and mentoring thereby contributing to an improved overall employee experience.

SITA prioritised employee engagements through various interactions facilitated on virtual platforms and electronic communications, namely purpose driven performance management sessions aimed at inculcating a high-performance organisational culture, introduction of the services of Life EHS to cater for the well-being of its workforce during the traumatic lockdown period, conducting a companywide employee satisfaction survey to keep its finger on the pulse of key employee issues.

In addition, topical talks, training interventions, articles, poster campaigns or desk-drops relating to managing work life balance during the pandemic included supporting employees with critical information relating to dealing with trauma, adjusting to change, loss and resilience and Covid-19 vaccine hesitancy were successfully executed.

For the reported Covid-19 cases, the necessary support and engagement was prioritised through the employee wellness programme thereby enabling employees to return to work after either hospitalisation or isolation at home.

## c) Lowlights

The HCM lowlights for the year under review include the following:

The 'new normal' brought about by the global response to the Covid-19 pandemic challenged many employees to adapt under difficult circumstances and some SITA operational process challenges were also experienced with regards to attracting talent required to build its workforce capabilities and competencies; the SITA brand deficit was a key hindrance to sourcing scarce skills.

The shift to remote work implemented as a hybrid approach brought with it added pressure to adapt company systems and processes whilst balancing performance outputs and service delivery requirements amidst juggling pockets of Covid-19 outbreaks across the organisation.

Future HCM plans and goals encompassed within the HCM Strategy 2020-24 to support SITA's digital transformation programme were not fully achieved, namely:

- a. implementation of the formal Leadership Development programme;
- b. continuous skills audits to assess the organisational skills levels, especially with regards to digital skills capability;
- c. embedding Succession Management practices with a particular focus on Core, Critical and Scarce (CCS) roles; and
- d. improved performance management practices towards a high-performance culture to effectively manage outcomes-based performance.

## 26.1 HCM digitisation

The shift towards paperless and digitised internal operating processes resulted in many improvements in day-to-day processes within the company such as the implementation of the SharePoint management system, utilisation of digital signatures, digital meeting tools as well as the launch of the Covid-19 screening app.

SITA implemented strategic processes to promote an enabling environment by focusing on four key areas: human resource digitalisation initiatives included the online recruitment portal that was developed and launched to ensure a digital recruitment process, training and development was administered through relevant modules on the SITA enterprise resource planning system; attracting digital skills through social media platforms thereby enhancing and retaining ICT skills; improvement of the HR customer-centricity service management function and commencement of transformational leadership initiatives which will span over the next three-years.

SITA reviewed and refreshed its leadership competency model in order to support the attraction and retention of key skills to manage its business within the digital landscape. An electronic employee engagement survey was conducted to better understand employee lifecycle improvement requirements and the overall employee engagement and employee experience across the organisation; the results will inform the employee engagement improvement plan for the next financial year.

## 26.2 Talent development

The main focus areas of SITA's Integrated Talent Management Strategy for the next three years aim to build a culture that prides itself with a talented workforce which possesses the requisite digital skills characteristic of Fourth Industrial Revolution and the public sector digital transformation drive.

The focus for the 2021/22 period was to introduce initiatives that build SITA capabilities for both leadership and technical skills requirements, improve digital skills internally and to attract new skills through customised sourcing strategies. Furthermore, the strategic talent acquisition process to attract young graduate talent with the relevant IT qualifications to create a talent pipeline whilst also investing in employees with bursaries to acquire formal qualifications were key focus areas.

We enhanced our talent strategy journey and roadmap in financial year 2021/22, aligning it with our aspirations to identify the potential within our diverse talent pool through various initiatives, namely:

- a) an employee engagement plan successfully directed efforts to improve employee engagement and general satisfaction levels through the corporate culture programme;
- b) continuous performance management ensured that performance outputs are measured and improved to support overall corporate performance results;
- c) ongoing implementation of succession management processes and career management initiatives; and
- d) the development of a Talent Retention Strategy to address the attracting and retaining of key skills within SITA.

## 26.3 Organisational culture



**SITA CUSTOMER CENTRICITY**  
Exceeding Customer Expectations

**SITA'S 8 GUIDING PRINCIPLES TO PUTTING OUR CUSTOMERS FIRST**

DEVELOPED USING THE 8 PRINCIPLES OF BATHO PELE AS A BASE, THESE WILL HELP GUIDE US TO BETTER **SERVE AND DELIGHT** OUR CUSTOMERS.

|  |   |
|--|---|
| <p><b>Consultation:</b><br/>Our customers must be consulted on the level and quality of services we offer and, wherever possible, should be given a choice on the services they receive.</p> <p><b>Service standards:</b><br/>Our customers should be told what level and quality of service they will receive from us so that they are aware of what to expect.</p> <p><b>Access:</b><br/>All our customers should have access to services procured through us which they are entitled to.</p> <p><b>Courtesy:</b><br/>All our customers should be treated with courtesy and consideration.</p> | <p><b>Information:</b><br/>All our customers should be given full and accurate information about our services.</p> <p><b>Openness and transparency:</b><br/>Wherever necessary, our customers should be told how we operate and how much our services cost.</p> <p><b>Redress:</b><br/>If our agreed level of service is not met, customers should be offered a quick and effective solution.</p> <p><b>Value for money:</b><br/>Our services should be offered in a cost effective and efficient manner to give our customers the best possible value for money.</p> |
|--|---|



In the past year a purposeful organisational culture programme was implemented through cross functional participation in order to realise the medium-term strategy outcomes and create value for all its stakeholders. This was achieved through the key pillars of a digital culture namely; collaboration across the organisation and with ecosystem partners, adapting and improving processes, encouraging innovation and entrenching customer-centricity.

Key achievements aligned to inculcating a culture of digital transformation included issuing of a Smart Idea Challenge to drive the development of innovative solutions, implementation of paperless meeting tools, utilisation of digital platforms such as Digital Fridays to keep SITAZens informed and educated about key digital transformation trends, rollout of a customer centricity campaign, implementation of SharePoint to improve communication and collaboration, development of a Digital Ethics Protocol Guidance Framework and implementation of customer improvement plans.

A multipronged approach to create awareness about the corporate values took centre stage in order to bring about appropriate behavioural changes required to support the entrenchment of a customer centric culture. This included reinforcing the values through corporate induction programmes, the rewards and recognition programme, the internal corporate newsletter, the marketing campaign on customer centricity and various employee engagement initiatives.

Overall, the multiyear culture programme is intended to transform SITA into an organisation of the future where digital is first for employees, underpinned by innovation, agility and new skills all of which are key elements that will meet and exceed the evolving needs of SITA customers as governments' digital transformation agenda gains steady momentum.

## 26.4 Employee wellness

SITA is committed to a healthy work environment and therefore implemented initiatives that promote physical and mental health and well-being. Employees were ably supported during the Covid-19 lockdown, ensuring adherence to health and safety measures at all times. Since early 2020 the focus has been to safeguard the health and wellbeing of our employees and their families, while managing the economic and operational challenges facing our business.



SITA established a Covid-19 Implementation Committee to give effect to the requirements of the Consolidated Covid-19 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.

In protecting its employees, multiple interventions in partnership with Life Health Solutions (Careways), were implemented across all SITA offices, including driving awareness of the pandemic through virtual counselling and webinars. Various proactive wellness resources and efforts were directed towards mitigating the risk and impact of the pandemic with regular virtual information sessions and communications addressing issues such as men's health, burnout and resilience, healthy lifestyle, stress and work life balance, mental health, grief and loss and Covid-19 vaccinations.

A Covid-19 screening app was developed and implemented at various SITA offices to proactively manage the spread of Covid-19; employees were pre-screened with a daily questionnaire. Continuing on the trajectory to transform its internal operations, SITA developed a Health and Wellness Solution ("It's in Your Hands") which is a centralised system accessible to employees and employee wellness partners for the management of health and wellness programme.

**The solution is designed to, amongst other, provide the following key benefits:**

**Figure 5 - Health and Wellness Solution benefits**



## 26.5 Human Capital Management oversight statistics

### 26.5.1 Personnel cost by salary band

The table below reflects the personnel cost by salary band.

*Table 17 - Personnel cost by salary band for the period 1 April 2021 to 31 March 2022*

| Salary Band                              | Personnel Expenditure (R'000) | Personnel exp. as a % of total expenditure | No. of employees | Average personnel cost per employee (R'000) |
|--|-------------------------------|--|------------------|---|
| Lower Skilled (Levels 1 - 2)             | 1 821                         | 0.10%                                      | 11               | 166   |
| Skilled (Level 3-5)                      | 101 498                       | 5.54%                                      | 487              | 208   |
| Highly Skilled Production (Levels 6-8)   | 885 699                       | 48.32%                                     | 1945             | 455   |
| Highly Skilled Supervision (Levels 9-12) | 741 359                       | 40.45%                                     | 789              | 940   |
| Senior and Top Management                | 102 623                       | 5.60%                                      | 58               | 1 769                                       |
| <b>Total</b>                             | <b>1 833 000</b>              | <b>100.00%</b>                             | <b>3290</b>      | <b>557</b>                                  |

### 26.5.2 Employment equity statistics per occupational level

Employment equity statistics per occupational level as depicted on the table shows that all African males are underachieving against the targets throughout all levels except Top Management and Unskilled occupational levels. This in comparison with the representation of other races e.g. in comparison to the White and Indian males which exceed their targets respectively at all Occupational levels except Top Management, Semi-skilled and Unskilled levels.

*Table 18 - 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      | 22             | 28          | 2         | 3          | 5         | 1         | 5          | 3          |
| Professional qualified | 266            | 452         | 24        | 50         | 26        | 19        | 121        | 53         |
| Skilled                | 751            | 951         | 63        | 104        | 58        | 39        | 163        | 111        |
| Semi-skilled           | 181            | 219         | 8         | 24         | 3         | 9         | 5          | 26         |
| Unskilled              | 8              | 5           | 0         | 0          | 0         | 0         | 0          | 1          |
| <b>Total</b>           | <b>1230</b>    | <b>1656</b> | <b>97</b> | <b>181</b> | <b>92</b> | <b>68</b> | <b>294</b> | <b>194</b> |

In respect of the status quo with female affirmation, it is notable that Females are not represented at Top Management occupational level however at the Senior Management occupational level the target is underachieved by 6 for African females. On the other hand, the target achievement is doubled for White female occupation levels.

**Table 19 - 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      | 17               | 23          | 0         | 3          | 1         | 1         | 4          | 3          |
| Professional qualified | 215              | 369         | 16        | 42         | 13        | 10        | 108        | 40         |
| Skilled                | 716              | 774         | 28        | 89         | 11        | 22        | 155        | 85         |
| Semi-skilled           | 257              | 177         | 17        | 21         | 6         | 5         | 10         | 20         |
| Unskilled              | 3                | 4           | 0         | 1          | 0         | 0         | 0          | 0          |
| <b>Total</b>           | <b>1208</b>      | <b>1348</b> | <b>61</b> | <b>156</b> | <b>31</b> | <b>38</b> | <b>277</b> | <b>148</b> |

Persons with Disabilities was achieved at 1,6% (53 employees of the 3290 total workforce) and most of the employees were only from Skilled level and Semi Skilled level whilst the target is 2% of the total workforce. The congestion of the employees on lower levels is due to the internship and learnership programmes which creates SITAs skills pipeline.

**Table 20 - Employment equity statistics – Persons with disabilities**

| Occupational levels    | Disabled Staff |           |           |           |
|------------------------|----------------|-----------|-----------|-----------|
|                        | Male           |           | Female    |           |
|                        | Current        | Target    | Current   | Target    |
| Top Management         | 0              | 0         | 0         | 0         |
| Senior Management      | 0              | 0         | 0         | 0         |
| Professional qualified | 2              | 8         | 1         | 8         |
| Skilled                | 11             | 20        | 6         | 20        |
| Semi-skilled           | 19             | 8         | 14        | 7         |
| Unskilled              | 0              | 0         | 0         | 0         |
| <b>Total</b>           | <b>32</b>      | <b>36</b> | <b>21</b> | <b>35</b> |

### 26.5.3 Employment and vacancies

During the latter part of 2020 SITA embarked on a mass restructuring programme and started the recruitment programme in earnest in January 2021. 13.2% of vacancies were confirmed, with a priority focus on filling them in line with meeting service delivery requirements, thereby optimising the company's labour budget.

*Table 21 - Employment and vacancies*

| Occupational levels    | 2020/2021<br>No. of<br>Employees | 2021/2022<br>Approved<br>Posts | 2021/2022<br>No. of<br>Employees | 2021/2022<br>Vacancies | % of<br>vacancies |
|------------------------|----------------------------------|--------------------------------|----------------------------------|------------------------|-------------------|
| Top Management         | 2                                | 2                              | 2                                | 0                      | 0.0%              |
| Senior Management      | 49                               | 65                             | 56                               | 9                      | 13.9%             |
| Professional qualified | 734                              | 1035                           | 789                              | 246                    | 23.8 %            |
| Skilled                | 1880                             | 2175                           | 1945                             | 230                    | 10.6%             |
| Semi-skilled           | 459                              | 501                            | 487                              | 14                     | 2.8%              |
| Unskilled              | 63                               | 11                             | 11                               | 0                      | 0.0%              |
| <b>Total</b>           | <b>3 187</b>                     | <b>3789</b>                    | <b>3290</b>                      | <b>499</b>             | <b>13.2%</b>      |

### 26.5.4 Employment changes

The SITA turnover rate of employment was 8.8% during 2021/22 which was less than the functional voluntary turnover rate in the South African ICT industry which is calculated to be between 14 and 19% (as published on the [www.researchgate.net](http://www.researchgate.net) website). The turnover for SITAs professional qualified level (at 11.2%) and skilled occupational level (at 7.3%) are above industry trends. The table below reflects a summary of employment changes which included the movements of staff between different occupational levels during the financial year.

*Table 22 - Employment changes*

| Occupational levels    | Employment at<br>beginning of period | Appointments | Terminations | Employment at end<br>of the period |
|------------------------|--------------------------------------|--------------|--------------|------------------------------------|
| Top Management         | 2                                    | 0            | 0            | 2                                  |
| Senior Management      | 49                                   | 6            | 6            | 56                                 |
| Professional qualified | 734                                  | 85           | 85           | 789                                |
| Skilled                | 1880                                 | 182          | 140          | 1945                               |
| Semi-skilled           | 459                                  | 114          | 51           | 487                                |
| Unskilled              | 63                                   | 0            | 2            | 11                                 |
| <b>Total</b>           | <b>3187</b>                          | <b>387</b>   | <b>284</b>   | <b>3290</b>                        |

## 26.5.5 Reasons for staff leaving

The table below reflects a summary of reasons for staff leaving and shows that the major reason for staff leaving is due to functional voluntary resignations (35.92%); the involuntary categories show reasons for leaving are highest for retirement (16.55%) and expiry of contract (18.31%).

The Talent Management Strategy addresses the attraction and retention initiatives that SITA has initiated.

**Table 23 - Reasons for staff leaving SITA**

| Type                 | Reason             | Number     | % of total no. of staff leaving |
|----------------------|--------------------|------------|---------------------------------|
| Functional voluntary | Resignation        | 102        | 35.92%                          |
| Involuntary          | Death              | 16         | 5.63%                           |
|                      | Dismissal          | 7          | 2.46%                           |
|                      | Retirement         | 47         | 16.55%                          |
|                      | Ill health         | 2          | 0.70%                           |
|                      | Expiry of contract | 52         | 18.31%                          |
| Other                | Other              | 58         | 20.42%                          |
|                      | <b>Total</b>       | <b>284</b> | <b>100%</b>                     |

## 26.5.6 Misconduct and disciplinary action

The table below reflects information for cases of misconduct and disciplinary action.

**Table 24 - Disciplinary action**

| Nature of disciplinary Action               | Number   |
|---|--|
| Verbal Warning                              | None   |
| Written Warning                             | None   |
| Final Written Warning                       | Eight (8) Final Written Warnings   |
| Dismissal                                   | Five (5) Dismissals  |
| Resignations before disciplinary hearing(s) | Three 3 employees resigned during the disciplinary hearing(s)  |
| Suspension from work without pay            | Two (2) employees were suspended from work without pay for a period of one month and one week respectively |

## 26.5.7 Personnel State Information Technology Agency

The table below reflects personnel costs per programme.

**Table 25 - Personnel cost per Programme**

| Divisional Programme                                 | Total Expenditure for the entity (R'000) | Personnel Expenditure (R'000) | Personnel exp. as a % of total exp. (R'000) | No. of employees | Average personnel cost per employee (R'000) |
|--|--|-------------------------------|---|------------------|---|
| Programme 1: Thought-leadership and service delivery | 2 461 101                                | 1 084 755                     | 44,08%                                      | 1902             | 570   |
| Programme 2: Digital infrastructure                  | 2 493 037                                | 434 084                       | 17,41%                                      | 812              | 535   |
| Programme 3: Skills and capability development       | 407 829                                  | 214 633                       | 52,63%                                      | 416              | 516   |
| Programme 4: Financial sustainability                | 74 618                                   | 55 987                        | 75,03%                                      | 96               | 583   |
| Programme 5: Procurement & industry transformation   | 46 512                                   | 43 541                        | 93,61%                                      | 64               | 680   |
| <b>Total</b>   | <b>5 483 097</b>                         | <b>1 833 000</b>              | <b>33,43%</b>                               | <b>3290</b>      | <b>557</b>                                  |

The personnel expenditure per programme in the above table is based on the March 2022 total guaranteed packages. This therefore excludes variable costs (acting allowances, mobile and data allowances, overtime, shift and standby allowances) for the financial year ended 31 March 2022.

Variable costs are included in the total personnel cost as reflected in the table below; these variable components could not be allocated to personnel cost per programme reflected in table 25 above on a reasonable basis.

**Table 26 - Total personnel cost**

| Employees      | Total Expenditure for entity (R'000) | Personnel Expenditure (R'000) | Personnel expenditure as a % of total expenditure | Number of employees | Average personnel cost per employee (R'000) |
|----------------|--------------------------------------|-------------------------------|---|---------------------|---|
| SITA Employees | 5 483 097                            | 1 921 488                     | 35.0%   | 3290                | 584   |

## 26.5.8 Performance rewards

Barring the component of the annual salary increases which could be extrapolated as being performance-based, there were no specific performance rewards during the year under review.

## 26.5.9 Training cost

The table below reflects training costs breakdown per occupational level.

**Table 27 - Training costs**

| Occupational levels      | Personnel Expenditure (R'000) | Personnel Training Investment (R'000) | % of personnel exp. to total personnel cost | No. of employees trained | Average training cost per employee (R'000) |
|--------------------------|-------------------------------|---------------------------------------|---|--------------------------|--|
| Top Management           | 6 399                         | 47                                    | 0.73%                                       | 1                        | 47   |
| Senior Management        | 96 224                        | 301                                   | 0.31%                                       | 29                       | 10   |
| Professionally qualified | 741 359                       | 7 616                                 | 1.03%                                       | 540                      | 14   |
| Skilled                  | 885 699                       | 12 983                                | 1.47%                                       | 1 147                    | 11   |
| Semi-skilled             | 101 498                       | 2 706                                 | 2.67%                                       | 276                      | 10   |
| Unskilled                | 1 821                         | 180                                   | 9.89%                                       | 11                       | 16   |
| <b>Total</b>             | <b>1 833 000</b>              | <b>23 834</b>                         | <b>1.30 %</b>                               | <b>2004</b>              | <b>12</b>                                  |

SITA offered bursaries to the unemployed youth to the value of R5 991 607. This amount forms part of the R29 825 478 training costs that were incurred by SITA during the 2021/22 financial year as disclosed in Note 18 of the AFS.



## **PART E**

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# **FINANCIAL INFORMATION**



# Financial Information

## State Information Technology Agency (SITA) SOC Ltd

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### Annual Financial Statements

For the year ended 31 MARCH 2022

#### GENERAL INFORMATION

|                                 |   |
|---------------------------------|---|
| <b>Legal form</b>               | State Information Technology Agency (SITA) SOC Ltd  |
| <b>Nature of operations</b>     | <b>Information Communication Technology (ICT)</b><br>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 |
| <b>Physical address</b>         | 459 Tsitsa Street<br>Erasmuskloof<br>Pretoria<br>0048   |
| <b>Postal address</b>           | PO Box 26100<br>Monument Park<br>0105   |
| <b>Bank details</b>             | Standard Bank   |
| <b>Domicile</b>                 | South Africa  |
| <b>Auditor</b>                  | Auditor-General South Africa (AGSA)   |
| <b>Acting Managing Director</b> | M Kgauwe  |
| <b>Chief Financial Officer</b>  | M Kgauwe  |



## 27. CERTIFICATE BY COMPANY SECRETARY

I, Makwena Mohlabi, in my capacity as 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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**Makwena Mohlabi**

Company Secretary

## 28. 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 2022. 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.

### 28.1 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.

### 28.2 Registration details

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

### 28.3 Ownership

The company is wholly owned by the Government of the Republic of South Africa as represented by the Minister of Communications and Digital Technology, Honourable Khumbudzo Ntshavheni.

### 28.4 Equity Contributed

There were no changes to either the authorised or issued share capital of the company during the year ended 31 March 2022. Details of the authorised and issued share capital can be found in note 11 to the annual financial statements.

### 28.5 Financial Highlights

The financial performance is set out on pages 104-183 of this report.

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

|  | 31 March 2022<br>Rand (R' 000) | 31 March 2021<br>% change |
|--|--------------------------------|---------------------------|
| Revenue                                  | 6 022 388                      | +3.93 %                   |
| Net surplus for the year – before tax    | 539 291                        | +49.36 %                  |
| Total assets                             | 5 109 713                      | -3.46 %                   |
| Net assets                               | 3 954 237                      | +10.26 %                  |
| Net Cash flows from operating activities | 581 379                        | -11.40 %                  |

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 financially sustainable.

## 28.6 Dividends

There were no dividends declared for the current financial year ended 31 March 2022.

## 28.7 Public Finance Management Act (PFMA)

### 28.7.1 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.

### 28.7.2 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.

### 28.7.3 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.

## 28.8 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 the internal control weaknesses as reflect below.

### 28.8.1 Audit qualification

The entity received a third qualified audit opinion. Property Plant and Equipment as well as Intangible Assets were qualified for the third time even though there was a lot of work 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 which was also qualified for the second year. An action plan to address the associated challenges is in progress.

The Auditor General added new areas of qualifications, namely Revenue, Cost of Sales, Operating expenses, Trade and other receivables, Income tax expense and Cash flow from operating activities. An audit action plan to address all the areas affected by the qualification is in progress and will be implemented as part of audit preparation for the next audit cycle.

## 28.8.2 Material irregularities

The following material irregularities were reported in the previous reporting period:

- a) **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 monies paid in respect of the licenses. Appropriate consequence management will be implemented against officials that did not perform their duties diligently
- b) **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.

There were no new cases of material irregularities that were reported in the current reporting period.

## 28.8.3 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:

- a) Appointment of an external firm which conducted an irregular expenditure completeness review.
- b) Revision of the SCM templates to ensure continued compliance.
- c) Consequence management through disciplinary action.

## 28.9 Public Private Partnerships

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

## 28.10 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)

## 28.11 Events Subsequent the Date of Financial Position

On the 27th of July 2022, Mr Luvuyo Keyise's term as the interim Managing Director of SITA ended. Mr Keyise was appointed as the Executive Caretaker for two years. At the end of his two-year contract in January 2022, through a Cabinet media statement, an announcement was made to further appoint Mr Keyise as the Interim Managing Director for a period of six months ending on 27 July 2022. The board resolved to appoint, with immediate effect Mr Molatlhegi Kgauwe as the Acting Managing Director until further notice.

## 28.12 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.

## 28.13 Directors

The members of the board were dissolved by 30 November 2021. New board members were appointed after the Cabinet Lekgotla and Special meeting held between 27-28 January 2022. A total of 11 board members were appointed as well as the reappointment of Mr Luvuyo Keyise as the interim Managing Director of SITA as indicated above.

Disclosure of Directors' remuneration is detailed in Note 31 in the AFS of the Annual Financial Statements..

The following individuals were Directors during the year under review:

| <b>Non-Executive Directors:</b> |   |
|---------------------------------|---|
| <b>Chairperson</b>              |   |
| Mr M Tsika                      | Term ended 30 November 2021                             |
| Ms M Mosidi                     | Appointed 1 February 2022                               |
| <b>Deputy Chairperson</b>       |   |
| Dr S Bvuma                      | Appointed 1 February 2022                               |
| <b>Members</b>                  |   |
| Ms J Morwane <sup>1</sup>       | Term ended 30 November 2021 Reappointed 1 February 2022 |
| Mr A Murray                     | Term ended 30 November 2021                             |
| Mr T Phiri                      | Term ended 30 November 2021                             |
| <b>New Board Members</b>        |   |
| Ms S Moonsamy                   | Appointed 1 February 2022                               |
| Ms Z Hill                       | Appointed 1 February 2022                               |
| Ms O Ketsekile                  | Appointed 1 February 2022                               |
| Dr T Ratshitanga                | Appointed 1 February 2022                               |
| Dr R Rambulana                  | Appointed 1 February 2022                               |
| Ms L Mseme <sup>2</sup>         | Appointed 1 February 2022                               |
| Mr W Vukela <sup>3</sup>        | Appointed 1 February 2022                               |

<sup>1</sup> Department of Communications and Technologies representative

<sup>2</sup> National Treasury representative

<sup>3</sup> Department of Public Service and Administration representative

**Non-Executive Directors:**

|                    |                           |
|--------------------|---------------------------|
| Mrs N Pietersen    | Appointed 1 February 2022 |
| Mr V Ratshimbilani | Appointed 1 February 2022 |

**Executive Directors:**

|  |  |
|--|--|
| Luvuyo Keyise (Executive Caretaker)                | Appointed 1 February 2020                              |
| Mr A Pretorius (Acting Chief Financial Officer)    | Acted from 6 April 2021<br>Term ended 30 November 2021 |
| Mr M Kgauwe (Chief Financial Officer) <sup>4</sup> | Appointed 1 December 2020                              |

**Company Secretary**

|  |  |
|--|--|
| Ms Vuyokasi Xaxa                             | 1 April 2021 - 30 September 2021                       |
| Ms Shirley Kgope (Acting Company Secretary)  | 1 October 2021 - 30 November 2021                      |
| Ms M Le Roux (Acting Company Secretary)      | Acted from 1 December 2021<br>Term ended 31 March 2022 |
| Vincent Mphaphuli (Acting Company Secretary) | Acted from 1 April 2022<br>Term ended 31 July 2022     |
| Makwena Mohlabi                              | Appointed 1 August 2022                                |

<sup>4</sup> Seconded to Post Office from 7 April 2021 until December 2021

## 29. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON STATE INFORMATION TECHNOLOGY AGENCY (SITA) SOC LTD

### Report on the audit of the financial statements

#### Qualified opinion

- 1) I have audited the financial statements of the State Information Technology Agency (SITA) SOC Ltd set out on pages 104-183, which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget information with 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 and possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the State Information Technology Agency (SITA) SOC Ltd as at 31 March 2022, and 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

##### Revenue

- 3) The public entity did not recognise revenue in accordance with GRAP 1, Presentation of Financial Statements. Revenue transactions that occurred in the prior financial period as well as revenue relating to a future period were recorded in the current financial year and resulted in an overstatement of revenue by R99 million. There was an impact on the surplus for the period, accumulated surplus and income received in advance. In addition, I was unable to obtain sufficient appropriate audit evidence to substantiate some of the recorded revenue transactions as the public entity did not have adequate systems to maintain records for revenue. I was unable to confirm revenue by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to revenue stated at R6 022 million in note 16 to the financial statements.

##### Cost of Sales

- 4) The public entity did not recognise cost of sales in accordance with GRAP 1, Presentation of Financial Statements. Cost of sales transactions relating to prior year and future periods were recorded in the current financial year as well as items were recorded at incorrect amounts and some items were classified incorrectly resulting in the understatement of cost of sales by R298 million. There was a resultant impact on the surplus for the period; accumulated surpluses; operating expenses and trade and other payables. In addition, I was unable to obtain sufficient appropriate audit evidence to substantiate some of the recorded cost of sales transactions as the public entity did not have adequate systems to maintain records for cost of sales. I was unable to confirm cost of sales by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to cost of sales stated at R3 938 million in note 17 to the financial statements. I was unable to determine the consequential impact on the carrying amount of the property, plant and equipment; intangible assets; trade and other payables as well as operating expenses.

## Operating Expenses

- 5) The public entity did not recognise operating expenses in accordance with GRAP 1, Presentation of Financial Statements. Operating expense transactions were recorded in the incorrect financial year, were recorded at incorrect amounts and also included losses from historically impaired assets that were not removed from the fixed assets and intangible asset register resulting in the overstatement of operating expenses by R134 million. There was a resultant impact on the cost of sales; surplus for the period; trade and other payables; accumulated surpluses; property, plant and equipment; intangible assets as well as prepayments.

## Property, plant and equipment

- 6) 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 adequate 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 126 million (2020-21: R1 324 million) in note 4 to the financial statements as it was impractical to do so. This had a consequential impact on operating expenses; cost of sales; deferred tax liability; correction of prior period error note; surplus for the period and on the accumulated surpluses. In addition the impairment reversal exceeded the historically impaired assets and resulted in R52 million overstatement of carrying amount of the property plant and equipment.

## Intangible assets

- 7) The public entity did not review the useful lives of intangible assets in accordance with GRAP 31, Intangible assets. Intangible assets were not adequately assessed for impairment at the reporting date as required by GRAP 26, Impairment of Cash generating assets as well as GRAP 21, Impairment of Non Cash generating assets. As a result, I was unable to determine the carrying value of the intangible assets, stated at R497 million (2020-21: R439 million) in note 5 to the financial statements as it was impracticable to do so. This had a consequential impact on operating expenses; cost of sales; deferred tax liability; correction of prior period error note; surplus for the period and on the accumulated surpluses. The impairment reversal exceeded the historically impaired assets and resulted in R45 million overstatement of the carrying amount of the intangible assets. In addition the current year disclosure note 5 includes the line item movements in intangible which should have been accounted for as a correction of the opening balance. Furthermore, the additions line item is misstated as it does not agree with the underlying accounting records. I was unable to confirm intangible assets by alternative means. Consequently, I was unable to determine whether any adjustment relating to intangible assets was necessary.

## Trade and other receivables

- 8) The public entity did not recognise trade and other receivables in accordance with GRAP 1, Presentation of Financial Statements. Trade and other receivables transactions were recorded at incorrect amounts resulting in the overstatement of trade and other receivables by R165 million. There was an impact on revenue; related parties disclosure and surplus for the year. In addition, I was unable to obtain sufficient appropriate audit evidence for trade and other receivables as not all supporting evidence was provided for vat receivables. I could not confirm the balance by alternative means. Consequently, I was unable to determine whether any adjustment relating to trade and other receivables, stated at R959 million in note 9 to the financial statements, was necessary.

## Income tax expense

- 9) The public entity did not recognise income tax expense in accordance with GRAP 3 Accounting policies, change in accounting estimates and errors and Taxation accounting policy. Current year income tax is understated by R84 million due to the deferred tax effects from restatement of errors that should have been recognised directly into accumulated surpluses, which were instead recognised in the current year as a movement in the income tax. This has a consequential impact on the surplus for the period and accumulated surpluses.

## Capital and Operational commitments

- 10) The public entity did not correctly recognise the commitment in accordance with GRAP 1, *Presentation of financial statements*. The commitments disclosure balance included misstatements relating to contracts that had expired and contracts entered into post year end, differences between purchase orders on the system and the commitments register as well as incorrect classification between operational and capital commitments, due to inadequate systems of internal controls. Consequently the commitments balance is overstated by R4 792 million.
- 11) Included in the commitment balance for the 2020-21 financial year disclosed in note 6 were accruals raised and recognised in the prior financial year, but not excluded from the commitment balance due to inadequate systems of internal controls. Consequently, the prior year balance for commitments is overstated by R313,1 million.

## Cash flows from operating activities

- 12) The public entity's payment to suppliers and employees was incorrectly calculated as it included payments of a capital nature which is not in accordance with GRAP 2 – Cash flow statements. Consequently, cash paid to suppliers and employees was overstated by R253 million and the cash flow for investing activities is understated by R253 million.

## Context for the opinion

- 13) 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.
- 14) 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.
- 15) I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

## Emphasis of matters

- 16) I draw attention to the matters below. My opinion is not modified in respect of these matters.

## Restatement of corresponding figures

- 17) As disclosed in note 30 to the financial statements, the corresponding figures for 31 March 2021 were restated as a result of errors in the financial statements of the public entity at, and for the year ended, 31 March 2022.

## Material losses – Disposal of Assets

- 18) As disclosed in note 18 to the financial statements, material losses of R154 million was incurred as a result of losses on disposal of assets.

## Responsibilities of the accounting authority for the financial statements

- 19) The board of directors, which constitutes 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.
- 20) 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

- 21) 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.
- 22) 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

- 23) 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.
- 24) 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.
- 25) 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 2022:

| Programmes                         | Pages in the annual performance report |
|------------------------------------|--|
| Programme – Digital Infrastructure | 35-37                                  |

- 26) 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.
- 27) I did not identify any material findings on the usefulness and reliability of the reported performance information for this Programme 2 – Digital Infrastructure.

### Other matter

- 28) I draw attention to the matter below.

### Achievement of planned targets

- 29) Refer to the annual performance report on pages 35 to 37 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

- 30) I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Digital infrastructure programme. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## Report on the audit of compliance with legislation

### Introduction and scope

- 31) 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.
- 32) The material findings on compliance with specific matters in key legislation are as follows:

### Annual financial statements

- 33) 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 related party disclosure identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements as described under the basis of qualified opinion paragraph resulted in the financial statements receiving a qualified opinion.

## Expenditure management

- 34) Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R285.5 million as disclosed in note 27 (a) to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.
- 35) Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R3,7 million, as disclosed in note 27 (b) to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

## Procurement and contract management

- 36) Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Procurement Regulation 8(2).

## Other information

- 37) The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the director's report, the audit committee's report and the company secretary's certificate as required by the Companies Act of 2008 (Act No. 71 of 2008). 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 on in the auditor's report.
- 38) 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.
- 39) 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.
- 40) 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

- 41) 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, the findings on the annual performance report and the findings on compliance with legislation included in this report.
- 42) 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.
- 43) 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 and fruitless and wasteful expenditure.

- 44) 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

- 45) 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.

## Status of previously reported material irregularities

### Payment made for licences that were not utilised

- 46) 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.
- 47) 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 can be processed for payment despite there being no use/deployment in place for the 31 898 licences and thus both officials that were responsible for ensuring that only licenses in use are being paid did not fulfil their responsibilities.
- 48) 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.
- 49) The accounting authority was notified of the material irregularity on 16 September 2021. The following action have been taken to resolve the material irregularity:
- An arbitration proceeding against the supplier to recover the likely financial loss has commenced on 14 February 2022. The Plaintiff issued a statement of claim and SITA has duly filed and served its statement of defence and a counterclaim.
  - The consequence management against employees is still in progress as at year-end due to the ongoing arbitration process and is expected to be finalised after the arbitration process.
- 50) We will follow-up on the implementation of the planned actions during our next audit.

### Payment for services not delivered

- 51) 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.
- 52) 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.

- 53) 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.
- 54) The accounting authority was notified of the material irregularity on 16 September 2021. The following action have been taken to resolve the material irregularity:
- The accounting authority has instituted legal action on 12 November 2021 to recover the amount from the supplier and has issued an application in the high court regarding recovery of the payment.
  - A disciplinary hearing against one of the employees involved in authorising the payment to the supplier was held and as a result, the employee was dismissed.
- 55) We will follow-up on the implementation of the planned actions during our next audit.

### Other reports

- 56) In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
- 57) The Public Protector South Africa investigated allegations of Irregular procurement processes and unauthorised deviations and expansions within the State Information Security Agency due to a complaint from an anonymous complainant received on 31 August 2018. The investigation was concluded on 30 March 2022 and recommended that the Accounting Authority of SITA submit an action plan to the Public Protector within 30 days from the date of the report being 30 March 2022.

*Auditor - General*

**Pretoria**

**19 August 2022**



**A U D I T O R - G E N E R A L**  
**S O U T H A F R I C A**

*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 (SITA) SOC Ltd 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 to communicate with 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.



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## ABBREVIATIONS

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

**STATEMENT OF FINANCIAL POSITION**

AS AT 31 MARCH 2022

|                                     | Note | 2022<br>R'000    | Restated<br>2020/21<br>R'000 |
|-------------------------------------|------|------------------|------------------------------|
| <b>ASSETS</b>                       |      |                  |                              |
| <b>Non-current assets</b>           |      |                  |                              |
| Property, plant and equipment       | 4    | 1 126 744        | 1 324 855                    |
| Intangible assets                   | 5    | 496 538          | 438 557                      |
| <b>Current assets</b>               |      |                  |                              |
| Cash and cash equivalents           | 8    | 2 227 789        | 1 853 992                    |
| Trade and other receivables         | 9    | 958 952          | 1 334 305                    |
| Income tax receivable               |      | 186 262          | 127 590                      |
| Prepayments                         | 10   | 74 437           | 62 847                       |
| Inventory                           | 26   | 38 991           | 150 639                      |
| <b>Total Assets</b>                 |      | <b>5 109 713</b> | <b>5 292 785</b>             |
| <b>EQUITY AND LIABILITIES</b>       |      |                  |                              |
| <b>Net assets</b>                   |      |                  |                              |
| Share capital                       | 11   | -                | -                            |
| Reserves                            | 12   | 627 335          | 627 335                      |
| Accumulated surpluses               |      | 3 326 902        | 2 958 813                    |
| <b>Total net assets</b>             |      | <b>3 954 237</b> | <b>3 586 148</b>             |
| <b>Liabilities</b>                  |      |                  |                              |
| <b>Non-current liabilities</b>      |      |                  |                              |
| Post-retirement employee benefits   | 13.1 | 112 271          | 113 197                      |
| Long service award benefit          | 13.2 | 12 010           | 10 393                       |
| Finance lease liability             | 29   | 14 345           | 41 581                       |
| Deferred tax liability              | 7    | 195 680          | 183 531                      |
| <b>Current liabilities</b>          |      |                  |                              |
| Trade and other payables            | 14   | 580 496          | 1 049 493                    |
| Income received in advance          | 15   | 209 619          | 280 213                      |
| Finance lease liability             | 29   | 27 236           | 25 407                       |
| Post-retirement employee benefits   | 13.1 | 2 427            | 1 763                        |
| Long service award benefit          | 13.2 | 1 392            | 1 059                        |
| <b>Total Liabilities</b>            |      | <b>1 155 476</b> | <b>1 706 637</b>             |
| <b>Total Equity and Liabilities</b> |      | <b>5 109 713</b> | <b>5 292 785</b>             |

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD  
**STATEMENT OF FINANCIAL PERFORMANCE**  
 FOR THE YEAR ENDED 31 MARCH 2022

|  | Note | 2022<br>R'000    | Restated<br>2020/21<br>R'000 |
|--|------|------------------|------------------------------|
| Revenue from Exchange Transactions                                 | 16   | 6 022 388        | 5 794 657                    |
| Total Revenue  |      | 6 022 388        | 5 794 657                    |
| Cost of sales  | 17   | (3 869 005)      | (3 933 279)                  |
| Gross surplus  |      | <b>2 153 383</b> | <b>1 861 378</b>             |
| Operating expenses   | 18   | (1 608 761)      | (1 491 131)                  |
| (Deficit)/Surplus from operating activities                        |      | <b>544 622</b>   | <b>370 247</b>               |
| Finance expense  | 19   | (5 331)          | (9 176)                      |
| (Deficit)/Surplus before income tax                                |      | <b>539 291</b>   | <b>361 071</b>               |
| Income tax   | 20   | (171 202)        | (303 145)                    |
| <b>(Deficit)/Surplus for the year attributable to shareholders</b> |      | <b>368 089</b>   | <b>57 926</b>                |

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD  
**STATEMENT OF CHANGES IN NET ASSETS**  
 FOR THE YEAR ENDED 31 MARCH 2022

|   | Share capital | Reserve        | Accumulated<br>surpluses | Total            |
|---|---------------|----------------|--------------------------|------------------|
|   | R'000         | R'000          | R'000                    | R'000            |
| Restated adjusted balance as at 31 March 2020 | 1             | 627 335        | 2 768 300                | 3 395 634        |
| Prior year error                              | -             | -              | 132 587                  | 132 587          |
| Restate opening balance as at 1 April 2020    | 1             | 627 335        | 2 900 887                | 3 528 223        |
| Restated surplus for the year                 | -             | -              | 57 926                   | 57 926           |
| Restated balance as at 31 March 2021          | 1             | 627 335        | 2 958 813                | 3 586 148        |
| Surplus for the year                          |               | -              | 368 089                  | 368 089          |
| <b>Balance as at 31 March 2022</b>            | <b>1</b>      | <b>627 335</b> | <b>3 326 902</b>         | <b>3 954 237</b> |
| <i>Note</i>                                   | <i>11</i>     | <i>12</i>      |                          |                  |

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

**STATEMENT OF CASH FLOW**

FOR THE YEAR ENDED 31 MARCH 2022

| Note   | 2022<br>R'000    | 2021<br>R'000    |
|--|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>      |                  |                  |
| <b>Receipts</b>                                  | 7 177 293        | 6 488 287        |
| - Sale of goods and services                     | 7 115 241        | 6 444 375        |
| - Finance income received                        | 62 052           | 43 911           |
| <b>Payments</b>                                  | (6 595 913)      | (5 832 132)      |
| - Payment to suppliers and employees             | (6 391 207)      | (5 740 457)      |
| - Income tax paid                                | (204 706)        | (91 674)         |
| <b>Net Cash flows from operating activities</b>  | <b>581 379</b>   | <b>656 155</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>      |                  |                  |
| Purchase of property, plant and equipment        | (53 304)         | (42 336)         |
| Purchase of intangible assets                    | (126 771)        | (109 495)        |
| <b>Net Cash flows from investing activities</b>  | <b>(180 076)</b> | <b>(151 831)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>      |                  |                  |
| Repayment on finance lease                       | (27 505)         | (1 312)          |
| <b>Net Cash flows from financing activities</b>  | <b>(27 505)</b>  | <b>(1 312)</b>   |
| (Decrease)/Increase in cash and cash equivalents | 373 798          | 503 013          |
| Cash and cash equivalents at beginning of year   | 1 853 991        | 1 350 978        |
| <b>Cash and cash equivalents at end of year</b>  | <b>2 227 789</b> | <b>1 853 991</b> |

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

FOR THE YEAR ENDED 31 MARCH 2022

|   | Note     | STATEMENT<br>OF FINANCIAL<br>PERFORMANCE<br>(A) | BUDGET<br>(B) | VARIANCE %<br>(A-B)/B |
|---|----------|---|---------------|-----------------------|
|   |          | R'000   | R'000         | R'000                 |
| Revenue from Exchange Transactions                      | <i>a</i> | 6 022 388                                       | 6 226 109     | -3,27%                |
| Cost of sales   | <i>b</i> | (3 869 005)                                     | (4 534 461)   | 14,68%                |
| Gross surplus   |          | 2 153 383                                       | 1 691 648     |                       |
| Operating expenses                                      | <i>c</i> | (1 608 761)                                     | (1 678 586)   | 4,16%                 |
| (Deficit)/Surplus from operating activities             |          | 544 622   | 13 062        |                       |
| Finance expense   |          | (5 331)   | -             | 0,00%                 |
| (Deficit)/Surplus before income tax                     |          | 539 291   | 13 062        | 4028,55%              |
| Income tax  |          | (171 202)                                       | (3 657)       |                       |
| <b>Surplus for the year attributable to shareholder</b> |          | <b>368 089</b>                                  | <b>9 405</b>  | <b>3813,74%</b>       |

**NOTES**

- a) The variance is mainly due to services revenue that did not realised as a result of business opportunities that did not realise due to customers' financial constraints and impact of the pandemic.
- b) The variance is mainly due to revenue targets that were not met resulting in a lower cost of sales as explained in (a) above.
- c) The variance is mainly due to stringent cost containment measures in place during the year.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2022

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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 2022 were authorised and approved in accordance with a resolution of the Board of Directors on 17 August 2022.

## 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 company's 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;
- PSAS (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

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 MARCH 2022

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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 asset 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 or minus , 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.

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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 or when the asset is fully written off

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 these 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

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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 components 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 as a surplus or deficit.

### **3.4 Intangible assets**

An item of intangible asset is recognised when:

- a) 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;

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- 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 (intangible asset) 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                 |

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## 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 more than a insignificant amount of the output of the asset, and the price that the purchaser will pay is neither fixed per unit of output nor equal to the current market price at the time of delivery.

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

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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

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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.

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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

SITA generates majority of its revenue from exchange transactions

### 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 :

- a) 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
- b) 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 dominated 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 Segmental reporting**

SITA does not apply segmental reporting as the criteria for reporting segments is not met.

### **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).

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## 4. PROPERTY, PLANT AND EQUIPMENT

|  | Land          | Buildings      | Infrastructure Equipment | Computer Equipment | Office furniture and fittings | Vehicles   | Finance lease - Cloud infrastructure | Construction In progress - PPE | Total            |
|--|---------------|----------------|--------------------------|--------------------|-------------------------------|------------|--------------------------------------|--------------------------------|------------------|
|  | R'000         | R'000          | R'000                    | R'000              | R'000                         | R'000      | R'000                                | R'000                          | R'000            |
| <b>Carrying amount 31 March 2022</b>                     | <b>24 744</b> | <b>120 672</b> | <b>111 077</b>           | <b>714 678</b>     | <b>50 237</b>                 | <b>678</b> | <b>89 849</b>                        | <b>14 810</b>                  | <b>1 126 744</b> |
| Cost   | 24 744        | 170 613        | 169 744                  | 1 301 669          | 132 423                       | 1 384      | 166 890                              | 14 810                         | 1 982 275        |
| Accumulated depreciation and impairment losses           | -             | (49 941)       | (58 666)                 | (586 991)          | (82 186)                      | (705)      | (77 041)                             | -                              | (855 531)        |
| <b>Carrying amount 1 April 2021</b>                      | <b>24 744</b> | <b>123 534</b> | <b>117 722</b>           | <b>859 046</b>     | <b>65 814</b>                 | <b>953</b> | <b>123 579</b>                       | <b>9 464</b>                   | <b>1 324 855</b> |
| Reconciliation of carrying amount:                       |               |                |                          |                    |                               |            |                                      |                                |                  |
| Cost: Additions and improvements                         | -             | -              | 3 444                    | 110 956            | 1 395                         | -          | -                                    | 8 634                          | 124 429          |
| Disposal/Retirements                                     | -             | -              | (6 717)                  | (214 571)          | (18 504)                      | (64)       | -                                    | -                              | (239 857)        |
| Transfer to PPE  | -             | -              | -                        | -                  | -                             | -          | -                                    | (3 288)                        | -                |
| +AD Depreciation   | -             | (2 862)        | (6 531)                  | (149 099)          | (7 076)                       | (149)      | (33 730)                             | -                              | (199 447)        |
| Impairment   | -             | -              | (222)                    | (12 428)           | (2 161)                       | (61)       | -                                    | -                              | (14 873)         |
| Disposals/Retirements                                    | -             | -              | 3 381                    | 120 774            | 10 769                        | -          | -                                    | -                              | 134 925          |
| <b>Carrying amount at end of period</b>                  | <b>24 744</b> | <b>120 672</b> | <b>111 077</b>           | <b>714 678</b>     | <b>50 237</b>                 | <b>678</b> | <b>89 849</b>                        | <b>14 810</b>                  | <b>1 126 744</b> |
| + AD Accumulated depreciation and impairment             |               |                |                          |                    |                               |            |                                      |                                |                  |
| Expenditure incurred relating to repairs and maintenance |               |                | 34 355                   |                    |                               |            |                                      |                                |                  |
| <b>Restated carrying amount 31 March 2021</b>            | <b>24 744</b> | <b>123 534</b> | <b>117 722</b>           | <b>859 046</b>     | <b>65 814</b>                 | <b>954</b> | <b>123 579</b>                       | <b>9 464</b>                   | <b>1 324 855</b> |
| Restated Cost  | 24 744        | 170 613        | 173 017                  | 1 405 284          | 149 531                       | 1 448      | 166 890                              | 9 464                          | 2 100 991        |
| Originally stated cost                                   | 24 744        | 170 613        | 173 017                  | 1 405 284          | 149 531                       | 1 448      | 166 890                              | 9 464                          |                  |
| Prior period error - Cost                                | -             | -              | -                        | -                  | -                             | -          | -                                    | -                              | -                |
| Restated Accumulated depreciation                        | -             | (47 079)       | (55 295)                 | (546 239)          | (83 718)                      | (495)      | (43 311)                             | -                              | (776 136)        |
| Originally stated Accumulated depreciation               | -             | (67 335)       | (63 468)                 | (604 783)          | (81 624)                      | (645)      | (43 311)                             | -                              |                  |
| Prior period error - accumulated depreciation            | -             | 20 256         | 8 173                    | 58 544             | (2 094)                       | 151        | -                                    | -                              | 85 030           |

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|  | Land          | Buildings      | Infrastructure Equipment | Computer Equipment | Office furniture and fittings | Vehicles   | Finance lease - Cloud infrastructure | Construction in progress - PPE | Total            |
|--|---------------|----------------|--------------------------|--------------------|-------------------------------|------------|--------------------------------------|--------------------------------|------------------|
|  | R'000         | R'000          | R'000                    | R'000              | R'000                         | R'000      | R'000                                | R'000                          | R'000            |
| <b>Restated Carrying amount 1 April 2020</b>   | <b>24 744</b> | <b>114 538</b> | <b>134 367</b>           | <b>913 819</b>     | <b>72 164</b>                 | <b>451</b> | <b>157 309</b>                       | <b>4 716</b>                   | <b>1 422 107</b> |
| Originally stated carrying amount 1 April 2020 | 24 744        | 105 737        | 119 825                  | 824 612            | 72 000                        | 288        | 157 309                              | 4 716                          |                  |
| Prior period error                             | -             | 8 801          | 14 542                   | 89 207             | 164                           | 163        | -                                    | -                              | 112 877          |
| <b>Movements</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/Retirement                            | -             | -              | -                        | (449)              | (17)                          | (56)       | -                                    | -                              | (522)            |
| Transfer to other asset class                  | -             | -              | 3 134                    | -                  | -                             | -          | -                                    | (3 134)                        | -                |
| +AD Depreciation                               | -             | (2 459)        | (14 851)                 | (51 967)           | (4 779)                       | (56)       | (33 730)                             | -                              | (107 841)        |
| Impairment loss                                | -             | -              | (376)                    | (19 361)           | (393)                         | -          | -                                    | -                              | (20 130)         |
| +Adjustment                                    | -             | -              | 897                      | 8 744              | (9 141)                       | -          | -                                    | -                              | 500              |
| Reclassification                               | -             | -              | -                        | (10 611)           | 3 820                         | -          | -                                    | -                              | (6 790)          |
| Disposals/Retirements                          | -             | -              | -                        | 333                | 11                            | 39         | -                                    | -                              | 383              |
| Prior period error                             | -             | 11 455         | (6 369)                  | (30 663)           | (2 258)                       | (12)       | -                                    | -                              | (27 848)         |
| <b>Carrying amount at end of period</b>        | <b>24 744</b> | <b>123 534</b> | <b>117 722</b>           | <b>859 046</b>     | <b>65 814</b>                 | <b>953</b> | <b>123 579</b>                       | <b>9 464</b>                   | <b>1 324 855</b> |

74 490

Expenditure incurred relating to repairs and maintenance  
 + AD Accumulated depreciation and impairment

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.

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## 5. INTANGIBLE ASSETS

|  | Intangible assets | Internally generated intangible asset | Construction in progress - intangible assets | Total          |
|--|-------------------|---------------------------------------|--|----------------|
|  | R'000             | R'000                                 | R'000  | R'000          |
| <b>Carrying amount 31 March 2022</b>           | 404 546           | 83 353                                | 8 639  | 496 538        |
| Cost   | 582 769           | 104 450                               | 19 188                                       | 706 407        |
| Accumulated amortisation and impairment losses | (178 223)         | (21 097)                              | (10 549)                                     | (209 869)      |
| <b>Carrying amount 1 April 2021</b>            | 343 177           | 91 150                                | 4 230  | 438 557        |
| Reconciliation of carrying amount:             |                   |                                       |  |                |
| Cost: Additions and improvements               | 16 587            | -                                     | 4 410  | 20 997         |
| Disposals/Retirements                          | (70 458)          | -                                     | -  | (70 458)       |
| Transfer                                       | -                 | 4 334                                 | (4 334)                                      | -              |
| Amortisation                                   | (70 989)          | (7 798)                               | -  | (78 787)       |
| Impairment                                     | -                 | -                                     | -  | -              |
| Movements in intangible                        | 164 298           | -                                     | -  | 164 298        |
| Disposals/Retirements                          | 21 931            | -                                     | -  | 21 931         |
| <b>Carrying amount at end of period</b>        | <b>404 546</b>    | <b>87 686</b>                         | <b>4 306</b>                                 | <b>496 538</b> |
| <b>Carrying amount 31 March 2021</b>           | <b>343 177</b>    | <b>91 150</b>                         | <b>4 230</b>                                 | <b>438 557</b> |
| Restated Cost                                  | 636 640           | 104 450                               | 14 778                                       | 755 868        |
| Restated Accumulated amortisation              | (337 834)         | (13 299)                              | (10 549)                                     | (361 682)      |
| Prior year error                               | 44 371            | -                                     | -  | 44 371         |
| <b>Restated carrying amount 1 April 2020</b>   | 257 454           | 98 724                                | 30 063                                       | 386 241        |
| Previously stated carrying amount              | 237 744           | 98 724                                | 30 063                                       |                |
| Prior period error                             | 19 710            | -                                     | -  | 19 710         |
| <b>Movements</b>                               |                   |                                       |  |                |
| 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)       |
| Impairment reversal                            | -                 | -                                     | -  | -              |
| Reclassification                               | 7 727             | -                                     | -  | 7 727          |
| Disposals/Retirements                          | 11 200            | -                                     | -  |                |
| Prior period error                             | 24 661            | -                                     | -  | 24 661         |
| <b>Carrying amount 31 March 2021</b>           | <b>343 177</b>    | <b>91 150</b>                         | <b>4 230</b>                                 | <b>438 557</b> |

Internally generated intangible assets relate to the solution developments.

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**6. CAPITAL AND OPERATIONAL COMMITMENTS**

| Note                         | 2022              | Restated 2021    |
|------------------------------|-------------------|------------------|
|                              | R'000             | R'000            |
| Budgeted and contracted for: |                   |                  |
| - Operational commitments    | 10 798 338        | 7 932 687        |
| Originally stated            | 10 798 338        | 8 435 802        |
| Prior period error           | -                 | (503 116)        |
| - Capital commitments        | 886               | 13 725           |
| - Buildings                  | 1                 | -                |
| - Computer Equipment         | -                 | 0                |
| Originally stated            | -                 | 19 336           |
| Prior period error           | -                 | (19 336)         |
| - Intangible assets          | 886               | 14 354           |
| Originally stated            | 886               | 14 355           |
| Prior period error           | -                 | (630)            |
|                              | <b>10 799 225</b> | <b>7 946 411</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.

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## 7. DEFERRED TAX ASSET/(LIABILITY)

Deferred tax assets are attributable to the following:

### Reconciliation between opening and closing balance

|  | 2022<br>R'000    | Restated 2021<br>R'000 |
|--|------------------|------------------------|
| Deferred tax asset at beginning of year              | (183 531)        | (8 141)                |
| Statement of financial performance movement          | (12 150)         | (175 390)              |
| - current year                                       | (103 490)        | (56 794)               |
| *Prior year under provision on the IFMS project      | -                | -                      |
| Prior year under provision on the Capital allowances | 84 093           | (122 901)              |
| Prior year under provision on Circ 9                 | -                | -                      |
| Prior year underprovision - Other                    | -                | 4 305                  |
| - Assessed loss                                      | -                | -                      |
| Tax rate change                                      | 7 247            | -                      |
| Deferred tax asset/(liability) at end of year        | (195 680)        | (183 531)              |
| Impairment on trade receivables                      | 24 144           | 39 471                 |
| Intangible asset impairment                          | -                | 12 697                 |
| Accrual for leave pay benefits                       | 30 082           | 30 344                 |
| Post-retirement medical benefits                     | 32 115           | 32 189                 |
| Income received in advance                           | 58 693           | 78 460                 |
| Doubtful debt allowance s11(j)                       | (21 522)         | (31 546)               |
| Leases   | (726)            | 958                    |
| Prepayments  | (1 984)          | (1 333)                |
| Section 24C allowance                                | (58 693)         | (78 353)               |
| Depreciation/amortisation                            | (267 732)        | (270 450)              |
| Finance lease asset                                  | (12 700)         | (18 022)               |
| Finance lease liability                              | 11 643           | 18 850                 |
| Provision for long service                           | 3 753            | 3 207                  |
| Tax rate change                                      | 7 247            | -                      |
|  | <b>(195 680)</b> | <b>(183 531)</b>       |

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## 8. CASH AND CASH EQUIVALENTS

|                              | 2022             | 2021             |
|------------------------------|------------------|------------------|
|                              | R'000            | R'000            |
| <b>Cash with Banks</b>       | <b>2 227 789</b> | <b>1 853 991</b> |
| Current account balance      | 9 365            | 32 761           |
| Call account balance         | 110 901          | 19 569           |
| Payroll account              | 20               | 20               |
| CPD account                  | 2 107 493        | 1 801 631        |
| Cash float                   | 11               | 11               |
| <b>Ring-fenced cash</b>      | <b>(147 312)</b> | <b>(217 917)</b> |
| Cash Float - SITA Cafeterias | -                | 11               |
| Income received in advance   | 147 312          | 217 906          |
| <b>Available Cash</b>        | <b>2 080 477</b> | <b>1 636 074</b> |

An amount of R62.3 million included in the CPD account represents cash received from a customer to be utilised for the IFMS project. There was no movement of funds related to the IFMS project during the 2021/22 financial year as disclosed in note 15.

The company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21.

The average rate of interest on the cash balances was 3,78% (2021: 3,83%)

## 9. TRADE AND OTHER RECEIVABLES

|                         | 2022           | 2021             |
|-------------------------|----------------|------------------|
|                         | R'000          | R'000            |
| Trade receivables       | 1 022 026      | 1 471 776        |
| Doubtful debt allowance | (99 163)       | (162 113)        |
|                         | 922 863        | 1 309 664        |
| Other receivables       | 28 919         | 24 642           |
| VAT receivable          | 7 171          | -                |
|                         | <b>958 952</b> | <b>1 334 305</b> |

None of the trade receivables are pledged as security

The company's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in Note 21.

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## 10. PREPAYMENTS

|                 | 2022          | 2021          |
|-----------------|---------------|---------------|
|                 | R'000         | R'000         |
| Current portion | 74 437        | 62 847        |
|                 | <b>74 437</b> | <b>62 847</b> |

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

## 11. SHARE CAPITAL

|   | 2022  | 2021  |
|---|-------|-------|
|   | R'000 | R'000 |
| <b>Authorised and issued</b><br>Share Capital | -     | -     |

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

|                 | 2022           | 2021           |
|-----------------|----------------|----------------|
|                 | R'000          | R'000          |
| Opening balance | 627 335        | 627 335        |
| Closing balance | <b>627 335</b> | <b>627 335</b> |

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.

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## 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').

|                                       | 2022           | 2021           |
|---------------------------------------|----------------|----------------|
|                                       | R'000          | R'000          |
| Present value of unfunded obligations | 114 697        | 114 960        |
|                                       | <b>114 697</b> | <b>114 960</b> |

#### MOVEMENT IN THE PRESENT VALUE OF THE DEFINED BENEFIT LIABILITY

|   |                |                |
|---|----------------|----------------|
| Balance at beginning of year                | 114 960        | 84 314         |
| Statement of financial performance movement | (262)          | 30 646         |
| Past Service Cost - Post Retirement         | -              | 33 334         |
| Service Cost - Post Retirement              | 2 924          | 3 401          |
| Finance Cost - Post Retirement              | 16 166         | 13 964         |
| Contribution Paid - Post Retirement         | (1 790)        | (1 763)        |
| Actuarial (gain)/loss - Post Retirement     | (17 563)       | (18 290)       |
| Balance at end of year                      | <b>114 697</b> | <b>114 960</b> |

#### EMPLOYEE BENEFIT EXPENSE:

|  |              |               |
|--|--------------|---------------|
| Past service cost                                    | -            | 33 334        |
| Current service cost                                 | 2 924        | 3 401         |
| Interest cost  | 16 166       | 13 964        |
| Net actuarial gains recognised in surplus or deficit | (17 563)     | (18 290)      |
| <b>Total employee benefit expense</b>                | <b>1 527</b> | <b>32 409</b> |

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

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

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|  | 2022  | 2021  |
|--|---|---|
|  | R'000   | R'000   |
| <b>Principal actuarial assumptions</b>                 |   |   |
| Discount Rate  | 11,70%  | 14,37% p.a.   |
| CPI inflation  | 7,20%   | 9,84%   |
| Medical aid contribution inflation rate                | 9,20%   | 11,48% p.a.   |
| Take up Rate by retiring employees                     | 100%  | 100%  |
| Real discount rate                                     | 2.5%  | 2.59% 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 55                                | 0% to 15% from ages 20 to 45                                |
| Expected retirement ages                               | 65 years  | 65 for Ex Infoplan employees ; 60 for other                 |
| Percentage of in-service members married at retirement | 60%   | 90%   |
| Husband and wife age difference                        | 4 years   | 4 years   |

The yield curve of interest rates used for discounting is as derived from the market of trading government bond. The company provides for post-retirement medical benefits to the following qualifying employees:

- a) Ex-Infoplan employees who transferred to the company on 1 April 1999 and who remain members of SITA approved medical aids.
- b) Ex-SAPS employees who transferred to the company on 1 April 1999, and
- c) 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.

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|  | 2022         | 2021         |
|--|--------------|--------------|
|  | R'000        | R'000        |
| It is anticipated that the contributions to be paid within 12 months | 2 427        | 1 763        |
|  | <b>2 427</b> | <b>1 763</b> |

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

| Sensitivity Analysis - Assumptions | Variation | Change       | %Change |
|------------------------------------|-----------|--------------|---------|
| Discount Rate                      | 1%        | 15 093 268   | -13,2%  |
|                                    | -1%       | 18 550 608   | 16,2%   |
| Contributions inflation            | 1%        | 18 550 608   | 16,1%   |
|                                    | -1%       | (15 273 811) | -13,3%  |
| Retirement Age                     | 1         | (6 941 716)  | -6,1%   |
|                                    | -1        | 7 432 394    | 6,5%    |
| Post-retirement mortality          | 1         | (3 313 502)  | -2,9%   |
|                                    | -1        | 3 317 119    | 2,9%    |

|   | 2022        | 2021         | 2020         | 2019         | 2018         |
|---|-------------|--------------|--------------|--------------|--------------|
| Experience adjustments                      | (6 829 577) | (11 822 000) | (10 392 000) | (12 112 000) | (17 649 000) |
| Present value of defined benefit obligation | 114 697 406 | 114 960      | 114 959 745  | 40 718 745   | 97 676 745   |

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13.2 Long service award benefit

|                            | 2022          | 2021          |
|----------------------------|---------------|---------------|
|                            | R'000         | R'000         |
| Long-service award benefit | 13 402        | 11 452        |
|                            | <b>13 402</b> | <b>11 452</b> |

**MOVEMENT IN THE PRESENT VALUE OF THE LONG-SERVICE AWARD BENEFIT**

|   |               |               |
|---|---------------|---------------|
| Balance at beginning of year                | 11 452        | 10 358        |
| Statement of financial performance movement | 1 950         | 1 094         |
| LSA - Service cost                          | 817           | 739           |
| LSA - Interest Cost                         | 827           | 1 107         |
| LSA - Actuarial (gain)/loss                 | 1 365         | 704           |
| LSA - Expected Benefit Payment              | (1 059)       | (1 457)       |
| <b>Balance at end of year</b>               | <b>13 402</b> | <b>11 452</b> |

**EMPLOYEE BENEFIT EXPENSE:**

|  |              |              |
|--|--------------|--------------|
| Service cost   | 817          | 739          |
| Interest cost  | 827          | 1 107        |
| Net actuarial gains recognised in surplus or deficit | 1 365        | 704          |
| <b>Total employee benefit expense</b>                | <b>3 009</b> | <b>2 551</b> |

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

|                      |  |
|----------------------|--|
| *Service cost        | - Cost of sales - Services cost of sales<br>- Operating expenses - Staff costs   |
| *Interest cost       | - Cost of Sales - Services cost of sales<br>- Finance expense - Interest expense |
| *Net Actuarial gains | - Cost of sales - Services cost of sales<br>- Staff costs                        |

|  |              |              |
|--|--------------|--------------|
| It is anticipated that the contributions to be paid within 12 months | 1 392        | 1 059        |
|  | <b>1 392</b> | <b>1 059</b> |

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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's responsibility regarding the funding of any shortfall that may arise is limited to the current contribution made by SITA.

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

|  | 2022          | 2021          |
|--|---------------|---------------|
|  | R'000         | R'000         |
|  | 96 990        | 99 192        |
|  | <b>96 990</b> | <b>99 192</b> |

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## 14. TRADE AND OTHER PAYABLES

|                    | 2022           | Restated 2021    |
|--------------------|----------------|------------------|
|                    | R'000          | R'000            |
| Trade payables     | 439 620        | 871 065          |
| Leave pay accrual  | 107 436        | 108 370          |
| VAT payable        | -              | 10 553           |
| Non-trade payables | 33 440         | 59 505           |
|                    | <b>580 496</b> | <b>1 049 493</b> |

The company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 21.

## 15. INCOME RECEIVED IN ADVANCE

|                            | 2022           | 2021           |
|----------------------------|----------------|----------------|
|                            | R'000          | R'000          |
|                            | 209 619        | 280 213        |
| Income received in advance | 147 312        | 217 906        |
| IFMS                       | 62 307         | 62 307         |
|                            | <b>209 619</b> | <b>280 213</b> |

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

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## 16. REVENUE FROM EXCHANGE TRANSACTIONS

|                         | <i>Reference</i> | <b>2022</b>      | <b>2021</b>      |
|-------------------------|------------------|------------------|------------------|
|                         |                  | <b>R'000</b>     | <b>R'000</b>     |
| * Drop Shipment Revenue |                  | 719 788          | 764 793          |
| + Service Revenue       |                  | 5 110 730        | 4 968 780        |
| Other Income            | <b>16,1</b>      | 115 594          | 15 566           |
| Finance income          | <b>16,2</b>      | 76 276           | 45 518           |
|                         |                  | <b>6 022 388</b> | <b>5 794 657</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

|                              | <b>2022</b>    | <b>2021</b>   |
|------------------------------|----------------|---------------|
|                              | <b>R'000</b>   | <b>R'000</b>  |
| Profit on disposal of assets | -              | 27            |
| Rental income                | 11 720         | 13 440        |
| Foreign Exchange Gain        | 1 980          | 1 405         |
| Sundry income                | 47 155         | 694           |
| Doubtful debt movement       | 54 739         | -             |
|                              | <b>115 594</b> | <b>15 566</b> |

### 16.2 Finance income

|   | <b>2022</b>   | <b>2021</b>   |
|---|---------------|---------------|
|   | <b>R'000</b>  | <b>R'000</b>  |
| Interest on cash balance                | 63 260        | 43 363        |
| Interest on Provisional tax overpayment | 13 015        | 2 156         |
|   | <b>76 276</b> | <b>45 518</b> |

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**17. COST OF SALES**

|                               | 2022             | Restated 2021    |
|-------------------------------|------------------|------------------|
|                               | R'000            | R'000            |
| Drop Shipment cost of sales   | 633 151          | 682 014          |
| Services cost of sales        | 3 235 854        | 3 251 265        |
| -Direct depreciation          | 129 125          | 123 901          |
| -Direct amortisation          | 24 021           | 26 015           |
| -Direct labour                | 942 406          | 955 799          |
| -Service delivery expenditure | 2 140 301        | 2 145 550        |
|                               | <b>3 869 005</b> | <b>3 933 279</b> |

**Reclassification of cost of sales line item**

| Nature   | Amount  | Reason   |
|--|---------|--|
| Repairs and maintenance was previously disclosed as a separate line item under the cost of sales note. | 299 632 | Due to the nature of the expense and standard requirement, the expenditure relating to repairs and maintenance will now be disclosed as part of service delivery expenditure |

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## 18. OPERATING EXPENSES

|  | 2022             | Restated 2021    |
|--|------------------|------------------|
|  | R'000            | R'000            |
| The following separately disclosable items are included in operating expenses: |                  |                  |
| @ Audit fees   | 13 362           | 10 829           |
| Staff costs  | 979 082          | 944 322          |
| Doubtful debt movement   | -                | 21 604           |
| * Impairment   | 14 651           | 28 039           |
| + Repairs and maintenance  | 60 098           | 17 927           |
| Indirect depreciation  | 10 017           | 11 211           |
| Indirect amortisation  | 2 145            | -289             |
| \$ Net loss on disposal of assets  | 154 115          | 2 820            |
| Operating lease expense  | 26 050           | 30 957           |
| Inventory write-off  | 3 714            | 18 024           |
| Other expenses   | 214 819          | 251 814          |
| @ Service contracts  | 100 882          | 124 281          |
| @ Training Own Staff (External)  | 29 825           | 29 591           |
|  | <b>1 608 761</b> | <b>1 491 131</b> |

\*Impairment relates to PPE and intangible assets

+ Repairs and Maintenance of SITA's assets

@ Reclassification of operating expense line item

| Nature   | Amount  | Reason   |
|--|---------|--|
| Service contract was previously disclosed under other expenses in the 2021 financial year.                 | 124 281 | Due to the nature of the expense and standard requirement, the expenditure relating to service contracts will be disclosed separately.                         |
| Directors remuneration was previously disclosed as a separate line item under the operating expenses note. | 236     | Due to the nature of the expense and standard requirement, the expenditure relating to directors remuneration will now be disclosed as part of the staff costs |
| Training own staff(External) was previously disclosed under other expenses in the 2021 financial year.     | 29 825  | Due to the nature of the expense and standard requirement, the expenditure relating to Training own staff(External) will be disclosed separately.              |

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**19. FINANCE EXPENSES**

|                             | 2022         | 2021         |
|-----------------------------|--------------|--------------|
|                             | R'000        | R'000        |
| Post Retirement benefit     | 4 850        | 4 189        |
| Long Service Award          | 248          | 332          |
| Interest on provisional tax | 233          | 4 655        |
|                             | <b>5 331</b> | <b>9 176</b> |

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

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## 20. INCOME TAX EXPENSE

|  | 2022           | 2021           |
|--|----------------|----------------|
|  | R'000          | R'000          |
| <b>Current tax expense</b>                           | 159 052        | 127 755        |
| Income tax charge                                    | 168 161        | 129 692        |
| Prior year under provision                           | (9 109)        | (1 937)        |
| <b>Deferred tax expense</b>                          | 12 150         | 175 390        |
| Origination and reversal of temporary differences    | 103 490        | 56 794         |
| Prior year under provision on the IFMS project       | -              | -              |
| Prior year under provision on the Capital allowances | (84 093)       | 122 901        |
| Prior year under provision on Circ 9                 | -              | -              |
| Prior year underprovision - Other                    | -              | (4 305)        |
| - Assessed loss                                      | -              | -              |
| Tax rate change                                      | (7 247)        | -              |
| <b>Total income tax expense</b>                      | <b>171 202</b> | <b>303 145</b> |
| <b>Reconciliation of effective tax rate</b>          |                |                |
| Surplus/(Deficit)for the period                      | 368 089        | 57 926         |
| Total income tax expense                             | (171 202)      | (303 145)      |
| Surplus/(Deficit) excluding income tax               | <b>539 291</b> | <b>361 071</b> |

|  | 2022          |                | 2021          |                |
|--|---------------|----------------|---------------|----------------|
|  | %             | R'000          | %             | R'000          |
| Income tax using the company's domestic tax rate | 28,00%        | 151 001        | 28,00%        | 101 100        |
| Non-deductible expenses                          | 22,37%        | 120 650        | -2,89%        | 85 386         |
| Overprovision current tax                        | -1,69%        | (9 109)        | 0,00%         | (1 937)        |
| Underprovision deferred tax asset                | -15,59%       | (84 093)       | 47,82%        | 118 596        |
| Tax rate change                                  | -1,34%        | (7 247)        | 0,00%         | -              |
| <b>Effective income tax</b>                      | <b>31,75%</b> | <b>171 202</b> | <b>72,93%</b> | <b>303 145</b> |

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## 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:

|                           | Note | 2022<br>R'000    | 2021<br>R'000    |
|---------------------------|------|------------------|------------------|
| <b>Carrying amount</b>    |      |                  |                  |
| Trade Receivables         | 9    | 922 863          | 1 309 664        |
| Other receivables         | 9    | 28 919           | 24 642           |
| Cash and cash equivalents | 8    | 2 227 789        | 1 853 991        |
|                           |      | <b>3 179 571</b> | <b>3 188 296</b> |

### Impairment losses

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

|                               |                |                  |
|-------------------------------|----------------|------------------|
| Not past due                  | 744 495        | 1 015 164        |
| Past due 0 - 30 days          | 71 711         | 179 479          |
| Past due 31 - 90 days         | 32 533         | 76 308           |
| Past due 91 - 360 days        | 80 214         | 83 129           |
| Past due - more than 360 days | (6 090)        | (10 218)         |
|                               | <b>922 863</b> | <b>1 343 862</b> |

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

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**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.

|                     | 2022             | 2021             |
|---------------------|------------------|------------------|
|                     | R'000            | R'000            |
| <b>Cash at bank</b> |                  |                  |
| CPD                 | 2 107 493        | 1 801 631        |
| Fitch BB-           | 120 286          | 52 350           |
| Cash on hand        | 11               | 11               |
|                     | <b>2 227 789</b> | <b>1 853 991</b> |

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 R3.5 billion for all amounts required by it for the due, and punctual performance of its obligation under the CPD Act. The Governors' Executive Committee (GEC) approved an extension to the R3.5 billion financial guarantee issued by the SARB for a further 12 months to 11 June 2022.

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. It has been stated in the CPDs annual financial statements that the GEC approved an extension to financial guarantee issued by the SARB, as indicated above. Any change in risk will be updated as per the indicators that will be noted in the CPD annual report/financial statements and or any relevant communication presented.

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

|                               | 2022          | 2021           |
|-------------------------------|---------------|----------------|
|                               | R'000         | R'000          |
| Balance at beginning of year  | 162 113       | 132 280        |
| Impairment loss recognised    | (62 949)      | 29 833         |
| <b>Balance at end of year</b> | <b>99 163</b> | <b>162 113</b> |

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.

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**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 2022            | Carrying amounts | Contractual cash flow | 6 months or less | 6 - 12 months | 1 - 2 years |
|--------------------------|------------------|-----------------------|------------------|---------------|-------------|
|                          | R'000            | R'000                 | R'000            | R'000         | R'000       |
| Trade and other payables | 580 496          | 580 496               | 580 496          | -             | -           |
|                          | <b>580 496</b>   | <b>580 496</b>        | <b>580 496</b>   | -             | -           |

| 31 March 2021            | Carrying amounts | Contractual cash flow | 6 months or less | 6 - 12 months | 1 - 2 years |
|--------------------------|------------------|-----------------------|------------------|---------------|-------------|
|                          | R'000            | R'000                 | R'000            | R'000         | R'000       |
| Trade and other payables | 1 049 493        | 1 049 493             | 1 049 493        | -             | -           |
|                          | <b>1 049 493</b> | <b>1 049 493</b>      | <b>1 049 493</b> | -             | -           |

**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.

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**d) Interest rate risk**

At the reporting date the interest rate profile of the company's interest-bearing financial instrument was Nil for both 2021 and 2022:

**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 | 2 227 789 | 1 853 991 |
|---------------------------|-----------|-----------|

**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: | 22 278 | 18 540 |
|--|--------|--------|

**e) Categories of financial instruments**

**Financial instruments at amortised cost:**

|                             |           |           |
|-----------------------------|-----------|-----------|
| Cash and cash equivalents   | 2 227 789 | 1 853 991 |
| Trade and other receivables | 958 952   | 1 334 305 |
| Trade and other payables    | 580 496   | 1 038 940 |

**f) Concentration risk**

Concentration risk encompasses the level at 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 risk ratio of 51%. This is however mitigated by a number of projects the company is continuing to embark on to increase its product offering to attract new customers. As a result of our prior year efforts our concentration risk ratio decreased by 14.22% from 65.22%.

**g) Covid 19 impact on receivables**

Due to the adjusted lockdown level 1, there was no direct impact on the receivables relating to COVID-19.

Collection improved drastically in the 2021-22 Financial year and there was no formal or informal communication received from customers relating to COVID-19 challenges.

Business has since stabilized to normal.

## **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).

In applying GRAP 20.34, SITA enters into transactions with Customers under normal supplier and client relationships on terms and conditions that are not favourable to either parties. Transactions are always market related and at arms length unless stated otherwise. The outstanding balances with each related party will be detailed below.

SITA's related parties consists of government departments, state-owned enterprises and other public entities in the national sphere of government and key management personnel of the company as well as 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.

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**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.

|                              |   | 2022           | Restated 2021    |
|------------------------------|---|----------------|------------------|
|                              |   | R'000          | R'000            |
| <b>Organisation</b>          | <b>Nature of Transaction</b>              |                |                  |
| National Departments         | Provisioning of ICT services and products | 544 376        | 865 356          |
| Public Entities              |   | 206 795        | 135 501          |
| Controlling department       | Provisioning of ICT services and products | -              | 1 480            |
| Entities under Same Control* | Provisioning of ICT services and products | 861            | 556              |
|                              |   | <b>752 032</b> | <b>1 002 893</b> |

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

\* Film and Publication Board (FPB)

\* Independent Communications Authority of South Africa (ICASA)

**Disclosure in terms of paragraph 27**

SITA has been providing office space to Department of Defence at Erasmuskloof office 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 2021/22 financial year is estimated at R383 169 (Vat excl.)

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**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.

|                              |   | 2022           | Restated 2021  |
|------------------------------|---|----------------|----------------|
|                              |   | R'000          | R'000          |
| <b>Organisation</b>          | <b>Nature of Transaction</b>                                  |                |                |
| National Departments         | Provisioning of ICT services and products                     | 94 905         | 133 431        |
| Public Entities              | Provisioning of ICT services and products                     | -              | 10 559         |
| Entities under Same Control* | Provisioning of Postal services and ICT services and products | 27 753         | 38 610         |
| Originally stated            |   | 27 753         | 7 506          |
| Prior period error           |   | -              | 31 104         |
| Controlling department       | Provisioning of ICT services and products                     | 22 151         | 34 745         |
|                              |   | <b>144 809</b> | <b>217 345</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 2022.

Transactions with key management personnel are disclosed in note 31.

## 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:

|                       | 2022          | 2021          |
|-----------------------|---------------|---------------|
|                       | R'000         | R'000         |
| Less than 1 year      | 17 271        | 21 013        |
| Between 1 and 5 years | 10 929        | 20 737        |
|                       | <b>28 201</b> | <b>41 751</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:

|                       |              |              |
|-----------------------|--------------|--------------|
| Less than 1 year      | 1 060        | 1 539        |
| Between 1 and 5 years | 4            | 358          |
|                       | <b>1 065</b> | <b>1 898</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:

|                       | 2022       | 2021         |
|-----------------------|------------|--------------|
|                       | R'000      | R'000        |
| Less than 1 year      | 90         | 1 047        |
| Between 1 and 5 years | 452        | 452          |
| More than 5 years     | 121        | 211          |
|                       | <b>663</b> | <b>1 710</b> |

The average period for operating lease agreements is 5 years.

## 24. CONTINGENT LIABILITIES AND CONTINGENT ASSET

### 24.1 Contingent Liabilities

|                          | <b>2022</b>      |
|--------------------------|------------------|
|                          | <b>R'000</b>     |
| Commercial disputes      | 1 006            |
| Retention of Surplus: NT | 2 551 832        |
| Employee claims          | 8 445            |
|                          | <b>2 561 283</b> |

#### Litigations and claims:

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

Retention of Surplus: NT relates to SITA net surplus as at year ended 31 March 2021 calculated based on national treasury guideline. The request to retain the surplus has been requested from the National Treasury and the confirmation to or not to retain the net surplus is still outstanding.

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 impracticable to reliably estimate the amount.

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**24.2 Contingent Assets**

|                     | <b>2022</b>   |
|---------------------|---------------|
|                     | <b>R'000</b>  |
| Commercial disputes | 13 986        |
| Labour disputes     | 557           |
|                     | <b>14 544</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.

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## 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 the become effective:

| Standard of GRAP  | Impact  | Effective date                             |
|---|---|--|
| <b>-GRAP 25 (revised):<br/>Employee Benefits</b>                  | 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    |
| <b>-GRAP 104 (revised):<br/>Financial Instruments</b>             | 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 |
| <b>GRAP 1 (REVISED )<br/>Presentation of Financial Statements</b> | The amendments in the standard are expected to affect SITA as most of the amendments affect how we will present our financial statements for the 2023/24 financial year and going forward. Amendments mainly come in a form of wording that has been deleted or added and there is no major change to the AFS disclosure. | Proposed effective date is 1 April 2023    |

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## 26. INVENTORIES

The components of inventories were as follows:

|  | 2022          | Restated 2021  |
|--|---------------|----------------|
|  | R'000         | R'000          |
| <b>Inventories on hand at year end</b>   | 38 991        | 150 639        |
|  | <b>38 991</b> | <b>150 639</b> |
| Inventory Reconciliation:                |               |                |
| Opening balance 1 April                  | 150 639       | 293 731        |
| Inventory movement                       | (111 648)     | (143 091)      |
| -Purchases inventory                     | 13 303        | -              |
| -Replacement of inventory                | -             | -              |
| -Inventory sold                          | (113 952)     | (122 329)      |
| -Inventory write-off                     | (3 714)       | (18 024)       |
| -Inventory transferred to capital assets | (7 285)       | (2 872)        |
| Prior period error                       | -             | 133            |
| <b>Closing balance 31 March</b>          | <b>38 991</b> | <b>150 639</b> |

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**27.A IRREGULAR EXPENDITURE**

|   | 2022             | 2021             |
|---|------------------|------------------|
|   | R'000            | R'000            |
| Opening Balance   | 1 750 243        | 2 229 326        |
| Prior period error  | 61 010           | 171 749          |
| <b>Restated Opening Balance</b>   | <b>1 811 253</b> | <b>2 401 075</b> |
| Add: Irregular Expenditure - detected in prior years continuing in current year | 250 887          | 560 084          |
| Add: Irregular Expenditure - detected in the current financial year             | 34 574           | 259 612          |
| Less: Prior year amounts condoned   | (376 702)        | (1 055 016)      |
| Less: Current year amounts condoned   | -                | (415 512)        |
| Less: Amounts removed   | (26 369)         | -                |
| <b>Irregular expenditure awaiting condonation/removal</b>                       | <b>1 693 643</b> | <b>1 750 243</b> |

**ANALYSIS OF EXPENDITURE AWAITING CONDONATION PER AGE CLASSIFICATION**

|                       |                  |                  |
|-----------------------|------------------|------------------|
| Current year          | 285 461          | 819 696          |
| Amounts condoned      | (376 702)        | (1 470 528)      |
| Prior year adjustment | 61 010           | 171 749          |
| Amounts removed       | (26 369)         | -                |
| Prior years           | 1 750 243        | 2 229 326        |
| <b>Total</b>          | <b>1 693 643</b> | <b>1 750 243</b> |

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.

Furthermore possible irregular expenditure amounting to R6,6 million in respect of one case has been identified and is currently being assessed by Internal Audit.

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## 27.B FRUITLESS AND WASTEFUL EXPENDITURE

|  | 2022          | 2021          |
|--|---------------|---------------|
|  | R'000         | R'000         |
| Opening Balance  | 38 999        | 6 474         |
| Prior period error   | -             | 13 965        |
| <b>Restated Opening Balance</b>  | <b>38 999</b> | <b>20 439</b> |
| Add: Fruitless and Wasteful expenditure - detected in the current financial year | 3 723         | 18 560        |
| - Amount relating to prior financial years                                       | -             | 4             |
| - Amount relating to current financial year                                      | 3 723         | 18 556        |
| Less: Amounts recovered  | (2)           | -             |
| Less: Amounts written-off  | -             | -             |
| <b>Closing Balance</b>   | <b>42 720</b> | <b>38 999</b> |

### ANALYSIS OF EXPENDITURE AWAITING WRITE-OFF/REMOVAL PER AGE CLASSIFICATION

|              |               |               |
|--------------|---------------|---------------|
| Current year | 3 723         | 18 560        |
| Prior years  | 38 997        | 20 439        |
| <b>Total</b> | <b>42 720</b> | <b>38 999</b> |

All amounts are exclusive of VAT.

### Details of current and prior years' fruitless and wasteful expenditure (Under determination and Investigation)

| Incident  | Current Year | Prior Years | Disciplinary steps taken |
|---|--------------|-------------|--------------------------|
| <b>FWE00002</b><br>Finance charges arising from late payment of outstanding invoices.   |              | 21          | Employee dismissed.      |
| <b>FWE0007</b><br>Irregular expenditure incurred due to continued occupation of the Perseus Park office accomodation for 3 months after the expiry of the contract in January 2016. Fruitless and wasteful expenditure incurred resulting from rental charged when the building was vacant. |              | 1 455       | Employee dismissed.      |

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| Incident  | Current Year | Prior Years   | Disciplinary steps taken   |
|---|--------------|---------------|--|
| <b>FWE0008</b><br>Fruitless and wasteful expenditure as identified by Internal Audit incurred due to the procurement and maintenance of VOIP equipment that are not in use.   |              | 3 864         | No consequence management  |
| <b>FWE0009</b><br>Fruitless and wasteful expenditure due to payment of traffic fines.   |              | 4             | None. Drivers paid the traffic fines and others are in the process to pay for the traffic fines. |
| <b>FWE0010</b><br>Fruitless and wasteful expenditure relating to a matter where a supplier payment was fraudulently diverted into an employee's bank account in 2010.   |              | 1 633         | Employee dismissed.  |
| <b>FWE0011</b><br>Fruitless and wasteful expenditure incurred 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         | Legal in process to recover the funds.   |
| <b>FWE0012</b><br>Fruitless and wasteful expenditure incurred relating to an inventory write-down due to software licence start dates that have not been ammended even though the equipment has not been delivered. | 3 714        | 18 024        | Internal audit investigating case.   |
| <b>FWE0013</b><br>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        | Under determination  |
| <b>FWE0014</b><br>Fruitless and wasteful expenditure incurred relating to SARS payment of penalties and interest that related to PAYE in the Sep-2020 period.   |              | 532           | Under determination  |
| <b>FWE0015</b><br>Fruitless and wasteful expenditure incurred relating to interest that was charged on the account and paid in July 2021.   | 9            |               | Under determination  |
| <b>Total</b>  | <b>3 723</b> | <b>38 999</b> |  |

## 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. An amount of R2 120 represents fruitless and wasteful expenditure resulting from payment of traffic fines. The organisation had initiated the recovery of the monies from the responsible employees and the outstanding amount will be recovered in the 2022-2023 financial year. Fruitless and wasteful expenditure amounting to R18 024 258 was incurred in respect of software licences that were not deployed; and R531 986 relates to SARS penalties and interest.

### Current year

Fruitless and wasteful expenditure amounting to R3 714 310.45 was incurred in respect of software licences that were not deployed. In addition a new case was identified amounting to R8 662,80 expenditure paid to City of Tshwane for interest charges.

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1. Details of Irregular Expenditure - Detected and/or incurred during the current year

| 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<br>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.   | 31 863   | -   | 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<br>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.   | 1 304  | -   | Internal audit investigation in progress as at 31 March 2022.  |
| 3                | IE00207<br>Irregular expenditure incurred due to continuing use of access links and other communication services as per the 5 year MSA with the service provider on behalf of various government departments after the expiry of the contract on 31 May 2019. | 190 290  | -   | Internal audit investigation in progress as at 31 March 2022.  |
| 4                | IE00222<br>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 2022.  |
| 5                | IE00231<br>Continued use of access links after the approved RFQ expired in January 2020.  | 30   | -   | Internal audit investigation in progress as at 31 March 2022.  |
| 6                | IE00232<br>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.  | 728  | -   | Internal audit investigation in progress as at 31 March 2022.  |
| 7                | IE00236<br>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.   | 4 644  | -   | No consequence management recommended. Condonation process underway.   |
| 8                | IE00242<br>Award not made to the bidder scoring the highest points - Non-compliance with Preferential Procurement Policy Framework No. 5 of 2000  | 761  | -   | SCM investigating case, still in progress as at 31 March 2022.   |

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| 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  |
| 9                | IE00243<br>Award to a supplier that was not tax compliant on the date of award.  | 13 223   | -   | Internal audit investigation in progress as at 31 March 2022.  |
| 10               | IE00247<br>Award not made to the bidder scoring the highest points - Non-compliance with Preferential Procurement Policy Framework No. 5 of 2000 (AG COAF 47-2020)   | 503  | -   | SCM investigating case, still in progress as at 31 March 2022.   |
| 11               | IE00251<br>Inappropriate use of emergency procurement vehicle to appoint service provider for office accommodation   | 3 429  | -   | SCM investigating case, still in progress as at 31 March 2022.   |
| 12               | IE00269<br>Irregular expenditure incurred in respect of inappropriately approved contract extensions after April 2016 in contravention of NT SCM Instruction No 3 of 2016/2017.  | 400  | -   | SCM investigating case, still in progress as at 31 March 2022.   |
| 13               | IE00283<br>Irregular expenditure due to the appointment of a service provider without obtaining appropriate approval in line with the Delegation of Authority.   | -  | 2   | ER recommended corrective action.  |
| 14               | IE00284<br>Irregular expenditure incurred in respect of security services for MP office for the period July to August 2021 where there was no approval for expansion of scope by SCM BAC.  | -  | 171   | Internal audit investigation in progress as at 31 March 2022.  |
| 15               | IE00285<br>Irregular expenditure incurred from 01 Aug 2019 to January 2022 due to the occupation of office premises in Modimolle without an approved contract in place. After an appeal, National Treasury gave the required pre-approval to deviate and appoint the service provider as a single source, but the adjudication committee has not been able to award yet due to the non-tax compliant status of the landlord. Emergency procurement approval was obtained for payments from Jun-2020. | 177  | -   | Internal audit investigation in progress as at 31 March 2022.  |
| 16               | IE00288<br>Irregular expenditure incurred from 01 April 2021 to 15 April 2021 due to the continued use of services of 3 fixed term contractors without an approved contract in place.  | -  | 179   | One employee responsible for causing the irregular expenditure was issued with a final written warning and one week unpaid leave; the other one received a verbal warning. |

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| 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   |
| 17               | IE00289<br>Irregular expenditure incurred from 01 December 2020 to July 2021 for courier services provided by Skynet as part of a transversal contract without it being awarded by SITA governance structures   | -  | 184   | Internal audit investigation in progress as at 31 March 2022.                   |
| 18               | IE00290<br>Irregular expenditure due to the extension of the contract with the supplier to provide Microfilm and Archiving services for DOD without obtaining the appropriate approval from National Treasury.  | -  | 474   | Internal audit investigation in progress as at 31 March 2022.                   |
| 19               | IE00291<br>Irregular expenditure due invalid extensions of the contract with the supplier to provide cabling maintenance.   | 3 324  | -   | Internal audit investigation in progress as at 31 March 2022.                   |
| 20               | IE00293<br>Irregular expenditure incurred in respect of professional services procured as sole provider without any approval from SCM & PMPC/SMPC.  | 40   | 35  | Internal audit investigation in progress as at 31 March 2022.                   |
| 21               | IE00294<br>Irregular expenditure incurred in respect of an expansion of scope which was more than the NT prescripts.  | -  | 10  | Internal audit investigation in progress as at 31 March 2022.                   |
| 22               | IE00295<br>Irregular expenditure incurred as the Bid specification did not include requirements for local content and the winning bidder did not complete SBD 6.2. The expenditure was incurred for the Design, Supply, and Installation, provisioning of LAN and telephone expansion structured network cabling Infrastructure for SITA with Maintenance and Support | -  | 68  | Cases identified by Abacwaningi. Case will be investigated by IA in due course. |
| 23               | IE00296<br>Irregular expenditure incurred for the procurement of specialised double window envelopes for the government hospitals accounts - DoH. Bidder was tax non-compliant at the of the award and SBD9 not attached to bid   | -  | 15  | Cases identified by Abacwaningi. Case will be investigated by IA in due course. |
| 24               | IE00297<br>Irregular expenditure incurred for the procurement and Installation of a High Security Perimeter clear Fence for SITA Erasmuskloof building. Approved Bid specification does not include requirements for CIDB.  | -  | 2 982   | Cases identified by Abacwaningi. Case will be investigated by IA in due course. |

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| 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   |
| 25               | IE00298<br>Irregular expenditure incurred for the procurement of terminal emulation software for KZN provincial Treasury for a period of 3 years. Tender was advertised for 19 days.  | -  | 1 072   | Cases identified by Abacwaningi. Case will be investigated by IA in due course.         |
| 26               | IE00299<br>Irregular expenditure incurred for the the renewal of MICROSOFT Premier Support Services to support the DOD ACTIVE DIRECTORY (AD). There was no BEC appointed to evaluate the procurement. Environment   | -  | 2 425   | Cases identified by IA during the 2021-2022 audits conducted.                           |
| 27               | IE00300<br>Irregular expenditure incurred for the The Procurement of IBM CBUS for the DOD'S Secondary Data Centre (LOFTUS) to ensure up time for DOD Systems. There were no OEM certifications or letters confirming accreditation of the service provider. | -  | 234   | Cases identified by IA during the 2021-2022 audits conducted.                           |
| 28               | IE00301<br>Irregular expenditure incurred for the printing equipment leased on RT3-2018 for a period of 3 years MPC resolution quantity reduced. Overspending on the contract.  | -  | 352   | Cases identified by Abacwaningi. Case will be investigated by IA in due course.         |
| 29               | IE00302<br>Irregular expenditure incurred for APN Solution for Department of Education. Services were rendered after the contract expired on 8th March 2022.  | -  | 26 372  | New case identified from LoB. Internal audit investigation will commence in due course. |
| <b>Totals</b>    |   | <b>250 887</b>                                   | <b>34 574</b>                                     |   |

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**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.

| In Rand Thousand |  |        |                       |                       |   |
|------------------|--|--------|-----------------------|-----------------------|---|
| Item No.         | Incident   | Total  | Incurred in 2020/2021 | Incurred in 2019/2020 | Disciplinary action taken   |
| 1                | IE00154<br>Irregular expenditure amounting to incurred for continued procurement of access lines and bandwidth for various sites after the expiry of the contract on 31 March 2018   | 187    | 187                   | -                     | 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                | IE00187<br>Irregular expenditure incurred as a result of the irregular award of contracts for the maintenance and technical support of the Firearms Permit System. (R19,367,070.23 (incl VAT) incurred after Dec-14)   | 12 107 | -                     | 12 107                | 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. |
| 3                | IE00285<br>Irregular expenditure incurred from 01 Aug 2019 to January 2022 due to the occupation of office premises in Modimolle without an approved contract in place. After an appeal, National Treasury gave the required pre-approval to deviate and appoint the service provider as a single source, but the adjudication committee has not been able to award yet due to the non-tax compliant status of the landlord. Emergency procurement approval was obtained for payments from Jun-2020. | 214    | 107                   | 107                   | Internal audit investigation in progress as at 31 March 2022.   |
| 4                | IE00286<br>Irregular expenditure incurred in respect of a fully managed data centre provided by Telkom BCX without a valid contract in place from 01 May 2020.   | 40 221 | 40 221                | -                     | Internal audit investigation in progress as at 31 March 2022.   |
| 5                | IE00287<br>Irregular expenditure was incurred amounting to R275 492.23 (excl. VAT) for services rendered after the expiry of the 3 year contract on 31 March 2020. According to the business case, a new contract with the same supplier was awarded and commenced on 19 May 2020. This was for the renewal, maintenance and support of Information Builders Software on behalf of the Department of Defence.  | 275    | 275                   | -                     | Internal audit investigation in progress as at 31 March 2022.   |

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| In Rand Thousand |   |               |                       |                       |   |
|------------------|---|---------------|-----------------------|-----------------------|---|
| Item No.         | Incident  | Total         | Incurred in 2020/2021 | Incurred in 2019/2020 | Disciplinary action taken                                     |
| 6                | IE00291<br>Irregular expenditure due invalid extensions of the contract with the supplier to provide cabling maintenance.   | 1 642         | 1 642                 | -                     | Internal audit investigation in progress as at 31 March 2022. |
| 7                | IE00292<br>Irregular expenditure incurred in respect of the back maintenance for ITSM licences for the period April-Dec 2020 where there was no supplier contract in place. | 6 363         | 6 363                 | -                     | Internal audit investigation in progress as at 31 March 2022. |
| <b>Totals</b>    |   | <b>61 010</b> | <b>48 796</b>         | <b>12 214</b>         |   |

**3. Details of Irregular Expenditure condoned by National Treasury**

| In Rand Thousand |  |                            |                              |                       |   |
|------------------|--|----------------------------|------------------------------|-----------------------|---|
| Item No.         | Incident   | Prior year amount condoned | Current year amount condoned | Total Amount condoned | Disciplinary action taken   |
| 1                | IE00187<br>Irregular expenditure incurred as a result of the irregular award of contracts for the procurement of maintenance and support of the SAPS Rofin, Nikon and Spheron equipment. (R370,844,663.67 (incl VAT) incurred after Dec-14)  | 325 302                    | -                            | 325 302               | 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                | IE00196<br>Irregular expenditure incurred due to entering into a 24 month contract for the period 01 Dec 18 to 30 Nov 20 with an existing supplier without following any SCM process. Payment made to the supplier in advance for 12 months. | 51 400                     | -                            | 51 400                | 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.                                 |
| <b>Totals</b>    |  | <b>376 702</b>             | <b>-</b>                     | <b>376 702</b>        |   |

**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.

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4. Details of Irregular Expenditure removed by the SITA Board

| In Rand Thousand |   |                           |                             |                      |  |
|------------------|---|---------------------------|-----------------------------|----------------------|--|
| Item No.         | Incident  | Prior year amount removed | Current year amount removed | Total Amount removed | Disciplinary action taken                            |
| 1                | IE00131<br>Not condoned - Removed by Board July 2021<br>Irregular was incurred due to non-compliance with the procurement procedures resulting in the award of the tender to the supplier being irregular.  | 23 627                    | -                           | 23 627               | No consequence management recommended for this case. |
| 2                | IE00186<br>Not condoned - Removed by Board July 2021<br>Irregular expenditure was incurred as a result of the continued use of the switching centre in Welkom after the expiry of the lease agreement on 31 October 2018.   | 115                       | -                           | 115                  | No consequence management recommended for this case. |
| 3                | IE00193<br>Not condoned - Removed by Board July 2021<br>Irregular expenditure was incurred from 01 January 2019 to 30 November 2019 due to continued use of email cleansing services to SITA and its client after the extended contract with the supplier expired on 31 December 2018.  | 2 530                     | -                           | 2 530                | No consequence management recommended for this case. |
| 4                | IE00203<br>Not condoned - Removed by Board July 2021<br>Irregular expenditure was incurred in February 2019 as a result of the final review, test and update of the Business Continuity plan and Disaster Recovery Plan performed by KPMG for KZN Department of Education when the contract with the supplier expired in November 2018. | 96                        | -                           | 96                   | No consequence management recommended for this case. |
| <b>Totals</b>    |   | <b>26 369</b>             | <b>-</b>                    | <b>26 369</b>        |  |

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## 28. CASH FLOW NOTES

### 28.1 Normal tax (received)/paid

|  | <b>2022</b>    | <b>Restated 2021</b> |
|--|----------------|----------------------|
|  | <b>R'000</b>   | <b>R'000</b>         |
| Opening balance                                  | (127 590)      | (166 170)            |
| Current year normal tax charge                   | 159 052        | 127 755              |
| Interest accrual on provisional tax underpayment | 233            | 4 655                |
| Interest accrual on provisional tax overpayment  | (13 248)       | (2 156)              |
| Closing balance                                  | 186 260        | 127 590              |
|  | <b>204 706</b> | <b>91 674</b>        |

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**28.2 Reconciliation of net cash flows from operating activities**

|   | 2022           | 2021           |
|---|----------------|----------------|
|   | R'000          | R'000          |
| <b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>                  |                |                |
| Surplus/(Deficit) before taxation                                 | 539 291        | 361 071        |
| Adjustments for non-cash flow items:                              |                |                |
| -Depreciation/Amortisation/Adjustments                            | 165 308        | 135 689        |
| -Impairment   | 14 651         | 38 419         |
| -Asset retirement   | -              | (3 537)        |
| -Doubtful debt movement   | (54 739)       | 21 604         |
| -Inventory write-off  | 3 714          | 18 024         |
| -Loss on disposal or scrapping of property, plant and equipment   | 154 115        | 2 820          |
| -Profit on disposal or scrapping of property, plant and equipment | -              | (27)           |
| -Post-retirement employee benefits cost                           | (262)          | 30 646         |
| -Long-service award benefit                                       | 1 950          | 1 094          |
| -Other non cash items   | (1 541)        | 2 458          |
| -Forex gain   | 1 980          | 1 405          |
| -Foreign Exchange Loss  | 357            | 26             |
| -Interest Finance lease   | 2 040          | 3 536          |
| -Rounding differences   | 79             | 835            |
| -Forex gain COS   | (2 155)        | (353)          |
| -Forex Loss COS   | 1 488          | 5 531          |
| -Finance Expense  | 5 331          | 9 176          |
| -Finance income   | (76 276)       | (45 518)       |
| -Finance Cost - Post retirement                                   | 16 166         | 13 964         |
| -Long service award benefits initial recognition                  | -              | 11 021         |
| <b>Operating profit before working capital changes</b>            | <b>771 498</b> | <b>607 884</b> |
| Working capital changes:  |                |                |
| -(Increase)/Decrease in trade and other receivables               | 375 353        | (192 433)      |
| -Decrease/(Increase) in prepayments made                          | (11 590)       | (32 077)       |
| -(Decrease)/Increase in trade and other payables                  | (468 997)      | 169 464        |
| -(Increase)/Decrease in Inventory                                 | 111 648        | 125 200        |
| -(Decrease)/Increase in income received in advance                | (70 594)       | 28 618         |
| -(Decrease)/increase in Post-retirement employee benefits         | 664            | 594            |
| - (Decrease)/Increase in Finance Lease Liability                  | 1 829          | (2 040)        |
| <b>Cash generated in operations</b>                               | <b>709 810</b> | <b>705 211</b> |
| Normal taxation   | (204 706)      | (91 674)       |
| Finance income received   | 76 276         | 42 619         |
|   | <b>581 379</b> | <b>656 155</b> |

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## 29. FINANCE LEASES

|   | 2022          | 2021          |
|---|---------------|---------------|
|   | R'000         | R'000         |
| <b>Finance lease liability</b>          |               |               |
| Current portion of lease obligation     | 27 236        | 25 407        |
| Non-current portion of lease obligation | 14 345        | 41 581        |
|   | <b>41 581</b> | <b>66 988</b> |

### Finance lease liability

|   |               |               |
|---|---------------|---------------|
| Current portion of lease obligation     | 27 236        | 25 407        |
| Non-current portion of lease obligation | 14 345        | 41 581        |
|   | <b>41 581</b> | <b>66 988</b> |

The lease liability is secured by the related underlying assets.

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

|                           | <1 year       | 1-5 years     |
|---------------------------|---------------|---------------|
| <b>31 March 2021</b>      |               |               |
| Lease payments            | 29 276        | 14 638        |
| Finance charges           | (2 040)       | (293)         |
| <b>Net present values</b> | <b>27 236</b> | <b>14 345</b> |

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.

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### 30. CORRECTION OF PRIOR PERIOD ERROR

#### 30. Inventory

During the 2020/21 financial year, cost of sales was recognised in relation to inventory that had not been sold. This resulted in increase in cost of sales and decrease in inventory.

| Previously stated<br>31 March 2021 | Impact | Restated<br>31 March 2021 |
|------------------------------------|--------|---------------------------|
| R'000                              | R'000  | R'000                     |

THE NET EFFECT OF PRIOR PERIOD ERROR(S) RELATING TO THE STATEMENT OF FINANCIAL PERFORMANCE ARE AS FOLLOWS:

|   | 133        | (133)        | -        |
|---|------------|--------------|----------|
| Cost of sales   |            |              |          |
| Dropshipment cost of sales                              | 133        | (133)        | -        |
| <b>Net effect on Statement of financial Performance</b> | <b>133</b> | <b>(133)</b> | <b>-</b> |

| Previously stated<br>31 March 2021 | Impact | Restated<br>31 March 2021 |
|------------------------------------|--------|---------------------------|
| R'000                              | R'000  | R'000                     |

THE NET EFFECT OF PRIOR PERIOD ERROR(S) RELATING TO THE STATEMENT OF FINANCIAL POSITION ARE AS FOLLOWS:

|  | -        | 133        | 133        |
|--|----------|------------|------------|
| Inventory  | -        | 133        | 133        |
| <b>Net effect on Statement of Financial Position</b> | <b>-</b> | <b>133</b> | <b>133</b> |

| Previously stated<br>31 March 2021 | Impact | Restated<br>31 March 2021 |
|------------------------------------|--------|---------------------------|
| R'000                              | R'000  | R'000                     |

THE NET EFFECT OF PRIOR PERIOD ERROR(S) RELATING TO THE STATEMENT OF CHANGES IN NET ASSETS ARE AS FOLLOWS:

|   | -        | 133        | 133        |
|---|----------|------------|------------|
| Accumulated surplus                                     | -        | 133        | 133        |
| <b>Net effect on Statement of Changes in Net Assets</b> | <b>-</b> | <b>133</b> | <b>133</b> |

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### 30.2 Operating Leases

The operating lease in relation to SITA's leased printers was not disclosed accurately in the operating leases note for the 2020/21 financial year. This was a note disclosure error and does not have impact on the face to the statement of financial performance, statement of financial position and Net Assets.

|  | Previously disclosed<br>31 March 2021 | Impact     | Restated<br>31 March 2021 |
|--|---------------------------------------|------------|---------------------------|
|  | R'000                                 | R'000      | R'000                     |
| <b>Operating leases</b>                |                                       |            |                           |
| Payable within 1 year (22/23 fin year) | 1 539                                 | -          | 1 539                     |
| Payable 2 - 5 years (23/24 onwards)    | 358                                   | 706        | 1 064                     |
|  | <b>1 897</b>                          | <b>706</b> | <b>2 604</b>              |

### 30.3 Finance lease

Finance lease liability was overstated due to an error in the determination of the current portion of the lease liability.

|   | Previously stated<br>31 March 2021 | Impact       | Restated<br>31 March 2021 |
|---|------------------------------------|--------------|---------------------------|
|   | R'000                              | R'000        | R'000                     |
| <b>THE NET EFFECT OF PRIOR PERIOD ERRORS(S) RELATING TO THE STATEMENT OF FINANCIAL POSITION ARE AS FOLLOWS:</b> |                                    |              |                           |
| Current Portion of Finance lease liability  | 25 740                             | (334)        | 25 407                    |
| Non Current Portion of Finance liability  | 41 581                             | -            | 41 581                    |
| <b>Net effect on Statement of Financial Position</b>  | <b>67 322</b>                      | <b>(334)</b> | <b>66 988</b>             |

|  | Previously stated<br>31 March 2021 | Impact     | Restated<br>31 March 2021 |
|--|------------------------------------|------------|---------------------------|
|  | R'000                              | R'000      | R'000                     |
| The Net effect of prior period errors(s) relating to the Statement of Financial position are as follows: |                                    |            |                           |
| Trade and other Payables   |                                    |            |                           |
| Accrual For Finance lease payments   | 32 947                             | 334        | 33 281                    |
| <b>Net effect on Statement of Financial Position</b>   | <b>32 947</b>                      | <b>334</b> | <b>33 281</b>             |
| <b>Total Net effect on Statement of Financial Position</b>   | <b>100 269</b>                     | <b>-</b>   | <b>100 269</b>            |

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### 30.4 Revenue

Revenue accrual was erroneously not reversed during the 2021 financial year resulting in overstatement of revenue

|   | Previously stated<br>31 March 2021 | Impact          | Restated<br>31 March 2021 |
|---|------------------------------------|-----------------|---------------------------|
|   | R'000                              | R'000           | R'000                     |
| <b>THE NET EFFECT OF PRIOR PERIOD ERROR(S) RELATING TO THE STATEMENT OF FINANCIAL PERFORMANCE ARE AS FOLLOWS:</b> |                                    |                 |                           |
| <b>Revenue</b>  | <b>34 199</b>                      | <b>(34 199)</b> | <b>-</b>                  |
| Service revenue   | 25 778                             | (25 778)        | -                         |
| Dropshipment revenue  | 8 421                              | (8 421)         | -                         |
| <b>Net effect on Statement of financial Performance</b>   | <b>34 199</b>                      | <b>(34 199)</b> | <b>-</b>                  |

|  | Previously stated<br>31 March 2021 | Impact          | Restated<br>31 March 2021 |
|--|------------------------------------|-----------------|---------------------------|
|  | R'000                              | R'000           | R'000                     |
| <b>THE NET EFFECT OF PRIOR PERIOD ERROR(S) RELATING TO THE STATEMENT OF FINANCIAL POSITION ARE AS FOLLOWS:</b> |                                    |                 |                           |
|  | <b>34 199</b>                      | <b>(34 199)</b> | <b>-</b>                  |
| Accounts receivables   | 34 199                             | (34 199)        | -                         |
| <b>Net effect on Statement of Financial Position</b>   | <b>34 199</b>                      | <b>(34 199)</b> | <b>-</b>                  |

|   | Previously stated<br>31 March 2021 | Impact          | Restated<br>31 March 2021 |
|---|------------------------------------|-----------------|---------------------------|
|   | R'000                              | R'000           | R'000                     |
| <b>THE NET EFFECT OF PRIOR PERIOD ERROR(S) RELATING TO THE STATEMENT OF CHANGES IN NET ASSETS ARE AS FOLLOWS:</b> |                                    |                 |                           |
| Accumulated surplus   | 34 199                             | (34 199)        | -                         |
| <b>Net effect on Statement of Changes in Net Assets</b>   | <b>34 199</b>                      | <b>(34 199)</b> | <b>-</b>                  |

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### 30.5 Accounts Payable

Supplier invoices with dates falling in March 2021 but relating to services to be rendered in future periods were erroneously accrued for in March 2021 and included in the accounts payable balance. In addition, there are supplier invoices relating to services that were rendered during 2020/21 but were not included in the March 2021 annual financial statements

|   | Previously stated<br>31 March 2021 | Impact       | Restated<br>31 March 2021 |
|---|------------------------------------|--------------|---------------------------|
|   | R'000                              | R'000        | R'000                     |
| <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>58</b>                          | <b>(58)</b>  | <b>-</b>                  |
| Services cost of sales  | 58                                 | (58)         | -                         |
| <b>Operating expenses</b>   | <b>225</b>                         | <b>(225)</b> | <b>-</b>                  |
| Operating expenses  | 225                                | (225)        | -                         |
| <b>Net effect on Statement of financial Performance</b>   | <b>283</b>                         | <b>(283)</b> | <b>-</b>                  |

|  | Previously stated<br>31 March 2021 | Impact       | Restated<br>31 March 2021 |
|--|------------------------------------|--------------|---------------------------|
|  | R'000                              | R'000        | R'000                     |
| <b>THE NET EFFECT OF PRIOR PERIOD ERROR(S) RELATING TO THE STATEMENT OF FINANCIAL POSITION ARE AS FOLLOWS:</b> |                                    |              |                           |
|  | <b>283</b>                         | <b>(283)</b> | <b>-</b>                  |
| Accounts payable   | 283                                | (283)        | -                         |
| <b>Net effect on Statement of Financial Position</b>   | <b>283</b>                         | <b>(283)</b> | <b>-</b>                  |

|   | Previously stated<br>31 March 2021 | Impact     | Restated<br>31 March 2021 |
|---|------------------------------------|------------|---------------------------|
|   | R'000                              | R'000      | R'000                     |
| <b>THE NET EFFECT OF PRIOR PERIOD ERROR(S) RELATING TO THE STATEMENT OF CHANGES IN NET ASSETS ARE AS FOLLOWS:</b> |                                    |            |                           |
| Accumulated surplus   | -                                  | 283        | 283                       |
| <b>Net effect on Statement of Changes in Net Assets</b>   | <b>-</b>                           | <b>283</b> | <b>283</b>                |

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### 30.6 Related party transactions

Transactions with related parties which had not been disclosed in note 22 in 2020/21 financial year. The transaction does not have financial implications as it had been correctly included in the 2020/21 financial statements. This does not have an impact in the net assets as this is a disclosure related correction.

#### RELATED PARTY TRANSACTIONS - ACCOUNTS PAYABLE

|                             | Previously disclosed<br>31 March 2021 | Impact        | Restated<br>31 March 2021 |
|-----------------------------|---------------------------------------|---------------|---------------------------|
|                             | R'000                                 | R'000         | R'000                     |
| Entities under Same Control | -                                     | 33 410        | 33 410                    |
|                             | <b>-</b>                              | <b>33 410</b> | <b>33 410</b>             |

### 30.7 Open commitments

Open commitments disclosure in the March 2021 annual financial statements contained material misstatement as a results of inability to allocate accounts payable manual accruals to outstanding purchase orders during the 2020/21 financial year. The transaction does not have financial implications as it had been correctly included in the 2020/21 financial statements. It also does not have impact on the net assets as this is a disclosure related correction.

|                         | Previously disclosed<br>31 March 2021 | Impact           | Restated<br>31 March 2021 |
|-------------------------|---------------------------------------|------------------|---------------------------|
|                         | R'000                                 | R'000            | R'000                     |
| Operational commitments | 8 435 802                             | (503 116)        | 7 932 687                 |
| Capital commitments     | 33 691                                | (19 966)         | 13 725                    |
| Computer Equipment      | 19 336                                | (19 336)         | -                         |
| Intangible assets       | 14 355                                | (630)            | 13 725                    |
|                         | <b>8 469 493</b>                      | <b>(523 082)</b> | <b>7 946 411</b>          |

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### 30.8 Property, plant and equipment and Intangible asset

As at 31 March 2021, 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. Asset 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 assets 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.

**THE NET EFFECT OF PRIOR PERIOD ERROR(S) RELATING TO THE STATEMENT OF FINANCIAL PERFORMANCE ARE AS FOLLOWS:**

|   | Previously stated<br>31 March 2021 | Impact         | Restated<br>31 March 2021 |
|---|------------------------------------|----------------|---------------------------|
|   | R'000                              | R'000          | R'000                     |
| <b>Cost of sales (Depreciation)</b>                     | <b>107 694</b>                     | <b>8 491</b>   | <b>116 185</b>            |
| -Direct depreciation                                    | 60 068                             | 30 102         | 90 170                    |
| -Direct amortisation                                    | 47 626                             | (21 611)       | 26 015                    |
| <b>Operating expenses</b>                               | <b>15 382</b>                      | <b>(5 304)</b> | <b>10 077</b>             |
| -Indirect depreciation                                  | 12 332                             | (2 255)        | 10 077                    |
| -Indirect amortisation                                  | 3 050                              | (3 050)        | 1                         |
| <b>Net effect on Statement of financial Performance</b> | <b>123 076</b>                     | <b>3 187</b>   | <b>126 263</b>            |

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FOR THE YEAR ENDED 31 MARCH 2022

|   | Previously stated<br>01 April 2020 | Impact           | Restated<br>01 April 2020 |
|---|------------------------------------|------------------|---------------------------|
|   | R'000                              | R'000            | R'000                     |
| <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>718 894</b>                     | <b>(112 878)</b> | <b>606 017</b>            |
| Buildings   | 64 876                             | (8 801)          | 56 075                    |
| Infrastructure Equipment  | 50 326                             | (14 542)         | 35 784                    |
| Computer Equipment  | 531 921                            | (89 207)         | 442 714                   |
| Office Furniture and Fitting  | 71 143                             | (164)            | 70 978                    |
| Vehicle   | 628                                | (163)            | 466                       |
| <b>Intangible asset</b>   |                                    |                  |                           |
| <b>Decrease in amortisation / increase in carrying amount</b>   | <b>301 255</b>                     | <b>(19 710)</b>  | <b>281 545</b>            |
| Intangible asset  | 301 255                            | (19 710)         | 281 545                   |
| <b>Net effect on Statement of Financial Position</b>  | <b>1 020 149</b>                   | <b>(132 587)</b> | <b>887 562</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   | -                                  | (132 587)        | (132 587)                 |
| <b>Net effect on Statement of Changes in Net Assets</b>   | <b>-</b>                           | <b>(132 587)</b> | <b>(132 587)</b>          |

| Opening balance<br>01 April 2020 |
|----------------------------------|
| R'000                            |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

## 31.A DIRECTOR'S REMUNERATION

| 31-MAR-22                      |                       |                  |                  |              |                |                   |                  |  |              |       |       |       |       |
|--------------------------------|-----------------------|------------------|------------------|--------------|----------------|-------------------|------------------|--|--------------|-------|-------|-------|-------|
| POSITION                       | Duration              | Fees as Director | Acting Allowance | Basic Salary | Ad-hoc payment | Travel Allowances | Other allowances | Contributions to pension, medical or insurance funds | Total        |       |       |       |       |
|                                |                       | R'000            | R'000            | R'000        | R'000          | R'000             | R'000            | R'000  | R'000        | R'000 | R'000 | R'000 | R'000 |
| <b>NON-EXECUTIVE DIRECTORS</b> |                       |                  |                  |              |                |                   |                  |  |              |       |       |       |       |
| <b>Chairperson</b>             |                       |                  |                  |              |                |                   |                  |  |              |       |       |       |       |
| Mr M Tsika                     | 7 months<br>30-Nov-21 | 371              | -                | -            | -              | 13                | 2                | -  | 386          |       |       |       |       |
| Ms M Mosidi                    | 2 months<br>31-Mar-22 | -                | -                | -            | -              | -                 | -                | -  | -            |       |       |       |       |
| <b>Deputy Chairperson</b>      |                       |                  |                  |              |                |                   |                  |  |              |       |       |       |       |
| Ms S Bvuma (Dr)                | 2 months<br>31-Mar-22 | -                | -                | -            | -              | -                 | -                | -  | -            |       |       |       |       |
| <b>BOARD MEMBERS</b>           |                       |                  |                  |              |                |                   |                  |  |              |       |       |       |       |
| Mrs N Pietersen                | 2 months<br>31-Mar-22 | 154              | -                | -            | -              | -                 | -                | -  | 154          |       |       |       |       |
| Ms J Morwane*                  | 7 months<br>30-Nov-21 | -                | -                | -            | -              | -                 | -                | -  | -            |       |       |       |       |
| Mr A Murray                    | 7 months<br>30-Nov-21 | 189              | -                | -            | -              | 0                 | 3                | -  | 193          |       |       |       |       |
| Mr T Phiri                     | 7 months<br>30-Nov-21 | 161              | -                | -            | -              | 2                 | 2                | -  | 165          |       |       |       |       |
| Ms O Ketsekile                 | 2 months<br>31-Mar-22 | 48               | -                | -            | -              | -                 | -                | -  | 48           |       |       |       |       |
| Mr M Ratsimbilani              | 2 months<br>31-Mar-22 | 51               | -                | -            | -              | -                 | -                | -  | 51           |       |       |       |       |
| Dr T Ratshitanga               | 2 months<br>31-Mar-22 | 51               | -                | -            | -              | -                 | -                | -  | 51           |       |       |       |       |
| Mr R Ramabulana                | 2 months<br>31-Mar-22 | 48               | -                | -            | -              | 4                 | -                | -  | 51           |       |       |       |       |
| Ms Z Hill                      | 2 months<br>31-Mar-22 | 51               | -                | -            | -              | -                 | -                | -  | 51           |       |       |       |       |
| Ms S Moonsamy                  | 2 months<br>31-Mar-22 | -                | -                | -            | -              | -                 | -                | -  | -            |       |       |       |       |
| Ms L Mseme*                    | 2 months<br>31-Mar-22 | -                | -                | -            | -              | -                 | -                | -  | -            |       |       |       |       |
| Mr W Vukela*                   | 2 months<br>31-Mar-22 | -                | -                | -            | -              | -                 | -                | -  | -            |       |       |       |       |
|                                |                       | <b>1 125</b>     | <b>-</b>         | <b>-</b>     | <b>-</b>       | <b>18</b>         | <b>8</b>         | <b>-</b>   | <b>1 151</b> |       |       |       |       |

**EXECUTIVE DIRECTORS**

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| <b>31-MAR-22</b> |           | <b>POSITION</b>   | <b>Duration</b> | <b>Fees as Director</b> | <b>Acting Allowance</b> | <b>Basic Salary</b> | <b>Ad-hoc payment</b> | <b>Travel Allowances</b> | <b>Other allowances</b> | <b>Contributions to pension, medical or insurance funds</b> | <b>Total</b> |
|------------------|-----------|---|-----------------|-------------------------|-------------------------|---------------------|-----------------------|--------------------------|-------------------------|---|--------------|
|                  |           |   |                 | <b>R'000</b>            | <b>R'000</b>            | <b>R'000</b>        | <b>R'000</b>          | <b>R'000</b>             | <b>R'000</b>            | <b>R'000</b>  | <b>R'000</b> |
|                  | 12 months | Mr L Keyise (Interim Managing Director)                     | 31-Mar-22       | -                       | -                       | 3 170               | -                     | -                        | 25                      | 653   | 3 849        |
|                  | 8 months  | Mr M Kgauwe (Chief Financial Officer (Seconded @ Postbank)) | 31-Dec-21       | -                       | 172                     | 1 761               | -                     | -                        | 11                      | 176   | 2 120        |
|                  | 4 months  | Mr M Kgauwe (Chief Financial Officer)                       | 31-Mar-22       | -                       | -                       | 579                 | -                     | -                        | 4                       | 51  | 634          |
|                  | 8 months  | Mr A Pretorius (Acting: Chief Financial Officer)            | 31-Dec-21       | -                       | 126                     | 1 423               | -                     | -                        | 12                      | 150   | 1 711        |
|                  |           |   |                 | <b>-</b>                | <b>298</b>              | <b>6 934</b>        | <b>-</b>              | <b>-</b>                 | <b>52</b>               | <b>1 031</b>  | <b>8 314</b> |

\*State employees that serve on the Board of directors do not receive compensation from the company.

\*\* These are alternate directors of the company.

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| 31-MAR-22                          |   | Duration  | Fees as Director | Acting Allowance | Basic Salary | Ad-hoc payment | Travel Allowances | Other allowances | Contributions to pension, medical or insurance funds | Total |        |
|------------------------------------|---|-----------|------------------|------------------|--------------|----------------|-------------------|------------------|--|-------|--------|
|                                    |   |           | R'000            | R'000            | R'000        | R'000          | R'000             | R'000            | R'000  | R'000 | R'000  |
| <b>EXECUTIVE COMMITTEE MEMBERS</b> |   |           |                  |                  |              |                |                   |                  |  |       |        |
|                                    | Mrs M Mkhwanazi (Executive Human Capital Management)                              | 2 months  | 31-May-21        | -                | 186          | 1 356          | 1                 | 1                | 20   | 1 565 |        |
|                                    | Mr E Mashatola (Executive Human Capital Management)                               | 2 months  | 31-Jul-21        | -                | 323          | -              | 32                | 2                | -  | 358   |        |
|                                    | Mr S Dube (Executive Human Capital Management)                                    | 8 months  | 31-Mar-22        | -                | 1 211        | -              | -                 | 10               | 123  | 1 344 |        |
|                                    | S Mancotywa (CE: Executive Support)   | 2 months  | 31-May-21        | -                | 142          | 553            | -                 | 1                | 16   | 711   |        |
|                                    | Mr L Williams (Executive IT Infrastructure Services)                              | 12 months | 31-Mar-22        | -                | 2 324        | -              | 120               | 14               | 382  | 2 840 |        |
|                                    | Mr F Mitchell (Executive Internal Audit)  | 12 months | 31-Mar-22        | -                | 2 140        | -              | -                 | 14               | 294  | 2 449 |        |
|                                    | Mr G Reddy (Executive Service Management)   | 12 months | 31-Mar-22        | -                | 1 664        | -              | 139               | 13               | 277  | 2 093 |        |
|                                    | Ms M le Roux (Executive: Governance, Risk, Compliance and integrity) <sup>^</sup> | 12 months | 31-Mar-22        | -                | 2 050        | -              | -                 | 14               | 67   | 2 131 |        |
|                                    | Ms SL Kgope (Acting: Company Secretary)   | 8 months  | 30-Nov-21        | -                | 620          | -              | 7                 | 8                | 71   | 714   |        |
|                                    | Mr L Mogashoa (Executive Corporate & Digital Strategy)                            | 12 months | 31-Mar-22        | -                | 1 805        | -              | -                 | 19               | 153  | 1 977 |        |
|                                    | Mr S Ntsangani (Executive Apps Development & Maintain)                            | 12 months | 31-Mar-22        | -                | 1 700        | -              | 240               | 14               | 312  | 2 267 |        |
|                                    | Mr K Pillay (Executive Supply Chain Management)                                   | 12 months | 31-Mar-22        | -                | 1 867        | -              | 120               | 14               | 166  | 2 167 |        |
|                                    | Mr N Tshenye (Executive National Consulting Services)                             | 12 months | 31-Mar-22        | -                | 2 319        | -              | 240               | -                | 428  | 2 987 |        |
|                                    |   |           |                  | -                | 9            | 18 354         | 1 908             | 900              | 125  | 2 308 | 23 604 |

<sup>^</sup>Acted as company secretary for a period of 4 months

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

**31.B DIRECTOR'S REMUNERATION**

| 31 March 2021                                    |           |                           |                           |                       |                         |                            |                           |   |              |       |
|--|-----------|---------------------------|---------------------------|-----------------------|-------------------------|----------------------------|---------------------------|---|--------------|-------|
| POSITION   | Duration  | Fees as Director<br>R'000 | Acting Allowance<br>R'000 | Basic Salary<br>R'000 | Ad-hoc payment<br>R'000 | Travel Allowances<br>R'000 | Other allowances<br>R'000 | Contributions to pension, medical or insurance funds<br>R'000 | Total        | R'000 |
| <b>NON-EXECUTIVE DIRECTORS</b>                   |           |                           |                           |                       |                         |                            |                           |   |              |       |
| <b>Chairperson</b>                               |           |                           |                           |                       |                         |                            |                           |   |              |       |
| Mr Omega Shelembé**                              | 12 months | 31-Mar-21                 | -                         | -                     | -                       | -                          | -                         | -   | -            | -     |
| <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                 | -                         | 1 106                 | -                       | -                          | 10                        | 116   | 1 329        |       |
| Mr M Kgauwe (Chief Financial Officer)            | 4 months  | 31-Mar-21                 | -                         | 758                   | -                       | -                          | 5                         | 75  | 838          |       |
|  |           |                           | -                         | <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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

| 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 |
|   |           | R'000            | R'000            | R'000        | R'000          | R'000             | R'000            | R'000  | R'000 |
| <b>EXECUTIVE COMMITTEE MEMBERS</b>                                    |           |                  |                  |              |                |                   |                  |  |       |
| Ms MP Mohlabi (Company Secretary)                                     | 1 months  | -                | 0                | 145          | 0              | 0                 | 1                | 23   | 169   |
| Mrs M Mkhwanazi (Executive: HCM)                                      | 12 months | -                | 0                | 2 237        | 0              | 15                | 14               | 240  | 2 507 |
| S Mancytwa (Executive: Support Management)                            | 5 months  | -                | 0                | 709          | 0              | 0                 | 6                | 80   | 795   |
| Mr L Williams (Executive: Provincial and Local Consulting)            | 12 months | -                | 0                | 2 231        | 0              | 120               | 14               | 366  | 2 731 |
| Mr F Mitchel (Executive: Internal Audit)                              | 12 months | -                | 0                | 2 059        | 0              | 0                 | 14               | 282  | 2 355 |
| Mrs J Shibambu (Acting Executive: Strategy Management)                | 7 months  | -                | 109              | 684          | 0              | 0                 | 11               | 104  | 908   |
| Mr G Reddy (Acting Executive: IT Infrastructure Services) #           | 12 months | -                | 28               | 1 600        | 0              | 139               | 11               | 284  | 2 062 |
| Ms M le Roux (Executive: Enterprise Risk Management and Compliance) * | 12 months | -                | 24               | 2 053        | -              | -                 | 14               | 64   | 2 155 |
| Ms V Xaxa (Company Secretary)   | 9 months  | -                | 0                | 1 322        | 0              | 0                 | 11               | 185  | 1 517 |
| B Vilikazi (Acting Executive: Corporate and Digital Strategy)         | 5 months  | -                | 52               | 527          | 0              | 0                 | 7                | 31   | 618   |
| Mr J Loubser (Executive: Corporate and Digital Strategy)              | 4 months  | -                | -                | 1 366        | -              | -                 | 5                | -  | 1 371 |
| Mr K Pillay (Executive: Supply Chain Management)                      | 12 months | -                | 0                | 1 791        | 0              | 120               | 14               | 159  | 2 084 |

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

| 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         |       |       |       |
|   |                     | R'000            | R'000            | R'000         | R'000          | R'000             | R'000            | R'000  | R'000         | R'000 | R'000 | R'000 |
| Mr S Ntsangani (Executive: Application Development and Maintenance) | 12 months 31-Mar-21 | -                | 0                | 1 633         | 0              | 240               | 14               | 293  | 2 180         |       |       |       |
| Mr N Tshenye (Executive: Strategic Stakeholder Management)          | 12 months 31-Mar-21 | -                | 0                | 2 248         | 0              | 240               | 0                | 412  | 2 900         |       |       |       |
|   |                     | -                | <b>213</b>       | <b>20 603</b> | -              | <b>875</b>        | <b>138</b>       | <b>2 523</b>   | <b>24 352</b> |       |       |       |

\*\*State employees that serve on the Board of directors do not receive compensation from the company.

\* 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





# CONTACT INFORMATION

**Erasmuskloof (Head Office)**

**T: +27 12 482 3000**

**F: +27 367 5151**

**W: <http://www.sita.co.za>**

**Postal Address**

**PO Box 26100**

**Monument Park**

**Pretoria**

**0105**

**Physical Address**

**459 Tsitsa Street**

**Erasmuskloof**

**Pretoria**

**0048**

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