



Annual Report

2022-2023



SITA

state information technology agency

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PART A

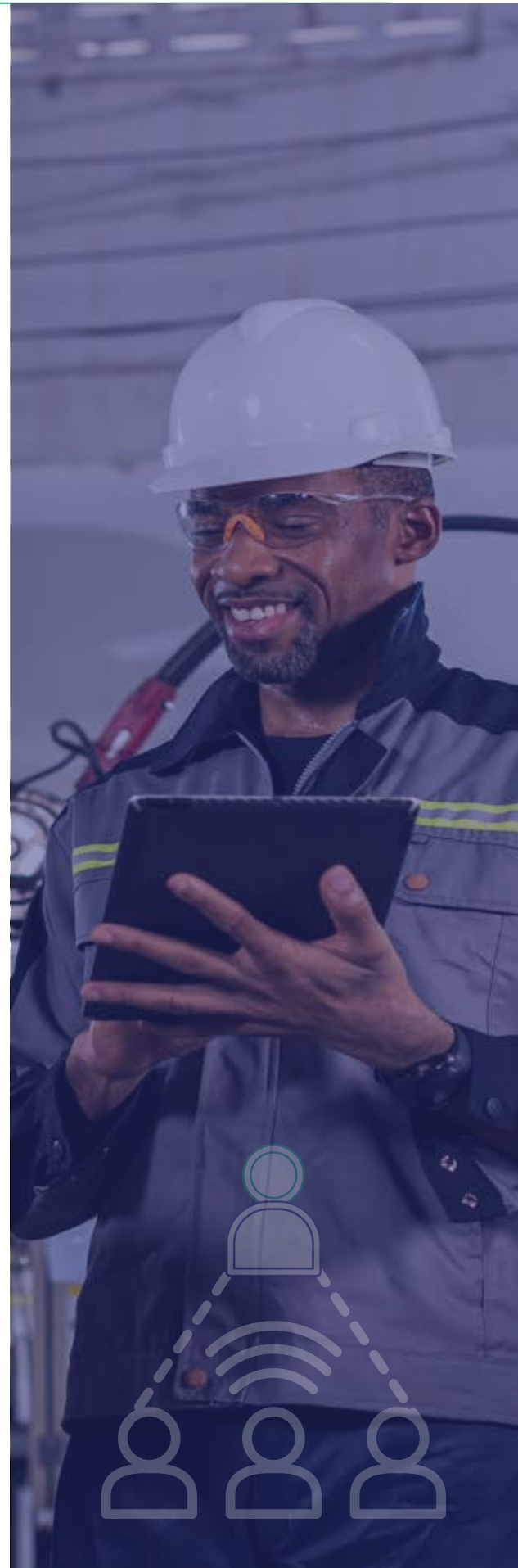
GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME	State Information Technology Agency (SITA) SOC Ltd
REGISTRATION NUMBER	1999/001899/30
PHYSICAL ADDRESS	459 Tsitsa Street Erasmuskloof Pretoria 0048 South Africa
POSTAL ADDRESS	PO Box 26100 Monument Park 0105 South Africa
TELEPHONE NUMBER	+27 12 482 3000
FAX NUMBER	+27 12 367 5151
EMAIL ADDRESS	vincent.mphaphuli@sitaco.co.za
WEBSITE ADDRESS	www.sitaco.co.za
EXTERNAL AUDITORS	Auditor-General of South Africa
BANKERS	Standard Bank of South Africa PO Box 6232 Marshalltown Gauteng, 2107
COMPANY SECRETARY (ACTING)	Vincent Mphaphuli

2. LIST OF ABBREVIATIONS/ACRONYMS

4IR	Fourth Industrial Revolution
AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
APP	Annual Performance Plan
ARCC	Audit, Risk and Compliance Committee
B-BBEE	Broad-Based Black Economic Empowerment
BBI	Broadband Infraco
CAPEX	Capital Expenditure
CSIR	Council for Scientific and Industrial Research
DOD	Department of Defence
DHA	Department of Home Affairs
DHET	Department of Higher Education and Training
DCDT	Department of Communications and Digital Technologies
DPSA	Department of Public Service and Administration
EE	Employment Equity
Exco	Executive Committee
GPCE	Government's Private Cloud Ecosystem
HCM	Human Capital Management
ICT	Information and Communication Technology
IMD	Interim Managing Director
IMST	Information Management Systems and Technology
LAN	Local Area Network
MIOS	Minimum Interoperability Standards
MLP	Management Letter Points
MTSF	Medium-Term Strategic Framework
NDP	National Development Plan
NT	National Treasury
PPPFA	Preferential Procurement Policy Framework Act
PFMA	Public Finance Management Act
PRC	Presidential Review Committee
SAPS	South African Police Services
SARS	South African Revenue Service
SCM	Supply Chain Management
SDN	Software Defined Network
SHE	Safety, Health and Environment
SITA	State Information Technology Agency SOC Ltd
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprise
SOC	State-Owned Company
SOCC	Security Operations Centre Capability
WAN	Wide Area Network
WSP	Workplace Skills Plan



3. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY

To the best of our knowledge and belief, we confirm the following:

- (a) All the information and amounts disclosed in the annual report are consistent with the Annual Financial Statement (AFS) audited by the Auditor-General.
- (b) The annual report is complete, accurate and free from any omissions.
- (c) The annual report has been prepared in accordance with the guidelines on annual reports as issued by National Treasury.
- (d) The Annual Financial Statements (Part F) have been prepared in accordance with the Generally Recognised Accounting Practice standards applicable to the public entity.
- (e) The Accounting Authority of the entity is responsible for both the preparation of the AFS and for the judgements made in this information.
- (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.
- (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 2023.



Managing Director

Dr Bongani A. Mabaso

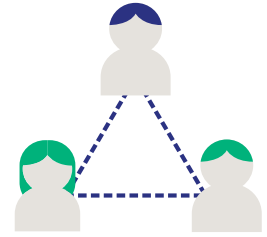
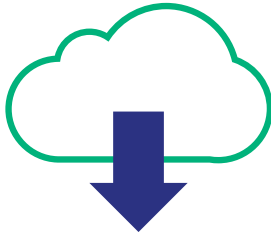
Date:



Chairperson of the Interim Board

Mr. Kiruben Pillay

Date:



4. FOREWORD BY THE CHAIRMAN OF THE INTERIM BOARD



As I pen this foreword, I am mindful of the transitions that have marked the 2022/23 financial year. With a new Managing Director assuming office at the beginning of the fiscal year and a newly appointed Board taking the helm in late July 2023, our reflection is not just a look back but also a gaze forward, bridging the past's lessons to the future's promise.

Despite the short leadership tenure, Management, Board and the Shareholder have established a compelling view as to the future of SITA which seeks to build on the previous work of the Shareholder, Board, Management and the Customer. We will thus proceed to share the challenges, and the plan for the next year and beyond.

SITA challenges

The SITA organization is faced with many challenges ranging from operational service delivery challenges, pricing challenges, project delivery challenges, value proposition and mandate fulfillment challenges, resourcing and skills gaps, suboptimal processes, process delays, customer centricity deficiency and corporate governance gaps. The qualified audit report received for the last financial year is a reflection of these underlying challenges.

SITA solution approach

In order to address these challenges, the SITA plan has been reassessed in the context of the strategy groundwork defined by the e-Government Strategy, Presidential Commission on the 4th Industrial Revolution (PC4IR) and the Digital Economy Masterplan. The SITA orientation is to align with the SITA mandate as defined in the SITA Act 88 of 1998 with a primary focus on implementation:

1. 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
2. To promote the efficiency of departments and public bodies through the use of information technology.

SITA is thus to play a far more significant and direct role in contributing to the priority areas related to government's service delivery agenda: a) Service Delivery of solutions to the public, b) In a safe and secure manner and c) enable the efficiency of Government.

SITA is to play a catalytic role to enable government efficiency with an end view to delivering enabling ICT solutions to all citizens. It remains the aspiration to see a sharp increase in digital services and competencies; and an increase in SITA – SMME partnerships to transform and modernise SITA internally, public service departments and government's services to the nation. The adoption of digital platforms and services, remains important to the future of a digital economy.

SITA is envisioned as becoming the enabling technology hub of government, in which automating government processes and services is both prioritised and accelerated. SITA cyber security services must also take centre stage, and become ISMS compliant, to enable departments in the cyber security space. Investment into SITA networks, that contribute to improved services and access at schools, hospitals and all government offices will receive high priority. Cost reduction and improved customer experience is at the core of the changes that SITA will work towards.

The SITA Board members and Management teams also fully align themselves with the organisational values that are linked to working with integrity and the highest levels of professionalism. These values must be foundational and embedded in the SITA culture and must be experienced by all clients and stakeholders, as SITA executes its work mandate.

This year part of our strategic relations work includes meeting with core stakeholders to improve SITA's delivery profile and the matching of customer expectations; and to have discussions at a governance level on SITA approaches with an end objective of additional value creation for our core stakeholders and customers.

As a function of driving these changes into reality, a welcome is extended to Dr. Bongani Andy Mabaso, joined SITA from the 01st April 2023 as the new MD / CEO. The expectation is that under the leadership of Dr. Mabaso, SITA will improve its performance and move at an accelerated pace, in leading the way to a digitally transformed government.

Dr Mabaso and his team, have been applying themselves to the challenges at hand, and will ensure that a positive trajectory of ICT development is established. We appreciate and extend our appreciation to the executive management team; the management teams in departments; and the employees who have worked to ensure that SITA remains stable.

Our esteemed stakeholders, are pivotal in the life and work of SITA. We express our profound gratitude and appreciation to our shareholder Minister: Honourable Mr. Mondli Gungubele, the Director General Ms Nonkubela Jordan-Dyani and the shareholder department (Department of Communications and Digital Technologies), for the support that they provide in ensuring the successful evolution of SITA.

The role of the SITA Board in this new financial year, will be to continue to provide oversight to keep SITA grounded in the need for improved service delivery; whilst also consolidating the successes recorded by SITA in the ICT sector. Work to bridge the gaps in the policies, regulations and performance, will also remain. The overall objective is to ensure continued organisational growth and development and to increase SITA's service delivery contribution to the nation and broad socio-economic development.

Finally, transparency and trust in the work, that is supported by a relevant performance culture, will ensure that the SITA brand is respected and associated with growth, creation of employment, secure access for all, industry transformation, professionalism and integrity.



Mr. Kiruben Pillay Pr. Eng.

Chairman of the Interim Board of Directors

State Information Technology Agency SOC Ltd



5. MANAGING DIRECTOR'S OVERVIEW



We are pleased to present you the SITA Annual Report 2022-2023. This report reflects our achievements and challenges as an organisation in the past year. It also demonstrates how we have been assessed by our clients and stakeholders using fair and transparent methods. The report indicates that we have made some strides in certain areas, but we also face some gaps and weaknesses in other areas. We need to enhance our performance and meet the expectations that our clients have of us.

The report also reveals that we have a strong and stable base within SITA, which enables us to cope with the difficulties and opportunities that arise. We need to leverage this base to become more client-oriented and deliver more value for our clients. We need to showcase our true potential and character as the leading ICT service provider for the State.

To achieve this, we plan to do the following things:

- Invest more in changing our culture, so that we are more agile and adaptable to change.
- Introduce new methods and processes that will make us more agile and responsive to our clients' needs and requests.
- Invest in training our people to ensure that we have the right skills to deliver quality work with speed.
- Partner with various stakeholders, in both the public and private sectors, to strengthen and enhance our relationships with them to increase service delivery.
- Reposition SITA to effectively honour its original mandate and surpass its current performance goals.

One of our biggest challenges is the tension between running current government systems and infrastructure and building new and innovative ones. We, therefore, need to balance our work programmes between keeping our existing services stable and reliable and creating new services that are innovative and relevant.

On the one hand, we are going to ensure a stable base for service delivery by focusing on our infrastructure programmes. We will be finalising the last of our Software Defined Network (SDN) programme rollout within the new financial year. We will also be further expanding our investment in our private Cloud Foundation Infrastructure (CFI), and growing its usage by migrating more critical workloads into this environment. We will also be increasing our partnership with the established cloud service providers (CSPs) to give the government greater access and diversity of ready-made solutions that can accelerate the digital transformation of the state.

We are also going to be more focused on cyber-security and service management in the new financial year. We have already launched our Secure Operation Centre (SOC), and our goal for this year is to roll it out across various departments so that all of the government can benefit from cyber resilience. We will also be launching our Integrated Operations Centre (IOC), which will provide universal command centre capability for the monitoring of the digital operations of government.

On the other hand, we will also focus on bringing greater innovation to the public sector. This year we are going to lean in on the “public facing” side of our mandate by focusing on significantly increasing the usage of our e-services by the citizens of South Africa which are published on our e-gov portal. We want to ensure that e-services are available where it is convenient for citizens (i.e. mobile phones, kiosks and other centres) so that we are as inclusive as possible in the way that government delivers services. We plan to focus on a few fundamental e-services that are commonly used and to partner with the industry on the creation of new ones.

We will also begin the process of transforming our e-gov portal, and unifying others that exist, into a fully-fledged and multi-side marketplace that can support the vast needs of citizens, government departments, state entities, private business and other stakeholders within the ICT ecosystem in South Africa. This will be done as we begin to unpack the platform business model and its specific instance within the SITA operating model.

Partnerships, in general, will be the hallmark of how we plan to deliver and bring new innovation in the new financial year. We plan to leverage, as much as possible, the existing and extensive infrastructure investment in the country, to ensure that we can accelerate digital transformation and direct government’s limited capital to areas that require new investment. To this end, we will be seeking to forge new partnerships with industry at large (including SMME’s), both to enhance the capabilities of SITA, and to provide services to our clients. We will also be engaging various public sector CEOs to forge partnerships that are mutually beneficial for our organisation and the country at large.

We also aim to partner with universities, research institutions and industry to leverage the potential of Data and Artificial Intelligence (AI) for the support of service delivery and citizen convenience. AI has the potential to accelerate digital transformation in a number of areas in government, including but not limited to machine translation, data analytics, decision support and automation.

We will be doing all these initiatives to address the two fundamental issues of speed and price of services at SITA. We believe that by following a partner-led, service assurance-based and citizen-first mindset, we can both decrease the cost of service delivery to government and increase speed and impact. It is only then that we will fulfil our mandate to provide reliable ICT service to government, and increase citizen convenience.

To deliver on these ambitions, we will need to take greater care in nourishing the two-sided coin of clients and employees. On the client side, we have introduced a client-focused exco that ensures that all strategic client issues receive the relevant amount of attention and decision making. This has further emphasised the need for embedding client centricity in SITA’s internal processes, something that will be a focus going forward. We will also be strengthening our advisory and consulting function to ensure that we play a key role as a strategic partner to our clients.

On the employee side, we will be rolling out a high-performance culture campaign that will be driven from the top, and ensure that it covers every level within the organisation. We will also be increasing our efforts in training our employees in key digital skills that are necessary for us to achieve our ambitions. We have partnered with several industry players, as well as MICSETA, to ensure that we meet our digital skills training plans. Lastly, we will be running an aggressive campaign to attract and retain talented individuals within SITA, and to ensure that we create a conducive working environment that makes it easy for them to perform to the best of their abilities.

A vital aspect that we need to emphasize is how we continue to invest in corporate governance to ensure SITA's success. Corporate governance is the framework that enables us to achieve sustainable growth and excellence. It also enables us to deliver our services more effectively and dependably to our clients; but more importantly, it establishes SITA as a role model of conducting work in a transparent, fair and ethical manner – something that the citizens of our nation expect from government, other state entities, as well as state-owned enterprises. Maintaining corporate governance will always be a priority, as our long-term financial stability and positive reputation are highly valuable in the current contexts of our country and the world.

I would like to extend my sincerest appreciation to the executive committee, board of directors, as chaired by Mr. Kiruben Pillay, our clients, and the employees of SITA for their continued support. I would also like to pay a special tribute to the Ministry of Communications and Digital Technologies, as lead by the honourable Minister, Mr. Mondli Gungubele (MP), for his continued support and political oversight.

Sincerely,



Dr Bongani A. Mabaso, Pr. Eng.

Managing Director

State Information Technology Agency SOC Ltd



6. STRATEGIC OVERVIEW

VISION



To be the leading information and communications technology (ICT) agency in public service delivery.

MISSION



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

VALUES



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

- (a) **Customer-centricity** – exceed customer expectations by providing the best appropriate services and solutions;
- (b) **Innovation** – pursue innovation by demonstrating thought leadership and proactive behaviour on the use of ICT to enhance public service delivery;
- (c) **Integrity** – conduct our business with integrity at all times to inculcate a culture of honesty, respect and accountability among all our employees;
- (d) **Agility** – adaptive and responsive in an evolving environment in order to maintain relevance and competitive advantage;
- (e) **Collaboration** – cooperate and support each other in pursuit of our shared goals to achieve synergies and greater productivity; and
- (f) **Empathy** – understand and support each other in our different perspectives.

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, duplication and wastages of resources, insufficient knowledge and skills, and procurement and development of IMST not being 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 the 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 all 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.

The Agency was established with a core mandate to provide Information Technology Services to Government, the establishment resulted 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:

(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, 21 of 2002;
- (f) National Key Points Act, 102 of 1980;
- (g) Preferential Procurement Policy Framework Act, 5 of 2000;
- (h) Government IT House of Values, as contained in the e-Government Policy;
- (i) The Machinery of Government (May 2003);
- (j) Minimum Interoperability Standards (MIOS);
- (k) Minimum Information Security Standards and
- (l) 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.




















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

Figure 1: SITA must and may services

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.

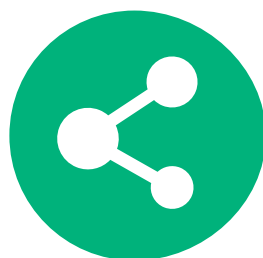
7.3.1 Section 195: Basic values and principles governing public administration

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

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



8. ORGANISATIONAL STRUCTURE

The organisational structure is aligned to the operating model and covers the end-to-end service delivery value chain to enable the strategic direction and mandate of SITA.

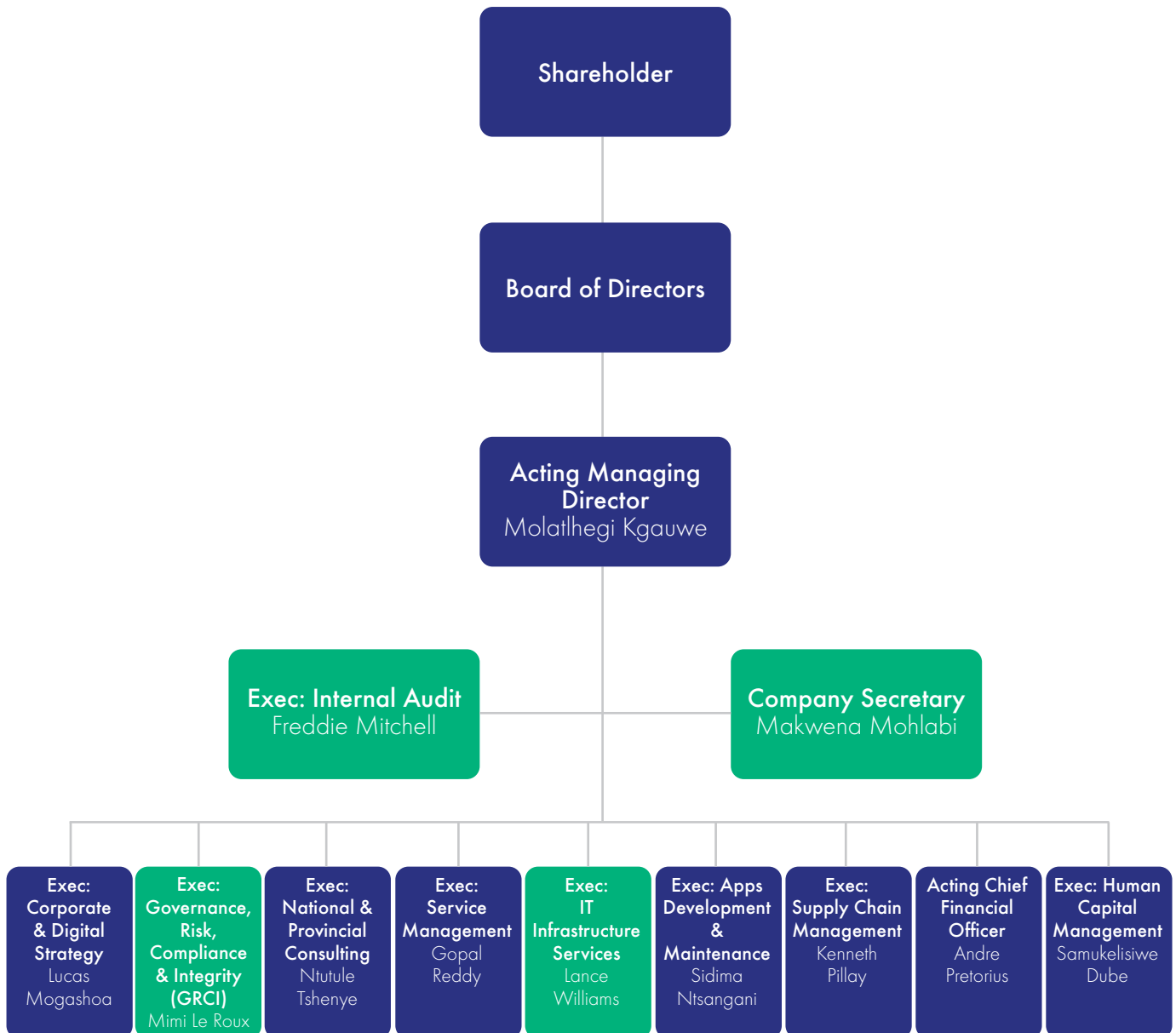
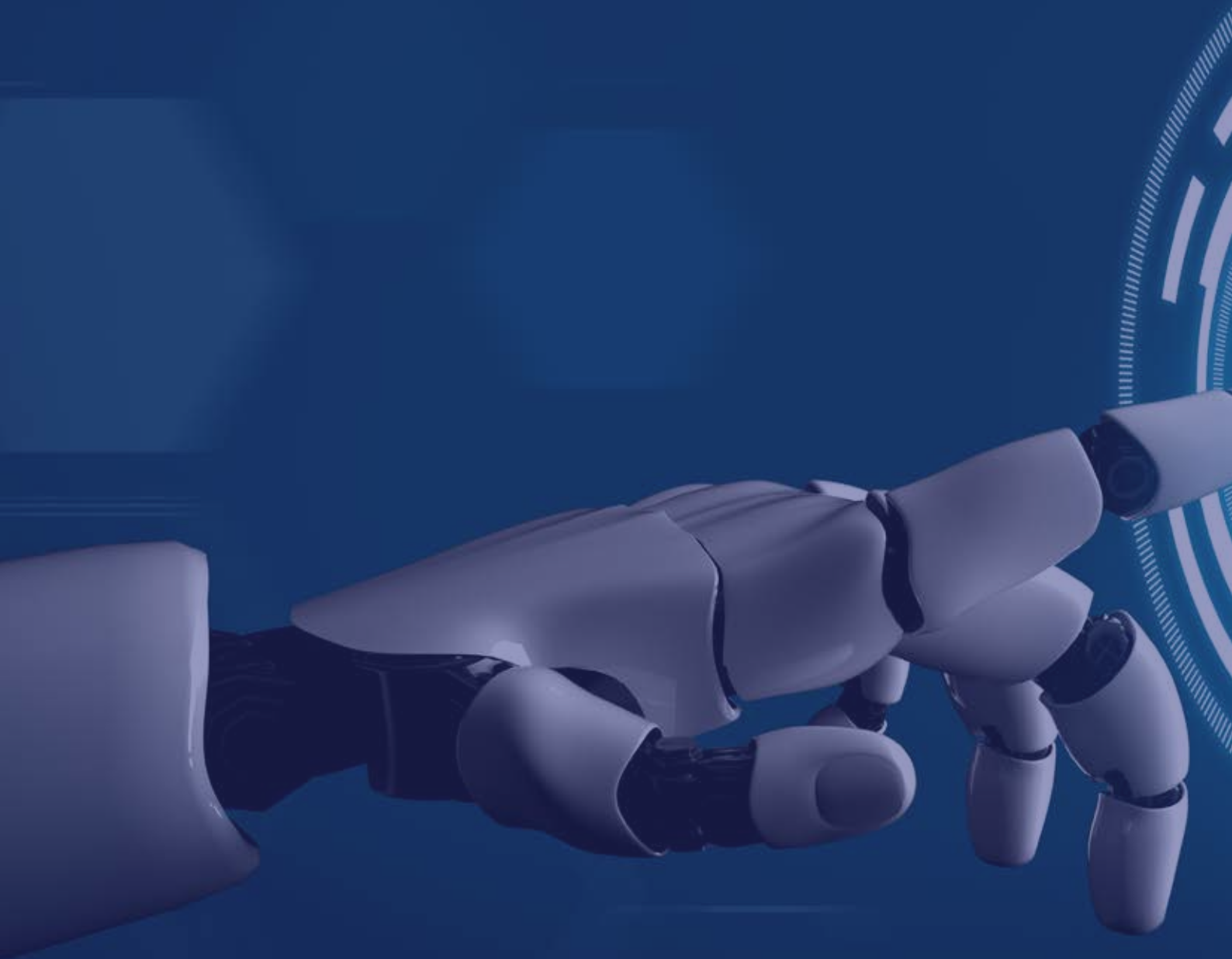
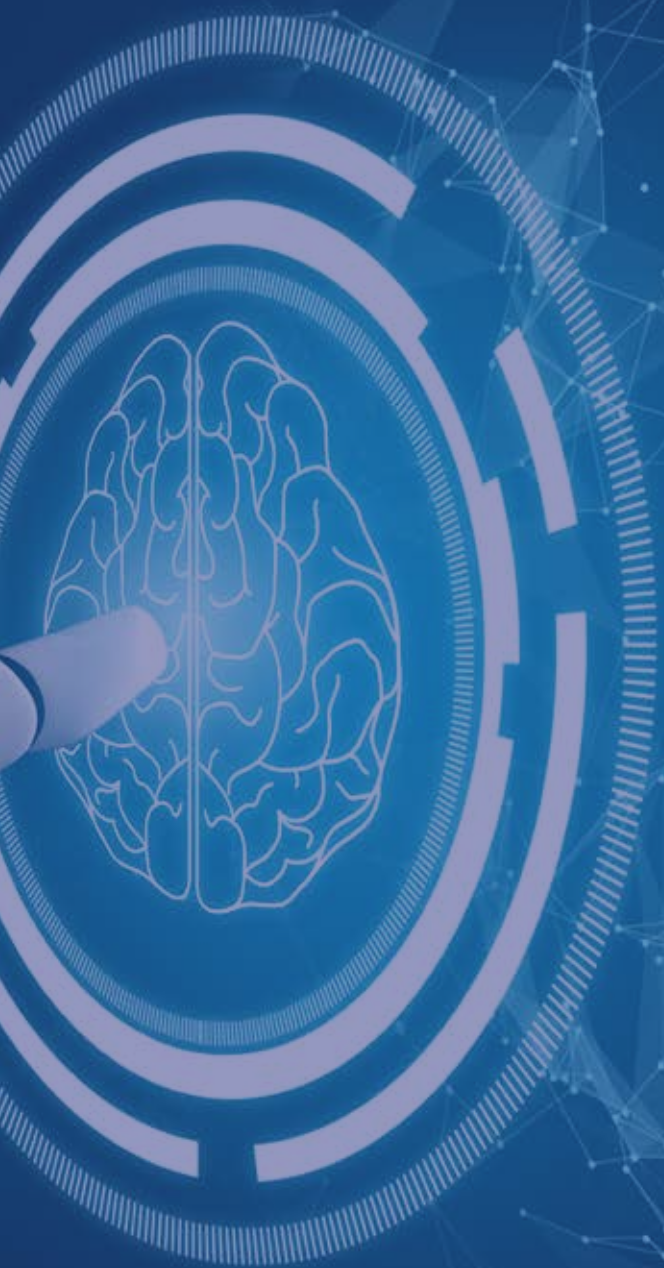


Figure 2: Organisational macro structure

Interim Managing Director Mr Luvuyo Keyise contract ended on 27 July 2022 – Acting Managing Director Molatlhegi Kgauwe
 Freddie Mitchell left SITA on 30 September 2022 – Acting Executive Internal Audit Mr Dave Boucher
 Makwena Mohlabi left SITA on 31 January 2023 – Acting Company Secretary Vincent Mphaphuli
 Mimi Le Roux left SITA on 31 January 2023 – Acting Executive GRCI Leshoke Puane
 Lance Williams left SITA on 30 October 2022 – Acting Executive IT Infrastructure Musa Kumalo





PART B

PERFORMANCE INFORMATION

9. AUDITOR-GENERAL'S 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 108 - 116 of the Auditors-General's Report, included in Part F: Financial Information.

10. OVERVIEW OF PUBLIC ENTITY'S PERFORMANCE

This Annual Report provides an overview of SITA's corporate performance results for the year ended 31 March 2023. Despite challenges posed by a multitude of internal and external factors, SITA has continued to drive the government's digitalization agenda, focusing on modernizing infrastructure, designing citizen-centric systems, and strengthening the digital ecosystem. The following points reflect the entity's performance highlights for the period under review:

- (a) SITA played a crucial role in advancing the government's digital goals during the pandemic. By prioritizing the digitization of government services, SITA enabled greater citizen experience through digital channels and improved the efficiency of government operations. This included modernizing foundational infrastructure, designing citizen-centric frontend systems, and collaborating with citizens, SMMEs, and ICT industry suppliers.
- (b) Faced with hurdles such as severe weather conditions, energy shortages, and shifts in leadership, SITA upheld its commitment to employee safety, sustained remote working protocols, and enhanced customer service levels. These adversities influenced service delivery and corporate performance, yet SITA's resilience prevailed, safeguarding employee well-being and striving to fulfil customer requirements.
- (c) SITA prioritized customer needs and focused on improving service delivery. Regular executive sessions were held with customers, resulting in the signing of 94.14% customer service level agreements. While challenges such as procurement request delays and load shedding impacted customer satisfaction, overall satisfaction increased from 51% in 2018 to 54% in 2023.
- (d) SITA values its employees and implemented various programs to support their development and well-being; approximately R12 037 434 million was invested in short courses and approximately R9 518 276 million was awarded for bursaries where building digital skills capabilities of the organisation were prioritised. The hybrid work policy allowed employees to work from home, while training and development initiatives enhanced human capital.
- (e) SITA, in a landmark initiative, inaugurated two innovation centres in Gauteng, teaming up with Huawei and Microsoft. These hubs, designed to bridge the innovation divide, were generously equipped with donations: Huawei contributed a mini containerised data centre, laptops, and more, valued at R18,963,000 to the Isango Innovation Centre while Microsoft furnished the Ndivhu Innovation Centre with tablets and equipment, amounting to R1,164,255. This unified approach, to be expanded in the forthcoming year, seeks to magnify local ICT capabilities of SMMEs, fostering co-created solutions for Government, benefiting both SITA and SMMEs.
- (f) While service delivery challenges in procurement and contracting were experienced, SITA still achieved its target for acquisition spend through black SMME entities and through the ESD program it supported local procurement, and provided training courses to empower SMMEs. The launch of innovation centers in collaboration with industry partners aimed to unlock procurement and innovation opportunities.
- (g) SITA prioritized state-of-the-art infrastructure and technologies to enable government digital services. The Security Operations Centre Capability was fully established to protect information systems from cyber threats. Broadband services were sustained in collaboration with BBI, and modernization efforts for SITA switching centers and data centers were initiated. The installation of SDN-ready equipment at Switching Centres and the provision of alternative core links by Liquid Intelligent Technologies (LIT) enhanced the reliability and scalability of the SITA core network.
- (h) SITA supported the government's eServices strategy by deploying various digital solutions to transform citizen-facing services. APIs were implemented to streamline internal operations, reduce costs, and improve efficiency while AI use cases were established, enhancing employee service experience and augmenting consulting services.

- (i) SITA demonstrated resilience and commitment to operational sustainability despite a tough economic climate. Financial sustainability targets were achieved, and initiatives were implemented to ensure good governance and stringent financial controls.

10.1 SERVICE DELIVERY ENVIRONMENT

This Annual Report provides an overview of SITA's corporate performance results for the year ended 31 March 2023; all data and information reported also apply to provincial operations.

The impact of online and hybrid working arrangements on the digital landscape of South Africa cemented the need for digitisation of Government services to enable greater citizen experience through digital channels and to improve efficiency of Government operations through the provisioning of secure and cost-effective digital solutions. The past year was marked by an ongoing focus of advancing Governments' digital goals. SITA continued to drive the Government's digitalisation agenda in three ways, namely; modernising the foundational infrastructure upon which our systems are built, designing citizen-centric frontend systems and strengthening the digitalisation ecosystem comprising of citizens, Small, Medium and Micro Enterprise (SMMEs), ICT Industry and suppliers.

Customer service delivery occurred under less-than-ideal conditions, such as adverse weather events that caused infrastructure damage and the ever-exacerbating national energy crisis that compromised both SITA and Government's digitalisation ambition and related efforts. Internally within SITA, leadership changes, supply chain and other organisational challenges constrained the performance environment. Inevitably the execution of planned APP targets was hampered and this subsequently impacted negatively on corporate performance results. Despite the necessary mitigations implemented in an attempt to achieve planned APP targets, SITA has achieved a performance score of 44.44%.

During quarter three of the reporting period, Cabinet announced the appointment of SITA's new Managing Director, Dr Bongani Andy Mabaso. His leadership and expertise will be central to propelling the organisation forward towards improved performance results over the rest of the medium-term period to ensure achievement of strategic plan outcomes.

10.1.1 Customer service delivery

SITA strives to build long-lasting relationships with our customers and stakeholders by prioritising their needs. This includes the provision of end-to-end integrated digital solutions, dependable and uninterrupted ICT services and seamless high-quality service delivery, competitively priced. In line with its customer centric approach to doing business SITA focused on improving service delivery, held regular executive sessions with various customers and prioritised contracting with customers; 94.14% customers service level agreements (SLA) were signed which improved billing for FY2022-2023.

However, service delivery complaints emanated from various negative customer experiences relating to procurement request delays, high turnover and shortage of key resources, SITA pricing model, the impact of load shedding and network availability. Although the planned target of 60% customer satisfaction target was not attained, overall satisfaction increased slightly from 51% in 2018 to 54% in 2023. SITA recognises that it must intentionally do things differently to transform deeply entrenched negative customer experiences. Therefore, a thorough understanding of customer needs and commitment to resolving key pain points will reposition SITA as a credible and respected agency for Government that demonstrates its ability to meet the growing demand for high quality service delivery.

10.1.2 People and talent management

SITA's 3236 employees remain at the heart of its business and therefore all of its peoples' contributions are valued and employees are celebrated for who they are. The hybrid work policy made it possible for most employees to productively work from home while other frontline employees who delivered essential services, amongst other, worked at various onsite locations.

Implementation of coaching, mentoring and succession planning programmes coupled with investment in employee training and development (i.e. total cost of R 12 037 434), including female leadership, enhances SITA's human capital and contributes to improved diversity. In the year under review, 1307 (50%) employees received training against the Workplace Skills Plan (WSP) which is aligned to employees' personal career aspirations and business needs. The inability to timeously conclude procurement processes to support identified training programmes hampered progress of planned training interventions. While SITA is committed to building a diverse workforce through its integrated talent management strategy competitive market conditions with globalisation of digital skills hampered its ability to attract and retain trained and upskilled employees as well as to attract skilled technical resources. Therefore, key focus areas in the forthcoming year will include keeping its workforce motivated, through upskilling and reskilling as well as conducting a review of salary bands.

SITA implemented its values driven culture transformation programme supported by strong ethics and integrity. This included zero tolerance for fraud and corruption, fostering innovative thinking and development of smart solutions to solve business problems, implementation of its reward and recognition programme and keeping its employees engaged.

10.1.3 Procurement and transformation

The procurement and contracting of ICT commodities for Government stakeholders faced service delivery challenges due to several factors. Challenges faced encompassed leadership transitions, the inability to fully automate manual supply chain processes coupled with shortage and high turnover key resources. The overall net result was inability to meet planned APP targets relating to improved procurement turnaround times and the implementation of transversal and panel contracts/framework agreements. However; the planned target for acquisition spend through black SMME entities on influenceable spend was achieved.

The Enterprise and Supplier Development (ESD) and transformation programme supported local procurement in collaboration with industry partners, Cisco and Huawei. Seventy-five black SMMEs participated in various training courses that will enable them to participate meaningfully in the marketplace delivering solutions in response to ICT demand of Government for broadband and network maintenance services. Other SMMEs benefited from training interventions on emerging technologies through framework partnerships with Software AG and the Microsoft Black Partner Programme.

Several initiatives were implemented to improve service delivery such as the revised SITA Preferential Procurement Policy 2023 and an accelerated SCM reforms programme. The reforms programme aims to address high turnover and shortage of key resources, automate key procurement processes, reskill staff and improve customer request turnaround times.

10.1.4 Infrastructure and technology

State of the art infrastructure and appropriate technologies are key enablers for the provision of Government digital services and solutions. In fulfilling its role to manage Government operational security, SITA fully established its Security Operations Centre Capability (SOCC) thereby ensuring that information systems utilised by SITA and customers were optimally protected from any cyber threats. In addition, potential threats were identified, detected and isolated in line with cyber security policies and procedures while state of the art technologies were implemented to mitigate against any malicious system attacks.

Importantly, SITA oversees a plethora of outdated government legacy systems, including those of transversal nature that are now obsolete and demand urgent attention. The immediate prioritization of modernizing these systems by government departments is crucial. This is not only essential for enhancing the entire state's effectiveness but also for fortifying information security and sustaining ongoing government functions. Neglecting the urgent need for modernization could jeopardize the State's ability to deliver vital public services. Therefore, a focus on modernizing infrastructure ensures a systematic, measurable, and accountable approach to transforming legacy systems, positioning both SITA and the state for enhanced operational efficiency and service delivery excellence.

As connectivity is a key enabler of technologies, SITA consistently ensured sustenance of broadband services to all SA Connect Phase 1 connected sites in collaboration with BBI thereby increasing access to secure digital infrastructure and services. Furthermore, SITA invested in modernising its core network which consists of 26 SITA switching centres across South Africa; the modernisation of strategic SITA data centres was also prioritised. However, planned targets were not achieved due to the challenges in the procurement process.

10.1.5 Digital services

In alignment to the National Integrated ICT Policy White Paper and National e-Government Strategy, SITA has developed various eServices, APIs, applications, AI and IoT solutions for use by various government departments. Since the implementation of the medium-term strategic plan, SITA has contributed to the government digital transformation agenda as follows:

- (i) FY2019/20: developed four eServices for automation of permit and license applications, assessment, and issuance, implemented automation of business and informal trader registration processes and introduced initiatives to support citizens affected by substance abuse and enable online learning opportunities.
- (ii) FY2020/21: developed four eServices for teacher bursary applications, recruitment processes, and permit and license management.
- (iii) FY2021/22: developed four eServices, including digitization of home builder registration, student application and administration processes, course management, and permit and license management and created thirteen APIs for integration and building eServices within government and SITA.
- (iv) FY2022/23: developed four eServices, encompassing student application and administration processes, course management, permit and license management, and management of complaints directed to the Public Regulator; enhanced the Presidency and eGovernment portal websites and developed nineteen APIs for integration and building eServices. The development of APIs and enhancements to key government websites further demonstrate the agency's commitment to innovation and seamless integration within the public sector. In addition, two artificial intelligence use cases were established for use within SITA namely; HR Virtual Agent (chatbot) and CRM Heatmap. Salient benefits derived from these automations include the improving overall employee service experience and augmenting consulting services. In the forthcoming year, these AI functionalities together with new AI and IoT uses cases, will be adapted for use within the customers environment.

Thus far SITA has consistently expanded its eServices portfolio, focusing on automation, digitization, and improved service delivery. As huge amounts of data are generated and exchanged within the ecosystem, these will ultimately enable the development of valuable services for Government, businesses, public agencies and citizens.

10.1.6 Financial sustainability

SITA remained resilient and committed to driving operational sustainability in a tough economic climate with a clear focus on driving cost efficiencies, investing efficiently and preserving cash. Improved profitability was driven by EBITDA and underpinned by sustainable cost management. The planned focus on financing infrastructure targets was intended, amongst other benefits, to translate to a greater increase in revenue however; SCM delays inhibited the spending of allocated capex budget.

Enhanced governance practices and strict financial controls have been instated to ensure positive audit outcomes. During the year under review, upskilling and training of staff in relevant accounting practices and applicable legislation was prioritised, the debt management strategy was reviewed, collection of long outstanding debt was accelerated and communication with customers regarding timely payment for services rendered propelled the organisation forward. The aforementioned initiatives amongst others, translated to the achievement of all planned financial sustainability targets as per the preliminary financial results.

10.2 ORGANISATIONAL ENVIRONMENT

The FY2022-2023 was the third year of implementing SITA's 2020-2025 Strategic Plan and the FY2022-2023 Annual Performance Plan. During this reporting period, the Agency functioned in accordance with the approved macro organisational structure. Following the end of contract term of Mr Luvuyo Keyise on 27 July 2022, Mr Molatlhegi Kgauwe was appointed as Acting Managing Director from 29 July 2022 – 31 March 2023. On 2 December 2022, Cabinet appointed Dr Bongani Andy Mabaso as the new permanent Managing Director of SITA; he assumed duty on 1 April 2023.

Executive Internal Audit, Mr Freddie Mitchell and Executive IT Infrastructure Services, Mr Lance Williams resigned on 30 September 2022 and 20 October 2022 respectively while Executive GRCl, Ms Mimi Le Roux's term of contract ended on 31 January 2023. Leadership gaps that arose following the departure of the aforementioned Executives, were filled in the interim by other personnel assuming acting roles to ensure seamless delivery of services.

Although SITA made various internal and external appointments, it still requires skilled employees in ICT, digital and other areas to develop products and solutions to generate future revenue and provide the expected level of service to its customers. SITA is constantly competing for scarce, specialised and technical skills and attaining targets in alignment with national EE targets remained a challenge with gender being the only EE target achieved. SITA will explore appropriate mechanism to improve in the areas of disability and race diversity as well as attraction and retention of talent.

10.3 KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

SITA's mandate was impacted by the Constitutional Court, which declared the 2017 Preferential Procurement Policy Framework Act (PPFA) Regulations invalid. On May 30, 2022, the National Treasury released a statement announcing that the Constitutional Court had affirmed the continuation of the suspension of the order declaring the 2017 Regulations invalid. This suspension would remain in effect for the remaining 12-month period until January 26, 2023, or until new regulations were implemented before that date. Consequently, the 2017 Regulations would retain their full validity during this period. In November 2022, National Treasury issued the new Preferential Procurement Regulations (PPR), 2022, which aimed to repeal the 2017 regulations. On 16 January 2023 the PPR, 2022 came into effect, which led to the approval and implementation of a revised SITA Preferential Procurement Policy. This policy provides for categories of preference in awarding of bids, as well as the advancement of persons or categories of persons disadvantaged by unfair discrimination. This includes entities designated as SMME, black, women, youth and people living with disabilities.

10.4 PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

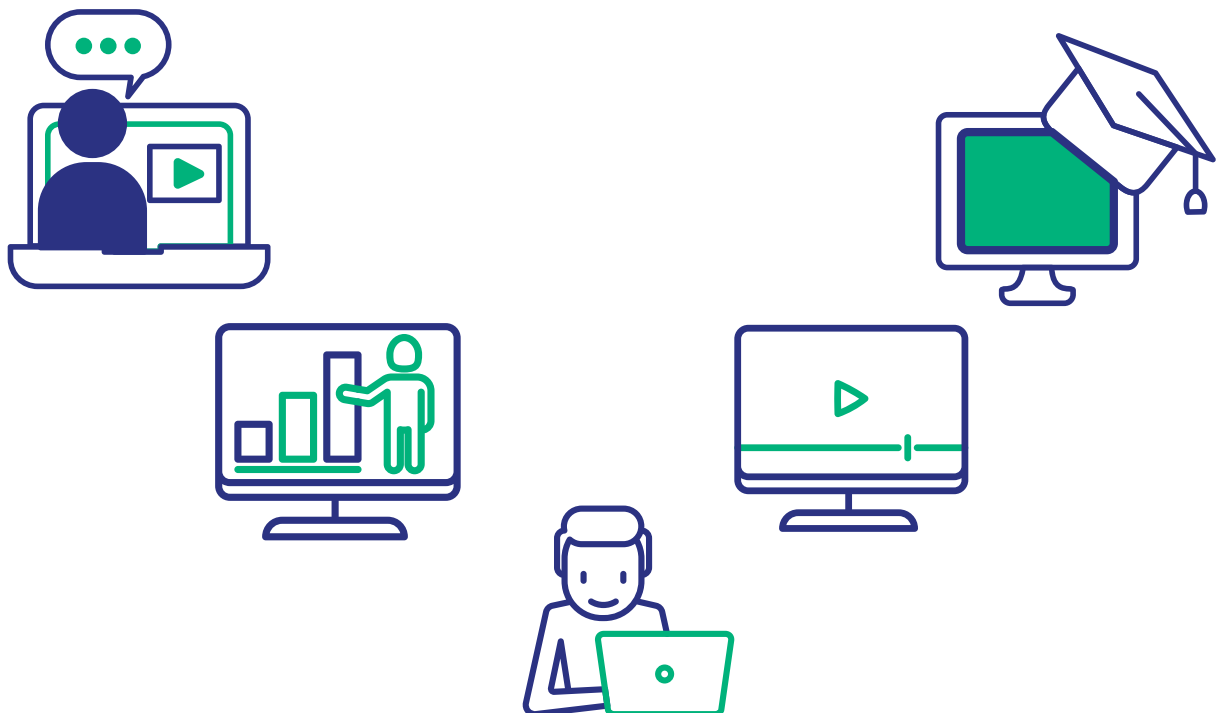
SITA implements the Strategic Plan to secure incremental progress and the achievement of the desired impact statement as articulated in the medium-term strategy. The organisation carried out planned actions to support the Government's digital transformation goal, as guided by its mandate, MTSF focus areas and Shareholder priorities.

SITA has also contributed towards the achievement of the Government Medium Term Strategic Framework 2019-2024 through the following priorities:

- (a) **PRIORITY 1:** A capable, ethical and developmental state;
- (b) **PRIORITY 2:** Economic transformation and job creation;
- (c) **PRIORITY 3:** Education, skills and health and;
- (d) **PRIORITY 4:** Consolidating the social wage through reliable and quality basic services
- (e) **PRIORITY 6:** Social cohesion and safe communities.

In the three-year implementation of the Strategic Plan, SITA has contributed towards the achievement of Government priorities through the following delivered initiatives:

- (a) Twenty-one (21) eServices were implemented to support the achievement of the National e-Government strategy and roadmap implemented;
- (b) The establishment of 20 APIs in production in alignment to the of Artificial Intelligence Institute;
- (c) The provision of broadband services to connected sites sustained in broadband penetration target;
- (d) The implementation of planned milestones for Security Operations Centre Capability (SOCC) on all SITA VPNs in support of the target operationalisation of the approved operating model for the Integrated Cybersecurity Centre and;
- (e) The achieved 50% acquisition spend through black SMME entities on influenceable spend in support of the localisation and industrialisation through Government procurement target.



The incremental progress towards the implementation of the SITA Strategic Plan 2020 – 2025 as at 31 March 2023 is provided in the below table:

Table 1: Strategic Plan target performance to date

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.					
PROGRAMME	PERFORMANCE OUTCOME	OUTCOME INDICATOR	BASELINE¹	FIVE-YEAR TARGET²	AS AT 31 MARCH 2023
Thought Leadership and Service Delivery	Seamless integrated and trusted public services	% increase in customer satisfaction level	51% customer satisfaction level	80% customer satisfaction level	Attained a 54% customer satisfaction level Input from the customer satisfaction survey will inform SITA service improvement initiatives in the forthcoming year. Service improvement plans for specific areas of concern will be prioritized and implemented.
Digital Infrastructure	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	Inability to secure commitment and funding impacted the delivery of the targeted performance. For the year under review, 0% core public services available on digital platforms.
Digital Infrastructure	Optimised digital infrastructure	Maturity level of the digital infrastructure	-	Attain maturity level 3 digital infrastructure as per the digital Government maturity model	86.25% implementation of planned remediation to address core network single point of failure on SITA core equipment 38.56% completion of phase 2 data centre modernisation plan to support hyperscale infrastructure requirements 100% implementation of planned milestones for SOCC on all SITA VPNs. Procurement delays contributed to under-performance registered against infrastructure modernisation programme targets.
Skills and Capability Development	Enhanced workforce capability solving complex problems and adopting innovative solutions.	% digitally capable workforce	-	85% digitally capable workforce	50% of employees were trained against the WSP Underperformance was as a result of procurement delays.

1. Baseline for the outcome indicator at March 2020.

2. These five-year targets are applicable to the FY2022-2023 APP. As the APP FY2023-2024 was finalised, the 5 years targets were revised and these will be reflected in the next annual report.

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.					
PROGRAMME	PERFORMANCE OUTCOME	OUTCOME INDICATOR	BASELINE ¹	FIVE-YEAR TARGET ²	AS AT 31 MARCH 2023
Financial Sustainability	Innovative digital service investments promoting financial sustainability.	% increase in profitability	-1% profitability	5% increase in profitability	R603m (EBITDA) 89% net collection rate Profitability has improved through debt management strategy, timely billing, improved invoice management and implementation of stringent cost containment measures.
Procurement and Industry Transformation	Reshaping supply chain through ICT economic transformation.	% of black SMME suppliers in SITA	10% of black SMME's suppliers in SITA	60% of black SMME suppliers in SITA	50% acquisition spend through black SMME entities on influenceable spend. SITA drives growth of ICT SMMEs through preferential procurement enablers i.e. 50% of its supply chain spend is channelled to emerging SMMEs (EME and GSE) and black-owned businesses, youth, women and people living with disability.

10.5 PROGRAMME PERFORMANCE INFORMATION

In the year under review, SITA served 224 national and provincial Government departments amongst other, delivering various ICT products and services in line with its mandate, vision, operating model and strategy. The performance of SITA in the last 3 financial years of the Strategic Plan 2020 – 2025 is guided by and delivered through five strategic programmes, namely; thought leadership and service delivery, digital infrastructure, skills and capacity development, financial sustainability as well as procurement and industry transformation. SITA's five programmes are defined below:

Table 2: Strategic Programmes

Programme	1: Thought leadership and service delivery	2: Digital infrastructure	3: Skills and capacity development	4: Financial sustainability	5: Procurement and industry transformation
Purpose	To provide well researched, tested, innovative and secure solutions, products and services aimed at digitising Government and improving citizen's experience of Government services.	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.	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.	To ensure effective and efficient financial management and commercial awareness in investment decisions to ensure financial growth and sustainability.	To advance transformation of the ICT sector to stimulate economic growth, development of local ICT content and radically transforming the procurement capability towards the reduction of unemployment and poverty alleviation, supporting skills development and promoting fair, equitable, transparent and cost-effective procurement services.

The graph below indicates SITA's organisational performance over the last 5 financial years from FY2018-19 through to the year under review, FY2022-23:

SITA Corporate Performance: 5-Year performance from FY2018/19 to FY2022/23

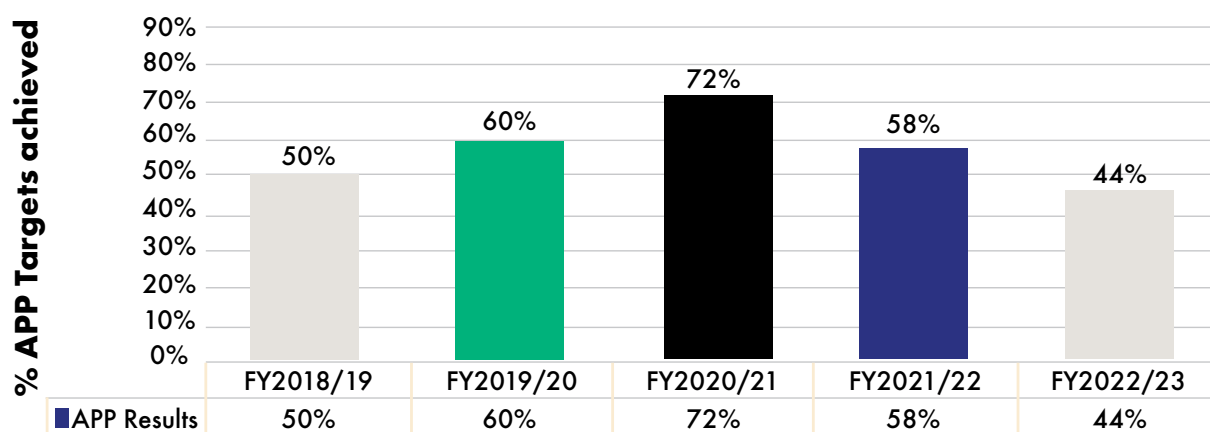


Figure 3: SITA yearly performance over a five-year period

Performance Results – Financial year under review:

The summary of the organisation's performance as at 31 March 2023 is depicted in the figure below. SITA achieved (8) eight out of a total of (18) eighteen planned targets thereby attaining an overall performance result of 44.44%. This result is largely attributed to procurement process related delays and a high number of client tasking/funding-dependent targets.

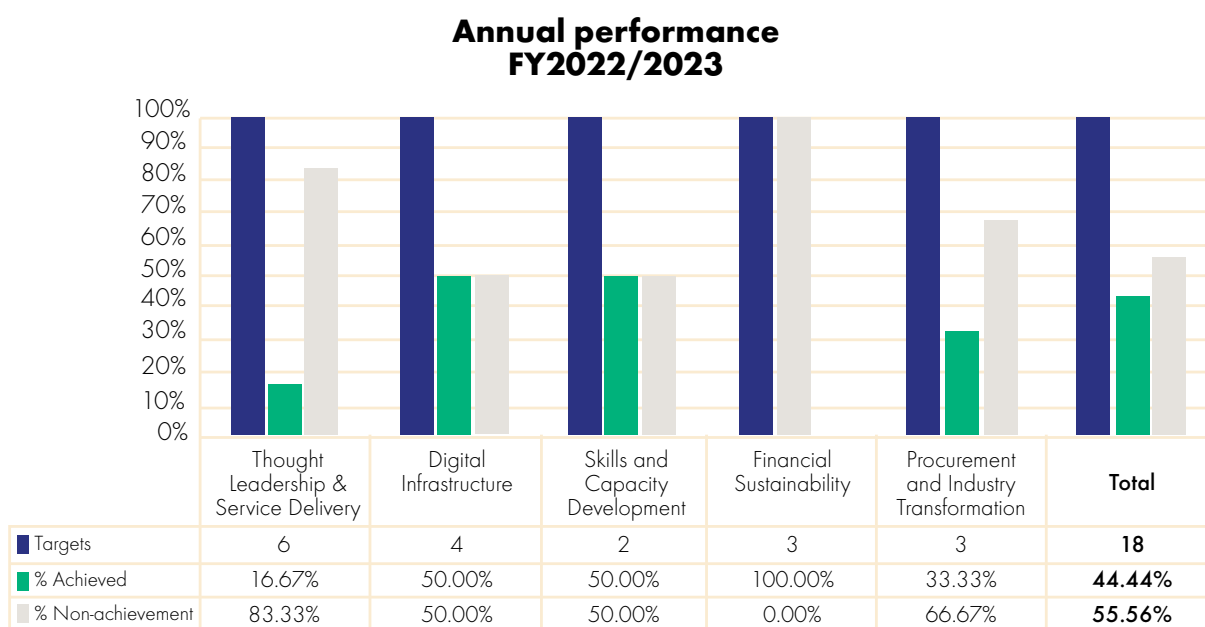


Figure 4: Annual performance as at 31 March 2023

In order to improve performance, the identified corrective interventions will be implemented:

- Implementation of the accelerated SCM reform programme comprising process, technology, structure, and people.
- Technology enablement support to be expedited, specifically the e-procurement tool.
- Secure customer commitment and budget within planning cycle.
- Improvement of demand management and proposal management turnaround times.
- Improvement on recruitment turnaround times.
- A revised customer service improvement plan to address specific concerns raised will be implemented.

The programme tables below depict detailed performance actuals and reasons for deviations from planned performance for each strategic programme:

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 3: Programme 1: Outcomes, Output Indicators, Targets and Actual Achievement

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement	Reasons for Deviations
Increased citizen value through availability and accessibility of core government public-facing services on digital platforms	Core public-facing services available on digital platforms	1.1) % core public-facing services available on digital platforms	-	Baseline of candidate core public-facing services for digitisation established	40% core public-facing services available on digital platforms	0% core public-facing services available on digital platforms	-40%	The underperformance was a result of delays in securing commitments from clients identified in the baseline approved in the prior year. This delay necessitated SITA to shift focus to funded client projects instead of adhering to the approved baseline.
	Application programming interfaces (APIs) established to enable heterogeneous systems to integrate	1.2) # APIs established and published in production	-	13 APIs established and published in production	20 APIs established and published in production	20 APIs established and published in production	None	N/a

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement	Reasons for Deviations
	Artificial intelligence and/or IoT use cases deployed through the integration of government data and systems	1.3) # artificial intelligence and/or IoT use cases deployed through the integration of government data and systems	2 big data analytics use cases deployed	3 big data analytics use cases deployed through the integration of government data and systems	4 artificial intelligence and/or IoT use cases deployed (in production) through the integration of government data and systems	2 artificial intelligence and/or IoT use cases deployed (in production) through the integration of government data and systems	-2	The underperformance is attributable to late completion of client user acceptance testing and late approval of a deployment certificate for two of the use cases.
	Modernisation of legacy systems	1.4) % legacy systems modernisation plan implemented as per allocated funding	-	-	100% milestones implemented for the legacy systems modernisation plan as per allocated funding	0% milestones implemented for the legacy systems modernisation plan as per allocated funding	-100%	The underperformance is due to the legacy systems modernization plan being contingent upon funding, and there was no available funding for this project.

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement	Reasons for Deviations
Seamless integrated and trusted public services	Open innovation solutions commercialised	1.5) # of open innovation solutions commercialised	2 open innovation solutions commercialised	1 open innovation solution commercialised	3 open innovation solutions commercialised	0 open innovation solution commercialised	-3	Underperformance is due to delays in the development and implementation phase as a result of technical complexities requiring additional time for problem solving and finding suitable solutions.
	Customer satisfaction level improvement	1.6) % customer satisfaction level	-	-	Attain 60% customer satisfaction level	Attained a 54% customer satisfaction level	-6%	As per survey results: Clients responded with low ratings for SITA services in the prioritized areas of EUC, Hosting, Networks, and procurement jointly.

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 4: Programme 2: Outcomes, Output Indicators, Targets and Actual Achievement

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement	Reasons for Deviations
Optimised digital infrastructure	Broadband services to connected sites	2.1) % provision of broadband services to connected sites sustained	100% SA Connect sites connected as per the government order (layer 3 connectivity)	0% of SA Connect sites connected as per the government order (layer 3 connectivity)	100% provision of broadband services to connected sites sustained	100% provision of broadband services to connected sites sustained	None	N/a
	Establishment and operationalisation of the SDN capability	2.2) % implementation of planned remediation to address core network single point of failure on SITA core equipment	61% implementation of the planned activities for the Software-Defined Network (SDN) capability	80.2% implementation of planned remediation to address core network single point of failure	100% implementation of planned remediation to address core network single point of failure on SITA core equipment	86.25% implementation of planned remediation to address core network single point of failure on SITA core equipment	-13.75%	Underperformance is a consequence of delays in the procurement process due to capacity constraints caused by the high procurement demand

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement	Reasons for Deviations
	Modernise data centre facilities	2.3) % completion of phase 2 data centre modernisation plan to support hyperscale infrastructure requirements	Complete the following upgrades in line with Tier III requirement: Uninterrupted power supply (UPS) – not completed Fire suppression – not completed Access control systems – not completed	35.18% of strategic data centre facilities upgrades completed to support hyperscale infrastructure requirements	100% completion of phase 2 data centre modernisation plan to support hyperscale infrastructure requirements	38.56% completion of phase 2 data centre modernisation plan to support hyperscale infrastructure requirements	-61.44%	Underperformance is a consequence of delays in the procurement process due to capacity constraints caused by the high procurement demand
	SOCC established and operationalised for SITA Virtual Private Networks (VPNs)	2.4) % implementation of SOCC on all SITA VPNs	99.38% implementation of planned activities for security operational centre capability	22% implementation of SOCC on SITA VPNs	100% implementation of planned milestones for SOCC on all SITA VPNs	100% implementation of planned milestones for SOCC on all SITA VPNs	None	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 5: Programme 3: Outcomes, Output Indicators, Targets and Actual Achievement

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement	Reasons for Deviations
Enhanced workforce capability solving complex problems and adopting innovative solutions	Employees trained against the workplace skills plan (WSP)	3.1) % of employees trained against the WSP	81% of employees trained against the workplace skills plan	52.64% of employees trained against the WSP	75% of employees trained against the WSP	50% of employees trained against the WSP	-25%	The underperformance is due to procurement process delays: The withdrawal of bidders from the award process led to the issuance of new Requests for Quotations (RFQs), which contributed to prolonged delays.
	% implementation of milestones as per culture plan	3.2) % 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	100% implementation of milestones as per culture plan	100% implementation of milestones as per culture plan	None	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 6: Programme 4: Outcomes, Output Indicators, Targets and Actual Achievement

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement	Reasons for Deviations
Innovative digital service investments promoting financial sustainability	Improved profitability	4.1) # EBITDA	R521.5m	R633.7m	R327m	R603m	R276m	The positive growth in the EBITDA is as a result of concerted cost-cutting measures as well as the achievement of the revenue target.
	Improved profitability	4.2) % net collection rate	85.40% net collection rate	91% net collection rate	80% net collection rate	89% net collection rate	9%	Overperformance is due to the earlier signing of Service Level Agreements between SITA and customers, issuing of government orders, as well as effective collection of the invoices issued.
	Achieve growth in revenue	4.3) % growth in revenue	-6.2% increase in government market share on designated services (redefined baseline based on SITA's 2019/20 service portfolio in scope)	2% growth in revenue related to designated services (defined baseline based on SITA's 2020-2021 service portfolio in scope)	10% growth in revenue related to designated services (defined baseline based on SITA's 2021/22 service portfolio in scope)	10% growth in revenue related to designated services (defined baseline based on SITA's 2021/22 service portfolio in scope).	None	N/a

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 7: Programme 5: Outcomes, Output Indicators, Targets and Actual Achievement

Outcome	Output	Output Indicator	Audited Actual Performance 2020/2021	Audited Actual Performance 2021/2022	Planned Annual Target 2022/2023	Actual Achievement 2022/2023	Deviation from planned target to Actual Achievement	Reasons for Deviations
Reshaping supply chain through ICT economic transformation	Procurement awards completed within targeted turnaround times	5.1) % procurement awards completed within targeted turnaround times	56.50% of procurement awards completed within targeted turnaround times	70.26% of procurement awards completed within the targeted turnaround times	90% procurement awards completed within targeted turnaround times	53.66% procurement awards completed within targeted turnaround times	-36.34%	Underperformance is a consequence of delays in the procurement process due to capacity constraints caused by the high procurement demand.
	Concluded transversal and panel contracts/framework agreements	5.2) # of transversal and panel contracts/framework agreements implemented	5 transversal contracts implemented	12 transversal and panel contracts/framework agreements implemented	15 transversal and panel contracts/framework agreements implemented, renewed, refreshed and managed	7 transversal and panel contracts/framework agreements implemented, renewed, refreshed and managed	-8	Underperformance is a consequence of delays in the procurement process due to capacity constraints caused by the high procurement demand.
	Increased acquisition spend through black SMME entities on influenceable spend	5.3) % acquisition spend through black SMME entities on influenceable spend	40.67% of acquisition spend through black SMME entities on influenceable spend	45.95% of acquisition spend through black SMME entities on influenceable spend	50% acquisition spend through black SMME entities on influenceable spend	50% acquisition spend through black SMME entities on influenceable spend	None	N/a

10.5.2 Linking performance with budgets

SITA overspent on most of the programmes mainly due to unplanned activities which resulted in additional costs being incurred. The activities also led to additional revenue as can be seen on revenue table which reflects overall positive variance. The company recorded savings on programme 3 mainly due to cost containment measures implemented by the organisation. The table below provides summary details of payments per programme for the financial year under review

Table 8: Linking performance with budgets

Programme Name	Restated 2021/2022			2022/2023		
	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1: Thought-leadership and service delivery	3 375 366	2 502 853	872 513	2 136 603	2 763 112	(626 510)
Programme 2: Digital infrastructure	2 180 860	2 534 789	(353 929)	2 651 120	2 780 831	(129 711)
Programme 3: Skills and capability development	493 374	407 829	85 545	885 391	440 887	444 505
Programme 4: Financial sustainability	100 419	74 618	25 801	141 680	173 330	(31 650)
Programme 5: Procurement & industry transformation	66 684	46 512	20 172	95 282	79 997	15 285
Total	6 216 703	5 566 601	650 102	5 910 076	6 238 157	(328 081)

10.5.3 Strategies to overcome areas of underperformance

Capacitation of supply chain management environment and automation of procurement processes in order to ensure that turnaround times are reduced drastically.

10.6 Revenue collection

SITA recorded an overall positive variance on revenue. The overall positive variance is mainly as a result of projects that materialised which had not been planned for. There are a few revenue sources and types which are showing negative variances due to usage by customers being less than anticipated and delays in procurement processes. The items with negative variances did not materially impact on overall positive results in relation to revenue.

The table below will reflect revenue billed as per the SITA service catalogue:

Table 9: Revenue collection

Revenue Type	Restated 2021/2022			2022/2023		
	Budget	Actual	Variance	Budget	Actual	Variance
	R'000	R'000	R'000	R'000	R'000	R'000
Agency Revenue	514 103	677 568	163 465	514 103	759 759	245 656
Service Revenue	5 688 304	5 132 247	(556 057)	5 402 946	5 698 514	295 568
Application functional support	168 496	160 368	(8 128)	180 219	184 992	4 773
Application maintenance	555 593	459 686	(95 907)	432 142	466 528	34 386
BPO service desk	18 380	17 501	(879)	-	1 371	1 371
Cloud Hosting services	133 994	92 526	(41 468)	70 783	76 400	5 617
Dedicated VPN	215 559	134 328	(81 231)	282 293	213 254	(69 039)
Enterprise architecture	40 586	10 920	(29 666)	16 157	14 584	(1 573)
Hosted batch printing	27 344	30 339	2 995	30 053	27 196	(2 857)
Internet connectivity	150 344	176 158	25 814	248 398	281 945	33 547
LAN and desktop	981 687	752 827	(228 860)	763 120	808 112	44 992
Mainframe hosting	1 241 383	1 077 260	(164 123)	1 108 331	1 470 512	362 181
Midrange hosting	129 837	128 112	(1 725)	177 711	177 935	224
Project management	15 434	14 583	(851)	29 725	30 665	940
Security Policy Dev and Maint	187 984	88 024	(99 960)	132 901	43 587	(89 314)
Service management	384 887	563 887	179 000	492 874	580 916	88 042
Shared VPN	808 797	908 371	99 574	1 058 497	876 417	(182 080)
Training (Solution/App)	38 759	36 321	(2 438)	32 690	35 090	2 400
Solution Development	297 314	220 403	(76 911)	125 411	257 463	132 052
Solution Deployment	81 568	124 115	42 547	9 637	5 977	(3 660)
Unified Communications	57 755	47 135	(10 620)	58 012	50 389	(7 623)
Disaster Recovery Services	22 189	22 189	-	-	4 909	4 909
Sec Architecture Dev/ Maint	30 175	13 110	(17 065)	3 565	904	(2 661)
Other	100 239	54 084	(46,155)	150 427	89 368	(61 059)

10.7 Capital investment

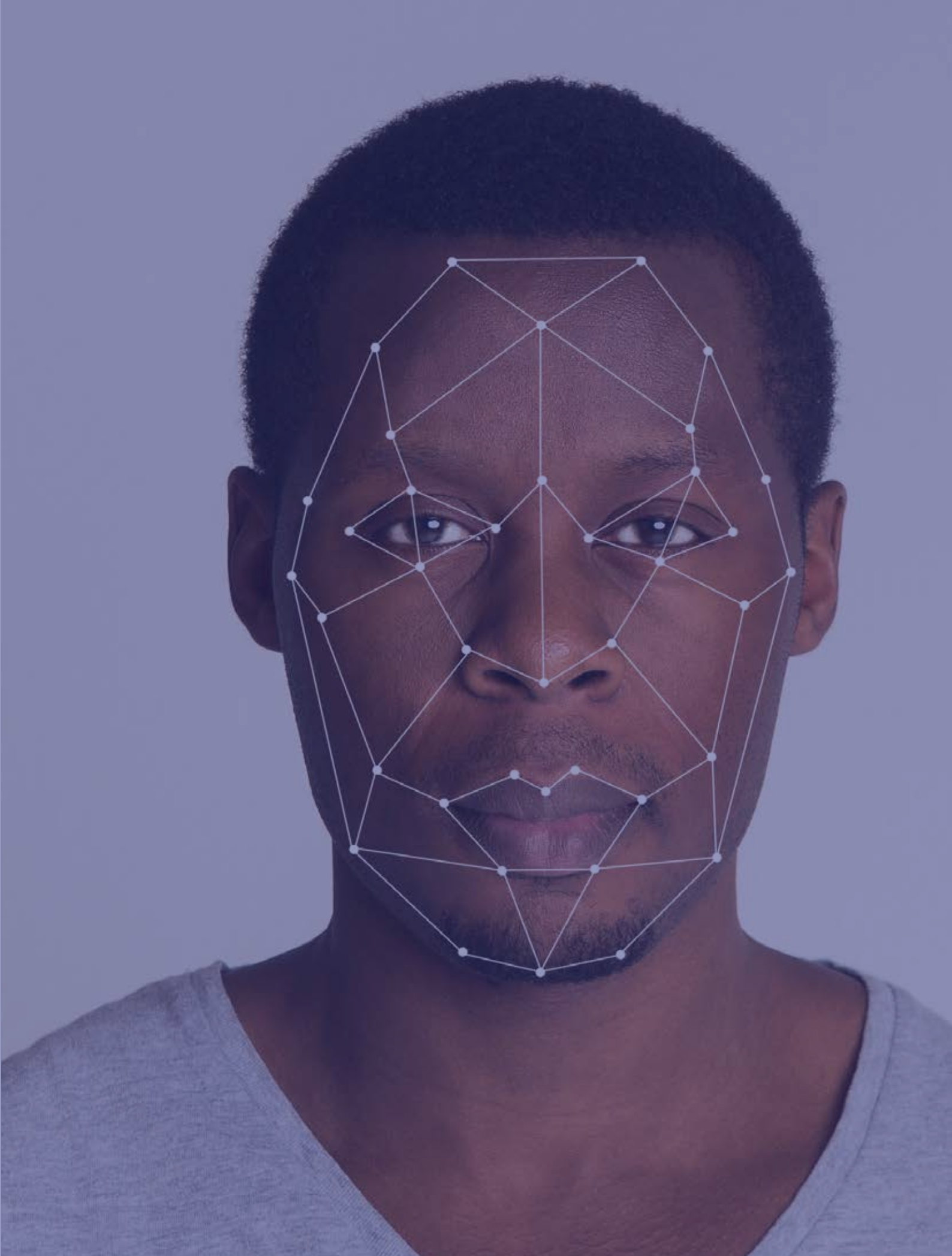
SITA spent R188m on capital expenditure during 2022/23 financial year. The actual spend is below the budget of R750m due to delays mainly in the procurement process. Capital investment will be made during the next financial year. The procurement process has already started for most of the planned investment projects. The items have been included in next year's budget.

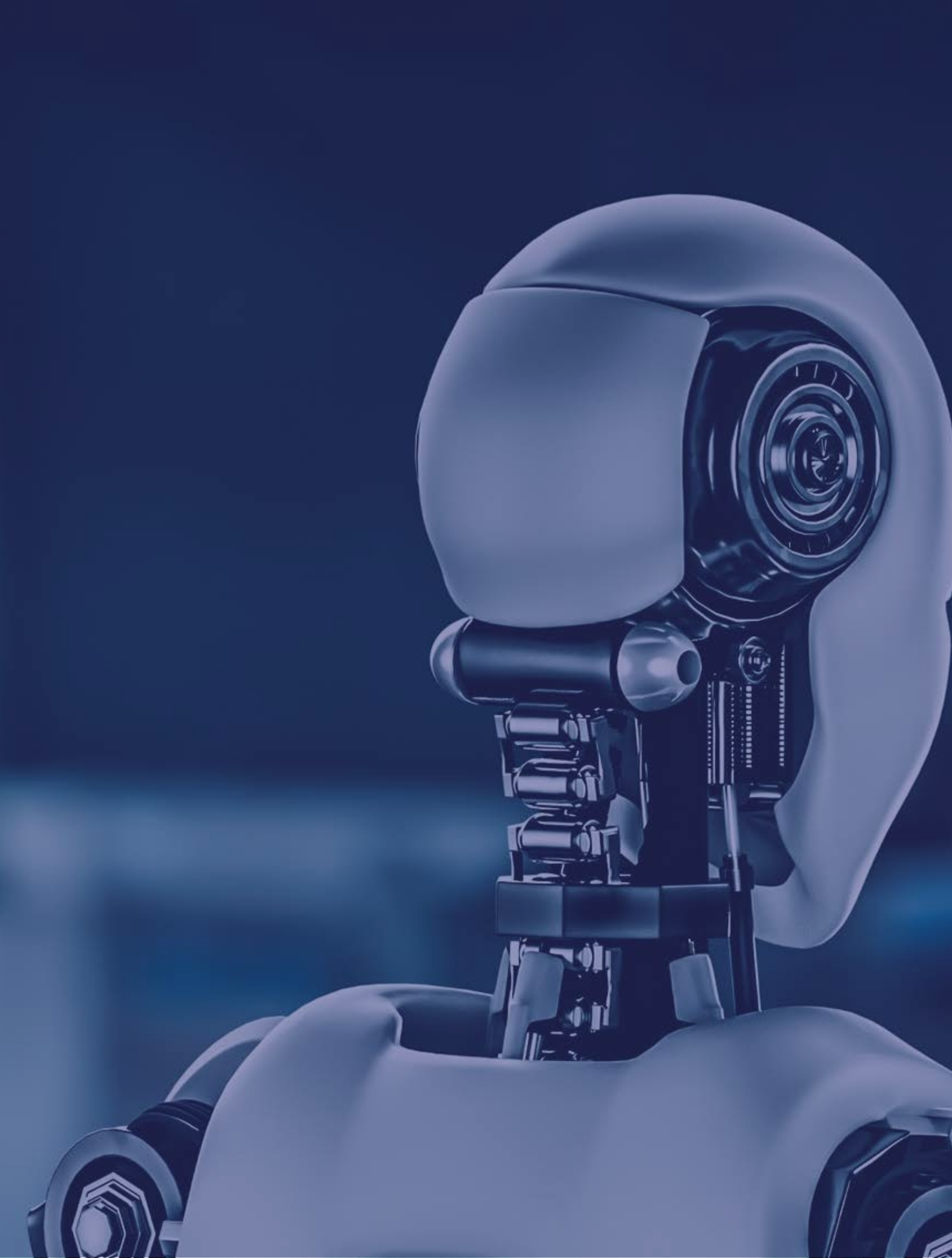
The table below will provide details of capital expenditure in line with the budget for the year under review:

Table 10: Capital investment

Infrastructure projects	2021/2022			2022/2023		
	Budget	Actual Expenditure	Variance	Budget	Actual Expenditure	Variance
	R'000	R'000	R'000	R'000	R'000	R'000
Infrastructure: Network	185 514	94 568	90 946	244 436	39 065	205 371
Infrastructure: Switching Centres	500	-	500	-	20 768	(20 768)
Infrastructure: Data Centres	86 350	8 266	78 084	234 330	61 699	172 631
Infrastructure: Modernisation	161 078	32 481	128 597	35 210	13 139	22 071
Solution Development: Transversal	13 000	-	13 000	-	-	-
Solution Development: Integration	-	2 882	(2 882)	49 642	7 881	41 761
Service Management: Contact Centres	-	-	-	149 432	13 592	135 840
Service Management: Decentralised Support and 1st line support	-	2 564	(2 564)	-	3 079	(3 079)
Operational Support: Internal IT	53 558	1 134	52 424	-	1 835	(1 835)
Operational Support: Facilities	-	1 976	(1 976)	-	1 393	(1 393)
Operational Support: Integrated Security	-	1 135	(1 135)	36 910	26 460	10 450
Total	500 000	145 006	354 994	749 961	188 911	561 050







The background image shows a robotic arm in an industrial setting. The arm is orange and white, holding a tablet. The tablet screen displays a blue interface with the text "PROCESSING...." and "PROGRAM RUNNING...". Below this text are three circular progress indicators with values 60%, 70%, and 64%. Further down, there is a stylized graphic of a robotic arm and two more circular progress indicators with values 40% and 28%. To the right of the tablet, there are four donut charts with values 13%, 25%, 40%, and 55%. Below these charts are two bar charts. The first bar chart has a value of 19.55% and the second has a value of 16.21%. At the bottom right, there is a value of 20.11%. The overall image has a blue and orange color scheme with a futuristic, industrial feel.

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 the Companies Act, corporate governance with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the KING IV Report on Corporate Governance.

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

12. PORTFOLIO COMMITTEES

Parliament exercises its role through evaluating the performance of the public entity by interrogating its annual financial statements and other relevant documents that have to be tabled from time to time.

The Portfolio Committee exercises oversight over the service delivery performance of public entities and, as such, reviews the non-financial information contained in the annual reports of public entities, and is concerned with service delivery and enhancing economic growth.

In the year under review, SITA presented to the Parliamentary Portfolio Committee on Communications in the main and to the Department of Home Affairs.

Table 11: Portfolio committees

Portfolio Committee	Focus Area	Dates
Communications	Briefing by SITA on its FY2022/23 Annual Performance Plan and Budget	03 May 2022
	Briefing by the Department of Communications and Digital Technologies (DCDT) its entities on its FY2021/22 Annual Report and Financial Statements.	11 October 2022
	Briefing by the Department on the Public Protector's Reports 113 of FY2021/22	01 November 2022
	Briefing by SITA and SABC, SAPO and DCDT and USAASA/USAF on material irregularities and action plan to address the AG concerns	22 November 2022
	Briefing by the Department on all outstanding legal cases in the Portfolio	21 February 2023
	Briefing by the Department on (i) overhaul of IT Systems at Postbank; (ii) measures in place to address Going Concerns in the Portfolio; and (iii) consequence management in the Portfolio	28 February 2023
	Briefing by the DCDT and their Entities on the FY2022/23 First and Second Quarter Expenditure and Performance Reports	07 March 2023
	Briefing by the Department on filling of vacancies in the Portfolio; and action plan to address irregularities at the Department and its Entities	14 March 2023
Home Affairs	Update by the Department of Home Affairs, Department of Communications and Digital Technologies and State Information Technology Agency on the Joint Implementation Plan to address the war on queues	27 September 2022
	Joint briefing by the Department of Home Affairs and the State Information Technology Agency (SITA) on the fight against the war on queues and the chronic issue of network downtimes at the DHA offices	08 November 2022

SITA has implemented various approaches to ensure stakeholder expectations are met and risks associated with the image and reputation are addressed.

13. EXECUTIVE AUTHORITY

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

No	DESCRIPTION	DATE	COMMENTS
1.	Quarter 1 Corporate Performance Report	31 July 2022	The report emphasized SITA's Q1 business continuity actions: (a) On 20-21 May 2022, Exco and department heads met to evaluate FY2021/22 performance, pinpoint areas needing improvement, and assess strategic progress. (b) A dedicated SCM session on 27 May 2022 addressed challenges, established corrective measures, evaluated the impact of the PPPFA ruling on SITA, and crafted sourcing strategies to support APP deliverables. (c) The Board's strategy session on 2-3 June 2022 discussed advancing the government's digital transformation through SITA's efforts.
2.	Quarter 2 Corporate Performance Report and Mid-term Assessment Report	03 November 2022	Quarter 2 performance results fell short of expectations. Consequently, the Board communicated with the Minister through a formal letter detailing plans for corrective action. The leadership team organised a strategic session to tackle underperformance, emphasizing the root causes hindering project plan execution. Additionally, the mid-term assessment report was submitted which provided information about progress on implementing SITA's Strategic Plan after the first two and a half financial years of implementation
3.	Quarter 3 Annual Performance Plan FY 2023/24 and Strategic Plan FY2020-2025	31 January 2023	The reports showcased the Agency's performance, prompting the Committee to seek improvement plans from SITA.
	Quarter 3 Corporate Performance Report	31 January 2023	The primary emphasis was on preparing for the CSI survey, aimed at gauging customer satisfaction with SITA's services. SITA recognizes the need to significantly enhance satisfaction levels within its customer base.
4.	Quarter 4 Annual Performance Plan FY 2022/23	28 April 2023	The corporate performance report showcased SITA's provisional annual performance results.
	Quarter 4 Corporate Performance Report	28 April 2023	The report detailed SITA's first FY2022/23 parliamentary oversight visit at Centurion offices. The Portfolio Committee of Communications and Digital Technologies met with the SITA Board, Executive Management, and labour to gain insights into the organisation.

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 Act, 88 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 (King IV).

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 and Memorandum of Incorporation and as recommended by best corporate governance practice that the Agency 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.

14.3 Composition of the Board

The SITA Board was appointed 1 February 2022 by the shareholder representative in accordance with section 10 of the SITA Act 88 of 1998 and is reflected in the table below:

Table 12: Composition of the Board

Name and Surname	Designation (in terms of the Public Entity Board Structure)	Date appointed	Date resigned/ Term expired	Qualifications	Area of Expertise	Board Directorships	Other Committees or Task Teams	No. of Meetings attended
Ms M Mosidi	Chairperson	01 February 2022		B. Comm, majoring in Financial Accounting and Computer Science. U.E.D (University Education Diploma), method of teaching Accounting and Economy	Finance	Public Investment Corporation (SOC) Ltd	Board	16
Dr S Bvuma	Deputy Chairperson	01 February 2022		PhD IT Management, M-Tech IT B-Tech IT, TWR ND IT, TWR	Information Technology, Telecommunications	Small Enterprise Development Agency (SEDA)	Board ICTRDI Social & Ethics	17 5 4
Ms Z Hill	Board Member	01 February 2022		Master in Business Administration Postgraduate Diploma in Accountancy Bachelor of Commerce (Accounting)	Finance and Business	Governing Body: Western Province Preparatory School; Social Housing Regulatory Authority (SHRA)	Board HR & Rem ICTRDI	13 7 3
Ms O Ketsekile	Board Member	01 February 2022		MBA general B.com (hons) In Labour Relations B.com in Human Resource	HR and Business		Board HR & Rem Social & Ethics	17 7 4

Name and Surname	Designation (in terms of the Public Entity Board Structure)	Date appointed	Date resigned/ Term expired	Qualifications	Area of Expertise	Board Directorships	Other Committees or Task Teams	No. of Meetings attended
Ms S Moonsamy	Board Member	01 February 2022		BCom (Accounting) Honours and CTA CA(SA) Master of Business Administration (MBA)	Finance	Johannesburg Development Agency (SOC) Ltd	Board ARC BPC	15 6 3
Ms J Morwane	Board Member Representative (DCDP)	01 February 2022		Bachelor of Arts in Information Science Masters of Business Administration	Information Technology		Board BPC ICTRDI	16 3 5
Ms L Mseme	Board Member (Representative National Treasury)	01 February 2022		Bachelor of Arts English and History Public Administration (Cum Laude) Public Administrations (Cum Laude)	Public Admin	None	Board BPC ARCC	13 4 6
Ms N Pietersen	Board Member	01 February 2022		B.com (Accounting) Honours and CTA CA(SA) Master of Business Administration (MBA)	Finance	Mayibuye Transport Corporation (SOC) Ltd; Eastern Cape Department of Health	Board ARCC BPC	15 6 3
Mr VM Ratshimbilani	Board Member	01 February 2022		B Proc Certificate in Business Management Certificate in Prospecting and Mining Law	Law	Tshisevhe Gwina Rathimbilani INC Kougga Wind Farm Trust RF Kougga Wind Community Development Trust	Board BPC ICT	16 7 5

Name and Surname	Designation (in terms of the Public Entity Board Structure)	Date appointed	Date resigned/ Term expired	Qualifications	Area of Expertise	Board Directorships	Other Committees or Task Teams	No. of Meetings attended
Dr T Ratshitanga	Board Member	01 February 2022		BA Development Studies BA Honours Development Studies Doctor of Philosophy	Information Technology and Developmental Studies		Board ICTRDI BPC	12 5 4
Mr R Ramabulana	Board Member	01 February 2022		National Diploma in Information Technology (Software Development) Master in Engineering - Electrical and Information Engineering (Software Engineering)	Information Technology		Board ICTRDI HR & Rem	16 5 4
Mr W Vukela	Board Member (Representative DPSA)	01 February 2022		Masters of Public Administration Masters in Human Rights Law Masters of Business Administration Higher Education Diploma Post Graduate Diploma in Management Studies Diploma in Negotiations	Public Admin and Law	None	Board Social & Ethics ICTRDI	16 2 4
Mr L Keyise	Interim Managing Director	28 January 2020	27 July 2022	Master's Degree in Computer Sciences Master of Business Administration (MBA)	Information technology, telecommunications and academia	None	Board ARCC (permanent invitee/official)	2 5

Name and Surname	Designation (in terms of the Public Entity Board Structure)	Date appointed	Date resigned/ Term expired	Qualifications	Area of Expertise	Board Directorships	Other Committees or Task Teams	No. of Meetings attended
Mr MK Kgauwe	Chief Financial Officer	1 December 2020		Chartered Accountant CA(SA) Corporate Law (LLM)	Finance	SA Postbank (SOC) Ltd	Board ARCC (permanent invitee/ official)	15 7
Mr A Pretorius	CFO Acting				Finance	None	Board ARCC (permanent invitee/ official)	9 2

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 and Rem)
- (c) Social, Ethics and Culture Committee (SECC)
- (d) Board Procurement Committee (BPC)
- (e) Information Communication and Technology, Research and Development Committee (ICTRDI)

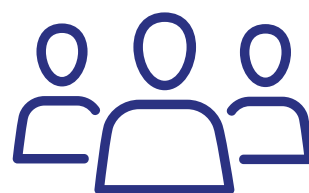
The table below provides details of the Board committee meetings for the year under review.

Table 13: Board committee meetings

Committee	Name of members	No of Meetings held	No. of Meetings attended
Board of Directors Meeting	Ms M Mosidi	17	16
	Dr S Bvuma	17	17
	Ms Z Hill	17	13
	Ms O Ketsekile	17	17
	Ms S Moonsamy	17	15
	Ms J Morwane	17	16
	Ms L Mseme	17	13
	Mr W Vukela	17	16
	Ms N Pietersen	17	15
	Mr M Ratshimbilani	17	16
	Mr R Ramabulana	17	16
	Dr T Ratshitanga	17	12
	Mr MK Kgauwe	17	15
	Mr L Keyise	17	2
	Mr A Pretorius	17	9
Committee	Name of Members	No. of meetings held	No. of meetings attended
Human Resource and Remuneration Committee (HR and Rem)	Ms Z Hill	7	7
	Ms O Ketsekile	7	7
	Mr R Ramabulana	7	4
	Ms L Mseme	7	5
	Luvuyo Keyise	7	2

Committee	Name of members	No of Meetings held	No. of Meetings attended
Information Communication and Technology, Research and Development Committee (ICTRDI)	Dr S Bvuma	5	5
	Dr T Ratshitanga	5	5
	Mr R Ramabulana	5	5
	Ms J Morwane	5	5
	Ms Z Hill	5	3
	Mr W Vukela	5	4
	Luvuyo Keyise	5	2
Committee	Name of members	No of Meetings held	No. of Meetings attended
Board Procurement Committee (BPC)	Mr M Ratshimbilani	5	5
	Dr T Ratshitanga	5	4
	Ms L Mseme	5	4
	Ms N Pietersen	5	3
	Ms J Morwane	5	3
	Ms S Moonsamy	5	3
	Luvuyo Keyise	5	3
Committee	Name of members	No of Meetings held	No. of Meetings attended
Social, Ethics and Culture Committee (SECC)	Mr W Vukela	4	2
	Ms O Ketsekile	4	4
	Dr S Bvuma	4	4
	Luvuyo Keyise	4	2
Committee	Name of members	No of Meetings held	No. of Meetings attended
Audit, Risk and Compliance Committee*	Ms N Pietersen	7	6
	Ms S Moonsamy	7	6
	Ms L Mseme	7	6
	Mr M Ratshimbilani	7	7
	Mr L Keyise	7	5
	Mr M Kgauwe	7	7
	Mr A Pretorius	7	2

*ARCC was not constituted on 22 September 2022 as a result of the AGM resolution by the Minister and the Committee was constituted on 05 December 2022



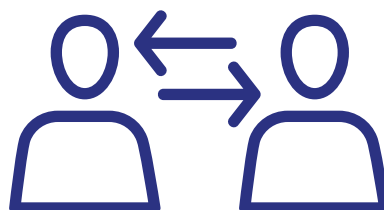
14.5 Remuneration of Board members

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 framework for the State Information Technology Agency issued by DPSA and Minister of Finance.

Full disclosure on the remuneration of Non-Executive and Executive Directors is included in the annexure on financial statements.



15. RISK MANAGEMENT

The SITA Board undertakes responsibility for the process of risk management within SITA. This function has been delegated to the Audit, Risk and Compliance Committee (ARCC). In addition, every Board sub-committee manages the risks for its respective area of responsibility. The Risk Management business unit, led by a Senior Manager with a staff complement of four of which one is vacant, reports into the Governance and Risk, Compliance and Integrity (GRCI) Division.

Risk management plays an integral part in improving performance, growth and sustainable value creation. SITA adopts a common and integrated approach to managing risk, such that knowledge and experience is shared and risk management becomes embedded in all the activities and the way the company works.

The approved Risk Management Policy is applicable to all business processes and business units within SITA and requires all Executives and Heads of Departments to actively embed risk management activities into their management responsibilities.

The Risk Management process, as outlined in the SITA Risk Management Policy, is aligned to the principles of the King IV Report and the Public Finance Management Act (PFMA) and aims to ensure that all key risks are identified, measured and managed.

The Risk Management Process includes the annual identification and assessment of existing and emerging risks. The process aims to understand these risks and how they affect the SITA objectives as well as whether they are strategic or operational. To achieve this, the potential impact and likelihood of the risks and identified mitigation plans are assessed and evaluated by management. Risks are considered against the approved risk appetite and tolerance levels as defined in the Risk Management Policy. Reporting on key risk indicators to the Assurance and Finance Committee, a sub-committee of Exco, is done on a monthly basis. The progress of implementation of mitigation plans are reported on a quarterly basis to the Audit, Risk and Compliance Committee. SITA management remain committed to implement these measures to ensure long term sustainability.

The annual Risk Implementation Plan sets out the activities to be undertaken within the Risk Management business unit.

Effective risk management not only reduces uncertainty and threats, but also provides more confidence in pursuing opportunities, enabling the SITA to be more decisive in pursuing its vision, mission, goals and objectives while also considering the risk appetite of the company.

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, 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. 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 Audit Committee members:

Table 14 Audit committee members

Name	Qualifications	Internal / external	Date appointed	Number of meetings held	No. of Meetings attended
Ms N Pietersen	Master's in Business Administration (MBA) Chartered Accountant (SA) B Com (Accounting) Honours/CTA B Com (Accounting)	External	1 February 2022	7	6
Ms S Moonsamy	BCom (Accounting) Honours and CTA CA (SA) Master of Business Administration (MBA) PhD candidate	External	1 February 2022	7	6
Ms L Mseme	PhD candidate Masters Public Administrations Honours Public Administration Bachelor of Arts English and History	External	1 February 2022	7	6
Mr VM Ratshimbilani	B Proc Certificate in Business Management Certificate in Prospecting and Mining Law	External	1 February 2022	7	7

17. COMPLIANCE WITH LAWS

The SITA Regulatory Universe was reviewed during 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
- (c) Promotion of Access to Information Act
- (d) Protection of Personal Information Act
- (e) National Key Points Act
- (f) Critical Infrastructure Protection Act
- (g) Electronic Communications Act
- (h) Regulations of Interception of Communications Act
- (i) Labour Relations Act
- (j) Basic Conditions of Employment Act
- (k). Unemployment Insurance Fund Act
- (l) Cybercrimes Act
- (m) Prevention and Combating of Corrupt Activities Act
- (n) Protected Disclosures Act

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

18. FRAUD AND CORRUPTION

SITA has adopted a zero-tolerance policy towards fraud and corruption, as outlined in the Fraud Prevention policy. The SITA Fraud Risk Management Strategy is aligned with the National Anti-Corruption Strategy and ensures that the company has sound internal controls in place to prevent, detect, and respond to incidents of fraud and corruption.

The 2022/23 fraud prevention and awareness plan were approved by the Social and Ethics Committee in April 2022 and the implementation thereof is regularly monitored. In line with the PFMA and fraud-related legislation, the plan outlined the key initiatives to be implemented during the year to proactively prevent and detect fraud and corruption in the organisation. The plan also included details of the various platforms that will be used to create awareness to all stakeholders on the zero-tolerance policy, how to identify fraud and where to report suspicious activities.

SITA supported the annual International Fraud Awareness Week, observed globally from 13 to 19 November 2022 and which is championed by the Association of Certified Fraud Examiners (ACFE). The global calendar event afforded SITA an opportunity to create awareness about the negative impact of fraud and corruption and to promote measures for identifying and reporting unethical behaviour. It also highlighted the importance of protecting whistle-blowers. The campaign was officially launched on 14 November 2022 by the chairperson of the Social and Ethics Committee, Mr Willie Vukela, and the Acting Managing Director, Mr Molatlhegi Kgauwe. The keynote address was delivered by Ms Mosilo Mothepu, a published author and whistle-blower, who shared her personal journey with SITA employees.



Figure 5: Fraud awareness campaign

The SITA Ethics Line is operated by an independent third-party service provider, which ensures that reports can be submitted efficiently through various available platforms, anonymously and confidentially. All reported cases are directed to Forensic Audit for review and investigation and progress of all registered cases is reported to the Audit, Risk and Compliance Committee (ARCC).

19. MINIMISING CONFLICT OF INTERESTS

A conflict of interest occurs when an employee's personal interests could potentially compromise his or her judgement, decision or behaviour in relation to official SITA duties and responsibilities. A requirement of the Conflict of Interest policy is that all employees annually make a full declaration of their interests. This includes any interests of employees that may cause an actual, potential or perceived conflict of interest.

All the submitted declarations are reviewed by the Integrity Management Department, in line with the prohibitions and other relevant clauses of the Conflict of Interest policy. Line managers are required to either approve or reject declarations, and may request additional feedback from employees, where necessary.

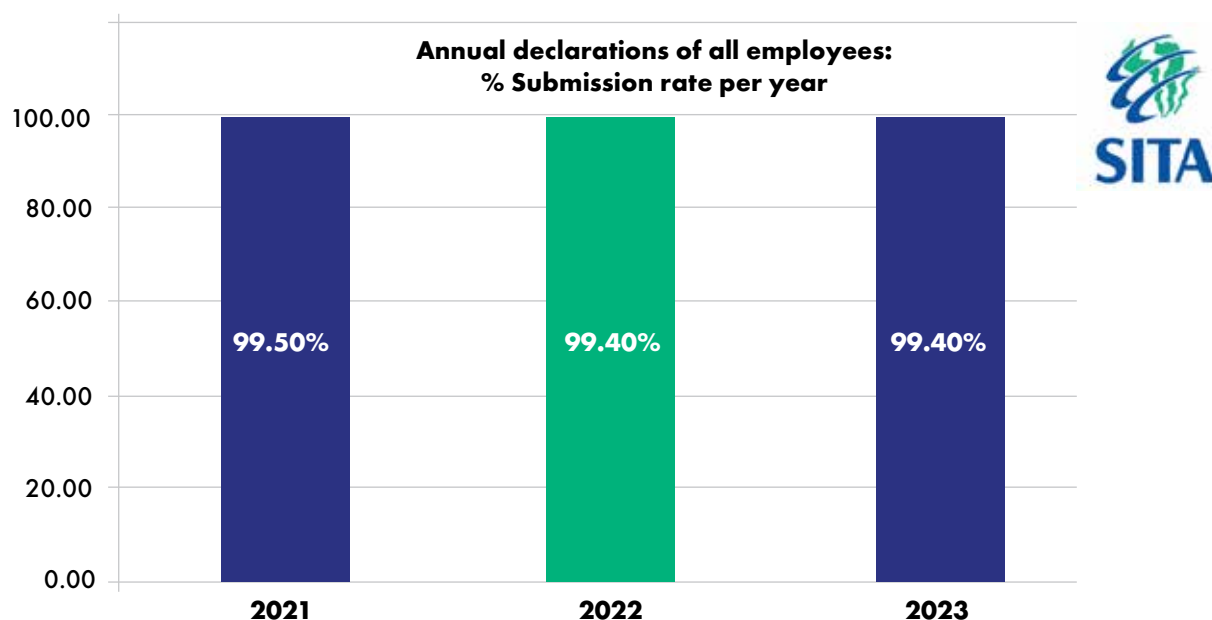


Figure 6: Annual employee declarations

During any stage of the supply chain management process, employees are required to declare their interests as well as highlight any potential conflict. Bid adjudication committee members are also required to recuse themselves from any transaction where they have a perceived or actual conflict of interest.

The Gifts and Hospitality policy require all employees to declare any gift(s) and/or hospitality received within 7 (seven) days on the online register, maintained by the Integrity Management Department. In terms of the policy, an employee is not allowed to receive a gift(s) and/or hospitality with a value exceeding R350 per item from a single source, with a maximum allowable value of R 3000 per annum from all sources. The SITA gifts and hospitality register are exchanged with key service providers on an ongoing basis to ensure transparency and enhance mutual co-operation in the fight against fraud and corruption.

20. CODE OF CONDUCT

The SITA Code of Conduct (Living our values) outlines the organisation's moral principles and standards and is intended to guide all SITA directors and employees to conduct themselves in an ethical and sensible manner. SITA's code of conduct must reflect the values and aspirations embodied in section 195 of the Constitution of South Africa, which requires that "a high standard of professional ethics must be promoted and maintained" in public administration. During the year under review SITA continued to embed the principles in the Code of Conduct in order to transform the organisation with the focus on reinforcing its core values. SITA's principles of conduct provide an overarching set of standards that form ethical basis for SITA values. SITA values are an expression of how we conduct ourselves in the most ethical manner, in accordance to best practices and are articulated through customer-centricity, integrity, innovation, empathy, collaboration and agility.

SITA entrenched its organisational values through values conversations that focused on specific behaviours, actions, and mindsets that align with the core values, so that all SITA employees from senior leadership levels hold themselves accountable to the highest standards. This was achieved through an awareness campaign and various initiatives that measured and assessed employees' understanding of the values and desired behaviours.

No-compliance with or violation of the code of ethics or any other ethics policy aligned to the code and failure to declare conflict of interest will be regarded as a serious transgression and may lead to disciplinary action. Any breach or suspected breach of ethical standards will be dealt with in accordance with the applicable disciplinary policies and procedures

21. OCCUPATIONAL HEALTH AND SAFETY

In line with the Occupational Health and Safety Act 85 of 1993, the health and safety of employees in the workplace is of paramount importance and it plays a pivotal role in the promotion of human security. SITA's Occupational Health and Safety (OHS) unit is therefore committed to promoting a workplace that is free from hazardous substances or conditions that may cause injury, damage or disease to employees and visitors. The role of the Safety, Health and Environment function according to SITA SHE policy is to ensure prevention of injuries and illnesses, and the promotion of safe and healthy actions and attitudes, not only for SITA employee but also for all other SITA stakeholders who may be affected by SITA activities and operations.

In terms of the Occupational Health and Safety Act 85 of 1993 and its regulations, health and safety responsibilities must be assigned to certain employees who are in the office on a full-time basis. To ensure compliance with the OHS Act, we have appointed only those employees who are in the office on a full-time basis to fulfil the role of the First Aiders, SHE Representatives and Fire Marshalls. SHE Committees were also revived and regular meetings are held to ensure legislative compliance.

22. COMPANY SECRETARY

The Company Secretary is appointed in terms of section 86(1) of the Companies Act, 71 of 2008, and is responsible for ensuring 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; and
- (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.

23. SOCIAL RESPONSIBILITY

In keeping with global and national socioeconomic priorities SITA's corporate social responsibility programme concentrated its efforts on areas relating to education, women and people with disabilities as well as an internal focus relating to disposal of e-waste.

In partnership with key stakeholders within its ecosystem, SITA established five Cyberlabs in four provinces across South Africa. The Cyberlabs are a foundation for the establishment of smart schools and will contribute towards a global agenda of empowering learners with internet access, improved academic performance of learners through e-learning tools and enabling teaching professionals to leverage tools that can assist in the management of schools. Furthermore, in relation to education, SITA donated laptops to an ICT lab that was established by the Shareholder at Tau Tlou Primary School, Spitspunt Village in Limpopo. SITA partnered with the Department of Basic Education (DBE) and 570 schools in conducting a robotic challenge to enhance learner's knowledge in futuristic skills such as coding and robotics.

SITA celebrated Nelson Mandela Day under the theme of "Do what you can, with what you have, wherever you are" with its staff participating in various volunteer activities and donations to NGOs and schools thereby addressing causes of vulnerable communities. SITA also supported a national initiative to promote the advancement, development, integration

and active participation of women within the ICT industry. This contributes towards producing entrepreneurs, leaders and innovators and the universal application of ICT to achieve a knowledge economy.

SITA also participated in other social responsibility initiatives aimed at solving national priority problems. A GovTech Hackathon was hosted during the annual GovTech conference where youth between the ages of 18 to 35 years participated in developing solutions to address national issues. SITA partnered with Samsung South Africa in the Solve for Tomorrow contest in which 52 pre-selected schools participated nationally encouraging innovative thinking, creative problem-solving, and teamwork to nurture social innovation ideas that address their respective communities most pressing problems.

24. AUDIT, RISK AND COMPLIANCE COMMITTEE (ARCC) REPORT

We are pleased to present our report for the financial year ended 31 March 2023.

24.1 Introduction

The ARCC report is prepared in terms of the PFMA, 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 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 Audit Risk and Compliance Committee responsibility

The Committee has complied with its responsibilities arising from the requirements of the Companies Act of 2008, the PFMA, and 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. However, the ARCC was not constituted on 22 September 2022 as a result of the AGM resolution by the Minister and the Committee was constituted on 05 December 2022. This impacted on the ongoing discharging of its designated responsibilities.

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, the Committee noted that the current plans developed during the reporting period and in the process of implementation require improvement to ensure business continuity and delivery of business operations. The Committee reviewed the Internal Audit and AGSA findings and related remedial action plans to understand the impact on the financial reporting process, the recommended and planned remedial actions, considered their appropriateness and advised accordingly. While the Committee is providing the assurances required in line with the statutory requirements, it will closely monitor progress to resolve audit findings and performance gaps. Furthermore, the filling of critical vacant executive posts, namely; Executive: Internal Audit, and Executive: Governance &, Risk, Compliance and Integrity (GRCI) will be expedited.

24.6 Internal financial control

During the 2022/23 financial year, the ARCC reviewed the effectiveness of the company's system of internal financial control and, based upon the processes and assurances obtained from management, internal audit and external audit, the Committee noted the internal financial controls and the need for improvement to ensure that they are effective, especially the areas highlighted in the Auditor - General 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 has generally been effective in the fulfilment of its mandate. However, gaps in the identification of the internal control systems were highlighted as evidenced by the matters raised in the Auditor - General report.

Going forward, additional focus will be directed on the plans to ensure sufficient coverage to address the audit outcomes, including the filling of critical vacancies and further training of internal audit staff.

Notwithstanding the above, 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.



Nolitha Pietersen

Chairperson of the Audit, Risk and Compliance Committee

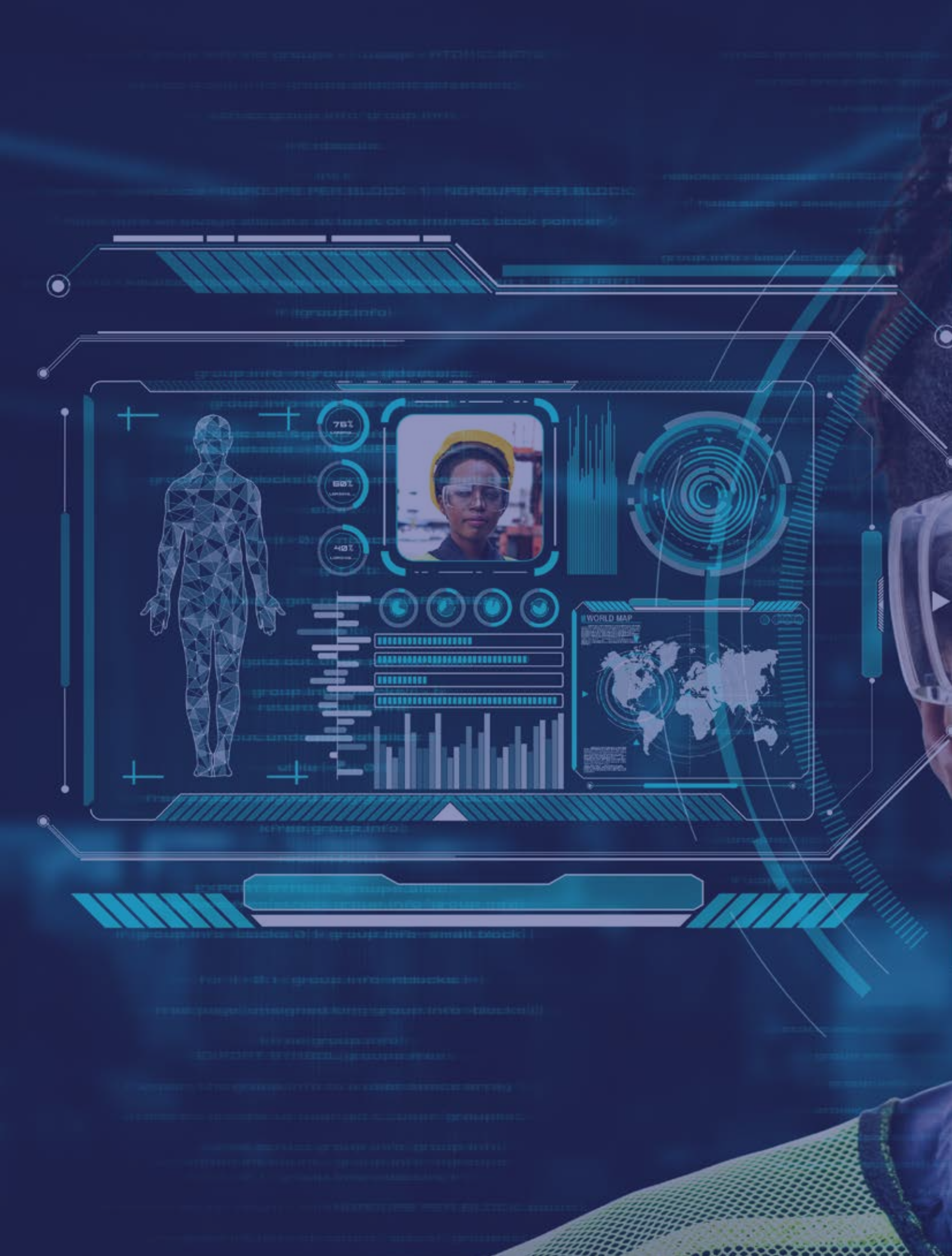
State Information Technology Agency SOC Ltd

25. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

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

Table 15: B-BBEE compliance

Has the Department / Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	Response Yes / No	Discussion <i>(include a discussion on your response and indicate what measures have been taken to comply)</i>
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?		The Preferential Procurement Policy has been developed and approved by the Board of Directors on 31 January 2023.
Determining qualification criteria for the sale of state-owned enterprises?	N/A	
Developing criteria for entering into partnerships with the private sector?	N/A	
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	N/A	





PART D

HUMAN CAPITAL MANAGEMENT

26. INTRODUCTION

The SITA Human Capital Management (HCM) focus for the year under review was to develop, build and/or buy the required digital skills to contribute to the achievement of the strategic plan and adequately capacitate the core business to meet customer needs and requirements. In addition, the implementation of the culture programme which encourages high performance, innovation, accountability, corruption-free and consequence management was at the core of HCM priorities.

Several initiatives were implemented in alignment with the above-mentioned focal points and the following are the key successes for the year under review:

- (a) The recognition and reward of high-performing employees;
- (b) The completion of the employee individual skills audit, which provided a view of the skills gaps and baseline for skills development to build the required skills to digitalise Government and execute on the mandate of SITA;
- (c) The initiation of the mentorship programme and coaching for critical and core skills using the GROW model (i.e. Goal-Reality- Options/Obstacles- Will/ Way Forward) to enable proper succession management;
- (d) The provision of bursaries to employees and students studying ICT qualifications;
- (e) The provision of internship programmes to unemployed graduates;
- (f) Successful employee relations cost containment through the allocation of SITA internal employee relation resources to manage both internal and Commission for Conciliation, Mediation and Arbitration matters; and
- (g) The successful implementation of the SITA Wellness Day, which was intended to enhance employee engagement, build teams, and improve the corporate health profile.

Although the Agency has achieved some successes, there are some lowlights regarding performance on HCM initiatives and these are as follows:

- (a) A moratorium was placed on recruitment, leading to the inability to fill all vacant positions. Recruitment was based on prioritised and core vacancies and as a result, only 68% of vacancies were filled.
- (b) The failure to achieve the target relating to employee training in line with the workplace skills plan. This was due to procurement process delays and bidders declining awards, resulting in re-initiation of the tender process.
- (c) The failure to achieve the employee equity target relating to people living with disabilities due to the moratorium on recruitment.
- (d) The gender representation within SITA seems to be fluctuating slightly upward on a month-to-month basis; however, the target was still met at the end of FY2022/23.

Details regarding performance on some of the initiatives are discussed below. In the next financial year, SITA will focus on implementing the following HCM initiatives amongst others:

- (a) Implementation of an organisational employment equity plan;
- (b) Implementation of a sourcing strategy for cover key position;
- (c) Development of digital transformation leadership capabilities;
- (d) Implementation of training against the SITA workplace skills plan;
- (e) Implementation of focused initiatives as per the culture programme;
- (f) Implementation of an action plan for proactive wellness initiatives; and
- (g) Implementation of an OHS activities plan.

26.1 Human resource digitisation

The Human Resources digitalisation initiative is aimed at creating a digitally transformed, customer-centric Human Resources (HR) division. The aim is to ensure quick turnaround times with regard to queries, solution design, and offerings, based on the unique client requirements posed by the complex core business. The key focus area for the year under review was to develop a chatbot to enable employees to receive automated answers to queries and questions that they may have regarding HR services. This initiative has been completed, with the chatbot solution being successfully deployed.

26.2 Talent development

SITA's learning and development vision is to develop a high-performing workforce capable of solving complex public service ICT problems, through the adoption of innovative solutions. As the Agency drives digital transformation within Government through the implementation of digital technologies and solutions, there is an increased demand placed on limited digital skills. Therefore, SITA has implemented various skills development approaches, including partnerships with OEMs, industry, and academic institutions, with a view to building a customised digital skills academy system. The sole purpose of this system is to aggressively build the ICT skills of the future, to meet the current and future business needs. The following are the initiatives implemented during the year under review:

(a) Skills development

SITA implements training initiatives through an approved workplace skills plan, which provides the Agency with the ability to identify and develop the required skills to meet the current and future business needs. The workplace skills plan is submitted to SETA annually to ensure completion of training against the plan, which is based on training gaps identified on each employee's individual developmental plan. SITA completed 50% of its workplace skills plan, with attendance of only one training intervention per employee. In addition, through collaboration with OEMs such as Microsoft, IBM and Huawei, employees undergo self-paced learning, as well as attaining occupation-specific certifications in SITA's core business. SITA also conducted a skills audit to determine the proficiency level of employees, as well as organisational readiness for meeting future demands such as the modernisation of legacy skills and technological developments. The results of the skills audit indicated that SITA achieved a digital capability score of 67%, and as such will continue with interventions to close the gap in the upcoming financial year.

(b) Leadership development

Leadership development focused on the implementation of succession planning for identified critical, core and scarce positions within the organisation. The aim is to ensure planned and timeous skills transfer, identification, development and training in mentoring and coaching, as well as training of managers in people management skills through management and leadership development programmes.

(c) Bursaries

The SITA bursary scheme seeks to create a technical pipeline aimed at addressing the current skills gaps within the information and communication technology fraternity. The Agency awarded bursaries to its employees, with a focus on ICT qualifications aligned to employees' career pathing and supporting SITA's retention strategy. 235 bursaries were awarded to employees, of which 168 were for ICT qualifications and 67 for non-ICT qualifications. The Agency has also awarded external bursaries to students studying ICT qualifications as part of the development of the talent pool; these graduates are provided with internship opportunities, which often lead to employment.

(d) Internships

SITA has presented an internship programme to 34 unemployed graduates during the year under review. This programme serves to create a talent pipeline to meet current and future business needs. The Agency has employed 84 of the graduates who completed the internship programme as fixed-term contractors, to enable them to acquire further work experience

26.3 Organisational culture

SITA's aim is to be a trusted enabler for the government's digital transformation journey, transforming South Africa into an inclusive digital society where all citizens can benefit from the opportunities offered by digital and mobile technologies to improve their quality of life.

The implementation of SITA's strategic plan, which is based on digital transformation, necessitated the need to revise and transform the organisational culture. The desired outcome was a high-performing workforce able to solve complex digital services problems and adopt innovative solutions, while adhering to SITA's values and ethics. The focus for the year under review was the implementation of innovation practices, customer centricity, values and ethics, digitally capable workforce initiatives, employee engagement, and hybrid workplace initiatives. SITA is proud to announce an achievement of 100% implementation of the planned initiatives as per the approved culture plan. The impact of the implementation will be measured through the annual employee engagement survey and performance management outcomes.

26.4 Performance management framework

SITA has adopted an integrated corporate performance management policy, which is aligned to the planning processes and guidelines of the organisation. The policy guides performance management processes at a corporate and employee level. It focuses on planning, monitoring, reviewing, reporting and performance implementation. SITA implemented this policy seamlessly during the year under review, and performance of qualifying employees was recognised and rewarded according to the guidelines. In addition, the Agency implemented performance increases in line with the Board decision. However, the Agency did not meet the requirements to pay performance bonuses as indicated in section 7.3 below. SITA continues to establish a high-performance culture and implement improvement interventions to achieve high-level and sustainable performance results.

26.5 Employee wellness

SITA has adopted a holistic approach to wellness. The employee wellness programme supports the wellness strategy, of which the overall goal is to optimise human and social capital. The wellness strategy in turn supports the management of the talent pool, with a critical focus on the attraction and retention of talent. It provides a wellness benefit that develops both individual capacity as well as a supportive work environment. SITA considers its employee wellness programme to be another valuable asset in the employee value proposition, positioning SITA as a caring organisation. The following are the interventions that have been implemented during the year under review.

(a) Proactive wellness Initiatives: It's in Your Hands" Employee Wellness Solution

It's in Your Hands is a solution designed to deliver a wellness dashboard to manage the SITA employee wellness programme, by enabling a holistic approach to the programme implementation. It was fundamentally designed to:

- i. enable SITA to manage all aspects of employee wellness that could have a negative impact on employees' ability to deliver on organisational objectives;
- ii. demonstrate the impact of wellness activities on the achievement of organisational objectives and;

- iii. promote opportunities and guidance that enable employees to engage in effective management of their own physical, occupational, mental, spiritual, financial, intellectual, environmental and social well-being.

The solution was introduced to employees at the Gauteng wellness day event, and the next phase will be to pilot and then formally launch SITA wide.

(b) Commemorating the 16 Days of Activism Against GBVF/ No Violence Against Women and Children

A webinar was hosted in partnership with Cliffe Dekker Hofmeyr attorneys in December 2022, aimed at raising awareness of the Code of Good Practice on the Prevention and Elimination of Harassment in the Workplace (the Code). Notably, the session was held as a platform to launch an e-learning module aimed at educating, informing and raising awareness of the Code, in terms of which employees will be required to engage and familiarise themselves with the Code, and subsequently, SITA's policy on harassment.

(c) Incapacity and reduction of absenteeism and sick leave rate.

Data analysis was conducted, and an action plan for reduction of absenteeism and sick leave was approved and implemented, including focussed interventions to address mental health challenges and workplace stress.

27. HUMAN CAPITAL MANAGEMENT OVERSIGHT STATISTICS

27.1 Personnel cost per programme

The personnel expenditure per programme in the below table is based on the March 2023 total guaranteed packages. It therefore excludes variable costs (acting allowances, mobile and data allowances, overtime, shift and standby allowances) for the financial year ended 31 March 2023.

Variable costs are included in the total personnel cost as reflected in the annual financial statement; these variable components could not be allocated to the personnel cost per programme reflected in table 16 above on a reasonable basis.

Table 16.1: Personnel cost per programme

Programme	Total Expenditure for entity (R'000)	Personnel Expenditure (R'000)	Personnel expenditure as a % of total expenditure (R'000)	Number of employees	Average personnel cost per employee (R'000)
Programme 1: Thought-leadership and service delivery	6 210 215	1 163 565	18.74%	1 929	603
Programme 2: Digital infrastructure		469 033	7.55%	866	542
Programme 3: Skills and capability development		192 288	3.10%	311	618
Programme 4: Financial sustainability		49 200	0.79%	75	656
Programme 5: Procurement & industry transformation		38 538	0.62%	55	701
Total	6 210 215	1 912 624	30.80%	3 236	590

In tables 16.1 above and 17 below on a reasonable basis.

Table 16.2: Personnel expenditure

Employees	Total Expenditure for entity (R'000)	Personnel Expenditure (R'000)	% of total expenditure	Number of employees	Average personnel cost per employee (R'000)
SITA Employees	6 210 215	2 077 564	33%	3 236	642

27.2 Personnel cost per occupational level

The personnel expenditure per occupational level is reflected in the table below, the expenditure is based on the total guaranteed packages for the financial year ended 31 March 2023.

Table 17: Personnel cost per occupational level

Salary Band	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)
Top Management	6 210 215	2 652	0.04%	1	2 652
Senior Management		76 698	1.24%	42	1 826
Professional qualified		846 847	13.64%	885	957
Skilled		884 652	14.25%	1 856	477
Semi-skilled		99 965	1.61%	438	228
Unskilled	6 210 215	1 810	0.03%	14	129
Total	6 210 215	1 912 624	30.80%	3 236	591

27.3 Performance rewards

SITA did not provide performance rewards to its employees during the year under review as the requirement of the integrated performance management policy were not fully met.

27.4 Training cost

The total training costs are distributed between short course training and academic training through the SITA bursary scheme. During the year under review, 1 477 of employees were trained on short courses at a cost of R 12 037 434. Employees were awarded bursaries at a cost of R 9 518 276. The table below reflects training costs per occupational level.

Table 18: Training cost

Occupational levels	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost (R'000)	No. of employees	Average personnel cost per employee (R'000)
Top Management	51	0,23%	1	51
Senior Management	418	1,86%	21	20
Professional qualified	8 367	37,19%	519	16
Skilled	9 762	43,39%	929	11
Semi-skilled	2 958	13,15%	293	10
Unskilled	944	4,19%	20	47
Total	22 500	100%	1 783	13

In addition to the cost depicted in the above table an amount of R2 205 500.00 was invested on the internship programme for 35 interns between April 2022 and March 2023.

27.5 Employment and vacancies

SITA began the financial year with 370 vacancies in the recruitment pipeline. This number continued to increase monthly due to the acquisition of new business and natural attrition. As at the end of the financial year 453 vacancies were filled which is commendable given the moratorium placed on non-recoverable positions. The table below reflects a summary of employment and vacancies.

Table 19: Employment and vacancies

Occupational levels	2021/2022 No. of Employees	2022/2023 Approved Posts	2022/2023 No. of Employees	2022/2023 Vacancies	% of vacancies
Top Management	2	0	1	0	0%
Senior Management	56	129	42	2	2%
Professional qualified	789	295	885	179	63%
Skilled	1945	316	1856	212	67%
Semi-skilled	487	71	438	33	55%
Unskilled	11	3	14	0	0%
Total	3290	814	3236	426	54%

27.6 Employment changes

The table below reflects a summary of employment changes during the year under review.

Table 20: Employment changes

Occupational levels	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	2	0	1	1
Senior Management	56	2	11	42
Professional qualified	789	110	72	885
Skilled	1 945	143	100	1 856
Semi-skilled	487	111	48	438
Unskilled	11	9	1	14
Total	3 290	375	233	3 236

27.7 Reasons for staff leaving

The table below reflects a summary of reasons for staff leaving.

Table 21: Reason for staff leaving

Type	Reason	Number	% of total no. of staff leaving
Functional voluntary	Resignation	127	54.27%
Involuntary	Death	10	4.27%
	Dismissal	7	2.99%
	Retirement	30	12.82%
	Ill health	3	1.28%
	Expiry of contract	20	8.54%
Other	Other	37	15.81%
Total		234	45.71%

27.8 Misconduct and disciplinary action

The table below reflects misconduct and disciplinary action for the year under review.

Table 22: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	2
Final Written warning	50
Dismissal	5
Resignation during the disciplinary hearing	1
Suspension from work without salary	2

27.9 Employment equity statistics per occupational level

The table below reflects employment equity statistics per occupational level.

Table 23: Employment equity statistics- male employees

Occupational levels	Male Employees							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	0	0	0	0	0	0
Senior Management	17	20	0	2	4	1	5	2
Professional qualified	328	443	28	49	28	18	114	52
Skilled	719	867	60	95	53	36	154	101
Semi-skilled	168	218	8	24	4	9	5	25
Unskilled	9	6	0	1	0	0	0	1
Total	1242	1555	96	171	89	64	278	181

Table 24: Employment equity statistics- female employees

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	13	16	0	2	1	0	2	2
Professional qualified	250	361	17	42	13	10	107	40
Skilled	684	682	31	31	12	12	143	144
Semi-skilled	229	178	15	20	2	5	7	19
Unskilled	5	5	0	1	0	0	0	1
Total	1181	1243	63	96	28	27	259	206

Table 25: Employment equity statistics- disabled employees

Occupational levels	Disabled Employees							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0	0	0	0	0	0	0	0
Senior Management	0	2	0	1	0	0	0	0
Professional qualified	0	10	0	4	0	1	2	2
Skilled	8	25	0	1	0	0	9	10
Semi-skilled	26	8	0	4	1	1	3	2
Unskilled	0	0	0	0	0	0	0	0
Total	34	45	0	10	1	2	14	14





PART E

PFMA COMPLIANCE REPORT

28. INFORMATION ON IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

28.1 Irregular expenditure

28.1.1 Reconciliation of irregular expenditure

Table 26: Reconciliation of irregular expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	1 716 754	1 750 243
Prior period error	-	61 010
Add: Irregular expenditure confirmed	452 003	308 572
Less: Irregular expenditure condoned	(2 830)	(376 702)
Less: Irregular expenditure not condoned and removed	-	(26 369)
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	2 165 927	1 716 754

The table below depicts the irregular expenditure reconciling notes

Table 27: Irregular expenditure reconciling notes

Description	2022/2023	2021/2022
	R'000	R'000
Reconciling notes	-	-
Irregular expenditure that was under assessment in 2021/2022	-	6 600
Disclosed in the prior year	-	308 572
Irregular expenditure that relates to 2021/2022 and identified in 2022/2023	-	23 111
Irregular expenditure for the current year	452 003	285 461
Total	452 003	315 172

28.1.2 Details of current and previous year irregular expenditure (under assessment, determination, and investigation)

Table 28: Current and previous year irregular expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure under assessment	1 885	6 600
Irregular expenditure under determination	508 454	1 470 260
Irregular expenditure under investigation	-	-
Total	510 339	1 476 860

28.1.3 Details of current and previous year irregular expenditure condoned**Table 29: Previous year irregular expenditure condoned**

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure condoned	(2 830)	(376 702)
Total	(2 830)	(376 702)

28.1.4 Details of current and previous year irregular expenditure removed - (not condoned)**Table 30: Current and previous year irregular expenditure removed**

Description	2022/2023	2021/2022
	R'000	R'000
Irregular expenditure NOT condoned and removed	-	(26 369)
Total	-	(26 369)

28.1.5 Details of current and previous year irregular expenditure recovered

No Irregular expenditure recovered for the 2021/22 and 2022/23 financial years.

28.1.6 Details of current and previous year irregular expenditure written off (irrecoverable)

No Irregular expenditure written off for the 2021/22 and 2022/23 financial years.

28.1.7 Details of non-compliance cases where an institution is involved in an inter-institutional arrangement (where such institution is responsible for the non-compliance)

Description	2022/2023	2021/2022
	R'000	R'000
Bid response in incomplete, SBD 9 and 8 not attached	-	249 605
Total	-	249 605

28.1.8 Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

A written warning and one-week unpaid leave was issued for one case and corrective actions recommended for another case in the prior year were implemented. In addition, consequence management analysis is still in-progress for 25 cases in the current year.

28.2 Fruitless and wasteful expenditure

28.2.1 Reconciliation of fruitless and wasteful expenditure

Table 31: Reconciliation of fruitless and wasteful expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Opening balance	42 720	38 999
Add: Fruitless and wasteful expenditure confirmed	10 864	3 723
Less: Fruitless and wasteful expenditure written off	(6 972)	0
Less: Fruitless and wasteful expenditure recoverable	(1)	(2)
Closing balance	46 611	42 720

The table below depicts the fruitless and wasteful expenditure reconciling notes

Table 32: Fruitless and wasteful expenditure reconciliation notes

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure that was under assessment in 2021/2022 and 2022/2023.	292	-
Fruitless and wasteful expenditure that relates to prior year and identified in current year.	-	-
Fruitless and wasteful expenditure for the current year	10 864	3 723
Total	11 156	3 723

28.2.2 Details of current and previous year fruitless and wasteful expenditure (under assessment, determination, and investigation)

Table 33: Current and previous year fruitless and wasteful expenditure

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure under assessment	292	-
Fruitless and wasteful expenditure under determination	46 610	39 601
Fruitless and wasteful expenditure under investigation	-	-
Total	46 902	39 601

28.2.3 Details of current and previous year fruitless and wasteful expenditure recovered**Table 34: Current and previous year fruitless and wasteful expenditure recovered**

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure recovered	(1)	(2)
Total	(1)	(2)

28.2.4 Details of current and previous year fruitless and wasteful expenditure not recovered and written off**Table 35: Current and previous year fruitless and wasteful expenditure not recovered**

Description	2022/2023	2021/2022
	R'000	R'000
Fruitless and wasteful expenditure written off	(6 972)	-
Total	(6 972)	-

28.2.5 Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure

Disciplinary actions were implemented in the previous financial years and the cases were written off as they were unrecoverable and the debt had prescribed.

28.3 Additional disclosure relating to material losses in terms of PFMA Section 55(2)(b)(i) &(iii))**28.3.1 Details of current and previous year material losses through criminal conduct****Table 36: Current and previous year material losses through criminal conduct**

Material losses through criminal conduct	2022/2023	2021/2022
	R'000	R'000
Theft	-	366
Other material losses	-	-
Less: Recovered	-	-
Less: Not recovered and written off	-	-
Total	-	366

28.3.2 Details of other material losses**Table 37: Details of material losses**

Nature of other material losses	2022/2023	2021/2022
	R'000	R'000
Theft of computer equipment	-	366
Total	-	366

28.3.3 Other material losses recovered

No other material losses were recovered.

28.3.4 Other material losses written off

No other material losses were written off.

29. INFORMATION ON LATE AND / OR NON-PAYMENT OF SUPPLIERS

Table 38: Late and/or non-payment of suppliers

Description	Number of invoices	Consolidated Value
		R'000
Valid invoices received	19 410	6 145 020
Invoices paid within 30 days or agreed period	9 029	3 555 668
Invoices paid after 30 days or agreed period	7 624	2 221 995
Invoices older than 30 days or agreed period (unpaid and without dispute)	1 639	119 353
Invoices older than 30 days or agreed period (unpaid and in dispute)	48	79 236
Total	18 340	5 976 252

The difference is made up of 1,070 unpaid invoices totaling R168,8m which are under 30 days old.

30. INFORMATION ON SUPPLY CHAIN MANAGEMENT

Table 39: Information on supply chain management

Number	Description	Awarded Bidder	Type of Transaction	Tender Number	Value of the Contract
1	REQUEST FOR A SINGLE SOURCE PROCUREMENT IN RESPECT OF APPOINTMENT OF LIQUID INTELLIGENT TECHNOLOGIES (LIT) FOR THE PROVISION OF ALTERNATIVE CORE LINKS TO SITA ON A MONTH-TO-MONTH BASIS FOR A PERIOD NOT EXCEEDING EIGHTEEN (18) MONTHS	Liquid Intelligent Technologies (LIT)	Single Source	SS 4198-2021	R 16 960 881,38
2	ESTABLISHMENT OF AN OPERATING LEASE AGREEMENT FOR SITA EAST LONDON SWITCHING CENTRE FOR A PERIOD OF ONE (1) YEAR.	Orynx Investments (Pty) Ltd	Single Source	SS 4415-2022	R 225 975,00
3	REQUEST FOR A SINGLE SOURCE APPOINTMENT OF BUSINESS CONNEXION (PTY) LTD TO CONTINUE RENDERING VOICE AND DATA SERVICES TO THE OFFICE OF THE PRESIDENCY INCLUDING MAINTENANCE AND SUPPORT FOR A PERIOD OF THIRTY-SIX (36) MONTHS.	Business Connexion (Pty) Ltd	Single Source	SSP 4435-2022	R 2 705 733,82
4	REQUEST FOR SINGLE SOURCE PROCUREMENT OF SITA POLOKWANE OFFICE ACCOMMODATION AND SWITCHING CENTRE FOR A PERIOD OF THREE (3) YEARS.	East and East and West Investments (Pty) Ltd	Single Source	SSP 4150-2021	R 7 018 405,38
5	Acquire service from Alexander Forbes Financial Services for Pension Fund Evaluation Reports	Alexander Forbes Financial Services (Pty) Ltd	Single Source	SS 4385-2021	R 97 750,00
6	SINGLE SOURCE REQUEST TO EXTEND THE OPERATING LEASE AGREEMENT FOR SITA WESTERN CAPE OFFICE FOR A PERIOD OF TWENTY-FOUR (24) MONTHS	Black River Park Investments (Pty) Ltd,	Single Source	SSP 4534-2022	R 21 530 265,82
7	REQUEST TO APPOINT INFOBUILD (PTY) LTD AS A SERVICE PROVIDER FOR THE MAINTENANCE AND SUPPORT OF THE WEBFOCUS/FOCUS SOFTWARE SUITE FOR A PERIOD OF TWO (02) YEARS.	Infobuild (Pty) Ltd	Single Source	SSP 4630 - 2022	R 5 899 765,17
8	PROCUREMENT OF THE SECURE SOCKET LAYER (SSL) CERTIFICATES FOR A PERIOD OF ONE (01) YEAR FOR SITA AND CLIENTS	Altron Security a division of Altron (Pty) Ltd	Single Source	SSP 4652-2022	R 1 235 871,56
9	APPOINTMENT OF CYBER1 SOLUTIONS TO SUPPLY DARKTRACE NETWORK DETECTION AND RESPONSE TOOL ON-PREMISE NDR LICENSES AND MAINTENANCE AND SUPPORT DEPARTMENT OF DEFENSE (DOD) FOR TWELVE (12) MONTHS	Cyber1 Solutions	Single Source	SSP 4744-2022	R 7 685 496,00

Number	Description	Awarded Bidder	Type of Transaction	Tender Number	Value of the Contract
10	Renewal of Symantec license software for a period of one (1) year ON BEHALF OF NORTHERN CAPE GOVERNMENT, OFFICE OF THE PREMIER	DFA Solutions Pty Ltd	Single Source	SSP 4809/2022	R 567 525,00
11	THE PROVISION OF DIESEL TO THE 157 SAPS SWITCHING CENTRES, NODAL POINTS SITES AND SAPS HIGH SITES ON A MONTH TO MONTH BASIS FOR A PERIOD NOT EXCEEDING 12 MONTHS	Infrasol (Pty) Ltd	Single Source	SSP 4769-2022	R 7 978 125,00
12	THE APPOINTMENT OF PAYTEQ (PTY) LTD TO PROVIDE SOFTWARE LICENSES AND SUPPORT CONTRACT FOR DEPARTMENT OF DEFENCE (DOD) FOR A PERIOD OF THREE (3) YEARS	Payteq (Pty) Ltd	Single Source	SSP 4627-2022	R 2 009 936,67
13	THE SUPPLY OF IBM SOFTWARE LICENSING, HARDWARE, SOFTWARE, HARDWARE MAINTENANCE AND SUPPORT AND PROFESSIONAL SERVICES FOR A PERIOD OF THREE (3) YEARS.	IBM South Africa (Pty) Ltd	Sole Source	SS 4323-2021	R 1 098 018 877,51
14	REQUEST FOR RENEWAL OF CADDIE LICENSES CONTRACT ON BEHALF OF THE SOUTH AFRICAN NAVY.	Advanced Computer Solutions (Pty) Ltd	Sole Source	SS 4212/2021	R 670 000,35
15	PROCUREMENT OF CBU'S (CAPACITY BACKUP) FOR SITA CENTURION AND SITA NUMERUS SECONDARY DATA CENTRE (BETA)	IBM South Africa (Pty) Ltd	Sole Source	SS 4366 - 2021	R 9 890 000,00
16	RENEWAL OF MICROSOFT PREMIER SUPPORT SERVICES FOR A PERIOD OF ONE (1) YEAR ON BEHALF OF CITY OF CAPE TOWN.	Microsoft SA (Pty) Ltd	Sole Source	SS 4331-2021	R 1 837 872,33
17	SUPPLY OF LICENSE SUBSCRIPTION RENEWAL FOR BATELEUR SOFTWARE PRODUCT TO THE GOVERNMENT PENSIONS ADMINISTRATION AGENCY (GPA) FOR A PERIOD OF 24 (TWENTY-FOUR) MONTHS.	Bateleur Software (Pty) Ltd	Sole Source	SS 4345-2021	R 1 481 128,41
18	REQUEST FOR ASG-SMART TEST SOFTWARE LICENCE, SUPPORT AND MAINTENANCE AGREEMENT FOR BLENNY DATA CENTRE FOR A PERIOD OF THREE YEARS.	DJT Group (Pty) Ltd t/a ASG Africa	Sole Source	SS 4507-2022	R 1 859 658,35
19	Request for Absol's Proprietary Software license for Maintenance and Support from ABSOL for a Period of Six (6) Months	Absol Internet Business Solutions	Sole Source	SS 4566-2022	R 36 570,00

Number	Description	Awarded Bidder	Type of Transaction	Tender Number	Value of the Contract
20	PROCURE A SERVICE FOR THE UPGRADE TO TEAMMATE + AND RENEWAL OF THE DOTP TEAMMATE MAINTENANCE AND LICENSES CONTRACT FOR A PERIOD OF THIRTY-SIX (36) MONTHS.	Wolters Kluwer Tax and Accounting Southern Africa (Pty) Ltd	Sole Source	SS 4407-2021	R 894 720,41
21	PROCUREMENT OF MICROSOFT UNIFIED SUPPORT SERVICES ON BEHALF OF THE DEPARTMENT OF DEFENCE (DOD) ACTIVE DIRECTORY ENVIRONMENT FOR A PERIOD OF ONE (1) YEAR	Microsoft (SA) (Pty) LTD	Sole Source	SS 4593-2022	R 3 251 803,09
22	PROCUREMENT OF CISCO ROUTERS, SWITCHES, SERVERS AND NETWORK MODULES FOR THE EASTERN CAPE OFFICE OF THE PREMIER (ECOTPI).	Storage Technology Services (Pty) Ltd T/A Nexio	Sole Source	SS 4450-2022	R 1 938 884,57
23	ACQUISITION OF MAINTENANCE AND FUNCTIONAL APPLICATION SUPPORT SERVICES FROM INTENDA.	Intenda (Pty) Ltd	Sole Source	SS 4554-2022	R 6 292 800,00
24	RENEWAL OF MICROSOFT ENTERPRISE AGREEMENT (EA) BETWEEN SITA AND MICROSOFT FOR A PERIOD OF ONE (01) YEAR.	Microsoft	Sole Source	SS 4736-2022	R 27 301 546,94
25	REQUEST FOR PROCUREMENT OF SONICWALL FIREWALL LICENSES FOR GAUTENG PROVINCIAL GOVERNMENT ON A MONTH TO MONTH BASIS NOT EXCEEDING A PERIOD OF TWELVE (12) MONTH.	Pacesetter Consulting and Advisory (Pty) Ltd	Sole Source	SS 4735-2022	R 2 191 412,12
26	PROCUREMENT OF ADOBE ENTERPRISE LICENSE AGREEMENT (ETIA), MAINTENANCE AND SUPPORT ON BEHALF OF THE DEPARTMENT OF DEFENCE FOR A THREE (3) YEARS	Adobe Systems Software Ireland Ltd	Sole Source	SS 4517-2022	R 17 171 574,60
27	PROCUREMENT OF MICROSOFT UNIFIED SUPPORT SERVICES FOR SITA FOR A THREE-YEAR PERIOD	Microsoft (SA) (Pty) LTD	Sole Source	SS 4500-2022	R 38 359 198,19
28	Renewal of the Provincial Health Information System (PHIS) licence maintenance for the Limpopo Department of Health for a period of twelve (12) months	Dedalus Southern Africa (Pty) Ltd	Sole Source	SS 4547-2022	R 14 642 490,00
29	PROCUREMENT OF BROADCOM SOFTWARE LICENSES VIA CA SOUTHERN AFRICA (PTY) LTD WITH MAINTANCE AND SUPPORT FOR THE PERIOD OF TWO (2) YEARS	CA Southern Africa (Pty) Ltd	Sole Source	SS 4632-2022	R 4 246 680,90

Number	Description	Awarded Bidder	Type of Transaction	Tender Number	Value of the Contract
30	The procurement of Absol Software Development Services on Behalf of the Department of Presidency for a period of one year	Absol Internet Business Solutions (Pty) Ltd	Sole Source	SS 4671-2022	R 181 700,00
31	Procurement of Esri South Africa professional services to develop SEWS ARCGIS geographical display unit for the department of Defence (DOD)	ESRI SOUTH AFRICA	Sole Source	SS 4629-2022	R 1 691 512,00
32	PROCUREMENT OF LINUX LICENSES AND ADMINISTRATOR TRAINING ON BEHALF OF DEPARTMENT OF HOME AFFAIRS FOR A PERIOD OF ONE (1) YEAR	Axiz (Pty) LTD	Sole Source	SS-4658-2022	R 2 296 639,64
33	Request to Procure IBM Z16 A01 Mainframe Solution, for the Production System at Department of Defence (DOD) Primary Data Centre Including Maintenance and Support for a period of three (03) years	IBM South Africa (Pty) Ltd	Sole Source	SS 4637-2022	R 77 538 044,67
34	THE RENEWAL THE VOYAGER NETZ SOFTWARE LICENSES FOR THE DEPARTMENT OF DEFENCE (DOD) FOR A PERIOD OF THREE (3) YEARS	Microworks ENTERPRISE (PTY) LTD	Sole Source	SS 4771-2022	R 3 038 782,81
35	Business continuity emergency procurement for a period of three (3) months on a month to month basis up to six (6) months for employee wellness services to SITA employees	LIFE EMPLOYEE HEALTH SOLUTION (PTY) LTD	Emergency procurement	ER 4479-2022	R 296 675,04
36	Emergency procurement to replace all four tyres, wheel alignment & balancing for the SITA owned vehicle BMW X3, registration number JV94FHGP	FAMILY INDERJEETH INVESTMENT	Emergency procurement	ER 4620-2022	R300 595,85
37	Request for approval of month to month employee wellness services to SITA employees	LIFE EMPLOYEE HEALTH SOLUTION (PTY) LTD	Emergency procurement	ER 4413-2021	R296 675,04
38	Emergency procurement to unblock sewerage pipes at the testing lab Apollo Erasmuskloof and jetting of the whole sewerage system	YATSHAMA IT AND STATIONERY	Emergency procurement	ER 4470-2022	R 69 460
39	Emergency procurement for trauma debriefing and counselling sessions for bereaved family member(s)	LIFE HEALTH SOLUTIONS	Emergency procurement	ER 4829-2022	R 50 504,55
40	Provision of alternative core links to connect switching centres	Liquid Intelligent Technologies (LIT)	Sole source	SS 4198-2021	R 11 798 874,00

30.1.1 Contract variations and expansions

Table 40: Contract variations and expansions

Number	Description	Awarded Bidder	Contract modification type (Expansion / Variation)	Tender Number	Original contract value	Value of previous contract expansion(s)/ variation(s) - if applicable	Value of current contract expansion/ variation
1	REQUEST OF A CONTRACT EXTENSION DURATION FOR GAUTENG BROADBAND NETWORK PHASE II FOR 9 Months	Altron Nexus (Pty) Ltd	Contract Extension	RFB 1705-2017	R 2 469 234 330	Not Applicable	Only the period that is being extended
2	Contract extension with Canonical for the supply, installation and configuration of all software components including licensing of Ubuntu operating systems for a period of one (01) year	Canonical Group Limited	Contract Extension	SS 2720-2019	R 42 400 104	Not Applicable	Only the period that is being extended
3	Supply of Microsoft Service Provider License Agreement (SPLA) with Epsidon Technology Distribution for a period of period of one (01) year	Epsidon Technology Distribution	Contract Extension	RFQ 2062-2019	R 79 848 609	Not Applicable	Only the period that is being extended
4	Approve the amendment of the contract with an additional one (1) month with no financial implications from 08 February 2023 to 08 March 2023	Altron Nexus	Contract Extension	RFB 1705-2020	R 2 839 619 479	Not Applicable	Only the period that is being extended
5	REQUEST TO OBTAIN APPROVAL FOR THE EXTENSION OF THE CONTRACT BETWEEN MANAGED INTEGRITY EVALUATION (PTY) LTD AND SITA ON A MONTHLY BASIS FOR A PERIOD NOT EXCEEDING SIX (6) MONTHS, WITH A MAXIMUM OF 14% INCREASE IN CONTRACT VALUE.	Managed Integrity Evaluation (Pty) Ltd	Contract variation	RFB 1715-2017	R 2 000 000	Not Applicable	R 280 000

Number	Description	Awarded Bidder	Contract modification type (Expansion / Variation)	Tender Number	Original contract value	Value of previous expansion(s)/ variation(s) - if applicable	Value of current contract expansion/ variation
6	The Supply of the Fully Managed Data Centre (FMDC) for the Gauteng Provincial Government	BCX	Contract variation	SS1685-2017	R 267 789 089	R 192 866 751	R 27 766 743
7	Extension of contract TELKOM as a Single Source for the provision of White Space Servers - 29 Months	Telkom SA	Contract variation	SS 1969-2018	R 45 589 105	Not Applicable	R 30 732 085
8	REQUEST TO EXTEND CURRENT CONTRACT WITH SNO CLEANING SERVICES CC AND SITA FOR THE DURBAN OFFICE FOR THE PERIOD OF FOUR (4) MONTHS.	SNO Cleaning Services CC	Contract variation	BPA335718	R 677 991	Not Applicable	R 80 763
9	REQUEST TO EXTEND THE CONTRACT RFB 1741-2018 BETWEEN SITA AND TELEPHONE MOBILE NETWORK (PTY) LTD ON A MONTH-TO-MONTH PERIOD NOT EXCEEDING TWELVE (12) MONTHS	Mobile Telephone Networks (PTY) Ltd	Contract variation	RFB 1741-2018	R 8 775 148	R 10 919 621	R 5 667 268
10	Request for a single source appointment of Telkom SA SOC Limited for all existing Telkom access links connectivity for various government departments for a period of eighteen (18) months as approved by National Treasury	Telkom SA SOC Limited	Contract variation	SS 01-2020	R 483 289 301	Not Applicable	R 504 047 326

Number	Description	Awarded Bidder	Contract modification type (Expansion / Variation)	Tender Number	Original contract value	Value of previous contract expansion(s)/ variation(s) - if applicable	Value of current contract expansion/ variation
11	EXTENSION OF CONTRACT OF RFB 1886-2018 FOR THE SPECIALIST ELECTRICAL AND MECHANICAL CONTRACTOR TO PROVIDE ELECTRICAL AND MECHANICAL INFRASTRUCTURE SUPPORT, CRITICAL REPAIRS AND MATERIAL FOR A PERIOD OF SIX (6) MONTHS.	Med TechEngineers and Airwaves Air conditioner	Contract variation	RFB 1886-2018	R 7 516 000	Not Applicable	R 1 127 400
12	REQUEST TO EXTEND THE CURRENT CONTRACT DURATION AND VALUE FOR LAN AND DESKTOP SUPPORT FOR A PERIOD OF THREE (3) MONTHS ON BEHALF OF THE KWA-ZULU NATAL; DEPARTMENT OF HUMAN SETTLEMENTS.	Datacentrix (Pty) Ltd	Contract variation	RFB 2490-1183-2019	R 11 422 869	Not Applicable	R 897 000
13	SCOPE EXPANSION AND CONTRACT EXTENSION FOR RFB2520-2021: ACQUISITION OF SERVICES FOR SUPPLY CHAIN MANAGEMENT EXECUTION PARTNERS (PROFESSIONAL SERVICES) FOR A PERIOD OF SIX (06) MONTHS.	Caliba Group (Pty) Ltd	Contract variation	RFB2520-2021	R 3 442 926	R 3 056 400	R 2 967 966

Number	Description	Awarded Bidder	Contract modification type (Expansion / Variation)	Tender Number	Original contract value	Value of previous contract expansion(s)/ variation(s) - if applicable	Value of current contract expansion/ variation
14	THE EXTENSION OF THE CONTRACT FOR MAINTENANCE ON THE TWO (2) MB ONE STEP MAILING MACHINES FOR FOUR A PERIOD OF FOUR (4) MONTHS ON A MONTH TO MONTH BASIS.	Batsumi Enterprise Solutions (Pty) Ltd	Contract variation	RFQ 4238-AH-2021-	R 517 500	Not Applicable	R 163 806
15	APPROVAL TO INCREASE THE ORIGINAL CONTRACT VALUE TO THE EXISTING WIRELESS APPLICATION SERVICE PROVIDER(WASP) CONTRACTS	1. Telkom 2. Cell C 3. MTN 4. Vodacom	Contract variation	WASP	R 10 067 519	Not Applicable	R 89 962 648
16	REQUEST TO EXTEND THE CONTRACT AND INCREASE THE CONTRACT AMOUNT BETWEEN OMNITOR (PTY) LTD AND SITA IN RESPECT OF RFB 184-2018: THE SUPPLY OF INTEGRATED COMPETENCY ASSESSMENT SERVICES, FOR A FIXED PERIOD OF THREE (3) MONTHS FROM 01 JUNE 2022 UNTIL 31 AUGUST 2022 AND THEREAFTER ON A MONTH-TO-MONTH UNTIL 31 NOVEMBER 2022	Omnitor (Pty) Ltd	Contract variation	RFB 1841-2018	R 780 000	Not Applicable	R 992 045
17	Contract amendment to expand the scope for the upgrade of access links: NPA 0045-20 from 16MB/S to 50MB/S for National Prosecuting Authority at ID Linton House Brooklyn to SITA Centurion	Ubuntu Technologies (Pty) Ltd	Contract variation	RFQ 4414-1880-2021	R 249 585	R 249 585	R 335 809

Number	Description	Awarded Bidder	Contract modification type (Expansion / Variation)	Tender Number	Original contract value	Value of previous contract expansion(s)/ variation(s) - if applicable	Value of current contract expansion/ variation
18	SCOPE EXPANSION (INC20782392) SUPPLY, INSTALLATION AND CONFIGURATION OF AN ANTIVIRUS SOLUTION FOR KWAZULU NATAL DEPARTMENT OF HEALTH WHICH NEEDS TO INCLUDE LICENSES, SUPPORT, MAINTENANCE AND TRAINING FOR A PERIOD OF TWO (2) YEARS.	Simphiwe Security Consulting (Pty) Ltd.	Contract variation	RFB 2409-2020	R 975 922	Not Applicable	R 4 417 054
19	SCOPE EXPANSION FOR THE UPGRADE OF ACCESS LINK: PSC0001-20 FROM 10 MEG TO 20 MEG FOR THE OFFICE OF THE PUBLIC SERVICE COMMISSION (OPSC) FOR A PERIOD OF FIVE (5) YEARS.	Telkom SA SOC Limited	Contract variation	CVT-REG 000164	R 334 993	Not Applicable	R 644 463
20	Request for approval to increase the current capped amount for the maintenance of additional equipment on contract RFB 2019-2019 for the provision of maintenance and support of Wide Area Network (WAN), Local Area Network (LAN), Environmental Equipment and related Firmware/Software for SAPS to accommodate payment for the maintenance and support of additional equipment for the remaining period of the contract ending 2023/06/30	Storage Technology Services (Pty) Ltd t/a Nexio	Contract variation	RFB 2019-2019	R 238 988 725	Not Applicable	R 7 475 000

Number	Description	Awarded Bidder	Contract modification type (Expansion / Variation)	Tender Number	Original contract value	Value of previous contract expansion(s)/ variation(s) - if applicable	Value of current contract expansion/ variation
21	REQUEST FOR ADDITIONAL SCOPE EXPANSION FOR SUPPLY OF BMC CONTROL SOFTWARE LICENSE UPGRADE FOR THE NUMERUS DATA CENTRE FOR PERIOD ENDING ON 30 NOVEMBER 2023.	Blue Turtle Technologies (Pty) Ltd	Contract variation	RFB 2100-2022	R 58 438 752	Not Applicable	R 10 041 364
22	SCOPE EXPANSION ON CONTRACT RFB 2109-2019 FOR FIBRE LINKS EXTENSION TO NETWORK / REROUTING TRAFFIC FOR THE REMAINING PERIOD OF THE CONTRACT ENDING ON 31 MAY 2024.	Dimension Data (Pty) Ltd	Contract variation	RFB 2109-2019	R 104 478 752	Not Applicable	R 2 695 921
23	REQUEST FOR APPROVAL FOR THE SCOPE VARIATION TO SUPPLY AND INSTALL ADDITIONAL MATERIAL WHICH IS FURTHER REQUIRED TO INSTALL THE NEW ACCESS CONTROL SYSTEM THAT IS CURRENTLY BEING DEPLOYED AT SITA CENTURION AND NUMERUS, AND WILL FURTHER BE DEPLOYED TO THE REST OF SITA OFFICES INCLUDING PROVINCES ON CONTRACT RFB 2374-2020.	Guard-4-Sure Security Services (Pty) Ltd	Contract variation	RFB 2374-2020	R 15 988 986	Not Applicable	R 992 208
24	Request for Scope Expansion on SMME Training for Enterprise and Supplier Development Programme	Tiriso (Pty) Ltd	Contract variation	RFQ 4621-AH-2022	R 374 925	Not Applicable	R 45 000

Number	Description	Awarded Bidder	Contract modification type (Expansion / Variation)	Tender Number	Original contract value	Value of previous contract expansion(s)/ variation(s) - if applicable	Value of current contract expansion/ variation
25	REQUEST TO UPGRADE THE DATA LINE IN GARIEPDAM - ADMINISTRASIE BY DAMWAL GARIEP FREE STATE SFSDWAGPD1 FROM 2 MEG TO 10 MEG FOR THE REMAINING PERIOD UNDER EXISTING RFQ 2265-1072-2017 (Dept Water and Sanitation)	Ubuntu Technology (Pty) Ltd	Contract variation	RFQ 2265-1072-2017	R 303 250	Not Applicable	R 131 608
26	REQUEST APPROVAL FOR A CONTRACT VARIATION FOR THE MOVEMENT OF SIX (6) ACCESS DATA LINES FROM BEDFORDVIEW TO EITHER CENTURION OR BETA SWITCHING CENTRE	Comsol Networks (Pty) Ltd	Contract variation	CVT-REG 152	R 6 482 500	Not Applicable	R 3 750
27	Contract variation for the movement of Access Data Lines from Bedfordview to Centurion (Various Departments)	Ubuntu Technologies (Pty) Ltd	Contract variation	Req 516	R 325 340	Not Applicable	R 28 336
28	Request to upgrade Access link from 100 MEG to 200 MEG for the Office of the Presidency Union Building: STP0004 - 18 for the remaining period (ending 10 March 2025) under the existing CVT-REQ00000041	Dark Fibre Africa (Pty) Ltd	Contract variation	CVT-REQ00000041	R 438 454	Not Applicable	R 438 454

Number	Description	Awarded Bidder	Contract modification type (Expansion / Variation)	Tender Number	Original contract value	Value of previous contract expansion(s)/ variation(s) - if applicable	Value of current contract expansion/ variation
29	Request for contract extension between SITA and Open Architecture Systems (Pty) Ltd in respect of RFB 2054-2019; maintenance and support services to the Department of Defence (DoD) for a period of three (3) months from 01 March 2023 to 31 May 2023	Open Architecture Systems (Pty) Ltd	Contract variation	RFB 2054-2019	R 2 408 268	Not Applicable	R 129 375
30	Request to approve contract variation in the Blanket Purchase Agreement (BPA) 342817 between Amber Falcon Properties 187 (Pty) Ltd and SITA for SAPOS sites	Amber Falcon Properties 187 (Pty) Ltd	Contract variation	BPA 342817	R 520 433	Not Applicable	R 69 700
31	Request to approve contract variation in the Blanket Purchase Agreement (BPA) 337041 between Comsol Networks (Pty) Ltd and SITA	Comsol Networks (Pty) Ltd	Contract variation	CVT-REG 160 BPA 337041	R 3 236 905	Not Applicable	R 4 313
32	Scope expansion on Contract SS 4101-2020 for acquiring an additional 24 Million Service Units (MSU) of licenses for the TMONCICS Software product used in the Hosting SAPS, Numerus Data Centre mainframe environment for the remaining period of the contract ending 31 October 2024	DJT Group (Pty) Ltd trading as ASG Africa	Contract variation	SS 4101-2020	R 5 175 373	Not Applicable	R 99 081

Number	Description	Awarded Bidder	Contract modification type (Expansion / Variation)	Tender Number	Original contract value	Value of previous contract expansion(s)/ variation(s) - if applicable	Value of current contract expansion/ variation
33	Expansion of Scope to the existing Mimecast Contract for RFB 2028/2019 with current service provider SMS ICT Choice (Pty) Ltd for COGTA KZN	SMS ICT Choice (Pty) Ltd	Contract variation	RFB 2028/2019:	R 5 017 028	Not Applicable	R 382 111
34	Scope expansion of CVT-REG 0000103 for the upgrade of access link DHA0220-20 (DHA0065-18) from 2 meg to 10 meg from Telkom SA SOC Limited / BCX for Department of Home Affairs (DHA) OR Tambo International Airport	Telkom SA SOC Limited	Contract variation	RFQ 4682-1880-2022	R 266 632	Not Applicable	R 161 866
35	CONTRACT AMENDMENT TO EXPAND THE SCOPE FOR AN ADDITIONAL 26 MILLION SERVICE UNITS (MSU) OF LICENSES FOR THE SAS BASE SOFTWARE PRODUCT USED IN THE HOSTING SAPS, NUMERUS DATA CENTRE MAINFRAME ENVIRONMENT	Allron TMT (Pty) Ltd	Contract variation	SS 2807-2019	R 2 461 416	Not Applicable	R 136 525

Number	Description	Awarded Bidder	Contract modification type (Expansion / Variation)	Tender Number	Original contract value	Value of previous contract expansion(s)/ variation(s) - if applicable	Value of current contract expansion/ variation
36	CONTRACT AMENDMENT TO EXPAND THE SCOPE FOR AN ADDITIONAL 9 MSU'S OF ADASTRIP AND ESTRIP MAINFRAME SOFTWARE LICENSES INCLUDING SUPPORT AND MAINTENANCE FOR THE DURATION OF THE CURRENT SUPPORT AND MAINTENANCE CONTRACT for SAPS	Bateleur Software (Pty) Ltd	Contract variation	SS 2848-2020	R 5 435 776	Not Applicable	R 161 905
37	DWA0021-19 - Request to approve contract variation to upgrade/increase the primary access link bandwidth from 20 Meg to 30 Meg between SITA switching centre and Azmo Place at Polokwane in the Purchase Order (PO) 340829 between Brilliant Telecommunications (Pty) Ltd and SITA	Brilliant Telecommunications (Pty) Ltd	Contract variation	CVT716	R 341 750	Not Applicable	R 263 035
38	REQUEST TO UPGRADE ACCESS LINK FROM 10 MEG TO 20 MEG: DEPARTMENT OF ENVIRONMENTAL AFFAIRS (PO: 341086)	Ubuntu Technologies (Pty) Ltd	Contract variation	RFQ 0000187	R 249 600	Not Applicable	R 278 981
39	Contract variation in the Blanket Purchase Agreement 334677 between Ubuntu Technologies (Pty) Ltd and SITA	Ubuntu Technologies (Pty) Ltd	Contract variation	BPA334677	R 2 911 373	Not Applicable	R 261 855

Number	Description	Awarded Bidder	Contract modification type (Expansion / Variation)	Tender Number	Original contract value	Value of previous contract expansion(s)/ variation(s) - if applicable	Value of current contract expansion/ variation
40	Extension of scope of the existing cleaning contract to include hygiene and sanitary services for the next ten (10) months for SITA Mpumalanga under the contract RFB 2173/2020 awarded to OKS Investment 2009	OKS Investment 2009	Contract variation	RFB 2173/2020	R 604 880	Not Applicable	R 132 147
41	Request for an upgrade of access link from 10 MEG to 20 MEG (DWA0110-19) services for National Department: Department Water and Sanitation on REQ 932 CVT 231 for the remaining period ending 24 February 2024	Ubuntu Technology (Pty) Ltd	Contract variation	Req 932 - CVT 231	R 262 206	Not Applicable	R 254 541
42	REQUEST TO EXTEND THE MEMORANDUM OF AGREEMENT BETWEEN SITA AND HAYANI WASTE AND TRANSPORT (PTY) LTD, IN ORDER TO PROVIDE WASTE SKIPS AND COLLECTION A PERIOD OF FIVE (5) MONTHS.	Hayani Waste and Transport (PTY) LTD	Contract variation	RFB 1958-2019	R 3 634 449	Not Applicable	R 520 119

Number	Description	Awarded Bidder	Contract modification type (Expansion / Variation)	Tender Number	Original contract value	Value of previous contract expansion(s)/ variation(s) - if applicable	Value of current contract expansion/ variation
43	REQUEST FOR SCOPE EXPANSION TO THE CURRENT CLEANING CONTRACT RFB 2413-2020 FOR GAUTENG SITA BUILDINGS TO INCLUDE HYGIENE SERVICES FOR THE DURATION ENDING 28 FEBRUARY 2025	1. Siyathuthuka 2. MUTIA BAFOKENG FACILITY JV	Contract variation	RFB 2413-2020	R 27 865 627	Not Applicable	R 1 182 476
44	the renewal of the umbrella contract for maintenance and support between SITA and CANON South Africa (Pty) Ltd, for a period of six (6) months on a month to month basis.	CANON South Africa (Pty) Ltd	Contract Extension	SSP 2530-2019	R 22 185 559		Only the period that is being extended
45	LAN infrastructure Maintenance & Support, on behalf of the Northern Cape Department of Co-operative Governance, Human Settlements, and Traditional Affairs	DVF NETWORK TECHNOLOGY (PTY) LTD		Q4 2022/23	R 1 337 568,77		R106 444,00



PART F

FINANCIAL INFORMATION

31. STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

ANNUAL FINANCIAL STATEMENTS

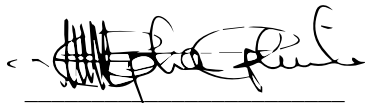
FOR THE YEAR ENDED 31 MARCH 2023

GENERAL INFORMATION

Legal form	State Information Technology Agency (SITA) SOC Ltd
Nature of operations	<p>Information Communication Technology (ICT)</p> <p>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.</p>
Physical address	<p>459 Tsitsa Street</p> <p>Erasmuskloof</p> <p>Pretoria</p> <p>0048</p>
Postal address	<p>PO Box 26100</p> <p>Monument Park</p> <p>0105</p>
Bank details	Standard Bank
Domicile	South Africa
Auditor	Auditor General - South Africa
Managing Director	Dr. Bongani Mabaso
Chief Financial Officer	Mr. Molatlhegi Kgauwe

32. CERTIFICATE BY COMPANY SECRETARY

I, Vincent Mphaphuli 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.



Vincent Mphaphuli (acting)
Company Secretary

33. 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 2023. 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.

33.1 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.

33.2 Registration details

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

33.3 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 Minister Mondli Gungubele.

33.4 Equity Contributed

There were no changes to either the authorised or issued share capital of the company during the year ended 31 March 2023. Details of the authorised and issued share capital can be found in note 11 to the annual financial statements.

33.5 Financial Highlights

The financial performance is set out on pages 120 to 193 of this report.

The group financial performance is summarised as follows:

	31 March 2023 (R' 000)	31 March 2022 % change
Revenue	6 688 675	11.42 %
Net surplus for the year – before tax	450 518	3.21 %
Total assets	5 054 826	8.61 %
Net assets	3 936 730	12.92 %
Cash generated from operations	389 417	-34.5%

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

33.6 Dividends

There were no dividends declared for the current financial year ended 31 March 2023.

33.7 Public Finance Management Act (PFMA)

33.7.1 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.

33.7.2 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.

33.7.3 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 28 in the financial statements and also in Part E of the annual report.

33.8 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 did not improve and more work will be done to ensure that internal controls are improved on qualification areas. With the exception of qualification areas, internal controls operated effectively.

Management is busy with the preparation of an audit action plan that is intended to address the remaining qualification areas.

33.8.1 Irregular Expenditure

Details of irregular expenditure are disclosed in note 27 of the financial statements and also in Part E of the annual report. Irregular expenditure incurred will be investigated and appropriate steps will be taken to improve controls and also to ensure appropriate consequence management.

33.9 Public Private Partnerships

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

33.10 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)

33.11 Events Subsequent the Date of Financial Position

On 2 December 2022, Cabinet appointed Dr Bongani Andy Mabaso as the new permanent Managing Director of SITA; he assumed duty on 1 April 2023. Furthermore, Cabinet appointed an interim Board on 21 July 2023 following the termination of the Board contract.

33.12 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.

33.13 Directors

This part needs to be completed by the company secretary.

Disclosure of Directors' remuneration is detailed in Annexure of the Annual Financial Statements.

The following individuals were Directors during the year under review:

Non-Executive Directors:

Chairperson

Ms M Mosidi

Appointed 1 February 2022

Deputy Chairperson

Dr S Bvuma

Appointed 1 February 2022

Members

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 \$	Appointed 1 February 2022
Mr W Vukela %	Appointed 1 February 2022
Ms J Morwane@	Appointed 1 February 2022
Ms N Pierteresen	Appointed 1 February 2022
Mr M Ratshimbilani	Appointed 1 February 2022

Executive Directors:

Luvuyo Keyise (Interim Managing Director)	Appointed 28 January 2022
Mr A Pretorius (Acting Chief Financial Officer)^	Appointed 29 July 2022
Mr M Kgauwe (Chief Financial Officer)#	Appointed 1 December 2020

Company Secretary

Ms M Mohlabi	Appointed 1 August 2022
Mr V Mphaphuli (HoD Legal Services)*	Appointed 1 February 2022

Reappointed 1 February 2022

Acted as Managing Director from 29 July 2022 until 31 March 2023

^ Acted as Chief Financial Officer from 29 July 2022 until 31 March 2023

*Acted as Company Secretary from 1 February 2022 to 31 July 2022 and reappointed from 1 February 2023

@ Department of Communications and Technologies representative

\$ National Treasury representative

% Department of Public Service and Administration representative

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

Report on the audit of the financial statements

34.1 Qualified opinion

1. I have audited the financial statements of the State Information Technology Agency (SITA) SOC Ltd set out on pages 119 to 191, which comprise the statement of financial position as at 31 March 2023, 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 SITA as at 31 March 2023, 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).

34.1.1 Basis for qualified opinion

34.1.1.1 Revenue from exchange transactions

3. I was unable to obtain sufficient appropriate audit evidence for revenue from exchange due to the status of record keeping by the public entity. I was unable to confirm revenue from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to revenue from exchange transactions stated at R6 686 million in note 16 to the financial statements.
4. In addition, in the prior year the public entity did not recognise revenue from exchange in accordance with GRAP 1, Presentation of Financial Statements. Revenue from exchange were recorded in the incorrect financial year, consequently the corresponding figures of revenue from exchange disclosed in note 16 to the financial statements was overstated by R99 million while the prior year surplus, accumulated surpluses and income received in advance were overstated by the same amount. My opinion on the current financial year annual financial statement is modified because of the effects on the comparability of revenue from exchange for the corresponding figures.

34.1.1.2 Cost of Sales

5. I was unable to obtain sufficient and appropriate audit evidence for cost of sales due to status of record keeping and the underlying accounting records not agreeing to the recorded transactions by the public entity. I was unable to confirm the cost of sales by any alternative means. Consequently, I was unable to determine whether any adjustments were necessary to cost of sales stated at R4 732 million (2022: R3 935 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; prior period error note as well as operating expense.
6. In addition, 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 resulting in the overstatement of cost of sales by R56 million (2022: understatement R298 million). There was a resultant impact on the prior year surplus for the period; accumulated surpluses; and trade and other payables.

Operating expenses

7. I was unable to obtain sufficient appropriate audit evidence for operating expenses due to status of record keeping. I was unable to confirm operating expenses by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to operating expenses stated at R1 474 million in note 18 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; prepayments; prior period error note as well as cost of sales.
8. In addition, in the prior year the public entity did not recognise expenses in accordance with GRAP 1, Presentation of Financial Statements. Operating expenses 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 assets register, consequently the corresponding figures of operating expenses disclosed in note 18 to the financial statements was overstated by R131 million, there was a resultant impact on the prior year cost of sales; surplus for the period; trade and other payables; accumulated surpluses; property, plant and equipment; intangible assets as well as prepayments. My opinion on the current financial year annual financial statement is modified because of the effects on the comparability of operating expenses for the corresponding figures.

Property, plant and equipment

9. The public entity did not recognise property, plant, and equipment in accordance with GRAP 17, Property, plant, and equipment. Not all items of property, plant and equipment were recorded in the asset register resulting in the property, plant and equipment disclosed in note 04 to the financial statements being understated by R63 million.
10. In addition, the public entity did not adequately review the useful lives of the property plant and equipment in accordance with GRAP 17, Property, plant and equipment. Furthermore, the public entity did not adequately perform an impairment assessment at the reporting date for property, plant and equipment in accordance with GRAP 26, Impairment of assets. As a result, I was unable to determine the correct carrying amount of property plant and equipment, stated at R840 million (2022: R954 million) in note 4 to the financial statements as it was impractical to do so.
11. The correcting journal for reversal of impairment relating to the prior year was incorrectly processed in the current year, which resulted in R100 million overstatement of carrying amount of the property plant and equipment. There is 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.

Intangible Assets

12. The public entity did not review the useful lives of intangible assets in accordance with GRAP 31, Intangible assets. Furthermore, the public entity did not adequately assess intangible assets 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 R265 million (2022: R279 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.

Trade and other receivables

13. In the prior year, 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. My audit opinion on the financial statements for the period ended 31 March 2022 was modified accordingly. My opinion on the current year financial statements is also modified as there is a possible effect of this matter on the comparability of the trade and other receivables balance. Additionally there was an impact on related parties disclosure; revenue and surplus for the year.

Prior period error

14. The prior period error note as disclosed in note 30 to the financial statements is incomplete and not in accordance with the requirements of GRAP 3, Accounting policies, estimates and errors. The nature and the amount of the corrections for some financial statement items affected, and the amount of the corrections at the beginning of the earliest previous period were not disclosed. In addition some of the amounts included in the disclosure were incorrectly calculated as they did not agree to the related financial statement items. Consequently, I was unable to determine the correct balances for those prior period errors disclosed in note 30 to the financial statements as it was impracticable to do so.

Context for opinion

15. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report..
16. 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.
17. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

34.1.3 Other matters

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

34.1.3.1 National Treasury Instruction no.4 of 2022-23: PFMA Compliance and Reporting Framework

19. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure (UIFW expenditure). Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed is no longer disclosed in either the annual report or the disclosure notes of the annual financial statements, only the current year and prior year figures are disclosed in note 27 to the financial statements. Furthermore, the movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of SITA. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now included as part of other information in the annual report of SITA. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

34.1.4 Responsibilities of the accounting authority for the financial statements

20. The board of directors, which constitutes accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of 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.
21. 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.

34.1.5 Responsibilities of the auditor-general for the audit of the financial statements

22. 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.
23. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

34.2 Report on the audit of the annual performance report

24. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected programmes presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

25. I selected the following programmes presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected programmes that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Programme	Page numbers	Outcomes
Thought leadership and service delivery	32-34	Increased citizen value through availability and accessibility of core government public-facing services on digital platforms Seamless integrated and tested public services
Digital Infrastructure	35-36	Optimised digital infrastructure

26. I evaluated the reported performance information for the selected programmes against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

27. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as what was committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

28. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion.

29. I did not identify any material findings on the reported performance information of Thought leadership and service delivery.

30. The material findings on the performance information of the selected programmes are as follows:

34.2.1.1 Programme 2: Digital infrastructure

Indicator - % provision of broadband services to connected sites sustained.

31. An achievement of 100% provision of broadband services to connected sites sustained was reported against a target of 100% provision of broadband services to connected sites sustained. However, some supporting evidence was not provided for auditing; and, where it was, I identified material differences between the actual and reported achievements. Consequently, the achievement might be more or less than reported and was not reliable for determining if the target had been achieved.

34.2.2 Other matters

32. I draw attention to the matters below.

34.2.2.1 Achievement of planned targets

33. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- and under-achievements. This information should be considered in the context of the material findings on the reported performance information. Reasons for the underachievement of targets are included in the annual performance report on pages 32 to 36.

34.2.2.2 Material misstatements

34. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Digital Infrastructure. Management did not correct the misstatements and I reported material findings in this regard.

34.3 Report on compliance with legislation

35. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

36. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

37. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

38. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

34.3.1.1 Annual financial statements and annual report

39. 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 misstatement of the current liabilities, contingent liabilities, commitments and statements of cash flow identified by the auditors in the submitted financial statements were corrected and supporting records were subsequently provided, but the uncorrected material misstatements and supporting records that could not be provided resulted in financial statements receiving a qualified opinion.

Expenditure management

40. Effective steps were not taken to prevent Irregular expenditure amounting to R452 million, as disclosed in note 27 (a) to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. Majority of the irregular expenditure of R 448 million relates to expenditure incurred on ongoing multi-year contracts incurred in prior years.

41. Prepayments were made before goods or services were received and the terms of contract did not specify that payments in advance are required in contravention of treasury regulation 31.1.2(c).

Consequence management

42. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed.
43. Disciplinary hearings were not held for confirmed cases of financial misconduct committed by some of the officials, as required by treasury regulation 33.1.1.

34.4 Other information in the annual report

44. The accounting authority is responsible for the other information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. The other information referred to 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 this auditor's report.
45. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation, do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
46. My responsibility is to read this other information and, in doing so, consider whether it 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.
47. 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

34.5 Internal control deficiencies

48. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
49. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion and, the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
50. Management developed an action plan to address prior years material audit findings. However, implementation of the action plan was not effectively monitored. This resulted in non-adherence to the timelines outlined in the plan and the material misstatements not being appropriately corrected and ultimately repeat modification of the audit opinion. Critical judgements, assumptions and processes applied by management were inadequately documented and supported by evidence.
51. Significant findings identified in the submitted annual financial statements indicated that the Standards of GRAP were not interpreted and applied properly and consistently when preparing the annual financial statement.

52. 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 misstatements identified through the audit process, some of which were subsequently corrected. There is a lack of credible financial reporting throughout the year to enable leadership to review and take appropriate and timeous corrective action where required. The inaccuracies in financial statements, to a large extent, could have been prevented if the information was prepared regularly and diligently reviewed by appropriate members of senior management.
53. Several instances of limitation of scope were identified during the audit where management failed to submit information required for audit purposes in a timely manner, due to lack of efficient record keeping system and this resulted in late finalisation of the audit and limitation misstatements being identified.
54. Management did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information when reporting actual achievement made against the planned achievement.
55. The accounting authority needs to strengthen its oversight responsibility over the internal controls relating to compliance with laws and regulations.

Material irregularities

56. 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 material irregularities as previously reported in the auditor's report.

34.5.1 Status of previously reported material irregularities

34.5.1.1 Payment made for licences that were not utilised

57. 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.
58. 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.
59. 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.
60. The accounting authority was notified of the material irregularity on 16 September 2021. The following actions have been taken to address some aspects of the material irregularity:
61. Arbitration proceedings against the supplier to recover the likely financial loss commenced on 14 February 2022. The Plaintiff issued a statement of claim and SITA duly filed and served its statement of defence and a counterclaim to the court. The arbitration was in favour of the supplier and SITA has settled the liability.

62. The accounting authority launched a preliminary investigation into the material irregularity on 1 March 2023 to establish who the implicated officials were. Subsequent to the investigation, the implicated employees were served with formal representation letters for disciplinary action. Based on the outcomes of the responses to letters, a final report will be submitted and approved by the Managing Director where after consequence management processes and possible recovery of losses will take place.
63. We will follow-up on the implementation of the planned actions during the 2023/24 audit once the final report has been received.

34.5.1.2 Payment for services not delivered

64. 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.
65. 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.
66. The accounting authority was notified of the material irregularity on 16 September 2021. The following actions have been taken to address some aspects of the material irregularity:
- 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.
 - The accounting authority instituted legal action on 12 November 2021 to recover the amount from the supplier. A settlement agreement was concluded with the supplier on 10 March 2023. The supplier paid an initial amount of R50 000 but defaulted on remainder of the payments stipulated in the agreement. SITA via their attorneys approached the court to get a default judgement against the supplier. As at the date of this auditor's report, no date has been set by the registrar of the court
67. We will follow-up on the implementation of the planned action during the 2023/24 audit to verify if the court date has been obtained to hand down default judgement as well as whether remaining financial loss has been recovered.

Auditor - General

Pretoria

28 September 2023



Annexure to the auditor's report

The annexure includes the following:

- the auditor-general's responsibility for the audit
- the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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 selected requirements in key legislation.

Financial statements

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
- conclude on the appropriateness of the 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 public entity 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

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.

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.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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ABBREVIATIONS

GRAP - Generally Recognised Accounting Practice

PFMA - Public Finance Management Act

SITA - State Information Technology Agency

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2023

In Rand	Note	2023 R'000	Restated 2022 R'000
ASSETS			
Non-current assets		1 106 546	1 233 360
Property, plant and equipment	4	840 323	954 213
Intangible assets	5	265 319	279 147
Non-current portion of prepayments	10	905	-
Current assets		3 948 279	3 420 849
Cash and cash equivalents	8	2 437 791	2 227 789
Trade and other receivables	9	1 151 456	883 602
Income tax receivable		218 983	136 556
Prepayments	10	140 049	139 165
Inventory	26	-	33 737
Total Assets		5 054 824	4 654 209
EQUITY AND LIABILITIES			
Net assets		3 936 730	3 486 212
Share capital	11	-	-
Non-Distributable Reserve	12	627 335	627 335
Accumulated surpluses		3 309 395	2 858 878
Total net assets		3 936 730	3 486 212
Liabilities			
Non-current liabilities		184 542	248 191
Post-retirement employee benefits	13.1	118 535	112 271
Long service award benefit	13.2	10 952	12 010
Finance lease liability	29	-	14 359
Deferred tax liability	7	55 056	109 551
Current liabilities		933 553	919 806
Trade and other payables	14	683 497	666 427
Income received in advance	15	231 235	219 219
Finance lease liability	29	14 359	30 341
Post-retirement employee benefits	13.1	2 713	2 427
Long service award benefit	13.2	1 749	1 392
Total Liabilities		1 118 095	1 167 997
Total Equity and Liabilities		5 054 824	4 654 209

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2023

In Rand	Note	2023 R'000	Restated 2022 R'000
Revenue from exchange transactions	16,1	6 686 164	6 003 100
Revenue from non-exchange transactions	16,2	2 511	-
Total revenue		6 688 675	6 003 100
Cost of sales	17	(4 731 566)	(3 935 304)
Gross surplus		1 957 109	2 067 796
Operating expenses	18	(1 474 658)	(1 504 843)
(Deficit)/Surplus from operating activities		482 451	562 953
Finance expense	19	(3 992)	(6 364)
(Deficit)/Surplus before income tax		478 459	556 589
Income tax	20	(27 941)	(120 089)
(Deficit)/Surplus for the year attributable to shareholders		450 518	436 500

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 31 MARCH 2023

In Rand

	Share capital	Reserve	Accumulated surpluses	Total
	R'000	R'000	R'000	R'000
Restate opening balance as at 31 March 2021	0	627 335	2 958 812	3 586 147
Adjustment to opening retained earnings	-	-	(536 436)	(536 436)
Restated surplus for the year 01 April 2021	-	627 335	2 422 377	3 049 712
Restated surplus for the year			436 500	436 500
Restated balance as at 31 March 2022	0	627 335	2 878 877	3 486 212
Surplus for the year	-	-	450 518	450 518
Balance as at 31 March 2023	0	627 335	3 309 396	3 936 730
Note	11	12		

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 MARCH 2023

In Rand	Note	2023 R'000	2022 R'000
Cash flows from operating activities			
Receipts		7 436 722	7 177 293
- Sale of goods and services		7 300 921	7 115 241
- Finance income received		135 801	62 052
Payments		(7 047 305)	(6 583 172)
- Payment to suppliers and employees		(6 417 249)	(6 043 578)
- Finance costs paid		(2 344)	(5 135)
- VAT Paid		(476 174)	(329 753)
- Income tax paid	28,1	(151 538)	(204 706)
Net Cash flows from operating activities	28,2	389 417	594 120
Cash flows from investing activities			
Purchase of property, plant and equipment		(85 048)	(88 822)
Purchase of intangible assets		(67 385)	(103 994)
Net Cash flows from investing activities		(152 433)	(192 817)
Cash flows from financing activities			
Repayment on finance lease		(26 982)	(27 505)
Net Cash flows from financing activities		(26 982)	(27 505)
(Decrease)/Increase in cash and cash equivalents		210 002	373 799
Cash and cash equivalents at beginning of year		2 227 789	1 853 991
Cash and cash equivalents at end of year	8	2 437 791	2 227 789

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 31 MARCH 2023

In Rand

Note

		STATEMENT OF FINANCIAL PERFORMANCE (A)	BUDGET (B)	VARIANCE % (A-B)/B
		R'000	R'000	
Revenue from Non-Exchange Transactions		2 511	0	
Revenue from Exchange Transactions	a	6 686 164	5 928 837	12,77%
Cost of sales	b	(4 731 566)	(4 174 554)	-13,34%
Gross surplus		1 957 109	1 754 283	
Operating expenses	c	(1 474 658)	(1 728 226)	14,67%
(Deficit)/Surplus from operating activities		482 451	26 057	
Finance expense		(3 992)	-	0,00%
(Deficit)/Surplus before income tax		478 459	26 057	1736.22%
Income tax		(27 941)	(7 296)	282,97%
Surplus for the year attributable to shareholder		450 518	18 761	2301.38%

Notes:

a. Governments drive to digitilisation has seen significant growth within the Hostings, Design, Application Development and Support revenue streams. There has also been significant growth in the VPN services due to the need for more government officials and employees to be available remotely. Known opportunities were included in the budget, however subsequent to finalisation, new opportunities were pursued which resulted in the actuals being higher than the budgeted revenue.

b. The variance is mainly due to the increase in revenue which directly results in an increase in cost of sales as explained in (a) above.

c. The variance is mainly due to stringent cost containment measures in place during the year. Only critical and necessary costs were allowed to be incurred.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

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 2023 were authorised and approved in accordance with a resolution of the Board of Directors on 30 May 2023.

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. These financial statements are rounded off to the nearest R'000.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP and when SITA has a legal right to set-off the amounts and intends to settle on a net basis to realise the asset and settle the liability simultaneously.

The significant accounting policies, have been consistently applied in the preparation of these annual financial statements and the prior-year.

Going Concern

These annual financial statements have been prepared based on the assumption that the SITA will continue to operate as a going concern for the next 12 months. Management carefully considered the company's current financial performance, reviewed the current operating environment, budget and performed a going concern assessment. The directors have reasonable expectations that the company has and anticipates to have adequate financial resources to continue in operational existence for the foreseeable future.

a) Statement of compliance

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

- Standards of GRAP (Generally Recognised Accounting Practices) that have been issued, but are not yet effective;
- IPSAS (International Public Sector Accounting Standards);
- IFRS (International Financial Reporting Standards).
- PFMA (Public Finance Management Act) and
- Companies Act, no 71 of 2008

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

b) Use of estimates and judgements

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

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment considers how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

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, estimate is based on the pattern in which the asset's future economic benefits or service potential to be consumed. The actual results in the future could differ from these estimates which may be material to the annual financial statements.

Estimates of useful lives of intangible assets

Intangible assets are amortised over their useful lives. Useful lives are reviewed at each reporting date, estimate is based on the pattern in which the asset's future economic benefits or service potential to be consumed.

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.

Estimate for long service awards

Provision for employee entitlement to long service awards represents the present obligation that SITA has as a result of employees' services provided up to the reporting date. The provision is calculated based on completed years of continuous service.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

Estimate for post retirement medical benefit

Provision for employee entitlement to post retirement medical benefit represents the present obligation that SITA has as a result of employees' services provided up to the reporting date. The provision is calculated based on completed years of continuous service.

The eligibility for the Post retirement benefit subsidy benefit is as follows:

- (i) Employees joining before 1 April 1999
- (ii) Continues upon ill-health retirement
- (iii) Continues for spouse on death of in-service employee
- (iv) Continues for spouse on death of continuation member

In addition to the above:

- (a) Continuation of the benefit is subject to members belonging to SITA approved medical schemes.
- (b) An eligible employee must complete at least 15 years of service to qualify for the continuation benefit.
- (c) Eligible employees with service period of between 10 and 15 years receive a lump sum of three times the annual contributions at retirement.

Estimate for provision for doubtful debts

Provision for doubtful debts were raised and management determined an estimate based on the information available at reporting date. The amount is determined based on historic default rate after taking into account economic factors and applied on the different aging categories of the debtors as at the reporting date.

Estimate of employee benefits costs allocation

Cost relating to current service costs, interest costs and net actuarial gains have been allocated at a percentage around 70%/30% between direct and indirect cost based on the entity's normal costs allocation.

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 and Operating Expenses

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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.

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Derecognition

SITA derecognises a financial asset when:

- contractual rights to the cash flow from the financial asset expire, are settled or waived;
- financial asset risk and reward have been substantially transferred to another entity; or
- financial asset control has been transferred to another party and the other party has a practical ability to sell the financial asset.

SITA derecognise a financial liability when:

- when obligation specified in the contract is discharged, cancelled, expires or waived

3.3 Property, plant and equipment

a) Recognition and measurement

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

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

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

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

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

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

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

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

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Cash generatic unit (CGU)

The smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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:

	Useful lives
-Land	Indefinite
- Buildings	64 years
-?Infrastructure Equipment	10 -40 years
- *Computer equipment	5 - 30 years
- #Office furniture and fittings	3 - 46 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 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.

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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.

Cash generating units are assessed for impairment when there are indicators of impairment. Impairment loss is recognised in the surplus or deficit when the recoverable amount is less than its carrying amount.

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) 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.

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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:

	Useful lives
- %Computer Software	1 - 25 years

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

Research and development

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

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

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

Derecognition

The carrying amount of an item of property, plant and equipment (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.

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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:

	Original useful lives
Nodes	4 - 5 years
Capitalised directly attributable costs	9 - 10 years

Lessor

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

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

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

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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 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.

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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 accrual

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

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3.9 Revenue

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

Revenue can arise from exchange and non-exchange transactions

Revenue from Exchange transactions

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

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

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

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

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

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

Revenue from non-exchange transaction

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

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

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

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

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

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

Recognition

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

As an 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.

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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.

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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.

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Contingent Asset

Contingent Asset are :

- (b) possible assets that arise from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of SITA ; or
- (a) a present obligation that arise from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

3,14 Commitments

Commitments items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash. Disclosures are required in respect of unrecognised contractual commitments. Commitments are disclosed in respect of contracted amounts for which delivery by the contractor is outstanding at the accounting date. Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- (i) Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- (ii) Contracts should relate to something other than the routine, steady, state business of the entity.

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.

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3,16 Irregular, fruitless and wasteful expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including the PFMA.

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

3,17 Inventories

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

3,18 Prepayment

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

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3,19 Budget vs Actual information

SITA is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the SITA shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by functional classification linked to performance outcome objectives. The approved budget covers the fiscal period from 2022/04/01 to 2023/03/31.

The Annual Financial Statement and the budget are not on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

3,20 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).

4. Property, plant and equipment

In Rand	Land	Buildings	Infrastructure Equipment	Computer Equipment	Office furniture and fittings	Vehicles	Finance lease - Cloud infrastructure	Finance Lease Printers	Construction in progress - PPE	Total
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Carrying amount 31 March 2023	24 744	97 934	120 053	502 038	36 561	662	56 119	2 213	-	840 323
Cost	24 744	170 613	184 544	1 410 817	142 621	1 384	166 890	10 433	-	2 112 045
Accumulated depreciation and impairment losses	-	(72 678)	(64 491)	(908 779)	(106 061)	(722)	(110 771)	(8 221)	-	(1 271 722)
Carrying amount 1 April 2022	24 744	100 600	130 442	566 227	37 530	705	89 849	4 115	-	9 54 213
Reconciliation of carrying amount:										
Cost:										
Additions and improvements	-	-	5 995	87 384	10 397	-	-	-	-	103 776
Disposal/Retirements	-	-	(6 235)	(1 049)	(191)	-	-	-	-	(7 475)
Reclassification	-	-	-	-	(330)	-	-	-	-	(330)
Depreciation	-	(2 666)	(9 206)	(125 322)	(8 468)	(44)	(33 730)	(1 903)	-	(181 338)
Impairment	-	-	(943)	(24 923)	(2 377)	-	-	-	-	(28 243)
Carrying amount at end of period	24 744	97 934	120 053	502 317	36 561	662	56 119	2 213	-	8 40 602

+ AD Accumulated depreciation and impairment

R'000

Expenditure incurred relating to repairs and maintenance

42 567

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

In Rand

Land	Buildings	Infrastructure Equipment	Computer Equipment	Office furniture and fittings	Vehicles	Finance lease - Cloud infrastructure	Finance Lease Printers	Construction in progress - PPE	Total
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Restated carrying amount 31 March 2022	24 744	100 600	130 442	566 227	37 530	705	89 849	4 115	0
Restated Cost	24 744	170 613	184 784	1 324 482	132 746	1 384	166 890	10 433	-
Originally stated cost	24 744	170 613	172 499	1 315 243	132 746	1 384	166 890	-	1 998 507
Prior period error - Cost	-	-	12 285	9 239	-	-	-	10 433	17 568
Restated Accumulated depreciation	-	(70 012)	(54 342)	(758 255)	(95 216)	(678)	(77 041)	(6 318)	(1 061 862)
Originally stated Accumulated depreciation	-	(49 941)	(58 666)	(586 991)	(82 186)	(705)	(77 041)	-	(855 531)
Correction to align	(28 175)	(28 175)	10 866	3 394	(1 631)	(50)	-	-	(15 596)
Prior period error - accumulated depreciation	-	8 104	(6 542)	(174 658)	(11 399)	77	-	(6 318)	(190 735)
Restated Carrying amount 1 April 2021	24 744	103 266	126 208	605 411	53 748	947	123 579	6 859	9 464
Originally stated carrying amount 1 April 2021	24 744	123 534	117 722	859 046	65 814	954	123 579	-	1 324 855
Correction to align to TB	(28 175)	(28 175)	13 342	(41 541)	(1 308)	(50)	-	-	(57 731)
Prior period error	-	7 907	(4 857)	(212 094)	(10 758)	43	-	6 859	(212 899)
Movements									
Reconciliation of carrying amount:									
Cost:									
Additions and improvements	-	-	3 444	110 956	1 395	-	-	8 213	124 009
Disposal/Retirement	-	-	(6 717)	(214 571)	(18 504)	(64)	-	-	(239 857)
Transfer to other asset class	-	-	-	-	-	-	-	(3 288)	(3 288)
Prior year error	-	-	12 285	9 239	-	-	-	-14 389	7 135
+AD	-	(2 862)	(6 531)	(55 542)	(7 076)	(149)	(33 730)	(2 744)	(108 635)
Depreciation Corrected	-	-	-	58 509	-	-	-	-	56 044
Correction to align to TB	(2 862)	(2 862)	(6 531)	(149 099)	(7 076)	(149)	(33 730)	(2 744)	(199 447)
Depreciation Reported	-	-	(222)	(12 428)	(2 161)	(61)	-	-	(14 873)
Impairment loss	-	-	3 381	120 774	10 769	-	-	-	134 925
Disposals/Retirements	-	196	(1 685)	37 436	(640)	34	-	-	35 341
Prior period error (Depreciation)	-	-	-	-	-	-	-	-	-
Carrying amount at end of period	24 744	100 600	130 442	566 227	37 530	705	89 849	4 115	954 213

R'000

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.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

5. Intangible assets

In Rand

	Intangible assets	Internally generated asset	Construction in progress - intangible assets	Total
	R'000	R'000	R'000	R'000
Carrying amount 31 March 2023	162 826	90 778	11 714	265 319
Cost	681 183	104 450	22 262	807 895
Accumulated amortisation and impairment losses	(518 357)	(13 671)	(10 549)	(542 576)
Carrying amount 1 April 2022	178 605	96 709	3 833	279 147
Reconciliation of carrying amount:				
Cost: Additions and improvements	77 254	-	7 881	85 135
Reclassification	(502)	-	-	(502)
Disposals/Retirements	(17 063)	-	-	(17 063)
Amortisation	(75 982)	(5 931)	-	(81 913)
Disposals/Retirements	515	-	-	515
Carrying amount at end of period	162 826	90 778	11 714	265 319
Carrying amount 31 March 2022	178 605	96 709	3 833	279 147
Restated Cost	621 494	104 450	14 381	740 325
Originally stated Cost	582 769	104 450	19 188	706 407
Prior year error- Cost	38 725	-	(4 807)	33 918
Restated Accumulated amortisation	(442 889)	(7 740)	(10 549)	(461 178)
Correction to align to TB	(54 207)	20 873	-	(33 334)
Prior period Error-Accumulated Depreciation	(210 459)	(7 516)	-	(217 976)
Accumulated Depreciation Reported	(178 223)	(21 097)	(10 549)	(209 869)
Restated carrying amount 1 April 2021	93 302	98 755	3 757	195 813
Previously stated carrying amount	343 177	91 150	4 230	438 557
Correction to align to TB	(77 462)	9 190	(473)	(68 746)
Prior period error	(172 413)	(1 585)	-	(173 998)
Movements				
Reconciliation of carrying amount:				
Cost: Additions and improvements	16 587	-	4 410	20 997
Disposals/Retirements	(70 458)	-	-	(70 458)
Prior period error (Cost)	38 725	-	-	38 725
Amortisation Corrected	(23 867)	(224)	-	(24 091)
Correction to align to TB	47 122	7 574	-	54 696
Amortisation Reported	(70 989)	(7 798)	-	(78 787)
Transfer	-	4 334	(4 334)	0
Movement in Intangible	164 298	-	-	164 298
Disposals/Retirements	21 931	-	-	21 931
Prior period error	(38 047)	(5 931)	-	(43 977)
Carrying amount 31 March 2022	178 605	96 709	3 833	279 147
	-	-0	0	

Internally generated intangible assets relate to the solution developments.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

6. Capital Commitments

In Rand	2023 R'000	2022 R'000
Budgeted and contracted for:		
- Capital commitments		
PPE	4 406	7 551
Intangible assets	25 027	45 088
	29 433	52 640

An amount of R14 344 901 in 2023 figures has been disclosed separately in note 29 as it relates to the finance lease liability.

An amount of R41 581 136 in 2022 figures has been disclosed separately in note 29 as it relates to the finance lease liability.

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

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

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023 (continued)

7. Deferred tax asset/(liability)

Deferred tax assets are attributable to the following:

In Rand

Reconciliation between opening and closing balance

	2023 R'000	Restated 2022 R'000
Deferred tax asset at beginning of year	(109 551)	(183 531)
Statement of financial performance movement	54 495	73 980
- current year	54 495	(103 490)
Prior year under provision on the Capital allowances	-	84 093
Prior year adjustments	-	86 129
Tax rate change	-	7 247
Deferred tax asset/(liability) at end of year	(55 056)	(109 551)
Intangible asset impairment	(36 089)	(41 696)
Accrual for leave pay benefits	28 589	29 008
Post-retirement medical benefits	32 737	30 968
Doubtful debt allowance s11(j)	16 207	13 964
Income received in advance (s24C)	-	-
Leases- Straight lining	(302)	700
Prepayments	(3 850)	(5 835)
Depreciation/amortisation- PPE	(85 472)	(128 358)
Overtime and standby allowance accruals -		
Section 89quat interest receivable		
Finance lease asset	(15 749)	(25 371)
Finance lease liability	3 877	12 069
Tax loss	-	-
Provision for long service	3 429	3 619
Bonus - Accruals	1 567	1 381
	(55 056)	(109 551)

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023 (continued)

8. Cash and cash equivalents

In Rand

Cash with Banks

Current account balance
 Call account balance
 Payroll account
 CPD account
 Cash float

2 437 791**2 227 789**

7 036

9 365

163 347

110 901

20

20

2 267 388

2 107 493

-

11

Ring-fenced cash**(186 110)****(147 312)**

Income received in advance

186 110

147 312

Available Cash**2 251 681****2 080 477**

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 2022/23 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 CBD surplus cash balances was 2023: 6,04% (2022: 3,78%)

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

9. Trade and other receivables

In Rand	2023 R'000	2022 R'000
Trade receivables	1 244 080	914 340
Doubtful debt allowance	(126 580)	(68 957)
	<u>1 117 500</u>	<u>845 383</u>
Other receivables	33 956	26 286
VAT Payable	-	11 931
	<u>1 151 456</u>	<u>883 602</u>

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.

Other receivables relates to amounts other than the normal day to day operations such as rental income and conference related debtors.

10. Prepayments

	2023 R'000	2022 R'000
Non current Portion	905	-
Current portion	140 049	139 165
Prepayments	<u>140 954</u>	<u>139 165</u>

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

11. Share Capital

	2023 R'000	2022 R'000
Authorised and issued		
Share Capital	<u>-</u>	<u>-</u>

SITA has a share capital of R1, represented by one issued and fully paid ordinary share with nominal value of R1 in terms of SITA Amendment Act, No. 38, 2002. The State is the sole shareholder of SITA.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

12. Non-Distributable Reserve

In Rand	2023 R'000	2022 R'000
Opening balance	627 335	627 335
Closing balance	627 335	627 335

The State Information Technology Agency Act, 1998 (Act no.88 of 1998)(as amended by Act no.38 of 2002) resulted in the reduction of the company's share capital to R1 and transferring non-distributable reserve.

Changing naming conversion from Reserve to Non-Distributable Reserve

The SITA amended Act no.38 of 2002 resulted in the reduction of share capital and transferring to reserve. The reserve is non-distributable in nature. The wording has been changed from what was previously presented in the prior years to explicitly indicate the nature and purpose of the reserve to provide clarity for users.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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').

In Rand	2023 R'000	2022 R'000
Present value of unfunded obligations	121 247	114 697
	121 247	114 697

Movement in the present value of the defined benefit liability

Balance at beginning of year	114 697	114 960
Statement of financial performance movement	6 550	(262)
Service Cost - Post Retirement	2 774	2 924
Finance Cost - Post Retirement	6 999	16 166
Contribution Paid - Post Retirement	(1 932)	(1 790)
Actuarial (gain)/loss - Post Retirement	(1 290)	(17 563)
Balance at end of year	121 247	114 697

Employee benefit expense:

Current service cost	2 774	2 924
Interest cost	6 999	16 166
Net actuarial gains recognised in surplus or deficit	(1 290)	(17 563)
Total employee benefit expense	8 482	1 527

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

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

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

	2023 R'000	2022 R'000
Principal actuarial assumptions		
Discount Rate	12,80%	11,70%
CPI inflation	7,70%	7,20%
Medical aid contribution inflation rate	9,70%	9,20%
Take up Rate by retiring employees	100%	100%
Real discount rate	2,8	2,5
Mortality Rates: Pre-retirement	Unchanged	SA85-90 L
Post-retirement	Unchanged	PA(90) rated down 2 year(s) plus 1% future improvement pa from 2006
Withdrawal assumptions	0% to 15% from ages 20 to 55	0% to 15% from ages 20 to 55
Expected retirement ages	65 years	65 years
Percentage of in-service members married at retirement	60%	60%

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:

- Ex-Infoplan employees who transferred to the company on 1 April 1999 and who remain members of SITA approved medical aids.
- Ex-SAPS employees who transferred to the company on 1 April 1999, and
- Other former public sector employees who transferred to the company on or after 1 April 1999 and who remain members of SITA approved medical aids.

The amounts due in respect of the company's liability regarding the post-retirement medical benefit has been determined by independent actuaries as at 31 March 2023 using the projected unit credit method.

It is anticipated that the contributions to be paid within 12 months	2 713	2 427
	<u>2 713</u>	<u>2 427</u>

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

Sensitivity analysis relating to the assumed medical cost trend rates:

Sensitivity Analysis - Assumptions	Variation	Change	%Change
Discount Rate	1% -1%	(16 022 204) 19 743 204	-13,2% 16,3%
Contributions inflation	1% -1%	19 787 269 (16 283 524)	16,3% -13,4%
Retirement Age	1 -1	(6 828 840) 7 301 779	-5,6% 6,0%
Post-retirement mortality	1 -1	(3 041 574) 3 023 104	-2,5% 2,5%

	2023	2022	2021	2020	2019
Experience adjustments	3 363	(6 830)	(11 822)	(10 392)	(12 112)
Present value of defined benefit obligation	121 247	114 697	114 960	114 960	40 719

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

13.2 Long service award benefit

In Rand	2023	2022
Long-service award benefit	12 701	13 402
	12 701	13 402
Movement in the present value of the long-service award benefit		
Balance at beginning of year	13 402	11 452
Statement of financial performance movement	(701)	1 950
LSA - Service cost	1 107	817
LSA - Interest Cost	818	827
LSA - Actuarial (gain)/loss	(1 233)	1 365
LSA - Expected Benefit Payment	(1 392)	(1 059)
Balance at end of year	12 701	13 402
Employee benefit expense:		
Service cost	1 106	817
Interest cost	818	827
Net actuarial gains recognised in surplus or deficit	(1 233)	1 365
Total employee benefit expense	691	3 009

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

It is anticipated that the contributions to be paid within 12 months	1 749	1 392
	1 749	1 392

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

13.3 Other Employee benefits

All permanent employees are members of the following independent funds:

Denel Retirement Fund:

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

Government Employees Pension Fund:

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

SITA Pension Fund:

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

	2023 R'000	2022 R'000
Pension fund contribution	110 954	96 990
	110 954	96 990

Current medical benefits:

The company contributes to three medical aid schemes for the benefit of permanent employees and their dependants. Contributions charged against income amounted to R121,2 million (2022: R114,7 million). The company's financial obligation is limited to the current company contributions.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

14. Trade and other payables

In Rand	2023	Restated 2022
	R'000	R'000
Trade payables	512 481	497 610
Leave pay accrual	105 885	107 436
VAT payable	2 131	-
Non-trade payables	63 001	61 381
	683 497	666 427

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

Non-trade payables relates to amounts owing to employees and refunds.

15. Income received in advance

In Rand	2023	Restated 2022
	R'000	R'000
Unearned revenue	22 717	-
	208 518	219 219
Income received in advance	146 211	156 913
IFMS	62 307	62 307
	231 235	219 219

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

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

16,1 Revenue from Exchange Transactions

In Rand	Reference	2023 R'000	Restated 2022 R'000
* Drop Shipment Revenue		759 759	677 568
+ Service Revenue		5 698 514	5 132 247
Other income	16,1	85 119	116 843
Finance income	16,2	142 773	76 441
		6 686 164	6 003 100

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.

16.1.1 Other Income

Rental income	12 770	11 720
Foreign Exchange Gain	0	1 980
Sundry income	72 349	18 197
Doubtful debt movement	-	84 945
	85 119	116 843

16.1.2 Finance income

Interest on cash balance	136 385	63 260
Interest on Provisional tax overpayment	6 388	13 181
	142 773	76 441

16.2 Revenue from Non-Exchange Transactions

Donations received	2 176	-
Insurance claims received	335	-
	2 511	-

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023 (continued)

17. Cost of Sales

In Rand	2023 R'000	Restated 2022 R'000
Drop Shipment cost of sales	701 889	638 112
Services cost of sales	4 029 676	3 297 191
-Direct depreciation	156 935	90 448
-Direct amortisation	81 769	66 348
-Direct labour	1 107 639	942 406
-Repairs and maintenance	355 144	303 436
-Service delivery expenditure	2 328 190	1 894 554
	4 731 566	3 935 304

18. Operating expenses

	2023 R'000	Restated 2022 R'000
The following separately disclosable items are included in operating expenses:		
Audit fees	15 969	13 362
Staff costs	969 925	979 082
Doubtful debt movement	57 623	-
* Impairment	21 071	14 651
+ Repairs and maintenance	31 281	46 549
Indirect depreciation	24 404	18 187
Indirect amortisation	145	1 720
\$ Net loss on disposal of assets	19 422	116 561
Operating lease expense	19 712	26 115
Inventory write-off	15 821	1 790
Municipal Charges	59 915	64 880
Service Contracts	76 889	74 232
Other expenses	162 481	147 714
	1 474 658	1 504 843

* Impairment relates to PPE and intangible assets

+ Repairs and Maintenance relates to repairs of computer equipment and other general repairs and maintenance

\$ This relates to assets which were retired during the year

Included in other expenses is Training own Staff, S&T locally, Software, Professional services, Subscriptions, Legal fees and Marketing expenditure

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

	2023	Restated 2022
	R'000	R'000

19. Finance expenses

Interest expense - other	3 992	6 364
	3 992	6 364

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

20. Income tax expense

	2023	Restated 2022
	R'000	R'000

In Rand

Current tax expense	82 437	206 218
Income tax charge	82 437	171 202
Restatement of prior adjustment	-	35 016

Deferred tax expense	(54 495)	(86 129)
Origination and reversal of temporary differences	(54 495)	103 490
Prior year under provision on the Capital allowances	-	(84 093)
Prior year adjustment -2021	-	(12 150)
Restatement adjustment - 2022	-	(86 129)
Tax rate change	-	(7 247)
Total income tax expense	27 941	120 089

Reconciliation of effective tax rate

Surplus/(Deficit)for the period	450 518	436 500
Total income tax expense	(27 941)	(120 089)
Surplus/(Deficit) excluding income tax	478 460	556 589

	2023		2022	
	%	R	%	R
Income tax using the company's domestic tax rate	27,00%	133 968	28,00%	151 001
Non-deductible expenses	-22,16%	(106 027)	22,37%	120 650
Overprovision current tax	0,00%	-	-1,69%	(9 109)
Underprovision deferred tax asset	0,00%	-	-15,59%	(84 093)
Tax rate change	0,00%	-	-1,34%	(7 247)
Effective income tax	5,84%	27 941	72,93%	120 089

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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	Carrying amount	
		2023	2022
in Rand		R'000	R'000
Trade Receivables	9	1 117 500	845 383
Other receivables	9	33 956	26 286
Cash and cash equivalents	8	2 437 791	2 227 789
		3 589 247	3 099 459

Impairment losses

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

Not past due	649 283	744 495
Past due 0 - 30 days	127 183	71 711
Past due 31 - 90 days	61 363	32 533
Past due 91 - 360 days	52 000	80 214
Past due - more than 360 days	(16 894)	(6 090)
	872 935	922 863

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

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

Credit quality of financial assets

Trade receivables

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

Cash at bank

	2023	2022
	R'000	R'000
CPD	2 267 388	2 107 493
Fitch BB-	170 403	120 286
Cash on hand	-	11
	2 437 791	2 227 789

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 R1,2 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 R1,2 billion financial guarantee issued by the SARB for a further 12 months to 11 June 2023 as a result of technical insolvency.

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:

	2023	2022
	R'000	R'000
Balance at beginning of year	99 163	162 113
Impairment loss recognised	27 416	(62 949)
Balance at end of year	126 580	99 163

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 2023

in Rand

	Carrying amounts	Contractual cash flow	6 months or less	6 - 12 months	1 - 2 years
Trade and other payables	681 366	681 366	681 366	-	-
	681 366	681 366	681 366	-	-

31 March 2022

in Rand

	Carrying amounts	Contractual cash flow	6 months or less	6 - 12 months	1 - 2 years
Trade and other payables	666 427	666 427	666 427		
	666 427	666 427	666 427	-	-

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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NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

d) Interest rate risk

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

	Carrying amount	
	2023	2022
	R'000	R'000
in Rand		
Fixed interest rate		

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

Fair value sensitivity analysis for fixed rate instruments

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

Variable interest rate

Cash and cash equivalents	2 437 791	2 227 789
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Fair value sensitivity analysis for variable interest rate instruments

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

If interest rates had been 100 basis points higher/lower and all other variables held constant, the company's cash and cash equivalent would increase/decrease by:	24 378	22 278
--	--------	--------

e) Categories of financial instruments

Financial instruments at amortised cost:

Cash and cash equivalents	2 437 791	2 227 789
Trade and other receivables	1 151 456	883 602
Trade and other payables	681 366	666 427

f) Concentration risk

Concentration risk encompasses the level in which the company earns most of its revenue that result in financial assets. The company has a number customers, however, the company's top five customers exposes the company to a concentration ratio of 56.%. This is however mitigated by a number of projects the company is embarking on to increase its product offering to attract new customers.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023 (continued)

22. Related parties

List of Related parties	Nature of relationship
National Departments	SITA is related to all national departments by virtue of being 100% owned by the government
Public Entities	SITA is related to all public entities reporting to the national departments
Controlling department	SITA is controlled by the Department of Communication and Digital Technologies (DCDT) ministry.
Entities under Same Control*	Entities under Same Control are those entities that are controlled by the Department of Communication and Digital Technologies (DCDT) ministry which controls SITA

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.

Related parties of the company consist of government departments, state-owned enterprises and other public entities in the national sphere of government and key management personnel of the company and close family members of related parties. This entails that all transactions occur in the normal course of operations and are at the same terms and conditions as available to all customers and suppliers, unless disclosed otherwise.

Transactions with related parties

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

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

In Rand		2023	Restated 2022
Organisation	Nature of Transaction	R'000	R'000
National Departments	Provisioning of ICT services and products	763 772	590 096
Public Entities	Provisioning of ICT services and products	77 067	87 066
Controlling department	Provisioning of ICT services and products	12 542	9 580
Entities under Same Control	Provisioning of ICT services and products	60 393	27 246
		913 774	713 988

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FOR THE YEAR ENDED 31 MARCH 2023 (continued)

- * 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)
- * Information Regulator
- * SA Connect
- * South African Post Bank
- * South African Post Office

Disclosure in terms of paragraph 27

SITA has been providing office space to Department of Defence 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 2022/23 financial year is estimated at R404 597 (Vat excl.)

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

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

In Rand		2023	Restated 2022
Organisation	Nature of Transaction	R'000	R'000
National Departments	Provisioning of ICT services and products	112 335	94 952
Public Entities	Provisioning of ICT services and products	2 011	249
Controlling department	Provisioning of ICT services and products	-	22 151
Entities under Same Control*	Provisioning of Postal services and ICT services and products	48 394	32 440
		162 740	149 791

* 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

* Telkom

Transactions with key management personnel

The key management personnel are directors and executive managers of the company for the year ended 31 March 2023.

Transactions with key management personnel are disclosed in note 31.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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:

	2023	2022
	R'000	R'000
In Rand		
Less than 1 year	7 361	17 271
Between 1 and 5 years	8 208	10 929
	15 569	28 200

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:

Less than 1 year	13 067	90
Between 1 and 5 years	51 134	452
More than 5 years	45	121
	64 246	663

The average period for operating lease agreements is 5 years.

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24. Contingent liabilities and Contingent Asset

24.1 Contingent Liabilities

In Rand	2023 R'000
Commercial disputes	92 006
Retention of Surplus: NT	2 825 166
Employee claims	58 784
	2 975 955

Litigations and claims:

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

Retention of Surplus is the net surplus for the year ended 31 March 2023, 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.

Labour Dispute - Contingent liabilities - 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.

24.2 Contingent Assets

In Rand	2023
Commercial disputes	-
Labour disputes	6 00 000
	600 000

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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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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
-GRAP 25 (revised): Employee Benefits	The proposed changes mostly affect defined benefit plans. The proposed changes would require entities to identify, classify and present the information on defined benefit plans differently in future. SITA will assess the type of impact these changes will have in its reporting.	Proposed 1 April 2023
-GRAP 104 (revised): Financial Instruments	The amendments in the standard is not expected to have significant impact on SITA financial statements as the changes relating to Net asset definition will not result in an impact to SITA, as well as accounting for trading instruments in current asset and current liabilities.	1 April 2025
GRAP 1 (REVISED) Presentation of Financial Statements	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.	01 April 2023

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26. Inventories

In Rand

2023	Restated 2022
R'000	R'000

The components of inventories were as follows:

Inventories on hand at year end

-	33 737
-	33 737

Inventory Reconciliation:

Opening balance 1 April

33 737

150 639

Inventory movement

(33 737)

(116 902)

-Purchases inventory

-

13 303

-Inventory sold

(17 916)

(113 952)

-Inventory write-off

(15 821)

(1 790)

-Inventory transferred to capital assets

-

(7 285)

Prior period error

-

(7 179)

Closing balance 31 March

(0)

33 737

The inventory write-off relates to items acquired for a once off project and the items can not be used during operations and there is no immediate market for them.

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27. Irregular Expenditure and Fruitless and Wasteful Expenditure note for the year ended 31 March 2023

	2023	2022
	R'000	R'000
Irregular Expenditure	452 003	308 572
Fruitless and Wasteful expenditure	10 864	3 723
	<u>462 867</u>	<u>312 295</u>

All amounts are exclusive of VAT.

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

SITA did not identify any Irregular and fruitless expenditure that was incurred due to criminal activity.

Incident description 2022-2023

The fruitless amount disclosed consists of the following items:

An amount of R24 531 represents fruitless and wasteful expenditure resulting from overpayment of salaries to an employee. The disciplinary process has been initiated and will be concluded in the next financial year.

An amount of R9 418 685 was paid for SAM licenses arbitration award and R1 420 649 was paid for interest incurred on the amount awarded.

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28. Cash flow notes

28.1 Normal tax (received)/paid

	2023	Restated 2022
	R'000	R'000
in Rand		
Opening balance	(136 556)	(127 590)
Current year normal tax charge	82 437	206 218
Interest accrual on provisional tax overpayment	(6 340)	(166)
Closing balance	186 260	136 556
	232 406	215 018

28.2 Reconciliation of net cash flows from operating activities

	2023	2022
	R'000	R'000
In Rand		

NET CASH INFLOW FROM OPERATING ACTIVITIES

Surplus/(Deficit) before taxation	468 390	553 236
Adjustments for non-cash flow items:		
-Depreciation/Amortisation/Adjustments	263 251	176 703
-Impairment	21 071	14 651
-Doubtful debt movement	57 623	(84 945)
-Bad debt written-off	-	(397)
-Inventory write-off	15 821	1 790
-Prior error intangible		-
-Loss on disposal or scrapping of property, plant and equipment	19 422	116 561
-Donations received	(2 176)	
-Post-retirement employee benefits cost	6 550	(262)
-Long-service award benefit	(701)	1 950
-Other non cash items		(63)
PO Receiving accrual	(24 525)	-
Other income finance lease adjustment	(3 359)	,
Bad debt written off	1	
Goodwill fund accrual adjustment	(220)	-
Other gains or losses	(2 524)	(16 198)
-Forex gain	(0)	(1 980)
-Foreign Exchange Loss	1 977	357
-Interest Finance lease	2 344	5 135

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	2023	2022
	R'000	R'000
-Rounding differences	(4 131)	16
-Forex gain COS	(12)	(2 155)
-Forex loss COS	2 519	1 488
-Finance Expense	7 816	16 993
-Finance income	(142 773)	(76 441)
-Finance Cost - Post retirement		-
-Long service award benefits initial recognition		
Operating profit before working capital changes	686 364	706 833
Working capital changes:		
-(Increase)/Decrease in trade and other receivables	(374 519)	420 498
-Decrease/(Increase) in prepayments made	(1 789)	(76 319)
-(Decrease)/Increase in trade and other payables	17 070	(334 810)
-(Increase)/Decrease in Inventory	33 737	116 902
-(Decrease)/Increase in income received in advance	71 126	(70 594)
-(Decrease)/increase in Post-retirement employee benefits	6 550	(262)
-(Decrease)/increase in Long service awards benefits	(701)	1 950
- (Decrease)/Increase in Finance Lease Liability	(30 341)	(22 288)
Cash generated in operations	407 498	741 910
Normal taxation	(151 538)	(204 706)
Finance costs paid	(2 344)	(5 135)
Finance income received	135 801	62 052
	389 418	594 120

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29. Finance leases

Finance lease liabilities

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. There is an arrangement about the renewal of the lease term as the contract is for a period of 10 years however broken down into periods, where in the next financial year the lease will continue.

29.1

	2023 R'000	2022 R'000
In Rand		
Current portion of lease obligation	14 345	27 236
Non-current portion of lease obligation	-	14 345
	14 345	41 581

The lease liability is secured by the related underlying assets.

The undiscounted maturity analysis of the lease liability at 31 March 2023 is as follows:

In Rand	<1 year	1-5 years
31 March 2023		
Lease payments	14 638	-
Finance charges	(293)	-
Net present values	14 345	-
in Rand	<1 year	1-5 years
31 March 2022		
Lease payments	29 276	14 638
Finance charges	(2 040)	(293)
Net present values	27 236	14 345

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29,2 The finance lease is in respect of capitalized leased assets in the form of printers.

	2023	2022
	R'000	R'000
Current portion of lease obligation	14	3 105
Non-current portion of lease obligation	-	14
	14	3 119

The lease liability is secured by the related underlying assets.

The undiscounted maturity analysis of the lease liability at 31 March 2023 is as follows:

in Rand	<1 year	1-5 years
31 March 2023		
Lease payments	14	-
Finance charges	-	-
Net present values	14	-

in Rand	<1 year	1-5 years
31 March 2022		
Lease payments	3 408	14
Finance charges	(304)	-
Net present values	3 105	14

The discount rate used to measure the finance lease liabilities 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.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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30. Correction of Prior Period Error**30.1 Finance lease**

At inception of the printers leases, SITA had missclassified the leases as operating in nature. Upon review of the lease terms during the 2022/23 financial year, the leases have been subsequently classified as finance leases on grounds that (i) SITA leases the printers for majority of their useful life, and (ii) the minimum lease payments discounted by the incremental borrowing rate (Government gazetted standard interest rates at the applicable commencement dates of the leases) exceed the estimated fair values of the printers. The effects of the reclassification on the affected line items in the Financial Statements have been presented below:

	Previously stated	Impact	Restated
The Net effect of prior period error(s) relating to the Statement of Financial Performance are as follows:	31 March 2022		31 March 2022
	R'000	R'000	R'000
Operating Expenses	4 941	(2 197)	2 744
Depreciation	0	2 744	2 744
Operating lease expense	4 941	(4 941)	-
Finance Costs			
Finance lease interest expense	0	1 266	1 266
Net effect on Statement of financial Performance	4 941	(931)	4 010

	Previously stated	Impact	Restated
The Net effect of prior period errors(s) relating to the Statement of Financial position are as follows:	31 March 2022		31 March 2022
	R'000	R'000	R'000
Property, plant and equipment			
Increase in carrying amount	-	4 115	4 115
Cost	0	10 433	10 433
Accumulated Depreciation	0	6 318	6 318
Finance lease liability			
Current Portion of Finance lease liability	0	3 105	3 105
Non Current Portion of Finance liability	0	14	14
Net effect on Statement of Financial Position	-	3 119	3 119

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	Previously stated	Impact	Restated
The Net effect of prior period error(s) relating to the Statement of Changes in Net Assets are as follows:	31 March 2022		31 March 2022
	R'000	R'000	R'000
Retained Earnings		931	931
Net effect on Statement of Changes in Net Assets	-	931	931

	Previously stated	Impact	Restated
The Net effect of prior period error(s) relating to the maturity analysis as follows:	31 March 2022		31 March 2022
	R'000	R'000	R'000
Finance leases			
Payable within 1 year (22/23 financial year)	0	3 105	3 105
Payable 2 - 5 years (23/24 onwards)	0	14	14
	-	3 119	3 119

30.2 Operating Leases

The effects of the printers lease reclassification (as explained above) on the operating lease disclosure note has been presented below:

	Previously disclosed	Impact	Restated
	31 March 2022		31 March 2022
	R'000	R'000	R'000
Operating leases			
Payable within 1 year (22/23 financial year)	1 060	(1 060)	-
Payable 2 - 5 years (23/24 onwards)	4	(4)	-
	1 064	(1 064)	-

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30.3 Revenue

During the 2021/22 financial year, services revenue was understated mainly due to accruals that were not processed in relation to services rendered during the year. The error was identified and corrected accordingly.

During the 2021/22 financial year, drop shipment revenue was overstated mainly as a result of over accruals that were processed during the year.

Other income was overstated mainly due to finance lease liability which was incorrectly adjusted for, resulting in a decrease in finance lease liability and increase in other income. This has been corrected by reversing the incorrect adjustment.

	Previously stated	Impact	Restated
	31-Mar-22		31-Mar-22
	R'000	R'000	R'000
THE NET EFFECT OF PRIOR PERIOD ERROR(S) RELATING TO THE STATEMENT OF FINANCIAL PERFORMANCE ARE AS FOLLOWS:			
Revenue			0
Service Revenue	(5 110 730)	(18 164)	(5 128 894)
Drop Shipment Revenue	(719 788)	42 219	(677 569)
Other Income	(115 594)	28 958	(86 636)
			-
Net effect on Statement of financial Performance	(5 946 112)	53 014	(5 893 098)

	Previously stated	Impact	Restated
	31-Mar-22		31-Mar-22
	R'000	R'000	R'000
THE NET EFFECT OF PRIOR PERIOD ERROR(S) RELATING TO THE STATEMENT OF FINANCIAL POSITION ARE AS FOLLOWS:			
Trade and other receivables	1 022	(107 686)	(106 664)
Trade and other payables	-	(30 573)	
Net effect on Statement of Financial Position	1 022	(138 259)	(106 664)

	Previously stated	Impact	Restated
	31-Mar-22		31-Mar-22
	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:			
Accumulated surplus	-	85 245	85 245
Net effect on Statement of Changes in Net Assets	-	(53 014)	85 245

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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30.4 Cost of sales

During 2021/22 financial year, Drop shipment cost of sales were understated mainly due to accruals that were not processed in relation to the goods that were delivered during the financial year.

Services cost of sales were overstated mainly due to incorrect treatment of prepaid expenses in 2021/22 financial year.

During 2021/22 financial year, inventory items were erroneously written off at the incorrect amount.

	Previously stated	Impact	Restated
	R'000	R'000	R'000
THE NET EFFECT OF PRIOR PERIOD ERROR(S) RELATING TO THE STATEMENT OF FINANCIAL PERFORMANCE ARE AS FOLLOWS:			
Cost of sales			
Drop Shipment cost of sales	633 151	4 961	638 112
Services Cost of sales	3 235 854	44 658	3 280 512
Inventory write-off	3 714	(1 925)	1 789
Net effect on Statement of financial Performance	3 872 719	47 694	3 920 413

	Previously stated	Impact	Restated
	31-Mar-22		31-Mar-22
	R'000	R'000	R'000
THE NET EFFECT OF PRIOR PERIOD ERROR(S) RELATING TO THE STATEMENT OF FINANCIAL POSITION ARE AS FOLLOWS:			
Prepayments	74 437	29 454	103 891
Trade Payables	580 496	(40 209)	540 287
Inventory	38 991	(5 254)	33 737
VAT Payable		4 760	
Net effect on Statement of Financial Position	619 487	(11 249)	574 024

	Previously stated	Impact	Restated
	31-Mar-22		31-Mar-22
	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:			
Accumulated surplus	-	(26 276)	(26 276)
Net effect on Statement of Changes in Net Assets	-	(26 276)	(26 276)

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023 (continued)

30.5 Operating expenses

During 2021/22 financial year, staff costs were understated due to accruals that were not processed in relation to services rendered by services providers during the financial year.

Other expenses and repairs and maintenance were overstated due to incorrect treatment of prepaid expenses in 2021/22

	Previously stated	Impact	Restated
	31-Mar-22		31-Mar-21
	R'000	R'000	R'000
THE NET EFFECT OF PRIOR PERIOD ERROR(S) RELATING TO THE STATEMENT OF FINANCIAL PERFORMANCE ARE AS FOLLOWS:			
Staff costs	979 082	1 087	980 169
Other expenses	214 819	(34 023)	180 796
Operating lease expense	26 050	66	26 116
Repairs and maintenance	60 098	(13 549)	46 549
Doubtful debt movement	(54 739)	(30 207)	(84 945)
Net effect on Statement of financial Performance	1 225 310	(76 625)	1 148 686

	Previously stated	Impact	Restated
	31-Mar-22		31-Mar-22
	R'000	R'000	R'000
THE NET EFFECT OF PRIOR PERIOD ERROR(S) RELATING TO THE STATEMENT OF FINANCIAL POSITION ARE AS FOLLOWS:			
Prepayments	74 437	35 274	109 711
Property, plant and equipment	1 126 744	-	1 126 744
Doubtful debt allowance	(99 163)	30 207	(68 957)
Trade Payables		(17 781)	
Net effect on Statement of Financial Position	1 102 018	47 699	1 167 499

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

	Previously stated	Impact	Restated
	31-Mar-22		31-Mar-22
	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:			
Accumulated surplus	-	18 755	18 755
Net effect on Statement of Changes in Net Assets	-	18 755	18 755
	-	-	-
Net effect on Statement of Changes in Net Assets	-	-	-

30.6 Prior period impact of old year on TB

Asset

Decrease in amortisation or depreciation / increase in carrying amount	164 298	(164 298)	-
Asset	164 298	(164 298)	-
Accumulated surplus	-	-	-
Net effect on Statement of Changes in Net Assets	164 298	(164 298)	-

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
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FOR THE YEAR ENDED 31 MARCH 2023 (continued)

30.7 Property, plant and equipment and Intangible asset

As at 31 March 2022, SITA had erroneously misstated the useful lives of the items of property, plant and equipment and intangible assets. The misstatement was due to inappropriate useful life estimations made in the past. The old useful lives resulted in some assets being recognised at zero netbook value when SITA still expects to realise economic benefits from the assets, as the depreciation or amortisation was accelerated. The newly revised useful lives were determined after considering the assets lives within the asset book as this is more reliable indicator about the usage of assets within the company. The related tax implications have been taken into account under note 7.

	Previously stated	Impact	Restated
The Net effect of prior period error(s) relating to the Statement of Financial Performance are as follows:	31 March 2022 R'000		31 March 2022 R'000
Cost of sales (Depreciation)	119 416	3 649	123 065
-Direct depreciation	95 395	(38 677)	56 717
-Direct amortisation	24 021	42 326	66 348
Operating expenses	12 162	9 724	21 886
-Indirect depreciation	12 093	8 073	20 166
-Indirect amortisation	69	1 651	1 720
Net effect on Statement of financial Performance	131 578	66 866	198 444
Property, plant and equipment			
Decrease in accumulated depreciation/ increase in carrying amount		- (240 739)	(240 739)
Buildings	-	(20 268)	(20 268)
Infrastructure Equipment	-	1 952	1 952
Computer Equipment	-	(209 863)	(209 863)
Office Furniture and Fitting	-	(12 526)	(12 526)
Vehicle	-	(34)	(34)
Intangible asset			
Decrease in amortisation / increase in carrying amount		-	-
Intangible asset	-	(264 246)	(264 246)
Net effect on Statement of Financial Position		- (504 985)	(504 985)

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

30.8 Loss on disposal of assets

During the review of FY2022 we noted that the loss on disposal was incorrectly presented.

	Previously stated	Impact	Restated
The Net effect of prior period error(s) relating to the Statement of Financial Performance are as follows:	31 March 2022 R'000		31 March 2022 R'000
Loss on disposal of assets	154 115	37 554	116 561

	Previously stated	Impact	Restated
The Net effect of prior period error(s) relating to the Statement of Changes in Net Assets are as follows:	31 March 2022 R'000		31 March 2022 R'000
Retained Earnings		37 554	
Net effect on Statement of Changes in Net Assets	-	37 554	-

For the financial year ended 31 March 2022, the following additions were erroneously charged in the Operating expense account instead of being charged against the capital expenditure account, the error resulted in understatement of Property Plant and Equipment and Intangible assets and overstatement of operating expenses. The related tax implications are accounted for under note 7.

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

Property, plant and equipment

	Previously stated	Impact	Restated
Increase In cost/ Increase in Carrying amount	R'000	R'000	R'000
Infrastructure	-	16 188	16 188
Computer Equipment	-	17 852	17 852
Intangible asset	-	3 219	3 219
Intangible asset	-	3 219	3 219
Net effect on Statement of Financial Position	-	37 259	37 259

For the financial year ended 31 March 2022, the following amounts were erroneously charged against the Capital expenditure account instead of the operational expenditure, this error resulted in the understatement of operating expenditure and overstatement of assets

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023 (continued)

	Previously stated	Impact	Restated
30.10 The Net effect of prior period error(s) relating to the Statement of Financial Position are as follows:	R'000	R'000	R'000
Property, plant and equipment			
Decrease In cost/ Increase in Carrying amount	7 643	(7 643)	0
Computer Equipment	7 643	(7 643)	0
Intangible asset	5 446	(5 446)	0
Intangible asset	5 446	(5 446)	0
Net effect on Statement of Financial Position	13 089	(13 089)	0

The following amount was supposed to be transferred from the Construction-In-Progress account on the 22nd of December 2021, because at that time it was ready for use, however it was only transferred in the 2022/2023 reporting period. The error resulted in overstatement of Construction-In-Progress PPE and understatement of Infrastructure PPE.

	Previously stated	Impact	Restated
30.11 The Net effect of prior period error(s) relating to the Statement of Financial Position are as follows:	R'000	R'000	R'000
Property, plant and equipment			
Increase in carrying amount	-	14 389	14 389
Infrastructure	-	14 389	14 389
Construction In Progress	-	-14 389	-14 389
Construction-In-Progress PPE	-	-14 389	-14 389
Net effect on Statement of Financial Position	-	-	-

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023 (continued)

	Previously stated	Impact	Restated
	R'000	R'000	R'000
The Net effect of prior period error(s) relating to the Statement of Financial Position are as follows:			
Property, plant and equipment			
Increase/ decrease in carrying amount	4 874	(4 874)	-
Infrastructure	3 904	(3 904)	-
Computer Equipment	970	(970)	-
Intangible assets	-	3 258	3 258
Intangible assets	-	3 259	3 259
Net effect on Statement of Financial Position	4 874	(1 615)	3 259

The cost for intangible asset was recognised at the incorrect amount under note 5 for the year ended 31 March 2022, the error resulted in understatement of cost in note 5

Intangible assets	-	37 693	37 693
Intangible assets	-	37 693	37 693
Net effect on Statement of Financial Position	-	37 693	37 693

The cost for CIP intangible was recognised at the incorrect amount in note 5 for the year ended 31 March 2022, the error resulted in understatement of CIP in note 5

Intangible assets	19 188	(4 807)	14 381
Intangible assets	19 188	(4 807)	14 381
Net effect on Statement of Financial Position	19 188	(4 807)	14 381

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

30.12 Finance income

Finance income was erroneously understated by the amount that was disclosed in finance expense, resulting in an understatement of finance income.

	Previously stated	Impact	Restated
	31-Mar-22 R'000	R'000	31-Mar-21 R'000
THE NET EFFECT OF PRIOR PERIOD ERROR(S) RELATING TO THE STATEMENT OF FINANCIAL PERFORMANCE ARE AS FOLLOWS:			
Interest on Provisional tax overpayment	13 015	233	13 248

30.13

		ORIGINAL FY2022	PRIOR PERIOD ERROR
Current Tax Expense	Total Rand Value	Total Rand Value	ADJUSTMENTS
Profit before tax	553 236	539 291	13 945
* As per the income statement			
Add back:	(210 536)	61 285	(271 821)
Current year permanent differences	141 803	175 619	(33 816)
Depreciation (buildings)	2 666	2 666	-
Impairment	14 651	14 651	-
Fruitless and wasteful expenditure	3 723	-	3 723
Section 89 quat interest on underpayment	233	233	-
** Expenses not incurred in the production of income	3 954	3 954	-
Donations paid	15	-	15
Inventory write-off ???	-	-	-
Net loss on disposal of assets	116 561	154 115	(37 554)
Profit on sale of fixed assets	-	-	-
Temporary Differences	(317 802)	(68 450)	(249 352)
Depreciation (excluding buildings and finance lease asset)	69 495	104 822	(35 327)
Wear and tear (ex buildings)	(91 381)	(209 375)	117 995
Depreciation (Finance lease asset)	36 474	33 730	2 744
Amortisation	68 068	24 091	43 977
Wear and tear (Intangibles)	(148 886)	-	(148 886)
Provision for doubtful debts CA (Current Year) ECL	68 957	86 229	(17 272)
Provision for doubtful debts CA (Prior Year) ECL	(140 968)	112 666	(253 634)
Doubtful debt allowance (current year) SARS	84 945	(76 866)	161 811
Doubtful debt allowance (Prior year) SARS	(112 666)	(140 968)	28 302
Prepayments (current year)	(21 611)	(7 085)	(14 526)
Prepayments (previous year)	4 761	4 761	-

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

		ORIGINAL FY2022	PRIOR PERIOD ERROR
Current Tax Expense	Total Rand Value	Total Rand Value	ADJUSTMENTS
Leave pay accrual - Current Year	107 436	107 436	-
Leave pay accrual- Prior year	(108 370)	(108 370)	-
Provision for bonus - Current year	5 115	-	5 115
Provision for bonus -Prior year	-	-	-
Overtime and standby allowance accruals - Current year	-	-	-
Overtime and standby allowance accruals - Prior year	-	-	-
Provision for post retirement non-funded - Current year	-	-	-
Provision for post retirement non-funded - Prioy year	-	-	-
Provision - Post retirement medical benefit - Current year	114 697	114 697	-
Provision - Post retirement medical benefit - Prior year	(114 960)	(114 960)	-
Straight-lining of leases (Current Year)	2 593	2 593	-
Straight-lining of leases - prior year	-3 421	(3 421)	-
Income received in advance (current year)	209 619	209 619	-
Income received in advance (previous year)	(280 213)	(280 213)	-
Section 24C (current year)	210 395	(209 619)	420 014
Section 24C (previous year)	(279 833)	279 833	(559 665)
Provision for Long service award benefit- Current year	13 402	13 402	-
Provision for Long service award benefit - prior year	(11 452)	(11 452)	-
Other allowances	(34 537)	(45 884)	11 347
Tax recoupment	-	42	(42)
Interest Finance Lease Current year	5 135	3 869	1 266
Recoupment - Inventory transferred to PPE	-	8 013	(8 013)
Finance Lease payment	(36 591)	(25 160)	(11 431)
Finance lease adjustment	(334)	(30 906)	30 573
Scrapping allowance	(2 747)	(1 741)	(1 006)
		600 576	(257 876)
Taxable income	763 772	600 576	(257 876)
Assessed loss brought forward if applicable (-)	-	-	-
Taxable income after assessed loss	763 772	600 576	(257 876)
Income Tax Payable			
*Current year income tax at 27%	763 772		-
Prior year underprovision if applicable (-)	206 218	168 161	-
Prior year overprovision if applicable (+)	-	-	-
	-	(9 109)	-

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023 (continued)

Current Tax 2021 Calculation					
Schedule of Timing/ Temporary differences	Closing Balance 2022- restated Carrying Amount	Tax Base	Timing/ Temporary Difference	Closing Balance 2022-SARS ORIGINAL Carrying Amount	Tax Base
Timing/Temporary differences Current year					
PPE- Buildings	100 600	Exempt			
PPE- Land	24 744	-			
PPE- Excl Land and Building and Intangibles	734 905				
PPE- Excl Land and Building and Intangibles	734 905	259 505	475 400	896 944	433 016
Intangible asset	279 147	124 717	154 430	492 259	-
Finance Lease assets	93 964	-	93 964	45 359	-
Provision for doubtful debt	-68 957	-17 239	-51 718	-86 229	-76 866
Leave accrual	-107 436	-	-107 436	-107 436	-
Overtime and standby allowance accruals	-	-	-	-	-
Impairment - Intangible Assets	-	-	-	-	-
Straightlining of Leases	-2 593	-	-2 593	2 593	-
Post retirement medical benefits	-114 697	-	-114 697	-114 697	-
Prepayments(prepaid expenses)	139 165	117 554	21 611	74 437	67 352
Income received in advance- (With S24C as Tax Base)	-209 619	-209 619	-	-209 619	-209 619
Finance lease liability	-44 700	-	-44 700	-41 581	-
Bonus - Accruals	-5 115	-	-5 115	-	-
Provision for long service	-13 402	-	-13 402	-13 402	-
Total	680 661	274 917	405 744	938 625	213 883
		0,27	109 551		0,27

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 (continued)

Note 31 (a)
in Rand - 31 March 2023

POSITION	Duration	Fees as Director	Acting Allowance	Basic Salary	Ad-hoc payment	Travel Allowances	Other allowances	Contributions to pension, medical or insurance funds	Total
NON-EXECUTIVE DIRECTORS									
Chairperson									
Ms M Mosidi	12 months	31-Mar-23	476	-	-	-	-	-	476
Deputy Chairperson									
Ms S Bvuma (Dr)	12 months	31-Mar-23	583	-	-	-	-	-	583
BOARD MEMBERS									
Mrs N Pietersen	12 months	31-Mar-23	287	-	-	-	-	-	287
Ms J Morwane*	12 months	31-Mar-23	-	-	-	-	-	-	-
Ms O Ketsekile	12 months	31-Mar-23	395	-	-	-	-	-	395
Mr M Ratshimbilani	12 months	31-Mar-23	394	-	-	-	-	-	394
Dr T Ratshitanga	12 months	31-Mar-23	369	-	-	-	-	-	369
Mr R Ramabulana	12 months	31-Mar-23	385	-	-	-	-	-	385
Ms Z Hill	12 months	31-Mar-23	424	-	-	-	-	-	424
Ms S Moonsamy*	12 months	31-Mar-23	-	-	-	-	-	-	-
Ms L Msene*	12 months	31-Mar-23	-	-	-	-	-	-	-
Mr W Vukela*	12 months	31-Mar-23	-	-	-	-	-	-	-
			3 313	-	-	-	-	-	3 313

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

POSITION	Duration	Fees as Director	Acting Allowance	Basic Salary	Ad-hoc payment	Travel Allowances	Other allowances	Contributions to pension, medical or insurance funds	Total
EXECUTIVE DIRECTORS									
Mr L Keyise (Interim Managing Director)	4 months	-	-	1 054	-	-	8	316	1 378
Mr M Kgaue (Managing Director)	8 months	-	150	2 407	-	-	19	257	2 832
Mr M Kgaue (Chief Financial Officer)	4 months	-	-	-	-	-	-	-	-
Mr A Pretorius (Acting: Chief Financial Officer)	8 months	-	69	1 171	-	-	10	196	1 445
		-	219	4 633	-	-	37	769	5 657
*State employees that serve on the Board of directors do not receive compensation from the company.									
** These are alternate directors of the company.									
EXECUTIVE COMMITTEE MEMBERS									
Mr S Dube (HCM: Executive HCM)	12 months	-	-	1 867	-	-	15	193	2 074
Mr G Reddy (SM: Exec Service Management)	12 months	-	-	1 714	-	139	25	407	2 285
Mr N Tshenye (Executive of National & Regional Consulting)	12 months	-	-	2 390	-	240	-	614	3 244
HS Ntsangani(Executive: Application Development and Maintenance)	12 months	-	-	1 749	-	240	15	337	2 340
L Mogashoa (Executive: Corporate and Digital Strategy)	12 months	-	-	1 925	-	-	20	159	2 104
KM Pillay (Executive:Supply Chain Management)	12 months	-	-	1 927	-	120	14	287	2 348
BJ Kumalo (Acting Executive: IT Infrastructure Services)	5 months	-	43	1 282	-	-	11	270	1 606
DJ Boucher (Acting Executive: Internal Audit)	6 months	-	53	413	-	-	4	155	624
TV Mphaphuli (Acting Company Secretary)	5 months	-	28	770	-	55	6	115	974
Mr L Williams (ITI: Exec IT Infrastructure Services)	8 months	-	-	1 404	-	70	8	227	1 709
Mr F Mitchel (IA: Exec Internal Audit)	6 months	-	-	1 069	-	-	7	215	1 291
Ms M le Roux (GRCI: Executive : Governance, Risk, Compliance and integrity)	11 months	-	-	1 749	-	-	12	68	1 829
MP Mohlabi (Company Secretary)	7 months	-	-	1 181	102	-	-	160	1 443
		-	124	19 440	102	864	137	3 205	23 872

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FOR THE YEAR ENDED 31 MARCH 2023 (continued)

31(a) - Director's remuneration

in Rand - 31 March 2022

POSITION	Duration	Fees as Director	Acting Allowance	Basic Salary	Ad-hoc payment	Travel Allowances	Other allowances	Contributions to pension, medical or insurance funds	Total
NON-EXECUTIVE DIRECTORS									
Chairperson									
Mr M Tsika	7 months	371	-	-	-	13	2	-	386
Ms M Mosidi	2 months	-	-	-	-	-	-	-	-
Deputy Chairperson									
Ms S Bvuma (Dr)	2 months	-	-	-	-	-	-	-	-
BOARD MEMBERS									
Mrs N Pietersen	2 months	154	-	-	-	-	-	-	154
Ms J Morwane*	7 months	-	-	-	-	-	-	-	-
Mr A Murray	7 months	189	-	-	-	0.40	3	-	193
Mr T Phiri	7 months	161	-	-	-	2	2	-	165
Ms O Ketsekile	2 months	48	-	-	-	-	-	-	48
Mr M Ratshimbilani	2 months	51	-	-	-	-	-	-	51
Dr T Ratshitanga	2 months	51	-	-	-	-	-	-	51
Mr R Ramabulana	2 months	48	-	-	-	4	-	-	51
Ms Z Hill	2 months	51	-	-	-	-	-	-	51
Ms S Moonsamy	2 months	-	-	-	-	-	-	-	-
Ms L Mseme*	2 months	-	-	-	-	-	-	-	-
Mr W Vukela*	2 months	-	-	-	-	-	-	-	-
		1 125	-	-	-	18	8	-	1 151

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023 (continued)

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

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

** These are alternate directors of the company.

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

^Acted as company secretary for a period of 4 months

NOTES

[illegible]

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