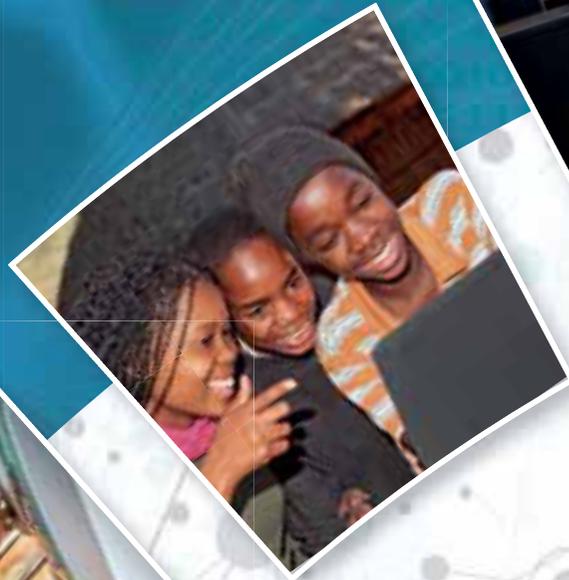
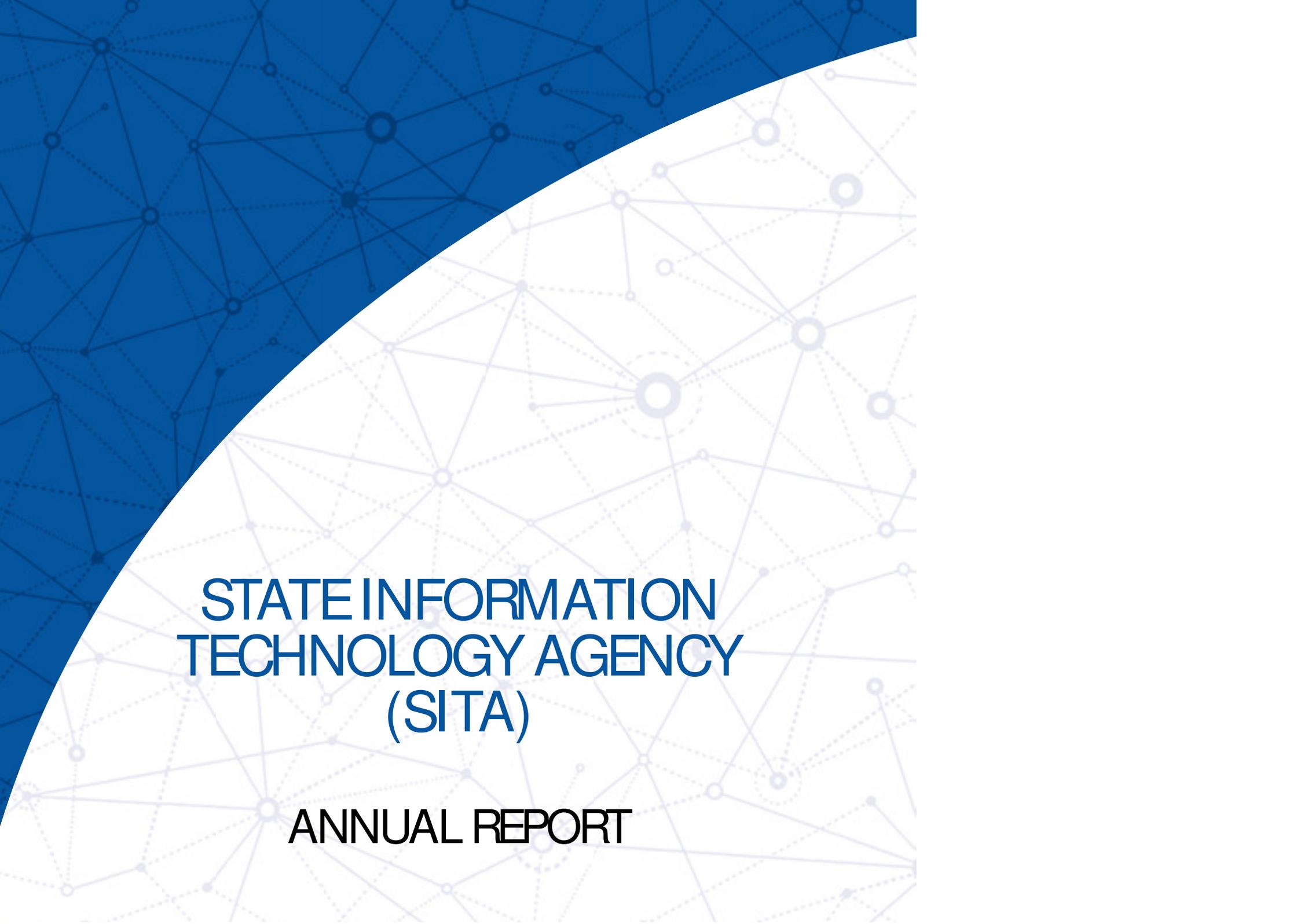


# ANNUAL REPORT

## 2014/2015





The background features a network diagram of interconnected nodes and lines. The top-left portion is a solid dark blue, which transitions into a white area on the right. The network pattern is visible in both colors, with the white area being semi-transparent over the blue. The text is centered in the white area.

**STATE INFORMATION  
TECHNOLOGY AGENCY  
(SITA)**

**ANNUAL REPORT**

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## LIST OF ABBREVIATIONS/ ACRONYMS

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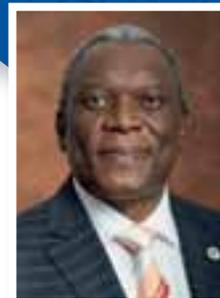
|       |  |       |   |
|-------|--|-------|---|
| AFS   | Annual Financial Statements                          | IT    | Information Technology                          |
| APP   | Annual Performance Plan                              | LAN   | Local Area Network                              |
| ARCC  | Audit, Risk and Compliance Committee                 | MIOS  | Minimum Interoperability Standards              |
| BEE   | Black Economic Empowerment                           | MLP   | Management Letter Points                        |
| CAPEX | Capital Expenditure                                  | MTSF  | Medium Term Strategic Framework                 |
| CEO   | Chief Executive Officer                              | NGN   | New Generation Network                          |
| CMMI  | Capability Maturity Model Integration                | NDP   | National Development Plan                       |
| DBE   | Department of Basic Education                        | NPA   | National Prosecuting Authority                  |
| DHET  | Department of Higher Education                       | NT    | National Treasury                               |
| DoD   | Department of Defence                                | OHI   | Operational Health Index                        |
| DoH   | Department of Health                                 | OSM   | Original Software Manufacturer                  |
| DHA   | Department of Home Affairs                           | P-CMM | People Capability Maturity Model                |
| DPSA  | Department of Public Service and Administration      | PFMA  | Public Finance Management Act                   |
| DPW   | Department of Public Works                           | PFSC  | Projects and Financial Sustainability Committee |
| DTPS  | Department of Telecommunications and Postal Services | PTN   | Public Telecommunications Network               |
| EAP   | Employee Assistance Programme                        | PWC   | PricewaterhouseCoopers                          |
| ECM   | Enterprise Content Management                        | RFQ   | Request for Quotation                           |
| EE    | Employment Equity                                    | SAPS  | South African Police Services                   |
| ERP   | Enterprise Resource Planning                         | SARS  | South African Revenue Service                   |
| EVP   | Employee Value Proposition                           | SASSA | South African Social Security Agency            |
| EXCO  | Executive Committee                                  | SCM   | Supply Chain Management                         |
| GIS   | Geographical Information System                      | SCoPA | Standing Committee on Public Accounts           |
| GRAP  | Generally Recognized Accounting Practice             | SOE   | State Owned Company                             |

## FOREWORD BY THE MINISTER

---

Dr Siyabonga Cwele

Minister of Telecommunications and Postal Services



In line with international trends, the availability and wide use of information and communications technologies (ICTs) is critical for South Africa's socio-economic development and global competitiveness. Access to ICTs will ensure the radical socio-economic transformation of our society, thus allowing us to deal with the effects of persistent unemployment, inequality and poverty prolonged by the legacy of apartheid. STA is a critical vehicle for delivering the complex and much needed ICT services to South Africa's citizens, particularly in the areas of broadband, cybersecurity and e-Government.

In the National Development Plan (NDP), government committed to achieve 100% broadband penetration by 2020. Phase 1 of the broadband rollout, to eight rural districts, was announced by President Zuma in his State of Nation Address in February 2015. Broadband rollout is a huge but urgent project, which must not be delayed if we are to remain globally competitive, and STA has to play a pivotal role in driving this initiative.

With the expansion of ICT systems and coverage, good cybersecurity is essential. South Africa has implemented a number of strategic and tactical interventions, including the approval of National Cybersecurity Policy Framework (NCPF) on 7 March 2012. The aim is, among others, to promote a cybersecurity culture, demand compliance with minimum security standards, and ensure adequate national capacity to develop and protect our cyberspace. In this regard, STA has to be the go-to provider of end-to-end services for secure IT environments.

Government has mandated STA to prioritise e-Government and to drive a programme of action that will ensure that, by 2019, at least 70% of public-facing services are accessible online to citizens. The focus is on frontline departments and those entities dealing with critical data and archives in a secured environment. Through smart partnerships with social partners and the private sector, STA has the opportunity to enhance our connectivity efforts, skill our citizens and consolidate e-Government and related e-strategies.

## ADMINISTRATIVE INFORMATION

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REGISTERED NAME: State Information Technology Agency  
(STA) SOC Limited

REGISTRATION NUMBER: 1999/001899/30

PHYSICAL ADDRESS: 459 Tsitsa Street  
Erasmuskloof  
Pretoria, South Africa

POSTAL ADDRESS: P O Box 26100  
Monument Park  
0105, South Africa

TELEPHONE NUMBER/S: +27 12 432 3000

FAX NUMBER: +27 12 367 5151

EMAIL ADDRESS: info@sta.co.za

WEBSITE ADDRESS: <http://www.sta.co.za>

EXTERNAL AUDITORS: Auditor-General of South Africa

BANKERS: Standard Bank of South Africa

COMPANY SECRETARY Mashumi KMzaidume



## VISION, MISSION AND CORPORATE VALUES



### VISION

To be the lead 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, STA has adopted and seeks to promote the following values:

- Service Excellence. We shall strive to attain internationally recognised standards of service quality, and maintain continuous improvement in service delivery.
- Transparency. We shall always ensure transparency in everything we do in order to build trust and confidence with all our stakeholders.
- Integrity. We shall conduct our business with integrity at all times to inculcate a culture of honesty, respect and accountability among all our employees.
- Fairness. We shall treat all our partners, our suppliers and our employees with fairness at all times.
- Prudence. We shall exercise prudence and economy in running the business of STA and in

## LEGISLATIVE MANDATES

---

SITA is established in terms of the SITA Act (No. 88 of 1998) as amended, and its mandate is informed by the recommendations of the Presidential Review Commission of 1998. In executing its role, SITA is also guided by the following legislation and regulations.

- SITA Regulations of 2005
- Electronic Communication Act (No. 36 of 2005)
- Public Finance Management Act (PFMA) (No. 1 of 1999)
- Companies Act (No. 71 of 2008)
- Public Service Act (No. 103 of 1994), as amended by Public Service (Amendment) Act (No. 30 of 2007)
- Electronic Communication and Transactions Act (No. 21 of 2002)
- National Key Points Act (No. 102 of 1980), as amended by National Key Points Amendment Act (No. 47 of 1985)
- Preferential Procurement Policy Framework Act (No. 5 of 2000)
- Government IT House of Values, as contained in e-Government policy<sup>1</sup>
- The Machinery of Government (May 2003)<sup>2</sup>
- Minimum Interoperability Standards (MIOS)
- Minimum Information Security Standards

### Constitution of the Republic of South Africa Act (No. 108 of 1996), as amended

As a public enterprise, SITA is subject to the following mandates outlined in Chapter 10:

Section 195: Basic values and principles governing public administration

1. 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

- 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.
- 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.

#### Section 217: Procurement

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

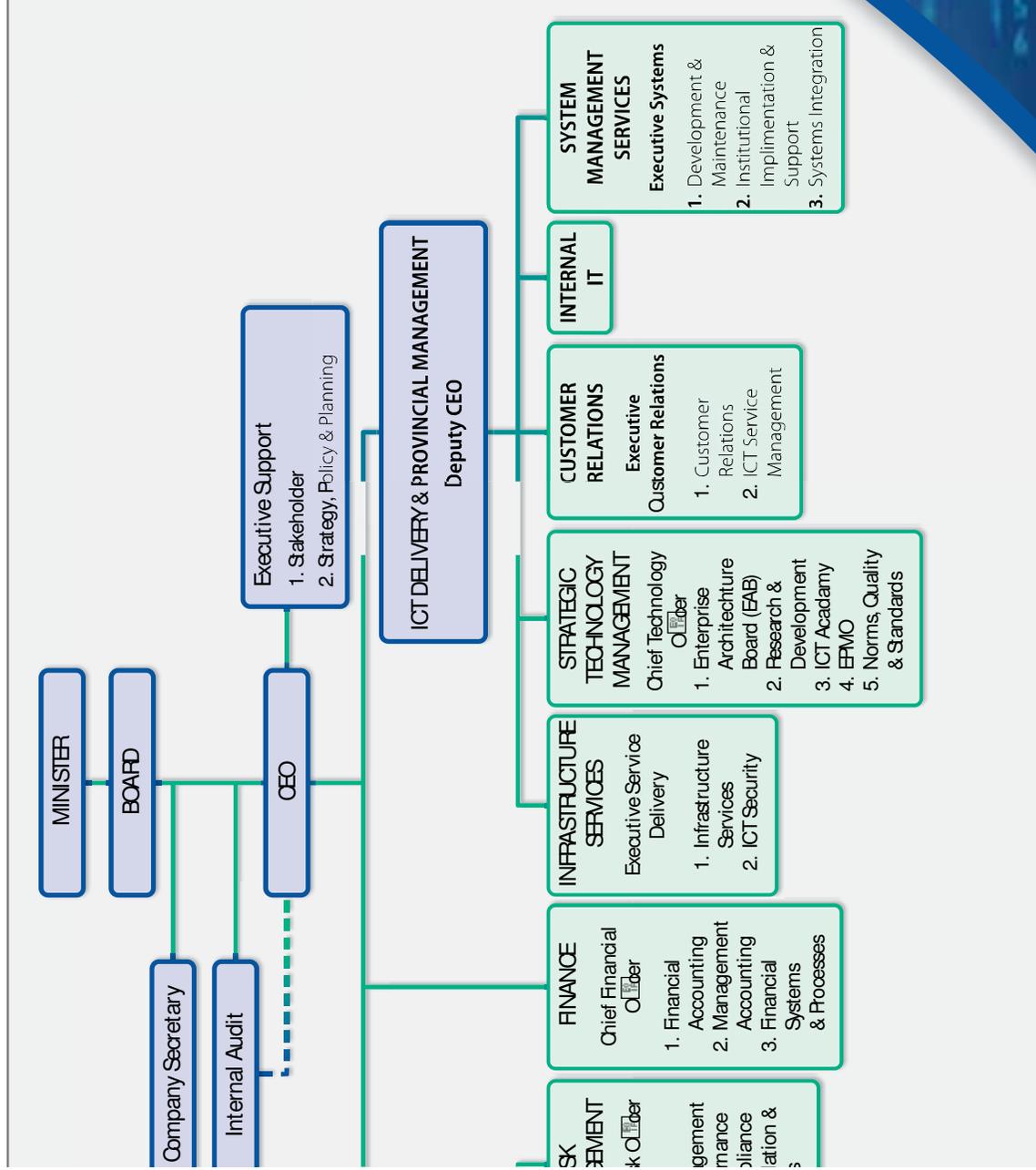
### SITA Act (No. 88 of 1998), as amended by Act (No. 38 of 2002)

According to the Act, the agency's objects are:

- a. To improve service delivery to the public through the provision of information technology, information systems and related services in a maintained information system security environment to the departments and public bodies; and
- b. To promote the efficiency of departments and public bodies through the use of information technology.

SITA is listed as a Schedule 3A National Public Entity in terms of the PFMA. Government is the sole shareholder of SITA, and the Minister of Telecommunications and Postal Services exercises the custodian rights attached to the shareholder on behalf of the State. Although SITA, as a PFMA Schedule 3A entity, does not have to conclude a compact with the shareholder, a shareholder performance compact was concluded between SITA and the shareholder. The compact details the agreed key performance objectives and indicators for the organisation.

# ORGANISATIONAL STRUCTURE





## FOREWORD BY THE CHAIRPERSON

---

J S Vilakazi

*Chairman of the Board of Directors*

The information and communications technology (ICT) sector is a critical contributor to the country's economic growth. SITA has a significant opportunity to expand its reach and impact, and to play a much larger role in helping deliver South Africa's ICT ambitions. For that, and to reach its full potential, SITA needs to enable government departments to deliver efficient and effective services to citizens through ICT.

Government's adoption of the National Development Plan (NDP) as a roadmap continues to be the point of departure for all state departments, including SITA, to deliver the key national strategic priorities of poverty eradication, improved economic growth and social development. ICT is central to making these endeavours a reality for citizens, through enabling service delivery and contributing to modernising the state.

As ICT continues to transform the global environment, SITA has an ever-increasing role to play in assisting the South African government to deliver relevant and accessible services to its citizens through the effective use of ICT goods and services. Therefore, following its transfer to the Department of Telecommunications and Postal Service (DTPS) in July 2014, SITA streamlined its focus towards achieving integrated e-Government services, government data security and IT procurement for government. Attaining these ICT priorities will not only modernise government in line with international standards but will also reclaim SITA's vision of being a leading ICT Agency.

On 1 April 2015, Dr Mohapi joined as CEO to lead the execution of the Board-defined and approved strategy. SITA has honed its capabilities and competencies to support the strategic plan, which resulted in pleasing progress in implementing the strategic initiatives outlined in the strategy.

STA will continue to support government in its efforts to reduce fragmentation and duplication in the ICT sector through the State Owned Companies (SOC) rationalisation programme. This programme is aimed at aligning SOCs in all spheres of government in order to achieve the country's developmental objectives and aspirations.

STA, the DTPS and the Department of Public Service and Administration are collaborating on prioritising the e-enablement of at least five services by 2019 to meet the Medium Term Strategic Framework, Outcome 12, Sub-outcome 4, Action number 6 "prioritised services e-enabled":

Information technology (IT) is an important tool for improving service delivery. For example, IT can be used to make services more accessible, reduce the cost of accessing services, streamline administrative processes and improve turnaround times, and strengthen accountability and responsiveness. To achieve these objectives it is important that IT systems are tailored to specific areas of service delivery. Government will therefore identify and prioritise those areas where IT has the greatest potential to improve access to services.

Our e-Government programme will enable government to work more efficiently, strengthen public service delivery and enhance communication channels with citizens. Our approved procurement strategic plan will result in effective and integrated ICT supply chain management and will improve STA's turnaround time from entry to exit. In partnership with the Department of Higher Education and Training and Umalusi, we are fully committed to ensuring that the certificate distribution backlog of National Certificate Vocational (NCV) is reduced from 192 000 to zero by the end of 2015 and maintained as such going forward. The teams working on this project are addressing systems and processes to ensure that students' job-seeking prospects are not further hampered by the absence or unavailability of their hard-earned certificates. STA aspires to achieve a clean audit by 2016–2017 and to move from a risk management maturity level 4 to 4+ by 2016–2017.

Public expenditure on ICT in South Africa amounts billions of Rands. How this money is spent and the quality of services it provides is critically important to us all, as users of services and as taxpayers. Therefore, we all need the governance of our SOCs to be of a high standard: good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes. As the people responsible for STA's governance (its leadership, direction and control), the Board of Directors has sought to address the purpose and objectives of STA and work in the public interest. It has strived to bring about positive outcomes for the citizens of this country, the ultimate beneficiaries of Government ICT

I would like to extend my appreciation to my fellow board members for their contribution and judicious oversight, and to thank our loyal customers and stakeholders for their support. My thanks also go to the state for building an organisation that continues to maintain and support key state information systems, thereby propelling STA to play a strategic role in the developmental agenda of our country.

Finally, I would like to take this opportunity to thank the shareholder representative, Minister of Telecommunications and Postal Services, Dr Syabonga Owele (MP), for his leadership and for entrusting us with the responsibility to preside over STA as its Board of Directors, and the Deputy Minister, Prof Hlengiwe Mkhize (MP) for her guidance and stewardship. They both made the board's performance of STA's tasks lighter. I also extend my gratitude to the Chairperson of the Portfolio Committee on Telecommunications and Postal Service, Honourable Ms Mmamoloko Kubayi (MP) and members of the Committee for their continued support and counsel. And of course, in welcoming Dr Mohapi, I also would like to thank the former CEO of STA, Mr Freeman Nomvalo, for his services during his tenure that ended with the financial year.



J S Vilakazi

Chairman of the Board of Directors

State Information Technology Agency SO Limited (STA)

29 July 2015

## CHIEF EXECUTIVE OFFICER'S OVERVIEW

---



Dr S J Mohapi  
Chief Executive Office

STA's strategic and operational initiatives must be centred on improving the effectiveness and efficiency of the public sector to enable service delivery to the citizens. We are well on our journey of implementing our strategic plan, which aims to improve customer services and create a high-performance organisation, through:

- Becoming customer-led, served by highly motivated and skilled employees
- Radically improving and transforming procurement systems and processes
- Developing and implementing integrated e-Government services in partnership with our customers and in alignment with the Medium Term Strategic Framework (MTSF)
- Modernising and upgrading infrastructure, and improving the security of government data assets

### Implementing Strategic Imperatives

At 35% customer satisfaction was at an all-time low, with complaints in STA's key areas of supply chain management (SCM), solution development and infrastructure services. We have recognised the urgent need to be more customer-led, and to understand and proactively manage customer requirements. This is why we are developing and implementing a customer engagement model, which will bring the customer and STA closer to each other. The aim is on getting the basics right: strengthening communication to customers, delivering at the lowest cost possible and honouring commitments made.

The procurement function is another area that has experienced challenges over the year, and we recognised the need to tackle the root causes rather than the symptoms. Therefore, a comprehensive procurement strategic plan was developed as a roadmap and based on world-class procurement best practices. During 2014/15, no

Our commitment to deliver e-Services is formulated in the STA Strategic Plan and e-Government Plan of Action. In 2014/15, we finished developing seven e-Services, two of which were successfully launched to the customer.

- The Tender Portal was launched on 1 April 2015, in collaboration with National Treasury. This central portal is where all government tenders are published. Its objective is to eliminate duplication and fragmentation of government tenders, as well as to establish a central supplier database that consolidates supplier information across all spheres of government.
- The Electronic Case (or e-Case) service was successfully piloted at the Benoni Court in January 2015. E-Case integrates processes of the South African Police Services (SAPS), the Departments of Justice and Correctional Services, and the National Prosecuting Authority (NPA).

For 2015/16, e-Services will be aligned to the outcomes defined in the MTSF 2014–2019 and will focus on the government's socio-economic priorities.

To enable the delivery of e-Services, we are investing in modernising the government data centres and upgrading the next generation network capacity in line with SA Connect Targets. We are also investing in human capital because, as custodian of government's data, we have to be at the forefront of defence against ICT security threats. This requires having sufficient highly capable and skilled personnel in the fields of information security and cyber security, to ensure the security of the government's information systems.

Only with highly skilled, committed and motivated employees can we achieve our strategic imperatives. In March 2015, an Operational Health Index (OHI) survey was undertaken to evaluate the internal environment and had a response rate of 40%. Compared to the previous OHI survey (in 2014), STA improved its health score by 10 points, whereas organisations typically aspire for a four-point improvement over a year. However, although significantly improved, the agency's health remains weak compared to regional and industry peers. This means that we still have to do more if STA is to become a high-performance agency for today and the future. We have addressed the matter of employees who were displaced during the organisational restructuring, and all employees are now able to focus on the crucial element of service delivery to our customers.

## Bridging the Digital Divide

STA is passionate about improving the lives of citizens and bridging the digital divide. This year, 60 students (40 female and 20 male) were given the opportunity to further their ICT studies at recognised higher learning

## Improving Internal Controls

In 2013/14, the Auditor-General's report highlighted a number of Management Letter Points (MLPs) that pointed towards deficiencies in STA's internal controls, in particular in relation to supply chain management, IT and business continuity arrangements, and capital expenditure management.

As part of STA's ongoing drive to improve the agency's governance and internal controls, a number of initiatives were implemented during the year to address the MLPs and avoid a repeat of the findings. While further improvement is required, we are committed to achieving a clean audit report in the next financial year. The maturity level of risk management implementation in the agency is at 3+.

## Looking to the Future

STA is an economically viable public entity that, for the 16 years of its existence, has been a growing concern funded through the rates and tariffs charged to its customers for services rendered. The funds collected provide STA with the resources to meet its operational and capital expenditure requirements. For the year ended 31 March 2015, STA has a net surplus after tax of R144.289-million, or 2.8% of the R5.090-billion total revenue generated. This equates to an 8.54% year-on-year growth. The net surplus of R144.289-million will enable STA to further invest in infrastructure maintenance and upgrades in order to generate future identifiable streams of sustainable revenue, thereby enhancing our services. STA's operating costs increased by 16% year-on-year.

The time for defining strategies is behind us. We are all focused on coordination and execution, as these actions will ensure that STA delivers value to Government and its citizens.

I would like to extend my sincerest appreciation to the STA Board and the employees for their commitment and support in the time that I have been at the agency. I look forward to the journey ahead and am grateful and humbled by the opportunity to serve in such a critical and strategic entity.

## STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY

---

We the undersigned do hereby confirm that:

- The information and amounts disclosed in this Report are **consistent with the Annual Financial Statements (AFS)** as audited by the Auditor-General.
- This Report is complete, accurate and free from any omissions.
- The Report has been prepared in accordance with National Treasury's **guidelines on annual reporting**.
- The AFS (Part E) have been prepared in accordance with the **Generally Recognised Accounting Practice (GRAP)** applicable to SITA.
- SITA's Board of Directors is the Accounting Authority of the entity and is **responsible both for the preparation of the AFS and for the judgements made based on the information contained in the AFS**.
- The Accounting Authority is responsible for establishing and implementing **a system of internal controls, which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the AFS**.
- **The Auditor-General is engaged to express an independent opinion on SITA's AFS**.

In the opinion of the Accounting Authority, the Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of SITA for the financial year ended 31 March 2015.

Yours faithfully



SJ Mohapi (Dr)  
Chief Executive Officer  
14 August 2015

State Information Technology Agency SOCLtd



J Vilakazi (Mr.)  
Chairman of the Board of Directors  
14 August 2015

State Information Technology Agency SOCLtd



## AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General has audited the performance information for usefulness and reliability, compliance with laws and regulations, and internal control, but an opinion is not expressed on the performance information. See Part E, page 94 for the Auditor-General's Report.

### SITUATIONAL ANALYSIS

#### Service Delivery Environment

Following its transfer in July 2014 to the Department of Telecommunications and Postal Service (DTPS), STA integrated the following eGovernment and cyber-security priorities into its ICT Service Delivery Portfolios:

- e-Government (including new IT service delivery model and solution integration)
- consolidation and modernisation of data centres
- upgrade of bandwidth and network
- design and implementation of security system

Table 1: Progress of initiatives introduced in 2014/ 15

| PLANNED ACTIVITIES  | ACHIEVEMENTS AS AT MARCH 2015   |
|---|---|
| Initiative 8: consolidation and modernisation of data centres. This is to provide the strong foundation required by e-Government.   |   |
| Short-term: Address the challenges caused by extended electrical power outages (load-shedding) that places prolonged strain on the emergency and standby electrical power plants of the critical data centres and | <ul style="list-style-type: none"> <li>• Emergency power plant at the main data centre was stabilised.</li> <li>• An additional interim disaster recovery centre was secured for the Department of Home Affairs (DHA), to mitigate the risk of government mission-critical ICT systems being adversely affected by prolonged power</li> </ul> |

| PLANNED ACTIVITIES   | ACHIEVEMENTS AS AT MARCH 2015  |
|--|--|
| <p>Several projects are planned over the medium-term, with the aim of:</p> <ul style="list-style-type: none"> <li>Expanding the secure government network coverage to underserved areas.</li> <li>Upgrading the network bandwidth to meet South Africa's broadband policy targets.</li> <li>Modernising the network service offering to government in a high-secure networking environment.</li> </ul> <p>Expanding network coverage to rural and underserved areas remains a challenge.</p>   | <ul style="list-style-type: none"> <li>Renewed service provider contracts with Telkom SA (last-mile) and with Broadband-Infraco (core network connectivity) to provide core network connectivity at increased bandwidth and reduced cost.</li> <li>Established a new secure high-speed internet service for use by government at significantly reduced cost.</li> <li>Commenced the upgrade of the critical core network at 24 switching centres (planned completion September 2015).</li> <li>Implemented the new high speed internet service.</li> <li>Facilitated the first major broadband roll-out contract for the Western Cape Provincial Government, to about 2000 government offices and public service outlets (including +/- 1100 public schools and +/- 300 health facilities). With this expansion, the government secure network covers approximately 9000 government offices and public service outlets across the country.</li> <li>Implemented redundancy measures at critical public service outlets to mitigate the risks of network failures caused by power-shedding and copper theft.</li> </ul> |
| <p>Initiative 10: Design and Implement Security System. This is to protect against cyber-security threats, especially those directed at gaining access to or destroying sensitive government data assets.</p>  |  |
| <p>Short-term projects include</p> <ul style="list-style-type: none"> <li>Enhancing security measures at data centre facilities to comply with the National Key Point Act.</li> <li>Consolidating several security functions in STA into a unified, highly skilled information-security business unit capable of securing government's critical ICT infrastructures.</li> <li>Raising security awareness through campaigns.</li> <li>Responding to high-risk areas that are particularly vulnerable to cyber-attack, such as government websites and interfaces to the internet and other non-government institutions.</li> <li>Reviewing processes to respond better to security</li> </ul> | <ul style="list-style-type: none"> <li>Maintained position as the entity with the second highest percentage of valid security clearance rating of personnel across all of government and parastatal entities (the highest is the State Security Agency).</li> <li>Enhanced several physical security measures in and around office buildings and data centres in line with the National Key Points Act prescripts.</li> </ul>  |

| PLANNED ACTIVITIES  | ACHIEVEMENTS AS AT MARCH 2015  |
|---|--|
| Initiative 11: e-Government. This is informed by the NDP and the MTSF 2014–2019, and aligned to international best practice.  |  |
| <p>2014/15. Establishment of e-Service technology platforms and development of six basic e-Services to demonstrate the platform capability. Citizens and public service officials will be able to start doing business with government online using these e-Services, such as apply online for benefits, permits, grants or licences.</p> <p>2015/16. An enhanced transversal e-Service technology platform and 15 additional basic e-Services that enable data and workflow to be integrated vertically into departmental systems.</p> <p>2016/17. Data sharing across departments and live complex e-Services that are able to integrate data and workflow across different departmental systems.</p> <p>2017/18. Government data hub that enables government to establish a “single view of the citizen” across several departments.</p> | <ul style="list-style-type: none"> <li>• 1 x e-Government platform that allows citizens to fill in forms electronically and submit to government departments.</li> <li>• 2 x platforms that provide a technology environment where e-Services can be developed and deployed in government.</li> <li>• 2 x e-Services accepted by customers: (i) National Treasury's electronic tender portal that provides a central place where all government tenders are published and a central supplier database. (ii) A pilot of the Electronic Case (e-Case) service that processes data and workflow between SAPS, Department of Justice and National Prosecuting Authority.</li> <li>• 5 x e-Services are in process of customer acceptance: 3 x online applications, for grants (City of Johannesburg), permits (Department of Environmental Affairs) and housing subsidies (Department of Human Settlements); 1 x online enquiry for vacancies (SAPS); 1 x online registration as military veterans (Department of Military Veterans).</li> </ul> |

## Organisational Environment

Cabinet approved the appointment of Dr Setumo Mohapi as STA's new Chief Executive Officer (CEO) with effect from 1 April 2015 to 31 March 2019. The previous CEO (Mr Nomvalo) completed his contract on 31 March 2015, and the transition was smooth and swift, which is important for business continuity.

STA has been plagued by low staff morale because of transformation fatigue that left many employees feeling

During 2014/15, no proven cases of corruption came to light, but SITA is alive to the threat of corruption and other unethical behaviour being perpetrated within and against the organisation. To this end, a number of anti-corruption initiatives have been implemented in order to deter and detect instances of unethical behaviour. Central to these initiatives is SITA's independently operated Ethics Line, where employees can report allegations of unethical behaviour within the organisation. The Ethics Line is supported by appropriate internal and external resources, to ensure all reported allegations of unethical behaviour are fully investigated and resolved.

## Key Policy Developments and Legislative Changes

The 7 May 2014 elections resulted in a new mandate for Government and new priorities for SITA, involving a greater focus on the National Broadband Policy (SA Connect), accelerated expansion of e-Government services, the coordination and streamlining of public entities in the sector, and a reconfigured department that would ensure policy and regulatory certainty within the ICT sector. In July 2014, and in terms of Presidential Proclamation No. 47 of 2014 dated 15 July 2014, the Executive Authority of SITA was transferred from the Minister of Public Service Administration to the Minister of Telecommunications and Postal Services.

On 30 April 2014, the then Minister of Public Service and Administration and Executive Authority of SITA, Dr Lindiwe Ssulu, approved the agency's 2014–2019 Corporate Strategy, 2014/2015 Annual Performance Plan (APP) and 2014/2015 Corporate Balanced Scorecard. Following the May 2014 elections, Minister Collins Chabane replaced Dr Ssulu as Minister of Public Service and Administration. Therefore, SITA's approved Corporate Strategy, Annual Performance Plan and Corporate Balanced Scorecard were tabled before Parliament on 26 May 2014 under the auspices of Minister Collins Chabane.

Subsequently, the agency's Corporate Strategy, APP and Corporate Balanced Scorecard were reviewed, to bring them in line with the new mandate of Government and the priorities of the new Executive Authority. The review also took advantage of the opportunity to rationalise the Scorecard, which has been approved by the SITA Board of Directors.

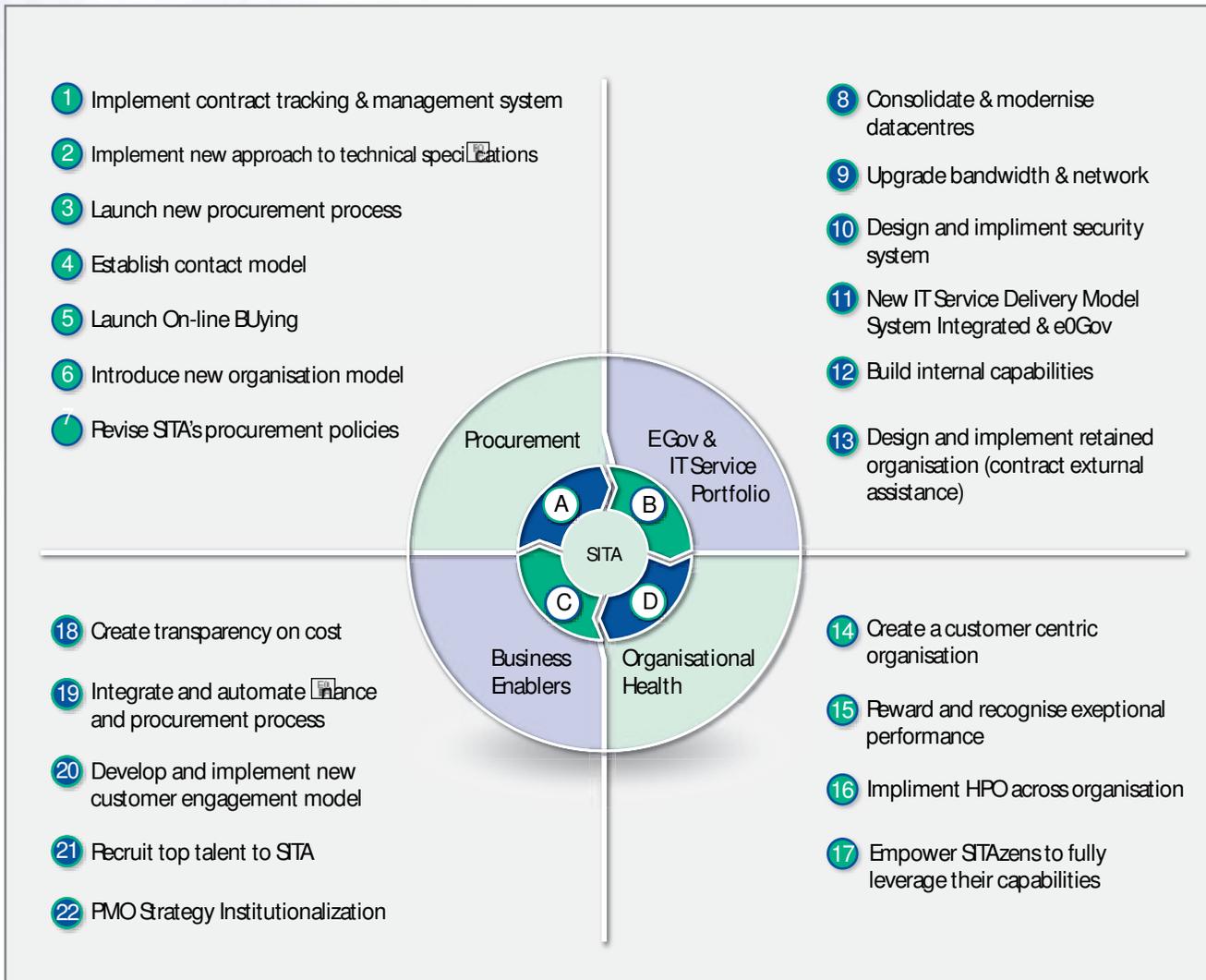
## SITA's Transformation Journey

SITA's value proposition is derived from the Government ICT House of Values. It is about:

- ensuring efficiency and cost-effectiveness in government service delivery

Figure 1: SITA's transformation journey

SITA's transformation journey will be implemented through 22 initiatives across 4 key categories



Over the next 3-5 years, SITA will be implementing an aggressive transformation programme aimed at rapidly

Table 2: SITA's five-year plan

| 2014-2015<br>STABILISATION   | 2015-2016<br>SUSTAINABILITY  | 2016-2017<br>EXCELLENCE  | 2017-2018<br>GOVT DATA HUB  | 2018-2019<br>GOVT SERVICE<br>AGGREGATOR  |
|--|--|--|---|--|
| <ul style="list-style-type: none"> <li>Employee recognition programme launched [16]</li> </ul> | <ul style="list-style-type: none"> <li>eProcurement tools developed [2]</li> <li>New procurement organisational model adopted [7]</li> <li>New IT services delivery models implemented [9-12]</li> <li>Skills and leadership programme rolled out [18]</li> <li>Performance management system implemented [16]</li> <li>Building new Data Centres tier 4 [9]</li> <li>Framework contracts for top 5 commodities in place [5]</li> <li>Interim disaster recovery data centre site established [9]</li> <li>Bandwidth upgraded [10]</li> </ul> | <ul style="list-style-type: none"> <li>Data centre certified Tier 3 [9]</li> <li>STAZon rolled out to all clients [6]</li> <li>Fully fledged Cloud Service provider [9-13]</li> <li>Migration to IT services organisation structure completed (retained organisation) [13,14]</li> </ul> | <ul style="list-style-type: none"> <li>Ensure highly secure integration and interoperability of government Systems [9-13]</li> <li>Ensure multiple platforms and access channels [9-13]</li> <li>Provide infrastructure and platform as a service [9-13]</li> </ul> | <ul style="list-style-type: none"> <li>Ensure IT Value Management [19-20]</li> <li>Build government process repository [9-12]</li> <li>Build government process optimisation and continuous improvement practice [9-12]</li> </ul> |

## 2.5 Strategic Outcome-Oriented Goals

STA has six strategic programmes, each aligned to a strategic goal, as shown in Table 2.

**Table 3:** Strategic programmes and goals

| STRATEGIC PROGRAMME                           | GOALS  |
|---|--|
| Programme 1: Procurement                      | To address all issues relating to delayed procurement turnaround times, removing customer pain points, and transforming the procurement function.            |
| Programme 2: Service Delivery                 | To provide high-quality IT services to enable government to deliver efficient and convenient services through the use of ICT.                                |
| Programme 3: Infrastructure and Cybersecurity | To optimise the provision of STA's IT infrastructure services in order to increase availability, flexibility, scalability, predictability and security.      |
| Programme 4: Financial Sustainability         | To ensure an effective and efficient financial management, and financial growth and sustainability.  |
| Programme 5: Organisation                     | To build and maintain organisational capability to enable STA to achieve its strategic imperatives and become an employer of choice within the ICT industry. |
| Programme 6: Governance and Administration    | To provide leadership, strategic management, governance, risk and resource management in line with government-accepted norms and standards.                  |

# PERFORMANCE INFORMATION BY PROGRAMME

## Programme 1: Procurement

The purpose of this programme is to address all issues relating to delayed procurement turnaround times, removing customer pain points, and transforming the procurement function. The increased customer-led focus is reflected in the results of key performance measures. A dedicated SMME development strategic plan has been put in place to increase ICT spend through SMMEs.

| OBJECTIVE                          | PERFORMANCE INDICATOR                                  | ACTUAL ACHIEVEMENT 2013/14 | ACTUAL PERFORMANCE AGAINST TARGET 2014/2015 |                         | DEVIATION FROM PLANNED TARGET FOR 2014/2015 | REASON FOR VARIANCE  |
|------------------------------------|--|----------------------------|---|-------------------------|---|--|
|                                    |  |                            | PLANNED TARGET                              | ACTUAL STATUS           |   |  |
| and improve performance of the SCM | M8.1: Improved SCM turnaround times                    | 108.94 days                | 90 days from the day the bid is published   | Achieved<br>85 days     | 5 days                                      | Due to efficiencies implemented in terms of management proactive monitoring and supervision of transaction through regular meetings                        |
|                                    | M8.2: Number of days taken to complete transversal bid |                            | 120 days for transversal bids               | Achieved<br>89 Days     | 31 days                                     | a) Due to streamlined processes and the allocation of dedicated resources<br>b) Improved collaborative working relationship with the designated department |
|                                    | M8.3: Number of days taken to finalise contract        | 29.94 days                 | 30 days on contract finalisation            | Not achieved<br>40 days | 10 days                                     | Development process not yet streamlined resulting to lack of collaborative approach from various stakeholders in the process                               |

| OBJECTIVE   | PERFORMANCE INDICATOR   | ACTUAL ACHIEVEMENT 2013/14 | ACTUAL PERFORMANCE AGAINST TARGET 2014/2015                         |                 | DEVIATION FROM PLANNED TARGET FOR 2014/2015 | REASON FOR VARIANCE   |
|---|---|----------------------------|---|-----------------|---|---|
|   |   |                            | PLANNED TARGET  | ACTUAL STATUS   |   |   |
| C5: Drive economies of scale in the acquisition of large ICT goods and services | M9: % Savings on acquisition of ICT goods and services                    | 18%                        | 12% Savings on acquisition of ICT goods and services                | Achieved 16%    | 4%  | Due to Microsoft License transactions   |
| C6: Drive transformation agenda   | M10: % of ICT acquisition spend through SMME                              | 0%                         | 7% of acquisition spend through SMME (cumulative)                   | Not achieved 6% | 1%  | Due to lack of dedicated SMME development strategic plan with clear objective on how various developmental opportunities will be leveraged. SMME awareness campaigns were conducted but had limited impact in terms of spend contribution |
|   | M11: % of ICT acquisition spend through <del>BBE</del> Compliant Entities |                            | 30% of acquisition spend through <del>BBBE</del> Compliant Entities | Achieved 71%    | 41%   | Due to the majority of suppliers who have <del>B-BBE</del> accreditation within level 1-4   |

### Strategies to overcome procurement underperformance

A new approved STA procurement policy and strategy is expected to improve the processes and provide the necessary education to employees. Standardised and easy to use SCM contract templates are to be developed

## Programme 2: Service Delivery

The purpose of the programme is to provide high-quality IT services to enable Government to deliver efficient and convenient services through the use of ICT.

| OBJECTIVE   | PERFORMANCE INDICATOR   | ACTUAL ACHIEVEMENT 2013/14  | ACTUAL PERFORMANCE AGAINST TARGET 2014/2015   |                  | DEVIATION FROM PLANNED TARGET FOR 2014/2015 | REASON FOR VARIANCE   |
|---|---|-----------------------------|---|------------------|---|---|
|   |   |                             | PLANNED TARGET  | ACTUAL STATUS    |   |   |
| C1: Enhance efficiency of government business processes | M5.1: % implementation of e-Government                              | 50 forms developed          | 90% as per approved plan  | Achieved<br>97%  | 7%  | <ul style="list-style-type: none"> <li>a) Executive oversight and weekly progress reviews by the CTO have ensured that the project teams pull all stops to deliver</li> <li>b) Because this was a strategic project with visibility up to Parliamentary level, the most experienced resources were assigned to the project</li> </ul> |
|   | M5.2: % implementation of e-Cabinet lead site implementation        |                             | 90% of the targets achieved to pilot at the following departments – (Presidency/ State Security/ DPSA / Treasury/ DTFS) | Achieved<br>95%  | 5%  | <ul style="list-style-type: none"> <li>a) The technical expertise assigned to the project surpassed the normal assignment levels and the Executive Management assisted on all risks escalated</li> <li>b) The CEO, DCEO and CTO attended each Executive Steering Committee</li> </ul>   |
|   | M5.3: Approval of the award recommendation for the new IRMS project | No roll-out sites completed | Award recommendation to the client  | Achieved<br>100% | None  | No variance   |
|   | M6: % Level of performance against signed SLA metrics contracted    | 97%                         | 95% implementation against contracted SLA metrics   | Achieved<br>95%  | None  | No variance   |

## Programme 3: Infrastructure and Cybersecurity

The purpose of this programme is to optimise the provision of STA's IT infrastructure services in order to increase availability, flexibility, scalability, predictability and security to protect government data assets.

| OBJECTIVE   | PERFORMANCE INDICATOR  | ACTUAL ACHIEVEMENT 2013/14                 | ACTUAL PERFORMANCE AGAINST TARGET 2014/2015             |                  | DEVIATION FROM PLANNED TARGET FOR 2014/2015 | REASON FOR VARIANCE   |
|---|--|--|---|------------------|---|---|
|   |  |  | PLANNED TARGET  | ACTUAL STATUS    |   |   |
| C1: Enhance efficiency of government business processes | M5.4: % Implementation of infrastructure upgrades and modernisation plan |  | M5.4.1:<br>90% implementation of data centre upgrades   | Achieved<br>100% | 10%   | The supplier contract was finalised earlier than anticipated and the installation process was fast tracked  |
|   |  |  | M5.4.2:<br>Below 75% utilisation of bandwidth           | Achieved<br>15%  | 60%   | Due to proactive bandwidth capacity management on the network core and trend analysis, all necessary bandwidth upgrades were effected timeously resulting in consistently low utilisation |
|   |  |  | M5.4.3<br>100% coverage of Centurion data centre        | Achieved<br>100% | None  | No variance   |
|   | M5.5 % Implementation of process automation and integration              | 39% of mapped processes has been automated | 90% implementation as per the approved project charters | Achieved<br>91%  | 1%  | Additional resources were recruited in quarter 4  |

## Programme 4: Financial Sustainability

The purpose of this programme is to ensure an effective and efficient financial management, and financial growth and sustainability

| OBJECTIVE                              | PERFORMANCE INDICATOR                         | ACTUAL ACHIEVEMENT 2013/14 | ACTUAL PERFORMANCE AGAINST TARGET 2014/2015 |                             | DEVIATION FROM PLANNED TARGET FOR 2014/2015 | REASON FOR VARIANCE  |
|--|---|----------------------------|---|-----------------------------|---|--|
|  |   |                            | PLANNED TARGET                              | ACTUAL STATUS               |   |  |
| F1: Achieve revenue growth             | M1: % increase in revenue (year-on-year)      | 9.5% below target          | F5.1 Billion (10% of baseline)              | Not achieved<br>8.6%        | 1.4%  | This is because the National Network Upgrade Projects, from the SAPS which were discontinued during the year |
| F2: Achieve sound financial management | M2: % Profitability                           | Net Surplus                | 3% Profitability                            | Not Achieved<br>2.3%        | 0.7%  | This is mainly due to lower than expected revenue and higher than expected operational expenditure           |
|  | M3: Liquidity Ratio                           | 28:1                       | ≥ 1.2:1                                     | Achieved<br>3.1:1           | 1.9   | Due to underspending on CAPEX  |
|  | M4: Expenditure against approved Capex budget | 16.8%                      | 80% Expenditure against approved CAPEX      | Not achieved<br>16.5% spent | 63.5%                                       | Mainly due to cancellations of major tenders for Infrastructure equipment and late delivery of NGN equipment |

## Programme 5: Organisation

The purpose of this programme is to build and maintain organisational capability to enable STA to achieve its strategic imperatives and become an employer of choice within the ICT industry.

| OBJECTIVE                           | PERFORMANCE INDICATOR                                  | ACTUAL ACHIEVEMENT 2013/14 | ACTUAL PERFORMANCE AGAINST TARGET 2014/2015       |                    | DEVIATION FROM PLANNED TARGET FOR 2014/2015 | REASON FOR VARIANCE |
|-------------------------------------|--|----------------------------|---|--------------------|---|---------------------|
|                                     |  |                            | PLANNED TARGET                                    | ACTUAL STATUS      |   |                     |
| L1: Build a performing organisation | M14: Increase CHI baseline points from 30 to 40 points |                            | Increase CHI baseline points from 30 to 40 points | Achieved 10 points | None  | No variance         |

### Strategies to improve organisational efficiency and stability

The CEO has a four-year contract, which contributes to the agency's perceived stability. The health of the organisation improved last year (OHI up by 10 points) and, with the clearing of the standing pool, this trend is expected to continue. STA had committed to an objective of achieving a Maturity Level 3 against certain processes and practices for financial year 2015/16. At an EXCO meeting dated 26 January 2015 during the CMMI awareness briefing, a decision was made not to focus only on maturity levels but rather to identify the weaknesses of processes and practices against Maturity Level 3 for Capability Maturity Model Integration (CMMI) and Maturity Level 2 for People Capability Maturity Model (P-CMM). The Standard CMMI Appraisal Method for Process Improvement (SCMAPI) undertaken during April and May 2015 assessed the organisation against Maturity Level 3 for CMMI constellation and Maturity Level for P-CMM. STA processes were assessed against best international practice framework for process improvement (CMMI from the CMMI Institute). This assessment identified strengths and weaknesses in all practices applied by STA to deliver services to its customers. The assessment placed STA at Maturity Level 1. A comprehensive process improvement plan is being implemented to improve the maturity of service delivery within STA.

## Programme 6: Governance and Administration

The purpose of this programme is to provide leadership, strategic management, governance, risk and resource management in line with government-accepted norms and standards.

| OBJECTIVE                                   | PERFORMANCE INDICATOR                           | ACTUAL ACHIEVEMENT 2013/14                              | ACTUAL PERFORMANCE AGAINST TARGET 2014/2015           |                                  | DEVIATION FROM PLANNED TARGET FOR 2014/2015 | REASON FOR VARIANCE  |
|---|---|---|---|----------------------------------|---|--|
|   |   |   | PLANNED TARGET  | ACTUAL STATUS                    |   |  |
| P1: Establish effective governance practice | M12: Compliance with internal control framework | Clean Audit for FY2013/2014 with no matters of emphasis | Unqualified Audit report                              | Achieved                         | None  | No variance  |
| P2: Improve Organisational efficiency       | M13: Organisation practice maturity level       | OMMI CL2 SCAMFI   | Maturity Level 3 for selected practice areas achieved | Not Achieved<br>Maturity level 1 | 2   | The fundamental contributor is the lack of or often fragmented end to end processes and effective product life cycle management supported by the right tools and people across the organization. |

## REVENUE COLLECTION

**Table 4:** Summary of Revenue Collection

| ESTIMATE AMOUNT<br>R'000                       | 2014/2015                              |                                   |                             | 2013/2014                              |                                      |                                      |
|--|--|-----------------------------------|-----------------------------|--|--------------------------------------|--------------------------------------|
|  | ACTUAL<br>AMOUNT<br>COLLECTED<br>R'000 | OVER/UNDER<br>COLLECTION<br>R'000 | ESTIMATE<br>AMOUNT<br>R'000 | ACTUAL<br>AMOUNT<br>COLLECTED<br>R'000 | OVER/<br>UNDER<br>COLLECTION<br>R000 | OVER/<br>UNDER<br>COLLECTION<br>R000 |
| Products and Service<br>Rendered to Government |  |                                   |                             |  |                                      |                                      |
| BPO Service Desk                               | -                                      | -                                 | -                           | -                                      | 34                                   | -34                                  |
| Commercial Printing                            | 17419                                  | 8073                              | 9346                        | 30468                                  | 47558                                | (17090)                              |
| Contract Management                            | 12800                                  | -                                 | 12800                       | -                                      | -                                    | -                                    |
| ICT Advisory Services                          | 62742                                  | 34504                             | 28238                       | 44473                                  | 50760                                | (6287)                               |
| Information Management                         | 36570                                  | 41940                             | (5370)                      | 37300                                  | 34253                                | 3047                                 |
| Managed Applications                           | 783233                                 | 535538                            | 247705                      | 735889                                 | 521638                               | 214261                               |
| Managed Desktop                                | 679412                                 | 397211                            | 282201                      | 622813                                 | 393551                               | 229262                               |
| Managed Infrastructure                         | 2085889                                | 2077342                           | 8547                        | 1665748                                | 1528786                              | 136962                               |
| Project Management                             | 63645                                  | 50050                             | 13595                       | 294330                                 | 226296                               | 68034                                |
| Requisition and Fulfillment                    | 1056714                                | 1563705                           | (506991)                    | 1632063                                | 1603339                              | 28724                                |

In 2014/15, the main reason for the underperformance was because a project to upgrade a customer's network programme did not materialise.

### Strategies to Overcome Revenue Underperformance

STA is improving its customer engagement process, to ensure that better service offerings are delivered to customers. The agency's internal service delivery processes are being optimised, which will entail a new service delivery model including pricing and innovative product lifecycle management. STA is in the process of submitting revised tariffs to the Ministry for approval. A renewed drive has begun to improve debt collection, by engaging with debtors around reasons for non-payment and exploring alternative means of recovery.

Table 5: Summary of payments by programme

|                        | 2014/2015      |                               |                                   | 2013/2014      |                               |                                   |
|------------------------|----------------|-------------------------------|-----------------------------------|----------------|-------------------------------|-----------------------------------|
| PROGRAMME NAME<br>R000 | BUDGET<br>R000 | ACTUAL<br>EXPENDITURE<br>R000 | OVER/UNDER<br>EXPENDITURE<br>R000 | BUDGET<br>R000 | ACTUAL<br>EXPENDITURE<br>R000 | OVER/UNDER<br>EXPENDITURE<br>R000 |
| Administration         | 917 552        | 1 200 971                     | (283 419)                         | 992 131        | 981 799                       | 10 332                            |
| Business Operations    | 4 145 978      | 3 891 257                     | 254 721                           | 4 805 000      | 3 849 400                     | 955 600                           |

Table 6: Capital investment, maintenance and asset management plan

| INFRASTRUCTURE PROJECTS               | 2014/2015      |                               |                                   | 2013/2014      |                               |                                   |
|---------------------------------------|----------------|-------------------------------|-----------------------------------|----------------|-------------------------------|-----------------------------------|
|                                       | BUDGET<br>R000 | ACTUAL<br>EXPENDITURE<br>R000 | OVER/UNDER<br>EXPENDITURE<br>R000 | BUDGET<br>R000 | ACTUAL<br>EXPENDITURE<br>R000 | OVER/UNDER<br>EXPENDITURE<br>R000 |
| Infrastructure: Network               | 175 000        | 112 833                       | 35 246                            | 75 000         | 64 979                        | 10 021                            |
| Infrastructure: Switching Centres     | 100 000        | -                             | 100 000                           | 20 000         | -                             | 20 000                            |
| Infrastructure: Data Centres          | 100 000        | 35 231                        | 64 769                            | 177 000        | 112 631                       | 64 369                            |
| Infrastructure: Modernisation         | 200 000        | 2 616                         | 197 384                           | 280 000        | -                             | 280 000                           |
| Solution Development: Transversal     | 30 000         | 7 019                         | 22 981                            | 45 000         | 32 686                        | 12 314                            |
| Solution Development: IFMS            | 100 000        | 16 345                        | 83 755                            | 260 000        | 107 358                       | 152 642                           |
| Solution Development: Customer Unique | 117 000        | -                             | 117 000                           | 50 000         | -                             | 50 000                            |
| Solution Development: Modernisation   | 100 000        | 1 009                         | 98 991                            | 90 000         | 7                             | 89 993                            |
| Solution Development: Integration     | 65 000         | -                             | 65 000                            | 65 000         | -                             | 65 000                            |
| Solution Development: R&D             | 115 000        | 22 890                        | 92 110                            | 100 000        | 21 162                        | 78 838                            |
| Security                              | 25 000         | 245                           | 24 755                            | 10 000         | 15                            | 9 985                             |
| Service Management: Contact Centres   | 40 000         | 4 234                         | 35 766                            | 30 000         | 27 250                        | 27 250                            |
| Service Management: DSS& 1st Line     | 40 000         | -                             | 40 000                            | 30 000         | 311                           | 29 689                            |

## Capital Investment

STA's performance suffered greatly in the areas of capital investment, maintenance and asset management. In 2014/15, only about 19% of the allocated CAPEX investment was spent. While reasons may vary, the common issues are:

1. The lack of governance structures responsible for managing CAPEX. CAPEX approval was not done in a controlled manner, resulting in a lack of proper monitoring of the adequacy of the plans to achieve their targets.
2. Lack of continuity and leadership in key executive positions. The executive responsible for infrastructure services and the head of department responsible for network infrastructure were suspended, which created a vacuum at a crucial time of the financial year.
3. Changing structures within the agency meant that responsibilities were allocated differently. This created confusion and hindered visibility on the plans that were drafted.
4. Organisational health. Since the start of the turnaround strategy in 2010, employees have been unsettled in their positions, with over 100 employees unassigned ("in the pool"). Although this problem had mostly been addressed by the end of the financial year, the instability had already taken its toll on the employees.
5. Ineffective procurement processes, which contributed to critical and needed resources not being spent.
6. Poor planning and lack of monitoring are central to all these issues.

## Strategies to Overcome CAPEX Underperformance

STA has improved governance structures responsible for managing CAPEX. The Projects and Financial Sustainability Committee (PFSC) chaired by the STA Chief Financial Officer has been established to closely monitor the capital expenditure programme and escalate deviations or non-compliance to the Executive Committee on a regular basis. Executives have been allocated responsibilities for CAPEX programmes, following the approval of the macro structure by the STA Board. Procurement plans have been created and are monitored regularly by departments. STA is improving its planning and monitoring processes around CAPEX spend, and reports are submitted at the CEO's weekly operations meeting.

Table 7: CAPEX expenditure vs. budget 2014/15

| INFRASTRUCTURE PROJECTS | BUDGET | ACTUAL EXPENDITURE | OVER/UNDER | NOTES |
|-------------------------|--------|--------------------|------------|-------|
|-------------------------|--------|--------------------|------------|-------|

| INFRASTRUCTURE PROJECTS               | BUDGET R000 | ACTUAL EXPENDITURE R000 | OVER UNDER EXPENDITURE | NOTES   |
|---------------------------------------|-------------|-------------------------|------------------------|---|
| Infrastructure: Data Centres          | 100 000     | 35 231                  | 64 769                 | The infrastructure refresh tenders delayed from 2013/ 14 affected expenditure in 2014/ 15. The larger data centre strategy led to key infrastructure tenders being cancelled and then republished but too late for 2014/ 15.  |
| Infrastructure: Modernisation         | 200 000     | 2 616                   | 197 384                | The planned R200-million was for cloud computing platforms, a strategic intent carried forward from 13/ 14. However, the cloud strategy was postponed in favour of the infrastructure refresh.  |
| Solution Development: Transversal     | 30 000      | 7 019                   | 22 981                 | The R30-million was for the IFMS Business Intelligence capabilities, but the programme was cancelled and alternative strategic transversal solutions were launched. Bulk deployment was delayed due to infrastructure capacity and the cancellation of IFMS as main vehicle. The geographical information system (GIS) service provider contract had to be cancelled due to an inability to provide the services as stipulated in the contract. |
| Solution Development: IFMS            | 100 000     | 16 345                  | 83 755                 | The IFMS was cancelled, but some financial commitment had to be concluded before tenders could be cancelled. Some software capabilities developed were reused on other programmes and will accelerate development in 2015/ 16.  |
| Solution Development: Customer Unique | 117 000     | -                       | 117 000                | The R117-million was for the e-Government programme and e-Cabinet solution for the Presidency, which was delayed as a result of engineering works and concerns over supplier solvency. The e-Government development cost was reflected in R&D programme.  |
| Solution                              |             |                         |                        | The R100-million was intended to assist SAPS with their crime integration platforms, as well as for Smart City solutions and legacy systems for other customers. Limited work was done  |

| INFRASTRUCTURE PROJECTS             | BUDGET R000 | ACTUAL EXPENDITURE R000 | OVER UNDER EXPENDITURE | NOTES   |
|-------------------------------------|-------------|-------------------------|------------------------|---|
| Solution Development: R&D           | 115 000     | 22 890                  | 92 110                 | The R115-million (2% of annual revenue) was for Java Integrated Development platform (JIG) and various other emerging technologies. The technology laboratory infrastructure FFQ was cancelled because no suitable submissions were received. The JIG project was put on hold until approval was granted for the platform to be one of the enablers of e-Government. Getting approval for enhancing further the OpenJig took too long, and eventually contracts were cancelled. Most of the CAPEX was allocated to e-Government projects, which underspent for various reasons, such as late infrastructure and licences. |
| Security                            | 25 000      | 245                     | 24 755                 | The R25-million was for Multi-Factor Authentication and Security Testing software, which was delayed because of the potential creation of a separate security subsidiary.   |
| Service Management: Contact Centres | 40 000      | 4 234                   | 35 766                 | The R40-million for the Service Management Centre online capabilities was delayed because of the larger Infrastructure refresh priorities.  |
| Service Management: DSS & 1st Line  | 40 000      | -                       | 40 000                 | The R40-million was for acquiring remote LAN and desktop management software but was delayed because of concerns about internal capacity. An external consultant had recommended this function be outsourced, but capacity issues have now been addressed.  |
| Operational Support: Internal IT    | 40 000      | 40 110                  | (110)                  | The R40-million was for internal infrastructure upgrades (R30-million) and ERP licences (R10-million). The upgrade of the Erasmusloof FBX capability absorbed most of the available funding, and ICT equipment for Western Cape and Cluster 2 was acquired.   |
| Operational Support: Facilities     | 125 000     | 23 993                  | 101 007                | The R125-million was for upgrading security at STA's office as National Key Points. The review of STA's overall accommodation strategy delayed some upgrade projects.   |
|                                     |             |                         |                        | The R20-million was planned for service monitoring software   |





## The SITA Board

The SITA Board of Directors aligns itself with the understanding that good corporate governance consists of a system of structuring, operating and controlling in order:

- To achieve a culture based on a foundation of sound business ethics.
- To fulfil the agency's long-term strategic goals, while taking into account the expectations of all key stakeholders.
- To consider and care for the interests of employees, past and present.
- To maintain excellent relations with customers and suppliers, while taking into account the needs of the environment and the local community.

## Portfolio Committees

As part of its governance endeavour and oversight, SITA briefs Parliament on its legislative mandate and related activities, as well as responds to parliamentary questions. The Portfolio Committee on Telecommunications and Postal Services, which oversees the activities of SITA, is presided over by the Honourable Ms MT Kubayi MP. Its members are Honourable Ms MR Shinn MP, Honourable Ms LM Maseko MP, Honourable Mr PP Mabe MP, Honourable Mr C Mackenzie MP, Honourable Ms MV Mafolo MP, Honourable Ms LL van der Merwe MP, Honourable Mr PWA Mulder MP, Honourable Mr MQ Ndlozi MP and Honourable Ms N Ndongeni MP.

In 2014/15, SITA briefed the Portfolio Committee on:

- Progress in respect of broadband (policies and regulations, implementation plans, challenges, the broadband framework in relation to NDP and DTPS vision 2020, timeframes for envisaged broadband roll-out plan and target implementation, resources needed and any other relevant information; on broadband and schools connectivity).
- SITA's 2014–2019 Corporate Strategy and 2014/2015 Annual Performance Plan.
- Services to the DBE
- The state of readiness for digital migration.
- How SITA is dealing with issues raised by the Auditor-General and internal control measures used to

## THE SITA BOARD OF DIRECTORS

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Leaders 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 a Board.

In terms of Section 66(1) of the Companies Act (No. 71 of 2008), the business affairs of a company must be managed by, or under the direction of, a Board of Directors, which has the authority to exercise all the powers and perform any of the functions of the company, except where the Companies Act or SITA's Memorandum on Incorporation provide otherwise.

The Board's roles and responsibilities are provided for in:

- State Information Technology Act (No. 88 of 1988), as amended (SITA)
- Public Finance Management Act (No. 1 of 1999) (PFMA)
- National Treasury Regulations issued in terms of the PFMA (March 2005)
- Companies Act (No. 71 of 2008)
- SITA Board Charter of 9 January 2013
- King III Report on Governance for South Africa (King III).

### The Board Charter

The SITA Board Charter (Corporate Governance Code) is informed inter alia by the Constitution of the Republic of South Africa; the SITA Act and Regulations; the PFMA and Regulations; the Companies Act and Regulations; the 1992, 2002 and the 2010 King Reports on Corporate Governance; as well as best practice in the management of boards of directors.

Its departure point is that governance in any context reflects the value system of the society in which it operates. In the South African context, this means collectiveness over individualism, consensus rather than dissension, humility instead of criticism, and inclusiveness as opposed to prejudice. It acknowledges that corporate

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 Code also recognises that directors are entitled to have access to members of the SITA Secretariat and to secure independent professional advice at the company's expense.

The Code concludes by recognising the pivotal nature of the role of the Company Secretary in the administration of the Company, as well as the non-static nature of its precripts.

There has been material compliance with the provisions of the Code and a substantially revised version thereof is currently pending before the Board of Directors.

## Composition of the Board

Section 8(1) of the SITA Act provides that SITA will be governed and controlled by a Board of Directors appointed by the Minister after consultation with Cabinet. According to Section 10(1B)(a), the Minister may appoint an alternative member for each non-executive member of the Board, other than the Chairperson. The alternative members may attend and vote at meetings of the Board on behalf of a member if that member is unable to attend

In terms of Section 10(1) of the SITA Act, the Board consists of a maximum of 14 members appointed in the following capacities:

- a. A non-executive Chairperson;
- b. Executive members, one of whom must be designated as the Managing Director;
- c. Additional non-executive members, consisting of:
  - i. One person representing the Department of Public Service and Administration;
  - ii. One person representing the National Treasury;
  - iii. One person as a legal expert; and
  - iv. Other persons on the grounds of their expertise.

It also states that the majority of the Board members must be non-executive members and that the Minister must designate one of these non-executive members as the Deputy Chairperson to step in should the Chairperson be unable to perform his/her functions.

## Mr J Vilakazi

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BA (Unisa), MA (Thames Valley), MA (London), MBA (California Coast University)

Non-Executive Chairperson: 22 November 2012–20 November 2015



Mr Jerry Vilakazi is the founder of the Palama Group, an investment holding company with a diversified portfolio of investments. For over six years, he served as CEO of Business Unity South Africa, representing South African businesses on international business councils and structures. He is currently chairman of the Mpumalanga Gambling Board and the Mpumalanga Economic Growth Agency, non-executive chairman of Netcare Limited and holds directorships in a number of JSE-listed companies. He is also a non-executive director of General Health Group (UK), an advisor to Citibank (SA) and serves on the National Planning Commission.

## Dr V Mahlati

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MSc (UK London School of Economics), PhD (University of Stellenbosch)

Non-Executive Deputy Chairperson: 18 September 2013–17 September 2016 (resigned 13 August 2014)



Dr Vuyo Mahlati is co-owner of African Financial Group, responsible for Pan African and Emerging Markets Innovative Financial Solutions, and led the Syaya TV rural-based digital television trial licensed by Sentech. After serving two terms as President of the International Women's Forum (IWF) South Africa, she was appointed the IWF Global Director. As part of the National Development Plan (NDP) team, she chaired the NDP Working Group on Capable and Developmental State, Active Citizenry and Nation Building, and Spatial Transformation. She is the Deputy Chair of the Integrated Urban Development Framework (IUDF) Panel of Experts and an independent member of the Industrial Development Cooperation (IDC) Agro-processing Competitive Fund. She is also on the Global Advisory Council of Corporate Women Directors International based in Washington DC, USA and the Global Advisory Council of the Global Entrepreneurial Hub Network in Vienna.

## Dr Setumo Mohapi

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BSc in electrical engineering and computer science (MIT), Master's in electrical engineering (MIT), PhD in electrical engineering (Wits)

## Mr SF Nomvalo

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B.Compt Hons (Unisa), Advanced Valuations Techniques (INSEAD), Mastering Strategy (GIBS), Senior Executive Programme (Wits and Harvard Business School)

Chief Executive Officer: 1 June 2013–31 June 2014 (extended: 1 July 2014–31 December 2014; 1 January 2015–31 March 2015)



Mr Sthembiso Freeman Nomvalo was the CEO of SITA until the end of financial year under review. For over nine years, he was South Africa's Accountant General at National Treasury, where he pioneered a leadership development programme that was later extended to other departments and government structures. Pursuant to this work he was invited, as faculty, to the Harvard Kennedy School of Government's Art and Practice of Adaptive Leadership Development programme. He has served on various boards of directors and trustees on behalf of government, including the Independent Regulatory Board for Auditors and the Accounting Standards Board. He advises the University of Pretoria's faculty of Economic and Management Sciences. He has also worked with the Commonwealth Secretariat on improving financial governance in 18 Commonwealth Caribbean countries.

## Ms N January-Bardill

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BA and Certificate in Education (UBLS, Lesotho), MA Applied Linguistics (Essex UK), Diploma in Human Resources Management (Damelin College, South Africa)

Non-Executive Board Member: 18 September 2013–18 September 2016 (resigned 19 May 2015)

Ms Nozipho January-Bardill is the Executive Director of Bardill & Associates, a consulting company that focuses on strategic communications, high-level government relations, social justice, stakeholder management and sustainable development. She is an independent non-executive director of AngloGold Ashanti (AGA) and Credit Suisse Securities, Johannesburg (CSSJ). Previously, she was Executive Director, Corporate Affairs and Spokesperson for the MTN Group, and served on the boards of a number of operations in MTN Africa. She was also the South African Ambassador to Switzerland, Lichtenstein and the Holy See, and the Deputy Director-General, Human Capital Management and Head of the Foreign Service Institute in the then Department of Foreign Affairs (now DIRCO). She is a member of the United Nations Expert Committee on the Elimination of Racial Discrimination (CERD), a board member of the African Women's Development Fund (Ghana) and a Trustee of Anglo Platinum's Lefa La Pona Trust.

## Ms S Chaba

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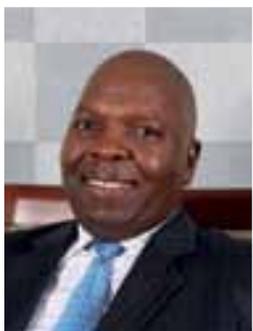
BA (Economics and Industrial Psychology), Post-Graduate Diploma in Human Resources Management

## Mr Z Malele

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BSc (Computer Science) (University of Limpopo; BAP (Wits Business School)); MAP (Wits Business School)

Non-Executive Board Member: 18 September 2013–17 September 2016



Mr Zeth Malele is non-executive chairman of Sandford (Pty) Ltd and non-executive deputy chairman of the Gauteng Growth and Development Agency, Meadow Star Investments 28 (Pty) Ltd, and Sec-Itech (Pty) Ltd. He also serves on the ICT Governance Committee of the Ubank (Pty) Ltd Board and has held senior and strategic management positions at, among others, the Gauteng Economic Development Agency, Innovation Hub, Sybase SA, Ariel Technologies, Arivakom, Paracon Holdings, Blue IQ Holdings, debis Systemhaus (now T-Systems) and the SA Electrotechnical Export Council. He was part of the Presidential National Commission on Information Society and Development, and advises the Limpopo Premier on technology.

## Adv T Masuku

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BA (University of Zimbabwe), LLB (UCT) LLM (International Business Law) (Vrije Universiteit, Amsterdam)

Non-Executive Board Member: 18 September 2013–17 Sept 2016 (resigned 25 June 2014)



Advocate Thabani Masuku is an admitted advocate of the High Court of South Africa and member of the Cape Bar. He is also chairperson of the Cape Bar Council Human Rights Committee and a previous chairperson of Advocates for Transformation in the Western Cape. His practice covers constitutional and public law litigation, commercial litigation (contract, companies), insurance, internet law, criminal law and commercial arbitrations. He worked as a researcher for Justice Richard Goldstone at the Constitutional Court, as a consultant at the World Bank in Washington DC, at the NEPAD Secretariat (on secondment by IDASA) and was involved in formulating political and economic governance indicators.

## Adv BM Matlejoane

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B Proc. LLB

Alternate Board Member: 21 November 2012–20 Nov 2015 (Interim Board)

## Mr JS Mngomezulu

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B.Com. (Acc.) (Unisa), Master of Business Leadership (MBL) (Unisa)

Non- Executive Board Member: 21 November 2012–20 November 2015 (interim Board)

Non-Executive Board Member: Reappointed 18 September 2013–17 September 2016



Mr Stadi Mngomezulu is Deputy Director-General at National Treasury and sits on the boards of the Government Employees Pension Fund (GEPF) and the Finance and Accounting Services Sector Education and Training Authority (FASSET). He gained hands-on experience in multi-national organisations such as Lucent Technologies, Mercedes-Benz and Colgate-Palmolive. His expertise is in accounting, finance, compliance, governance, risk and strategy.

## Dr A Mokgokong

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Bsc (University of Botswana), MBCHB (Medunsa), D.Com. Honoris Causa (Commerce) (Unisa)

Alternate Board Member: 21 November 2012–20 November 2015 (interim Board)

Non-Executive Board Member: Reappointed 18 September 2013–17 September 2016 (resigned May 2014)



Dr Anna Mokgokong is the co-founder and executive chairperson of Community Investment Holdings (Pty) Ltd. She has been chairperson and director of Febosis Property Fund Limited since April 2011 and serves on the boards of the following companies: Malasela Taihan Electric Cable Pty Ltd (M-Tec), Community Healthcare Holdings (Pty) Ltd and subsidiaries Conlog (Pty) Ltd, Nulec South Africa (Pty) Ltd, Malasela Transmission and Distribution (Pty) Ltd, CZ Electronics, MCT (Pty) Ltd, and Crossroads Ventures (Pty) Ltd. She is also a director of Cape Resources Plc, Afrocentric Investment Corp, Jasco Electronics Holdings, and Community Investment Ventures.

## Mr Z Nomvete

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Certificate in Aeronautical Engineering (Ireland), Diploma and Licence in Aviation Maintenance (Ethiopia), Diploma as Flight Engineer B727 (Ethiopia), Management Advancement Programme (Wits Business School)

Alternate Board Member: 21 November 2012–20 November 2015 (interim Board)

## Mr G Victor

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BSc (Engineering) (cum laude) (Wits), MSc (Stanford), MEng (Stanford), B.Compt Hons (Unisa), CA (SA)

Non-Executive Board Member: 18 September 2013–17 September 2016



Mr Graeme Victor is the group CEO of Du Pont Telecom (Pty) Ltd. Prior to joining Du Pont, he was managing director at Tiscali World Online, Vodacom Service Provider and Computicket. Before his various stints in senior management, he founded Kessel Feinstein Consulting, growing it into a highly successful consulting business over 10 years.

## Ms M Williams

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Non-Executive Board Member: 18 September 2013–17 September 2016



Ms Michelle Williams has held a number of key positions in the public and private sectors. Her career includes being Government Chief Information Officer from 2007 to 2011 and head of research at the Department of Communications. Previously she worked for Siemens, the National Institute for Economic Policy, the Education Policy Unit, the Economic Policy Research Project and the Southern Africa Labour and Development Research Unit.

## Mr N Gosebo

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MSc (Computer Science) (New Jersey Institute of Technology)

Non-Executive Board Member: 19 May 2014–17 September 2016

## Mr M Ndlangisa

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BSc Hons (Computer Science and Information Systems) (Rhodes University), MSc (Computer Science) (Rhodes University), Higher Diploma in Computer Auditing, IEDP (Wits and London Business School)  
Executive Director: 1 June 2014–31 May 2017



Mr Mboneli Ndlangisa has spent all of his working life in ICT. Before joining STA, he worked for MIH group as head of ICT Strategy and Business Development. The responsibility entailed giving strategic support to all ICT subsidiaries within the group. Before that, he held senior management positions in organisations such as SSA (COMSEC), Standard Bank of South Africa and Telkom SA. He is a Certified Information Systems Security Professional (CISSP) and Certified Information Security Manager (CISM).

## Lt General JNkonyane (Ret.)

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BSc (Statistics and Financial Accounting) (University of Toronto, Canada), MBL (Unisa)  
Executive Director: 1 June 2014 – 31 May 2017



Lt General (Ret.) Justice Thulile Nkonyane is the former Chief Logistics of South African National Defence Force (SANDF) in which he served from 1998 to 2014. He championed the SANDF's stewardship project that enabled the SANDF to achieve its first unqualified audit opinion in 2011/2012. As Chairman of the Castle Control Board (CCB), he orchestrated the repositioning strategy of the CCB that resulted in the Castle of Good Hope (CGH) becoming a major player within the heritage and tourism industry—a project that will result in CGH attaining the UNESCO Heritage Site listing. Over the past 30 years, he has held various strategic positions, from serving as a commander during the liberation struggle, to being a financial administrator in various private sector entities in Canada. His areas of specialisation are strategic planning, leadership, financial accounting and logistics.

## Mr W Mudau

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BSc Hons (Computer Science) (University of Limpopo), UED (University Education Diploma) (University of Venda) MRA (University of North West – Potchefstroom) University for CHE

## Mr DC Niddrie

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B.Ed (University of Durban Westville)

Alternate Board Member: 18 September 2013–17 September 2016

Mr. Niddrie is a media, broadcasting and ICT sector strategy consultant. He was the co-founder and steering committee member of the Campaign for Independent Broadcasting (CIB). On behalf of the CIB, Mr. Niddrie contributed to media legislation and helped develop the process by which the ~~1st~~ board of the SABC was appointed. Previous positions include Executive Director of the Public Broadcasting Initiative, Director of Broadcasting for the independent Media Commission and Head of Strategic Planning at the SABC.

## Ms R Mokoena

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B.Juris. (University of Zululand), LLB (Natal), MBA (Milpark Business School)

Alternate Board Member: 19 May 2014–17 September 2016



Ms R Mokoena was admitted as an Attorney of the High Court of South Africa in 1990. She practises for her own account as an attorney, regulator, liquidator, estate agent, auctioneer and alternative dispute resolution practitioner. She has worked as a member of the Broadcasting Complaints Commission of South Africa, where she had to enforce the provisions of the Code of Conduct for the Broadcasters and ensure compliance with the Code. She has also served on the ICASA Complaints and Compliance Committee enforcing the provisions of the ICASA Act. She currently serves on the Regulating Committee of the Airports Company of South Africa (ACSA) and the Air Traffic Navigation Services (ATNS) where she is responsible for enforcing the provisions of both the ACSA Act and ATNS Act.

## Mr. G Ncanywa

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BSc (Computer Science and Mathematical Statistics) (University of Fort Hare)

Alternate Board Member: 19 May 2014–17 September 2016



Mr Gracious Mnikelo Ncanywa is Applications Development and Maintenance Manager at Standard Bank Limited. He held the same portfolio at the South African Revenue Service (SARS) until being appointed Chief Architect for SARS modernisation strategy. An avid ICT professional, he is also a founding member of the local Microsoft

## Adv J De Lange

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BA (UCT), LLB (UCT)

Alternate Board Member: 19 May 2014–17 September 2016



Advocate Johnny de Lange runs a legal and policy consultancy, and currently advises the Department of Environment Affairs and the Speaker of the National Assembly. He was a Member of Parliament for 20 years (1994–2014), during which time he served as chairperson of the Portfolio Committee on Justice (later including Constitutional Development) and the Portfolio Committee on Water and Environmental Affairs, and was Deputy Minister for Justice and Constitutional Development (2004–2009). He was appointed as Advocate of Supreme Court of South Africa (Cape Division) in 1984 and member of the Cape Bar from 1985 to 1993. From 1994 to 1996, he served as a member of the Constitutional Assembly, which was responsible for the drafting and adoption of South Africa's Constitution in 1996.

## BOARD ATTENDANCE

| NAME                               | BOARD | SPECIAL BOARD | BOARD DEVELOPMENT                  | WORK SESSIONS | INDUCTION | NOTES  |
|------------------------------------|-------|---------------|------------------------------------|---------------|-----------|--|
| Jerry Vilakazi (Chairperson)       | 7/7   | 7/7           | 3/3                                | 2/4           | 0/1       |  |
| Dr Vuyo Mahlali (Dep. Chairperson) | 3/7   | 2/7           | 1/3<br>Attended the first day only | 2/4           | -         | Resigned on 13 August 2014                       |
| Freeman Nomvalo (Managing)         | 7/7   | 5/7           | 3/3                                | 4/4           | 1/1       |  |
| Nozipho January Bardill            | -     | -             | -                                  | -             | -         | On sabbatical from January 2014 to 31 March 2015 |
| Seadimo Chaba                      | 7/7   | 5/7           | 3/3                                | 2/4           | -         |  |
| Zeth Malele                        | 7/7   | 6/7           | 2/3                                | 3/4           | -         |  |
| Thabani Masuku                     | -     | 1/7           | -                                  | 2/4           | -         | Resigned on 25 June 2014                         |
| Beatrice Matlejoane                | 6/7   | 2/7           | -                                  | -             | -         |  |
| Sadi Mngomezulu                    | 4/7   | 5/7           | 3/3                                | 2/4           | -         |  |
| Dr Anna Mokgokong                  | 1/7   | 1/7           | -                                  | 1/4           | -         | Resigned on 26 May 2014                          |
| Zukile Nomvete                     | 6/7   | 4/7           | -                                  | 3/4           | -         |  |
| Graeme Victor                      | 7/7   | 6/7           | 1/3                                | 3/4           | -         |  |
| Michelle Williams                  | 6/7   | 5/7           | 3/3                                | 3/4           | -         |  |
| Ntjatji Gosebo                     | 2/7   | 1/7           | 3/3                                | 1/4           | 1         | Appointed on 19 May 2015                         |

## BOARD COMMITTEES

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Each Board Committee is governed by a charter or terms of reference approved by the Board, and committee membership is restricted to Board members only. The committees are:

1. Audit, Risk and Compliance Committee (ARCC)
2. Human Resources, Nomination and Remuneration Committee
3. Social and Ethics Committee
4. ICT, Innovation and Research and Development (ICT, RDI) Committee
5. Procurement Committee
6. Chairpersons' Committee

### Audit, Risk and Compliance Committee

The ARCC is established in terms of Section 51(1)(a)(ii) of the PFMA and Section 27.1.1 of the Treasury Regulations and operates according to terms of reference that are reviewed annually by the Board. The committee's responsibilities include:

- Monitoring compliance with relevant legislation and ensuring that management addresses any instances of non-compliance and that appropriate internal management controls are implemented and maintained to protect STA's interests and assets.
- Monitoring and reporting on organisational performance against predetermined objectives.
- Reviewing the activities and effectiveness of the Internal Audit Department.
- Evaluating the independence, objectivity, effectiveness and cost of the external auditors.
- Reviewing the accounting and auditing concerns identified by internal and external audits.
- Reviewing the accuracy, reliability and credibility of financial reporting.
- Overseeing STA's financial and non-financial risk management and controls, including IT risks and controls.
- Reviewing management decisions related to accounting policies, practices and disclosures.
- Enquiring about operational and financial risk identification, and the measures in place to contain these risks.
- Monitoring and reporting on instances of fraud and corruption.
- Reviewing periodically and approving the Committee Charter and ensuring compliance with STA's Code of Conduct.

## Social and Ethics Committee

The Social and Ethics Committee comprises non-executive directors, and management attends meetings by invitation. The committee's responsibilities include:

- Monitoring the agency's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice
- Promoting good corporate citizenship
- Promoting environment, health and public safety, including the impact of the agency's activities, products or services
- Overseeing client relationships, including the agency's advertising and public relations
- Monitoring labour and employment issues, including the agency's standing in terms of the International Labour Organisation Protocol on decent work and working conditions, and the agency's employment relationships and contribution towards the educational development of its employees.

## ICT, Innovation and Research and Development Committee

The ICT, RDI committee comprises non-executive directors, and management attends meetings by invitation.

The committee's responsibilities include:

- Ensuring that STA's overall IT systems and strategy are managed effectively
- Monitoring the efficiency and effectiveness of stakeholder relations
- Ensuring effective marketing of STA's services, systems and products
- Maintaining best practices in client services with world-class standards and turnaround times
- Sustaining a customer-centric organisational culture wherein STA's clients come first
- Establishing STA as a leader in research and development, and a training corporate entity which designs local solutions that enhance service delivery using the world's best practices

## Procurement Committee

The Procurement Committee comprises non-executive directors, and management attends meetings by invitation. The committee's responsibilities include:

- Providing the final evaluation and approval of all tenders that are recommended by management for award in line with the PFMA and Treasury Regulations
- Renewing contracts that have expired

- Conducting periodic reviews of STA's role, functioning and mandates
- Overseeing the Board decisions with respect to high risk areas
- Supervising all communication and stakeholder management initiatives of STA
- Acting on behalf of the Board between Board meetings.

The Board recognises that it is ultimately accountable and responsible for the performance and affairs of STA and that the use of delegated authorities to Board Committees and management does not discharge the Board and its directors of their duties and responsibilities.

### Attendance of Board and Committee Meetings 2014/ 2015

| MEMBERS           | BOARD | AUDIT, RISK & COMPLIANCE | HR, NOMINATIONS & REMUNERATION | SOCIAL & ETHICS | PROCUREMENT | ICT, FDI | CHAIRPERSONS | PARLIAMENTARY |
|-------------------|-------|--------------------------|--------------------------------|-----------------|-------------|----------|--------------|---------------|
| Number of Sitings | 19    | 7                        | 9                              | 3               | 11          | 9        | 2            | 4             |
| Mr J Makazi       | 17    |                          |                                |                 |             |          | 2            | 2             |
| Dr V Mahlali      | 6     |                          |                                |                 | 4           | 4        | 1            |               |
| Ms S Chaba        | 16    |                          | 8                              | 2               | 5           |          | 2            |               |
| Mr Z Malele       | 17    | 1                        |                                |                 | 10          | 9        | 1            | 4             |
| Adv T Masuku      | 1     |                          | 1                              | 0               | 1           |          |              |               |
| Adv B Matlejoane  | 8     | 1                        | 2                              | 2               |             |          |              |               |
| Mr J Mngomezulu   | 12    | 1                        | 0                              |                 | 9           |          |              |               |
| Dr A Mokgokong    | 2     | -                        | 1                              | 1               |             |          |              |               |
| Mr Z Nomvete      | 12    | 6                        | 5                              | 2               | 1           | 1        |              | 3             |
| Mr G Victor       | 16    | 6                        |                                |                 |             | 8        |              |               |

Table 8: In-year changes in Board committee membership

| NAME             | PRICRTO29 APRIL 2014   | AFTER29 APRIL 2014  |
|------------------|--|---|
| Mr J Vilakazi    | Chairpersons' Committee <sup>EO</sup> <sub>TR</sub>  | Chairpersons' Committee <sup>EO</sup> <sub>TR</sub>   |
| Dr V Mahlali     | Chairpersons' Committee<br>ICT, FDI Committee<br>Procurement Committee   | Chairpersons' Committee<br>ICT, FDI Committee<br>Procurement Committee  |
| Ms S Chaba       | Human Resources, Nominations and Remuneration Committee<br>Social and Ethics Committee<br>Procurement Committee<br>Chairpersons' Committee <sup>EO</sup> <sub>TR</sub> | Human Resources, Nominations and Remuneration Committee<br>Social and Ethics Committee<br>Procurement Committee<br>Chairpersons' Committee <sup>EO</sup> <sub>TR</sub>  |
| Mr Z Malele      | Audit, Risk and Compliance Committee<br>ICT, FDI Committee   | ICT, FDI Committee,<br>Procurement Committee <sup>EO</sup> <sub>TR</sub><br>Chairpersons' Committee   |
| Adv T Masuku     | Audit, Risk and Compliance Committee<br>Human Resources, Nominations and Remuneration Committee  | Human Resources, Nominations and Remuneration Committee<br>Social and Ethics Committee <sup>EO</sup> <sub>TR</sub><br>Procurement Committee <sup>EO</sup> <sub>TR</sub> |
| Adv B Matlejoane | Audit, Risk and Compliance Committee<br>Human Resources, Nominations and Remuneration Committee<br>Social and Ethics Committee   | Audit, Risk and Compliance Committee<br>Human Resources, Nominations and Remuneration Committee<br>Social and Ethics Committee  |
| Mr J Mngomezulu  | Audit, Risk and Compliance Committee<br>Procurement Committee <sup>EO</sup> <sub>TR</sub>  | Procurement Committee<br>Chairpersons' Committee  |
| Dr A Mokgokong   | Human Resources, Nominations and Remuneration Committee<br>Social and Ethics Committee   | Human Resources, Nominations and Remuneration Committee<br>Social and Ethics Committee  |
| Mr Z Nomvete     | Human Resources, Nominations and Remuneration Committee<br>Audit, Risk and Compliance Committee<br>Social and Ethics Committee   | Human Resources, Nominations and Remuneration Committee<br>Audit, Risk and Compliance Committee<br>Chairpersons' Committee  |
| Mr G Victor      | Audit, Risk and Compliance Committee<br>ICT, FDI Committee   | Audit, Risk and Compliance Committee<br>ICT, FDI Committee  |
| Ms M Williams    | ICT, FDI Committee<br>Audit, Risk and Compliance Committee   | ICT, FDI Committee<br>Audit, Risk and Compliance Committee  |
| Mr N Gosebo      |  | ICT, FDI Committee  |
|                  |  | ICT, FDI Committee  |

## RISK MANAGEMENT

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In terms of the PFMA, Treasury Regulations and good corporate governance, the company should strive to ensure that responsibility for risk management is vested at all levels of management and that the risk management strategy is incorporated into the agency's language and culture, and embedded in the behaviour and mind-set of its people. SITA's risk management is guided by the Board-approved Risk Management Policy and Framework. The Risk Management Strategy details the initiatives and activities, and is approved by the Chairman of the ARCC.

Corporate risk management involves identifying events or circumstances, and assessing their likelihood, impact and severity, especially when changes occur in the operating environment. For example, risks and mitigation plans may be required when restructuring the company, evaluating new projects or expanding to new markets. Risks are not limited to sudden, abrupt events but can arise from gradual changes over time. Risks may be strategic, operational and financial.

SITA carries out an annual risk assessment in the first quarter of the financial year, and the Risk Management Division follows up throughout the year to ensure that risk mitigation and management plans are implemented. In 2014/15, a risk assessment was conducted in the first quarter according to the Risk Management Plan. Departments had their own operational risk registers to monitor and implement the mitigation plans as per the agreed dates. The Risk Management Division followed up on the implementation and gave quarterly progress reports to the ARCC, which presents the risk management quarterly reports to the Board for approval. By the end of the financial year, 68% of the mitigation plans had been implemented, with the remaining 32% comprising risk mitigation plans that are implemented over a long period of time.

To ascertain the current level of SITA's risk management maturity, Corporate Executive Board (an independent international risk management assessing body) conducted an organisation-wide survey in 2014/15. The assessment found that SITA's current risk maturity level is 3+.

## INTERNAL CONTROL

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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 includes the assignment of authority and responsibility, segregation of duties, supervision, integrity and ethical values, and governance structures. It is managed by management and monitored by the Internal Audit Department.

Despite the internal controls in place, in 2014/15 the Internal Audit (and the Auditor-General) identified internal control weaknesses. These were reported to management for appropriate corrective action. The Executive Committee and the AFCC monitor the implementation of corrective actions.

### Internal Audit Department

The Internal Audit Department reports functionally to the AFCC (see page 64). It focuses on the risk, governance and control processes of the agency and is responsible for expressing an opinion on the adequacy and effectiveness of the internal controls within those processes. The department currently has the following divisions:

- Internal Audit Assurance Services
- Information Technology Assurance Services
- Integrity Assurance Services
- Performance Audit Services
- Professional Technical Audit Service

During 2014/15, Internal Audit conducted 238 audit projects (114 planned and 124 unplanned) in the following areas: supply chain management, risk management, delegation of authority, Oracle enterprise resource planning (ERP) infrastructure, national key points, data centres and provincial operations, and segregation of duties. The audits identified areas where controls are inadequate and ineffective. Progress continues to be made, particularly in SCM (acquisition management), Finance (cash management), information security (governance) and STA's ERP system. However, the current governance levels need to improve further to provide management and the



## COMPLIANCE WITH LAWS AND REGULATIONS

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To ensure compliance with laws and regulations, the Audit, Risk and Compliance Committee (see page 64), the Company Secretary (see page 74) and the following divisions within SITA have a role to play:

- The Finance Division maintains a PFMA checklist, as recommended by National Treasury, and updates the checklist every month
- The Corporate Services Division ensures that SITA is compliant with all applicable human resource management and facility management laws and regulations
- The Legal Services Division assists with interpreting the laws and regulations applicable to SITA
- The ICT Service Delivery Division ensures that SITA is compliant with all applicable ICT laws



## FRAUD AND CORRUPTION

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STA has adopted a zero tolerance stance towards fraud and corruption. The agency has a robust Anti-Corruption and Anti-Fraud Strategy, designed to deter, detect and resolve issues of unethical behaviour perpetrated within and against STA. The strategy focuses on preventing, deterring and detecting corruption, fraud and other crimes of dishonesty, and is supported by fraud awareness training and education initiatives. The strategy is regularly reviewed and updated, in line with good governance practices.

Key components of the strategy include:

- The STA Code of Ethics
- Training on STA's policies and procedures, rules and regulations
- Restricting suppliers who engage in unethical behaviour
- Conducting fraud and corruption detection reviews
- Conflict of interest checks
- Vetting of employees
- Fraud risk workshops
- Regular presentations and formal training for employees on the manifestations of fraud and corruption within STA
- Communication campaigns (ethics and integrity)

Progress reports on the implementation of this strategy are regularly given to the relevant Board Committees.

STA has established an independent Ethics Line where employees and stakeholders can anonymously report any irregular practices. The Ethics Line operates 24/7, 365 days of the year. Operators are able to take calls in all official languages. Other reporting channels include SMS, fax, email and Free Post. STA's Ethics Line is supported by STA's Whistle-blowers Policy, which is based upon and aligned to the Protected Disclosures Act (No. 26 of 2000), which came into effect on 16 February 2001. In order to comply with the Act, STA strives to create a culture that facilitates the disclosure of information by employees relating to criminal and other irregular conduct in the workplace, and to promote the eradication of criminal and other irregular conduct within STA.

## MINIMISING CONFLICT OF INTEREST

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Executives, prescribed officers, managers, all SITA employees and consultants have a legal and ethical obligation to act in the best interest of the agency. Therefore, they are not allowed to pursue interests that are in conflict with and/or undermine the interests of SITA. The purpose of the SITA Conflict of Interest Policy, read with the SITA Code of Ethics and the SITA Policy on Gifts and Entertainment, is:

- To enable directors, executives, prescribed officers, managers, employees and consultants to acquire and maintain personal outside interests, provided that these interests do not interfere, or have the potential to interfere, with their obligations to SITA, or improperly influence the judgment expected of them when acting on behalf of SITA.
- To protect directors, executives, prescribed officers, managers, employees and consultants from real or perceived charges of conflict of interest, by providing a mechanism for the objective review and approval of any personal outside interests held by them and establishing a formal procedure for dealing with any possible conflicts of interest.
- To protect and manage the reputational risks of SITA, by avoiding any real or perceived bias or self-interest by directors, executives, prescribed officers, managers, employees and consultants acting in situations where SITA has approved the holding of personal outside interests.
- To allow transactions to be treated as valid and binding, even though an affected person has, or may have, a conflict of interest with respect to that transaction.

The primary objectives of this policy are:

- To promote and enforce ethical business practices and standards in SITA
- To provide guidance on the behaviours expected in accordance with the values of SITA
- To promote transparency and avoid conflicts of interest
- To ensure fairness and consistency in decision-making
- To document the process for the disclosure, approval and review of activities which may amount to actual, potential or perceived conflicts of interest
- To provide a mechanism for the objective review of personal conflicts of interests

Each person shall at least annually, or as and when changes occur, complete a declaration form. Any person with a conflict of interest with respect to a contract or transaction must disclose this in writing to the Company Secretary

## CODE OF CONDUCT

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The purpose of the SITA Code of Conduct is to establish a set of ethical values and standards that are consistent with the objects and vision of SITA, and the constitutional and legal framework.

All business conduct should be well above the minimum standards required by law. Accordingly, employees must ensure that their actions cannot be interpreted as contravening, in any way, the laws and regulations governing the SITA's operations. Anything prohibited by the SITA's policies, applicable laws and regulations would still be prohibited even if done on behalf of a SITA Board member or SITA employee representing SITA.

All Board members and SITA employees are required to comply with the Code. The principles contained in the Code also apply to contract labour, consultants, temporary employees, part-time employees, casual employees, suppliers and others acting for and on behalf of SITA. Although SITA has limited legal rights to enforce the Code on its goods and service providers, SITA can exercise moral persuasion to gain compliance or choose not to enter into business relationships with providers who do not comply with the Code. SITA will not conclude contracts or collaborate with any third party that has sought in any sphere of activity to improperly influence day-to-day activities and decision-making within SITA.

SITA will consider any contravention of the Code as a serious matter. In a similar vein, any investigation that is conducted into any suspected or alleged contravention will be treated confidentially.

Any Board member or employee who believes that their actions have, or may have, been in contravention of the Code should report the matter to their immediate supervisor, to a person at management level, to the Chairperson of the Board, the Chairperson of the Social and Ethics Committee, the Chief Executive Officer, or the Company Secretary as the case may be. Any Board member or employee who suspects that a fellow Board member or employee has contravened the Code should report this promptly and confidentially, preferably in writing, to their immediate supervisor, to a person at management level, or to the Chairperson of the Board, the Chairperson of the Social and Ethics Committee, the Chief Executive Officer, or the Company Secretary as the case may be. The Board member or employee making the report should not confront the suspected individual. This will facilitate the maintenance of confidentiality and impartiality of any subsequent investigation into the matter and also limit the risk of damaging the reputation of the suspected person should the suspicion be unfounded.

## COMPANY SECRETARY

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

- Ensuring that directors (individually and collectively) are aware of, and understand, the law applicable or relevant to SITA; and are kept abreast of changes in the law, the implications of the changes and how to respond to the changes
- Ensuring that SITA is compliant with all applicable laws and regulations, and that the Board of Directors is conversant and complies with the provisions of the SITA Act, the Companies Act, the Companies Regulations and the PFMA
- Inducting and orienting new directors, and guiding directors as to their duties, responsibilities and powers, in particular with reference to ethics and good governance
- Providing legal advice to the Board and Board Committees on issues pertaining to and of SITA
- Assisting with Board Strategy and APP development, and monitoring performance against predetermined objectives
- Ensuring the Board has relevant, accurate, timely and complete information in order to monitor, review, make decisions and report to shareholders
- Preparing agendas for Board and Board Committee meetings in consultation with the Chairperson of the Board and Chairpersons of Board Committees, and ensuring that adequate notice of meetings is given and all meeting papers and other important information are provided in time
- Ensuring that Board meetings are properly constituted, and providing support to the Board Chairperson and the Chairpersons of Board Committees during and outside meetings so as to ensure the proper running of Board and Board Committee meetings
- Developing Board and Board Committee Terms of Reference, Policies and Procedures for approval by the Board and ensuring that they are regularly reviewed, and that Board policy, resolutions, instructions and wishes are consistently implemented
- Arranging indemnification for directors to the extent allowed by the law, and ensuring the protection of the intellectual property of SITA and that the interests of SITA are protected when contracting
- Ensuring that the Board has comprehensive communication and stakeholder management frameworks



In 2014/15, the SITA Board approved the Human Capital Management Strategy, which defines specific focus areas that support the achievement of the SITA Corporate Strategy from a people perspective, through proper human capital planning and well-developed policies, practices and programmes.

In 2014/15, the Board also approved the following human resources (HR) policies and strategies:

- Talent Management Strategy and Framework
- Succession Management Policy
- Career Management Policy
- Organisational Development and Design Policy
- Human Capital Planning Policy
- Relocation, Secondment and Transfers Policy
- Rewards and Recognition Policy
- **Competency Assessment Policy**

The implementation of these strategies and policies will go a long way in ensuring that SITA achieves its objective of becoming a performing organisation. These policies were institutionalised through company-wide awareness roadshows.

The following human capital management priorities were set for 2014/2015:

**Table 9:** Human capital management priorities (2014/ 2015)

| HIGH LEVEL INTERVENTIONS/<br>PROGRAMMES YEAR 1   | STATUS | IMPACT   |
|--|--------|--|
| <b>STRATEGIC OUTCOME 1: SITA AS AN EMPLOYER OF CHOICE</b>  |        |  |
| <ul style="list-style-type: none"> <li>• Develop and implement a comprehensive Employee Value Proposition (EVP)</li> <li>• Develop an integrated talent management strategy</li> </ul> |        | <ul style="list-style-type: none"> <li>• SITA is able to compete to attract and retain the best skilled employees in the ICT market.</li> <li>• 85% of employees have completed their performance</li> </ul> |

| HIGH LEVEL INTERVENTIONS/<br>PROGRAMMES YEAR 1  | STATUS   | IMPACT  |
|---|----------|---|
| <b>STRATEGIC OUTCOME 2: BUILD A HEALTHY ORGANISATION</b>  |          |   |
| <ul style="list-style-type: none"> <li>• Conduct organisational health assessment.</li> <li>• Conduct the CHI survey.</li> <li>• Implement large-scale intervention and CBART (conduct, identity, boundaries, authority, roles and tasks).</li> <li>• Implement stress management workshop.</li> <li>• Implement sports and recreation programmes.</li> <li>• Assess the need for family-friendly practices.</li> <li>• Comply to occupational health practices.</li> <li>• Benchmark catering services and training of STA catering staff.</li> <li>• Carry out a feasibility assessment of the gym facilities.</li> </ul> | ACHIEVED | <p>The CHI survey resulted in a score of 40, representing an improvement of 10 points compared to 2013. This score of 40 falls into the bottom quartile, which denotes a weak organisational health profile.</p> <p>(The CHI score is the best available predictor of an organisation's future capacity to perform. Companies in the top quartile perform on average three times better financially and operationally.)</p>   |
| <b>STRATEGIC OUTCOME 3: DEVELOP A HIGH PERFORMANCE AND INNOVATIVE ORGANISATION</b>  |          |   |
| <ul style="list-style-type: none"> <li>• Define and establish the STA culture programme.</li> <li>• Implement the Arbinger culture training programme, which is targeted at improving organisational culture and conduct resolution.</li> <li>• Review the current performance management policy and rewards programme.</li> <li>• Implement capacity-building programme to empower managers and employees on performance management.</li> <li>• Develop and approve rewards and recognition policy and programme.</li> <li>• Conduct salary benchmarking across the business.</li> </ul>                                   | ACHIEVED | <ul style="list-style-type: none"> <li>• 559 employees participated in the Arbinger Culture training programme.</li> <li>• The Board approved the revised Integrated Performance Management Policy.</li> <li>• The rewards and recognition policy and programme were approved and implemented. 2156 employees participated: 425 who were part of the pilot programme and 1731 who received long-service awards.</li> <li>• 2096 employees participated in job-relevant training, as part of the capacity-building programme.</li> <li>• Salary benchmarking completed and is pending Board approval.</li> </ul> |
| <b>STRATEGIC OUTCOME 4: CREATE A CUSTOMER CENTRIC ORGANISATION</b>  |          |   |
| <ul style="list-style-type: none"> <li>• Conduct a needs analysis.</li> <li>• Appoint a training service provider.</li> <li>• Conduct customer service training.</li> </ul>   | ACHIEVED | <ul style="list-style-type: none"> <li>• The Customer Service Focus Programme was developed and piloted.</li> </ul>   |

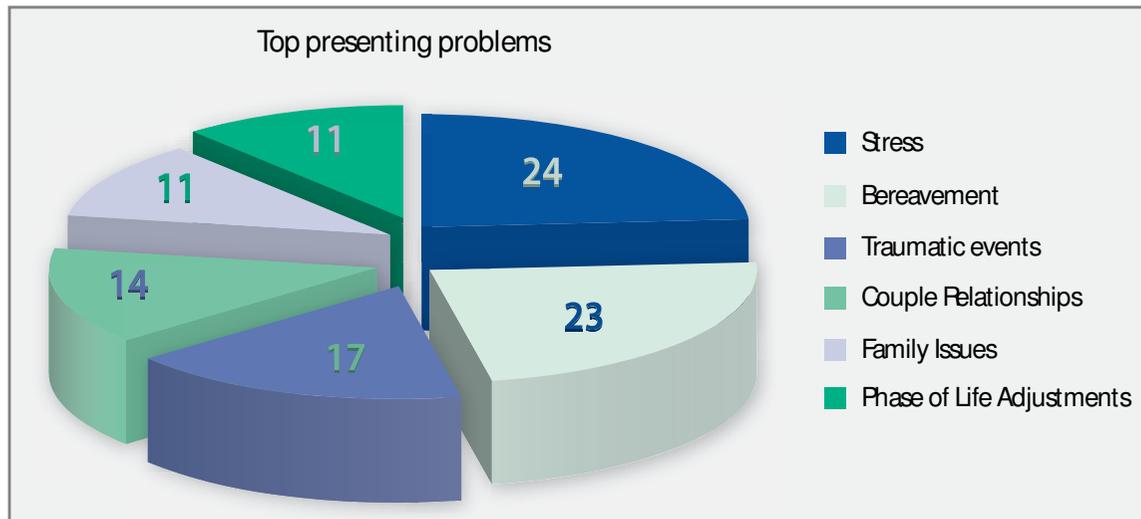
# HUMAN CAPITAL MANAGEMENT

## Employee Wellness

The Employee Wellness Programme is designed to help employees resolve their personal and emotional difficulties that may be affecting their workplace performance and functioning. It is a short-term, therapy programme that focuses on clarifying the problem, implementing solutions and monitoring progress. The result is healthier, more productive employees with improved relations at home and at work. Every attempt has been made to adhere to relevant standards of confidentiality and reporting excellence throughout the Employee Assistance Programme (EAP) Report to EXCO. The annual utilisation rate for this period was 8.9%, which is within the industry benchmark.

Face-to-face counselling is the preferred method for the employees to address their personal problems, and 123 individual cases were opened for the reporting period. Figure 2 shows the most common reasons for self-referral by employees.

Figure 2: Top reasons for self-referral



provider, Careways Services, provides counselling services for employees with couple relationship problems, as well as financial wellness services, and audiology and eye screening clinics. A retirement and financial wellness programme was also rolled out across STA.

## HR Challenges Faced by SITA

While significant progress was made during 2014/15 with regard to human capital management, certain challenges remain:

- Vacancies. Out of a total 3255 approved permanent positions, 667 are vacant. The Organisation Design and Development policy now delimits vacancies that have not been filled for six months or more. Dedicated resources are to be allocated to expedite the filling of these vacancies
- Employee turnover. The STA turnover rate for the period was 16.8% which is slightly above the industry norm of 15.2%. However, in the same period, an increase in the number of preventable resignations was observed. Measures put in place to address this issue include: succession management, recognition and reward, and validation of the salary scale compared to the ICT market
- Employee equity. The EE targets achieved were 45% for gender (annual target was 50%) and 1.2% for disability (annual target was 2%)
- Employee morale. Low employee morale is still in the lower quartile as shown in the OHI Survey results
- Fixed-contract employees. Amendments to the Labour Relations Act related to employees on fixed contracts will entail cost and procedure changes

Table 10: High-level HR interventions/ programmes (2015–2019)

| YEAR2   | YEAR3   | YEAR4  | YEAR5   |
|---|---|--|---|
| STRATEGIC OUTCOME 1: STA AS AN EMPLOYER OF CHOICE   |   |  |   |
| <ul style="list-style-type: none"> <li>• Implement integrated talent management strategy and framework.</li> <li>• Implement corporate social responsibility programme in collaboration with</li> </ul> | <ul style="list-style-type: none"> <li>• Review and implement talent management strategy and framework.</li> <li>• Review and implement corporate social responsibility programmes</li> </ul> | <ul style="list-style-type: none"> <li>• Monitor the implementation of the talent management strategy and framework.</li> <li>• Monitor the implementation of the STA retention strategy.</li> </ul> | <ul style="list-style-type: none"> <li>• Monitor and evaluate.</li> </ul> |

| YEAR2   | YEAR3  | YEAR4   | YEAR5   |
|---|--|---|---|
| <b>STRATEGIC OUTCOME 2: BUILD A HEALTHY ORGANISATION</b>  |  |   |   |
| <ul style="list-style-type: none"> <li>• Implement work stability programme.</li> <li>• Implement awareness and education programmes.</li> <li>• Implement family-friendly practices.</li> <li>• Comply with occupational health practices.</li> <li>• Establish day-care facilities and wellness clinic services.</li> <li>• Implement improved health menus.</li> <li>• Launch and promote the gym facilities.</li> </ul> | <ul style="list-style-type: none"> <li>• Enhance implemented stability programmes.</li> <li>• Enhance implemented awareness and education programmes.</li> <li>• Implement family-friendly practices.</li> <li>• Comply with occupational health practices.</li> <li>• Sustain the day-care facilities and wellness clinic services.</li> <li>• Sustain the improved health menus.</li> <li>• Sustain and promote the gym facilities.</li> </ul> | <ul style="list-style-type: none"> <li>• Review implemented stability programmes.</li> <li>• Review implemented awareness and education programmes.</li> <li>• Comply with occupational health practices.</li> <li>• Monitor and evaluate use of services.</li> </ul> | <ul style="list-style-type: none"> <li>• Monitor and evaluate.</li> </ul> |
| <b>STRATEGIC OUTCOME 3: DEVELOP A HIGH PERFORMANCE AND INNOVATIVE ORGANISATION</b>  |  |   |   |
| <ul style="list-style-type: none"> <li>• Implement and monitor the current performance management policy and rewards programme.</li> <li>• Implement rewards and recognition programmes linked to innovation.</li> <li>• Implement and embed the High Performance Organisation (HPO) model and improvement plan.</li> </ul>   | <ul style="list-style-type: none"> <li>• Implement continuous improvement initiatives to drive the attainment of a high performance culture.</li> </ul>  | <ul style="list-style-type: none"> <li>• Implement continuous improvement initiatives to drive the attainment of a high performance culture.</li> </ul>   | <ul style="list-style-type: none"> <li>• Monitor and evaluate.</li> </ul> |
| <b>STRATEGIC OUTCOME 4: CREATE A CUSTOMER CENTRIC ORGANISATION</b>  |  |   |   |
| <ul style="list-style-type: none"> <li>• Evaluate the impact of the Customer Service Focus Programme.</li> </ul>  | <ul style="list-style-type: none"> <li>• Monitor and evaluate.</li> </ul>  | <ul style="list-style-type: none"> <li>• Monitor and evaluate.</li> </ul>   | <ul style="list-style-type: none"> <li>• Monitor and evaluate.</li> </ul> |
| <b>STRATEGIC OUTCOME 5: FACILITATE TECHNICAL AND ORGANISATION CAPABILITY</b>  |  |   |   |

# HUMAN RESOURCE OVERSIGHT STATISTICS

## Personnel Costs

| TOTAL EXPENDITURE FOR THE ENTITY<br>(R'000) | PERSONNEL EXPENDITURE<br>(R'000) | PERSONNEL EXP. AS A % OF TOTAL EXP.<br>(R'000) | NO. OF EMPLOYEES | AVERAGE PERSONNEL COST PER EMPLOYEE<br>(R'000) |
|---|----------------------------------|--|------------------|--|
| R140 502                                    | R1 206 496.64                    | 23%  | 3356             | R359.50  |

## Personnel Costs by Occupational Category

| OCCUPATIONAL CATEGORY  | PERSONNEL EXPENDITURE<br>(R'000) | AS % OF PERSONNEL EXP. | NO OF EMPLOYEES | AVERAGE PERSONNEL COST PER EMPLOYEE<br>(R'000) |
|------------------------|----------------------------------|------------------------|-----------------|--|
| Top management         | R18 768.77                       | 2%                     | 23              | R816.03  |
| Senior management      | R138 443.89                      | 11%                    | 145             | R954.79  |
| Professional qualified | R172 909.63                      | 14%                    | 313             | R552.43  |
| Skilled                | R784 070.47                      | 65%                    | 2146            | R365.36  |
| Semi-skilled           | R84 325.71                       | 7%                     | 676             | R124.74  |
| Unskilled              | R7 978.17                        | 1%                     | 53              | R150.53  |



## Employment Changes

| SALARY BAND<br>OCCUPATIONAL CATEGORY | EMPLOYMENT AT BEGINNING OF PERIOD | APPOINTMENTS |     |       | TERMINATIONS | EMPLOYMENT AT END OF THE PERIOD |
|--------------------------------------|-----------------------------------|--------------|-----|-------|--------------|---------------------------------|
|                                      |                                   | PERM         | FTC | TOTAL |              |                                 |
| Top management                       | 18                                | 6            | 5   | 11    | 6            | 23                              |
| Senior management                    | 135                               | 21           | 0   | 21    | 11           | 145                             |
| Professional qualified               | 325                               | 3            | 3   | 6     | 18           | 313                             |
| Skilled                              | 1791                              | 164          | 277 | 441   | 86           | 2146                            |
| Semi-skilled                         | 481                               | 47           | 200 | 247   | 52           | 676                             |
| Unskilled                            | 50                                | 2            | 4   | 6     | 3            | 53                              |
| Total                                | 2800                              | 243          | 489 | 732   | 176          | 3356                            |

Note: Board members and Learners are excluded from the employment figures at beginning of period but included in the figures at end of period because they are also included in the personnel costs.

## Reasons for Staff Leaving

| REASON FOR TERMINATION    | NUMBER | % OF TOTAL NO OF STAFF LEAVING |
|---------------------------|--------|--------------------------------|
| Abscondment               | 1      | 0.57%                          |
| Contractor resignation    | 56     | 31.82%                         |
| Deceased                  | 12     | 6.82%                          |
| Dismissal                 | 3      | 1.70%                          |
| Dissatisfaction: salary   | 1      | 0.57%                          |
| Early retirement: 55 > 60 | 2      | 1.14%                          |
| End of contract           | 19     | 10.80%                         |
| Full-time studies         | 2      | 1.14%                          |
| Ill health                | 1      | 0.57%                          |

## Labour Relations: Misconduct and Disciplinary Action

| NATURE OF DISCIPLINARY ACTION  | NUMBER |
|--------------------------------|--------|
| Verbal warning                 | 1      |
| Written warning                | 2      |
| Final written warning          | 2      |
| Dismissal                      | 2*     |
| Settlements (employees exited) | 6      |
| Suspensions                    | 13     |
| Total number of cases          | 26     |

Note: Due to the negative effects of the Organisational Architect project, managers did not actively pursue disciplinary processes. One dismissal was settled out of court and converted to an employee exit. All suspensions were lifted except for one where the case against the employee is still ongoing.

## Equity Targets and Employment Equity Status

| OCCUPATIONAL CATEGORY | MALE    |          |        |          |        |         |          |        |       |
|-----------------------|---------|----------|--------|----------|--------|---------|----------|--------|-------|
|                       | BLACKS  |          |        |          |        | WHITE   |          |        | TOTAL |
| CURRENT NO            | AFRICAN | COLOURED | INDIAN | ACTUAL % | TARGET | CURRENT | ACTUAL % | TARGET |       |
| Top management        | 12      | 0        | 0      | 71%      | 70%    | 3       | 29%      | 30%    | 15    |
| Senior management     | 56      | 3        | 5      | 71%      | 70%    | 20      | 29%      | 30%    | 84    |

| OCCUPATIONAL CATEGORY  | FEMALE     |         |          |        |          |        |         |          |       |
|------------------------|------------|---------|----------|--------|----------|--------|---------|----------|-------|
|                        | CURRENT NO | BLACKS  |          |        |          | WHITE  |         |          | TOTAL |
|                        |            | AFRICAN | COLOURED | INDIAN | ACTUAL % | TARGET | CURRENT | ACTUAL % |       |
| Top management         | 6          | 2       | 0        | 72%    | 70%      | 0      | 28%     | 30%      | 8     |
| Senior management      | 37         | 6       | 2        | 72%    | 70%      | 16     | 28%     | 30%      | 61    |
| Professional qualified | 31         | 2       | 6        | 72%    | 70%      | 49     | 28%     | 30%      | 88    |
| Skilled                | 561        | 38      | 24       | 72%    | 70%      | 305    | 28%     | 30%      | 928   |
| Semi-skilled           | 358        | 25      | 6        | 72%    | 70%      | 37     | 28%     | 30%      | 426   |
| Unskilled              | 16         | 0       | 0        | 72%    | 70%      | 0      | 28%     | 30%      | 16    |
| TOTAL                  | 1009       | 73      | 38       | 72%    | 70%      | 407    | 28%     | 30%      | 1527  |

Note: The combined actual percentage achieved was 72% for Blacks (race) and 45.5% for Gender (women)

| OCCUPATIONAL CATEGORY  | DISABLED STAFF |        |         |        |        |
|------------------------|----------------|--------|---------|--------|--------|
|                        | MALE           |        | FEMALE  |        | TOTALS |
|                        | CURRENT        | TARGET | CURRENT | TARGET |        |
| Top management         | 0              | 2%     | 0       | 2%     | 0      |
| Senior management      | 1              | 2%     | 1       | 2%     | 2      |
| Professional qualified | 2              | 2%     | 0       | 2%     | 2      |
| Skilled                | 17             | 2%     | 8       | 2%     | 25     |
| Semi-skilled           | 5              | 2%     | 4       | 2%     | 9      |
| Unskilled              | 0              | 2%     | 0       | 2%     | 0      |

## HEALTH SAFETY AND ENVIRONMENTAL ISSUES

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A safe and hazard-free working environment is one of the most important factors for employee commitment and performance. SITA has the following initiatives to mitigate and control hazardous risks:

- Risk assessments: environmental risks assessment has been conducted with the aim of identifying health hazards, improving working conditions and preventing the risk of employees contracting infectious diseases. Assessments focused on noise levels, ventilation and airborne infections, sanitation, offices/building, etc.
- First aid services: first aid training has been provided to occupational health and safety representatives who inspect and manage first aid boxes.
- Medical services: a room has been designated for sick staff members to retire to in order to take a moment, monitor chronic medical cases and have a rest before returning to work.

## SOCIAL RESPONSIBILITY

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STA believes that the correlation between people, business and the community is inseparable, and that a company is fundamentally a social structure. In line with its commitment to promoting sustained social and economic development, ongoing support has been provided to the communities in the geographical areas where the agency operates. Many STA employees have also taken the initiative to actively contribute in cash and kind, and volunteered their time to support events such as Mandela Day and International World Aids Day.

STA's Social Responsibility programme supports those who have been economically marginalised and previously disadvantaged. As modern technology is one of the most powerful vehicles through which to drive transformation, the programme has focused on empowering teachers and learners in secondary schools through ICTs. This past year's efforts have focused on the installation of ICT labs at secondary and some primary schools in various provinces throughout the country, in collaboration with key stakeholders such as the Ministry for Telecommunications and Postal Services and ICT industry partners. These initiatives have resulted in opening doors to the world of digital information and connecting the schools to a vast array of opportunities.





## STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

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The directors are responsible for the preparation, integrity and fair presentation of the report on performance information and the annual financial statements of STA. The financial statements presented on page 105 to 145 have been prepared in accordance with Generally Recognised Accounting Practice and include amounts based on judgments and estimates made by management.

The going concern basis has been adopted in preparing the financial statements.

The directors have no reason to believe that the organisation will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of STA. The report on performance information and the annual financial statements have been audited by the Auditor-General, who was given the give unrestricted access to all financial records and related data, including of minutes of all meetings of the Board, committees of the Board and executives. The directors believe that all representations made to the Auditor-General are valid and appropriate.

The annual financial statements set out on pages 105 to 145, which have been prepared on the going concern basis, were approved by the Board of Directors on 29 July 2015 and were signed on its behalf by:



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Jerry Vilakazi  
Chairman of the Board of Directors  
14 August 2015

# REPORT BY THE CHIEF EXECUTIVE OFFICER

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## General Review of State ICT

### Customer confidence and service delivery

A key focus of the leadership team is restoring customer confidence and improving service delivery. Over the last few months, STA has conducted a number of workshops and EXCO offsite sessions to understand and improve the agency's current state of operations. Based on these engagements, several challenges were identified that need to be urgently addressed to enable STA to effectively deliver value to the public. The recent organisational diagnostic supported the views expressed by STA's customers about the agency:

- Long lead times and perceived corruption in procurement
- Poor service delivery to customers
- High costs of STA services
- Loss of critical skills
- Demotivated staff
- Ageing and outdated infrastructure
- Customer dissatisfaction
- Insufficiently proactive or innovative product design and customer solutions

STA continues to implement initiatives aimed at improving customer satisfaction and addressing critical service delivery issues raised in the client satisfaction survey of 2012/2013. Performance levels are closely monitored and reported on against signed Service Level Agreement (SLA) metrics, in order to improve performance and thus customer service delivery. STA continues to establish governance mechanisms (both manual and automated) that will ensure better service delivery, specifically regarding customer complaints. STA has concluded the 2016/2016 Annual Performance Plan (APP), to ensure a more focused approach to improving performance. Going forward, accountability and good governance will be the agency's key drivers.

### Security and upgrading

The security of government data and STA's network continues to be reviewed in line with best practices. STA solutions are designed to withstand any form of cyber-attack and have the necessary operational structures, standards, business processes and management technologies to respond to any threat. Modernising of the data

## Human capital and skills

In July 2015 the placement process for 11127 employees, displaced as a result of the turnaround restructuring at the beginning of 2013/2014, was concluded. The process of filling the outstanding executive positions continues and should be finalised in time for the new executives to be part of the leadership team who will be driving the implementation of the 2015–2018 strategic plan. The EXCO has resolved to prioritise filling 410 out of a total of 1023 vacancies budgeted for in order to contain operational expenditure. During 2014/15, the Board approved a number of critical human capital management-related strategies and policies, including the five-year Human Capital Management Strategy. A Skills Audit is underway and will ensure that STA becomes aware of its current capability needs and can thus position itself to meet present and future requirements.

## Strategic Overview

STA continues on its journey of implementing the strategic plan, which aims to improve service delivery, create transparency on costs and result in a high-performance organisation through:

- Becoming customer-led, served by highly motivated and skilled employees
- Radically improving and transforming procurement systems and processes
- Developing and implementing integrated e-Government services in partnership with our customers and in alignment with the MTSF
- Modernising and upgrading infrastructure, and improving the security of government data assets

The STA strategy for 2015–2018 and the APP for 2015/16 were revised, approved and tabled at Parliament. The Corporate Balanced Scorecard was aligned to the changes in the corporate strategy and APP.

## Services Rendered

The agency provides mandatory and optional services to government, including:

| MANDATORY  | OPTIONAL                                  |
|--|---|
| Providing or maintaining Public Telecommunications Networks (PTN) and Value Added Networks (VAN) | Providing training on ICTs for government |
| Providing or maintaining transversal systems   | Developing application software           |

## Programme Structure

STA's work is centred on initiatives that support six key programmes:

| STRATEGIC PROGRAMME                        | GOALS   |
|--|---|
| Programme 1: Procurement                   | To address all issues relating to delayed procurement turnaround times, removing customer pain points, and transforming the procurement function            |
| Programme 2: Service Delivery              | To provide high-quality IT services to enable government to deliver efficient and convenient services through the use of ICT                                |
| Programme 3: Infrastructure                | To optimise the provision of STA's IT infrastructure services in order to increase availability, flexibility, scalability, predictability and security      |
| Programme 4: Financial Sustainability      | To ensure an effective and efficient financial management, and ensure financial growth and sustainability   |
| Programme 5: Organisation                  | To build and maintain organisational capability to enable STA to achieve its strategic imperatives and become an employer of choice within the ICT industry |
| Programme 6: Governance and Administration | To provide leadership, strategic management, governance, risk and resource management in line with government-accepted norms and standards                  |

## Revenue

The delimit before tax for the quarter ending 30 June 2015 was R215.3-million, from a revenue of R1.235-billion, or -17.4% as a percentage of revenue. The actual revenue of R1.235-billion is 31.5% above the budgeted R939.4-million, and the cost of sales of R1.305-billion is 16.7% above the budget of R1.118-billion. Net delimit after tax amounted to R155-million.

## Infrastructure Spending

STA underwent a number of reviews to ensure alignment between the operational and strategic capital requirements against the available capital for the year. On 29 July 2015, the STA Board approved R640-million for infrastructure investment in 2015/2016:

By 31 July 2015, R215 004 513 had been spent on the network upgrade projects and R41 434 383 on the upgrade and maintenance of the data centre capabilities. The majority of the contracts for the infrastructure spend are now in place and the allocated amount will be fully utilised.

### Integrated Financial management system

The award of the integrated financial management system (IFMS) tender to the original software manufacturer (OSM) was delayed by over four months. STA had concluded all the required processes, but probity services by National Treasury resulted in the delay. The actual impact cannot be estimated until the award is made to the OSM, and the delay will continue to increase until the award is concluded.

### E-Cabinet

The e-Cabinet project was delayed by the construction work that the Department of Public Works (DPW) had to complete at both the Union Building and Tuynhuys, but STA and DPW are working to recover lost time. STA and the Presidency have developed a plan to get the project back on track, the commitment of the Presidency staff to this project is commendable.

The Western Cape Broadband project target had to be revised after the supplier could not complete the site preparations as per the original plan. STA has been engaging with the supplier to get the project back on track.

## Capacity Constraints

The scarcity of ICT skills, especially for software developers and testers, business analysts and IT architects, is an organisational capacity challenge for STA in meeting its business objectives. The total number of vacancies at the end of the year was 667 out of 3255 approved permanent positions. Therefore, STA needs a sound staffing model that provides a balance between buying talent and building organisational capacity, and establishing a strong Employee Value Proposition (EVP) that both attracts and retains top talent. In 2014/15, the Board approved a number of strategies and policies that will enable STA to address its capacity constraints, including the Talent Management Strategy, Leadership and Skills Development Strategy, Competency Management Policy, Succession Management Policy and Career Management Policy. STA has established strategic partnerships with tertiary institutions, including the North-West University and the University of Pretoria, to implement its capacity building programmes. STA also continues to develop ICT skills through its internship and learnership programmes. In 2014/2015, STA employees attended a total of 3117 ICT-related training interventions and 208

## Transfer Payments to Organisations

- None

## Events After the Reporting Date

- None

## Corporate Governance Arrangements

### Internal Audit Function

The Internal Audit Function (IAF) continued to fulfil its mandate, of providing independent, objective assurance and consulting activity designed to add value and improve the STA's operations. Through a systematic and disciplined approach, the IAF assists STA in evaluating and improving the effectiveness of risk management, control and governance processes within the agency.

The IAF operates in accordance with an approved Internal Audit Charter and is guided by a fully functional Audit, Risk and Compliance Committee (ARCC). The IAF has processes in place to ensure that existing staff obtain appropriate qualifications and are kept abreast of changes within the Internal Audit profession.

Through, inter alia, engagement with internal stakeholders, the IAF formulated a comprehensive three-year rolling plan, incorporating an annual risk-based internal audit plan approved by the ARCC. The 114 audits planned for the year were fully executed. In addition, the IAF undertook 124 unplanned projects, including various consulting activities and ad-hoc management requests. Relationships with management improved, as shown by the number of unplanned specialised projects, which in turn indicates that management sees the value of the IAF within its systems of governance and control. The IAF's executive has complete access and a direct reporting line to the ARCC, and presents reports at each committee meeting on internal audit activities.

### Audit, Risk and Compliance Committee

The ARCC continues to operate within its terms of reference, which are reviewed annually. During 2014/15, the ARCC met five times. The Accounting Officer and executive management are always represented, and the Auditor-General is always invited to attend, ensuring that these meetings are as effective and transparent as

continuously communicated through awareness campaigns promoting the embedding of risk management principles and processes within STA. The AFCC actively monitors STA's risk profile, which includes strategic, operational, corruption and business continuity risks and forms the basis for the STA's internal audit plans. STA supported and monitored the successful implementation of its anti-corruption plan and encouraged strong ethical values from all its employees. The anti-corruption plan is implemented across numerous functions and results in a multi-dimensional approach to mitigating identified corruption risks and combating corruption holistically. STA has a zero tolerance stance on corruption, and the mitigation of identified corruption risks is supported at all levels.

### Internal policy review

In the period under review, the following Codes, Charters (Terms of Reference), Policies and Procedures were adopted and/or reviewed:

- Fixed Asset Management Policy
- Competency Assessment Framework
- Revised Supply Chain Management Policy
- Integrated Talent Management Framework
- Career Management Policy
- Recognition and Rewards Policy
- Succession Management Policy
- Accounts Receivable Policy
- Debt Management Policy
- Accounts Payable Policy
- Revised Foreign Exchange Policy
- Revised Banking and Investment Policy
- Revised Competency Management Policy
- Revised Organisation Design Policy
- Revised STA Integrated Talent Management Policy
- Revised Human Capital Resource Planning Policy
- STA Secondment, Transfers and Relocating Policy
- STA Risk Management Policy
- STA Risk Management Framework
- Revised Integrated Corporate Performance Management Policy

## Other Governance Matters

### Integrated sustainability management

STA recognises that strategy, risk, performance and sustainability are inseparable, as outlined in the King III best practices, and that the agency is (and is seen to be) a responsible corporate citizen. STA views sustainability as a business practice that creates value for stakeholders through managing the environmental, social and governance factors affecting the agency's ability to achieve sustainable service delivery. STA acknowledges the importance of reporting the results of its operations in a way that brings together information about the STA's strategy, governance, and performance and future prospects while reflecting the commercial, social and environmental context within which it operates. STA continues to emphasise the importance of embedding the management of environmental and sustainable development issues in its core business, and has already integrated sustainability aspects in its strategic objectives (see pages 37 to 43). At the core of its sustainability agenda, STA recognises the need to be cost efficient and environmentally friendly, to ensure that resources are used efficiently and in a socially and environmentally responsible manner. To this end, cost-saving initiatives and green practices are gradually being introduced into business practices.

South Africa has made a conscious effort to move towards a green economy, as part of the long-term plan to grow the economy while mitigating the effects of climate change. Embracing the government's efforts, STA strives to live green in all aspects of its work, in interactions with customers and employees, leading by example in ensuring that the impact on the environment is as minimal as possible. To this end, STA adopted sustainable event management principles. The aim is to minimise STA's carbon footprint and impact on the environment throughout the different stages of event planning and execution. STA uses an environmental policy document to plan an event and ensure adherence to these principles. For instance, service providers selected must be committed to, and provide proof of being committed to, environmental objectives. After an event, targets are revised and improvements recommended for the next event. The success of this approach was acknowledged when the GovTech 2014 conference, the foremost gathering of ICT professionals from the private and public sector received a gold class pass on the green scoreboard. This translates to an 84.7% score for planning and implementation of sustainable business practices, an improvement on the 79.2% achieved in 2013.

### Supply chain management

Improvements in the SCM function have begun to make a visible contribution towards operational efficiency and good governance within the STA. STA is committed to further and more substantial improvements that will keep the supply chain function responsive to the strategic needs of stakeholders. Key initiatives include:

- An ECM (Enterprise Content Management) Contract Tracking and Management system has been developed internally and was rolled out in November 2014. All contracts are now stored in one electronic database.
- New procurement checklists for various process stages have been introduced to enhance the quality of execution and to curb non-compliance by practitioners, including other process-related risks.
- New practices have been introduced to ensure that the CEO approves all business cases requesting deviation from the normal procurement process, irrespective of value. In addition, the Chief Procurement Officer must pre-approve any deviation before the market or targeted supplier is engaged. This control will curb the abuse of procurement deviation by procurement practitioners and end-users from line of business.

## Asset management

In terms of sub-section 57(b) of the PFMA as amended, the officials of a public entity are responsible for the effective, efficient, economical and transparent use of the entity's resources. In addition to the normal day-to-day administration and management of STA's asset register, the STA's Asset Management Unit undertook several key activities to improve the overall asset management environment of STA:

**Asset verification.** The internal asset verification was concluded by 31 March 2015. The involvement of STA employees in the process enhanced the organisation's hands-on knowledge and awareness of asset management matters. In 2014/15, overall coverage for asset verification was 99.81%, which we believe is within acceptable levels.

**Asset disposal.** In line with the STA's Asset Management Policy, Treasury Regulations and the King III Code on Corporate Governance, in 2014/15 the Asset Management Unit disposed of 830 assets with a net book value of R7 516 284. Of these, 36 assets (with a net book value of R7 965) were donated to schools, one vehicle (with a net book value of R27 683) was sold and the remaining assets (with a net book value of R7 520 121) were sold as scrap, as they had no value for use.

## ICT Capability

Approximately 85% of the total STA third party expenditure was spent on enhancing STA ICT capability.

## Information on Predetermined Objectives

Every month, divisional heads report to the CEO on progress made with regard to programme delivery and

## Deviations 2014/ 2015

| ITEM | NAME  | DESCRIPTION   | AWARDED AMOUNT | AWARDED VENDOR                                     |
|------|---|---|----------------|--|
| 1    | Release 2 and Release 3 Enhancement                             | Request for the functional enhancement of existing Release 2 and Release 3 enhancement to include IOPC, including maintenance and support for a period of two years | R4 393 512     | Magna BC Business Consulting (Pty) Ltd             |
| 2    | Encryption Software   | Maintenance and support of the IP Granite encryption software and Nanoteq supplied hardware   | R16 646 745    | Nanoteq (Pty) Ltd                                  |
| 3    | PKI Solution  | Support and maintenance of PKI solution   | R649 800       | Law Trust Information Security Solutions (Pty) Ltd |
| 4    | Library Information Systems                                     | Provision of Library Information Systems to STA   | R9 468 401     | CIPAL Brocade Library Services NV                  |
| 5    | Repair and Three (3) Year Maintenance for Galaxy Range Products | Request for deviation from normal procurement process and award Schneider Electric Once Over Repair and three years' maintenance for Galaxy Range Products          | R7 500 000     | Schneider Electric                                 |
| 6    | Renewal of Licences   | The renewal of PADSIM licences and support  | R157 320       | Maretek CC   |
| 7    | Repair of UPS   | Repairs on UPS No 4 located in STA Centurion Building   | R419 916       | Schneider Electric                                 |
| 8    | Dumpmaster Software Licences Renewal                            | Renewal, maintenance and support for Dumpmaster software licences   | R4 425 494     | Blue Turtle Technologies (Pty) Ltd                 |
| 9    | CCMI (Capability Maturity Model Integration)                    | CCMI Training   | R7 298 813     | CCMI Institute                                     |

| ITEM | NAME                                | DESCRIPTION  | AWARDED AMOUNT | AWARDED VENDOR                     |
|------|-------------------------------------|--|----------------|------------------------------------|
| 13   | Adobe Licences                      | Enterprise Licence Agreement: procurement of Adobe licences including support and services   | R7 324 619     | Adobe systems                      |
| 14   | Executive Advertisement             | Placement of advertisement for Executive: Service Delivery and Systems   | R160 854       | Media24 and Times Media            |
| 15   | Lectora Licences                    | Renewal of Lectora licences  | R84 759        | Bytes People (Pty) Ltd             |
| 16   | TOAD Licences                       | Renewal, maintenance and support, including procurement of additional licences   | R142 688       | Blue Turtle Technologies (Pty) Ltd |
| 17   | Supply Grid Remediation and Upgrade | Remedy of the current supply grid configuration, to supply transitional (rental) units and to upgrade key power supply components for a period of one year | R10 197 779    | FO-AL Construction (Pty) Ltd       |
| 18   | DoD Licences                        | Renewal of SAABGrintek licences on behalf of the Department of Defence (DoD)   | R8 326 231     | SAABGrintek (Pty) Ltd              |
| 19   | Vending Machines                    | Provision of maintenance of coffee, tea and hot chocolate vending machines month on month  | R345 500       | HOT Vending Solutions cc           |
| 20   | ARIS Licences                       | Renewal of ARIS software licence   | R5 865 043     | Software AG South Africa (Pty) Ltd |
| 21   | Bomgar Licences                     | Renewal, maintenance and support Bomgar software licence   | R6 340 582     | Netvision Network Solutions        |
| 22   | Foresight Licences                  | The renewal of Foresight licences for a period of one year   | R484 272       | Gjima Holdings (Pty) Ltd           |
| 23   | SASSAPSB                            | The renewal of SASSAPSB for a period of one year   | R3 801         | SAS Institute (Pty) Ltd            |
| 24   | SAS Vulindlela Licences             | The renewal of the SAS licences for the Vulindlela project on behalf of National Treasury, for a period of one year  | R4 683 917     | SAS Institute (Pty) Ltd            |
| 25   | CA Service Desk Manager             | The renewal of CA Service Desk Manager for a period of three years   | R6 041 843     | CA Southern Africa                 |

| ITEM | NAME                       | DESCRIPTION  | AWARDED AMOUNT | AWARDED VENDOR       |
|------|----------------------------|--|----------------|----------------------|
| 29   | KZN OTP                    | Deviation to appoint current service provider for provision of LAN and desktop support to the KZN OTP for a period not exceeding three months                                | R2 308 938     | SIZME Pty Ltd        |
| 30   | DPME Infrastructure        | IT infrastructure solution for the Department of Performance Monitoring and Evaluation   | R3 067 132     | Integral Networking  |
| 31   | SASSA VSAT                 | Deviation to appoint Vodacom (Pty) Ltd for the renewal of maintenance of VAST services for SASSA (South African Social Security Agency) for a period not exceeding two years | R866 574       | Vodacom              |
| 32   | Microfilm Services         | Deviation for the extension of contract FFB 861/2010 (Microfilm Services) for DCD  | R1 032 000     | Meniko               |
| 33   | EMC Equipment and Software | Deviation to appoint EMC Computer systems for the maintenance and support of EMC equipment and software for a period of 12 months  | R598 835       | EMC Computer Systems |
| 34   | DCS Cabinets and UPS       | Maintenance of the cabinets and UPS for Department of Correctional Services  | R1 771 941     | Telenetix Technology |

### Contract Expansion 2014/ 2015

| DESCRIPTION                    | PREVIOUS EXPIRY DATE | NEW EXPIRY DATE | ORIGINAL CONTRACT AMOUNT | EXTENSION AMOUNT | % INCREASE | REASON FOR EXTENSION   |
|--------------------------------|----------------------|-----------------|--------------------------|------------------|------------|--|
| LAN and Cabling Infrastructure | 30-Jun-13            | 31-Jan-14       | R487 008                 | R243 504         | 50%        | Replacement tender FFB1154 was cancelled due to poor costing model. The new replacement tender FFB 1233/2014 closed on 8 September 2014. |
|                                |                      |                 |                          |                  |            | The new replacement contract FFQ   |

| DESCRIPTION  | PREVIOUS EXPIRY DATE | NEW EXPIRY DATE | ORIGINAL CONTRACT AMOUNT | EXTENSION AMOUNT | % INCREASE | REASON FOR EXTENSION   |
|--|----------------------|-----------------|--------------------------|------------------|------------|--|
| Hardware Maintenance and Software Support                    | 30-Sep-13            | 31-Dec-13       | R28 463 018              | R15 290 930      | 54%        | Contract extended for three months to allow the replacement process (FFQ 1988) to be finalised. The FFQ is being reviewed by Internal Audit. |
| Maintenance and Support of Police Equipment                  | 30-Nov-13            | 30-Nov-14       | R2 113 162               | R153 788 818     | 478.90%    | Extension of the current contract to allow the research and testing of alternate products to be finalised.                                   |
| Diginet Term Discount Agreement                              | 31-Oct-13            | 31-May-14       | R146 788 493             | R105 000 000     | 71.53%     | Contract extension with the current service provider to allow the Telkom MSA to be finalised.  |
| Maintenance of Audio-visual and Video Conferencing Equipment | 27-Sep-13            | 31-Mar-14       | R2 001 488               | R379 810         | 18.98%     | To allow for the finalisation of FFQ 1144/2013, which is the replacement FFQ. The FFQ is under adjudication.                                 |
| Lease Vehicles for SITA                                      | 30-Sep-13            | 28-Feb-14       | R7 638 167               | R2 492 436       | 19%        | To allow an open bid process. The replacement tender is 1209 and the evaluation commenced on 25-29 August 2014.                              |
| Provision of Vending Machine                                 | 01-Oct-13            | 31-Mar-14       | R6 100 122               | R1 006 164       | 16.49%     | Replacement tender 1219 is under evaluation and targeted completion date is end of November 2014.  |
| Eastern Cape Offices Security                                | 01-Dec-13            | 30-Apr-14       | R481 399                 | R124 419         | 25.85%     | Contract was extended pending the outcome of the relocation processes/discussions at the province.   |
| Armed Response and Monitoring Services (PE)                  | 01-Nov-13            | 01-Jun-14       | R10 245                  | R1 861           | 18.17%     | Contract was extended pending the outcome of the relocation processes/discussions at the province.   |
| Hygiene Services (PE)  | 01-Nov-13            | 30-Apr-14       | R31 608                  | R6 005           | 19.00%     | Contract was extended pending the outcome of the relocation processes/discussions at the province.   |

| DESCRIPTION   | PREVIOUS EXPIRY DATE | NEW EXPIRY DATE | ORIGINAL CONTRACT AMOUNT | EXTENSION AMOUNT | % INCREASE | REASON FOR EXTENSION   |
|---|----------------------|-----------------|--------------------------|------------------|------------|--|
| Provision of Business Process Architecture                      | 14-Feb-13            | 31-Aug-13       | R23 544 600              | R11 772 300      | 50%        | Contract was extended for six months to allow for the finalisation of the project.                                       |
| Courier Services  | 28-Feb-14            | 31-Aug-14       | R1 242 835               | R500 000.00      | 40.23%     | Contract was extended with the current service provider to allow for the finalisation of the replacement process.        |
| Hardware Maintenance and Support for SAPS (FFB 769)             | Month to month       | 31-Jan-15       | R171 432 908             | R278 967 511     | 162.73%    | Tender for/ replacement contract underway and the technical requirements tabled in the next Bid Specification Committee. |
| Bandwidth and Email Cleansing                                   | 28-Feb-14            | 30-Nov-14       | R65 835 319              | R27 465 301      | 41.72%     | The replacement tender 1211 tabled in the Recommendations Committee for adjudication on 3 September 2014.                |
| Provision of STM Transmission Services between SITA and Telkom. | 31-Mar-13            | 31-Mar-15       | R34 722 063              | R42 903 327      | 123.56%    | Partnership process in progress.   |
| LAN and Desktop Support Services Countrywide for SAPS           | 30-Apr-14            | 30-Sep-14       | R20 117 897              | R9 309 196       | 46.27%     | Fixed-term contract process in progress.   |
| Hardware Maintenance and Support                                | 31-Mar-14            | 30-Sep-14       | R4 523 818               | R2 769 279       | 61.22%     | To allow the replacement process FFQ 1988 to be finalised. The FFQ is being reviewed by Internal Audit.                  |
| LAN and Desktop Services for KZN Provincial Department          | 31-Mar-14            | 30-Sep-14       | R6 705 965               | R6 716 760       | 100.16%    | To allow the replacement process FFQ 1988 to be finalised. The FFQ is being reviewed by Internal Audit.                  |

| DESCRIPTION   | PREVIOUS EXPIRY DATE | NEW EXPIRY DATE | ORIGINAL CONTRACT AMOUNT | EXTENSION AMOUNT | % INCREASE | REASON FOR EXTENSION  |
|---|----------------------|-----------------|--------------------------|------------------|------------|---|
| Provision of Hardware Maintenance at the Department of Basic Education (DBE) and the Department of Higher Education and Training (DHET) | 30-Jun-14            | 31-Dec-14       | R4 928 724               | R993 531         | 20%        | The replacement tender process underway and business case submitted to SCM.   |
| Monitoring Services for the DBE   | 31-May-14            | 31-May-15       | R2 255 148               | R751 756         | 33%        | The replacement tender process FFB 1207 presented at the Recommendations Committee for cancellation due to poor costing model.                                    |
| IT Support Services for the Core IT Infrastructure of PE SAPS   | 31-May-14            | 30-Jun-14       | R1 149 136               | R2 094 175       | 66%        | To allow the finalisation of the replacement tender 1208 which is under evaluation.   |
| Courier Services for SITA   | 1-Sep-14             | 28-Feb-15       | R500 000                 | R1 900 000.00    | 380%       | Replacement FFB 1073/2013 under evaluation and request for cancellation submitted for approval.   |
| Cleaning Services for SITA Pietermaritzburg   | 1-Sep-14             | 28-Feb-15       | R364 719                 | R229 638         | 63%        | To allow initiation and finalisation of replacement contract.   |
| Paper Supply  | 1-Mar-13             | 30-Apr-16       | R986 240                 | R1 730 000       | 175%       | The client had exhausted all the funds in the previous contract and printing services were still needed. This expansion relates to increase of the capped amount. |
| Metro Connectivity in the EThekweni Metropolitan Municipality   | 31-Oct-14            | 31-Oct-16       | R18 800 211              | R12 501 525      | 66%        | To allow line of business to do price bench mark.   |
| Cleaning Services at Erasmuskloof, Perseus  | 31-May-13            | 31-Jan-15       | R930 739                 | R408 052         | 41.10%     | Replacement FFB 1124 was cancelled and the replacement tender FFB 1252  |

| DESCRIPTION   | PREVIOUS EXPIRY DATE | NEW EXPIRY DATE | ORIGINAL CONTRACT AMOUNT | EXTENSION AMOUNT | % INCREASE | REASON FOR EXTENSION  |
|---|----------------------|-----------------|--------------------------|------------------|------------|---|
| Hardware Maintenance and Selected Software and Maintenance of WAN and LAN and all Computer-related Peripheral Equipment | 31-Jan-15            | 31-Oct-15       | R171 432 908             | R210 672 652     | 123.01%    | To allow finalisation of the replacement tender process.  |
| Internet Services and Selected Allied Services for SITA and its Clients   | 30-Nov-14            | 30-Apr-15       | R65 835 319              | R130 616 083     | 20.68%     | To allow finalisation of the replacement tender process.  |
| DBE Hardware Maintenance  | 31-Dec-14            | 31-Jun-15       | R192 8724                | R1063 132        | 21.57%     | To allow finalisation of the replacement tender process.  |
| For the Maintenance of Video Wall Equipment in the Network Operations Centres at SITA Gauteng.                          | 31-Nov-14            | 31-Aug-15       | R61 43 099               | R1030 900        | 16.78%     | To allow the procurement process to publish an open bid as a replacement of the current contract.   |
| Maintenance and Support Contract for HP Automation Software   | 31-Jan-15            | 31-Jan-16       | R3 531 943               | R690 115         | 19.54%     | To allow for the finalisation of the replacement tender. The specification still needs to be presented to Bid Specification Committee for approval. |
| Provision of Cleaning Services  | 30-Apr-12            | 31-Jan-15       | R275 254                 | R307 109.82      | 111.57%    | To allow for the finalisation and transitioning of the replacement tender (FFB1252/2014) which is under adjudication.                               |
| Provision of Cleaning Services  | 31-May-13            | 30-Apr-15       | R6 714 596               | R3 216 144       | 47.90%     | To allow for the finalisation and transitioning of the replacement tender (FFB1252/2014) which is under adjudication.                               |

| DESCRIPTION   | PREVIOUS EXPIRY DATE | NEW EXPIRY DATE | ORIGINAL CONTRACT AMOUNT | EXTENSION AMOUNT | % INCREASE | REASON FOR EXTENSION  |
|---|----------------------|-----------------|--------------------------|------------------|------------|---|
| Maintenance and support of Discovery Solution   | 31-Jan-15            | 31-Jan-16       | R955 183                 | R1 380 802       | 144.56%    | Cancellation of the replacement tender was approved on 20 January 2015. The cancellation was due to misalignment of the scope of work and costing model. Line of business is currently reviewing the specification so that they can submit for publication. |
| Request for Deviation to Reappoint Faranani IT Services (Pty) Ltd for the Support and Maintenance of the PAAB System / Application for the Mpumalanga DoH (Deviation) | 31-Mar-15            | 30-Sep-15       | R4 965 237               | R4 099 272       | 83%        | Extended on a month-to-month basis until the replacement contract FFB 1286/2014 is concluded. FFB 1286 is being reviewed by Internal Audit and the target for Management Procurement Committee is 14 May 2015.  |
| Symantec End User Security and Services for SAPS  | 30-Apr-15            | 30-Apr-16       | R9 920 097               | R10 515 303      | 106%       | Extended to allow for the finalisation of a resource plan and a replacement contract. The business case to start a replacement tender will be submitted by 24 April 2015.   |

## Interim Financial Statements

Interim financial statements were issued at the end of each quarter of the financial year as prescribed. These reflected a fair view of the financial performance, financial position, changes in net assets and cash flows of STA at the end of each quarter.

## Approval

The Annual Financial Statements set out on pages 105 to 145 have been approved by the Chief Executive Officer



# REPORT OF SOCIAL AND ETHICS COMMITTEE

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## Introduction

The Social and Ethics Committee of the State Information Technology Agency SOC has pleasure in presenting its Report for the Financial Year ended 31 March 2015.

## Background

This report is provided by the Social and Ethics Committee in terms of Regulation 43(5)(c) of the Companies Regulations promulgated in terms of the Companies Act 71 of 2008, as amended (the Companies Act).

The purpose of the Committee is to enforce a more structured and focused approach to social and ethical issues, with standardised and comparable performance and information reported upon.

## Composition and Terms of Reference

This statutory Committee was established by the STA Board of Directors on 9 January 2013 and its terms of reference were approved on 30 April 2013. The said terms of reference were revised during the past financial year.

The Committee monitors and oversees the functions as set out in the Companies Act as well as the responsibilities assigned to it by the Board.

Information on the composition of the Social and Ethics Committee, its terms of reference and its procedures are set out more fully in the Corporate Governance Report and the Annual Report.

## Purpose and Functions

The Company is committed to high moral, ethical and legal standards in dealing with all of its stakeholders. All the Directors and employees are required to maintain high standards to ensure that the Company's business is conducted honestly, fairly and legally and in a reasonable manner, in good faith and in the best interests of STA. These principles are set out in STA Code of Conduct.

### Social and economic development

The Committee monitored and reviewed the implementation of policies regarding adding value to and giving to the communities in which STA operates, including Corporate Social Responsibility.

### Labour

STA is committed to fair labour practices and freedom of association. The Company's policies are aimed at eliminating unfair discrimination and promoting equality in line with, inter alia, the South African Constitution, the Labour Relations Act, the Employment Equity Act and the Broad-Based Black Economic Empowerment Act. The Committee monitored and reviewed the implementation of labour policies, including:

- Attraction, retention and development of skills to support the Company's growth plan
- Employment equity
- Employee turnover
- Learnerships and bursaries
- Educational training and development of its employees; and
- Literacy

### Safety, health and environment

STA is committed to providing its employees with a safe and healthy work environment. The Committee monitored and reviewed the implementation of safety, health and wellness policies, including:

- Safety performance;
- Occupational health and wellness; and
- Tuberculosis, HIV and Aids

## REPORT OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE

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We are pleased to present our report for the Financial Year ended 31 March 2015.

### Committee Members and Attendance

The Committee consists of the members listed hereunder and has met as reflected below, in line with its approved terms of reference.

| MEMBERS                     | NUMBER OF MEETINGS |
|-----------------------------|--------------------|
| NAME AND SURNAME            | 7                  |
| Adv B Matlejoane            | 1/7                |
| Mr JMngomezulu <sup>3</sup> | 1/7                |
| Mr Z Nomvete                | 6/7                |
| Mr G Victor                 | 6/7                |
| Ms M Williams               | 7/7                |
| Mr W Mudau                  | 4/7                |

### Audit, Risk and Compliance Committee Responsibility

The Committee has complied with its responsibilities arising from the requirements of the Companies Act of 2008, the Public Finance Management Act of 1999, and National Treasury Regulations of 2005. The Committee has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in

## The Effectiveness of Internal Control

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the management letter of the Auditor-General, no significant or material non-compliance with prescribed policies and procedures were reported. Thus the system of internal control for the period under review was generally effective. However, attention is drawn to the following areas of concern:

- CAPEX
- Billing and Collections
- Supply Chain Management

## The Effectiveness of Internal Audit

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

## The Risk Areas of the Institution's Operations

A Risk Management Committee meets on a regular basis and shares its reports with the AFCC. A risk register is kept and updated continuously to ensure that all the major risks facing the programmes and entities under the National Treasury are recorded. The risk management system will be subject to internal audit in the coming year.

## Accounting and Auditing Concerns Identified as a Result of Internal and External Audits

No additional accounting and auditing concerns have been reported.

## The Institution's Compliance with Legal and Regulatory Provisions

The Committee has noted the in-year management and reporting in terms of the SITA Act, the PFMA and all other applicable law and is satisfied with the quality thereof.

## Independence of External Auditors

In terms of the PFMA the Auditor-General is responsible for the external audit of the affairs of the agency. However, the Auditor-General is, in terms of the Public Audit Act (No. 25 of 2004) as amended, authorised to outsource such an audit.

The Auditor-General outsourced the external audit of the affairs of the agency to PricewaterhouseCoopers (PwC), which conducted the 2014/2015 audit. The Committee is satisfied with the independence of the Auditor-General and of PwC.

## Issues raised in prior year

The Committee has reviewed the agency's implementation plan for audit issues raised in the prior year and is satisfied that the matters have been adequately resolved except for the following:

- CAPEX
- Collections
- Supply Chain Management



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Zukile Nomvete  
Chairman: Audit, Risk and Compliance Committee  
14 August 2015



# REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE STATE INFORMATION TECHNOLOGY AGENCY SOC LIMITED

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## Report on the financial statements

### Introduction

1. I have audited the financial statements of the State Information Technology Agency SOC Ltd set out on pages 105 to 145, which comprise the statement of financial position as at 31 March 2015, the statement of financial performance, statement of changes in net assets, and cash flow statement the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting authority's responsibility for the financial statements

2. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008), 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.

### Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the State Information Technology Agency SOC Ltd as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the Companies Act of South Africa.

## Emphasis of matter

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

## Significant uncertainties

8. With reference to note 27 to the financial statements, the public entity is the defendant in various lawsuits. The public entity is opposing these claims. The ultimate outcome of these matters cannot presently be determined and no provision for any liability that may result has been made in the financial statements.

## Additional matters

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

## SITA as the procurement agent on behalf of other government institutions

10. According to section 7(3) and (5) of the State Information Technology Agency Act, 1998 (Act No. 88 of 1998) (STA Act), every department must, and while other public bodies may, procure information technology related goods and services through STA.
11. In instances where requests are received from government departments and other public bodies, STA acts as the procurement agent on behalf of these institutions. STA must facilitate the procurement process strictly in terms of the prescribed legislation. STA will make a recommendation to the accounting officer or accounting authority on a preferred bidder(s). The accounting officer or accounting authority, however

## Other reports required by the Companies Act

13. As part of my audit of the financial statements for the year ended 31 March 2015, I have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements in respect of which I have expressed an unqualified opinion. I have not audited the reports and accordingly do not express an opinion on them.

## Report on other legal and regulatory requirements

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## Predetermined objectives

15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2015:

- Objective C1: Enhance efficiency of government business processes on pages 5,6 and 7
- Objective C2: Improve security of government data assets on page 7
- Objective C3: Review and improve performance of SCM on pages 7,8 and 9
- Objective C5: Drive economies of scale in the acquisition of large ICT goods and services on page 9
- Objective C6: Drive transformation agenda on page 9

16. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

17. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine

- Enhance efficiency of government business processes
- Improve security of government data assets
- Review and improve performance of the SCM
- Drive economies of scale in the acquisition of large ICT goods and services
- Drive transformation agenda

### Additional matters

20. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matters:

### Achievement of planned targets

21. Refer to the annual performance report on pages 37 to 49 for information on the achievement of the planned targets for the year.

### Adjustment of material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information of 'Drive economies of scale in the acquisition of large ICT goods and services'. As management subsequently corrected the misstatement, we did not raise any material findings on the usefulness and reliability of the reported performance information.

### Compliance with legislation

23. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the FAA, are as follows:

### Procurement and contract management

24. Goods and services of a transaction value above R500 000 were procured without inviting competitive bids as required by Treasury Regulations 16A6.1.

25. Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with the legislative requirements as supporting documentation for two (2)

## Internal control

27. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on non-compliance with legislation included in this report.

## Financial and performance management

28. The entity did not review and monitor compliance with applicable laws and regulations.

## Other reports

### Investigations

29. The special investigations unit is currently investigating two (2) cases relating to procurement irregularities.

30. There are seven (7) cases where potential irregularities in respect of supply chain management and ICT service delivery are being investigated that may result in financial misconduct.

31. The internal audit department has completed twenty nine (29) investigations in the current year in respect of supply chain management, ICT service delivery and corporate services.

*Judith General*

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Pretoria

Date: 29 July 2015



## CERTIFICATE BY THE COMPANY SECRETARY

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I, **Mashumi KMzaidume**, in my capacity as Company Secretary of SITA SOC Ltd, hereby certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies all such returns as are required of it in terms of Companies Act No 71 of 2008, and that all such returns are true, correct and up to date.



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Mashumi KMzaidume  
Company Secretary  
14 August 2015



## DIRECTORS' REPORT

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### 1. Introduction

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 2015. This report and the annual financial statements comply with the requirements of the Public Finance Management Act No 1 of 1999 (as amended), the SITA Act No 88 of 1998 (as amended by Act 38 of 2002) and the Companies Act No 71 of 2008. The Board of Directors is the accounting authority in terms of section 49(2) (a) of the PFMA.

### 2. 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.

### 3. Registration Details

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

### 4. Ownership

The company is wholly owned by the Government of the Republic of South Africa as represented by the Minister for Telecommunications and Postal Services, Dr Svhongqa Owele.

## 6. Financial Highlights

The financial performance is set out on pages 105 to 145 of this report.

The group financial performance is summarised as follows:

|                                   | 31 March 2015 | 31 March 2014 |
|-----------------------------------|---------------|---------------|
|                                   | Rand          | % change      |
| Revenue                           | 5089678442    | 8.48          |
| Gross surplus                     | 1134831917    | 34.68         |
| Surplus for the year – before tax | 20796070      | 209.00        |
| Total assets                      | 3725842126    | 0.79          |
| Net assets                        | 2730915672    | 5.58          |
| Cash generated from operations    | 160156016     | -66.44        |

## 7. Dividends

There were no dividends declared for the current financial year (2014: RNil).

## 8. Internal Controls

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

## 9. Public Finance Management Act (PFMA)

PFMA compliance

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

Section 55(2) b of the PFMA requires that STA 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.

### Public Private Partnerships

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

### Basis of Presentation

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

- Standards of GRAP that have been issued, but are not yet effective,
- IPSAS
- IFRS

### Events Subsequent to the Date of Financial Position

- There are no events subsequent to the date of the financial position.

### Going Concern

The directors confirm that they are satisfied that the company has adequate resources to continue in business for the twelve month period from the date of this report. For this reason they continue to adopt the going concern basis for preparing the financial statements as confirmed in the Statement of Responsibility by the Board of Directors on page 12

### Non-executive directors:

|                                   |                         |
|-----------------------------------|-------------------------|
| Jerry Mlakazi (Chairperson)       |                         |
| Vuyo Mahlali (Deputy Chairperson) | Resigned 13 August 2014 |
| Nozipho January-Bardill           |                         |
| Seadimo Chaba                     |                         |
| Zukile Nomvete                    |                         |
| Graeme Victor                     |                         |
| Michelle Williams                 |                         |
| Ntjatji Gosebo                    | 19 May 2014 to date     |
| Zeth Malele                       |                         |
| Thabani Masuku                    | Resigned 25 June 2014   |
| Beatrice Matlejoane               |                         |
| Stadi Mngomezulu                  |                         |
| Anna Mokgokong                    | Resigned 26 May 2014    |

### Alternate directors

|                  |                     |
|------------------|---------------------|
| Walter Mudau     | 19 May 2014 to date |
| Johnny De Lange  | 19 May 2014 to date |
| Feleke Mokoena   | 19 May 2014 to date |
| Gracious Ncanywa | 19 May 2014 to date |
| D C Niddrie      |                     |

### Company Secretary

|                   |                     |
|-------------------|---------------------|
| Mashumi KMzaidume | 12 May 2014 to date |
|-------------------|---------------------|





## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

| in Rand                            | Note | 2015          | 2014          |
|------------------------------------|------|---------------|---------------|
| <b>Assets</b>                      |      |               |               |
| Non-current assets                 |      | 1,008,780,868 | 874,700,690   |
| Property, plant and equipment      | 4    | 613,913,014   | 475,657,828   |
| Intangible assets                  | 5    | 291,785,142   | 245,649,295   |
| Non-current portion of Prepayments | 10   | –             | 64,211,206    |
| Deferred tax assets                | 7    | 103,082,712   | 89,182,361    |
| Current assets                     |      | 2,717,061,257 | 2,821,828,139 |
| Cash and cash equivalents          | 8    | 1,539,404,636 | 1,630,152,938 |
| Trade and other receivables        | 9    | 1,022,868,657 | 1,021,490,046 |
| Income Tax receivable              |      | 140,478,942   | 91,696,017    |
| Current portion of Prepayments     | 10   | 14,309,022    | 78,489,137    |
| Total assets                       |      | 3,725,842,125 | 3,696,528,828 |
| <b>Net assets and liabilities</b>  |      |               |               |
| Net assets                         |      | 2,730,915,672 | 2,586,626,536 |
| Share capital                      | 11   | 1             | 1             |
| Reserves                           | 12   | 627,334,546   | 627,334,546   |
| Accumulated surpluses              |      | 2,103,581,125 | 1,959,291,989 |
| <b>Liabilities</b>                 |      |               |               |

## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2015

| In Rand  | Note | 2015          | 2014          |
|--|------|---------------|---------------|
| Revenue  | 17   | 5,089,678,442 | 4,692,013,369 |
| Cost of sales  | 18   | 3,954,846,525 | 3,849,400,431 |
| Gross surplus  |      | 1,134,831,917 | 842,612,938   |
| Other income   | 19   | 34,457,302    | 37,317,228    |
| Operating expenses                                       | 20   | 1,083,613,962 | 936,570,443   |
| (Debit)/Surplus from operating activities                |      | 85,675,257    | (56,640,277)  |
| Finance income   | 21   | 160,654,579   | 147,289,814   |
| Finance expenses   | 22   | 38,333,766    | 23,336,437    |
| Surplus before income tax                                |      | 207,996,070   | 67,313,100    |
| Income tax expense                                       | 23   | 63,706,934    | 21,891,736    |
| (Debit)/Surplus for the year attributable to shareholder |      | 144,289,136   | 45,421,364    |

## STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2015

| In Rand | Share capital | Reserve | Accumulated surpluses | Total |
|---------|---------------|---------|-----------------------|-------|
|         |               |         |                       |       |

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2015

| in Rand   | Note | 2015            | 2014            |
|---|------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>             |      |                 |                 |
| Receipts  |      | 5,162,983,377   | 4,795,897,586   |
| – Sale of goods and services                            |      | 5,088,469,135   | 4,716,913,183   |
| – Finance income received                               |      | 74,514,242      | 78,984,403      |
| Payments  |      | (5,002,827,361) | (4,318,622,078) |
| – Payment to suppliers and employees                    |      | (4,863,307,114) | (4,199,381,387) |
| – Finance costs paid                                    |      | (13,130,037)    | (384,055)       |
| – Income tax paid                                       | 30.1 | (126,390,210)   | (118,856,636)   |
| Net Cash flows from operating activities                | 30.2 | 160,156,016     | 477,275,508     |
| <b>Cash flows from investing activities</b>             |      |                 |                 |
| Purchase of property, plant and equipment               |      | (194,400,037)   | (148,620,890)   |
| Purchase of intangible assets                           |      | (59,994,211)    | (207,383,333)   |
| Proceeds from the sale of property, plant and equipment |      | 3,489,930       | 29,019          |
| Net Cash flows from investing activities                |      | (250,904,318)   | (355,975,204)   |
| <b>Cash flows from financing activities</b>             |      |                 |                 |

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2015

| In Rand  | Note | ACTUAL        | BUDGET        | VARIANCE |
|--|------|---------------|---------------|----------|
| Revenue  | a    | 5,089,678,442 | 5,182,472,519 | -1.79%   |
| Cost of sales                                    | b    | 3,954,846,525 | 4,145,978,015 | -4.61%   |
| Gross surplus                                    |      | 1,134,831,917 | 1,036,494,504 |          |
| Other income                                     | c    | 34,457,302    | 30,690,714    | 12.27%   |
| Operating expenses                               | d    | 1,083,613,962 | 839,042,159   | 29.15%   |
| Surplus from operating activities                |      | 85,675,257    | 228,143,059   |          |
| Net Finance income                               | e    | 122,320,813   | 52,250,000    | 134.11%  |
| Surplus before income tax                        |      | 207,996,070   | 280,393,059   | -25.82%  |
| Income tax expense                               |      | 63,706,934    | 78,510,056    | -18.86%  |
| Surplus for the year attributable to shareholder |      | 144,289,136   | 201,883,003   | -28.53%  |

The budget represented above is the approved  budget that has been prepared on the accrual basis for a period of 1 year.

Notes:

- The variance is mainly due to agency sales as well as business opportunities which did not materialise as planned.
- The variance in respect of cost of sales is mainly due to lower depreciation expenses as a result of underspending on CAPEX and under expenditure in respect of agency sales.
- The variance is mainly due to higher than expected income in respect of GovTech conference sponsorships.

# NOTES TO THE ANNUAL FINANCIAL STATEMENT

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FOR THE YEAR ENDED 31 MARCH 2015

## 1. Reporting Entity

The State Information Technology Agency SOC Ltd (STA) 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 and local government departments. The financial statements for the year ended 31 March 2015 were authorised and approved in accordance with a resolution of the Board of Directors on 29 July 2015.

## 2. Basis of preparation

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

### a. Statement of compliance

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) including any interpretations and directives issued by the 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)

### 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

### 3. Significant accounting policies

The principal 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.

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

A financial asset and a financial liability is initially recognised at its fair value plus, in the case of a financial asset or a financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of a financial asset or a financial liability.

After initial recognition, financial assets, including derivative assets, are measured at their fair values, without any transaction costs it may incur on sale or other disposal, except for the following financial assets:

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

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

### 3.3 Property, plant and equipment

#### a. Recognition and measurement

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

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

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

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

#### 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.

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

|             | Original useful lives | Revised useful lives |
|-------------|-----------------------|----------------------|
| • Buildings | 17–53 years           | 5–54 years           |

#### d. Derecognition

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

### 34 Intangible assets

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

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

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.

Software is amortised over a useful life of between 2 and 26 years.

#### Research and development

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

## 35 Leases

### Lessee

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

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

### Lessor

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

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

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

### a) Determining whether an arrangement contains a lease

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

- 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.

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

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

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

### 3.7 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

The post-retirement benefit plan is a defined benefit plan. Medical benefits are provided for all permanent employees via three medical funds. All contributions paid are charged to the surplus or deficit in the year to which they relate. The company provides post-retirement health care benefits to a closed group of qualifying employees and retirees. The entitlement to post-retirement health care benefits is based on the qualifying employee remaining in service up to retirement age. The expected cost of these benefits 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

#### d) Short-term benefits

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

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

### 38 Provisions

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

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

### 39 Revenue

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

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

### 3.10 Finance income

Finance income comprises interest income earned on funds invested, interest charged on overdue customer accounts and adjustments in terms of GRAP 104

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 in terms of GRAP 104. Interest is calculated and recognised in surplus or deficit using the effective interest method.

### 3.12 Taxation

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. The effects of deferred taxation of any changes in tax rates is recognised in 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

### 3.13 Related parties

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

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

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

All related party transactions are disclosed in terms of the requirements of IPSAS20 Related Party Disclosures. The objective of the standard and the financial statements is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

### 3.14 Irregular, fruitless and wasteful expenditure

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

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

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

### 3.15 Cash and cash equivalents

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

## 4. Property, plant and equipment

| in Rand                      | Land       | Buildings   | Computer Equipment | Office furniture | Vehicles  | Total         |
|------------------------------|------------|-------------|--------------------|------------------|-----------|---------------|
| <b>At 31 March 2015</b>      |            |             |                    |                  |           |               |
| Cost                         |            |             |                    |                  |           |               |
| Balance at beginning of year | 24,743,595 | 264,162,979 | 638,176,743        | 112,968,539      | 1,148,757 | 1,041,200,613 |
| Additions and improvements   | –          | 2,465,907   | 169,367,048        | 22,567,083       | –         | 194,400,037   |
| Disposals/ Retirements       | –          | (60,975)    | (16,448,012)       | (598,715)        | (232,456) | (17,340,158)  |
| Balance at end of year       | 24,743,595 | 266,567,911 | 791,095,779        | 134,936,907      | 916,301   | 1,218,260,493 |
| Accumulated depreciation     |            |             |                    |                  |           |               |
| Balance at beginning of year | –          | 102,870,313 | 388,608,917        | 73,309,880       | 753,675   | 565,542,785   |
| Depreciation charge          | –          | 5,183,049   | 37,486,844         | 5,870,067        | 49,122    | 48,589,082    |
| Disposals/ Retirements       | –          | (45,677)    | (9,096,373)        | (437,555)        | (204,783) | (9,784,389)   |
| Balance at end of year       | –          | 108,007,685 | 416,999,388        | 78,742,392       | 598,014   | 604,347,479   |
| Net carrying amount          | 24,743,595 | 158,560,226 | 374,096,391        | 56,194,515       | 318,287   | 613,913,014   |

### At 31 March 2014

#### Cost

|                              |            |             |              |             |           |               |
|------------------------------|------------|-------------|--------------|-------------|-----------|---------------|
| Balance at beginning of year | 24,743,595 | 261,936,023 | 585,070,709  | 111,909,686 | 1,148,757 | 984,808,770   |
| Additions and improvements   | –          | 2,256,532   | 141,669,266  | 4,695,092   | –         | 148,620,890   |
| Disposals/ Retirements       | –          | (29,576)    | (88,563,232) | (3,636,239) | –         | (92,229,047)  |
| Balance at end of year       | 24,743,595 | 264,162,979 | 638,176,743  | 112,968,539 | 1,148,757 | 1,041,200,613 |
| Accumulated depreciation     |            |             |              |             |           |               |
| Balance at beginning of year | –          | 93,318,168  | 436,819,697  | 74,487,573  | 831,200   | 605,456,638   |
| Depreciation charge          | –          | 9,574,904   | 9,841,264    | 1,771,643   | –77,525   | 21,110,286    |
| Disposals/ Retirements       | –          | (22,759)    | (58,052,044) | (2,949,336) | –         | (61,024,138)  |
| Balance at end of year       | –          | 102,870,313 | 388,608,917  | 73,309,880  | 753,675   | 565,542,785   |

#### Net carrying amount

|            |             |             |            |         |             |
|------------|-------------|-------------|------------|---------|-------------|
| 24,743,595 | 161,292,666 | 249,567,826 | 39,658,659 | 365,082 | 175,657,828 |
|------------|-------------|-------------|------------|---------|-------------|

## 5. Intangible assets

| in Rand                      | Intangible assets | Internally generated intangible asset | Total       |
|------------------------------|-------------------|---------------------------------------|-------------|
| <b>At 31 March 2015</b>      |                   |                                       |             |
| Cost                         |                   |                                       |             |
| Balance at beginning of year | 193,272,694       | 346,243,408                           | 539,516,102 |
| Additions and improvements   | 6,099,245         | 53,894,966                            | 59,994,211  |
| Disposals/ Retirements       | (44,288)          | –                                     | (44,288)    |
| Balance at end of year       | 199,327,651       | 400,138,374                           | 599,466,025 |
| Accumulated amortisation     |                   |                                       |             |
| Balance at beginning of year | 118,752,399       | 175,114,408                           | 293,866,807 |
| Amortisation charge          | 13,852,566        | –                                     | 13,852,566  |
| Disposals/ Retirements       | (38,490)          | –                                     | (38,490)    |
| Balance at end of year       | 132,566,475       | 175,114,408                           | 307,680,883 |
| Net carrying amount          | 66,761,176        | 225,023,966                           | 291,785,142 |

### At 31 March 2014

|                              |              |             |              |
|------------------------------|--------------|-------------|--------------|
| Cost                         |              |             |              |
| Balance at beginning of year | 203,050,505  | 168,942,765 | 371,993,270  |
| Additions and improvements   | 30,082,690   | 177,300,643 | 207,383,333  |
| Disposals/ Retirements       | (39,860,501) | –           | (39,860,501) |
| Balance at end of year       | 193,272,694  | 346,243,408 | 539,516,102  |
| Accumulated amortisation     |              |             |              |
| Balance at beginning of year | 145,845,513  | –           | 145,845,513  |
| Amortisation charge          | 2,085,566    | –           | 2,085,566    |
| Disposals/ Retirements       | (29,178,680) | –           | (29,178,680) |
| Impairment                   | –            | 175,114,408 | 175,114,408  |
| Balance at end of year       | 118,752,399  | 175,114,408 | 293,866,807  |

## 6. Capital and Operational commitments

| in Rand                     | 2015        | 2014        |
|-----------------------------|-------------|-------------|
| Budgeted and contracted for | 255,974,751 | 329,076,990 |
|                             | 255,974,751 | 329,076,990 |

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

## 7. Deferred tax assets

Deferred tax assets are attributable to the following:

| in Rand                                     | Statement of financial performance movement | 2015         | 2014         |
|---|---|--------------|--------------|
| Movement in impairment on trade receivables | 5,439,344                                   | 66,470,320   | 61,030,976   |
| Movement in asset impairment                | –   | 49,032,034   | 49,032,034   |
| Accrual for leave pay benefits              | 1,877,297                                   | 20,207,679   | 18,330,382   |
| Post-retirement medical benefits            | 5,090,120                                   | 35,684,809   | 30,594,689   |
| Income received in advance                  | (13,910,128)                                | 50,130,219   | 64,040,346   |
| Notional interest adjustment                | 55,146                                      | 823,989      | 768,842      |
| Leases                                      | (129,622)                                   | 305,396      | 435,018      |
| Prepayments                                 | 8,985,216                                   | (2,003,264)  | (10,988,479) |
| Section 24C allowance                       | 14,275,553                                  | (49,764,794) | (64,040,346) |
| Depreciation/ amortisation                  | (7,782,576)                                 | (67,803,676) | (60,021,101) |
|   | 13,900,351                                  | 103,082,712  | 89,182,361   |





















































