

DATA MANAGEMENT

CLOUD COMPUTING

MODERNISATION

AUTOMATION



SITA

state Information Technology Agency SOC Ltd

Annual Report 2016 / 17

CITIZEN VALUES

0101
1100
0111





CONTENTS

PART A: GENERAL INFORMATION

| | | |
|-----|---|----|
| 1. | Public Entity's General Information..... | 6 |
| 2. | List of Abbreviations/Acronyms | 7 |
| 3. | Foreword by the Chairman | 9 |
| 4. | Managing Director's Overview | 12 |
| 5. | Statement of Responsibility and Confirmation of Accuracy for the Annual Report..... | 15 |
| 6. | Strategic Overview | 16 |
| 7. | Legislation and Other Mandates | 17 |
| 7.1 | Constitutional Mandates..... | 17 |
| 7.2 | SITA Act 88 of 1998, As Amended (No. 38 of 2002) | 18 |
| 8. | Policy Mandates..... | 19 |
| 8.1 | Presidential Review Committee (PRC) | 19 |
| 9. | Organisational Structure | 20 |

PART B: PERFORMANCE INFORMATION

| | | |
|--------|---|----|
| 1. | Auditor-General's Report: Predetermined Objectives | 22 |
| 2. | Situational Analysis | 22 |
| 2.1 | Service Delivery Environment..... | 22 |
| 2.1.1 | Electronic Government..... | 22 |
| 2.1.2 | Infrastructure Modernisation | 24 |
| 2.1.3 | Framework Contract Model..... | 24 |
| 2.1.4 | Customer Centricity Programme | 25 |
| 2.1.5 | Broadband Project..... | 25 |
| 2.1.6 | National Certificate (Vocational) Project..... | 25 |
| 2.1.7 | Electronic Document Delivery | 25 |
| 2.1.8 | IJS Modernisation Programme..... | 26 |
| 2.1.9 | Procurement Transformation..... | 26 |
| 2.1.10 | SMME Development..... | 27 |
| 2.2 | Organisational Environment | 28 |
| 2.3 | Key Policy Developments and Legislative Changes | 28 |
| 2.4 | Strategic Outcome Orientated Goals..... | 28 |
| 3 | Programme Performance Information..... | 30 |
| 3.1. | Programme 1: Service Delivery | 30 |
| 3.2. | Programme 2: Infrastructure | 32 |
| 3.3. | Programme 3: Procurement | 33 |
| 3.3 | Programme 4: Financial Sustainability | 35 |
| 3.4 | Programme 5: Organisation | 36 |
| 3.5 | Programme 6: Governance and administration | 37 |
| 4 | Performance Links to Financial Resources | 38 |
| 4.1. | Summary of Revenue Performance..... | 38 |
| 4.2. | Summary Expenditure by Programme..... | 39 |
| 4.3. | Capital Investment, Maintenance and Asset Management Plan | 40 |

PART C: GOVERNANCE

| | | |
|-----|--|----|
| 1. | Introduction | 44 |
| 2. | Portfolio Committees | 44 |
| 2.1 | Composition of the Parliamentary Portfolio Committee | 44 |
| 2.2 | Portfolio Committee Engagements with SITA | 44 |
| 3. | Executive Authority | 44 |
| 4. | Accounting Authority | 44 |
| 4.1 | The role of the Board..... | 45 |
| 4.2 | Board Charter..... | 45 |
| 4.3 | Composition of the Board..... | 46 |
| 4.4 | Board and Board Committees..... | 51 |
| 4.5 | Remuneration of Board Members..... | 54 |
| 4.6 | Board Profiles | 55 |
| 5. | Risk Management | 64 |
| 6. | Internal Control..... | 64 |
| 7. | Internal Audit and Audit Committees | 64 |
| 8. | Compliance with Laws and Regulations..... | 68 |
| 9. | Fraud and Corruption..... | 68 |
| 9.1 | Fraud Prevention Plan..... | 68 |
| 9.2 | Mechanisms to Report Fraud and Corruption | 68 |
| 10. | Minimising Conflict of Interest | 68 |
| 11. | Code of Conduct | 69 |
| 12. | Health Safety and Environmental Issues | 70 |
| 13. | Company Secretary | 71 |
| 14. | Social Responsibility | 71 |
| 15. | Audit, Risk and Compliance Committee Report | 72 |
| 16. | Social and Ethics Committee Report | 74 |

PART D: HUMAN CAPITAL MANAGEMENT

| | | |
|-----|--|----|
| 1. | Introduction | 79 |
| 1.1 | Overview of Human Capital Management | 79 |
| 2. | Human Resource Oversight Statistics | 81 |
| 2.1 | Personnel Cost..... | 81 |
| 2.2 | Personnel Cost by Occupational Levels | 81 |
| 2.3 | Training Costs..... | 82 |
| 2.4 | Reasons for Staff Leaving..... | 83 |
| 2.5 | Labour Relations: Misconduct and Disciplinary Action | 84 |
| 2.6 | Equity Target and Employment Equity Status | 84 |

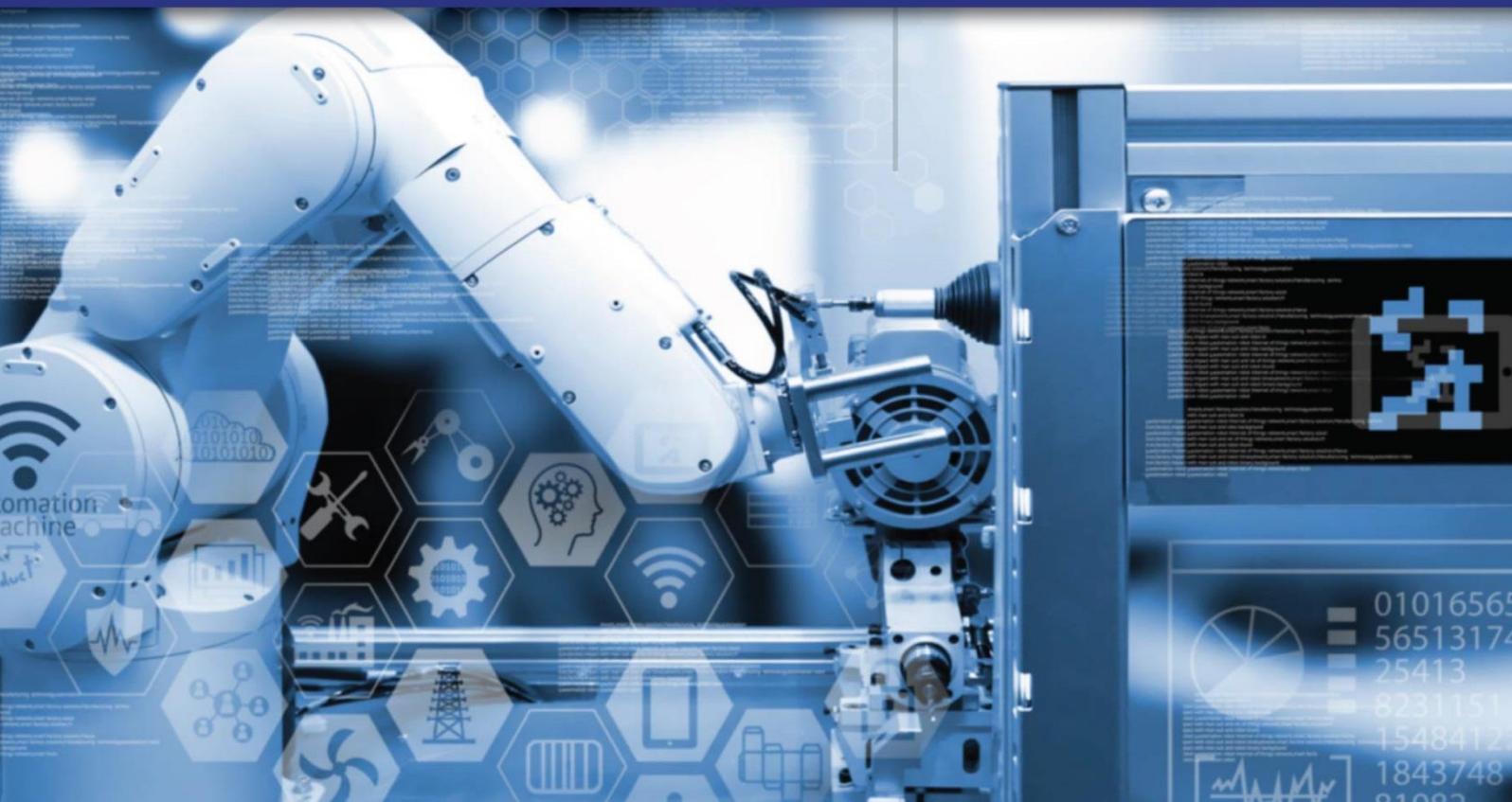
PART E: FINANCIAL INFORMATION

| | | |
|----|--|----|
| 1. | Certificate by Company Secretary | 88 |
| 2. | Director's Report..... | 89 |
| 3. | Report of the External Auditor | 92 |
| 4. | Annual Financial Statements | 98 |



PART A

GENERAL INFORMATION



1. Public Entity's General Information

| | |
|----------------------------|--|
| REGISTERED NAME | State Information Technology Agency (SITA) SOC Ltd |
| REGISTRATION NUMBER | 1999/001899/30 |
| PHYSICAL ADDRESS | 459 Tsitsa Street Erasmusklouf Pretoria 0048 South Africa |
| POSTAL ADDRESS | PO Box 26100 Monument Park 0105 South Africa |
| TELEPHONE NUMBER | +27 12 482 3000 |
| FAX NUMBER | +27 12 367 5151 |
| EMAIL ADDRESS | tiyani.mongwe@sita.co.za |
| WEBSITE ADDRESS | www.sita.co.za |
| EXTERNAL AUDITORS | Auditor-General of South Africa |
| BANKERS | Standard Bank of South Africa PO Box 62325 Marshalltown Gauteng, 2107 |
| COMPANY SECRETARY | Mr Tiyani Mongwe |

2. List of Abbreviations/Acronyms

Key acronyms used in this report are listed below

| ACRONYM | FULL DESCRIPTION | ACRONYM | FULL DESCRIPTION |
|--------------|--|---------------|--|
| AG | Auditor-General of South Africa | IPSAS | International Public Sector Accounting Standards |
| APP | Annual Performance Plan | LAN | Local Area Network |
| ARCC | Audit, Risk and Compliance Committee | MIOS | Minimum Interoperability Standards |
| BBBEE | Broad Based Black Economic Empowerment | MLP | Management Letter Points |
| CAPEX | Capital Expenditure | MTSF | Medium Term Strategic Framework |
| CAS | Crime Administration System | NC (V) | National Certificates (Vocational) |
| CEO | Chief Executive Officer | NDP | National Development Plan |
| CSIR | Council for Scientific and Industrial Research | NT | National Treasury |
| DBE | Department of Basic Education | OEM | Original Equipment Manufacturer |
| DoD | Department of Defence | OSM | Original Software Manufacturer |
| DHA | Department of Home Affairs | PFMA | Public Finance Management Act |
| DTPS | Department of Telecommunications and Postal Services | PRC | Presidential Review Committee |
| DPSA | Department of Public Service and Administration | SAPS | South African Police Services |
| EE | Employment Equity | SARS | South African Revenue Service |
| EXCO | Executive Committee | SAMHS | South African Military Health Services |
| HPO | High Performance Organisation | SANDF | South African National Defence Force |
| HCM | Human Capital Management | SCM | Supply Chain Management |
| ICT | Information and Communications Technology | SCoPA | Standing Committee on Public Accounts |
| ICASA | Independent Communications Authority of South Africa | SITA | State Information Technology Agency (SOC Ltd) |
| IFMS | Integrated Financial Management System | SLA | Service Level Agreement |
| IFRS | International Financial Reporting Standards | SMME | Small, Medium and Micro Enterprise |
| | | SOC | State Owned Company |
| | | WAN | Wide Area Network |
| | | WCG | Western Cape Government |
| | | WSP | Workplace Skills Plan |



Mr Z D Nomvete
Chairman of the Board of Directors



Dr S J Mohapi
Managing Director (CEO)

3. Foreword by the Chairman



The passing of the National ICT Policy White Paper during the year under review marked a significant milestone in government's journey to actualise the ideals of the National Development Plan.

Through the policy framework, all strategic partners in the ICT sector are beckoned to remain focused and work in unison to unlock the economic and social potential of the ICT sector to tackle the triple challenges of poverty, unemployment and inequality while changing the lives of the citizens for the better.

With its unequivocal thrust on promoting universal access and general affordability, the White Paper was galvanising the sector behind the efforts to build a digital society and the knowledge economy while promoting social development as well as human resources transformation and economic growth. In keeping with its mandate as the partner to government in the improvement of service delivery through ICT innovation and solutions development, the State

Information Technology Agency (SITA) instituted a customer-centric business re-organisation. The new modelled SITA should focus on anticipating and resolving the service delivery challenges of government through the use of ICT.

The Agency will continue to add value to government, re-using its resources to invest in solutions development and other innovations to ensure that government, both as a shareholder and clients, is empowered to plan better, implement programmes swiftly, and improve service delivery for citizen convenience while fostering a stringent governance process — all e-enabled within a secured communications environment.

As part of its strategic transformation journey, the Agency in 2016/17 continued with its modernisation programme to augment its technology and reduce downtime incidents for government. The SITA Cloud Programme, complete with its tight timelines, was as a result of the ambition of the Agency to deliver to government a virtual hosting environment for cost-efficiency. The engagement with the ICT industry during the period under review marked a significant step in the way to embed the single cloud technology within government in support of the government's e-strategy.

Through its e-strategy, government remains committed to automating its services and other processes for the enhanced interface with the citizen, the private sector and within government itself. The outcome was to create an electronically enabled government that was responsive, agile, transparent and accessible. The SITA e-government programme was in direct response to the government's national e-strategy. The progress made by the Agency in embracing the challenge and delivering the impeccable e-government services in line with its strategic intent in the period under review is heartening.

The National Development Plan envisages a society that embraces ICT for development and growth. In support of the 2030 vision, SITA recommitted to contribute to the building of ICT literate communities that both benefit from the knowledge economy and which readily participate in the digital society. This remained the cornerstone of the Agency's investment in rolling out the broadband targets under SA Connect as well as other community development initiatives which underpin its corporate social obligations.

Innovation will underpin the Fourth Industrial Revolution and the pinnacle of the innovation movement is the convention of the annual government technology conference (GovTech) organised by SITA as a platform for thought leadership in the ICT sector for the promotion of the use of ICT to improve service delivery. In 2016, the conference encapsulated the newly promulgated ICT policy in its theme and found inspiration in the policy's assertion to use information technology generically to solve the challenges of government and society.

Government has committed to roll out broadband infrastructure to connect government sites to the global internet. Given its capability, SITA was strategically placed to provide both advisory and implementation roles for the connectivity of government departments. With the Western Cape Province broadband roll-out as a benchmark, SITA has partnered with government and the private sector to connect just under two thousand sites in the past 2 years.

The sites include schools, health facilities, Thusong Centres and government offices. The rollout, which started in the middle of 2015, is envisaged to conclude in the first half of 2017/18 and the success of this flagship project is intended to be emulated in other provinces and departments. Engagements with other provinces have already commenced to establish an anchor tenant model which will also be expanded to local and district municipalities.

At community level, more meaningful partnerships have been forged with the government, business and civil society to harness core business competencies to build legions of ICT skilled and proficient communities for job creation, skills development and inclusive economic growth.

Leveraging on its core competencies, and through programmes and other initiatives to roll-out broadband, SITA aims to harness its corporate social responsibility competencies to contribute to the building of the ICT literate communities that can readily participate in the knowledge economy and benefit from the digital society.

SITA has prioritised the development of the ICT solutions at a community level to promote economic inclusivity, create jobs and enable communities to utilise technology to solve their socio-economic challenges including unemployment.

At the centre of the government economic policy is the concession that more investment in the development of the small, medium and micro enterprises (SMMEs) is essential to the growth of the sector. This is a necessary element in the creation of jobs and other entrepreneurial opportunities.

The launch of the SITA SMME development programme was an explicit support to the government's calls to prioritise the small business sector and unlock its potential for meaningful participation in the economy. A total of fifteen SMMEs have successfully completed the programme. This is a formidable completion rate of more than ninety-five (95%) percent in the first year of the programme. The reviews and personal testimonies of participants have been encouraging. The Agency intends to build on those to make the programme more comprehensive in response to the radical transformation of both the structure and the patterns of control and ownership of the economy.

Internally, the emphasis was on the development of core and critical skills as well as other pertinent competencies which readily supported the technical nature of the business. A workplace skills plan was approved which prioritised the ever-changing technical skills requirements of the industry. The plan also focused on the organisational structure and encouraged a more solutions-oriented organisation spearheaded by applications and programme development functions.

In the hostile trading conditions brought by negative market sentiments, prudent decisions were effected to reduce costs and push up the revenue in a spirit of an organisation that is cost-efficient and financially sustainable. Throughout the year, both the capital and operational expenditures were driven down, targeting the cost of labour which constituted the biggest cost driver while the services and products offerings were improved to increase the market share and boost revenue. Similarly, the debt collection regime was improved and service level agreements tightly enforced to optimise revenue, yielding better financial returns.

An able, willing and competent workforce is central and critical to an organisation that is turning itself around, so there is an explicit commitment to continue in the new-year with constructive employee engagements as part of the stakeholder relationships to assist management in its efforts to build a new work culture in support of the remodelled SITA. All human resource policies which do not support the new culture will be overhauled and new professional ethos espoused.

Service delivery improvement, exceptional ethical behaviour and a cultural ethos which is consistent with customer-centricity and focused on citizens, remain central to the strategy of repositioning the SITA as the state's lead ICT consulting agency.

Sincere and heartfelt gratitude goes to the employees and management for availing themselves at any opportunity to collaborate to make ours a successful entity. Working together we shall continue to improve service delivery and entrench clean governance free from fraud, maladministration and corruption.

The Agency has at its disposal the expertise and technical know-how to root out any human interference and promote objective supply chain processes of government. So the launch of the gCommerce platform is eagerly anticipated. It is the nucleus for a corrupt-free government but also a more ethical society. The platform compliments e-government and bodes well for the efforts to automate procurement processes with an aim to limit incidents of non-compliance, maladministration and corruption.

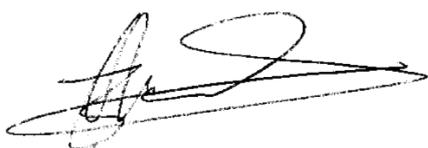
To the Executive leadership: a word of gratitude for rising beyond the call of duty to keep the SITA ship on course, often amidst turbulent waters. Even a slight loss of focus would've sent this ship aground at the critical juncture when the state-owned entities are being called upon to justify their existence through their performance and value-add. So much has been achieved despite the limited resources, both human and financial, placed at the disposal of the Executive leadership. The role and responsibility of the oversight bodies is recognized and acknowledged. The people of South Africa have placed their faith in Parliament as both the lawmakers and the body to hold the Executive of the country accountable. State-owned entities have a duty, both moral and constitutional, to report to Parliament on an on-going basis as part of an accountable administration.

The Board oversees the affairs of the Agency on behalf of the Executive Authority who is the Minister of Telecommunications & Postal Services. Throughout the year, the Board and the Agency drew from the wisdom and support of both the Minister and the Deputy Minister. Accordingly, a word of gratitude is extended to both. The SITA Annual Report for 2016/17 is hereby presented as a true reflection of the business activities undertaken and the performance achieved by the Agency under their watch.

At the end of the reporting period, the President appointed the Deputy Minister, Professor Hlengiwe Mkhize, to a new portfolio and the Board and the Agency congratulate her and remain confident of her continued patronage and guidance. The same commitment and support is extended to the new Deputy Minister of Telecommunications & Postal Services, Ms Stella Ndabeni-Abrahams. Both the Board and the SITA leadership look forward with anticipation to work with and serve under the new Deputy Minister. We hope to be enriched by the association.

It takes a team effort to steer the success of the organisation the size of the SITA and to that end, a word of recognition goes to the members of the old Board who served their term diligently and with commitment. We remain enriched by their association. The current Board will continue to build on, and grow from the foundations that were so thoroughly laid by those before them.

To the new members of the Board as they begin to settle down into their roles and commence with the difficult task of continuing the transformation of the Agency and the ecosystem it represents: a warm welcome and thanks for exuding the vigour and passion so fundamental to building the SITA of the future.



Mr Z D Nomvete
Chairman of the Board of Directors
State Information Technology Agency SOC Ltd

4. Managing Director's Overview



SITA is on a path to show value to government and to contribute to the country's development through the smart use of ICT's. Our business approach is to become a valued partner in our collective efforts in this endeavor. We recognise that effective ICT deployment has yielded positive economic growth in developing countries; which in turn has re-shaped public sector delivery; and simultaneously improved the general standards of living of citizens in these countries. The mandate of the Agency in the South African context puts it in the forefront of being able to influence this strategic transformational change.

The current global context is showing subdued economic growth. Despite various interventions and efforts by countries around the world to reignite recovery, global economic growth remains low. Against this background, SITA needed to adopt sober measures in its business and financial approach. Internally, institutional improvements and stronger internal controls were required. The

organisation also recognises that our employees are the cornerstone of the institution and new approaches to invest, develop and grow staff, is a core priority.

There can be little doubt that the financial year was strongly characterised by cost containment and cost management with specific focus on expenditure for capital intensive initiatives. Another important lever to stabilise SITA finances was the introduction of the debt collection regime to reduce further exposure to bad debt and improve collections. The interventions have yielded fruits in that year-on-year revenues have increased, resulting in a surplus after taxation for the current year.

In line with SITA's mandate on ensuring cost efficiency yet value for money in the government ICT value chain, SITA has initiated engagements between associated stakeholders and top ICT suppliers to renegotiate the pricing on some of its transversal contracts. Engagement with OEMs and OSMs to unlock the business gridlock and realise savings for the state is critical. As state expenditure in ICT spend steadily increases, it is equally important that there is correlating value and benefits in this space. Subsequent to year end the Board approved framework agreements with 5 OEM's which will result in over R2.5 billion rands worth of potential savings to the fiscus over the next three years.

In this age of converged communications and managing government data in a secure environment amidst potential cyber threats, the modernisation of the Agency's infrastructure is crucial. The organisation has been monitoring its spending to ensure financial sustainability whilst at the same time ensuring adequate key investment in capital expenditure for present needs and into the future.

For numerous stakeholders, SITA is largely associated with the procurement of ICT goods and services for government. This area of work with its need for transparency, strong controls and its crucial redistributive role in line with government policy, has often been viewed and experienced by some as contested terrain. To offset this risk and create better stakeholder confidence in the Agency, compliance with the procurement processes and all regulatory frameworks were heightened. Unfortunately, through this process, iniquity was also exposed. This is being dealt with, with the seriousness that it deserves.

While a process like this is generally an uncomfortable one for the organisation, it has been considered by many as a necessary intervention and long overdue. There have been too many SITA turnarounds in the past that have yielded minimal impact. This time around, SITA and government's work in the ICT sector is going to emerge more resilient and committed to averting all forms of maladministration.

Improving SITA's control environment remains a high priority. The management of all risks associated with non-compliance to internal processes, procedures, legislation and applicable regulations were high on the Agency's agenda. A new SITA Loss Control Committee was established in August 2016 as a new administrative measure, to direct and ensure that the public funds are managed in an accountable manner. This has resulted in a more focused approach in identifying irregular expenditure and as a result there were a number of cases identified which were incurred in the prior year (I refer you to note 28 of the annual financial statements). In the following year it is envisaged that these occurrences will be substantially reduced. Where necessary, SITA (as alluded to above) had to turn to consequence management. In extreme and worst case scenarios, forensic investigators and law enforcement agencies were involved in the process.

Our mantra and approach in SITA in the last two years have been quite simple: Showing value to our clients and demonstrating value to government. To move the Agency into the space where it demonstrates this practically, changing the configuration and work emphasis has been crucial to this SITA goal. For years now, the organisation has been locked into providing largely maintenance and support service, to mainly legacy systems, thereby impacting on the development of resources in these services.

A core business change in SITA is to build a new generation of developers and programmers. These new capacities are crucial to the Agency realising the national e-Government strategy and vision for government.

In the last two years, the development of the electronic government (e-Gov) services to modernise the way of doing government business has gained momentum. More of these services are planned and will be operationalised to diversify our products and services as part of modernised, improved, convenient and accessible service delivery.

In the same breath, as we work on e-Gov initiatives, it is important that we also invest in building SITA and government's cloud computing capability. The Agency has had multi-stakeholder engagements with government and the private sector to strengthen policy certainty on the embedding of cloud computing within government.

In all the new initiatives that SITA piloted and ventured into to encourage a culture of innovation enable public servants to engage with the world, we consider and produce solutions that will make a difference in the lives of citizens and also modernise key areas in the public sector. SITA's internal –Dragon's DenII initiative for example, was for SITA departments to pitch a new and potentially viable business idea that would assist the public sector to improve service delivery.

We also hosted the first SITA Hackathon, as another core innovation, as part of investing in a team of developers and programmers. Again, these solutions were to encourage an ethos where SITAzens as public servants remain aware that the solutions to solving our service delivery challenges are within us. It is our duty and responsibility, to invest, develop and implement these solutions to transform and improve society.

Another key intervention was the development and piloting of the gCommerce platform. This is an automated online buying system to speed up the procurement process; lessen the risks associated with manual manipulation; improve service delivery turnaround times; support government priorities on the development for Small Medium and Micro Enterprises (SMME's); and to stimulate local economies.

SITA completely supports and shares government's vision for SMME development and introduced a new initiative for this important sector. As a strategic procurement initiative, the Agency developed a comprehensive Enterprise Development Programme (EDP) that is designed to create modern entrepreneurs with unique selling propositions whose businesses are competitive and shaped to show long term value and future sustainability.

Improving the levels of customer satisfaction through a broad and coherent plan is a core part of SITA's strategic re-direction of its interventions, to remodel the Agency into a customer-centric organisation. And as issues of productivity, creativity, innovation and customer-centricity are mainstreamed; the impact and improved performance will be felt throughout the public service, as the organisation continues its transformation journey.

The backbone of a remodelled SITA is the foundation of a competent, capable, healthy and productive workforce. Using the healthy mind, body and soul approach, the Agency encouraged healthy lifestyles amongst all employees and brought on board a team of health professionals to attend to the prevailing health issues affecting employees and their families.

Diversity days were also celebrated, to promote diversity, social cohesion and inspire respect for the fundamental human rights of all employees irrespective of race, religion, nationality and gender. A non-exploitative and non-discriminatory workplace where every employee has equal and potential opportunity for growth, development and self-actualisation is key to SITA's culture.

A new and improved Work Place Skills Plan, based on the Agency's competency dictionary, is being implemented to re-capacitate the core, critical and scarce skills that are essential for SITA's programmes.

SITA also recognises that ICT literate communities that can readily participate in the digital society and lead the way for the future, is essential. And thus a new corporate social responsibility philosophy has been adopted to promote partnerships with the State and the industry to build practical ICT skills in local communities.

All of the above has not necessarily translated into an easy or straightforward journey. Members of the SITA Executive Committee have dug deep to steer the SITA ship through stormy waters. The Agency's employees have risen to the occasion every time they were challenged to scale new heights and I sincerely thank each and every one who has embraced the possibility of change and a new SITA.

Through the immeasurable support and unparalleled leadership of the SITA Board, we are confident that the developmental and growth path of the organisation will realise important benefits. The SITA Board has unreservedly shared their expertise and passion. They have shaped core policy changes, ensured governance and oversight and moreover through, their commitment and leadership, have been a pillar in SITA's new journey,

Our deepest gratitude to the Minister and the Deputy Minister of Telecommunications and Postal Services for their vision, guidance and leadership in taking ICT to new levels. They remain our cornerstone in which we anchor all of our efforts. Thank you for your unfailing support.



Dr S J Mohapi
Managing Director (CEO)
State Information Technology Agency SOC Ltd

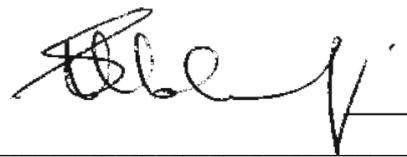
5. Statement of Responsibility and Confirmation of Accuracy for the Annual Report

We, the undersigned do hereby confirm that:

- a) The information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statement (AFS) audited by the Auditor-General.
- b) The Annual Report is complete, accurate and is free from any omissions.
- c) The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by National Treasury.
- d) The Annual Financial Statement (Part E) has been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the public entity.
- e) The Accounting Authority of the entity is responsible for both the preparation of the Annual Financial Statement and for the judgements made based on the information contained in the Annual Financial Statement.
- f) The Accounting Authority is responsible for establishing and implementing a system of internal control, which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.
- g) The external auditors are engaged to express an independent opinion on the Annual Financial Statements.
- h) In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2017.



Mr Z D Nomvete
Chairman of the Board of Directors
State Information Technology Agency SOC Ltd



Dr S J Mohapi
Managing Director (CEO)
State Information Technology Agency SOC Ltd

6. Strategic Overview

VISION

To be the lead Information and Communications Technology (ICT) Agency in the public service delivery

MISSION

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

VALUES

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

Service Excellence – Strive to attain internationally recognised standards of service quality, and maintain continuous improvement in service delivery.

Transparency – Always ensure transparency in everything we do in order to build trust and confidence with all our stakeholders.

Integrity – Conduct our business with integrity at all times to inculcate a culture of honesty, respect and accountability among all our employees.

Fairness – Treat all our partners, our suppliers and our employees (all stakeholders) with fairness at all times.

Prudence – Exercise prudence and economy in running the business of SITA and in pursuance of its goals and the objectives of government.

Innovation – Pursue innovation by demonstrating thought leadership and proactive behaviour on the use of communication and information technology to enhance public service delivery.

7. Legislation and Other Mandates

SITA was established in terms of the SITA Act 88 of 1998 as amended and its mandate is informed by, amongst others, the recommendations of the Presidential Review Commission of 1998. In executing its role, SITA is also guided by all public services legislation and regulations including:

- a) SITA Regulations of 2005
- b) Electronic Communications Act (No. 36 of 2005)
- c) Public Finance Management Act (No. 1 of 1999)
- d) Companies Act (No. 71 of 2008)
- e) Public Service Act (No. 103 of 1994), as amended by Public Service (Amendment) Act (No. 30 of 2007)
- f) Electronic Communication and Transactions Act (No. 21 of 2002)
- g) National Key Points Act (No. 102 of 1980), as amended by National Key Points Amendment Act (No. 47 of 1985)
- h) Preferential Procurement Policy Framework Act (No. 5 of 2000)
- i) Government IT House of Values, as contained in e-Government Policy
- j) The Machinery of Government (May 2003)
- k) Minimum Interoperability Standards (MIOS)
- l) Minimum Information Security Standards (MISS)
- m) National Treasury Regulations

7.1 Constitutional Mandates

According to the Constitution of the Republic of South Africa of 1996, SITA as a public enterprise is subject to the following constitutional mandates as outlined in Chapter 10:

Section 195: Basic values and principles governing public administration as relevant to Public Enterprises:

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

- a) A high standard of professional ethics must be promoted and maintained.
- b) Efficient, economic and effective use of resources must be promoted.
- c) Public administration must be development-oriented.
- d) Services must be provided impartially, fairly, equitably and without bias.
- e) People's needs must be responded to, and the public must be encouraged to participate in policy-making.
- f) Public administration must be accountable.
- g) Transparency must be fostered by providing the public with timely, accessible and accurate information.
- h) Good human resource management and career-development practices, to maximise human potential, must be cultivated.
- 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.

7.2 SITA Act 88 of 1998, As Amended (No. 38 of 2002)

SITA is listed as a Schedule 3A National Public Entity in terms of the Public Finance Management Act (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.

The mandate of SITA as stated in the Act is:

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

The figure below depicts the Must and the May services that SITA provides in order to achieve its mandate.

| SITA MUST | SITA MAY |
|---|--|
|  Private Telecoms Network (Act, Sec 7(1)(a)(i)) |  Department ICT Training Act, Sec 7(1)(b)(i) |
|  Transversal Systems (Act, Sec 7(1)(a)(ii)) |  Department System Development Act, Sec 7(1)(b)(ii) |
|  Transversal Data Processing (Act, Sec 7(1)(a)(iii)) |  Department ICT Maintenance Act, Sec 7(1)(b)(iii) |
|  Information System Security (Act, Sec 6(a)) |  Department Data Processing Act, Sec 7(1)(b)(iv) |
|  Disaster Recovery Plan (Regulation, Sec 4.1.2) |  Advisory Services Act, Sec 7(1)(b)(v) |
|  Procurement (Act, Sec 7(3)) |  ICT Management Services Act, Sec 7(1)(b)(vi) |
|  Standards (Interoperability & Security) (Act, Sec 7(6)(a)(i), (ii)) |  Provide Authentication products Act, Sec 7(6)(c) |
|  Certify against Standards (Act, Sec 7(6)(b)) |  Do ICT Research Act, Sec 7(6)(d) |
|  IS Convergence Strategy (Regulation, Sec 4.1.1 (a)) | |
|  Information System Inventory (Regulation, Sec 4.6) | |
|  Research Plan (Regulation, Sec 4.4.1) | |

Act means "SITA Act 38 of 2002";
Regulation means "SITA General Regulations R.902 of 2005".

8. Policy Mandates

8.1 Presidential Review Committee (PRC)

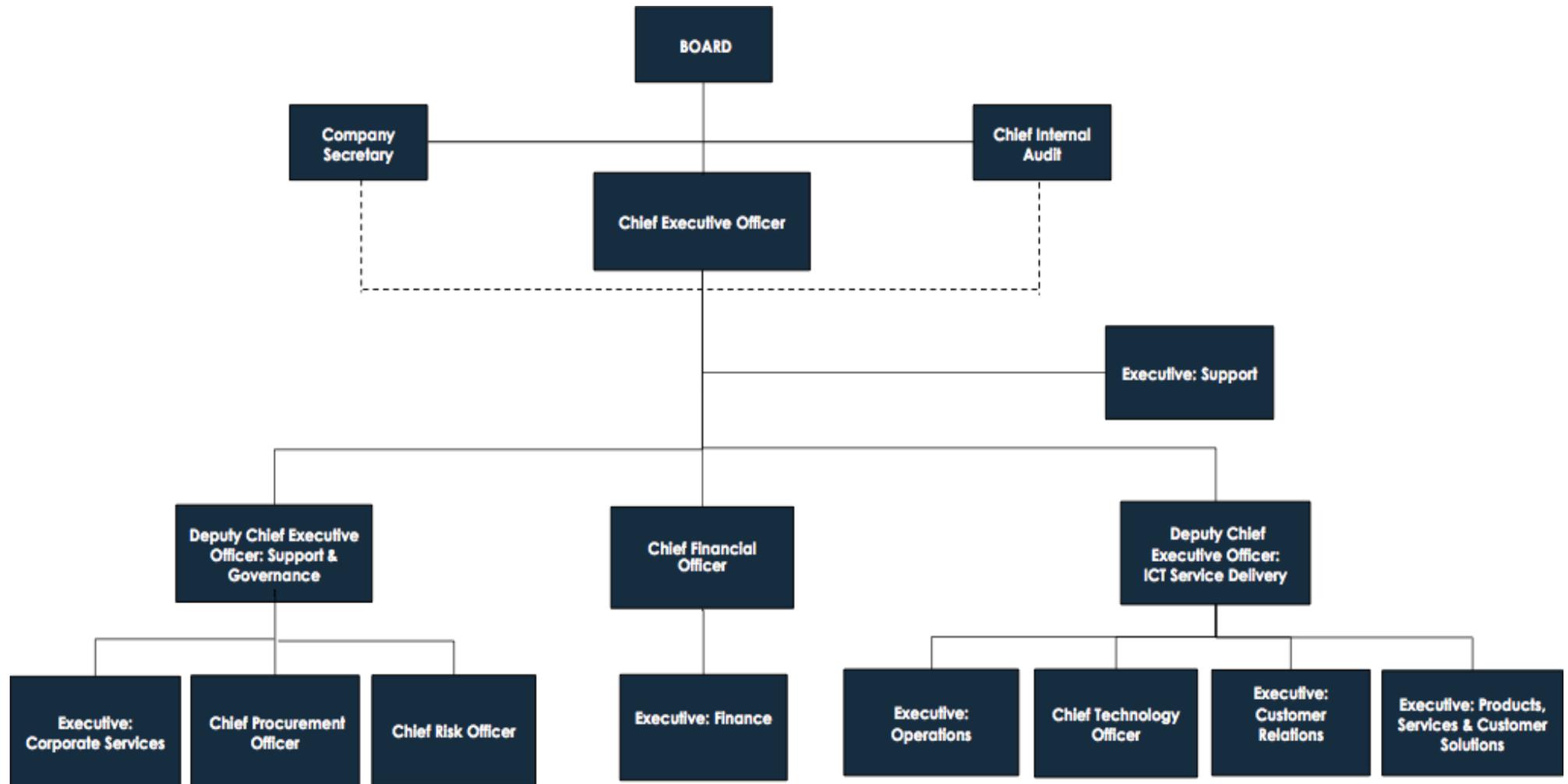
The PRC of 1998 highlighted the need for a centralised Information Technology Systems agency of Government on the basis of challenges identified at the time. These included the following:

- a) Lack of clear roles, responsibilities and coordination for information technology (IT) in the public sector;
- b) Incompatibility of systems and architecture;
- c) Wastage of resources; and
- d) Lack of IT knowledge and skills and the fact that IT was not driven by the business processes of government.

The PRC recommended the establishment of a lead agency to deal with the procurement of IT goods and services, the use of economies of scale to reduce the cost of IT, the enhancement of government productivity through IT as well as focusing government IT procurement towards the betterment of citizen-centric services.

9. Organisational Structure

The macro organisational structure is depicted in the figure below.





PART B

PERFORMANCE INFORMATION



1. Auditor-General's Report: Predetermined Objectives

The Auditor-General has conducted audit procedures on some of the predetermined objectives for usefulness and reliability, compliance with laws and regulations and internal control, but an opinion is not being expressed on the performance information.

Refer to page 92 of the Auditors-General's Report, included in Part E: Financial Information.

2. Situational Analysis

Information and Communication Technology (ICT) is at the core of a modern economy. The National Development Plan 2030 emphasises that the use of digital communications has the ability to change society and is potentially a powerful means of fostering social inclusion. The real value of ICT is therefore underpinned by a dynamic and connected information society who needs effective and efficient access to government information and electronic services.

The ability of Government to deliver on its priorities depends on the effective and efficient performance of SITA. The Agency needs to ensure the establishment of an efficient and cost-effective government information infrastructure that promotes economic growth and greater inclusion in our society. The Government information infrastructure requires an inclusive and affordable broadband connectivity to society; secure data processing environments; a relevant and integrated information system portfolio to enable better public service delivery across all functions and spheres of government; and a cost-effective and efficient ICT procurement system that enable much faster service delivery and economic development which is supported and operated by an efficient SITA operating model and capabilities.

During the 2016/17 financial year, SITA delivered on its mandate mainly on the implementation of the eGovernment vision in support of the NDP; the modernisation of infrastructure while ensuring security of Government data access; ensuring delivery of high quality service and improving customer satisfaction levels; ensuring financial sustainability; building a healthy and high-performing organisation; and ensuring compliance to governance practices.

2.1 Service Delivery Environment

2.1.1 Electronic Government

SITA as a driving force behind the continued digitisation of public sector has revitalised its eGovernment strategy to focus on three dimensions: citizens, government and business. The eGovernment programme is an integral part of the modernisation programme and enables SITA to identify the roles and responsibilities of different members of a context eco-system. This allows SITA to build incremental and integrated value at different levels of the business and technology stacks, moving towards a completely new paradigm in public service delivery through ICT.

Implementation of the programme was a collaborated effort between SITA and its customers to ensure the design and development of integrated e-Government services. SITA has implemented twenty-eight (28) e-services in the integrated test environment. Furthermore, SITA has deployed seven (7) e-services at the client environment, a list of e-services deployed is provided on the table below.

| Offering | Customer | Description |
|---|-------------------------------|---|
| e-Government Portal | Government-wide | A central point of entry for the access and consumption of government's electronic services. |
| e-Registration for Senior Certificate (amended) | Department of Basic Education | An online service for the DBE candidates that did not complete Matric and want to sit for the Senior Certificate examination. |

| Offering | Customer | Description |
|---|--|--|
| e-Permits | Eastern Cape Department of Economic Development Environmental Affairs and Tourism (DEDEAT) | An online service for citizens and business to apply for permits from the Eastern Cape DEDEAT. Currently the offering allows for the application of five (5) different types of permits. |
| e-Form: Work Seeker | Department of Labour | An e-Form that allows for citizens to apply for jobs. |
| e-Form: Job Opportunity | Department of Labour | An e-Form that provides for the matching of available jobs with the available skills. |
| e-Form: Private Employment Agency | Department of Labour | An e-Form that enables Private Employment Agencies to apply for registration with the Department of Labour. |
| e-Form: International Cross Border Labour | Department of Labour | An e-Form that enables for the application and management of labour and skills that come from outside South Africa. |

Through the e-Registration service (amended) Government will be afforded an opportunity in realising the goals of the National Development Plan 2030 that relate to Outcome 1 – “Improved Quality of Basic Education” in the Medium Term Strategic Framework 2014 – 2019.

The e-Registration for Senior Certificate (amended) allows eligible candidates to:

- a) Register online to write Senior Certificate (amended) examinations;
- b) Save incomplete registration for future completion;
- c) Select all subject(s) for the examination and the preferred Examination Centre;
- d) Upload required attachments;
- e) View and Print Registration Details; and
- f) Enable de-registration if no longer intending to write examinations.

The following are some benefits the Department of Basic Education will enjoy:

- a) Reducing queues relating to registration of candidates;
- b) Freeing the Department staff members from some manual tasks relating to registrations, this capacity to other critical departmental functions; and
- c) Reducing use of paper forms including reduction of all costs relating to paper registration forms.

The following are some of the benefits citizens will enjoy:

- a) Be able to register for the examination online, at their own convenience;
- b) Be relieved from travelling long distances to the Department's walk-in centres;
- c) Savings on all the costs relating to travelling for getting registered;
- d) Be relieved from spending time standing in long queues; and
- e) Getting automated notifications regarding the progress of their application.

In order to ensure radical economic transformation through the increased participation of small businesses and cooperatives in the mainstream economy, SITA in collaboration with the Department of Small Business Development developed an important e-initiative that analyses the flow of funds from the department thereby assisting the department to stay on track with the flow of money to beneficiaries.

2.1.2 Infrastructure Modernisation

SITA has formulated a Government Cloud Strategy and embarked on a cloud transformation programme to position SITA as the cloud service provider for government. The cloud transformation journey is pivotal in delivering easily accessible transversal solutions to all Government departments and enabling digital capability to citizens.

The establishment of a cloud computing platform for providing the respective cloud services is intended to:

- a) Modernise the technology landscape within SITA data centres;
- b) Introduce cloud-based technologies that will be scalable, reliable and available for modern-day service requirements; and
- c) Deploy cloud services that will enable an effective and efficient government that consumes IT services from a modernised technology platform to improve the machinery of government and optimise service delivery to the citizens and businesses of South Africa.

The figure below shows the impacts and benefits of the cloud programme to multiple stakeholders:

| SITA Employees | SITA as an Organisation | SITA Clients | Industry |
|---|---|--|---|
| <ul style="list-style-type: none"> • Career development inarguably the most sought after competencies in the industry today – cloud • Opportunities for learning new skill sets not previously available with SITA • New job opportunities | <ul style="list-style-type: none"> • Expand our services catalogue with IT services that emphasises relevance and opens new revenue streams for the organisation • Operate a more effective and efficient organisation that automates services delivery, creates opportunity for innovation and stimulates growth | <ul style="list-style-type: none"> • Faster time to value for service delivery to citizens through self-provisioning of IT services on demand • Effective billing for IT Service consumption based on a true usage model for all services which drastically reduces costs • Modernised platform for the development of eGovernment services | <ul style="list-style-type: none"> • SITA will broker relevant industry cloud services and make them available to all Government Departments through the Government Private Cloud (GPC) from a single platform • Strategic Partnerships to establish the cloud Foundation infrastructure and services |

Furthermore, SITA's private cloud service will be open to all government departments. This service will be relevant especially to those who work within tight budgets and don't have the upfront capital to purchase large IT systems and services, but still need to operate efficiently and deliver a qualitative service to citizens. It will also create new job opportunities for the development of new software and services. The implementation roadmap has been defined with clear initiatives and timelines supported by a sound financial model.

2.1.3 Framework Contract Model

In order to become a cost-effective and efficient organisation, SITA adopted a strategy that fosters partnerships with both the private and public sector to ensure that services and products offered to customers are of the best quality and value for money.

During the year under review, SITA in collaboration with National Treasury renegotiated the existing Microsoft contract which resulted in significant savings to the national fiscus on government-wide software and services contract.

Through this initiative, SITA has doubled the discount to government. With the continued collaboration with National Treasury, SITA will realise a savings of R2.5 billion over the next three years in the ten largest ICT contracts.

2.1.4 Customer Centricity Programme

SITA has implemented a customer service improvement strategy with new energy, focus and attention to detail that will reap benefits for SITA in the future. Our new procurement benefits have been highly commended.

Some of our top clients have acknowledged that if SITA continues on this road which grapples with the real challenges and problems facing Government departments and asserts itself to provide real solutions, then the organisation is turning a corner to a brighter tomorrow for all.

While there are still serious challenges in the client environment, SITA conducted a customer satisfaction survey to measure client responses. A Customer Satisfaction Index (CSI) of 49% was achieved which is an increase of 14% from the FY2012/13 CSI of 35%. SITA may have not achieved the desired target, but the increase in this regard is positive.

2.1.5 Broadband Project

SITA in collaboration with the Western Cape Government (WCG) Broadband Project has embarked on a broadband connectivity project which aims to connect 1 882 sites including schools, clinics and public libraries. The project is aligned to the SA Connect broadband targets and ensures a minimum of 10Mbps to 1Gbps connectivity speed.

During the year under review, 1 534 sites have been connected, 1 037 are schools of which 382 are in the rural areas. Connectivity has now been established in all 25 Local Municipalities in the Province. Through the Broadband Network all these schools now also have access to the Internet via a secured Schools VPN provided and managed by SITA. The uptake on Internet for schools was initiated with a 500 Mbps Internet bundle and after a year the WCG has now requested an upgrade to 600 Mbps. The WCG has already started initiatives to use the Broadband Network as a conduit for eGovernment Services, notably eLearning and eHealth applications.

2.1.6 National Certificate (Vocational) Project

NC (V) is a project that emanated as a result of backlog in issuing certificates for vocational studies, which was due to result poor data quality and shortcomings in the NC (V) system functionality. This was having a negative impact on the lives of hundreds of thousands of people in our country.

SITA and DHET worked together to pursue interventions on a regular basis to reduce the outstanding certificates. These interventions and improvements have resulted in the known NC (V) outstanding certificates being reduced from 33 297 to 3 046. SITA and DHET have targeted the remaining outstanding certificates for NC (V) and (National Accredited Technical Education Diploma) NATED and hope to have it resolved by the end of June 2017.

2.1.7 Electronic Document Delivery

The volume of information in government and private enterprises has grown exponentially in recent years, especially with additional services being rendered. The expectation from the public is an easier access to the information such as statements, bills, invoices, payslips and service usage reports. The challenge from government is to make these available seamlessly in a secure and cost effective manner.

SITA has developed a new Electronic Document Delivery (EDD) service in response to this problem and can be offered to all SITA customers. The Electronic Document Delivery (EDD) will format, convert, store/archive and distribute electronic documents in Portable Document Format (PDF) using contemporary multi-access and delivery methods.

The EDD will give government institutions the competitive edge, as it is an enabler to become more effective in its business operations and deliver very large volumes of documents in a very short space of time by doing the following:

- a) Reduce time for document delivery;
- b) Reduce the total cost of investing by letting go of a labour intensive approach to distribution of information;
- c) The multi-channel delivery provides for choice and ease of access;
- d) It standardises integration to other systems;
- e) Improved security using the EDD security architecture;
- f) Users will be able to trace electronic documents and create audit trails; and
- g) It is a “green” alternative to traditional enterprise-wide print-and-postage operations. The reduction in paper based documents will minimise the impact on the eco-system.

Furthermore, EDD is an eco-friendly service that will promote energy efficiency within the data centre. It contributes to the reduction of the energy consumption in the data centres which in turn also results in increased profit margins as a result of lower overhead costs for paper and printing facilities.

2.1.8 IJS Modernisation Programme

As part of the Integrated Justice Cluster (IJS) modernisation programme, SITA has developed the following key integrations:

- a) The case outcome messages that are utilised by the Integrated Case and Document Management System (ICDMS);
- b) Implemented PIVA (Person Identification, Verification Authentication) a fingerprint verification system. Through a message is sent from SAPS via the IJS Interoperability Hub to DHA, requesting person profile information and supplying only the person's national identity number; and
- c) Developed a Docket Minimum Detail i.e. a message to deliver minimum docket details.

2.1.9 Procurement Transformation

SITA, in collaboration with the office of the National Treasury Chief Procurement Officer, have launched a gCommerce platform i.e. a top notch e-commerce site. This automation allows SITA to address its traditional problems related to ease of buying by departments; ease of executing approaches to the market; ease of evaluating and adjudicating responses from the market; and managing the resulting contracts. The system focuses on streamlining the typical e-sourcing and eProcurement processes. This implies significant benefits and potential cost saving to government as a whole.

The following points are identified as benefits that will be realised:

- a) Transparency, auditability and governance in the procurement environment are introduced;
- b) The ability to assess the financial implication of various tenders;
- c) Improvement of productivity and efficiency and professionalism to market;
- d) Improved service levels to stakeholders;
- e) The ability to be agile and responsive to internal customer needs;
- f) Accommodates specific preferential procurement regulations as stipulated from time to time;
- g) Minimised administrative cost and errors due to process automation;
- h) Collaboration opportunity with end users (pre-tender issue and pre-award);
- i) Availability of real-time reporting information;
- j) Flexible request distribution based on suppliers preferred medium;
- k) Full contract lifecycle management until termination of contract or new tender process; and
- l) Timescale benefits. During previous implementations across the government, it is proven that the timeframe utilised for the creation, invitation, evaluation and award is reduced substantially.

The solution has already proven to be an effective procurement tool within the government procurement space. The following are just some of the benefits that will be derived from implementing the solution across all spheres of Government:

- a) Improved Spend analysis: Once the solution is deployed to all organs of state, all spend information will reside in a central repository and can be used for strategic sourcing, financial planning, etc.
- b) Minimal Accessibility and Infrastructure dependency: The solution is 100% web-based. Departments only need access to the Internet in order to access the system. Due to the centralisation of infrastructure, business continuity and disaster recovery can be enabled at a fraction of the cost compared to decentralised systems.
- c) Alignment of functionality to process: The solution is fully configurable. Since the solution has already been implemented in various organs of state, blue printing can easily be developed and pilot implementation fast tracked.
- d) Standard Integration Services: The solution already caters for integration to most ERP systems and transversal applications used in government.
- e) Improved Compliance and Performance Monitoring: The solution deals with the entire procurement process and caters for business rules and workflow engines that could be used to alert and report on performance and force compliance.
- f) Fast track the SCM modernisation and standardisation agenda.

Currently, gCommerce has replaced the interim eProcure portal that provides clients the ability to procure computers, computer peripherals and consumables through the SITA transversal contract related to RFBs 2004, 2005, 2006 and 2007. Furthermore, gCommerce will also give government departments full access to an online catalogue of pre-negotiated government transversal contracts, and departments will also realise huge savings through the Microsoft Enterprise Agreements and some identified National Treasury transversal contracts.

2.1.10 SMME Development

SITA continues to drive the transformation agenda through SMME development; a total number of fifteen (15) SMME's graduated from the SITA enterprise development programme.

SITA developed a comprehensive business training course entitled "The Entrepreneurial Mind-set". The training course was designed to provide SMME's with the skills and confidence to streamline their current operations and advance their businesses to the next level. The course drew on current best practices in the field of entrepreneurship education.

The course had seven modules focused on the following:

- a) The Entrepreneur as Value Creator – Business Model Canvas;
- b) The Entrepreneur as Visionary – Values, Vision and Developing a Strategy;
- c) The Entrepreneur as Implementer – Implementing Systems, Financial Management and Self-Management;
- d) The Entrepreneur as Communicator;
- e) The Entrepreneur as Rainmaker – Acquiring and Retaining Customers;
- f) The Entrepreneur as Leader – Building Great Teams; and
- g) Pitching Your Business – Pitch to SITA and other partners.

SITA offered this training because it accepts that positive and corrective action must be taken to increase the participation of SMME's as this sector holds the key to increased job creation and positive movement in the economy.

Within this context, supplier development is critical and, going forward, more interventions can be expected from SITA that include the following:

- a) SITA will invest and nurture Black Qualifying Small Enterprises (QSE's) / Exempted Micro Enterprise (EME's) and individuals with entrepreneurial abilities to transform these into independent and sustainable businesses.
- b) SITA's competitive bidding process will allow new entrants an opportunity to participate in the ICT mainstream economy.
- c) All SITA Commodity Sourcing Strategies will have Supplier Development and Localisation objectives/deliverables.
- d) For Transversal tenders developed and distributed by SITA, fifty percent (50%) of professional services must be targeted for SMME's.
- e) All SITA tenders above R5 million will have a minimum of twenty percent (20%) weighting allocated to BBBEE as part of its Non-Mandatories.
- f) The revised PPPFA of 2017, requires all organs of state to consider subcontracting 30% of the contract value to SMMEs to advance the empowerment of the designated groups.

The response from the SMME's involved was phenomenal and they are deeply appreciative of the investment made by SITA into their development.

2.2 Organisational Environment

SITA continues to place emphasis on culture and climate, accountability, coordination and control, capabilities and motivation in the drive to create a high-performance organisation. With the aim of improving internal operation efficiency, SITA has redesigned key business processes with procurement and finance business environment.

The Minister of Telecommunications and Postal Services, Dr. Siyabonga Cwele, has appointed a new Board of Directors for SITA starting from 12 December 2016 to 11 December 2019 following the expiry of the term of the previous Board. Minister Cwele expressed his gratitude to the members for making

themselves available to serve on the SITA Board noting his confidence in the new Board to add value and contribute significantly to the growth of SITA.

The SITA Board and Executive Management have initiated a process of reviewing and redesigning the business model. The SITA business modelling undertaking dovetails into the SOC rationalisation which seeks to ensure that there is an alignment of SOCs at all spheres of government in order to achieve the developmental objectives and aspirations of South Africa. This affords SITA an opportunity to position itself as an ICT Services Company to drive key government innovation in ICT.

2.3 Key Policy Developments and Legislative Changes

During the year under review, there have been no major changes to policies or legislation relevant to SITA that may have affected its operations.

2.4 Strategic Outcome Orientated Goals

SITA has defined six strategic outcome orientated goals to be achieved within the medium term strategic cycle. These strategic goals are supported by 13 strategic objectives to allow for implementation across various business functions within SITA.

The strategic goals are defined below:

Goal 1: To provide high-quality IT services to enable Government to deliver efficient and convenient services through the use of ICT.

Goal 2: To optimise the provision of SITA's IT infrastructure services in order to increase availability, flexibility, scalability, predictability and security.

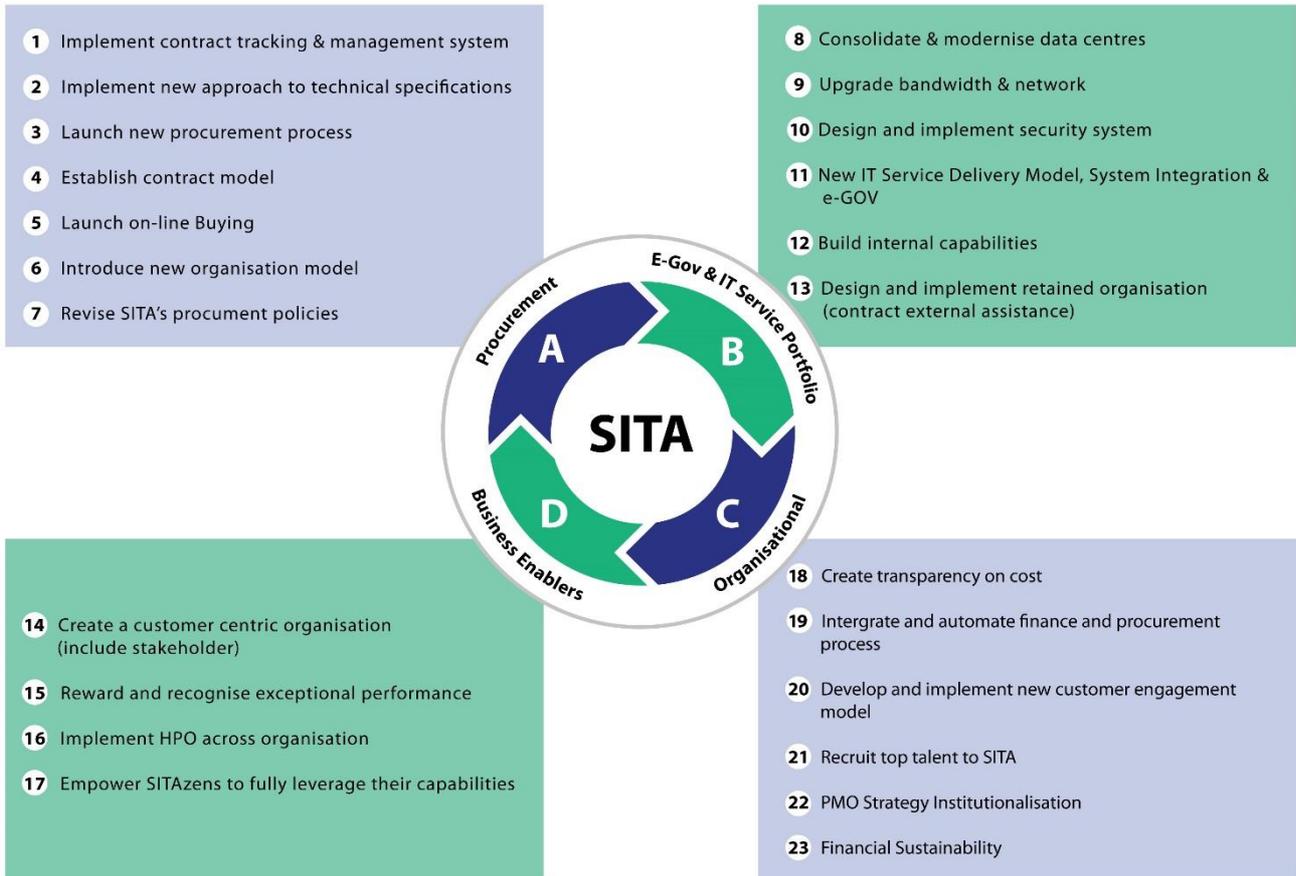
Goal 3: To address all issues relating to delayed procurement turnaround times, removing customer pain points and transforming the procurement function.

Goal 4: To ensure effective and efficient financial management and ensure financial growth and sustainability.

Goal 5: To build and maintain organisational capability to enable SITA to achieve its strategic imperatives and become an Employer of Choice within the ICT industry.

Goal 6: To provide leadership, strategic management, governance, risk and resource management in line with government-accepted norms and standards.

Achievement of the strategic goals and objectives is realised through the implementation of the 23 strategic initiatives as depicted on the figure below.



SITA seeks to align its performance management and reporting processes with the Government's outcomes-based approach to measuring and assessing performance of government entities. The SITA Strategic Plan provides the basis for the organisation's outcomes-based performance management and planning processes. From the Strategic Plan, SITA develops an Annual Performance Plan, annual budgets and annual performance measures. SITA reports on its performance in the Annual Report and uses this information to track progress towards achieving the long-term goals and outcomes set out in the Strategic Plan. The detailed SITA's performance against its predetermined objectives for the year under review is provided under programme performance.

3 Programme Performance Information

In developing and setting out performance measures, SITA continues to look for innovative ways to reflect and report performance in a more meaningful way. The Agency depends on accurate data including efficient and effective systems to gather and analyse data. This also reflects the approach to how SITA is transitioning the organisation to the ultimate desired end state of outcomes-based performance, measurement and reporting. SITA continues to focus on the most meaningful set of strategic outcome measures that can be used to measure and report performance.

During the year under review, SITA has achieved 76% (19/25) of its annual targets. The tables below provide a summary of audited corporate annual performance as related to the APP performance indicators.

3.1. Programme 1: Service Delivery

The purpose of this programme is to provide high quality IT services to enable government to deliver efficient and convenient services to citizens through the use of ICT and to optimise the provision of SITA's IT infrastructure services in order to increase availability, flexibility, scalability, predictability and security,

| Strategic Objectives | Performance Indicator | Actual Achievement 2015/16 | Planned Target 2016/17 | Actual Achievement 2016/17 | Deviation from Planned Target 2016/17 | Reasons for Variance |
|--|---|--|---|--|---------------------------------------|--|
| C1: Enhance efficiency of government business processes | M5: No. of e-Government services implemented | 24 e-Services developed for 2015/16 | 20 e-services implemented | Achieved 28 e-Services | 8 | Additional services were developed to meet identified clients' needs |
| C2: Improve security of government data assets | M6: Level of maturity of ICT security | 45% of security ICT controls, plan implemented | Implementation of the following security controls: 1. End Protection 2. Threat Management | Achieved System controls have been implemented | None | N/a |

| Strategic Objectives | Performance Indicator | Actual Achievement 2015/16 | Planned Target 2016/17 | Actual Achievement 2016/17 | Deviation from Planned Target 2016/17 | Reasons for Variance |
|--|---|---|---|----------------------------|---------------------------------------|---|
| | M7: % compliance of SITA NKP Act with SAPS evaluation | - | >90% compliance of SITA NKP with SAPS | Achieved 91% | None | N/a |
| | M8: % of personnel security clearance requirements | - | >90% compliance to personnel clearance requirements | Achieved 92.07% | None | N/a |
| C3: Transform SITA into customer-centric organisation | M9: Customer satisfaction level | - | 60% customer satisfaction level | Not achieved 49% | -11% | Customer relationships have improved. However, customers are still not satisfied with the level of service they receive. |
| | M10: % performance against measured contracted SLA metrics | 96% level Performance against measured contracted SLA metrics | 95% level Performance against measured contracted SLA metrics | Achieved 95.6% | 0.6% | There is consistent monitoring and escalations to responsible individuals through the weekly Service Level Management (SLM) Committee meetings. |
| C4: Achieve growth in government market share | M11: % increase in government market share | - | 10% Increase government market share (increase on 2014/2015) | Achieved 10.8% | 0.8% | Improved customer relationships & improved value proposition through our transformation programs. |
| | M12: % retention of services provided to customer | - | 90% retention of services provided to customer | Achieved 97.68% | 7.68% | Constant monitoring of service levels & tracking service performance through SLA & BA meetings. |

3.2. Programme 2: Infrastructure

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

| Strategic Objectives | Performance Indicator | Actual Achievement 2015/16 | Planned Target 2016/17 | Actual Achievement 2016/17 | Deviation from Planned Target 2016/17 | Reasons for Variance |
|---|---|----------------------------|--|--|---------------------------------------|----------------------------------|
| C5: Consolidate and modernise data centres | M13: No. of data centres modernised | - | 3 SITA owned data centres stabilized to 99.749% availability electrically and mechanically | Achieved 99.993% a) Centurion: 99.98 % b) Beta: 100% c) Numerus: 100% | 0.244% | Due to data centre stabilisation |
| | M14: No. of storage and server infrastructures refreshed | - | Infrastructure and modernisation plan developed and approved by Board by March 2017 | Achieved 100% Board approved in January 2017 | None | N/a |
| C6: Improvement of ICT infrastructure: disaster recovery | M15: Number of disaster recovery sites established | - | 2 disaster recovery sites established | Achieved 2 | None | N/a |

3.3. Programme 3: Procurement

The purpose of this programme is to address all issues relating to delayed procurement turnaround times, operational inefficiencies, removing customer pain points, cost ineffectiveness and transforming the procurement function.

| Strategic Objectives | Performance Indicator | Actual Achievement 2015/16 | Planned Target 2016/17 | Actual Achievement 2016/17 | Deviation from Planned Target 2016/17 | Reasons for Variance |
|--|--|---|--|---|---------------------------------------|---|
| C7: Improve procurement operational efficiency to enable service delivery | M16: % of tender awards completed within the targeted turnaround time | 55% of tender awards completed within the targeted turnaround time | 65% of tender awards completed within the targeted turnaround time | Not achieved 34% (132/393) | -31% | Late designing and implementing of effective operating model that assists in the efficient utilisation of resources and improvement on turnaround times |
| | M17: Develop and roll-out of the Government e-Procurement | - | Implementation and roll-out of Government Transversal e-Procurement portal at SITA and National Treasury in the OCPO | Achieved The transversal e-Portal was implemented and 4 transversal contracts were loaded | None | N/a |
| C8: Drive ICT cost-effectiveness through Economies of Scale | M18: % actual savings on acquisition of ICT goods and services with major OEMs/OSMs | 24% actual savings on acquisition of ICT goods and services with major OEMs/OSM | 10% actual savings on acquisition of ICT goods and services with major OEMs/OSM | Achieved 25% | 15% | Due to negotiated discounts with service providers. |

| Strategic Objectives | Performance Indicator | Actual Achievement 2015/16 | Planned Target 2016/17 | Actual Achievement 2016/17 | Deviation from Planned Target 2016/17 | Reasons for Variance |
|---|---|--|--|----------------------------|---------------------------------------|--|
| C9: Drive economic transformation agenda | M19: % of ICT acquisition spend through SMME entities | 11% of ICT acquisition spend through SMME entities | 15% of ICT acquisition spend through SMME entities | Achieved 20.03% | 5.03% | Due to managed and monitored SMME spend from list of accredited suppliers. |
| | M20: Number of SMME entities completed SITA enterprise development (ED) programmes | - | 10 SMME entities completed SITA ED program | Achieved 15 | 5 | a) Positive response from SMMEs b) Well-coordinated training programme |

3.3 Programme 4: Financial Sustainability

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

| Strategic Objectives | Performance Indicator | Actual Achievement 2015/16 | Planned Target 2016/17 | Actual Achievement 2016/17 | Deviation from Planned Target 2016/17 | Reasons for Variance |
|---|--|----------------------------|--|------------------------------|---------------------------------------|--|
| F1: Achieve sound financial management | M1: % EBIT | - | 2% EBIT | Achieved 2.75 % | 0.75 % | Strict cost containment measures and improved contract negotiations that yielded positive results; a positive EBIT variance was achieved. |
| | M2: % liquidity ratio | 2.3:1 | 1.2:1 | Achieved 2.4:1 | 1.2 | Cost containment measures, vigorous contract negotiations and capital expenditure budgets not utilized fully resulted in a variance as this impacted directly to higher current assets and lower current liabilities than anticipated. |
| | M3: % gross margin | - | 20% Gross Margin | Not achieved 18.5% | -1.5% | Service revenue targets with high gross margin rates were not achieved. |
| | M4: % expenditure against approved Capex budget | 95.8% | 90% expenditure against approved Capex | Not achieved 65% | -25% | Due to various tender delays and stricter controls over the spending on capital expenditure to ensure that the full asset life cycles and return on investment are considered, capital expenditure was lower than budgeted. |

3.4 Programme 5: Organisation

The purpose of this programme is to build and maintain organisational capability to enable SITA to achieve its strategic imperatives.

| Strategic Objectives | Performance Indicator | Actual Achievement 2015/16 | Planned Target 2016/17 | Actual Achievement 2016/17 | Deviation from Planned Target 2016/17 | Reasons for Variance |
|---|--|--|--|---|---------------------------------------|---|
| L1: Build a healthy and high-performing organisation | M24: % improvement in HPO baseline and HPO institutionalisation | 10% improvement in HPO baseline and HPO institutionalisation | Drive and implement 80% of the 13 HPO Dimensions as per the HPO improvement plan | Not achieved 48% | -32% | Delays in finalising the HPO plan and late implementation of HPO dimensions affected the achievement of the target. |
| | M25: % of critical positions with minimum cover ratio of 1:2 | - | 20% of critical positions with minimum cover ratio | Not achieved 13% of talent pool has been achieved | -7% | Due to delays in finalising the succession pool implementation process. |

3.5 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's accepted norms and standards.

| Strategic Objectives | Performance Indicator | Actual Achievement 2015/16 | Planned Target 2016/17 | Actual Achievement 2016/17 | Deviation from Planned Target 2016/17 | Reasons for Variance |
|--|--|---|---|--|---------------------------------------|----------------------|
| P1: Establish effective governance practice | M21: Number of material Auditor-General findings on finances, predetermined objectives and compliance to laws and regulations | - | 0 material Auditor general findings on finances, predetermined objectives | Achieved | None | N/a |
| | M22: Maturity level of risk management implementation | Maturity level 4 of risk management implementation | Maturity level 4 of risk management implementation | Achieved CEB level 4 achievement | None | N/a |
| P2: Proactive approach to procurement compliance including fraud and corruption | M23: Number of findings in the external audit with respect to fraud and corruption in procurement process-related activities | 0 findings on procurement fraud and corruption as per External Audit report | 0 findings on procurement fraud and corruption as per External Audit report | Achieved | None | N/a |

4 Performance Links to Financial Resources

4.1. Summary of Revenue Performance

The table below provides summary details of revenue performance per service line during the financial year under review. SITA's revenue performance has improved by 3.5% as compared to the previous financial year, however, there is an under performance of 11.6% as compared to the budgeted revenue amount. The reason for the underperformance was a combination of factors in respect of an underachievement of services revenue as well as business opportunities that did not materialise as planned.

| Sources of revenue | 2016/2017 | | | 2015/2016 | | |
|----------------------------------|--------------|--------------|--------------------------------|--------------|--------------|--------------------------------|
| | Actual R'000 | Budget R'000 | Over/ (Under) collection R'000 | Actual R'000 | Budget R'000 | Over/ (Under) collection R'000 |
| Commercial Printing | 10,550 | 16,632 | (6,082) | 9,559 | 7,164 | 2,395 |
| Contract Management | - | - | - | - | - | - |
| ICT Advisory Services | 20,046 | 32,081 | (12,035) | 55,869 | 57,004 | (1,135) |
| Information Management | 49,463 | 56,063 | (6,600) | 33,520 | 42,794 | (9,274) |
| Managed Applications | 669,305 | 750,144 | (80,839) | 630,992 | 711,208 | (80,216) |
| Managed Desktop | 935,382 | 1,082,125 | (146,743) | 829,748 | 1,301,816 | (472,068) |
| Managed Infrastructure | 2,229,929 | 2,483,482 | (253,553) | 2,203,742 | 2,063,654 | 140,088 |
| Project Management | 29,910 | 27,656 | 2,254 | 33,486 | 45,165 | (11,679) |
| Requesting and Fulfilment | 1,483,252 | 1,601,594 | (118,342) | 1,338,204 | 961,155 | 377,049 |
| Security Management | 36,286 | 54,261 | (17,975) | 20,089 | 24,674 | (4,585) |
| Service Management Centre | 141,960 | 151,234 | (9,274) | 178,042 | 180,606 | (2,564) |
| Training | 39,470 | 47,282 | (7,812) | 37,027 | 154,632 | (117,605) |

| Sources of revenue | 2016/2017 | | | 2015/2016 | | |
|----------------------|------------------|------------------|--------------------|------------------|------------------|--------------------|
| | Actual R'000 | Budget R'000 | Sources of revenue | Actual R'000 | Budget R'000 | Sources of revenue |
| ICT Research | - | - | - | 4,956 | 42,447 | (37,491) |
| Solution development | 35,240 | 92,895 | (57,655) | 83,369 | - | 83,369 |
| TOTAL | 5,680,793 | 6,395,449 | (714,656) | 5,458,603 | 5,592,319 | 133,716 |

4.2. Summary Expenditure by Programme

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

| Programme Name | 2016/2017 | | |
|---|------------------|------------------|--------------------------------|
| | Budget R'000 | Actual R'000 | (Over)/Under Expenditure R'000 |
| Programme 1:Service Delivery | 4,691,839 | 4,310,265 | 381,574 |
| Programme 2:Infrastructure | 838,763 | 728,607 | 110,156 |
| Programme 3:Procurement | 57,668 | 84,542 | (26,874) |
| Programme 4:Financial Stability | 121,083 | 47,670 | 73,413 |
| Programme 5:Organisation | 128,924 | 71,534 | 57,390 |
| Programme 6:Governance & Administration | 490,339 | 374,104 | 116,235 |
| TOTAL | 6,328,616 | 5,616,722 | 711,894 |

4.3. Capital Investment, Maintenance and Asset Management Plan

The table below provides summary details of capital investment and maintenance expenditure for the financial year under review.

| Sources of revenue | 2016/2017 | | | 2015/2016 | | |
|---|--------------|--------------|--------------------------------|--------------|--------------|--------------------------------|
| | Actual R'000 | Budget R'000 | Over/ (Under) Collection R'000 | Actual R'000 | Budget R'000 | Over/ (Under) Collection R'000 |
| Infrastructure: Network | 76,169 | 51,912 | 24,257 | 126,650 | 21,628 | 105,022 |
| Infrastructure: Switching Centres | 12,300 | 697 | 11,603 | 214,111 | 372,444 | (158,333) |
| Infrastructure: Data Centres | 134,021 | 33,109 | 100,912 | 294,412 | 132,247 | 162,165 |
| Infrastructure: Modernization | 66,750 | 13,333 | 53,417 | 5,467 | 3,667 | 1,800 |
| Solution Development: Transversal | 53,605 | 185,000 | (131,395) | 31,291 | 11,525 | 19,766 |
| Solution Development: IFMS | - | - | - | - | - | - |
| Solution Development: Customer Unique | 1,504 | - | 1,504 | 22,496 | 8,046 | 14,450 |
| Solution Development: Modernisation | 38,256 | 3,190 | 35,066 | 33,973 | 1,576 | 32,397 |
| Solution Development: Integration | - | - | - | 5,000 | - | 5,000 |
| Solution Development: R&D Capex | 5,000 | 4,023 | 977 | 36,000 | 24,531 | 11,469 |
| Solution Development: IT Security | 29,700 | 24,629 | 5,071 | 55,200 | - | 55,200 |
| Service Management: Contact Centres | 5,365 | - | 5,365 | 4,665 | 2,077 | 2,588 |
| Service Management: DSS & 1st Line | 3,150 | 707 | 2,443 | 16,629 | 99 | 16,530 |
| Operational Support: Internal IT | 47,547 | 2,452 | 45,095 | 64,199 | 32,028 | 32,171 |

| Sources of revenue | 2016/2017 | | | 2015/2016 | | |
|---|----------------|----------------|---------------------------------|----------------|----------------|--------------------------------|
| | Actual R'000 | Budget R'000 | Under/ (Under) Collection R'000 | Actual R'000 | Budget R'000 | Over/ (Under) Collection R'000 |
| Operational Support: Facilities | 5,023 | 441 | 4,582 | 25,381 | 12,396 | 12,985 |
| Operational Support: Production Toolset | 1,800 | 270 | 1,530 | 1,455 | - | 1,455 |
| Operational Support: Integrated Security | 16,980 | 1,569 | 15,411 | 19,338 | 279 | 19,059 |
| TOTAL | 497,170 | 321,332 | 175,838 | 956,267 | 622,543 | 333,724 |

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

| Infrastructure Projects | Budget R'000 | Actual R'000 | (Over)/Under Expenditure R'000 |
|--|--------------|--------------|--------------------------------|
| Infrastructure: Network | 76,169 | 51,912 | 24,257 |
| Infrastructure: Switching Centres | 12,300 | 697 | 11,603 |
| Infrastructure: Data Centres | 134,021 | 33,109 | 100,912 |
| Infrastructure: Modernization | 66,750 | 13,333 | 53,417 |
| Solution Development: Transversal | 53,605 | 185,000 | (131,395) |
| Solution Development: IFMS | - | - | - |
| Solution Development: Customer Unique | 1,504 | - | 1,504 |
| Solution Development: Modernisation | 38,256 | 3,190 | 35,066 |

| Infrastructure Projects | Budget R'000 | Actual R'000 | (Over)/Under Expenditure R'000 |
|---|-------------------------|-------------------------|---|
| Operational Support: Integration | - | - | - |
| Solution Development: R&D Capex | 5,000 | 4,023 | 977 |
| Solution Development: IT Security | 29,700 | 24,629 | 5,071 |
| Service Management: Contact Centres | 5,365 | - | 5,365 |
| Service Management: DSS & 1st Line | 3,150 | 707 | 2,443 |
| Operational Support: Internal IT | 47,547 | 2,452 | 45,095 |
| Operational Support: Facilities | 5,023 | 441 | 4,582 |
| Operational Support: Production Toolset | 1,800 | 270 | 1,530 |
| Operational Support: Integrated Security | 16,980 | 1,569 | 15,411 |
| TOTAL | 497,170 | 321,332 | 175,838 |

The Cloud Computing strategy was approved during 2016/2017. Due to delays in the award of RFB1315, which is the rental of server hosting facilities and data centre facility rental, the acquisition of SITA owned hybrid cloud equipment and software was postponed to the 2017/2018 financial year. This under spending is reflected under the Infrastructure: Data Centres sub-programme.

The acquisitions of Intenda software licenses to the value of R132m will fast track the e-Procurement initiative which is one of the strategic projects within SITA. This acquisition took place under the Solution Development: Transversal sub-programme.



PART C

GOVERNANCE



SAY NO TO
FRAUD & CORRUPTION



1. Introduction

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation and the Companies Act, corporate governance with regard to a public entity, is applied through the precepts of the Public Finance Management Act (PFMA) and run together with the Protocol on Corporate Governance, which encapsulates the principles contained in the King III Report on Corporate Governance.

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

2. Portfolio Committees

2.1 Composition of the Parliamentary Portfolio Committee

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 oversees the activities of SITA.

2.2 Portfolio Committee Engagements with SITA

In 2016/2017, SITA briefed the Portfolio Committee on:

- a) 2015/2019 Strategic Plan and 2016/2017 Annual Performance Plan;
- b) Quarterly Performance Reports;
- c) SITA 2015/2016 Annual Report;
- d) Progress in respect to the Broadband rollout; and
- e) Services rendered to Government Departments.

In the 2016/2017 financial year, SITA also briefed the following Portfolio Committees:

- a) Portfolio Committee on Higher Education and Training on the eradication of the backlog experienced by the NC(V) and on the examination certification backlog challenges and process;
- b) Portfolio Committee on Home Affairs on SITA service rendered to Home Affairs;
- c) Standing Committee on Public Accounts on the review of the 2015/16 SITA annual report; and
- d) Portfolio Committee on Defence & Military Veterans on the SITA on the support it rendered to Military Veterans.

3. Executive Authority

All reports, as prescribed in terms of the PFMA and Treasury Regulations, were submitted to the Executive Authority during the period under review. Additional reports submitted related to the elimination of the NC (V) backlog and request to approve the SITA new service delivery tariffs.

4. Accounting Authority

The Board is the Accounting Authority as defined by the PFMA. Board Members need to define strategy, provide direction and establish the ethics and values that will influence and guide practices and behaviours to achieve sustainable performance. This is the fundamental purpose of the Board.

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

- a) State Information Technology Act (No. 88 of 1988), as amended
- b) Public Finance Management Act (No. 1 of 1999) (PFMA)
- c) National Treasury Regulations issued in terms of the PFMA (March 2005)
- d) Companies Act (No. 71 of 2008)

- e) SITA Board Charter as approved on 28 January 2016
- f) Memorandum of Incorporation
- g) King III Report on Governance for South Africa (King III)

4.1 The role of the Board

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

- a) Retaining full and effective control over the Agency and providing effective leadership in the best interest of the Agency;
- b) Informing and approving the strategies and strategic objectives of the Agency and ensuring that strategy, risk, performance and sustainability considerations are effectively integrated and appropriately balanced;
- c) Determining and setting the tone of the Agency values including principles of ethical business practice and the requirement of being a responsible corporate citizen;
- d) Bringing independent, informed and effective judgment to bear on material decisions of the Agency including policies, the framework of delegated authority, the appointment and removal of the Managing Director (CEO), approval of the appointment or removal of Executive Managers, capital expenditure, transactions and consolidated Agency budgets;
- e) Satisfying itself that the Agency is governed effectively in accordance with corporate governance best practice including risk management, legal compliance management, appropriate and relevant non-binding industry rules, codes and standards and internal control systems to:
 - i. Maximise sustainable returns
 - ii. Safeguard the people, assets and reputation of the Agency
 - iii. Ensure compliance with applicable laws and regulations
- f) Monitoring through Board Committees and Executive Management the implementation of the Board's strategies, decisions, values and policies employing an approved governance framework which provides for a structured approach to governance, the reporting, risk management, information management (including information technology) and risk-based auditing;
- g) Ensuring that the Agency has effective Board Committees as required by the Companies Act, Memorandum of Incorporation (MOI) and recommended by best corporate governance practice that the company chooses to apply;
- h) Ensuring that there is an effective risk-based internal audit;
- i) Governing the disclosure control processes of the Agency including ensuring the integrity of the Agency's integrated report and reporting on the effectiveness of the Agency's system of internal controls;
- j) Ensuring that disputes are resolved as effectively, efficiently and expeditiously as possible; and
- k) Monitoring the relationship between management and stakeholders of the Agency.

4.2 Board Charter

The SITA Board Charter 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 governance thrives on co-existence, consultation, and high standards of ethics and trust. It further recognises that corporate governance is essentially about leadership – leadership for efficiency, for probity, with responsibility and leadership that is both transparent and accountable. These are the ideals that inform the SITA Board Charter.

The Charter begins by acknowledging the constitutional and legislative roots of SITA governance. This is followed by a brief overview of the principles of corporate governance and the detailing of the powers, functions and responsibilities of the Board and the Directors, including delegation of authority.

The Charter then deals with the constitution, responsibilities and management of the Board in session and Board Committees; the disclosure of Directors' interest in the business of the SITA; and the need to assess the performance of individual Directors and Directors as a collective. It provides for alternative dispute resolution; and highlights the nature and importance of risk management, internal audit, information technology, compliance, and the management of stakeholder relationships. The Charter also recognises that Directors are entitled to have access to members of the SITA Secretariat and to secure independent professional advice at the company's expense.

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

There has been material compliance with the provisions of the Charter.

4.3 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 DPSA
 - ii. One person representing the National Treasury
 - iii. One person as a legal expert
 - 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.

The table below provides details of the Board of Directors for the period under review.

| Name | Designation (in terms of the Public Entity Board Structure) | Date of Appointment | Date Resigned/ Term Expired | Other Committees/Board |
|----------------|---|--|-----------------------------|---|
| Mr Z D Nomvete | Chairman | 18 September 2013 | 17 September 2016 | Board |
| | | Extended for a period of three (3) months until 11 December 2016 | | |
| | | Re-appointed on 12 December 2016 | | |
| Dr S J Mohapi | Managing Director (CEO) | 01 April 2015 | - | Ex-officio on the following Board Committees: <ul style="list-style-type: none"> • Audit, Risk and Compliance Committee • Human Resources and Remuneration Committee • Social and Ethics Committee • ICT, Research, Development and Innovation Committee • Board Procurement Committee |
| Ms S H Chaba | Non-Executive Director | 18 September 2013 | 17 September 2016 | Human Resources and Remuneration Committee Board Procurement Committee Social and Ethics Committee |
| | | Extended for a period of three (3) months until 11 December 2016 | | |
| | | Re-appointed on 12 December 2016 | | |

| Name | Designation (in terms of the Public Entity Board Structure) | Date of Appointment | Date Resigned/ Term Expired | Other Committees |
|-------------------|---|--|--------------------------------|---|
| Mrs N Ehrens | Non-Executive Director | 12 December 2016 | | ICT, Research, Development and Innovation Committee Human Resources and Remuneration Committee |
| Ms N Magubane | Non-Executive Director | 12 December 2016 | | Board Procurement Committee Human Resources and Remuneration Committee |
| Adv N Mahlangu | Non-Executive Director | 12 December 2016 | | Board Procurement Committee Human Resources and Remuneration Committee |
| Dr V F Mahlali | Non-Executive Director | 12 December 2016 | | ICT, Research, Development and Innovation Committee Social and Ethics Committee |
| Ms P Matlala | Non-Executive Director | 12 December 2016 | | Board Procurement Committee Human Resources and Remuneration Committee |
| Mr J S Mngomezulu | Non-Executive Director | 18 September 2013 | 17 September 2016 | Board Procurement Committee |
| | | Extended for a period of three (3) months until 11 December 2016 | | |
| | | Re-appointed on 12 December 2016 | | |

| Name | Designation (in terms of the Public Entity Board Structure) | Date of Appointment | Date Resigned/ Term Expired | Other Committees |
|-------------------|---|--|-----------------------------|---|
| Mr N W Mudau | Non-Executive Director | 18 September 2013 | 17 September 2016 | Audit, Risk and Compliance Committee ICT, Research, Development and Innovation Committee |
| | | Extended for a period of three (3) months until 11 December 2016 | | |
| | | Re-appointed on 12 December 2016 | | |
| Mr M Ndlangisa | Deputy CEO | 01 June 2014 | 31 May 2017 | Ex-officio on the following Board Committees: <ul style="list-style-type: none"> • Audit, Risk and Compliance Committee • Human Resources and Remuneration Committee • Social and Ethics Committee • ICT, Research, Development and Innovation Committee • Board Procurement Committee |
| Ms R C Rasikhinya | Chief Financial Officer | 09 November 2015 | - | Ex-officio on the following Board Committees: <ul style="list-style-type: none"> • Audit, Risk and Compliance Committee • Human Resources and Remuneration Committee • Social and Ethics Committee • ICT, Research, Development and Innovation Committee • Board Procurement Committee |
| Mr M T Sadik | Non-Executive Director | 12 December 2016 | | Social & Ethics Committee Audit, Risk and Compliance Committee |

| Name | Designation (in terms of the Public Entity Board Structure) | Date of Appointment | Date Resigned/ Term Expired | Other Committees |
|------------------|---|--|--------------------------------|--|
| Mr G A Victor | Non-Executive Director | 18 September 2013 | 17 September 2016 | Audit, Risk and Compliance Committee |
| | | Extended for a period of three (3) months until 11 December 2016 | | ICT, Research, Development and Innovation Committee |
| | | Re-appointed on 12 December 2016 | | Social & Ethics Committee |
| Mr G Z Malele | Non-Executive Director | 18 September 2013 | 11 December 2016 | ICT, Research, Development and Innovation Committee Human Resources and Remuneration Committee Board Procurement Committee |
| Ms M O Williams | Non-Executive Director | 18 September 2013 | 11 December 2016 | Social & Ethics Committee Audit, Risk and Compliance Committee ICT, Research, Development and Innovation Committee Human Resources and Remuneration Committee |
| Adv J H de Lange | Non-Executive Director (Alternate) | 18 September 2013 | 18 September 2016 | Audit, Risk and Compliance Committee Human Resources and Remuneration Committee |

| Name | Designation (in terms of the Public Entity Board Structure) | Date of Appointment | Date Resigned/ Term Expired | Other Committees |
|----------------|---|---------------------|--------------------------------|---|
| Ms R Mokoena | Non-Executive Director (Alternate) | 18 September 2013 | 18 September 2016 | Human Resources and Remuneration Committee Social and Ethics Committee Board Procurement Committee |
| Mr G M Ncanywa | Non-Executive Director (Alternate) | 18 September 2013 | 18 September 2016 | Board Procurement Committee ICT, Research, Development and Innovation Committee Social & Ethics Committee |

4.4 Board and Board Committees

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

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

- a) Audit, Risk and Compliance Committee (ARC)
- b) Human Resources, Remuneration and Nominations Committee (HR&REM)
- c) Social and Ethics Committee (SEC)
- d) Board Procurement Committee (BPC)
- e) Information and Communication Technology Research, Development and Innovation (ICT, RDI) Committee

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

| Members | Board | Special Board | ARC | HR & Rem | S & E | BPC | ICT, RDI | AGM | Strategy Sessions | Board Induction | Notes |
|---------------------------|-------|---------------|-----|----------|-------|-----|----------|-----|-------------------|-----------------|---|
| Number of Meetings | 4 | 6 | 5 | 5 | 4 | 11 | 6 | 1 | 2 | 1 | |
| Mr Z.D. Nomvete | 4 | 6 | | | | | | 1 | 2 | 1 | |
| Dr S.J. Mohapi | 4 | 6 | 5 | 5 | 4 | 9 | 5 | 1 | 2 | 1 | |
| Ms S.H. Chaba | 4 | 4 | | 5 | 2 | 8 | | 1 | 1 | 1 | |
| Ms N.N. Ehrens | 1 | 2 | | 1 | | | 1 | | | 1 | Date of appointment 12 December 2016 |
| Ms N. Magubane | 0 | 2 | | 1 | | 2 | | | | 1 | Date of appointment 11 December 2016 |
| Adv N. Mahlangu | 1 | 1 | | 1 | | 3 | | | | 1 | Date of appointment 12 December 2016 |
| Dr V.F. Mahlali | 0 | 2 | | | 1 | | 1 | | | 1 | Date of appointment 12 December 2016 |
| Ms P. Matlala | 1 | 2 | | 1 | | 2 | | | | 1 | Date of appointment 11 December 2016 |
| Mr J.S. Mngomezulu | 4 | 5 | | | | 10 | | 1 | 1 | 0 | |
| Mr N.W. Mudau | 3 | 4 | 3 | | | | 3 | 1 | 2 | 1 | |
| Mr M. Ndlangisa | 2 | 3 | 5 | 3 | 3 | 10 | 4 | 0 | 2 | 1 | Term ended 31 May 2017 |

| Members | Board | Special Board | ARC | HR & Rem | S & E | BPC | ICT, RDI | AGM | Strategy Sessions | Board Induction | Notes |
|--------------------|-------|---------------|-----|----------|-------|-----|----------|-----|-------------------|-----------------|---|
| Ms R.C. Rasikhinya | 3 | 4 | 5 | 5 | 3 | 8 | 6 | 1 | 2 | 1 | |
| Mr M.T. Sadik | 1 | 2 | 1 | | 1 | | | | | 1 | Date of appointment 12 December 2016 |
| Mr G. Victor | 4 | 6 | 5 | | 3 | | 5 | 1 | 2 | 1 | |
| Mr G.Z. Malele | 3 | 4 | | 4 | | 8 | 5 | 1 | 2 | | Term expired 11 December 2016 |
| Ms M.O. Williams | 3 | 3 | 2 | 1 | 3 | | 4 | 1 | 2 | | Term expired 11 December 2016 |
| Adv J.H. de Lange | 1 | 2 | 0 | 1 | | | | 1 | | | Term expired 18 September 2016 |
| Ms R. Mokoena | 1 | 1 | | 3 | 2 | 4 | | 1 | | | Term expired 18 September 2016 |
| Mr G.M. Ncanywa | 1 | 2 | | | 2 | 6 | 4 | 1 | | | Term expired 18 September 2016 |
| Mr D. Niddrie | 0 | 0 | | | | | | | | | Term expired 17 September 2016 |

4.5 Remuneration of Board Members

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

Employees of National, Provincial and Local Government or Institutions who are members of the SITA Board of Directors are not entitled to remuneration and Executive Directors are remunerated according to the policies of the organisation.

Full disclosure on the remuneration of Non-Executive and Executive Directors are included in the Annexure on Financial Statements.

4.6 Board Profiles

Mr Zukile Nomvete

Chairman of the SITA Board of Directors: 12 December 2016

Acting Chairman of the SITA Board of Directors: 21 November 2015 to 11 December 2016

Certificate in Aeronautical Engineering (Ireland); Diploma and License in Aviation Maintenance (Ethiopia); Diploma as Flight Engineer B727 (Ethiopia); and Management Advancement Programme (MAP) WITS



Mr Nomvete currently serves as chairman of Dragon Pride International Holdings, is a non-executive director Aurco (Pty) Ltd. He is also a Board Member of SITA, reappointed 18 September 2013 – 17 September 2016. He is a Chairman of World Expo 2025 South Africa (NPC). He was previously a non-executive director at the South African Civil Aviation Authority. He has been Chairman of the Board for Great North Transport, South African Rail Commuter Corporation (now PRASA), the Gauteng Tourism Authority, 1Time Airlines, Moving into Dance Mophathong and Pekwa Travel.

He was Deputy Chair of the Civil Aviation Authority and a director at the Airports Company of SA, SUNAIR and the Tourism Business Council of SA. He previously served as executive director of Transnet responsible for SAA and its subsidiaries as well as Transnet's property portfolio. Mr Nomvete was also coordinator/project manager of government's 2010 FIFA WC Project Management Unit (PMU) and is an honorary colonel of the South African Air Force.

Dr Setumo Mohapi

Managing Director (CEO) from 1 April 2015

BSc in Electrical Engineering and Computer Science (MIT); Master's in Electrical Engineering (MIT); and PhD in Electrical Engineering (Wits)



Dr Setumo Mohapi is well versed in the ICT sector, with a wealth of experience from various executive positions held in both the public sector and private sector. He was the Chief Executive Officer at Sentech SOC Limited between 1 November 2010 and March 2015. Prior to Sentech, he worked in various technology and business positions at Transtel, Internet Solutions, Neotel and Telkom.

Mr Graeme Victor

Non-Executive Board Member: 18 September 2013 – 11 December 2016

Re-appointed: 12 December 2016

BSc in Engineering, cum laude (Wits); MSc (Stanford), MEng (Stanford); B.Com Hons (Unisa); and CA (SA)



Mr Graeme Victor is the Group CEO of Du Pont Telecom (Pty) Ltd. Prior to that he was Managing Director at Tiscali World Online, Vodacom Service Provider and Computicket. Before his various stints in senior management, he was a partner at Kessel Feinstein (now Grant Thornton) Auditors and founded Kessel Feinstein Consulting, growing it into a highly successful consulting business over 10 years.

Ms Seadimo Chaba

Non-Executive Board Member: 18 September 2013 - 11 December 2016

Re-appointed: 12 December 2016

BA (Economics and Industrial Psychology); Post Graduate Diploma in Human Resources Management (Wits); Senior Executive Programme (Wits and Harvard Business School)



Ms Seadimo Chaba is a business woman running a number of businesses who sits on a number of Boards in the public and private as well as NGO sectors.

She has extensive experience at executive and Board levels in the public and private sectors. In the public sector she has done work at the three spheres of government as well as state owned enterprises. In the private sector, she worked in the petrochemical, retail and financial industries.

She is an HR expert and business strategist and has done consulting and advisory work in these areas as a Board member and a practitioner.

Mrs Nokuzola Ehrens**Non-Executive Board Member: 12 December 2016****BSc in Mathematical Statistics & Applied Mathematics (University of Zululand, 1981); Diploma in Public Relations (Birman Business College, 1994); BPhil in Engineering Management (Stellenbosch University, 2012); and a Certificate in Financial Management for Non-Financial Managers (Unisa, 2004)**

Mrs Ehrens has 33 years' experience in the ICT industry, 11 years of which were in Technical occupations from programming to systems design and systems analysis.

She is Chief Executive Officer of the South African Women in the ICT Forum since July 2016. Prior to that, she was the Chairperson of the South African Women in ICT Forum from January 2016 and then in July she was appointed as the CEO. She is also Chairperson of the ICT Sector Council.

Prior to that, she worked as a Director of Strategic Business Development at Ericsson (2002-2016), responsible for developing business and Government relations for Ericsson in SA and supporting B-BBEE compliance requirements.

A considerable part of her earlier career after branching off from the IT field was spent as Family Magazine Programme Presenter for the SABC 1 (1990-1997).

She also worked in the following capacities: Chairperson & Executive Director for Sondela TV (Pty) Ltd (2001-2002); Account Executive for Nortel Networks (1999-2001); Data Analyst for Nedbank (1998-1999); Business Intelligence Analyst for AVGOLD/AVMIN (1997-1998); Marketing & Communications Executive for the SABC Commercial Radio Service (1996-1997); Business Analyst at Edcon (1993-1996); and Senior Programmer at Tongaat Hulett Group (1982-1987).

Mr Talib Sadik**Non-Executive Board Member: 12 December 2016****Chartered Accountant, CA (SA) (1992); BCom (1987); Advanced Diploma in Accounting (1988); and a Certificate in Advanced Management Programme (1996)**

Mr Talib Sadik is the Chief Financial Officer of Basil Read Holdings Limited, a civil engineering, building and construction company (October 2016). Prior to that, he worked as consultant through PricewaterhouseCoopers (PwC)-Advisory Services and Harrison & White Group (2012-2016). He worked in executive and senior management roles of Group CEO and Group Chief Financial Officer/Finance Director (2006-2012) at Denel SOC Ltd; DeBeers Group Services (2004-2006); New Africa Investment Limited (1999-2001); Times Media Limited (1998); SABC (1993-1997); and Lecturer at the University of Natal (1992-1993).

He started his career as an Articled Clerk at KPMG (1988-1991). He led the Turnaround of Denel from an insolvent, poorly governed company, with an annual loss of R1.6bn and cash-burn of R1.2bn to a sustainable, profitable and cash generative company, strong balance sheet, unqualified audit reports, and legally compliant. He currently serves as non-executive director/member of the Boards of several private companies: Sectional Poles (Pty) Ltd, Efficient Engineering (Pty) Ltd and Sunspray (Pty) Ltd). He was Chairman of the St Katharine's Transformation

Committee and member of the Board of Foskor Limited (2002 – 2004), African Media Entertainment Limited (2002 - 2004).

Ms Phuti Matlala

Non-Executive Board Member: 12 December 2016

BA in Psychology (University of Limpopo, 1984); Honours in Clinical Psychology (University of Limpopo, 1985); Programmes in Management Advancement (Wits, 1995); Leadership for Change (Wits, 1998); Essentials of Knowledge Management (Wits, 2001); Managing Economic Strategies (UWC, 2002); Aligning Operations Strategy (Wits, 2002); Executive Development (UP, 2003); and Programme in Corporate Governance (UP, 2004).



Ms Phuti Matlala has broad-ranging expertise in local government, monitoring and evaluation, operations management, revenue enhancement strategies, corporate governance and IT governance, human resources, organisational development, transformation, change management, project management, macro-organisational and functional structure design.

She is currently an independent business consultant providing services to clients in the private and public sector (2006). She is consulting for OneConnect Group on Business and HR Strategy; and Polices and Procedure development (2016). Prior to this she was contracted to the National Treasury/Development Bank of South Africa as a Project Manager on the Local Government Functional and Fiscal Framework project (2013-2014). She is a former Deputy Director-General of Corporate Affairs and Strategy at Statistics South Africa (2004-2005); Chief Operations Officer of International Trade and Development (ITEDD) at the Department of Trade and Industry (2001-2003); Corporate Organisational Development consultant at Eskom (1995-2001); Human Resources Manager of Nestle South Africa (1993-1995); Group Training Consultant at Transnet Limited (1990-1993); and Assistant Manager of Psychological Services at Highveld Steel and Vanadium (1988-1990).

Ms Nelisiwe Magubane

Non-Executive Board Member: 12 December 2016

BSc in Electrical Engineering (University of Natal, 1991); Post-Graduate Diploma in Business Administration (University of West London, 2001); and Programme in Executive Leadership (Gordon Institute of Business, 2003)



Ms Nelisiwe Magubane is currently an independent advisor to the Government of Tanzania on the design of their reverse auctions. She is also working with the Tetra Tech team in restructuring Tanesco, the Tanzanian electricity utility, as part of Power Africa Transactions and Reform Programme (PATRP). She is a former Director-General of the Department of Energy (2009-2014). Prior to this she held various positions in the Department of Energy that include Acting Director-General (2009); Deputy Director-General of Electricity and Nuclear Energy (2002-2009); and Chief Director of Electricity Promotion (2000-2002).

She is a founder and Managing Director of Magubane Isibonelo Projects (Pty) Ltd (1996-2000). Prior to forming Magubane she held various positions in Eskom that include being Senior Engineer (Systems Operations) (1995-1996) as well as Area Sales and Customer Service Engineer (1993-1994).

She started her career as a Trainee Engineer at Eskom (1990-1992). She currently serves as an Advisory member of the Board of Thebe Energy and Resources (2015); member of the Board of Aurecon (2015); member of the EXCO of the Engineering Council of South Africa (ECSA) (2012); and Chairperson of the Audit and Risk Committee of the Engineering Council of South Africa (ECSA) (2012). She has served as non-executive member of the Boards of South African National Energy Research Institute (Pty) Ltd (2004-2007); Electricity Distribution Industry (EDI) Holding (Pty) Ltd (2003-2007); and National Electricity Regulator (2001-2004).

Adv Ndumiso Mahlangu**Non-Executive Board Member: 12 December 2016****LLB (University of Pretoria, 2008)**

Advocate Mahlangu is an Advocate of the High Court of South Africa having been admitted in 2011. He started his legal career as Candidate Attorney at Ledwaba Mazwai Attorney (2009-2010). While he was studying Law at the University of Pretoria, he worked part-time as BEE Analyst at BEE2Business (2005-2008). He is member of Appeals Advisory Committee of Gauteng Department of Health and also the Chairperson of the Board of Khulanathi Capital Holdings, since 2014.

Dr Vuyokazi Mahlati**Non-Executive Board Member: 12 December 2016****BSc (UWC, 1988); Masters of Science, Social Policy & Planning (London School of Economics, 1995); and PhD in Public Development Management (Stellenbosch, 2011)**

Dr Mahlati, an entrepreneur with experience in strategy, governance and regulatory matters and as a thought leader.

Dr Mahlati is currently serving her second term as National Planning Commissioner for the Presidency South Africa. As a social entrepreneur she received recognition for the application of ICT in development including a logistical app for farmers. She is currently the chairperson for Tourism B-BBEE Charter Council from and Global Director for International Women's Forum.

Dr Mahlati has provided Independent Advisory Services to Public and Private Sector Entities, including United Nations entities. She previously served as Chairperson of the Board of South African Post Office (March 2006 to February 2012) where among other things she grew revenue in postal digitalization. She is the co-Founder and Director of Siyaya TV with a Broadcasting License and successful digital terrestrial TV trials.

Mr Walter Mudau (DPSA Representative)

Alternate Member: 18 September 2013 – 11 December 2016

Non-Executive Board Member: Reappointed 12 December 2016

BSc Hons in Computer Science (University of Limpopo); UED or University Education Diploma (University of Venda); MBA (University of North-West – Potchefstroom University for CHE)



Mr Walter Mudau is currently Acting Deputy Director-General in the Government Chief Information Office from 1 April 2016 and a Chief Director at the DPSA responsible for ICT Stakeholder Management and ICT Service Management. Previously, he worked for more than 10 years at the University of Venda as Deputy Director: ICT Services where he was also a part-time lecturer in Statistics and Business Management. He also lectured in Computer Studies at a teacher training college and taught high school Mathematics.

Mr Stadi Mngomezulu (NT Representative)

Non-Executive Board Member: 18 September 2013 - 11 December 2016

Reappointed on 12 December 2016

Bachelor of Commerce (Vista University – 1988); Master's in Business Leadership (Unisa, 2004); and Executive Development in Leadership (Gestalt International Study Centre, Massachusetts, 2009)



Mr Stadi Mngomezulu is the Deputy Director-General of Corporate Affairs at the National Treasury since 2011. Prior to this he held various positions in the National Treasury that include being a Chief Risk Officer (2009-2011); Chief Financial Officer (2006-2009); and Director of Financial Administration (2002-2006). He is a former Financial Manager of South African Civil Aviation Authority (2002); Financial Manager of Lucent Technology SA (Pty) Ltd (1998-2001); Management Accountant at Mercedes Benz SA (Pty) Ltd (1996-1998); Trainee Accounts Clerk at Colgate-Palmolive SA (Pty) (1993-1996); and Educator/Teacher with the Department of Education (1991-1993). He started his career as an Articled Clerk at Ernst and Young (1989).

Ms Michelle Williams**Non-Executive Board Member: 18 September 2013 - 11 December 2016****BA (UKZN); Honours in African Studies (UCT); Master's Degree in Economic Development (Institute of Social Studies, The Hague); and MBA (Bond University)**

Ms Michelle Williams has held a number of key positions in the public and private sectors. Her career includes being Government Chief Information Officer (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 Zeth Malele**Non-Executive Board Member: 18 September 2013 - 11 December 2016****BSc in Computer Science (University of Limpopo); BAP (Wits Business School); and MAP (Wits Business School)**

Mr Zeth Malele is Non-Executive Chairman of Sandfort (Pty) Ltd and Non-Executive Deputy Chairman of the Gauteng Growth and Development Agency, Meadow Star Investments 28 (Pty) Ltd and Sec-Itch (Pty) Ltd. He also serves on the ICT Governance Committee of the Ubank (Pty) Ltd Board and has held directorship positions at, among others, the Gauteng Economic Development Agency; Innovation Hub, Sybase SA, Ariel Technologies, Arivia.com, Paracon Holdings, Blue IQ Holdings, Debis Systemhaus (now T-Systems) and the SA Electrotechnical Export Council. He was also part of the Presidential National Commission on Information Society and Development and Limpopo Premier's Advisory Council on Technology.

Ms Refiloe Mokoena**Alternate Board Member: 19 May 2014 – 18 September 2016****B. Juris (University of Zululand); and LLB (Natal)**

Ms Refiloe 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. She has also served on the Independent Communications Authority of South Africa Complaints and Compliance Committee.

Mr. Gracious Ncanywa

Alternate Board Member: 19 May 2014 – 18 September 2016

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



Mr Gracious Mnikelo Ncanywa is an 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 subsidiary responsible for building the local technical Microsoft Enterprise Strategy team that focused on assisting large enterprises such as Liberty Life, Nedbank and Telkom to migrate their networking systems to Microsoft Windows Server networks. Mr Ncanywa was one of the very first few people who obtained the Microsoft Systems Engineer certification in 1993. Prior to joining Microsoft, he worked as an IBM Systems Engineer Mainframe Systems at companies such as General Motors, Ford Motor Company, BP Southern Africa, SAB Miller and Daimler Chrysler.

Adv Johnny De Lange

Alternate Board Member: 19 May 2014 – 18 September 2016

BA (Stellenbosch); and LLB (UCT)



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. He was Deputy Minister for Justice and Constitutional Development (2004–2009). He was appointed as Advocate of the 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 new Constitution in 1996.

Ms Rudzani Rasikhinya**Executive Director and Chief Financial Officer: 9 November 2015****Chartered Accountant CA (SA)**

Ms. Rudzani Rasikhinya is a Chartered Accountant. Prior to joining SITA as CFO, she held positions of Acting CEO and CFO at Sentech; CFO at the Department of Home Affairs; and various other senior positions including Chief Director: Accounting and Support at the National Treasury. She is currently a Board Member of Accounting Standards Board and served as a treasury representative on the Board of the Government Employment Pension Fund. She is a member of the South African Institute of Chartered Accountants.

Mr Mboneli Ndlangisa**Executive Director: 1 June 2014 - 31 May 2017****BSc Hons in Computer Science and Information Systems (Rhodes University); MSc in Computer Science (Rhodes University); and a Higher Diploma in Computer Auditing, IEDP (Wits and London Business School)**

Mr Mboneli Ndlangisa has spent all of his working life in ICT. Before joining SITA, he worked for the MIH group as Head of ICT Strategy and Business Development. The responsibility entailed giving strategic support to all ICT subsidiaries within the group. Prior to 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 and Certified Information Security Manager.

5. Risk Management

The Board, in the financial year under review, approved a risk management policy, a framework and its implementation plan. The Enterprise Risk Management division facilitates the identification of both emerging and process risks. Emerging risks are dealt with at the Executive level as an integrated part of the annual planning process, whilst process level risks are identified and mitigated by the individual process owners.

The Risk Management Committee is guided by the board-approved risk tolerance levels in their evaluation of unacceptable risk and the corresponding risk mitigation plans.

Risk mitigation plans are reported quarterly to the Audit Risk and Compliance Committee, whilst Internal Audit provides an independent oversight on the effectiveness of risk management at SITA.

The Enterprise Risk Management division aims to enhance the integration of risk management in SITA's operations in the following manner:

- a) Risks in achieving the APP targets are monitored and mitigation plans reported on as part of quarterly reporting.
- b) Project risks are identified by project managers and reported on to the ICT RDI board sub-committee.
- c) Departmental risks are owned by the Heads of Department and reported on quarterly to the Executive Committee.
- d) Fraud risks are specifically addressed through a fraud prevention plan.

6. Internal Control

The Board is ultimately responsible for establishing a framework of internal controls. These controls are designed to provide cost-effective assurance of the financial wellness and financial management of the company. The internal control environment (including the assignment of authority and responsibility; segregation of duties; supervision; integrity and ethical values; and governance structures) is managed by management and monitored by the Internal Audit Department. Whilst internal controls were in place during the year, internal control weaknesses were nevertheless identified by Internal Audit (and by the Auditor-General) and reported to management for appropriate corrective action. Progress on the implementation of the corrective action is further monitored by the Executive Committee (EXCO) and the Audit, Risk and Compliance Committee of the Board.

The Internal Audit Department reports functionally to the Audit, Risk and Compliance Committee. The Committee is established in terms of Section 51(1) (a)(ii) of the PFMA and Section 27.1.1 of the Treasury Regulations (PFMA 76(4)(d)), whereby the Board must establish an Audit Committee as a subcommittee of the Board. The committee monitors, inter alia, compliance with legislation and ensures that appropriate systems of internal control are implemented and maintained to protect SITA's interests and assets. The committee further reviews the activities and effectiveness of internal audit.

7. Internal Audit and Audit Committees

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

Internal Audit evaluates processes with the view of providing assurance that the internal controls with the company are operating as intended and in so doing, assist in the achievement of the strategic objectives of the organisation.

Internal Audit further ensures that any identified weaknesses in controls, governance and risk are adequately and timeously resolved. The work of internal audit and external audit is monitored by the Audit, Risk and Compliance Committee, a subcommittee of the Board.

During the financial year 2016/2017, Internal Audit conducted reviews in, amongst others, the following areas:

- a) Supply Chain Management;
- b) Cyber security and Information security governance;
- c) Data Centres;
- d) Human Capital Management; and
- e) Provincial Operations.

Internal Audit also performs advisory and consulting services to management in relation to control systems in general.

The table below discloses relevant information on the audit committee members.

| Members | Qualifications | Internal/ External | Date of Appointment | Number of Meetings Attended |
|-----------------------------|---|-----------------------|---|-----------------------------|
| Mr GA Victor | <ul style="list-style-type: none"> BSc in Engineering, cum laude (Wits), MSc (Stanford), MEng (Stanford), B.Com Hons (Unisa), CA (SA) Non-Executive Board Member: 18 September 2013, re-appointed 12 December 2016 | External | Appointed by Board to act as Chairman of Audit, Risk and Compliance Committee on 10 December 2015 | 5 |
| | | | Appointment ratified at AGM on 26 August 2016 | |
| Ms MO Williams ¹ | <ul style="list-style-type: none"> Master's in Business Administration (MBA)(South Africa) MA in Development Studies (Institute of Social Studies, The Netherlands) BA Honours in African Studies (University of Cape Town) BA History and Economic History (University of Natal, Durban) Non-Executive Board Member: 18 September 2013–11 December 2016 | External | Appointed as a Member of the Audit, Risk and Compliance Committee on 10 December 2015 | 2 |
| | | | Appointment ratified at AGM on 26 August 2016 | |
| Adv J H de Lange | <ul style="list-style-type: none"> BA (UCT), LLB (UCT) Alternate Board Member: 19 May 2014 – 18 September 2016 | External | Appointed as a Member of the Audit, Risk and Compliance Committee on 10 December 2015 | 0 |

¹ Term ended on 11 December 2016

| Members | Qualifications | Internal/ External | Date of Appointment | Number of Meetings Attended |
|---------------------------|--|-----------------------|--|-----------------------------------|
| Mr N W Mudau | <ul style="list-style-type: none"> BSc Hons in Computer Science (University of Limpopo), UED, University Education Diploma (University of Venda) MBA (University of North West – Potchefstroom University for CHE) <p>Alternate Board Member: 19 May 2014 – 17 September 2016, re-appointed 12 December 2016</p> | External | Appointed as a Member of the Audit, Risk and Compliance Committee on 10 December 2015 | 4 |
| Mr M T Sadik ² | <ul style="list-style-type: none"> Chartered Accountant – CA (SA) Bachelor of Commerce Advanced Diploma in Accounting Advanced Management Programme <p>Non-Executive Board Member: 12 December 2016</p> | External | <p>Appointed as a Member of the Audit, Risk and Compliance Committee on 14 December 2016</p> <p>Appointment will be ratified at the next AGM in 2017</p> | 1 |

² Appointed on 12 December 2016

8. Compliance with Laws and Regulations

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

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

9. Fraud and Corruption

9.1 Fraud Prevention Plan

The fraud prevention plan includes specifically raising awareness regarding the whistleblowing facility and emphasises the importance of declaring any possible conflict of interests an employee may have, whilst also improving the internal control environment to prevent misconduct.

The whistleblowing facility is considered effective with good utilisation of the facility for reporting irregular activities, supporting a healthy relationship between employees and the forensic team who performs investigations and undertakes some detective fraud initiatives.

9.2 Mechanisms to Report Fraud and Corruption

SITA has established an independent Ethics Line where employees and stakeholders can anonymously report any irregular practices.

The Ethics Line operates 24/7/365 and the operators are able to take calls in all official languages. The other reporting channels include: SMS, fax, email and free post. SITA's Ethics Line is supported by SITA's Whistle Blowers Policy which is based upon and aligned to the Protected Disclosures Act, Act 26 of 2000.

In order to comply with the Act, SITA strives to create a culture which will facilitate the disclosure of information by employees relating to criminal and other irregular conduct in the workplace, and promote the eradication of criminal and other irregular conduct within SITA.

SITA's Anti-Corruption and Anti-Fraud Policy and Response Plan which serves to confirm SITA's "zero tolerance" stance towards corruption and fraud, emphasises that reported allegations of fraud, corruption or other crimes of dishonesty committed by any employee of the Agency will be pursued through thorough investigation and to the full extent of the law.

10. Minimising Conflict of Interest

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:

- a) 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 potential to interfere, with their obligations to SITA, or improperly influence the judgement expected of them when acting on behalf of SITA.
- b) To protect directors, executives, prescribed officers, managers, employees and consultants from real or perceived charges of conflict of interest, by providing 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.

- c) 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.
- d) 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 policy objectives are:

- a) To promote and enforce ethical business practices and standards in SITA.
- b) To provide guidance on the behaviours expected in accordance with the values of SITA.
- c) To promote transparency and avoid conflicts of interest.
- d) To ensure fairness and consistency in decision making.
- e) To document the process for the disclosure, approval and review of activities this may amount to actual, potential or perceived conflicts of interest.
- a) To provide a mechanism for the objective review of personal conflicts of interests.
- b) 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. In the case where the contract or transaction will be considered at a Board or Board Committee meeting, any person with a conflict of interest must disclose all material facts to the Chairman of the Board or the Board Committee prior to the meeting. Any person with a conflict of interest will not participate nor be permitted to hear the Board's or Committee's discussion of the matter except to disclose material facts and to respond to questions.

There is an obligation to report all incidents which are clearly in contravention of the SITA's Conflict of Interest, the SITA's Code of Ethics, the SITA's Gifts and Entertainment Policy, or the Prevention and Combating of Corrupt Activities Act (No. 12 of 2004). Any person who suspects that the Act has been contravened should immediately report it to the Office of the Company Secretary, the Chief Executive Officer or the Chairperson of the Social and Ethics Committee. If *prima facie* evidence exists that the Act has been transgressed, the matter should be reported to the SITA ethics officer or legal adviser who may, if necessary, and after appropriate consultation with the Company Secretary, Chief Executive Officer or the Chairperson of the Social and Ethics Committee, have the matter reported to SAPS.

11. Code of Conduct

The purpose of the SITA Code of Conduct (herein referred as to as the Code) is to establish a set of ethical values and standards that are consistent with the objectives and vision of SITA as well as the constitutional and legal framework.

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

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

12. Health Safety and Environmental Issues

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:

- a) Risk Assessments: Environmental risk 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.
- b) First Aid services: First Aid training has been provided to occupational health and safety representatives who inspect and manage first aid boxes.
- c) Legal Appointments: All Occupational Health and Safety Act related appointments were made (16.1 CEO; 16.2 CEO delegate; 17 (1) SHE Reps; 19 (2) SHE Committee; GAR 9 (2) Incident Investigators and GSR 3 (1) First Aiders as well as ER 9 Fire Fighters.
- d) The SHE Management Systems are based on the Occupational Health and Safety Assessment Series (OHSAS) 18000 as well as International Organisation of Standards (ISO) 1400.
- e) 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.

As part of ensuring that SITA complies with all the safety requirements, the following activities were undertaken during the reporting period:

12.1 Occupational health and safety audits

Internal OHS audits were conducted in all SITA offices. The outcomes of these audits were satisfactory in terms of compliance to the requirements of the Occupational Health and Safety Act (OHS Act 85 of 1993) and the National Building Regulations, South African National Standards (SANS) 10400 legislation. Remedial actions are in place to address areas where non-compliances were observed.

12.2 Health and safety legal appointments

Appointments of all OHS teams have been reviewed and training is underway to equip the team with the knowledge of requirements of occupational health and safety in the workplace.

12.3 Establishment of SHE Committees

SHE committees have been established and quarterly meetings were held to comply with the requirements of Section 19 of the OHS Act. SHE Committees are chaired by Provincial Managers in the Provinces and by the nominated Heads of Department for Head Office. Each committee includes a SHE representative, OHS consultant, chairperson of the evacuation committee, chairperson of the first aid committee and facilities management representatives.

12.4 Health and safety injuries

The most reportable injuries experienced within SITA included slipping, tripping and falling injuries. Progress has been made in the implementation of an OHS incident management system that will capture all incidents including non-compliance to promote incident reporting and awareness thereof in mitigation of the risks identified.

13. Company Secretary

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

- a) 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.
- b) Ensuring that SITA is compliant with all applicable laws and regulations, and that the Board is conversant and complies with the provisions of the SITA Act, the Companies Act, the Companies Regulations and the PFMA.
- c) Inducting and orienting new Directors and guiding Directors as to their duties, responsibilities and powers with particular reference to ethics and good governance.
- d) Providing legal advice to the Board and Board Committees on issues pertaining to, and of SITA.
- e) Assisting with Board Strategy and APP development as well as monitoring performance against predetermined objectives.
- f) Ensuring the Board has relevant, accurate, timely and complete information in order to monitor, review, make decisions and report to the shareholders.
- g) Preparing agendas for Board and Board Committee meetings in consultation with the Chairman of the Board and Chairpersons of Board Committees as well as ensuring that adequate notices of meetings are given and all meeting papers and other important information are provided in time.
- h) Ensuring that Board meetings are properly constituted and providing support to the Board Chairman and the Chairpersons of Board Committees during and outside meetings so as to ensure the proper running of Board and Board Committee meetings.
- i) 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.
- j) Arranging indemnification for Directors to the extent allowed by the law, ensuring the protection of the intellectual property of SITA and that the interests of SITA are protected when contracting.
- k) Ensuring that the Board has comprehensive communication and stakeholder management frameworks, strategies, policies and programmes.
- l) Acting as chief correspondent of SITA, and ensuring the preservation of institutional memory as prescribed by legislation and policy, or as deemed appropriate by the Board.

14. Social Responsibility

In line with the changing organisation, the Corporate Social Responsibility (CSR) regime was revised to align developmental objectives with the business.

To date thirty-six (36) schools throughout the country have been allocated ICT hardware, bringing the learners and their communities a step closer to participating in the digital world characterised by internet connectivity. Improvements were in place to prioritise and expedite connectivity in support of the government NDP and Policy.

A pilot project was conceived with the participation and cooperation of the Free State Education Department to equip and connect identified and benefiting communities as part of an aggressive drive to harness ICT to fight socio-economic challenges, design community-inspired solutions and develop relevant ICT skills at the community level to alleviate poverty.

The Project was inspired by the province's stellar performance in the 2016 matric results and its successful implementation is envisaged to increase employability and reduce historical imbalances. The aim is to expand the project nationally and encourage better participation with other spheres of government.

In the year under review, women leadership and other developmental initiatives took centre stage, with the Agency continuing to partner with the strategic role-players to develop a girl child, promote ICT awareness among women and contribute to the youth and women empowerment agenda.

15. Audit, Risk and Compliance Committee Report

As required by the PFMA, the Audit, Risk and Compliance Committee (ARCC) report is prepared as prescribed by Treasury Regulation 27 and in line with the recommendations of the King III Report on Corporate Governance for South Africa.

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

Terms of Reference of the Audit, Risk and Compliance Committee

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

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

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 charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The quality of financial information provided

The Committee is of the opinion, based on the information and explanations given by management, the Internal Auditors, and the Auditor-General on the results of its audits that the financial information provided to management and other users of such information is adequate, reliable and accurate.

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, management identified shortcomings in the internal control environment.

The ARCC had launched specific investigations into areas with weak internal control and areas which are prone to unethical behaviour. A forensic investigation focusing on irregular expenses, maladministration and nepotism in the Human Capital Management environment resulted in a

number of terminations through disciplinary action. Hereafter, management implemented significant centralised control over HR-related processes. The Supply Chain Management environment is currently being investigated, yielding considerable reason for concern pertaining to corruption within the organisation, but also with external stakeholders.

SITA's executive management, with full support from the Board, is in the process of identifying the culprits, prosecuting offenders, blacklisting guilty suppliers and reviewing the internal processes against adequacy of control.

Attention is drawn to the following areas, where further attention by management is required:

- a) Information Security (Cyber security); and
- b) Supply Chain Management.

Internal Financial Control

During the 2016/17 financial year, the ARCC reviewed the effectiveness of the company's system of internal financial control and, based upon the processes and assurances obtained from management, internal audit and external audit, the Committee is satisfied that the significant internal financial controls are effective.

The effectiveness of Internal Audit

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

Risk Management

A Risk Management Committee has been established within the company. The Committee shares its reports with the Audit, Risk and Compliance Committee. A risk register is maintained and updated to ensure that all the major risks facing the programmes of SITA are managed and monitored.

The Risk Management Division assists the ARCC in discharging its responsibilities in relation to the management of risks within the company in line with the Committee's oversight responsibilities. The ARCC receives and considers regular reports in relation to risk management related activities, from the Chief Risk Officer.

Compliance with legal and regulatory provisions

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

Evaluation of the Financial Statements

The Committee has evaluated the annual financial statements of the Agency for the year ended 31 March 2017 and, based on the information provided, concurs and accepts the Auditor-General's conclusions on the annual financial statements, and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor-General.



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

16. Social and Ethics Committee Report

The purpose of this report is to outline how the Social and Ethics Committee has discharged its responsibilities as set out in section 72 of the South African Companies Act No 71 of 2008, as amended ("the Act"), and regulation 43 of the Companies Regulations 2011 ("the regulation"), issued in terms of the Act.

The Committee is a statutory committee constituted by the Board and fulfils the required functions on behalf of the Board. The Board has delegated oversight of SITA's social and ethics management processes to the Social and Ethics Committee.

Composition

The Social and Ethics Committee comprises of three (3) non-executive directors. The Executive Directors and certain key members of management are invited as ex-officio members. On 14 December 2016, Mr Talib Sadik replaced Ms Michelle Williams upon the expiry of her term of office as the Chairperson of the Social and Ethics Committee. The committee met four (4) times during the 2016/17 financial year. The Company Secretary also acts as the Secretary of the Committee.

The table below provides details of attendance at meetings:

| Name | 20 April 2016 | 20 July 2016 | 19 October 2016 | 20 January 2017 |
|---|---------------|--------------|-----------------|-----------------|
| Ms Michelle Williams ³ (Chairperson) | √ | √ | √ | n/a |
| Mr Graeme Victor ⁴ | √ | √ | √ | n/a |
| Mr Gracious Ncanywa ⁵ | √ | √ | n/a | n/a |
| Ms Refiloe Mokoena ⁶ | √ | √ | n/a | n/a |
| Ms Seadimo Chaba ⁷ | n/a | n/a | n/a | √ |
| Mr Talib Sadik ⁸ (Chairperson) | n/a | n/a | n/a | √ |
| Dr Vuyokazi Mahlati ⁹ | n/a | n/a | n/a | √ |

Terms of reference

During 2016, the Committee revised its terms of reference to remove overlaps and duplications in the role of the committee and other committees. The Committee and the Board has adopted the revised terms of reference of the Social and Ethics Committee.

Role of the Social and Ethics Committee

The Committee performs an oversight and monitoring role in partnership with the Audit, Risk and Compliance Committee to ensure that SITA's business is conducted in an ethical and appropriately

³ Ms Michelle Williams term of office expired on 11 December 2016

⁴ Mr Graeme Victor – not reappointed to the Social and Ethics Committee

⁵ Mr Gracious Ncanywa's term of office expired on 18 September 2016

⁶ Ms Refiloe Mokoena's term of office expired on 18 September 2016

⁷ Ms Seadimo Chaba was appointed to the Committee in October 2016

⁸ Mr Talib Sadik was appointed as a Chairman of the Committee with effect from 14 December 2016

⁹ Dr Vuyokazi Mahlati was appointed as a member of the Committee with effect from 14 December 2016

governed manner and to develop and/or review policies, governance structures and existing practices which guide the Company's approach to new and emerging social and ethics challenges.

SITA fully subscribes to good corporate citizenship and actively promotes it as part of its culture. The Committee oversees the Agency's corporate social investment policy and its institutionalisation through the corporate social responsibility strategy which details the programmes and other interventions in support of SITA's business objectives as well as to contribute to the developmental agenda of the State.

Discharge of Responsibilities

During the 2016/17 financial year, the committee reviewed:

- a) Employment equity plans for the Agency;
- b) The Agency's performance in regard to black economic empowerment (BEE) as measured against the Department of Trade and Industry's (DTI's) generic broad-based black economic empowerment (BBBEE) scorecard;
- c) Skills and other developmental programmes, aimed at the educational development of employees;
- d) Corporate Social Investment programmes, including details of donations and charitable giving; and
- e) The Agency's risk register that addresses, *inter alia*, the risks associated with the Agency in addressing the statutory responsibilities of the Committee, how they are addressed, including combined assurance responses.

Codes and Policies

The Committee commissioned several initiatives to mitigate the risks associated with bribery and corruption in the workplace. The following priority ethics and compliance policies were developed and adopted by the Committee to ensure crucial aspects of ethics are governed and managed appropriately and with effect:

- a) Whistleblowing Policy;
- b) Anti-Fraud and Anti-Corruption Policy and Strategy;
- c) Conflict of Interest Policy; and
- d) Corporate Gifts and Entertainment Policy.

An online register for the declaration of conflicts of interest and an online gifts register represent two significant means of aiding policy implementation across the Agency.

All new employee contracts now include the employee conduct pledge, while existing employees continue with the voluntary endorsement of the good corporate citizen pledge. In addition, the Committee also approved the SITA Corporate Social Responsibility Policy and provided guidance and inputs into the related strategy.

Ethics Governance Structures

The Committee has, in fulfilling its mandate, continued to ensure collaboration between its own activities and those of other board committees and operational structures, such as the Board's Audit, Risk and Compliance Committee. Specific strategies to embed ethical behaviour in organisational culture, in support of the Code of Ethics will be prioritised in the new financial year.

The Committee has also recognised the need for a dedicated Ethics officer to ensure that:

- a) Appropriate structures, systems and processes for ethics management are in place;
- b) Ethics performance within the Agency is reported against agreed measures;
- c) Employees are familiar with and adhere to the Agency's ethical standards; and
- d) Ethics performance is reported on to the Agency's Social and Ethics Committee.

Institutionalising and Reporting

The Agency held a five-day fraud awareness campaign in November 2016 which coincided with the International Fraud Awareness week. Work sessions are continuing to educate staff on a range of ethics issues.

Conclusion

The Committee is of the view that the Agency takes its environmental, social and governance responsibilities seriously. Appropriate policies, plans and programmes are in place to contribute to social and economic development, good corporate citizenship, environmental responsibility, fair labour practices and good client relations.

No material non-compliance with legislation and regulation, or non-adherence with codes of best practice, relevant to the areas within the committee's mandate, has been brought to its attention. Based on its oversight activities to date, the Committee has no reason to believe that any such non-compliance or non-adherence has occurred.

The Committee recognises that the areas within its mandate are evolving and that management's responses too will adapt to changes in the environmental, social and governance environment.



Mr Talib Sadik
Chairperson of the Social and Ethic Committee
State Information Technology Agency SOC Ltd





PART D

HUMAN CAPITAL MANAGEMENT



1. Introduction

The primary focus of the Human Capital Management (HCM) within SITA includes attracting talent; training and developing employees; succession management and leadership development; employee engagement and retention; compensation and benefits; and organisational design and administration. These focus areas are aligned to the HCM value chain which seeks to attract and retain, align, develop, maintain and exit resources.

1.1 Overview of Human Capital Management

SITA is undergoing several changes in its business operations in order to improve operational efficiency, create value to the customer and remain relevant within the dynamic, ever evolving ICT industry. Specific, well planned initiatives and projects have been initiated to operationalise and invest in this strategic direction. In this regard, HCM has initiated a number of key activities aimed at developing, growing and re energising employees. These include, amongst others: development of key and relevant skills for the ICT sector, a more effective competency assessment, employee engagement, talent sourcing as well as recognition and reward.

The skills audit process within the core business areas commenced during the year under review, aimed at assessing competencies of key staff. This process seeks to identify developmental gaps with the purpose of upskilling employees to be ready to service current and future client's needs as well as that of the industry. Furthermore, a more specific objective is to ensure facilitation of the succession management process for the core, critical and scarce skills which have been identified.

In addition, SITA has implemented the youth development programme which aims to expose unemployed graduates and matriculants to meaningful training, work experience and bursaries opportunities to further their studies within the ICT discipline. It is envisaged that this will equip them with relevant skills and competencies that will enhance their chances of getting employment within SITA, government, the industry and advancing the sector.

A total of two hundred and nineteen interns (219) were engaged during the financial year 2015/2016. Of these, a total of 79 interns were absorbed in various Fixed Term Contractor positions. The contracts of the remainder were either extended, terminated due to operational requirements and/or they voluntarily resigned during the period under review.

As part of creating a more dynamic workforce, a number of staff engagement sessions were introduced to ensure that employees are committed and contributed positively to the Agency's strategic focus areas and alignment. To strengthen these engagement sessions, the recognition and reward programme (which includes both monetary and non-monetary elements) was initiated to recognise and reward employees who showed loyalty to the organisation as well as outstanding performance. The non-monetary element of the programme, which forms the core, was implemented in the last quarter of the 2016/17 financial year with recognition of employees who were involved in key organisational projects. A total of 560 employees received long service awards during the reporting period and this amounted to R1,782,000

Talent sourcing to find scarce skills in the ICT industry is another key dimension for HCM. The sector is characterised by fast-paced work changes which usually demands expert and highly skilled professionals who are able to translate clients' and industry needs into cutting edge solutions. Industry competition, the high value of this talent and challenge of retention makes this a huge but not insurmountable challenge.

An additional challenge is that SITA supports legacy systems used by our clients and these systems involve older technology. The skills to develop and support such systems are not readily available in the market and millennials are not keen to work on this old technology. HCM will need to become creative in finding effective solutions to this unusual challenge.

At the same time, the task of building capacity to address the skills gap will also need to be inwardly focused to provide opportunities for development of internal employees.

Lastly, over and above the normal talent sourcing process, a process to fill key leadership positions is currently underway and the Chief Procurement and Chief Risk Officer positions have been filled. The other vacant executive positions are at an advanced stage of recruitment and will be filled during the first quarter of the 2017/18 financial year.

1.2 Talent Management and Infrastructure Modernization

Talent Management and Infrastructure Modernization are indispensable to a remodelled State Information Technology Agency. Inspired human resources make all the difference and unsurprisingly are a driving force behind any systems and technology. This lies at the centre of the evolving SITA, to create a conducive environment that enables employees to grow and excel. As important as recruiting Top Talent to the Agency is, the ability to be challenged to unleash their best and develop professionally is decisive and ultimately guarantees commitment and performance.

As part of the vision to be the lead ICT Agency to the state, all employees are challenged notably through platforms such as the dragon's den and hackathons to become solutions oriented, putting themselves in the shoes of the citizen and creatively digging in deeper to develop viable solutions to improving quality of life of citizens while having fun at the same time.

1.3 Employee Wellness Programmes

The Employee Wellness Programme (EWP) is designed to provide support to employees through counselling services and to assist employees to resolve their emotional, financial and legal difficulties that are often experienced during difficult economic times. Health and Lifestyle Management Services is also provided to help manage a plethora of lifestyle related ailments. Onsite Assessment, Counselling and Referral are available to divisions where employees are in need of immediate stress interventions.

During the year under review, SITA has embarked on the following EWP interventions:

Sports Days

Sports and Recreation activities within SITA are aimed at promoting healthier lifestyle increasing employee morale combating health care costs reduction of stress and decreasing absenteeism. Furthermore through this program SITA in partnership with in house medical aid service providers delivered consultations with wellness coaches and personal trainers, a company fitness centre and or subsidized gym attendance and personalised health assessments. The program is expanded to include healthier food options by the SITA canteens, healthier newsletters, workshop and dietary counselling. As an outcome SITA is able to measure improvements in physical activity, healthy food consumption, weight loss, stress levels and blood pressure. All these activities are geared towards decreasing the prevalence of lifestyle diseases.

Spiritual Diversity Day

SITA recognises the importance of spirituality and religion in the workplace and the impact on broader societal challenges. This acknowledgement recognises the need to respect differences that exist among employees in respect to religion and the potential conflicts that can arise as a result discriminatory perceptions based on faith.

The focus for 2016's Spiritual Service Day intervention was to sensitize employees on these diversity issues with particular emphasis on racism given isolated but disturbing reports of such incidences within the South African Society. These differences if left unaddressed have potential to impact on staff morale, organisations reputation and healthy working relations. In partnership with the Defence and South African Police Services Chaplaincy services SITA conducted workshops both nationally and provincially.

Wellness Days

Wellness initiatives within SITA are conducted nationally to promote proactive healthy lifestyles emotional and improved financial wellbeing for employees. The focus for the reporting period was on prevention wellness and offering opportunities to strengthen a comprehensive wellness approach for employees. Through the wellness day conducted in partnership with in-house medical aid providers SITA was able to screen and gather data on employees profiles in respect to financial,

emotional and physical wellbeing. This Data is used to develop intervention strategies aimed addressing gaps identified and ultimately improve employee wellbeing.

2. Human Resource Oversight Statistics

2.1 Personnel Cost

The table below provides details of total personnel expenditure as a percentage of total organisational expenditure. 25% of the organisational expenditure during the reporting year consisted of personnel costs. This has improved compared to the 30% expenditure recorded during the previous financial year.

| PERSONNEL COST PER PROGRAMME | | |
|--|-------------------------------|--|
| Total Expenditure for the entity (R'000) | Personnel Expenditure (R'000) | Personnel Exp. As a % of Total Expenditure |
| R 5,736,445 | R 1,430,883 | 25% |

2.2 Personnel Cost by Occupational Levels

The table below provides details of the personnel costs by occupational levels for the year under review. 90.2% of the personnel expenditure is expended on professionally qualified and skilled technician levels which forms the core of service delivery in the business.

| PERSONNEL COST BY OCCUPATIONAL LEVEL | | | |
|--------------------------------------|------------------|-------------------------------|--|
| Occupational Levels | No. of Employees | Personnel Expenditure (R'000) | % of Personnel Exp to Total Personnel Cost |
| Top Management/ Executives | 4 | 9,271 | 0.7% |
| Senior Management | 4 | 32,801 | 2.3% |
| Professionally Qualified | 394 | 525,295 | 36.7% |
| Skilled Technician | 570 | 765,485 | 53.5% |
| Semi-Skilled | 127 | 96,268 | 6.7% |
| Unskilled Employees | 3 | 1,763 | 0.1% |
| Grand Total | 1102 | R 1,430,883 | 100% |

2.3 Training Costs

Training costs for the year under review are provided on the table below.

| TRAINING COSTS PER OCCUPATIONAL LEVEL | | | | | | | |
|---|--------------|------------|-------------------------------|------------------------------|--------------------------|--|--|
| Occupational Levels | Female Total | Male Total | Personnel Expenditure (R'000) | Training Expenditure (R'000) | No. of Employees Trained | Training Expenditure as a % of Personnel Expenditure | Average Training cost per Employee (R'000) |
| Top Management/ Executives ¹ | 1 | 3 | R 9,271 | R 17 | 4 | 0.18% | R 4.3 |
| Senior Management | 2 | 2 | R 32,801 | R 10 | 4 | 0.03% | R 2.5 |
| Professionally Qualified | 175 | 219 | R 525,295 | R 2,716 | 394 | 0.52% | R 6.9 |
| Skilled Technician | 290 | 280 | R 765,485 | R 5,509 | 570 | 0.72% | R 9.7 |
| Semi-Skilled | 96 | 31 | R 96,268 | R 688 | 127 | 0.71% | R 5.4 |
| Unskilled Employees | 1 | 2 | R 1,763 | R - | 3 | 0.00% | R - |
| Grand Total | 565 | 537 | R 1,430,883 | R 8,940 | 1102 | 0.62% | R 8.1 |

¹ Two non-executive members of the board were also trained during the reporting period. On average, most of the training cost is expended on the professionally qualified and skilled technicians. This is aligned to the personnel expenditure costs for this category which forms the core of service delivery in the business.

2.4 Reasons for Staff Leaving

The table below provides details on employment terminations. The larger percentage of employees who were terminated were Fixed Term Contractors (FTCs) whose contracts expired when projects ended. Further, 17.04% FTC resigned to take up permanent opportunities which come with added job security. Other terminations were related to new career opportunities outside SITA. Some of the gaps created by these terminations were filled by interns as part of youth development.

| Reason for Termination | Number | % of Total No of Staff Leaving |
|---------------------------------|------------|--------------------------------|
| Abscondment | 2 | 0.74% |
| Contractor Resignation | 46 | 17.04% |
| Deceased | 14 | 5.19% |
| Dismissal | 10 | 3.70% |
| Dissatisfaction: Job Content | 1 | 0.37% |
| Early Retirement: 55 > 60 | 5 | 1.85% |
| End of Contract | 83 | 30.75% |
| Full-Time Studies | 1 | 0.37% |
| Home - Personal Problems | 1 | 0.37% |
| Ill Health | 6 | 2.22% |
| New Career Opportunities | 54 | 20.00% |
| Other | 5 | 1.85% |
| Personal - Reason Not Disclosed | 13 | 4.81% |
| Relocate | 5 | 1.85% |
| Retirement | 24 | 8.89% |
| Grand Total | 270 | 100% |

2.5 Labour Relations: Misconduct and Disciplinary Action

The table below provides details of the disciplinary processes during the year under review. As compared to the last financial year, there has been an increase in the number of dismissals in the organisation. This is attributed to the implementation of good governance and consequence management.

| Status / Outcome | Number Closed |
|------------------------------------|---------------|
| Acquitted | 1 |
| Alternative to Dismissal | 1 |
| Dismissal | 7 |
| Final Written Warning | 2 |
| Incapacity – Terminated | 1 |
| Suspension & Final Written Warning | 3 |
| Transfer & Final Written Warning | 1 |
| Grand Total | 16 |

2.6 Equity Target and Employment Equity Status

SITA embarked on a cost containment exercise during the reporting period aimed at ensuring that the labour bill is within the R1.8 billion budgeted amount. Only revenue generating vacancies were prioritised for filling. This meant that there were limited employment opportunities affecting employment equity targets. The actual performance towards EE targets is as follows:

- a) The gender target was 45.2% and the actual performance was 46.3%
- b) The race target was set at 91% and the actual performance was 72.9%
- c) The disability target was set at 2% and the actual performance was 1.2%.

The table below provides details on the race and gender distribution for year under review.

| GENDER AND RACE DISTRIBUTION | | | | | | | | | | | | | | | |
|-------------------------------------|----------------|-----------------|---------------|--------------|---------------------|-------------------------|----------------------|----------------|-----------------|---------------|--------------|-------------------|-----------------------|-----------------------|--------------------|
| | Female | | | | Female Total | Gender EE Target | Gender Actual | Male | | | | Male Total | Race EE Target | Race EE Actual | Grand Total |
| | African | Coloured | Indian | White | | | | African | Coloured | Indian | White | | | | |
| Top Management | 1 | | | | 1 | 45.2% | 33.3 | 2 | | | | 2 | 90.1% | 100 | 3 |
| Senior Management | 11 | | | 3 | 14 | 45.2% | 37.8 | 12 | 1 | 2 | 8 | 23 | 90.1% | 70.3 | 37 |
| Professionally Qualified | 177 | 17 | 17 | 147 | 358 | 45.2% | 40.4 | 234 | 23 | 36 | 235 | 528 | 90.1% | 56.9 | 886 |
| Skilled, Academic | 598 | 28 | 13 | 213 | 852 | 45.2% | 46.3 | 637 | 60 | 64 | 227 | 988 | 90.1% | 76.1 | 1840 |
| Semi-skilled | 208 | 20 | 6 | 27 | 261 | 45.2% | 59.5 | 148 | 15 | 4 | 11 | 178 | 90.1% | 91.3 | 439 |
| Unskilled | 3 | | | | 3 | 45.2% | 27.3 | 8 | | | | 8 | 90.1% | 100 | 11 |
| Grand Total | 998 | 65 | 36 | 390 | 1489 | 45.2% | 46.3 | 1041 | 99 | 106 | 481 | 1727 | 90.1% | 72.9 | 3216 |

The table below provides statistics of employees with disability for year under review.

| DISTRIBUTION OF EMPLOYEES WITH DISABILITIES | | | | | | | | | | | | | |
|---|----------|----------|----------|----------|--------------|----------|----------|----------|-----------|------------|-------------|----------------------|----------------------|
| | Female | | | | Female Total | Male | | | | Male Total | Grand Total | Disability EE Target | Disability EE Actual |
| | African | Coloured | Indian | White | | African | Coloured | Indian | White | | | | |
| Top Management | | | | | 0 | | | | | 0 | 0 | 2% | 0.0 |
| Senior Management | 1 | | | | 1 | | | | | 0 | 1 | 2% | 2.7 |
| Professionally Qualified | | 1 | | | 1 | 1 | | | 5 | 6 | 7 | 2% | 0.8 |
| Skilled, Academic | | | | | 0 | 3 | | | 11 | 14 | 14 | 2% | 0.8 |
| Semi-skilled | 1 | 1 | | 3 | 5 | 1 | | 1 | 3 | 5 | 10 | 2% | 2.3 |
| Unskilled | 3 | | | 2 | 5 | | | | | 0 | 5 | 2% | 45.5 |
| Grand Total | 5 | 2 | 0 | 5 | 12 | 5 | 0 | 1 | 19 | 25 | 37 | 2% | 1.2 |



PART E

FINANCIAL INFORMATION



1. Certificate by Company Secretary

I, Tiyani Mongwe, in my capacity as Company Secretary for the State Information Technology Agency SOC Ltd, hereby certify that, to the best of knowledge and belief, the company has lodged with the Registrar of Companies, all such returns as required by the Companies Act No. 71 of 2008, and all such returns are true, correct and up to date.



Tiyani Mongwe
Company Secretary

2. Director's Report

The directors have pleasure in presenting their report, which forms part of the audited annual financial statements of the State Information Technology Agency SOC Ltd for the year ended 31 March 2017. This report and the annual financial statements comply with the requirements of the Public Finance Management Act No. 1 of 1999 (PFMA), the SITA Act No. 88 of 1998 (as amended by Act No. 38 of 2002) and the Companies Act No. 71 of 2008. The Board of Directors is the accounting authority in terms of section 49(2) (a) of the PFMA.

2.1 Nature of business

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

2.2 Registration details

The company's registration number is 1999/001899/30. The registered office is 459 Tsitsa Street, Erasmuskloof, Pretoria, 0048.

2.3 Ownership

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

2.4 Equity Contributed

There were no changes to either the authorised or issued share capital of the company during the year ended 31 March 2017. Details of the authorised and issued share capital can be found in note 11 to the annual financial statements.

2.5 Financial Highlights

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

The group financial performance is summarised as follows:

| Figures in Rand thousand | 31 March 2017 Rand | 31 March 2016 % change |
|-----------------------------------|-----------------------|---------------------------|
| Revenue | 5 680 793 | 4.07 |
| Gross surplus | 1 018 911 | 36.17 |
| Surplus for the year – before tax | 245 012 | 217.82 |
| Total assets | 3 916 530 | 3.28 |
| Net assets | 2 734 487 | 6.25 |
| Cash generated from operations | 234 737 | 89 |

2.6 Dividends

There were no dividends declared for the current financial year (2017: R Nil).

2.7 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.

2.8 Public Finance Management Act (PFMA)

2.8.1 PFMA compliance

Various sections of the PFMA place responsibility on the Board to ensure that the company complies with all applicable legislations. Any non-compliance with legislation is reported on a quarterly basis to both EXCO and the Board of Directors.

2.8.2 Materiality and Significance Framework

A Materiality and Significance Framework has been developed for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, as well as for significant transactions per section 54(2) of the Act, that require ministerial approval. The framework was approved by the Board of Directors and the Minister of Telecommunications and Postal Services for the 2016/17 financial year.

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

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

2.9 Public Private Partnerships

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

2.10 Basis of presentation

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

- a) Standards of GRAP that have been issued, but are not yet effective,
- b) International Public Sector Accounting Standards (IPSAS)
- c) International Financial Reporting Standards (IFRS)

2.11 Events Subsequent to the Date of Financial Position

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

2.12 Going Concern

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

2.13 Directors

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

Non-Executive Directors:

Chairman

Mr ZD Nomvete

(Acting) 21 November 2015 – 11 December 2017
Appointed 12 December 2016

Deputy Chairperson

Vacant

Members

Ms SH Chaba

Reappointed 12 December 2016

Adv J de Lange

Term ended 18 September 2016

Mr GZ Malele

Term ended 11 December 2016

Mr JS Mngomezulu

Reappointed 12 December 2016

Mr GA Victor

Reappointed 12 December 2016

Ms MO Williams

Term ended 11 December 2016

Mr NW Mudau

Reappointed 12 December 2016

Mrs N Ehrens

Appointed 12 December 2016

Mr T Sadik

Appointed 12 December 2016

Ms P Matlala

Appointed 12 December 2016

Ms N Magubane

Appointed 12 December 2016

Adv N Mahlangu

Appointed 12 December 2016

Dr VF Mahlati

Appointed 12 December 2016

Mr NW Mudau

Appointed 12 December 2016

Mr JS Mngomezulu

Reappointed 12 December 2016

Alternate Directors

Mr G Ncanywa

Term ended 18 September 2016

Mr DC Niddrie

Term ended 18 September 2016

Ms R Mokoena

Term ended 18 September 2016

Executive Directors

Dr SJ Mohapi (Chief Executive Officer)

Mr M Ndlangisa (Deputy Chief Executive Officer)

Term ended 31 May 2017

Ms RC Rasikhinya (Chief Financial Officer)

Company Secretary

Mr M Mzaidume

Resigned 30 June 2016

Ms SL Kgope (Acting)

Appointed 1 July 2016

Mr T Mongwe

Appointed 1 July 2017

3. Report of the Auditor-General to Parliament On The State Information Technology Agency SOC Limited

Opinion

1. I have audited the financial statements of the State Information Technology Agency SOC Limited set out on pages 98 to 138, which comprise the statement of financial position as at 31 March 2017, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the State Information Technology Agency SOC Limited as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with the 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) (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of the accounting authority for the financial statements

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

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

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

Report on the audit of the annual performance report

Introduction and scope

10. 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 material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2017:

| Programmes | Pages in the annual performance report |
|--------------------------------|--|
| Programme 1 – Service Delivery | 31 – 32 |
| Programme 2 – Infrastructure | 33 |
| Programme 3 – Procurement | 34 – 35 |

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the performance information for the programmes indicated above.

Other matters

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

Adjustment of material misstatements

16. I identified a material misstatement in the annual performance report submitted for auditing. The material misstatement was on the reported performance information relating to the programme 3 - procurement. As management subsequently corrected the misstatement, I did not raise a material finding on the usefulness and reliability of the reported performance information.

Achievement of planned targets

17. Refer to the annual performance report on pages 30 to 37 for information on the achievement of planned targets for the year and explanations provided for the under- or overachievement of a significant number of targets.

Report on the audit of compliance with legislation

Introduction and scope

18. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
19. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Expenditure management

20. Effective steps were not taken to prevent irregular expenditure during the current period, amounting to R449 985 582 (2017:R86 661 562; 2016:R363 324 020) identified in the current year, as disclosed in note 28 of the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. Of the R86 661 562 disclosed, R25 728 987 were as a result of new transactions identified in the current year whereas the remaining amounts are from previous years transactions regarded as irregular but still active.

Procurement and contract management

21. Deviations were approved by the delegated accounting official even though it was not impractical to invite competitive bids, in contravention of treasury regulation 16A6.4.

Other information

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

Internal control deficiencies

25. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation.

Financial and performance management

Compliance monitoring

26. Established controls for procurement were not always adhered to, as appropriate planning processes were not always evident to procure through competitive bidding processes.

Other reports

27. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigations

28. An independent consultant investigated an allegation of possible fraud relating to the human capital management division of the State Information Technology Agency SOC Limited, which covered the period from 1 April 2015 to 29 February 2016. The investigation was concluded in January 2017 and resulted in charges against 10 employees. These employees were dismissed or resigned by signing a mutual separation agreement.

29. The entity also requested an external forensic firm to conduct a comprehensive investigation into the entity's supply chain management division to investigate allegations of fraud. The investigation is expected to be concluded by August 2017.

Auditor-General

Pretoria
31 July 2017



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.



ANNUAL FINANCIAL STATEMENTS

The collage features several financial elements:

- Calculator:** A silver calculator is visible in the bottom left corner.
- Magnifying Glass:** A magnifying glass is positioned over a detailed financial table, highlighting specific data points.
- Financial Tables:**
 - Inventory Table:**

| | | | | | |
|-----------------------------------|-----------|---|---------|---|----------|
| Plus goods purchased/manufactured | 123,000 | 0 | 45,000 | 0 | \$300,00 |
| Total goods available | 200,000 | 0 | 250,000 | 0 | \$300,00 |
| Less ending inventory | 38,000 | 0 | 295,000 | 0 | \$300,00 |
| Total cost of goods sold | 20,000 | 0 | 200,000 | 0 | \$300,00 |
| Gross profit (loss) | 1,050,000 | 1 | 95,000 | 0 | \$500,00 |
 - Operating Expenses Table:**

| Operating Expenses | Current Month | | Year to Date | |
|-------------------------------|---------------|------------|--------------|------------|
| | Amount | % of Sales | Amount | % of Sales |
| Selling | | | | |
| Salaries and wages | 122,000 | | | |
| Commissions | 112,000 | 0 | 32,000 | 0 |
| Advertising | 335,000 | 0 | 22,000 | 0 |
| Depreciation | 10,000 | 0 | 37,000 | 0 |
| Total selling expenses | 684,000 | 1 | 151,000 | 1 |
| General/Administrative | | | | |
| Salaries and wages | 10,000 | 0 | | |
| Employee benefits | 63,000 | | | |
| Payroll taxes | 70,000 | | | |
| Insurance | | | | |
| Rent | | | | |
| Utilities | | | | |
| Depreciation | | | | |
| Office | | | | |
 - Quarterly/Annual Summary Table:**

| Line Item | January | February | March | April | May | June | July | August | September | October | November | December | Q4 | Annual |
|--------------------|---------|----------|--------|--------|--------|--------|--------|---------|-----------|---------|----------|----------|---------|-----------|
| Net Income | 65,000 | 75,000 | 85,000 | 75,000 | 80,000 | 90,000 | 85,000 | 100,000 | 105,000 | 110,000 | 120,000 | 145,000 | 385,000 | 1,185,000 |
| Operating Expenses | 60,000 | 70,000 | 80,000 | 70,000 | 75,000 | 85,000 | 80,000 | 90,000 | 95,000 | 100,000 | 110,000 | 130,000 | 315,000 | 1,075,000 |
| Net Profit | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 15,000 | 15,000 | 10,000 | 10,000 | 10,000 | 15,000 | 170,000 | 110,000 |
- Pie Chart:** A 3D pie chart is located on the right side, showing segments with percentages: 13%, 8%, 8%, 21%, and 16%.

4. Annual Financial Statements

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

Figures in Rand thousand

| | Note | 2017 | 2016 |
|---|------|------------------|------------------|
| Assets | | | |
| Non-current assets | | | |
| | | 1,377,260 | 1,249,749 |
| Property, plant and equipment | 4 | 756,719 | 839,191 |
| Intangible assets | 5 | 514,430 | 331,994 |
| Non-current portion of Prepayments | 10 | 70,254 | 13,724 |
| Deferred tax assets | 7 | 35,857 | 64,840 |
| Current assets | | | |
| | | 2,539,270 | 2,542,431 |
| Cash and cash equivalents | 8 | 1,183,329 | 1,152,486 |
| Trade and other receivables | 9 | 1,108,846 | 1,038,189 |
| Income Tax receivable | | 179,444 | 322,622 |
| Current portion of Prepayments | 10 | 67,651 | 29,134 |
| Total assets | | 3,916,530 | 3,792,180 |
| Net assets and liabilities | | | |
| Net assets | | | |
| | | 2,734,487 | 2,573,647 |
| Share capital | 11 | - | - |
| Reserves | 12 | 627,335 | 627,335 |
| Accumulated surpluses | | 2,107,152 | 1,946,312 |
| Liabilities | | | |
| Non-current liabilities | | | |
| | | 114,302 | 122,628 |
| Post-retirement employee benefits | 13 | 114,302 | 122,628 |
| Current Liabilities | | | |
| | | 1,067,741 | 1,095,905 |
| Trade and other payables | 14 | 841,696 | 873,744 |
| Income received in advance | 15 | 226,045 | 222,161 |
| Total net assets and liabilities | | 3,916,530 | 3,792,180 |

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2017

Figures in Rand thousand

| | Note | 2017 | 2016 |
|---|-------------|----------------|------------------|
| Revenue | 16 | 5,680,793 | 5,458,603 |
| Cost of sales | 17 | (4,661,882) | (4,710,313) |
| Gross surplus | | 1,018,911 | 748,290 |
| Other income | 18 | 38,345 | 57,419 |
| Operating expenses | 19 | (954,839) | (1,139,152) |
| Surplus/(Deficit) from operating activities | | 102,417 | (333,443) |
| Finance income | 20 | 192,273 | 169,475 |
| Finance expenses | 21 | (49,678) | (43,987) |
| Surplus/(Deficit) before income tax | | 245,012 | (207,955) |
| Income tax | 22 | (84,172) | 50,686 |
| Surplus/(Deficit) for the year attributable to shareholder | | 160,840 | (157,269) |

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2017

Figures in Rand thousand

| | Share capital | Reserve | Accumulated surpluses | Total |
|-----------------------------|----------------------|----------------|------------------------------|--------------|
| Balance as at 31 March 2015 | - | 627,335 | 2,103,581 | 2,730,916 |
| (Deficit) for the year | - | - | (157,269) | (157,269) |
| Balance as at 31 March 2016 | - | 627,335 | 1,946,312 | 2,573,647 |
| Surplus for the year | - | - | 160,840 | 160,840 |
| Balance as at 31 March 2017 | - | 627,335 | 2,107,152 | 2,734,487 |
| Note | 11 | 12 | | |

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

Figures in Rand thousand

| | Note | 2017 | 2016 |
|---|------|-------------|-------------|
| Cash flows from operating activities | | | |
| Receipts | | 6,390,211 | 5,513,730 |
| - Sale of goods and services | | 6,235,145 | 5,445,164 |
| - Finance income received | | 62,616 | 68,566 |
| - Income tax receipt | 29.1 | 92,450 | - |
| Payments | | (6,155,474) | (5,389,527) |
| - Payment to suppliers and employees | | (6,154,984) | (5,290,366) |
| - Finance costs paid | | (490) | (5,947) |
| - Income tax paid | 29.1 | - | (93,214) |
| Net Cash flows from operating activities | 29.2 | 234,737 | 124,203 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (32,837) | (309,621) |
| Purchase of intangible assets | | (171,057) | (201,795) |
| Proceeds from the sale of property, plant and equipment | | - | 294 |
| Net Cash flows from investing activities | | (203,894) | (511,122) |
| Cash flows from financing activities | | | |
| (Repayment)/Receipt of interest-bearing borrowings | | - | - |
| Net Cash flows from financing activities | | - | - |
| Increase/(Decrease) in cash and cash equivalents | | 30,843 | (386,919) |
| Cash and cash equivalents at beginning of year | | 1,152,486 | 1,539,405 |
| Cash and cash equivalents at end of year | 8 | 1,183,329 | 1,152,486 |

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2017

Figures in Rand thousand

| | Note | ACTUAL AS PER STATEMENT OF FINANCIAL PERFORMANCE | ADJUSTMENT FOR NOTIONAL INTEREST | ACTUAL EXCL. NOTIONAL INTEREST (A) | BUDGET (B) | VARIANCE % (A-B)/B |
|---|------|--|----------------------------------|------------------------------------|---------------|--------------------|
| Revenue | a | 5,680,793 | 88,425 | 5,769,217 | 6,395,449 | -9.79% |
| - Agency revenue | | 1,483,253 | 23,088 | 1,506,340 | 1,590,594 | |
| - Services revenue | | 4,197,540 | 65,337 | 4,262,877 | 4,804,855 | |
| Cost of sales | b | (1,454,739) | (39,809) | (1,494,547) | (5,173,077) | 71.11% |
| - Agency cost of sales | | 1,454,739 | - | 1,454,738 | 1,525,705 | |
| - Services cost of sales | | | 39,809 | 39,809 | 3,647,372 | |
| Gross surplus | | 4,226,054 | 48,616 | 4,274,670 | 1,222,372 | |
| - Agency gross surplus | | 28,514 | 23,088 | 51,602 | 64,889 | |
| - Services gross surplus | | 4,197,540 | 25,528 | 4,223,068 | 1,157,483 | |
| Other income | c | 38,345 | - | 38,345 | 21,370 | 79.43% |
| Operating expenses | d | (954,839) | 8,738 | (946,101) | (1,155,538) | 18.12% |
| Surplus before income tax | | 3,309,560 | 57,354 | 3,366,914 | 88,204 | |
| Net Finance income | e | 142,595 | (41,706) | 100,889 | 47,175 | 113.86% |
| Surplus before income tax | | 3,452,155 | 15,648 | 3,467,803 | 135,379 | 2461.55% |
| Income tax | | (84,172) | - | (84,172) | (37,906) | 122.05% |
| Surplus for the year attributable to shareholder | | 3,367,983 | 15,648 | 3,383,631 | 97,473 | 3371.36% |

- The budget represented above is the approved final budget that has been prepared on the accrual basis for a period of 1 year.
- Notional interest has been excluded for the purpose of the actual vs. budget comparison due to the fact that notional interest amount is not budgeted for.

Notes:

- The variance is mainly due to services revenue that was not realised.
- The variance is mainly due to revenue targets that were not met.
- The variance is mainly due to income received that was not anticipated.
- The variance is mainly as a result of cost saving initiatives that the company undertook during the year.
- The variance is mainly due to the net fair value adjustments on trade receivables and payables with regards to notional interests that are not considered for budgeting purposes.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. Reporting Entity

The State Information Technology Agency SOC Ltd (SITA) is a state owned company domiciled in South Africa. The company is primarily involved in the provision of information technology, information systems and related services in a maintained systems security environment on behalf of participating government departments, including provincial and local government departments. The financial statements for the year ended 31 March 2017 were authorised and approved in accordance with a resolution of the Board of Directors on 31 July 2017.

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); and
- 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 liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results thereof form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

3. Significant accounting policies

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

3.1 Foreign currency transactions

Transactions in currencies other than in Rand are defined as foreign currency transactions.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Rand at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities that are measured in terms of the historical cost in a foreign currency are translated at the exchange rate ruling at the original transaction date. Any foreign exchange differences are recognised in surplus or deficit in the period in which the difference occurs.

3.2 Financial instruments

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

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

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

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

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

At the end of each reporting period, financial assets measured at amortised cost are assessed irrespective of whether there is any objective evidence of impairment. If objective evidence exists that an impairment loss has been incurred, such loss is recognised in surplus or deficit. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

3.3 Property, plant and equipment**a) Recognition and measurement**

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

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

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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 | 5 - 54 years | 6 - 64 years |
| - Computer equipment | 3 - 25years | 3 - 29 years |
| - Office furniture | 3 - 36 years | 3 - 41 years |
| - Vehicles | 4 - 19 years | 16 - 22 years |

Depreciation methods, useful lives and estimated residual values are reviewed at each reporting date. The effect of changes in the depreciation methods, useful lives and estimated residual values are accounted for in accordance with GRAP 3 (Standard on Accounting Policies, Changes in Accounting Estimates and Errors), as a change in estimate.

d) Derecognition

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

3.4 Intangible assets

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

Intangible assets with finite useful lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation is charged to surplus or deficit on a straight line basis over the estimated useful lives of intangible assets. The amortisation period and the amortisation method is reviewed annually

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

and any changes are accounted for in terms of GRAP 3 (Standard on Accounting Policies, Changes in Accounting Estimates and Errors), as a change in accounting estimate.

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

Computer software

Computer software is initially recognised at cost. Subsequently it is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight line basis over the estimated useful life of the software. Annual license fees on software are expensed in the year of accrual.

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

| | Original useful lives | Revised useful lives |
|-------------------|------------------------------|-----------------------------|
| Computer Software | 2 - 26 years | 3 - 30 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.

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

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

3.5 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.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

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

a) Determining whether an arrangement contains a lease

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

- fulfilment of the arrangement is dependent on the use of an asset or assets, and this fact is not necessarily explicitly stated by the contract but rather implied; and
- the arrangement conveys a right to use the asset or assets, if one of the following conditions is met:
 - the purchaser has the ability or right to operate the asset or direct others to operate the asset; or
 - the purchaser has the ability or right to control physical access to the asset; or
 - there is only a remote possibility that parties other than the purchaser will take more than a insignificant amount of the output of the asset, and the price that the purchaser will pay is neither fixed per unit of output nor equal to the current market price at the time of delivery.

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

3.6 Impairment

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

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

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

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.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**3.7 Employee benefits****a) Defined contribution plan**

A defined contribution plan is a post-retirement benefit plan under which the company pays fixed contributions into a separate company and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the surplus or deficit when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

b) Defined benefit plan

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The post-retirement benefit plan is a defined benefit plan and medical benefits are provided for all permanent employees via three medical funds.

All contributions paid are charged to the surplus or deficit in the year to which they relate. 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 costs of these benefits are accrued for over the period of employment, using the projected unit credit method. Annual valuations of these obligations are carried out by independent qualified actuaries. Any actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised as an expense in the period in which the plan is amended.

c) Termination benefits

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

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

d) Short-term benefits

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

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

3.8 Provisions

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

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

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

3.9 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 shall be recognised when all the following conditions have been satisfied:

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

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

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

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

3.10 Finance income

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

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

3.11 Finance expenses

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

3.12 Taxation

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

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided for is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The effects of deferred taxation of any changes in tax rates is recognised in the surplus or deficit, except to the extent that it relates to items previously charged and credited directly to the statement of changes in net assets.

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

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

3.13 Contingent Liabilities

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

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

3.14 Capital Commitments

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

3.15 Related parties

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

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.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

All related party transactions that are not at arms length are disclosed separately in the financial statements. The objective of the financial statements is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

3.16 Irregular, fruitless and wasteful expenditure

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

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

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

3.17 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.

3.18 Events after reporting date

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

Two types of events can be identified:

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

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

4 Property, plant and equipment

| Figures in Rand thousand | Land | Buildings | Computer Equipment | Office furniture | Vehicles | Total |
|---------------------------------|---------------|------------------|--------------------|------------------|--------------|------------------|
| At 31 MARCH 2017 | | | | | | |
| Cost | | | | | | |
| Balance at beginning of year | 24,744 | 258,787 | 1,069,015 | 140,202 | 916 | 1,493,664 |
| Additions and improvements | - | 1,310 | 30,304 | 1,224 | - | 32,838 |
| Disposals/Retirements | - | (57) | (783) | (12) | - | (853) |
| Balance at end of year | 24,744 | 260,040 | 1,098,536 | 141,414 | 916 | 1,525,649 |
| Accumulated depreciation | | | | | | |
| Balance at beginning of year | - | (107,489) | (462,521) | (83,831) | (631) | (654,472) |
| Impairment | - | (5,137) | (11,121) | (3,165) | (25) | (19,448) |
| Depreciation charge | - | (5,157) | (87,373) | (3,244) | (33) | (95,806) |
| Disposals/Retirements | - | 44 | 747 | 5 | - | 796 |
| Balance at end of year | - | (117,739) | (560,268) | (90,235) | (689) | (768,930) |
| Net carrying amount | 24,744 | 142,301 | 538,268 | 51,179 | 227 | 756,719 |
| At 31 MARCH 2016 | | | | | | |
| Cost | | | | | | |
| Balance at beginning of year | 24,744 | 266,568 | 791,096 | 134,937 | 916 | 1,218,261 |
| Additions and improvements | - | 2,243 | 301,761 | 5,618 | - | 309,621 |
| Disposals/Retirements | - | (10,024) | (23,841) | (353) | - | (34,218) |
| Balance at end of year | 24,744 | 258,787 | 1,069,016 | 140,202 | 916 | 1,493,664 |
| Accumulated depreciation | | | | | | |
| Balance at beginning of year | - | (108,008) | (416,999) | (78,742) | (598) | (604,347) |
| Impairment | - | - | (1,213) | (14) | - | (1,227) |
| Depreciation charge | - | (5,043) | (64,267) | (5,126) | (33) | (74,470) |
| Disposals/Retirements | - | 5,562 | 19,959 | 51 | - | 25,571 |
| Balance at end of year | - | (107,489) | (462,520) | (83,831) | (631) | (654,473) |
| Net carrying amount | 24,744 | 151,298 | 606,496 | 56,371 | 285 | 839,191 |

- None of the items of property, plant and equipment are held under finance lease.
- A register of land and buildings is available for inspection at the registered office of the company.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

5 Intangible assets

Figures in Rand thousand

At 31 MARCH 2017

Cost

| | Intangible assets | Internally generated intangible asset | Total |
|-------------------------------|----------------------|--|------------------|
| Balance at beginning of year | 349,668 | 444,493 | 794,160 |
| Additions and improvements | 246,258 | 6,255 | 252,513 |
| Disposals/Retirements | (30,317) | - | (30,317) |
| Balance at end of year | 565,609 | 450,748 | 1,016,356 |

Accumulated amortisation

| | | | |
|-------------------------------|------------------|------------------|------------------|
| Balance at beginning of year | (152,065) | (310,101) | (462,166) |
| Amortisation charge | (64,032) | - | (64,032) |
| Disposals/Retirements | 24,472 | - | 24,472 |
| Impairment | (197) | (4) | (200) |
| Balance at end of year | (191,822) | (310,105) | (501,926) |

Net carrying amount

373,787 140,643 514,430

At 31 MARCH 2016

Cost

| | | | |
|-------------------------------|----------------|----------------|----------------|
| Balance at beginning of year | 199,328 | 400,139 | 599,465 |
| Additions and improvements | 157,440 | 44,354 | 201,795 |
| Disposals/Retirements | (7,100) | - | (7,100) |
| Balance at end of year | 349,668 | 444,493 | 794,160 |

Accumulated amortisation

| | | | |
|-------------------------------|------------------|------------------|------------------|
| Balance at beginning of year | (132,567) | (175,115) | (307,681) |
| Amortisation charge | (24,961) | - | (24,961) |
| Disposals/Retirements | 5,462 | - | 5,462 |
| Impairment | - | (134,986) | (134,986) |
| Balance at end of year | (152,066) | (310,101) | (462,166) |

Net carrying amount

197,602 134,392 331,994

- Intangible assets comprises of software and licenses.
- Internally generated intangible assets relate to the development of IFMS and solutions for Transversal Solutions.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

6 Capital and Operational commitments

Figures in Rand thousand

Budgeted and contracted for:

- Operational commitments
- Capital commitments
 - Buildings
 - Computer Equipment
 - Intangible assets

| | 2017 | 2016 |
|--|-----------|-----------|
| | 5,188,752 | 6,333,229 |
| | 292,145 | 423,983 |
| | 9,448 | - |
| | 46,458 | 20,423 |
| | 236,239 | 403,560 |
| | 5,480,897 | 6,757,212 |

The capital and operational commitments are funded through the company's operational activities. All operating lease commitments are disclosed separately on the Annual Financial Statements under note 25.

7 Deferred tax assets

Deferred tax assets are attributable to the following:

Figures in Rand thousand

- Movement in impairment on trade receivables
- Movement in intangible asset impairment
- Accrual for leave pay benefits
- Post-retirement medical benefits
- Income received in advance
- Notional interest adjustment
- Leases
- Prepayments
- Section 24C allowance
- Depreciation/amortisation

| Statement of financial performance movement | 2017 | 2016 |
|---|----------|-----------|
| | 1,629 | 20,263 |
| | 1 | 86,829 |
| | 4,196 | 23,438 |
| | (2,332) | 32,004 |
| | 1,088 | 63,293 |
| | 1,072 | (301) |
| | (379) | (726) |
| | (100) | (100) |
| | (1,088) | (63,293) |
| | (33,070) | (125,550) |
| | (28,983) | 35,857 |
| | 35,857 | 64,840 |

Reconciliation between opening and closing balance

- Deferred tax asset at beginning of year
- Statement of financial performance movement
 - current year
- Deferred tax asset at end of year

| | |
|----------|----------|
| 64,840 | 103,083 |
| (28,983) | (38,243) |
| (28,983) | (38,243) |
| 35,857 | 64,840 |

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

8 Cash and cash equivalents

Figures in Rand thousand

| | 2017 | 2016 |
|-----------------------------------|-----------|-----------|
| Cash with Banks | 1,183,329 | 1,152,486 |
| - Current account balance | 4,328 | 34,447 |
| - Interest Accrual | 213 | 230 |
| - Call account balance | 38,266 | 2,000 |
| - Monies held in trust | - | 34,814 |
| - Payroll account | 15 | 25 |
| - CPD account | 1,140,496 | 1,080,959 |
| - Cash float | 11 | 11 |
| Ring-fenced cash | (218,647) | (321,186) |
| - Cash Float - SITA Cafeterias | 11 | 11 |
| - Committed Funds | - | 18,645 |
| - IFMS Project | 62,307 | 62,307 |
| - Income received in advance | 153,571 | 132,064 |
| - Monies held in Trust | - | 34,814 |
| - Unidentified receipts | 2,758 | - |
| - Postretirement medical benefits | - | 73,345 |
| Available Cash | 964,682 | 831,300 |

- Ring-fenced cash represents cash received from customers to be utilised for specific projects in the future, deposits held for rental and municipalities and money that has been ring-fenced to manage the immediate risk of an uncovered post-retirement medical benefit liability.
- The company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 23.
- The average rate of interest on the cash balances was 7.36% (2016: 6.32%)

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

9 Trade and other receivables

| Figures in Rand thousand | 2017 | 2016 |
|---------------------------------------|------------------|------------------|
| Trade receivables | 1,169,165 | 1,080,806 |
| Less: Impairment of trade receivables | (92,697) | (85,244) |
| | 1,076,468 | 995,562 |
| Other receivables | 32,378 | 42,627 |
| | <u>1,108,846</u> | <u>1,038,189</u> |

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

10 Prepayments

| Figures in Rand thousand | 2017 | 2016 |
|--------------------------|----------------|---------------|
| Non-current portion: | 70,254 | 13,724 |
| Current portion | 67,651 | 29,134 |
| Total Prepayments | <u>137,905</u> | <u>42,858</u> |

11 Share Capital

| Figures in Rand thousand | 2017 | 2016 |
|----------------------------------|-------------|-------------|
| Authorised and issued | | |
| One ordinary share at R1.00 each | <u>1</u> | <u>1</u> |

12 Reserves

| Figures in Rand thousand | 2017 | 2016 |
|--------------------------|----------------|----------------|
| Opening balance | 627,335 | 627,335 |
| Movement | - | - |
| Closing balance | <u>627,335</u> | <u>627,335</u> |

The State Information Technology Agency Act, 1998 (Act no.88 of 1998) (as amended by Act no.38 of 2002) resulted in the reduction of the company's share capital from R627 334 547 to R1. Approval was granted by National Treasury to transfer the difference to reserves.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

13 Post-retirement employee benefits

Figures in Rand thousand

Present value of unfunded obligations

| 2017 | 2016 |
|---------|---------|
| 114,302 | 122,628 |
| 114,302 | 122,628 |

Movement in the present value of the defined benefit liability

Balance at beginning of year
Statement of financial performance movement
Current service cost
Interest cost
Contributions paid
Realised actuarial (gain)
Balance at end of year

| | |
|----------|----------|
| 122,628 | 127,446 |
| (8,326) | (4,818) |
| 4,079 | 4,412 |
| 14,060 | 11,442 |
| (802) | (683) |
| (25,663) | (19,989) |
| 114,302 | 122,628 |

Employee benefit expense:

Current service cost
Interest cost
Net actuarial gains recognised in surplus or deficit
Total employee benefit expense

| | |
|----------|----------|
| 4,079 | 4,412 |
| 14,060 | 11,442 |
| (25,663) | (19,989) |
| (7,524) | (4,135) |

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

Principal actuarial assumptions

| | | | |
|--|--|--|------|
| Gross Discount Rate | Zero-coupon South African bond yield curve - 10.9% | Zero-coupon South African bond yield curve - 11.5% | |
| Healthcare Cost Inflation | 2% higher than CPI inflation - 10.10% | 2% higher than CPI inflation - 11% | |
| Pre-retirement mortality assumptions: | | | |
| - Males | SA85-90 L | SA85-90 L | |
| - Females | SA85-90 L | SA85-90 L | |
| Post-retirement mortality assumptions: | | | |
| - Males | PA(90) rated down 2 year(s) plus 1% future improvement | PA(90) rated down 2 year(s) plus 1% future improvement | |
| - Females | PA(90) rated down 2 year(s) plus 1% future improvement | PA(90) rated down 2 year(s) plus 1% future improvement | |
| Expected retirement ages: | | | |
| - Males | 65 years - ex Infoplan; 60 years - others | 65 years - ex Infoplan; 60 years - others | |
| - Females | 65 years - ex Infoplan; 60 years - others | 65 years - ex Infoplan; 60 years - others | |
| Continuation percentage | | 100% | 100% |
| Percentage married at retirement | | 90% | 90% |

The medical inflation rate is assumed to be 0.5% lower than the valuation discount rate at each term to maturity.

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

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

The amounts due in respect of the company's liability regarding the post-retirement medical benefit has been determined by independent actuaries as at 31 March 2017 using the projected unit credit method.

The current service cost, interest cost and actuarial gains and losses are included in the line item Operating Expenses (staff costs) in the Statement of Financial Performance.

It is anticipated that the contributions to be paid in 2017/18 will amount to R 922 000

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

Sensitivity analysis relating to the assumed medical cost trend rates:

| | Increase of 1% | Base | Decrease of 1% |
|--|---------------------------|-------------|---------------------------|
| Change in Liability in Rand | 142,176 | 114,302 | 92,995 |
| Change in Liability as a % | 24.4% | | -18.6% |
| Service cost and Interest cost in Rand | 22,890 | 18,139 | 14,548 |

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-------------|-------------|-------------|-------------|-------------|
| Experience adjustments | (18,145) | (14,027) | (12,050) | (24,098) | (27,052) |
| Present value of defined benefit obligation | 114,302 | 122,628 | 127,446 | 109,267 | 124,988 |

13.1 Employee benefits

All permanent employees are members of the following independent funds:

Denel Retirement Fund:

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

Government Employees Pension Fund:

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

SITA Pension Fund:

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

The contributions charged against income for the above mentioned pension funds amounted to R100.5 million (2016: R95.3 million).

Current medical benefits:

The company contributes to three medical aid schemes for the benefit of permanent employees and their dependents. Contributions charged against income amounted to R96.3 million (2016: R103.1 million). The company's financial obligation is limited to the current company contributions.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

14 Trade and other payables

Figures in Rand thousand

| | 2017 | 2016 |
|--------------------|---------|---------|
| Trade payables | 686,288 | 730,457 |
| Leave pay accrual | 83,708 | 68,723 |
| Non-trade payables | 71,700 | 74,564 |
| | 841,696 | 873,744 |

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

15 Income received in advance

Figures in Rand thousand

| | 2017 | 2016 |
|------------------------------------|---------|---------|
| Unearned Revenue | 10,167 | 27,791 |
| Ring fenced cash (Refer to note 8) | 215,878 | 194,370 |
| - Income received in advance | 153,571 | 132,064 |
| - IFMS | 62,307 | 62,306 |
| | 226,045 | 222,161 |

- Income received in advance represents monies received from customers to be utilised for specific projects in future periods.
- Unearned Revenue represents amounts that have been billed as per the contract with the customer, but relate to future activity of the contract.

16 Revenue

Figures in Rand thousand

| | 2017 | 2016 |
|------------------|-----------|-----------|
| Agency Revenue | 1,483,253 | 1,338,204 |
| Services Revenue | 4,197,540 | 4,120,399 |
| | 5,680,793 | 5,458,603 |

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

17 Cost of sales

Figures in Rand thousand

Agency Cost of Sales
Services Cost of Sales

| | 2017 | 2016 |
|--|-----------|-----------|
| | 1,454,738 | 1,243,532 |
| | 3,207,144 | 3,466,781 |
| | 4,661,882 | 4,710,313 |

18 Other income

Figures in Rand thousand

Profit on disposal of assets
Rental income
Income from GovTech conference
Sundry income

| | 2017 | 2016 |
|--|--------|--------|
| | - | 37 |
| | 12,246 | 8,190 |
| | 21,351 | 23,889 |
| | 4,748 | 25,303 |
| | 38,345 | 57,419 |

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

19 Operating expenses

The following separately disclosable items are included in operating expenses:

Figures in Rand thousand

Auditor's remuneration

| | 2017 | 2016 |
|---|----------|-----------|
| - Audit fees | 13,409 | 13,130 |
| Amortisation | | |
| Total amortisation | 64,032 | 24,961 |
| Included in Cost of sales | (59,823) | (23,391) |
| Non-recoverable amortisation | 4,209 | 1,570 |
| Depreciation | | |
| Total depreciation | 95,806 | 74,470 |
| Included in cost of sales | (83,501) | (69,956) |
| Non-recoverable depreciation | 12,305 | 4,514 |
| Impairment movement | | |
| - Trade and other receivables | 6,538 | (191,960) |
| - Impairment of Property, Plant and Equipment | 19,448 | 1,227 |
| - Impairment of Intangible assets | 200 | 134,986 |
| Bad debt written-off | 2,709 | 195,830 |
| Net Loss on disposal of assets | 5,901 | 10,027 |
| Operating lease expense | 32,199 | 46,751 |
| Staff costs | 514,812 | 528,789 |

Amortisation

Depreciation

Impairment movement

Bad debt written-off

Net Loss on disposal of assets

Operating lease expense

Staff costs

Refer to Annexure A for Director's remuneration

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

19 Finance income

Figures in Rand thousand

| | 2017 | 2016 |
|---|---------|---------|
| Notional Interest earned | 90,572 | 93,822 |
| Foreign exchange gain | 2,325 | 356 |
| Interest on cash balances | 69,628 | 68,566 |
| Interest on Provisional tax overpayment | 4,460 | 6,731 |
| Interest received - other | 25,288 | - |
| | 192,273 | 169,475 |

20 Finance expenses

Figures in Rand thousand

| | 2017 | 2016 |
|----------------------------|--------|--------|
| Notional Interest incurred | 48,866 | 33,959 |
| Interest paid | 678 | 5,947 |
| Foreign exchange loss | 134 | 4,081 |
| | 49,678 | 43,987 |

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

21 Income tax expense

Figures in Rand thousand

| | 2017 | 2016 |
|---|----------|-----------|
| Current tax expense | | |
| Income tax charge | 55,189 | (88,140) |
| Prior year under provision | - | (790) |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | 28,983 | 38,243 |
| Total income tax expense | 84,172 | (50,687) |
| Reconciliation of effective tax rate | | |
| Surplus/(Deficit) for the period | 160,840 | (157,269) |
| Total income tax expense | (84,172) | 50,686 |
| Surplus/(Deficit) excluding income tax | 245,012 | (207,956) |

| | 2017 | | 2016 | |
|--|--------|--------|--------|----------|
| | % | R | % | R |
| Income tax using the company's domestic tax rate | 28.00% | 68,603 | 28.00% | (58,227) |
| Non-deductible expenses | 6.35% | 15,569 | -3.63% | 7,541 |
| Effective income tax | 34.35% | 84,172 | 24.37% | (50,686) |

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

23 Financial instruments

a) Credit risk

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

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

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

| Figures in Rand thousand | Note | Carrying amount | |
|---------------------------|------|------------------|------------------|
| | | 2017 | 2016 |
| Trade Receivables | 9 | 1,076,468 | 995,562 |
| Other receivables | 9 | 32,378 | 42,626 |
| Cash and cash equivalents | 8 | 1,183,329 | 1,152,486 |
| | | 2,292,175 | 2,190,674 |

Impairment losses

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

| Figures in Rand thousand | 2017 | 2016 |
|-------------------------------|------------------|----------------|
| Not past due | 712,482 | 681,173 |
| Past due 0 - 30 days | 184,679 | 81,879 |
| Past due 31 - 90 days | 40,444 | 76,933 |
| Past due 91 - 360 days | 111,429 | 94,711 |
| Past due - more than 360 days | 27,434 | 60,866 |
| | 1,076,468 | 995,562 |

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

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

Credit quality of financial assets

Trade receivables

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

Cash at bank

| | 2017 | 2016 |
|-----------------|-----------|-----------|
| Zero risk (CPD) | 1,140,496 | 1,080,959 |
| Fitch BB+ | 42,609 | 71,286 |
| Cash on hand | 224 | 240 |
| | 1,183,329 | 1,152,485 |

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

| | 2017 | 2016 |
|------------------------------|--------|-----------|
| Balance at beginning of year | 85,244 | 304,078 |
| Impairment loss recognised | 7,453 | (218,834) |
| Balance at end of year | 92,697 | 85,244 |

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

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

b) Liquidity risk

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

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

31 March 2017

| Figures in Rand thousand | Carrying amounts | Contractual cash flow | 6 months or less | 6 - 12 months | 1 - 2 years |
|--------------------------|------------------|-----------------------|------------------|---------------|-------------|
| Trade and other payables | 841,696 | 841,696 | 841,696 | - | - |
| | <u>841,696</u> | <u>841,696</u> | <u>841,696</u> | <u>-</u> | <u>-</u> |

31 March 2016

| Figures in Rand thousand | Carrying amounts | Contractual cash flow | 6 months or less | 6 - 12 months | 1 - 2 years |
|--------------------------|------------------|-----------------------|------------------|---------------|-------------|
| Trade and other payables | 873,744 | 873,744 | 873,744 | - | - |
| | <u>873,744</u> | <u>873,744</u> | <u>873,744</u> | <u>-</u> | <u>-</u> |

c) Currency risk

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

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

d) Interest rate risk

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

| Figures in Rand thousand | Carrying amount | |
|--------------------------|-----------------|------|
| | 2017 | 2016 |
| | | |

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

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

Fair value sensitivity analysis for fixed rate instruments

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

Variable interest rate

| | | |
|---------------------------|-----------|-----------|
| Cash and cash equivalents | 1,183,329 | 1,152,486 |
|---------------------------|-----------|-----------|

Fair value sensitivity analysis for variable interest rate instruments

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

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

| | | |
|--|-------|-------|
| | 1,183 | 1,152 |
|--|-------|-------|

e) Categories of financial instrument

Financial instruments at amortised cost:

| | | |
|-----------------------------|-----------|-----------|
| Cash and cash equivalents | 1,183,329 | 1,152,486 |
| Trade and other receivables | 1,108,846 | 1,038,189 |
| Trade and other payables | 841,696 | 873,744 |

24 Related parties

Transactions with government

The company is 100% owned by the government of South Africa represented by the Minister of Telecommunications and Postal Services.

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

Related parties of the company consist of government departments, state-owned enterprises and other public entities in the national sphere of government and key management personnel of the company and close family members of related parties. All transactions entered into with related parties are at arm's length. This entails that all transactions occur in the normal course of operations and are at the same terms and conditions as available to all customers and suppliers alike.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

Transactions with key management personnel

The key management personnel are directors and executive managers of the company for the year ended 31 March 2017.

Transactions with key management personnel are disclosed in Annexure A.

25 Operating leases

Operating lease expense

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

Figures in Rand thousand

| | 2017 | 2016 |
|-----------------------|--------|--------|
| Less than 1 year | 15,224 | 22,246 |
| Between 1 and 5 years | 10,581 | 26,785 |
| More than 5 years | - | - |
| | 25,805 | 49,031 |

Operating lease income

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

Figures in Rand thousand

| | 2017 | 2016 |
|-----------------------|------|------|
| Less than 1 year | 97 | 36 |
| Between 1 and 5 years | 221 | 182 |
| More than 5 years | 157 | 319 |
| | 475 | 537 |

The average period for operating lease agreements is 5 years.

26 Contingent liabilities

Litigations and claims:

There are various claims against SITA estimated at approximately R25.6 million. Based on legal advice, the probability is not determinable in the majority of these claims as the ruling could go either way. Furthermore, it is not possible at this stage to estimate the exact potential damages and legal costs involved as it will have to be proved by the plaintiffs/defendants. Legal costs in respect of these matters is expected to amount to approximately R4 million.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

27 Standards issued but not yet effective

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

| | Standard/Interpretation | Applicable to SITA |
|----------|-------------------------------------|---------------------------|
| GRAP 20 | Related Party Disclosures | YES |
| GRAP 32 | Service concession arrangements | N/A |
| GRAP 108 | Statutory Receivables | N/A |
| GRAP 109 | Accounting by Principals and Agents | N/A |

With regards to GRAP 20 an assessment of the impact of their application has been made and it has been determined that these standards will only have a impact on the company's disclosure in the annual financial statements. No effective date has been determined by the Minister of Finance and no early adoption of the standard has been made by SITA.

28 a) Irregular Expenditure

Opening Balance
 Add: Irregular Expenditure - detected in the current financial year
 - Amount relating to prior financial years
 - Amount relating to current financial year
 Less: Amounts condoned
 Add/(Less): Prior year adjustment
 Less: Amounts recoverable (not condoned)
 Less: Amounts not recoverable (not condoned)

Irregular expenditure awaiting condonation

Analysis of expenditure awaiting condonation per age classification

Current year
 Amounts condoned
 Prior year adjustment
 Amounts not recoverable (not condoned)
 Prior years

Total

| | 2017 | 2016 |
|--|----------------|----------------|
| | R | R |
| Opening Balance | 113,497 | 56,804 |
| Add: Irregular Expenditure - detected in the current financial year | 449,985 | 63,419 |
| - Amount relating to prior financial years | 363,324 | 11,305 |
| - Amount relating to current financial year | 86,661 | 52,114 |
| Less: Amounts condoned | (2,184) | - |
| Add/(Less): Prior year adjustment | - | (6,726) |
| Less: Amounts recoverable (not condoned) | - | - |
| Less: Amounts not recoverable (not condoned) | (7,356) | - |
| Irregular expenditure awaiting condonation | 553,942 | 113,497 |
| Analysis of expenditure awaiting condonation per age classification | | |
| Current year | 449,985 | 63,419 |
| Amounts condoned | (2,184) | - |
| Prior year adjustment | - | - |
| Amounts not recoverable (not condoned) | (7,356) | - |
| Prior years | 113,497 | 50,078 |
| Total | 553,942 | 113,497 |

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

b) Fruitless and Wasteful Expenditure

| | 2017 | 2016 |
|--|---------------|---------------|
| | R | R |
| Opening Balance | 11,664 | 10,392 |
| Add: Fruitless and Wasteful expenditure - detected in the current financial year | 410 | 1,272 |
| - Amount relating to prior financial years | - | - |
| - Amount relating to current financial year | 410 | 1,272 |
| Less : Amounts written off | - | - |
| Less: Amounts not recoverable (not condoned) | - | - |
| Fruitless and wasteful expenditure awaiting write-off | 12,074 | 11,664 |
| Analysis of expenditure awaiting write-off per age classification | | |
| Current year | 410 | 1,272 |
| Prior years | 11,664 | 10,392 |
| Total | 12,074 | 11,664 |

Details of Fruitless and Wasteful Expenditure

Prior Years

The prior years fruitless and Wasteful expenditure is made up of **R 8,530,842** resulting from compounded interest accumulated over the past 4 years in respect of back billing for the period March 2011 to March 2014, **R 450,000** paid in respect of contract termination with a supplier, **R 822,407** interest charged for late payments and **R 1,861,517** that relates to a matter under criminal investigation by the Serious Commercial Crime Unit (SCCU). The matter was finalised and ruled in favour of SITA.

Current year

The amount of **R 410,045** represents fruitless and Wasteful expenditure resulting from interest charged for late payments.

Management has established the Loss Control Committee to ensure effective management of incidents of financial misconduct. A number of formal investigations relating to irregular expenditure and fruitless and wasteful expenditure have been initiated and the majority of the cases were still under investigation at year-end. As a result no disciplinary cases were concluded during the year. Appropriate action will be taken as soon as the investigations have been finalised.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

1 Details of Irregular Expenditure - Detected during the current year

Figures in Rand thousand

| Item No. | Incident | Prior Year 2016 | Current Year | Totals |
|---------------|--|-----------------|---------------|----------------|
| 1 | IE00107 Irregular Expenditure arising from exceeding the contract amount due to inclusion of services within the contract without costing. | - | 9,661 | 9,661 |
| 2 | IE00108 Irregular Expenditure due to a deviation from the normal SITA SCM procurement process without the required approval. | - | 1,224 | 1,224 |
| 3 | IE00110 Irregular Expenditure arising from continued procurement of system support services for South African Air Force's Integrated Command and Control system after the contract expired. | - | 9,044 | 9,044 |
| 4 | IE00111 Irregular Expenditure arising from continued procurement of microfilm and archiving services after the contract expired. | - | 924 | 924 |
| 5 | IE00112 Irregular Expenditure arising from continued procurement of infrastructure maintenance services after the contract expired. | - | 1,876 | 1,876 |
| 6 | IE00113 Irregular Expenditure arising from continued procurement of Access Link & Bandwidth services after the expiry of RFQs validity periods. | 260,803 | 50,897 | 311,700 |
| 7 | IE00120 Irregular expenditure arising from broad band upgrades that were not properly approved by the delegated authority. | 100,474 | - | 100,474 |
| 8 | IE00121 Irregular expenditure arising procurement of financial modelling services without following competitive bidding process due to inadequate planning. | 183 | 707 | 890 |
| 9 | IE00122 Irregular expenditure arising procurement of consulting services without following competitive bidding process due to inadequate planning. | - | 12,281 | 12,281 |
| 10 | IE00123 Irregular expenditure arising procurement of leadership development services without following competitive bidding process due to inadequate management of the procurement process. | 1,864 | 47 | 1,911 |
| Totals | | 363,324 | 86,661 | 449,985 |

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

2 (a) Details of Irregular Expenditure Condoned

| Item No. | Incident | Condoned by (condoning authority) | Amount |
|---------------|--|-----------------------------------|--------------|
| 1 | IE00079 Continued procurement of software services after expiry of contract on 31 December 2013. | Board of Directors | 457 |
| 2 | IE00099 Continued procurement of mail cleansing services from the service provider after contract expired. | Board of Directors | 808 |
| 3 | IE00100 Procurement of maintenance and support services in respect of the Track and Trace System IT requirements outside the contract period. | Board of Directors | 919 |
| Totals | | | 2,184 |

Note: For the condoned irregular expenditure, value for money was received as service was received, the non-compliance was due to circumstances that were not within the control of management and therefore no official could be held responsible for the irregular expenditure.

2 (b) Details of prior year adjustments

The amount in respect of prior year adjustment relates to irregular expenditure cases that were detected during the 2013/14 financial year and reported as such in the relevant year. These cases were erroneously reported as new cases again during the 2014/15 financial year, resulting in overstatement of the irregular expenditure amount.

3 (c) Details of Irregular Expenditure not recoverable and not condoned

| Item No. | Incident | Condoned by (condoning authority) | Amount |
|---------------|---|-----------------------------------|--------------|
| 1 | IE00066 Continued procurement of waste removal services after expiry of contract on 30 September 2013 due to inadequate contract management. | Board of Directors | 8 |
| 2 | IE00081 Continued procurement of software services after expiry of contract on 31 December 2013 due to inadequate contract management. | Board of Directors | 36 |
| 3 | IE00082 Continued procurement of software services after expiry of contract on 31 December 2013 due to inadequate contract management. | Board of Directors | 55 |
| 4 | IE00031 Budget overrun on Tender 533 arising from the procurement of marketing items due to inadequate contract management. | Board of Directors | 1,636 |
| 5 | IE00038 Procurement of a Personnel Development Programme (PDP) without a contract. | Board of Directors | 5,611 |
| 6 | IE00067 Continued procurement of gardening services after expiry of contract on 30 September 2013 due to inadequate contract management. | Board of Directors | 10 |
| Totals | | | 7,356 |

Note: The basis for the write off was that value for money was received; preventative measures have been put in place to prevent recurrence, the officials responsible for the irregular expenditure are no longer within the employ of the entity and therefore disciplinary action would not be possible.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

29 Cash flow notes

29.1 Normal tax (received)/paid

Figures in Rand thousand

| | 2017 | 2016 |
|---|-----------|-----------|
| Opening balance | (322,622) | (140,479) |
| Current year normal tax charge | 55,189 | (88,930) |
| Interest accrual on provincial tax over payment | (4,461) | (6,731) |
| Closing balance | 179,444 | 322,622 |
| | (92,450) | 86,482 |

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

29.2 Reconciliation of net cash flows from operating activities

Figures in Rand thousand

NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2017 | 2016 |
|--|----------------|-----------------|
| Surplus/(Deficit) before taxation | 245,012 | (207,955) |
| Adjustments for non-cash flow items: | | |
| -Depreciation/Amortisation/Adjustments | 159,838 | 99,431 |
| -Increase in provision for impairment - intangible assets | 200 | 134,986 |
| -Increase/(Decrease) in provision for impairment - debtors | 6,538 | (191,960) |
| -Bad debt written-off | 2,709 | 195,830 |
| -Increase in provision for Impairment of Property, Plant and Equipment | 19,448 | 1,227 |
| -Loss on disposal or scrapping of property, plant and equipment | 5,901 | 10,027 |
| -Profit on disposal or scrapping of property, plant and equipment | - | (37) |
| -(Decrease) in provision for post-retirement employee benefits | (8,326) | (4,818) |
| -Finance costs paid | 48,865 | 33,959 |
| -Finance income received | (95,033) | (93,822) |
| Operating profit before working capital changes | 385,152 | (23,132) |
| Working capital changes: | | |
| -(Increase)/Decrease in trade and other receivables | (80,820) | 7,684 |
| -(Increase)/Decrease in allowance for impairments | 915 | (26,874) |
| -(Increase) in prepayments made | (95,047) | (28,549) |
| -(Decrease)/Increase in trade and other payables | (113,503) | 185,300 |
| -Increase in income received in advance | 3,883 | 43,125 |
| Cash generated in operations | 100,580 | 157,554 |
| Normal taxation | 92,450 | (93,214) |
| Finance costs paid | (48,865) | (33,959) |
| Finance income received | 90,572 | 93,822 |
| | 234,737 | 124,203 |

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

ANNEXURE A

in Rand - 31 March 2017

| POSITION | Duration | Fees as Director | Acting Allowance | Basic Salary | Ad-hoc payment | Travel Allowances | Other allowances | Contributions to pension, medical or insurance funds | Total | |
|---|-----------|------------------|------------------|--------------|------------------|-------------------|------------------|--|----------------|------------------|
| NON-EXECUTIVE DIRECTORS | | | | | | | | | | |
| Chairman | | | | | | | | | | |
| Mr Z Nomvete | 12 months | 31-Mar-17 | 746,289 | - | - | - | 21,600 | 733 | - | 768,622 |
| MEMBERS | | | | | | | | | | |
| Ms R Mokoena** | 6 months | 30-Sep-16 | 158,058 | - | - | - | 4,686 | - | - | 162,744 |
| Ms S Chaba | 9 months | 31-Dec-16 | 415,718 | - | - | - | 13,431 | 235 | - | 429,384 |
| Mr Z Malele | 9 months | 31-Dec-16 | 489,186 | - | - | - | 13,992 | - | - | 503,178 |
| Ms N Mhlangu | 3 months | 31-Mar-17 | 75,661 | - | - | - | 1,815 | - | - | 77,476 |
| Mr MT Sadik | 3 months | 31-Mar-17 | 65,161 | - | - | - | 1,452 | - | - | 66,613 |
| DR VF Mahlati | 3 months | 31-Mar-17 | 67,019 | - | - | - | 759 | - | - | 67,778 |
| Mr G Ncanywa** | 6 months | 30-Sep-16 | 171,830 | - | - | - | 5,082 | - | - | 176,912 |
| Ms N Magubane | 3 months | 31-Mar-17 | 69,364 | - | - | - | 660 | - | - | 70,024 |
| Mrs N Ehrens | 3 months | 31-Mar-17 | 97,895 | - | - | - | 3,630 | - | - | 101,525 |
| Ms P Matlala | 3 months | 31-Mar-17 | 84,384 | - | - | - | 2,541 | - | - | 86,925 |
| Adv J De Lange** | 5 months | 31-Aug-16 | 59,344 | - | - | - | - | - | - | 59,344 |
| Mr G Victor | 12 months | 31-Mar-17 | 543,711 | - | - | - | 16,038 | - | - | 559,749 |
| Ms M Williams | 9 months | 31-Dec-16 | 214,353 | - | - | - | 4,653 | - | - | 219,006 |
| | | | 3,257,973 | - | - | - | 90,339 | 968 | - | 3,349,280 |
| EXECUTIVE DIRECTORS | | | | | | | | | | |
| Dr S Mohapi (Chief Executive Officer) | 12 months | 31-Mar-17 | - | - | 3,721,904 | - | - | 25,200 | 257,791 | 4,004,895 |
| Mr M Ndlangisa (Deputy Chief Executive Officer) | 12 months | 31-Mar-17 | - | - | 2,102,447 | - | 220,000 | 23,100 | 24,420 | 2,369,967 |
| Ms R Rasikhinya (Chief Financial Officer) | 12 months | 31-Mar-17 | - | - | 2,481,912 | - | - | 25,200 | 328,260 | 2,835,372 |
| | | | - | - | 8,306,263 | - | 220,000 | 73,500 | 610,471 | 9,210,234 |

** These are alternate directors of the company.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

| POSITION | Duration | Fees as Director | Acting Allowance | Basic Salary | Ad-hoc payment | Travel Allowances | Other allowances | Contributions to pension, medical or insurance funds | Total | |
|---|-----------|------------------|------------------|----------------|-------------------|-------------------|------------------|--|------------------|-------------------|
| EXECUTIVE COMMITTEE MEMBERS | | | | | | | | | | |
| Mr S Senti (Executive: Multi-Stakeholder Management) | 12 months | 31-Mar-17 | - | - | 2,281,916 | - | - | 14,400 | 24,604 | 2,320,920 |
| Mr Lucky Mochalibane (Acting Executive: Corporate Services) | 12 months | 31-Mar-17 | - | 69,597 | 1,174,528 | - | - | 14,400 | 179,691 | 1,438,216 |
| Mr D Boucher (Acting Chief Audit Executive) | 12 months | 31-Mar-17 | - | 119,600 | 1,422,769 | - | - | 14,400 | 258,760 | 1,815,529 |
| Mr S Tshibubudze (Chief Procurement Officer) | 1 months | 30-Apr-16 | - | - | 174,784 | - | 25,000 | 2,100 | 20,579 | 222,463 |
| Ms Jabulile Tlhako (Chief Procurement Officer) | 11 months | 31-Mar-17 | - | 80,938 | 1,534,996 | - | - | 13,200 | 121,791 | 1,750,925 |
| Mr M Dondolo (Acting Chief Risk Officer) | 11 months | 28-Feb-17 | - | 62,955 | 946,618 | - | - | 12,000 | 125,240 | 1,146,813 |
| Ms M Le Roux (Chief Risk Officer) | 1 months | 31-Mar-17 | - | - | 148,949 | - | - | 1,200 | 5,875 | 156,024 |
| Mr P Coertze (Acting Executive: Operations) | 12 months | 31-Mar-17 | - | 149,726 | 1,897,203 | - | 24,000 | 14,400 | 281,665 | 2,366,994 |
| Mr P Munyai (Chief Technology Officer) | 12 months | 31-Mar-17 | - | - | 2,299,254 | - | 360,000 | 25,200 | 184,230 | 2,868,685 |
| Mr A Pama (Acting Executive: Customer Relations) | 5 months | 31-Aug-16 | - | 67,371 | 659,601 | - | 40,000 | 6,000 | 82,108 | 855,079 |
| Ms J Shibambu (Acting Executive: Customer Relations) | 7 months | 31-Mar-17 | - | 34,294 | 882,924 | - | - | 14,700 | 126,200 | 1,058,119 |
| Mr W Needham (Acting Executive: PSCS) | 12 months | 31-Mar-17 | - | 92,736 | 1,324,055 | - | 44,362 | 13,150 | 291,997 | 1,766,299 |
| Mr M Mzaidume (Company Secretary) | 6 months | 30-Jun-16 | - | - | 304,161 | - | 11,400 | 6,300 | 56,527 | 378,388 |
| Ms S Kgope (Acting: Company Secretary) | 6 months | 31-Mar-17 | - | 44,126 | 595,996 | - | - | 8,550 | 69,695 | 718,366 |
| | | | - | 721,343 | 15,647,754 | - | 504,762 | 160,000 | 1,828,962 | 18,862,821 |

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

ANNEXURE A

in Rand - 31 March 2016

| POSITION | Duration | Fees as Director | Acting Allowance | Basic Salary | Ad-hoc payment | Travel Allowances | Other allowances | Contributions to pension, medical or insurance funds | Total | |
|---|-----------|------------------|------------------|--------------|------------------|-------------------|------------------|--|------------------|-------------------|
| NON-EXECUTIVE DIRECTORS | | | | | | | | | | |
| Chairman | | | | | | | | | | |
| Mr J Vilakazi | 8 months | 30-Nov-15 | 296,382 | - | - | 6,298 | - | - | 302,680 | |
| Mr Z Nomvete | 4 months | 31-Mar-16 | 205,251 | - | - | 9,289 | - | - | 214,540 | |
| Deputy Chairman | | | | | | | | | | |
| Vacant | - | - | - | - | - | - | - | - | - | |
| MEMBERS | | | | | | | | | | |
| Ms N January Bardill | 2 months | 30-May-15 | - | - | - | - | - | - | - | |
| Ms S Chaba | 12 months | 31-Mar-16 | 369,932 | - | - | 8,050 | - | - | 377,982 | |
| Adv J De Lange** | 12 months | 31-Mar-16 | 18,486 | - | - | - | - | - | 18,486 | |
| Mr N Gosebo* | 12 months | 31-Mar-16 | - | - | - | - | - | - | - | |
| Mr Z Malele | 12 months | 31-Mar-16 | 552,285 | - | - | 11,979 | - | - | 564,264 | |
| Adv B Matlejoane | 4 months | 31-Jul-15 | - | - | - | - | - | - | - | |
| Mr S Mngomezulu* | 12 months | 31-Mar-16 | - | - | - | 545 | - | - | 545 | |
| Ms R Mokoena** | 12 months | 31-Mar-16 | 135,095 | - | - | 3,267 | - | - | 138,362 | |
| Mr W Mudau** | 12 months | 31-Mar-16 | - | - | - | - | - | - | - | |
| Mr G Ncanywa** | 12 months | 31-Mar-16 | 192,430 | - | - | 3,993 | - | - | 196,423 | |
| Mr D Niddrie** | 12 months | 31-Mar-16 | - | - | - | - | - | - | - | |
| Mr Z Nomvete | 8 months | 30-Nov-15 | 281,503 | - | - | 11,036 | - | - | 292,539 | |
| Mr G Victor | 12 months | 31-Mar-16 | 348,865 | - | - | 11,979 | - | - | 360,844 | |
| Ms M Williams | 12 months | 31-Mar-16 | 298,099 | - | - | 4,682 | - | - | 302,781 | |
| | | | 2,698,328 | - | - | 71,118 | - | - | 2,769,446 | |
| EXECUTIVE DIRECTORS | | | | | | | | | | |
| Dr S Mohapi (Chief Executive Officer) | 12 months | 31-Mar-16 | - | - | 3,492,993 | - | 25,200 | 261,084 | 3,779,277 | |
| Mr F Nomvalo (Chief Executive Officer) | 0 months | 31-Mar-15 | - | - | - | 351,000 | - | - | 351,000 | |
| Mr M Ndlangisa (Deputy Chief Executive Officer) | 12 months | 31-Mar-16 | - | - | 2,136,918 | 240,000 | 25,200 | 25,074 | 2,427,192 | |
| Lt-Gen J Nkonyane (Ret.) (Deputy Chief Executive Officer) | 12 months | 31-Mar-16 | - | - | 2,088,226 | 360,000 | 25,200 | 25,547 | 2,498,972 | |
| Ms R Rasikhinya (Chief Financial Officer) | 5 months | 31-Mar-16 | - | - | 927,764 | - | 8,400 | 122,769 | 1,058,934 | |
| | | | - | - | 8,645,901 | 351,000 | 600,000 | 84,000 | 434,474 | 10,115,375 |

** These are alternate directors of the company.

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

| POSITION | Duration | Fees as Director | Acting Allowance | Basic Salary | Ad-hoc payment | Travel Allowances | Other allowances | Contributions to pension, medical or insurance funds | Total | |
|---|-----------|------------------|------------------|----------------|-------------------|-------------------|------------------|--|------------------|-------------------|
| EXECUTIVE COMMITTEE MEMBERS | | | | | | | | | | |
| Ms C Houvet (Office of the CEO) | 11 months | 28-Feb-16 | - | - | 1,537,279 | - | 79,914 | 23,100 | 354,730 | 1,995,023 |
| Mr J Moshesh (Chief Financial Officer) | 4 months | 31-Jul-15 | - | - | 569,964 | - | - | 8,400 | 18,855 | 597,219 |
| Mr A Pretorius (Acting Chief Financial Officer) | 3 months | 31-Oct-15 | - | 24,436 | 377,677 | - | - | 3,600 | 40,880 | 446,593 |
| Mr V Mlokothe (Executive: Corporate Services) | 12 months | 31-Mar-16 | - | - | 1,936,270 | - | 128,136 | 25,200 | 143,489 | 2,233,095 |
| Mr D Boucher (Acting Chief Audit Executive) | 12 months | 31-Mar-16 | - | 98,735 | 1,331,539 | - | - | 14,400 | 247,377 | 1,692,051 |
| Mr S Tshibubudze (Chief Procurement Officer) | 12 months | 31-Mar-16 | - | - | 1,228,894 | - | 300,000 | 25,200 | 240,020 | 1,794,114 |
| Mr P Munyai (Chief Technology Officer) | 12 months | 31-Mar-16 | - | - | 2,141,780 | - | 360,000 | 25,200 | 174,493 | 2,701,473 |
| Ms M Mosupi (Executive: Customer Services) | 6 months | 30-Sep-15 | - | - | 735,469 | - | 84,000 | 12,600 | 112,501 | 944,570 |
| Mr A Pama (Acting Executive: Customer Services) | 6 months | 31-Mar-16 | - | 17,490 | 697,579 | - | 48,000 | 7,200 | 95,956 | 866,225 |
| Dr D Mashao (Acting Executive: Solution Development, Norms & Standards) | 9 months | 31-Dec-15 | - | 78,090 | 986,554 | - | - | 10,800 | 167,645 | 1,243,089 |
| Mr P Coertze (Acting Executive: Operations) | 6 months | 31-Mar-16 | - | 82,285 | 903,985 | - | 12,000 | 7,200 | 153,304 | 1,158,774 |
| Mr W Needham (Acting Executive: PSCS) | 1 month | 31-Mar-16 | - | 9,091 | 102,123 | - | 3,697 | 950 | 23,254 | 139,115 |
| Mr M Dondolo (Acting Chief Risk Officer) | 12 months | 31-Mar-16 | - | 72,965 | 1,019,711 | - | - | 14,400 | 141,157 | 1,248,233 |
| Mr M Mzaidume (Company Secretary) | 12 months | 31-Mar-16 | - | - | 1,222,431 | - | 45,600 | 25,200 | 220,461 | 1,513,692 |
| | | | - | 383,092 | 14,791,255 | - | 1,061,347 | 203,450 | 2,134,122 | 18,573,266 |



State Information Technology Agency SOC Ltd

Erasmuskloof (head office)

t +27 12 482 3000

f +27 12 367 5151

Postal Address:

P. O Box 26100
Monument Park,
Pretoria, 0105

Physical Address:

459 Tsitsa Street
Erasmuskloof
Pretoria
0048

ISBN: 979-10-1-521256-4