

2018/19

SITA ANNUAL REPORT



COMMITTED TO LEVERAGING
INFORMATION TECHNOLOGY (IT)
AS A STRATEGIC RESOURCE
FOR GOVERNMENT



SITA

stateinformationtechnologyagency



stateinformationtechnologyagency

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Part A:



GENERAL INFORMATION

Information PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME

State Information Technology
Agency (SITA) SOC Ltd

REGISTRATION NUMBER

1999/001899/30

PHYSICAL ADDRESS

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EXTERNAL AUDITORS

Auditor-General of South Africa

BANK

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

COMPANY SECRETARY

Ms Shirley Kgope



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LIST OF **ABBREVIATIONS/ACRONYMS**

THE FOLLOWING ABBREVIATIONS USED THROUGHOUT THIS DOCUMENT CAN BE REFERENCED BY THE KEYS BELOW FOR EASY READING.

1. ABIS	Automated Biometric Identification System
2. AFS	Annual Financial Statements
3. AG	Auditor-General of South Africa
4. APP	Annual Performance Plan
5. ARCC	Audit, Risk and Compliance Committee
6. BBBEE	Broad-Based Black Economic Empowerment
7. CAPEX	Capital Expenditure
8. CAS	Crime Administration System
9. CEO	Chief Executive Officer
10. CSIR	Council for Scientific and Industrial Research
11. DBE	Department of Basic Education
12. DOD	Department of Defence
13. DHA	Department of Home Affairs
14. DCDT	Department of Communication and Digital Technologies
15. DPSA	Department of Public Service and Administration
16. EE	Employment Equity
17. Exco	Executive Committee
18. FDA	Forensic Data Analysis
19. GETC	General Education and Training Certificate
20. HANIS	Home Affairs National Identification System
21. HCM	Human Capital Management
22. ICT	Information and Communications Technology
23. IFMS	Integrated Financial Management System
24. MIOS	Minimum Interoperability Standards
25. MLP	Management Letter Points
26. MTSF	Medium-Term Strategic Framework
27. NATED	National Accredited Technical Education Diploma
28. NC(V)	National Certificates (Vocational)
29. NDP	National Development Plan
30. NT	National Treasury
31. PFMA	Public Finance Management Act
32. PRC	Presidential Review Committee
33. SAPS	South African Police Services
34. SAMHS	South African Military Health Services
35. SANDF	South African National Defence Force
36. SCM	Supply Chain Management
37. SCOPA	Standing Committee on Public Accounts
38. SHE	Safety Health and Environment
39. SITA	State Information Technology Agency SOC Ltd
40. SLA	Service Level Agreement
41. SMME	Small, Medium and Micro Enterprise
42. SOC	State-Owned Company
43. SOE	State-Owned Entity
44. WCG	Western Cape Government
45. WSP	Workplace Skills Plan

03

Responsibility and confirmation of accuracy

STATEMENT OF **RESPONSIBILITY AND CONFIRMATION OF ACCURACY** OF THE ANNUAL REPORT

We, the undersigned do hereby confirm that:

1. the information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statement (AFS) audited by the Auditor-General;
2. the Annual Report is complete, accurate and free from any omissions;
3. the Annual Report has been prepared in accordance with the guidelines on annual reports as issued by National Treasury;
4. the Annual Financial Statements (AFS)(part E) has been prepared in accordance with the Generally Recognised Accounting Practice standards applicable to public entities;
5. the Accounting Authority of the entity is responsible for both the preparation of the AFS and for the judgements made based on the information contained in the AFS;
6. the Accounting Authority is responsible for establishing and implementing a system of internal control, which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the AFS;
7. the external auditors are engaged to express an independent opinion on the AFS; and
8. 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, ending 31 March 2019.


MR N TSHENYE

Acting Managing Director (CEO)
State Information Technology Agency SOC Ltd


MR ZD NOMVETE

Chairman of the Board of Directors
State Information Technology Agency SOC Ltd



04

FOREWORD BY
THE **CHAIRMAN**

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

With the Fourth Industrial Revolution (4IR) upon us, we were — as an organisation and a country — in an advantageous position to both engage with and preside over the disruptions associated with these massive changes.

On the policy front, there were positive indications that the government and the country were bracing for the envisaged impact brought by rapidly unfolding technological changes.

Announcements on the institutional rearrangements including the consolidation of the Information Communication Technology (ICT) sector, the establishment of the Presidential Advisory Review Commission on the Fourth Industrial Revolution, and other policy changes to mobilise the country for the digital society underpinned by the knowledge economy, were instrumental in the tone and early hallmarks of the Presidency of Mr. Cyril Ramaphosa.

The President's vision on the role and impact of the ICT was summated in both his 2018 and 2019 State of the Nation Addresses (SONA) respectively —unequivocally committing his administration to the technology revolution in fulfilment of the ideals laid in the National Development Plan.

The clarion calls contained in the SONA coincided with SITA's digital transformation journey that the Agency had embarked upon.

It has been 21 years since the report of the Presidential Review Committee (PRC) which became the genesis for a centralised information and technology systems agency for government and that led to the birth of the State Information Technology Agency (SITA).

The journey has ignited a period of transformation, taking the Agency from its primordial beginnings and making it a significant player and thought leader in the adaptation and adoption of ICT, thereby improving service delivery to the public through the provision of ICT, information systems and related services for the benefit and convenience of all citizens.

Among others, the recommendations of the Presidential Review Committee which shaped the SITA transformation journey included redefining clear roles, responsibilities and coordination for Information Technology (IT) in the public sector, ensuring the compatibility of systems and architecture, eliminating wastages of resources and promoting IT knowledge and skills in the public sector and the nation at large while making ICT responsive to the business processes of government.

More than 20 years later, as the Agency looked back to reflect on the progress made — as well as focus on the future technological vista brought by the advent of the fourth industrial revolution (4IR) —there was both a general contentment on the milestones attained, and an acknowledgement of the challenges that were still lying ahead.

In the past year, the Agency has been hard at work reorganising itself to embed the new business model. At the heart of the new business development plan was the organisation of SITA into a value-adding

consultancy that will have a line of sight over the business requirements of the clients that is able to offer tailor-made business solutions and thus fulfil the aspiration of “making ICT responsive to business processes of government.”

Executive, senior and other core technical roles were replenished, to build the requisite strategic and technical capacity to drive organisational redesign and ready the Agency, the government and the country for the realities of the fourth industrial revolution, expected to be the main disruptor to the world of work, and leveraging it for the President’s assertion for the creation of the “workforce of the future.”

Reskilling and upskilling will define the human capital management agenda of the Agency in the next Medium Term Strategic Framework as the country anticipates the advent of the sixth administration, working with the government stakeholders and the civil society to create a national skills pipeline for the core and critical competencies as part of the talent management objectives.

As a socially responsible organisation, SITA has finalised the establishment of the National School of Software Engineering with the Free State province as a pilot host. This marked the commencement of a strategic initiative with the government to augment the basic education school curriculum, introducing digital skills to the learners at the secondary level and thus contributing to the quality of basic education as one of the government’s outcomes.

The outcomes of the School were inextricably linked to SITA’s developmental policies, giving cadets a clear growth path which will ensure their employability, increase their academic prospects and empower them economically as skilled small ICT enterprises and suppliers — underpinning the basis of a workforce for the future.

The re-capacitation of the ethics function during the period under review was a stern reminder that the Agency will stop at nothing to promote good corporate governance and legislative compliance amongst all the stakeholders, both internally and externally.

SITA has repeatedly demonstrated in its dealings with the parliamentary oversight bodies that corruption in all its forms will be exposed, investigated and dealt with decisively. Perpetrators will be named, shamed and prosecuted accordingly in order to recover any and all state losses.

Central to the recommendations of the Presidential Review Committee (PRC) was the technological imperative to digitally transform the government, the public service and the society at large. The ongoing organised public engagements between SITA and the ICT industry focus on the digital transformation through innovative and cutting edge technology.

To mitigate against the poor state resource management in the hosting environment caused

by unnecessary duplications and other systems incompatibilities, SITA — for the period under review — broke the ground and acquired the first ever government private cloud hosting technology, managing government data efficiently in a coordinated manner with inherent security capabilities.

This ground-breaking technological decision was executed in the year that SITA joined with government to both plan for and host the first ever International Telecommunications Union event on the continent, showcasing the country’s readiness to embrace and leapfrog into the digital society.

The creation of a digital society as envisaged in the National ICT Policy White Paper under Digital Inclusion as one of the key pillars, required SITA — as an organ of state — was required to comply with the Amended Information and Communications Technology (ICT) Sector Codes of Good Business Practice as gazetted on 7th November 2016, and use ICT and its related investments to support development, transformation and growth.

Targeted preferential procurement among others was used by SITA to drive industry and societal transformation, allowing SITA to advance procurement from certain groups for the benefit and impact of the designated sectors. Economic empowerment of the disabled, rural communities, SMMEs, women and youth development were earmarked for growth. Training support will continue to be given to SMMEs in collaboration with the OEMs to intensify their capacity for growth.

Given the strategic nature of these technology projects, a large capital outlay was required for the period under review, for the acquisition of the technology, thus adversely affecting some of the key corporate financial targets.

The Universal access to the internet services remained key to the realisation of the goals of a digital society as envisaged in the National Development Plan (NDP). The Agency — as part of the SA Connect, a government broadband roll-out programme — continued to collaborate with the Broadband Infraco, another state entity, to lay both the infrastructure and the services required as per the norms and standards of the programme, connecting and targeting government sites which offer essential public services such as health, education, and safety & security as identified under the first phase of the programme.

In places like Musina (under the Vhembe District Municipality in Limpopo), communities that have been positively affected by the SA Connect expressed gratitude while beginning to mull over the economic spin-off opportunities such as the possible development of their area into a Special Economic Zone.

Internally, SITA has — for the period under review — seen a surge in the development of e-Services. This is another demonstration of the impact of what can be achieved by the combination of the right skills with

commensurate technology to improve service delivery. Interventions to promote innovative practices such as the community 'hackathons' and continuous creation of a learning organisation internally will continue apace, leveraging on the ethos that with every technology and systems revolution, come people with needs for development and self-actualisation.

The successful combination of both our human resources and technical ability was demonstrated once again, given the role the Agency played during the finalisation of the country's national matric results for the class of 2018.

The appointment of Ms. Stella Ndabeni-Abrahams and Ms. Pinky Kekana as the Minister and Deputy Minister of Communications and Digital Technologies respectively in the latter part of 2018 saw the consolidation of the portfolio imbued the ICT sector with vigour and energy, and once more reinforced both the President's and government's commitment to digital transformation for the state and to expedite service delivery to the citizens through harnessed technology.

On behalf of the Board, the Executive, the management and employees at SITA, our congratulations are in order to both the Minister and the Deputy Minister. As SITA, we are committed to tap into their wisdom, guidance and passion in support of delivering on our mandate. Equally, on behalf of the SITAzens we would like to thank our previous Minister, Dr. Siyabonga Cwele and wish him well on his future endeavours.

Our sincere gratitude would be incomplete without mentioning the leadership and guidance of the parliament across the structures that interacted with the Agency throughout the course of the financial year under review. Working together and holding us accountable is an imperative to growing South Africa and improving service delivery.


The appointment of the Presidential Advisory Review Commission on the 4IR was an important and welcome relief. On behalf of Team SITA, we once again congratulate all the Commissioners as the Agency looks forward to cooperating with and making meaningful contributions across all the Commission's deliberations.

As anticipated, the 2018/2019 cycle proved to be another tough year for the Agency. The strain was felt both in governance, management and operations of the organisation. As we continue the task of implementing the principles of our new business models, and embedding the new micro-structure, we believe and are committed to unlocking and unleashing a truly-transformed service delivery. SITA through ICT must be at the forefront of development and growth.

I would like to thank the former Chief Executive Officer, Dr. Setumo Mohapi, the current Acting CEO Mr. Ntutule Tshenye and his Executive Committee, the management team and all the employees for their

diligence and integrity in executing on all the work. Our partners in government and the industry remained key in providing our raison d'être as a business and we thank them and value their confidence in our service offering. We are dedicated to exponential excellence in the coming years as a trusted, reliable and dependable partner.

To my fellow Board members, I take this opportunity to express my sincere appreciation for your support and persistence for the governance insight, leadership, and charge throughout the Agency. Even while it felt that the gradient was steeper than our step at times, we stuck together, managed to hold hands, and committed to making it work. Thank you for your dedication to a growing and prosperous nation empowered by information and communications technology.



MR ZD NOMVETE

Chairman of the Board of Directors
State Information Technology Agency SOC Ltd



F.D. Norvete

05

MANAGING DIRECTOR'S OVERVIEW

In this sixth administration, government and its associated entities require an improved productive, ethical and sustainable way of doing business that changes the lives and the public service for the better. It is a message of hope and development, for all entities within the government sphere.

This new era is also located within a Fourth Industrial Revolution narrative, which is driven by technological advances. Its implementation and effects, touches on all industries, economies and sectors of society. Government's stance on the importance of 4IR is very clear. A Presidential Commission has been appointed to lead South Africa technological changes toward inclusive growth and social development.

This Presidential Commission will assist our country to take advantage of the opportunities presented by the digital industrial revolution. The centre of all our collective efforts is to achieve better, higher and more equitable growth. Our national technological drive to serve the country's developmental aspirations is crucial as the two roads as articulated by President Ramaphosa which is to either: "entrench inequality or create shared prosperity."

SITA has chosen the road less travelled, as the lead ICT agency of government. Within this profound transformational journey, we too had to adapt and be open to the changes that are reshaping our world. As change, building and renewal was built into the government roadmap for the future, SITA's own digital transformation to improve public service delivery and promote efficiency in government; took shape.

It is an open secret that digital transformation is significantly more difficult than traditional organisational transformation. Digital transformation and the significant but inherent structural barriers to change can oftentimes be under-appreciated. It is change that is rapid, it grows, it is scalable and often our existing, bureaucratic, traditional or linear processes simply don't integrate well, into the digital transformation agenda.

SITA's purpose is vital to the life of almost every South African, as the quality of our work is tested by a digital footprint, when citizen's engage with government through its ICT driven systems. Therefore as SITA drove its transformational agenda, we were always very conscious of this. This change was also driven with the ethical and moral imperative to: build and serve – with honesty, integrity and accountability – whilst being mindful of the full SITA ecosystem: government, citizens, clients, employees and all socio-economic stakeholders interleaved in this eco-system.

Therefore to fully realise real benefit for all within the eco-system, SITA's ICT digital and transformational drive had to touch on every single aspect of the business. This included SITA's value proposition, business and service delivery models, infrastructure, technology, internal culture and employee development.

SITA's digital transformation agenda and the associated initiatives and the interventions outlined within the SITA Annual Report are imbued with reality of creating positive change in the lives of South African citizens and the services that they consume from government. However, the information that is contained within the SITA 2018/2019 annual report is also an important reflection of the state of the organisation, during a digital transformation, during the 6th administration. It reflects both - the necessity and the complexity - that is embedded into investing and preparing for the Fourth Industrial Revolution (4IR) and its associated programmes.

The anatomy of SITA's digital transformation included an investment into a government cloud service, E-services, application development and the automation of services. To achieve this vision of digital transformation to usher in the relevant and future 4IR programmes, it had to churn on the axis of management and control of funds to ensure financial sustainability, significant commitments to infrastructure and resource development, collaborative and deep level planning; and resourced investment into employees and the culture of the organisation. In the SITA digital transformation journey, training employees and investment into the organisations human resource capacity, emerged as the lifeblood of the transformation agenda. It may be said that the country, may have once arrived full circle, at a national Batho Pele moment of putting "people first", but this time within the 4IR context.

The SITA journey and a process of 'e-volution' into the realm of 4IR was not a simplistic one; as there are real costs: business; financial and human. This is the underlying narrative that highlights the challenges behind the SITA 2018/2019 Annual Report. SITA bold and brave step, to move into the uncharted waters of 4IR programme implementation showcased that all 4IR activities and programmes must be conceptualised and institutionalized, with a supporting long term sustainability vision into its finances, infrastructure, processes and people.

The entity achieved 50% of its annual targets, and is a drop from the previous financial year. Key to these challenges was the loss and the impact upon staff, as a result of the clean-up operation that started in previous years, which put pressure on the functioning of the supply chain unit in particular and of the organisation in general.

We also acknowledge that there is a need to strengthen and improve internal controls especially in the area of SITA's contract management system, which contributed to the unfortunate increase in irregular expenditure.

The entity closed the financial year end with a low cash flow, as a result of the significant investments that were made on strategic projects, and these investments are likely to only yield returns in the longer term. SITA's cash flow was further impacted upon by the lower than expected revenue, noting that key projected earning opportunities also did not materialise from key SITA clients.

The important digital transformative and 4IR linked projects reflect the reality of strategic business challenges in leading and moving towards the SITA 4IR vision. The good developments and the underlying weaknesses that emerged are important growth lessons.

SITA's digital transformation journey is in essence been a pilot for public service digital transformation. It showcases that 4IR e-technology programmes are complex and should be embarked upon with concrete feasibility studies and research, solid infrastructure, sound business processes and a positive corporate culture. Without these the transformation agenda may not translate into the anticipated business efficiency, improved service delivery and/or socio-economic development.

Potholes will be encountered if 4IR programmes are not built into a government eco-system that includes the following:

1. The leadership approach must be collaborative to ensure collective wisdom and buy-in from all stakeholders within the SITA eco-system.
2. The corporate ethos of the institution must be a positive one, that builds and invests in human capital, sound infrastructure and clear business processes.
3. Organisational discipline – at all levels from leadership to administrative - is critical to ensure a stable foundation, to usher in change.
4. Technological interventions must be under-pinned by foundational 4IR readiness; and implemented with research informed investments.
5. Collaboration, client support and financial prudence.

As we move into this new sixth administration with renewed energy, vigour and the wisdom of hindsight, we are still standing quite strong and positive. And in this regard, I would like to extend my sincerest appreciation to SITA Board of Directors for their steadfast leadership and support.

In this journey, it is also critical that we acknowledge the Executive Committee colleagues, SITA senior management and employees who remain a fundamental building block to SITA's success and the heartbeat of the organisation. We thank you for your commitment and perseverance on this pioneering and new SITA journey into the realm of 4IR.

Finally, we would also like to pay a sincere and special tribute to our Shareholder Ministry: Ms. Stella Ndabeni-Abrahams and Ms. Pinky Kekana as the Minister and Deputy Minister of Communications and Digital Technologies respectively, who have been inspirational and sterling ambassadors in government's 4IR journey and the national digital transformation agenda.



MR N TSHENYE

Acting Managing Director (CEO)
State Information Technology Agency SOC Ltd

06

STRATEGIC OVERVIEW

This annual report represents the fifth year of activities towards achieving the strategic objectives and initiatives as contained in the SITA 2015/2019 strategic plan and the 2018/2019 annual performance plan (APP). During the year under review, SITA continued to deliver on its strategic intent, which is aligned to the government priorities as defined in the National Development Plan (NDP) and 2014-2019 Medium-Term Strategic Framework (MTSF), including customer and stakeholder requirements.

07

VISION

The vision of SITA is as follows: **“To be the leading information and communications technology (ICT) agency in public service delivery”.**

08

MISSION

The mission of SITA is as follows: **“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”.**

09

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.

10

LEGISLATIVE AND OTHER MANDATES

10.1 PRESIDENTIAL REVIEW COMMITTEE

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

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

1. Procure ICT goods and services, using economies of scale to reduce cost of ICT;
2. Develop standards, architectures and strategies to enable systems to exchange information;
3. Enhance government productivity through the use of ICT; and
4. Focus government ICT provision towards the betterment of citizen-centric services.

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

10.2 STATE INFORMATION TECHNOLOGY AGENCY ACT, 88 OF 1998

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

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

1. Infoplan (Pty) Ltd, the ICT Service Provider to Department of Defence;
2. Central Computer Services of the Department of State Expenditure; and
3. Sub-component Information Systems within the Department of Safety and Security.

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

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

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

1. Electronic Communications Act, 36 of 2005;
2. Public Finance Management Act, 1 of 1999;
3. Companies Act, 71 of 2008;
4. Public Service Act, Proclamation 103 of 1994;
5. Electronic Communication and Transactions Act, 21 of 2002;
6. National Key Points Act, 102 of 1980;
7. Preferential Procurement Policy Framework Act, 5 of 2000;
8. Government IT House of Values, as contained in the e-Government Policy;
9. The Machinery of Government (May 2003);
10. Minimum Interoperability Standards (MIOS);
11. Minimum Information Security Standards and
12. National Integrated Information Communication Technology (ICT) Policy White Paper.

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

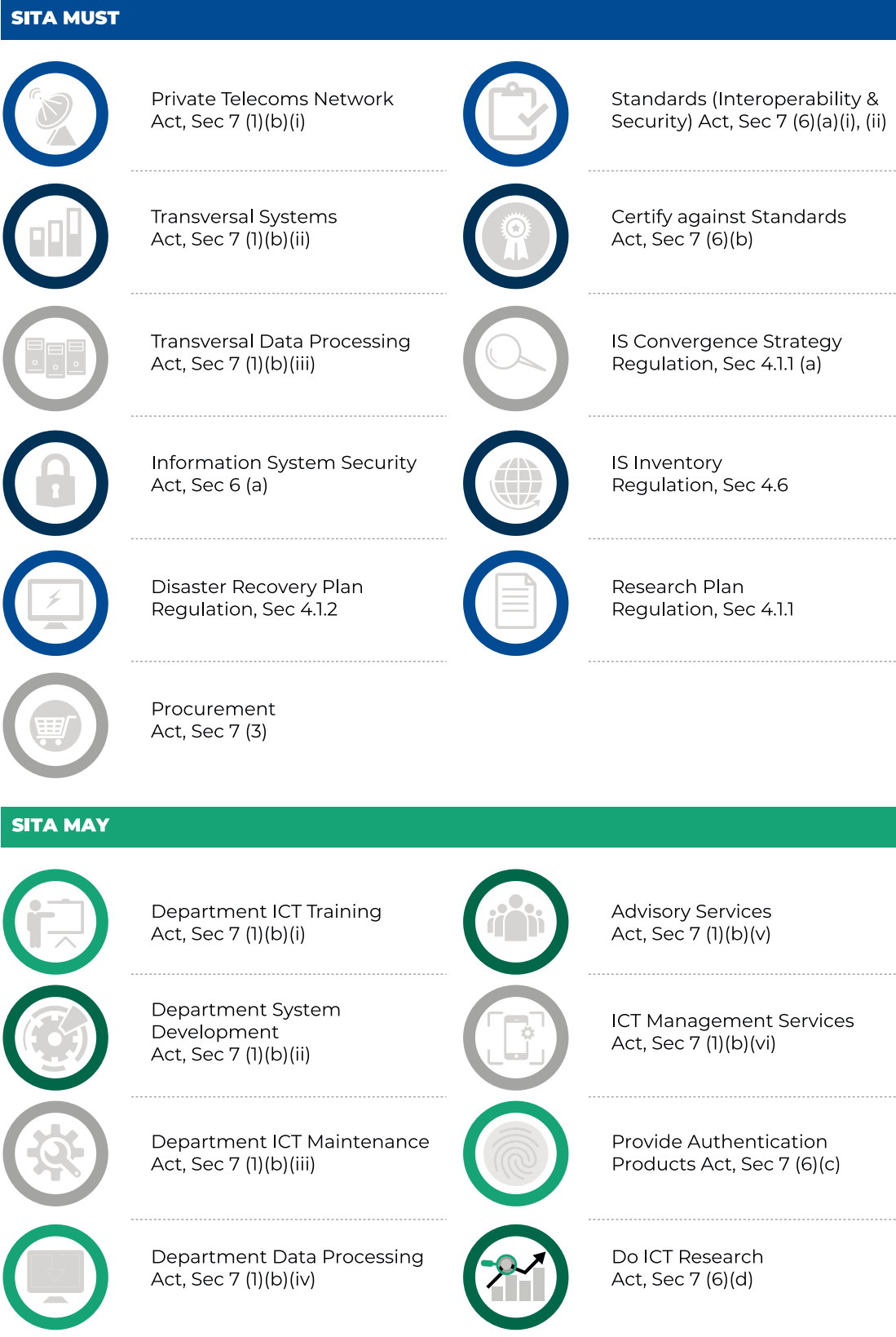


Figure 1: SITA'S 'MUST' AND 'MAY' SERVICES

10.3 CONSTITUTIONAL MANDATES

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

10.3.1 Section 195: Basic values and principles governing public administration

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

1. a high standard of professional ethics must be promoted and maintained;
2. efficient, economic and effective use of resources must be promoted;
3. public administration must be development-oriented;
4. services must be provided impartially, fairly, equitably and without bias;
5. people's needs must be responded to, and the public must be encouraged to participate in policy-making;
6. public administration must be accountable;
7. transparency must be fostered by providing the public with timely, accessible and accurate information;
8. good human resource management and career-development practices, to maximise human potential, must be cultivated; and
9. 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.

10.3.2 Section 217: Procurement

1. When an organ of state in the national, provincial or local sphere of government, or any other institution identified in the national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective.
 - 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:
 - categories of preference in the allocation of contracts; and
 - protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.
2. National legislation must prescribe a framework within which the policy referred to in subsection (2) must be implemented.



ORGANISATIONAL **STRUCTURE**

The SITA macro organisational structure is depicted below. The structure ensures that there is a balanced workload across national and provincial clients and allows for specialisation in key technology domains. The structure further provides the ability to solve major customer pain points related to provincial client management and creates management capacity to deliver the levels of service required using the best technology.

SITA aims to service all national departments, provincial departments and municipalities (local government). To ensure customer requests are met and to enable proactive consulting both at a strategic and tactical level with the aim of providing thought leadership and deliver value to the customers, resource allocation at a micro level of the organisational structure is aligned to the clusters of government. Each cluster has dedicated resources allocated to ensure that they fully understand the customer business environment and they are able to advise and guide the customer and provide solutions that consider the end-to-end value of the business environment.

The structure provides a split between national and provincial (including local) government consulting due to clients' demographics, and client size and complexity of service delivery. Provincial consulting executes the end-to-end consulting processes and is responsible to oversee the day-to-day operations of IT services at all nine SITA provincial offices. National consulting also executes the IT consulting processes and is accountable for managing the product, services and solutions lifecycle and marketing activities for the entire organisation.

The structure further provides a split between core IT services (as these are different areas of specialty focusing on delivering the e-government vision and cloud computing), while the other focuses on delivering the SA Connect vision as well as operating a fully-fledged service management centre, which monitors delivery against service level agreements and provides business intelligence to optimise service delivery.

The structure is time-bound to allow for the current transformational process to be concluded, this requires a flat structure with technical expertise from executive to ensure the fulfilment of the strategic goals.

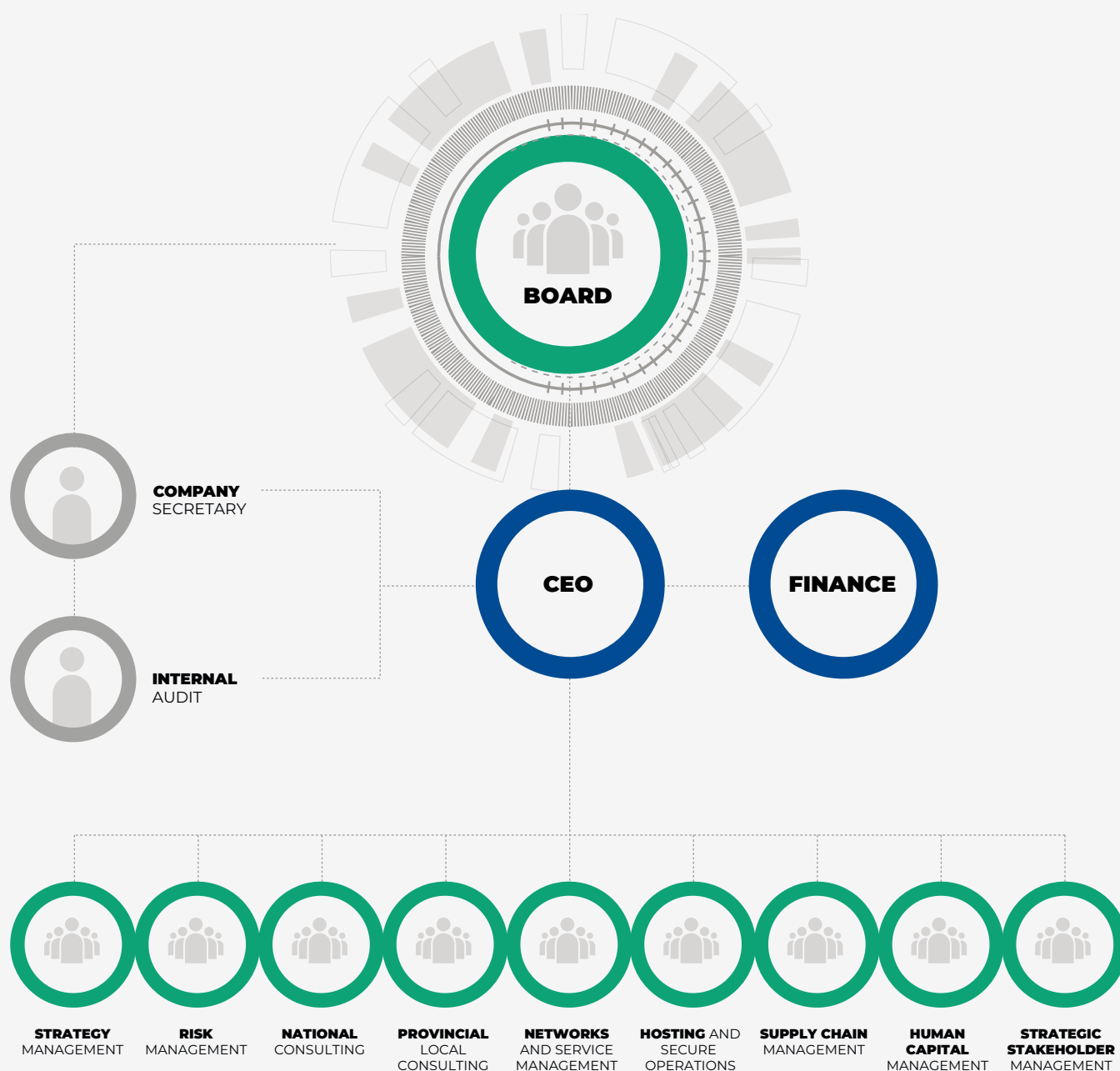


Figure 2: SITA Macro organisational structure



PERFORMANCE
INFORMATION

Part B **Part B:**





01

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. A qualified opinion has been expressed on reliability of one of the programmes

Refer to page 100 - 104 of the Auditors-General's Report, included in Part E: Financial Information.

02

SITUATIONAL **ANALYSIS**

2.1 **INTRODUCTION**

Since its inception, SITA has been committed to leveraging Information Technology (IT) as a strategic resource for government, managing the IT procurement and delivery process to ensure that the government gets value for money while using IT effectively to support the delivery of eGovernment services to all citizens.

SITA views Informations and Communications Technology (ICT) as a national socio-economic game-changer, through which ICT investment must be equated with growth, impact and citizen satisfaction.

The Agency's value proposition ensures that it drives the progress of a connected, supported government with secure and well-maintained IT infrastructure, and that its outputs and outcomes are measured through quantifiable public service delivery interventions. The year under review was the last year of the implementation of the SITA 2014-2019 strategic plan which intended to transform the internal operations to offer value added innovative service offerings to address the long standing customer service delivery challenges and improve the provision of government services to the citizens.

SITA found itself in an unpredictable macro-economic environment amidst heightened focus on the Fourth Industrial Revolution (4IR), where there is increasing demand from citizens for digital service offerings, access to government services and heightened interest to participate in government decision-making processes. In addition, SITA was expected to deliver services within the context of government cost-containment initiatives, the impending SOC rationalisation and persistent systemic and institutional challenges.

Minister of Communications and Digital Technologies was appointed by President Cyril Ramaphosa as the coordinator of government's 4IR programme. In this capacity, she commands the achievement of 4IR objectives which will ensure that people are at the heart of all 4IR discussions, and that – through technology – people's living standards are improved; that better and more efficient services are delivered to meet their needs, people are enabled to reach their human potential and that citizens are empowered to embrace opportunities – all while minimising any negative side effects associated with achieving these objectives.

SITA therefore aligned its business operations to support the aforementioned government imperatives aiming to embed 4IR into delivering IT solutions through its comprehensive service offering to government that enables service delivery with the following key strategic priorities taking centre stage:

1. ELECTRONIC GOVERNMENT
2. ICT SECURITY
3. PROCUREMENT
4. CORE IT SERVICES

SITA prides itself on that with its 20 year anniversary – and 25 years into the country's democracy – the Agency has been the backbone of the South African government. Over its years of existence, SITA has achieved several milestones of delivery which helped to propel the country into a positive trajectory of development.

The above-mentioned strategic priorities, aligned to the strategic priority focus areas of government, were further supported by internal priorities that underpin building a healthy organisation and driving key business enablers.

The figure below provides a description of the strategic priorities.

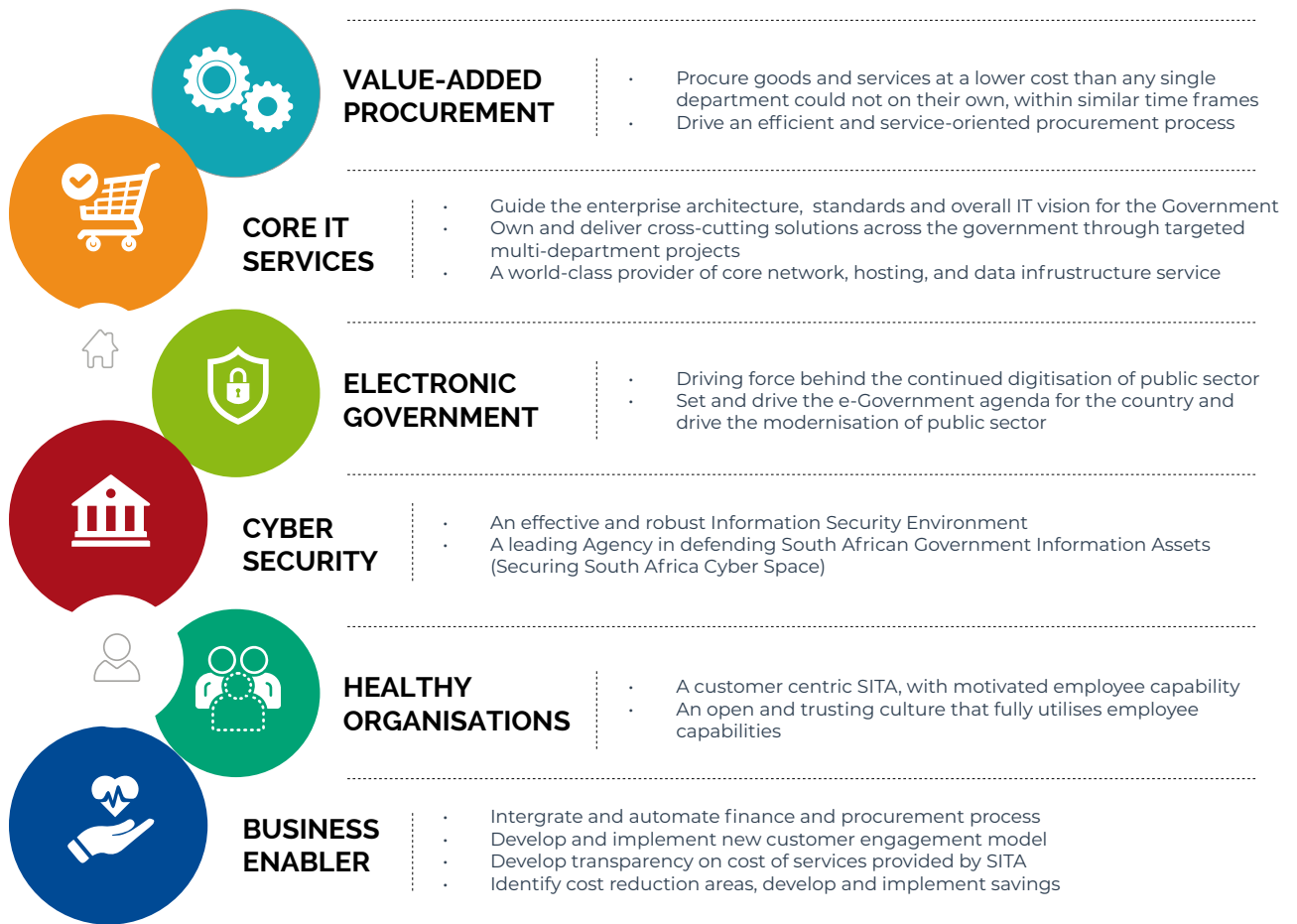
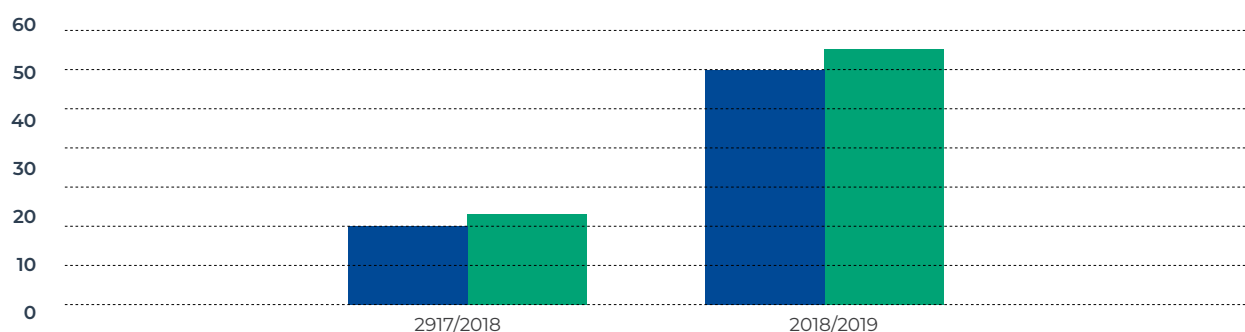


Figure 3: Strategic priorities

2.1.1 ELECTRONIC GOVERNMENT

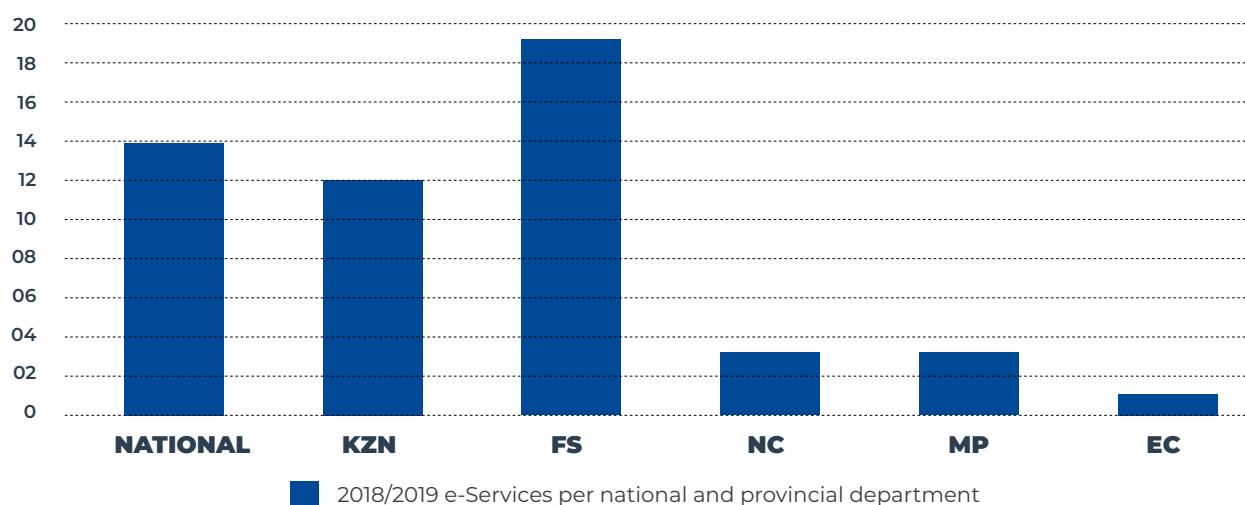
SITA forged ahead with the implementation of its e-Government programme thereby supporting the country's eEnablement and digital transformation drives aimed at transforming the public service through digital technologies. The key objective is to enable all citizens to benefit from the opportunities offered by digital and mobile technologies to improve their quality of life as well as optimise service delivery that provides universal access to government information and services anytime and anywhere.

SITA continued to execute on its mandate through the development and deployment of e-Services in collaboration with state institutions to improve citizen service delivery. When compared to FY2017/2018, SITA boasts a 100% increase in e-Services deployed, meaning that the Agency effectively exceeded its planned target of 50 e-Services for the financial year under review as depicted in the figure below.

Number e-Service by financial year**Figure 4: e-Services deployed in 2017/2018 vs 2018/2019**

SITA deployed 55 e-Services to external clients in various provinces with four e-Services deployed internally for SITA use, namely: SITA Compliance Website, SITAVarsity, NDP2030 Hackathon Website and SITA Skills Audit.

The majority of e-Services enabled government services provided by provincial departments while approximately 25% of e-Services were for national departments, with Free State and Kwa-Zulu Natal leading in terms of overall number of enabled digitised services in the financial year 2018/2019 – resulting in improved efficiencies.

Number of e-Service per province**Figure 5: e-Services deployed in 2017/2018 vs 2018/2019**

The key outcomes that can be attributed to the introduction of digitised services are that departments are able to:

1. quantify current service levels of their operations in terms of throughput and total duration of the service provided, for the purpose of improving customer experience;
2. quantify individual employee and departmental unit performance in order to identify bottlenecks and improve civil servant productivity in the total service delivery value chain, and
3. use data analytics to provide input for budgeting and planning purposes.

Overall the benefits of the e-Services deployed have resulted in a positive impact for the end-users through improved access to services, decreased operational costs, improved efficiencies and accessibility while, equally, SITA internal business operations have been bolstered.

Of note is the strategic eCabinet solution, a high priority project which is the largest revenue earning service within SITA that delivers services to high level users, namely Ministers, Deputy Ministers, DG's and supporting staff. The project created an automated and secured operational environment for the members of cabinet to utilise (due to the SSA Top Secret constraints for the environment cloud services could not be utilised). The resulting benefits of this project include real economies of scale, standardisation and security benefits, and advantages for Departments and Government as a whole, including enabling ministries to communicate and collaborate in a secure environment, thereby improving the efficacy of the South African Cabinet.

2.1.2 CLOUD COMPUTING

The SITA Strategic Plan 2014-2019 committed SITA under the pillar of Managed Infrastructure, to be a world-class provider of core network, hosting and data infrastructure services. This was in direct response to the proliferation of multiple cloud solutions and providers within different government departments (i.e. Microsoft, Oracle, IBM, and VMWare). This led to unmanageable costs due to limited economies of scale (i.e. licenses), increased threat to data security and limited ability to deliver a consolidated cloud service offering across government.

In response to the above problem statement, SITA embarked on an infrastructure modernisation journey to re-engineer the current environment into modern state-of-the-art facilities that includes the introduction of a cloud capability. The vision of SITA, with this journey, was to establish a Government Private Cloud Ecosystem (GPCE), defined as an eco-system of different clouds for exclusive access by Government Departments that will be owned by Government and operated and managed by SITA. The key objective with the GPCE is to not only enable fast, efficient and cost-effective service delivery, but to digitally transform the South African Government too.

SITA launched its new government cloud infrastructure for South Africa, which is said to be one of the largest government clouds in the world, in partnership with Gijima, Huawei and IBM.

The GPCE brings together private and hybrid clouds – hosted either within a government data centre or at third party data centre – into one single ecosystem, from where Cloud Services can be provisioned through a single Cloud Suite.

These Cloud Services will not be limited to infrastructure provisioning (Infrastructure-as-a-Service [IaaS]) but will also include the provisioning of commercially available software services (Software-as-a-Service [SaaS]), and the provisioning of commercially available development and runtime environments (Platform-as-a-Service [PaaS]). The GPCE is depicted in the figure below.

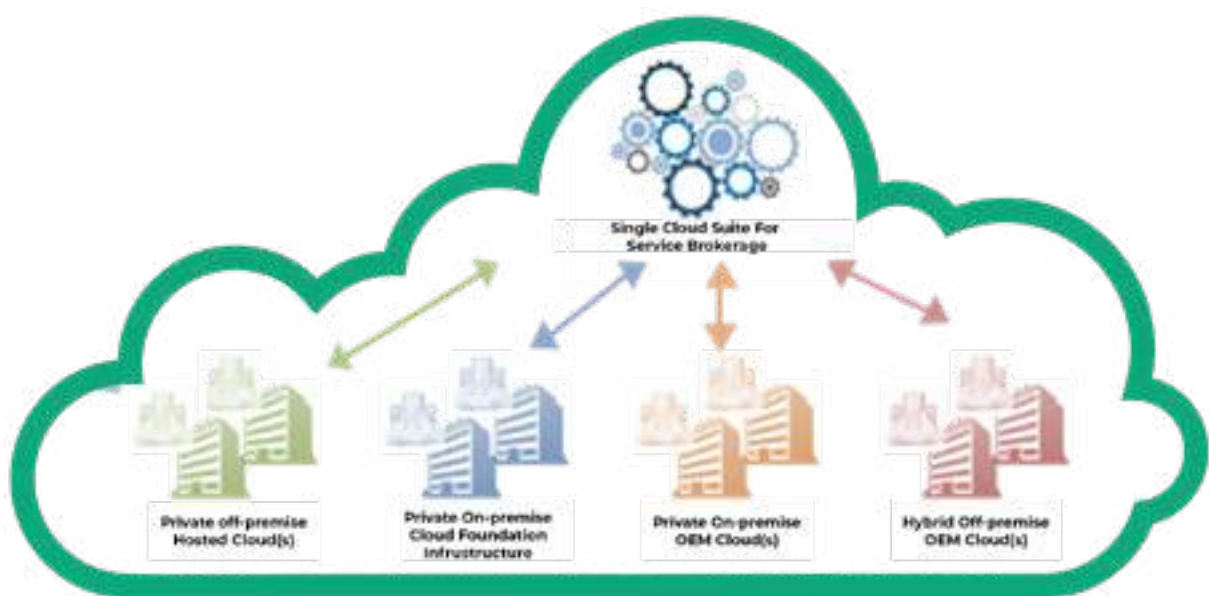


Figure 6: Government Private Cloud Ecosystem

During the Medium Term Expenditure Framework (MTEF) cycle (2014 to 2019), the following building blocks of the GPCE capability were concluded:

1. The first Private Off-Premise Hosted Cloud went into production in October 2017 and an additional 22 Client Acceptance Certificates for the provisioning of IaaS were received in FY2018/2019;
2. The second phase of the Private On-Premise OEM Cloud for Oracle went into production in July 2018, and an additional 10 Client Acceptance Certificates for the provisioning of IaaS were received in the FY2018/2019; and
3. The Private On-Premise Cloud Foundation Infrastructure went into production in December 2018 and in excess of 250 requests have been received from clients for the provisioning of IaaS from this platform.

The last building blocks of the GPCE capability to complete the infrastructure modernisation journey and to provision Cloud Services in support of the Fourth Industrial Revolution will be commissioned during the 2019/2020 financial year. This will include the orchestration component of the Cloud Suite envisaged to go into production in the course of 2019, followed by the brokerage component of the Cloud Suite and the Enterprise Backup and Data Management Solution. The Hybrid Off-Premise OEM Clouds will be integrated into the GPCE as and when they become available.

The resulting capability will be a catalyst to the provisioning of the following services:

1. Infrastructure provisioning – The already available IaaS services, Cloud Hosting and VM Provisioning, will be complimented with additional IaaS services such as Disaster Recovery-as-a-Service, Backup-as-a-Service and Archive-as-a-Service;
2. Software service provisioning – Commercially available software services hosted in Public Clouds can be integrated into the GPCE as soon as the Cloud Suite Brokerage component is commissioned; and
3. Application development and integration services – Commercially available application development and integration services hosted in Public Clouds that can be integrated into the GPCE as soon as the Cloud Suite Brokerage component is commissioned.

The Cloud Capability and Cloud Services of the GPCE fully support the enablement of the digital transformation strategy of Government which is characterised by a fusion of technologies. The business benefits of the GPCE will support and enable:

1. Smart Government enabling Citizens and business to achieve more;
2. Trusted Government improving public value (more agile, responsive and proactive) into 4IR;
3. Stimulating economic activity to drive GDP growth through SMMEs;
4. Improve communication and feedback to citizens and businesses alike;
5. Digital innovation and incubation of smart start-ups; and

6. Improved service delivery through inclusion.

GPCE drives collaboration and innovation with the resulting technical benefits for:

1. A foundation for the deployment of digital technologies;
2. An ecosystem of interoperable cloud systems that creates a hyper-scale environment in which Government can transact and securely store data;
3. A platform where new services and solutions can be developed and deployed to improve leadership access to data and information, insight and decision-making in operations, and improve citizen interaction (proactively);
4. An environment where best-of-breed industry solutions based on open standards and Green IT objectives can be deployed; and
5. An environment for digital innovation and incubation of smart start-ups that can be subsidised by Government.

Lastly, in SITA's quest to respond to the demand from Government with regards to disaster recovery whilst the final building blocks of the GPCE were readied for this, SITA provisioned, and received client acceptance certificates from four Provincial Departments for the provisioning of Disaster Recovery Services.

2.1.3 BROADBAND CONNECTIVITY

The rollout of broadband connectivity – a highly capital intensive programme – was flagged as a critical focus area by the Executive Authority, as South Africa is challenged with issues of accessibility, usability, and affordability. Broadband as an ecosystem of digital networks, services, applications, content and devices should be firmly integrated into the economic and social fabric of the country.

During the year under review, SITA collaborated with the Executive Authority in the implementation of phase one of SA Connect which aims at providing broadband data connectivity to 6 135 sites located across eight district municipalities. The key objective of SA Connect is that broadband must reach a critical mass of South Africans in creating an inclusive information society. Based on allocated budget, SITA was able to support the rollout of the programme by ensuring that 270z sites across eight district municipalities were connected with Internet access at a minimum bandwidth of 10Mbps. Upon completion of phase one of the programme, eight rural districts and South Africa at large will benefit not only by broadband connectivity, but also through the empowerment of SMMEs, skills development and job creation.

Furthermore, through rollout of telecommunications solutions of varying scales, SITA currently connects about 7 000 government entities, enabling internet access, transversals and other shared government services with integrated Network Operations Centre (NOC) and Service Management.

This includes initiatives to maintain and improve high availability while reducing connectivity costs to government through revised competitive bidding processes and connectivity models at national and provincial levels. This has resulted in a steady cost reduction per megabit per second, and improved service availability.

Among the large provincial rollouts, SITA leads the Western Cape broadband programme which aims to connect about 2000 sites that includes schools, clinics and public libraries, with some entities extending Wi-Fi connectivity into the surrounding communities. The project is aligned to the SA Connect broadband targets and ensures a minimum of 10 Mbps to 1Gbps connectivity speed.

Connectivity has been established in all 25 local municipalities in the Western Cape Province, covering about 570km of long distance fibre and leased capacity.

Of the 1 932 connected sites, 1 244 are schools that – through the broadband network – now have access to the internet via a secured school virtual private network (VPN) provided and managed by SITA. The uptake on internet for schools was initiated with a 500 Mbps internet bundle and now operates at 3.5Gbps, and is to be further upgraded to 4Gbps. The Western Cape has started to use the broadband network as a conduit for eGovernment services, notably the eLearning and eHealth applications.

2.1.4 ICT SECURITY

As digital technologies are embraced for their tremendous benefits in the midst of 4IR, it also results in the increased risk exposure to cyber security threats for both SITA and government. SITA being the custodian of government data is charged with ensuring the provision of enterprise security services across the entire ICT service delivery value chain, ensuring that both SITA and government ICT assets are protected from cyber-attacks.

SITA has adopted the Information Security Forum (ISF) security maturity model to establish a baseline for information security principles and practices within the organisation. The model is used to assess the degree of maturity and efficacy of the cyber security controls which have been implemented as part of security risk mitigation. The Implementation of these disciplines is intended to ensure the protection of information from a wide range of threats in order to preserve the confidentiality, integrity and availability of the information, thereby ensuring business continuity, minimising business risk, and maximise return on investment and business opportunities.

SITA conducted an assessment of its information security capability, concluded in accordance with the Standards organised by the International Professional

Practices Framework (IPPF) and promulgated by the Institute of Internal Auditors (IIA) and in terms of COBIT (Control Objectives for Information and related Technology) – an internationally recognised framework developed by the Information Systems Audit and Control Association (ISACA). The COBIT framework has been accepted as the defacto framework for information systems auditing within SITA Internal Audit Division. The COBIT framework was applied primarily through review of documentation, interviews, observation and testing of controls, where necessary.

The Agency met the overall target of achieving ISF maturity Level 3 in the categories of security strategy, security governance, information risk management, compliance, security audit, information security policy, security connections and external supplier management. The achievement of Level 3 displays the management of information and cyber security activities for planned activities which have been adequately resourced by the organisation. This achievement leverages stakeholder confidence in the existence of governance structures, supported by policy and human resources.

2.1.5 INDUSTRY TRANSFORMATION

SITA as an organ of state is required by various legislative frameworks, ICT sector codes of good business practice including Broad-Based Black Economic Empowerment (B-BBEE) regulations to advance economic transformation and enhance the economic participation of black people in the South African economy.

The ICT sector codes of good business practice intends to achieve the following key objectives:

1. Bridge the digital divide by actively promoting access to ICT;
2. Stimulate and support growth in the ICT sector;
3. Advance economic and social transformation in the ICT sector;
4. Contribute towards reduction of unemployment and poverty alleviation, and
5. Skills development and training initiatives.

The Preferential Procurement Policy Framework Act of 2017 empowers SITA to implement targeted procurement mechanisms to drive the development of SMMEs. Preferential procurement clauses which support the broad transformation of the industry have been included in relevant procurement bid-specifications documents to facilitate access to the market for B-BBEE compliant suppliers, EMEs and QSEs, black owned enterprises, enterprises owned by black women and designated groups in various areas and regions across the country, resulting in increased volumes of work being channelled through these stakeholder groups.

Furthermore, SITA is committed to ensuring that all large suppliers who have contracts at a Total Contract Value (TCV) of above R30million (excluding vat) subcontract a minimum of 30% of the contract value to SMMEs (EMEs or QSEs) which are at least 51% black owned, and /or:

1. EME/QSE which is at least 51% owned by black people who are youth; or
2. EME/QSE which is at least 51% owned by black people with disabilities; or
3. EME/QSE which is at least 51% owned by unemployed black people; or
4. EME/QSE which is at least 51% owned by black people living in rural and under developed areas; or
5. EME/QSE which is at least 51% owned by black military veterans;
6. EME or QSE which is at least 51% owned by black people who are women, and/or
7. A cooperative which is at least 51% owned by black people

Therefore, all tenders with budgeted TCV of below R30million were advertised with the specific tender conditions in-line with the above-mentioned categories. SITA also implemented a targeted procurement readiness training programme aimed at improving SMMEs skills to empower them to become integrated into the SITA supply chain. In the rollout of training to five provinces, 93 out of 147 SMMEs passed the Molex training and a total of 227 SMMEs completed the “How to tender” course.

SITA has graduated off two SMMEs from Enterprise Development to Supplier Development; the same SMMEs have created job opportunities.

During the year under review, SITA has established its own ICT SMMEs Forum together with the ICT SMME Chamber, B-ITF and the PBICT being founding members of the Forum. The key objective of this forum is to enable SMMEs in the ICT space to proactively engage challenges faced by small and emerging business enterprises in South Africa. Furthermore, SITA partnered with the Department of Communications and Digital Technologies (DCDT) in hosting the International Telecommunication Union World Telecom in the interest of South Africa as a host country.

The event offered SITA considerable opportunities in terms of global recognition that can be exploited to achieve specific objectives to the benefit of SA. In particular, SMMEs were promoted as drivers of innovation, employment and economic development and were afforded an audience with global investors, corporate and Government clients, and technical experts – thereby creating opportunities for international growth.

Going forward, existing and/or new businesses that have the potential to plug into the SITA supply chain will be developed based on business maturity, alignment to SITA's Preferential Procurement clauses,

and geographical location. Preference will be given to enterprises in the designated groups such as women, youth, people with disabilities, and people living in rural or underdeveloped areas or townships. In addition, to training on OEM products or services, SMMEs will receive training on the practical aspects of tendering and responding to RFQs which will empower SMMEs to grow their businesses through the SITA supply chain.

2.1.6 PROCUREMENT AUTOMATION

SITA recognises that modernising government's procurement system across all spheres of government is the best solution for providing value added services to its clients while also being the best defence against corruption. SITA has committed to the delivery of an e-commerce solution for government to standardise, automate and modernise all procurement.

This will offset the challenges that lead to non-compliance in the procurement chain value chain, contravening legislation and policies. This non-compliance often results in further disparate expenditure trends, lack of cost efficiency, poor value for money, and collusive uncompetitive and non-transparent tender processes.

SITA launched the first phase of the gCommerce solution which included successful implementation of the various modules namely; Supplier Management, Bid Management, Quotation Management, Contract Management, Item Master Management, Requisitions Management, and Purchase Order Management.

In addition, an improved and revitalised gCommerce platform (www.gcommerce.gov.za) was launched, with additional functionality i.e. Bid Management, Quotation Management, Contract Management, Purchase Order Management, Warehouse Management, Asset Management, Catalogue Management, e-Auctions and Reporting.

2.1.7 ECONOMIES OF SCALE

SITA adopted a strategy that fosters partnerships with both the private and public sector to ensure that services and products offered to government are of the best quality and economical value. The Agency has developed framework agreements to achieve the following objectives:

1. ICT cost containment by negotiating preferential pricing for government with the Original Equipment Manufacturers and to secure these through direct procurement arrangements;
2. Consolidation of contracts to eliminate fragmented procurement, duplication of effort, different pricing arrangements, licensing models and service offerings;

3. Achieve efficiency through simplified ICT procurement;
4. ICT cost containment by negotiating preferential pricing for government with the Original Equipment Manufacturers and to secure these through direct procurement arrangements;

During the year under review, new framework agreements were negotiated with HPE and Huawei. SITA now has framework agreements with the following OEMs: Cisco, Computer Associates, DELL-EMC, ESRI, IBM, HPE, Huawei, Micro Focus, Microsoft, Software AG and SAP.

Although government spending on ICT has declined during the last year, the reported government spend commitment with the above OEMs is R7.6 billion since the inception of the agreements, and has resulted in savings of R1.3 billion as a result of the framework agreement pricing and direct model.

There has been a marked increase in new business opportunities for SITA, especially with SOEs, Metros and Municipalities in order to take advantage of the preferred pricing and efficient procurement.

All of the OEMs are committed to industry transformation and significant progress has been made over the last year to develop SMMEs across the provinces. While SITA has a direct model with the OEMs, the professional and support services linked to OEM product sales are earmarked for black owned service providers. SITAs ITU team are working closely with the OEMs to monitor their commitments as per the framework agreements.

2.2 CUSTOMER SERVICES

SITA is striving to become a customer-centric organisation and several service improvement initiatives have been implemented, including continuous customer engagements within various platforms of government. These initiatives have been aimed at improving low level of customer satisfaction and key customer service delivery challenges. The following are some of the key highlights resulting from improvement initiatives:

1. SITA has successfully managed the Presidential Hotline which enables citizens, foreigners and organisations to compliment, complain, enquire and make suggestions about service delivery by provincial departments, metros, districts, local municipalities and national departments. The service operates from Monday to Friday (excluding public holidays) from 06:00 to 22:00. The service is provided in all 11 official languages;
2. SITA has successfully hosted systems that pay the salaries of public servants and there has never been any instance when salaries have not been paid due to systems failure on the part of SITA;
3. To date, through SITA's vigilance, there has never been any loss of government data that is hosted and maintained by SITA;
4. SITA maintains and supports the DHET exam systems (National Certificate for Vocational Studies, National Accredited Technical Education Diploma, and Communication Education Training), DBE exam systems (National Senior Certificate and Amended Senior Certificate) and host the Umalusi certification system. The processing of the 2018 qualifications, including the matric exams, was successful. A significant improvement was reported in all the different examination and resulting processes in comparison to previous years due to system changes, enhancement of standard operating procedures and introduction of job schedules;
5. SITA has been pivotal in ensuring a secure ICT backbone of government service delivery. The Agency connects about 7 000 government entities (including hospitals and healthcare facilities, police stations, courts and social services offices) enabling internet access, transversals and other shared government services, and
6. The government's common core network was effectively protected from viruses and other malicious intrusions.

2.3 ORGANISATIONAL ENVIRONMENT

SITA has historically grappled with capacity challenges, frequent leadership changes and had difficulties to transform its operations as per the amendment Act 38 of 2002. The Agency continued to operate as a traditional IT function leading to a concentration of its human and financial resources in areas that maintained existing operations with minimum innovation and improvement in its service offering to government to improve service delivery and the socio-economic status of the country.

In response to the above-mentioned challenges, the Agency implemented a new business model supported by a new macro organisation structure which was approved in 2017.

Successful implementation of the business model was aimed at transforming SITA to achieve, among others, the following broad goals:

1. Improving service delivery and customer satisfaction levels;
2. Showing real value to government and the country's development, as this will be SITA's collective legacy;
3. Ensuring institutional improvements that will mend SITA's reputation so that the Agency is known as a clean SOE with strong internal controls;
4. Developing SITAzens' talent and contributing to their growth as top-notch professionals;
5. Growing the client base and internal resources to meet client demand, and providing innovative services;
6. Establishing a SITA that becomes an IT centre of excellence, a driver of innovation and economic development in both the local market and international trade;

7. Developing a SITA that changes its primary deliverable to the ecosystem through thought leadership that is not limited to technical operations alone;
8. Building a capability that is neither public nor private sector but which has private-sector-calibre employees and can provide consultancy to government using effective service delivery metrics;
9. Creates internal capacity in government through effective collaborations with the private sector to generate national ICT capacity that can improve society; and
10. A self-sustainable SITA that invests in its employees, infrastructure, technology and assets.

During the year under review, SITA initiated implementing the micro organisation redesign which intended to address the skills deficit and build appropriate competencies required to deliver on its mandate and customer expectations with minimal reliance on external service providers. The organisation developed new competency frameworks, business processes and functional organisational structures. Furthermore, a process was initiated to design a new micro organisation structure into which employees will be migrated.

This process could not be concluded as planned due to impending SOC rationalisation and the moratorium on recruitment which was introduced by the new administration as these developments may jointly have a significant impact on the finalisation of the organisational structure. However, to ensure ongoing service delivery to its clients and meet its APP commitments, SITA implemented a skills augmentation process in the interim which entailed sourcing external skills to cover the capability gaps that existed within the core functions of the business. In parallel, a succession management plan policy was implemented identifying 203 successors to undergo an intensive talent development process, enabling them to fill core, critical and scarce skills positions.

Furthermore, the Agency Chief Financial Officer (CFO) as well as one non-executive Board member resigned in the year under review. SITA also bid farewell to the first and longest-serving Chief Executive Officer, Dr Mohapi, who was the only CEO to have completed his term of contract. To maintain stability at the top leadership level, SITA appointed internal resources to act in the positions of the CEO and CFO.

The organisation has also appointed its Executive Hosting and Secure Operations, Executive Internal Audit and the Chief Digital Officers respectively.



2.3.1 Key policy developments and legislative changes

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

2.3.2 Strategic programmes and initiatives

SITA has five strategic programmes, supported by 11 strategic objectives and are based on its aspiration to be recognised as government's thought partner through the strengthening of its innovation capabilities. This distinction is embodied in its core mandate and aims to provide well-defined, value-added services through a customer-centric approach. The strategic goals are depicted in the diagram below.



Figure 7: Strategic programmes

In the final year of 2014-2019 strategic plan, SITA's transformation roadmap was implemented through 23 strategic initiatives, which remained unchanged over this five year cycle, across four key categories, namely: procurement, e-Gov and IT service portfolio, organisational health and business enablers.

This included a realignment of its programmes into the five clusters of government, to support the NDP outcomes, to be more responsive to customer needs as well as strengthen its internal capabilities to support organisational growth and sustainability.

Strategic initiatives together with the strategic programmes are depicted in the diagram below.

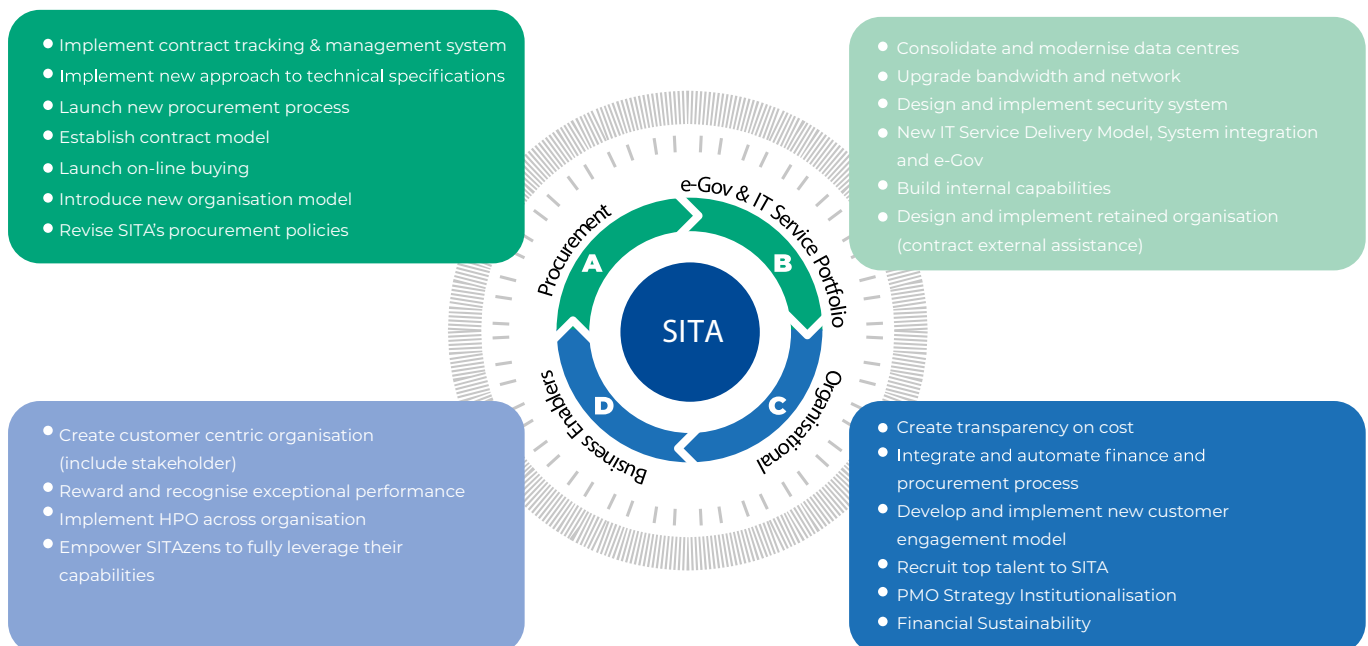


Figure 8: Strategic initiatives and strategic programmes

CATEGORY	PROGRESS
Procurement	<ol style="list-style-type: none"> 1. The contract tracking and management register was implemented on the gCommerce procurement platform. 2. New procurement processes e.g. preferential procurement instruments, were implemented to support the economic transformation. 3. HP and Huawei agreements, Micro Focus HPE addendum and Microsoft services addendum concluded. 4. The gCommerce platform buy-site was implemented for ad hoc RFQs and access links contract. 5. The micro organisational design project culminated in approval SCM division structure to support new supply chain management business model. 6. Radical SMME growth strategy initiatives implemented in line with SMME development policy.
e-Gov & IT Service Portfolio	<ol style="list-style-type: none"> 1. Consolidation and modernisation of data centres including replacement of transformers at three key offices in Gauteng, commissioning of a containerised generator and replacement of the UPS at PE switching centre. 2. Last mile upgrade projects including 270 of SA connect phase 1 sites being connected and maintained at bandwidth of 10Mbps. 3. New IT service delivery model system integration and e-Gov including completion of all e-Education initiatives. 4. A generic case management system was developed for use by Internal Audit.
Organisational health	<ol style="list-style-type: none"> 1. Succession management plan implemented to address core, critical, scarce skills within SITA. 2. New micro organisational structure developed up to HOD level to support new business model implementation. 3. SITA customer engagement model developed to support new business model and strengthen customer-centricity. 4. Workplace skills plan implemented to develop home grown talent and build internal capabilities.
Business Enablers	<ol style="list-style-type: none"> 1. SITA product and services lifecycle framework was developed and approved for implementation. 2. Knowledge-based value and desktop benchmarking for products conducted in-house resulted in reduced costs of product packaging and pricing. 3. New customer engagement model developed and communicated to stakeholders in support of the new business model. 4. Filling of top leadership and critical positions included filling of three Executive positions (permanent appointments, one of which was an internal candidate) as well as affording internal candidates interim appointments in acting executive roles to stabilise the top management structure. 5. The micro organisation structure was reviewed and realigned to support the macro structure culminating in the approval of 12 divisional micro structures. 6. Cost containment strategy implemented to support organisation sustainability.

03

PROGRAMME PERFORMANCE INFORMATION

During the culmination of the FY2014/2019 strategy, the Agency adopted a forward-looking approach by developing a new five year strategy – a digital transformation strategy – which positions SITA as a strategic partner to government in realising the benefits associated with the 4IR.

Provisional annual performance results for SITA point to the achievement of 50% of its annual targets, a performance level which in some respects is aligned to the organisation's transformation journey as the Agency transitioned ever-deeper into operationalising its business model as well as aligning itself to support the government digitisation strategy.

Parallel to implementing various improvement initiatives, the organisation had to manage many legal related matters as would often arise in the normal course of any business. These diluted the focus from the normal functioning of the organisation, being that they are extremely time-consuming hurdles, thus negatively impacting the overall bottom line.

Annual Performance FY2018/2019

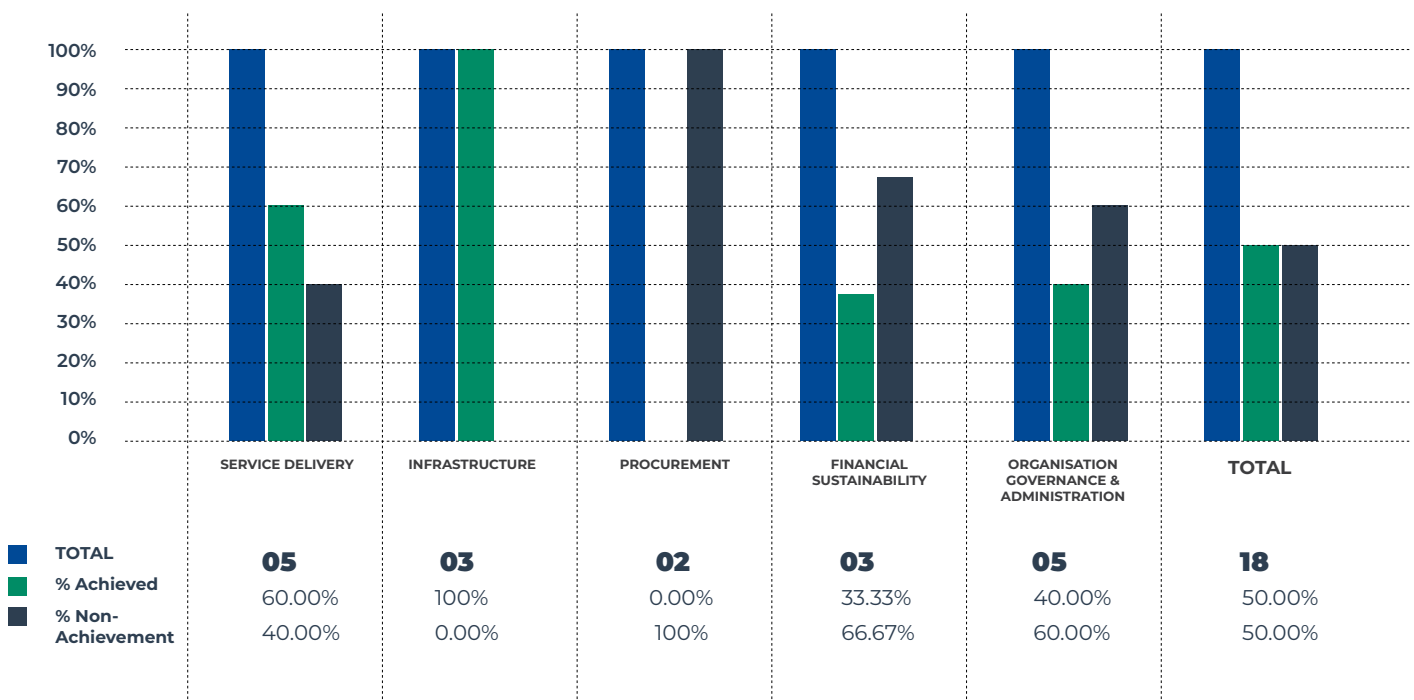


Figure 9: Annual performance per program

While the performance targets appear to be on an upward trajectory, some risks and challenges were experienced in each of the five strategic programmes. Below is a summary of performance per programme.

3.1 Programme 01: Service delivery

The target on performance against SLA metrics was not achieved primarily due to the power outages that took place during August 2018, negatively impacting some metrics.

3.2 Programme 02: Infrastructure

All three targets within the infrastructure programme were achieved; SA Connect and the GPCE were key contributors to the achievement of the target.

3.3 Programme 03: Procurement

Both measures, namely; % ICT acquisition spend through SMME entities; and % tender awards completed within the targeted turnaround time were not achieved. The underachievement is attributed to:

1. The procurement function experiencing serious capacity constraints;
2. The slow progress in the implementation of gCommerce, and
3. The turnaround time of SCM for finalising the award of bid was severely affected due to corporate and structural changes, which in turn affected the ICT acquisition spend through SMME entities.
4. Delays in awarding preferential procurement tenders results in ICT acquisition spend through SMME entities not reflecting timely in the procurement spend.

3.4 Programme 04: Financial sustainability

Out of the three financial targets, only the target for the net collection rate of 83% was achieved.

The Gross Margin and Earnings Before Income Tax (EBIT) was not achieved due to gross deficits yielded by some strategic projects and revenue targets not being met. Contributing factors towards the underperformance of revenue targets amounting to R1.094bn include lower than expected revenue for SAPS and DOD, as well as other opportunities that did not materialise, such as:

1. Delay in concluding negotiations on the NNUP project; an amount R456.8m is applicable, and
2. Disputed SAPS invoices amounting to R329m relating to services provided in the 2018/2019 financial year.

The significant investments made on strategic projects as part of operationalising the business model will result in cash flow constraints for the organisation in the 2019/2020 financial year, which is a risk that needs to be managed.

The new business model informed the implementation of strategic projects which would support the achievement of the organisational strategy as well as generate new revenue streams. To this end, SITA implemented GPCE cloud program where an amount of R84.7m has already been spent during 2018/2019 financial year.

In addition, the provision of network services also necessitated upfront investments where the associated costs will only be recovered in future years.

An impairment of R156.0m relating to gCommerce programme was processed during the 2018/2019 financial year. In addition, the gCommerce project made a loss of R43.0m due to fewer customers using the platform than projected, resulting in a total loss relating to this program of R199m. A review of this project is currently in progress in order to determine an appropriate way forward.

SITA is currently addressing its cash flow challenges by reassessing the costing models and possibly delaying (staggering) implementation plans of strategic projects. It is anticipated that cash outflows relating to strategic projects will continue into the new year and that cash flow constraints will be experienced within the 2019/2020 financial year.

3.5 Programme 05: Organisation, governance and administration

Under this programme SITA achieved 40% of planned annual targets i.e. the measure on establish fraud and corruption baseline as per industry benchmark was achieved. The organisation also achieved B-BBEE level 4 rating. The target on the design of a new micro organisation structure which aligns to the revised business model and the migration of employees to the structure has not been achieved. Non-achievement is a result of impending SOC rationalisation and the moratorium on recruitment as indicated in section 2.3 of the document.

The tables below provides 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 objective	Performance indicator	Actual achievement 2017/2018	Planned target 2018/2019	Actual achievement 2018/2019	Deviation from planned target 2018/2019	Reasons for variance
C1: Enhance efficiency of government business processes	M4: No. of e-government services deployed	23 e-services deployed	50 e-services deployed	Achieved 55 e-services deployed which have deployment certificates	5	Additional services were developed to meet identified clients' needs.
C2: Improved security of government data assets	M5: Level of maturity of ICT security	Attained information security maturity level 2	Attain information security maturity Level 3 as per ISF security controls model for 11 discipline areas	Achieved SITA attained security maturity level 3 as per ISF security controls model for 11 discipline areas.	None	No variance.

Strategic objective	Performance indicator	Actual achievement 2017/2018	Planned target 2018/2019	Actual achievement 2018/2019	Deviation from planned target 2018/2019	Reasons for variance
C3: Transform SITA into customer-centric organisation	M6: Customer satisfaction level	51%	80% customer satisfaction level	Not achieved 0%	- 80%	The survey was not concluded due to the cost containment challenges.
	M7: % performance against measured contracted SLA metrics	96.56%	98% performance against measured contracted SLA metrics	Not achieved 96.38%	- 1.62%	Power outages that took place in August 2018 negatively impacted some metrics. This being a cumulative target, the impact of Q2 performance impacted the final YTD performance.
	C4: Achieve growth in government market share	M8: % increase in government market share	10% increase in government market share on designated services (increase on 2017/18 target)	Achieved 13.3% increase in government market share on designated services (increase on 2017/18 target)	3.3%	Agency sales related to the provision and support of contracted services/ SLAs transacted through framework agreements and other contracts have also been included.

3.2 PROGRAMME 2: INFRASTRUCTURE

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

Strategic objective	Performance indicator	Actual achievement 2017/2018	Planned target 2018/2019	Actual achievement 2018/2019	Deviation from planned target 2018/2019	Reasons for variance
C5: Consolidate and modernise data centres	M9: No. of government private cloud services available	13 government private cloud services deployed	2 government private cloud services available	Achieved 2 government private cloud services available	None	No variance.
C6: Improvement of ICT infrastructure: disaster recovery	M10: Number of clients provided with disaster recovery services	Disaster recovery services provided to 2 clients	4 clients provided with disaster recovery services	Achieved 4 clients provided with disaster recovery services	None	No variance.
C7: Improve broadband connectivity	M11: No. of SA connect phase 1 sites connected at bandwidths of 10Mbps	-	257 of SA connect phase 1 sites connected and maintained at bandwidths of 10Mbps	Achieved 270 of SA connect phase 1 sites connected and maintained at bandwidth of 10Mbps	13	Work continued in order to meet the Minister's planned target of 570 sites.

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's ICT acquisition spending through SMME entities.

Strategic objective	Performance indicator	Actual achievement 2017/2018	Planned target 2018/2019	Actual achievement 2018/2019	Deviation from planned target 2018/2019	Reasons for variance
C7: Drive economic transformation agenda	M12: % of ICT acquisition spend through SMME entities	14.22%	40% of ICT acquisition spend through SMME entities	Not achieved 19.84% of ICT acquisition spending through SMME entities	-20.16%	SITA collates SMME subcontracting data from main contractors; a total value of R370 million in indirect SMME spend was projected to close 20% variance to the 40% target.
						The project however, did not yield the expected results as the expected number of large entities did not subcontract to SMMEs as there was no subcontracting clause in their agreements. Some big contracts within SITA were signed prior to the implementation of the Industry Transformation Preferential Procurement clauses.
						B-BBEE certificates of unknown suppliers to the value of R76 million were collated. Due to this exercise SMMEs were identified that were previously unknown, however the spend amounts on them were too low to make a significant impact on the SMME KPI.
P1: Improve procurement operational efficiency to enable service delivery	M13: % of tender awards completed within the targeted turnaround time	28.94%	85% of tender awards completed within the targeted turnaround time	Not achieved 33.9% of tender awards completed within the targeted turnaround time	- 51.1%	Due to slow progress in the implementation of gCommerce and SCM capability constraints

3.4 PROGRAMME 4: FINANCIAL SUSTAINABILITY

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

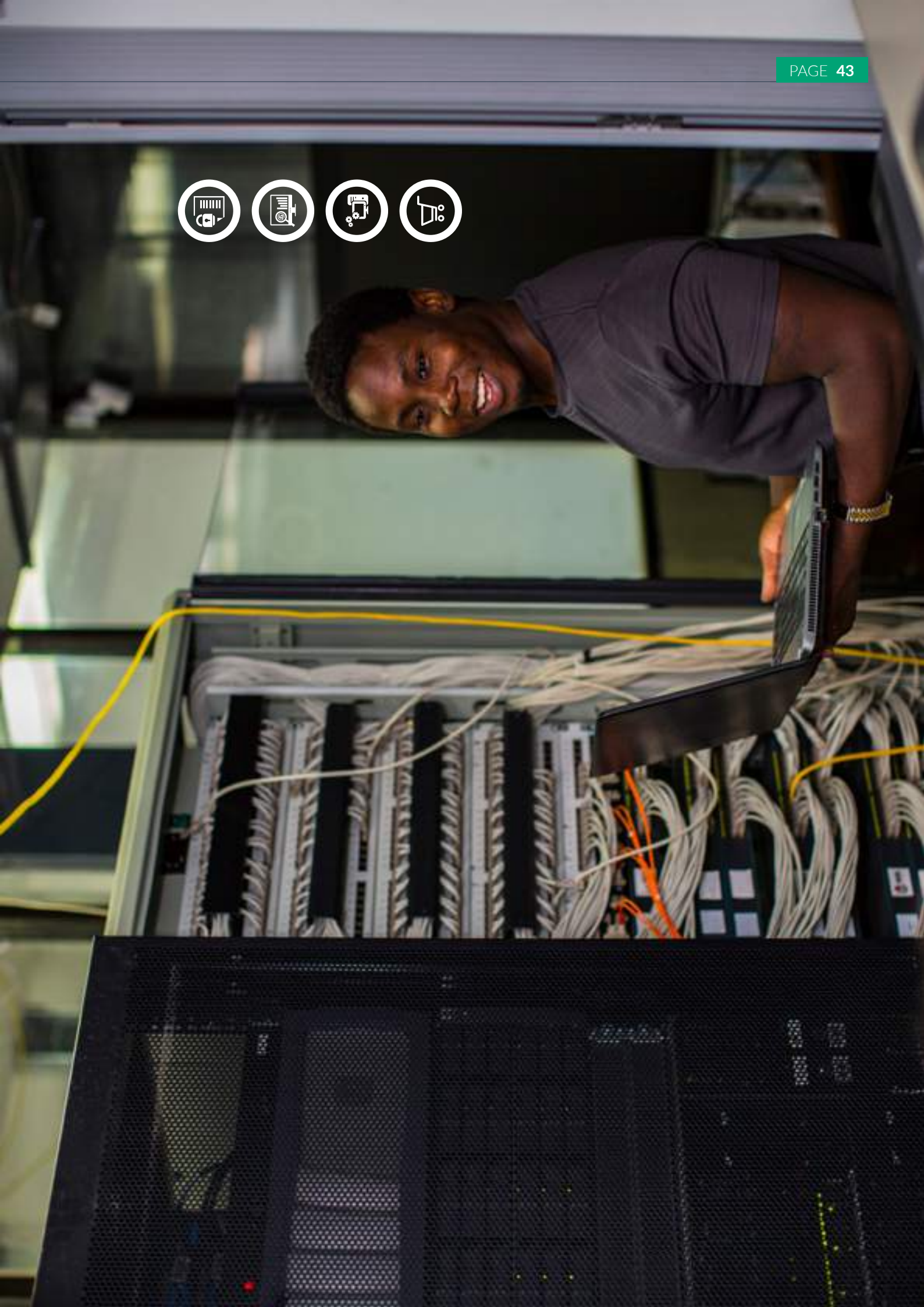
Strategic Objectives	Performance Indicator	Actual Achievement 2017/2018	Planned Target 2018/2019	Actual Achievement 2018/2019	Deviation from Planned Target 2018/2019	Reasons for Variance
F1: Achieve sound financial management	M1: % EBIT	Achieved R263m	R22.3m	Not achieved - R240m	- R217.7m	This is mainly due to gross deficits yielded by some strategic projects and revenue targets not met.
	M2: % Net Collection Rate	Achieved 94%	80%	Achieved 83%	3%	Due to the exclusion of disputed and uncollectable SAPS Network billing.
	M3: % gross margin	Not achieved R1,262m	R1,296m	Not achieved R958m	- R338m	Due to gross deficits yielded by some strategic projects and revenue targets not met.

3.5 PROGRAMME 5: ORGANISATION, GOVERNANCE AND ADMINISTRATION

The purpose of this programme is to build and maintain organisational capability to enable SITA to achieve its strategic imperatives. The programme also aims to provide leadership, strategic management, governance, risk and resource management in line with government's accepted norms and standards.

Strategic objective	Performance indicator	Actual achievement 2017/2018	Planned target 2018/2019	Actual achievement 2018/2019	Deviation from planned target 2018/2019	Reasons for variance
LI: Build a healthy and high-performing organisation	M14: New organisational design implementation	-	100% migration of employees to the new micro structure	Not Achieved 0% migration of employees to the new micro structure	- 100%	Project timelines were reviewed to allow for other dependencies like the volumetric exercise, which allows for finalisation of the structure total headcount required. The moratorium on recruitment had a negative impact on the process as indicated in section 2.3.
	M15: % of critical positions with minimum cover ratio of 1:2	12.5%	50% of critical positions with minimum cover ratio of 1:1	Not Achieved 32.8% of critical positions with minimum cover ratio of 1:1	- 17.2%	<p>Due to resignations of candidates on this list who were never replaced. Out of the total of 152 CCS positions identified at project inception, only 73 positions had 186 potential successors identified.</p> <p>Out of a total of 190 assessed candidates, only 128 covering 50 CCS positions were found to be proficient to immediately occupy CCS positions. The other candidates identified required training and the moratorium on recruitment had a negative impact on the process.</p>

Strategic objective	Performance indicator	Actual achievement 2017/2018	Planned target 2018/2019	Actual achievement 2018/2019	Deviation from planned target 2018/2019	Reasons for variance
L1: Build a healthy and high-performing organisation	M16: Employee satisfaction level	67.25%	70% employee satisfaction level	Not achieved 69%	-1%	<p>Although there has been an improvement from FY2018/19 results, the following areas received low scores and initiatives are required to address this:</p> <ol style="list-style-type: none"> 1. Diversity 2. Training and development 3. Performance management 4. Specific questions on the 9 dimensions namely; <ol style="list-style-type: none"> a. Training and development b. Tools of trade c. Communication d. Talent management e. Leadership f. Employee wellbeing g. Strategic direction h. SCM i. Facilities
	M17: BBBEE recognition level	-	Level 4 contributor	Achieved Level 4 contributor	None	No variance
	M18: Fraud awareness and prevention rollout strategies	-	Establish fraud and corruption baseline as per industry benchmark	Achieved 100% Fraud and corruption baseline was established and approved by Social and Ethics Committee	None	No variance





PERFORMANCE LINKS TO FINANCIAL RESOURCES

4.1 SUMMARY OF REVENUE COLLECTION

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

Sources of revenue	2018/2019			2017/2018		
	Actual	Budget	Over/Under collection	Actual	Budget	Over/Under collection
	R'000	R'000	R'000	R'000	R'000	R'000
Commercial Printing	11,879	31,413	(19,534)	28,262	21,729	6,533
ICT Advisory Services	23,512	43,053	(19,541)	20,520	43,980	(23,460)
Information Management	36,361	43,419	(7,058)	53,591	55,456	(1,865)
Managed Applications	640,228	872,040	(231,812)	722,870	854,082	(131,212)
Managed Desktop	807,810	909,045	(101,235)	878,488	820,461	58,027
Managed Infrastructure	2,250,785	2,627,168	(376,383)	2,442,170	3,211,700	(769,530)
Project Management	17,904	28,238	(10,334)	10,551	13,151	(2,600)
Requesting and Fulfilment	916,418	1,311,270	(394,852)	1,434,039	1,106,078	329,961
Security Management	89,096	129,340	(40,244)	37,681	36,910	771
Service Management Centre	83,505	65,741	17,764	84,581	87,046	(2,465)
Training	41,405	94,605	(53,200)	41,596	49,961	(8,365)
Solution development	191,338	49,279	142,059	83,605	60,115	23,490
TOTAL	5,110,241	6,204,611	(194,369)	5,837,954	6,360,669	(522,715)

4.2 **SUMMARY** EXPENDITURE BY PROGRAMME

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

Programme Name	2018/2019		
	Budget R'000	Actual R'000	Over/Under Expenditure R'000
Programme 1: Service Delivery	3,376,166	2,935,140	441,025
Programme 2: Infrastructure	2,377,468	2,019,111	358,356
Programme 3: Procurement	106,586	76,535	30,051
Programme 4: Financial Stability	55,617	124,457	(68,840)
Programme 5: Organisation, Governance & Administration	267,221	186,716	80,505
TOTAL	6,183,058	5,341,960	841,097

4.3 CAPITAL INVESTMENT, MAINTENANCE AND ASSET MANAGEMENT PLAN

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

Sources of revenue	2018/2019			2017/2018		
	Budget R'000	Actual R'000	Over/ Under Collection R'000	Budget R'000	Actual R'000	Over/ Under Collection R'000
Infrastructure: Network	78,750	23,538	55,212	152,700	1,631	151,069
Infrastructure: Switching Centres	20, 000	2,358	17,642	21,821	-	21,821
Infrastructure: Data Centres	72,895	87,327	(14,432)	58,756	60,509	1,753
Infrastructure: Modernisation	34,296	27,230	7,066	148,014	29,827	118,187
Infrastructure: SA Connect	71,175	76,780	(5,605)	-	-	-
Solutions: Development Transversal	-	-	-	-	-	-
Solution Development: Customer Unique	-	-	-	-	-	-
Solution Development: Modernisation	-	-	-	-	-	-
Solution Development: Integration	20,000	875	19,125	45,127	27,196	17,931
IT Security	27,000	4,437	22,563	19,300	-	19,300
Service Management: Contact Centres	29,280	9,576	19,704	17,491	11,665	5,826
Service Management: Decentralised Support and 1st line support	24,226	7,629	16,597	9,500	2,294	7,206
Operational Support: Internal IT	18,033	40, 898	40,135	70,941	8,797	62,144
Operational Support: Facilities	2,100	-	2,100	18,850	428	18,422
Operational Support: Production Tool-sets	5,745	-	5,745	-	-	-
Operational Support: Integrated Security	33,500	-	33,500	37,500	29	37,471
TOTAL	500, 000	280, 648	219,352	600,000	142,376	457,624

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

Infrastructure Projects	2018/2019		
	Actual R'000	Budget R'000	Over/Under Expenditure R'000
Infrastructure: Network	23,538	78,750	55,212
Infrastructure: Switching Centres	2,358	20,000	17,642
Infrastructure: Data Centre	87,327	72,894	(14,433)
Infrastructure: Modernisation	27,230	34,296	7,066
Infrastructure: SA Connect	76,780	71,175	(5,605)
Solution Development: Integration	875	20,000	19,125
IT Security	4,437	27,000	22,563
Service Management: Contact Centres	9,576	29,280	19,704
Service Management: Decentralised Support and 1st line support	7,629	24,226	16,597
Operational Support: Internal IT	40,898	81,033	40,135
Operational Support: Facilities	-	2,100	2,100
Operational Support: Integrated Security	-	33,500	33,500
Operational Support: Production Tool-sets	-	5,746	5,746
TOTAL	280,648	500,000	219,352



GOVERNANCE

Part C
Part C:



01

INTRODUCTION

SITA is guided by the Principles of the Code of Corporate Practices and Conduct contained in the “King IV Report on Corporate Governance” as well as the Protocol on “Corporate Governance in the Public Sector 2002.” The statutory duties, responsibilities and provisions imposed on the directors of SITA by the Companies Act No. 71 of 2008, are augmented by those contained in the Public Finance Management Act No. 1 of 1999, as amended.

The board of directors of SITA regard corporate governance as fundamental to the success of the business and is fully committed to ensuring good governance practises in order for the company to remain a viable and sustainable business. This commitment is embraced at all levels within the company and is underpinned by the Agency philosophy and values.

SITA ensures that its processes and practises are subjected to ongoing reviews so as to guarantee compliance with applicable legislation, the use of funds in an economic, efficient and effective manner, and adherence to good corporate governance practises. Processes and practises are underpinned by the principles of transparency, integrity and accountability, as well an inclusive approach that recognises the importance of all stakeholders to ensure viability and sustainability of the company whilst meeting its strategic objectives.

02

PORTFOLIO COMMITTEES

2.1 COMPOSITION OF THE **PARLIAMENTARY PORTFOLIO COMMITTEE**

As part of its governance endeavour and supervision, 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 ON **TELECOMMUNICATION AND POSTAL SERVICES** ENGAGEMENTS WITH **SITA**

During the year under review, SITA briefed the Portfolio Committee on the following items:

1. 2017/2018 Strategic Plan and 2017/2018 Annual Performance Plan;
2. Quarterly Performance Reports;
3. Annual Report FY2017/2018;
4. Progress on SA Connect in respect of the broadband rollout, and
5. Cyber Security.

In the FY2018/2019, SITA also briefed the following Portfolio Committees as below:

1. Portfolio Committee on Higher Education and Training on the eradication the NC(V), NATED and GETC certification backlog;
2. Portfolio Committee on Home Affairs on the status of the Home Affairs National Identification System (HANIS) and the progress on the implementation of the Automated Biometric Identification System (ABIS);
3. Portfolio Committee on Public Service & Administration, Performance Monitoring and Evaluation on the state of readiness to implement IFMS and migration data from PERSAL, and
4. Standing Committee on Public Accounts on the question of the correspondence on the payment of Forensic Data Analysis (FDA).



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.



ACCOUNTING AUTHORITY

4.1 THE **SITA** BOARD OF DIRECTORS

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

1. State Information Technology Act;
2. Public Finance Management Act (PFMA);
3. Companies Act;
4. SITA Board Charter;
5. Memorandum of incorporation, and
6. King IV Report on Governance for South Africa (King IV).

4.2 THE ROLE OF THE BOARD

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

1. Retaining full and effective control over the Agency and providing effective leadership in the best interest of the agency;
2. 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;
3. Determining and setting the tone of the Agency values including principles of ethical business practice and the requirement of being a responsible corporate citizen;
4. 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;
5. 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:
 - a. maximise sustainable returns,
 - b. safeguard the people, assets and reputation of the agency, and
 - c. ensure compliance with applicable laws and regulations;
6. 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, reporting, risk management, information management (including information technology) and risk-based auditing;
7. 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;
8. Ensuring that there is an effective risk-based internal audit;
9. 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;

10. Ensuring that disputes are resolved as effectively, efficiently and expeditiously as possible, and
11. Monitoring the relationship between management and stakeholders of the Agency.

4.3 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 2010 King Reports on Corporate Governance (inclusively), as well as best practise 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 for efficiency, for probity, with responsibility and leadership that are 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' interests in the business of SITA, and the need to assess the performance of directors as both individuals and 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.

4.4 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 alternative member(s) for each non-executive member of the Board, other than the chairperson. In terms of section 10(1) of the SITA Act, the Board consists of a maximum of 14 members appointed in the following capacities:

1. A non-executive chairperson;
2. Executive members, one of whom must be designated as the managing director;
3. Additional non-executive members, consisting of:
 - one person representing the DPSA;
 - one person representing National Treasury;
 - one person as a legal expert, and
 - 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 function(s).

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 ZD Nomvete	Chairman	18-Sep-2013 and appointed Acting Chairman from 21-Nov-2015 to 11-Dec-2016 Re-appointed on 12-Dec-2016		Board
Dr SJ Mohapi	Managing director (CEO)	01-Apr-2015	31-Mar-2019 Term Ended	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 SH Chaba	Non-executive director	18-Sep-2013 Re-appointed on 12-Dec-2016		<ul style="list-style-type: none"> • Chairperson of Human Resources and Remuneration Committee • Social and Ethics Committee
Mrs N Ehrens	Non-executive director	12-Dec-2016	15-Oct-2018 Resigned	<ul style="list-style-type: none"> • Chairperson of ICT, Research, Development and Innovation Committee • Human Resources and Remuneration Committee
Ms N Magubane	Non-executive director	12-Dec-2016		<ul style="list-style-type: none"> • Board Procurement Committee • Human Resources and Remuneration Committee
Adv N Mahlangu	Non-executive director	12-Dec-2016		<ul style="list-style-type: none"> • Board Procurement 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/Board
Ms P Matlala	Non-executive director	12-Dec-2016		<ul style="list-style-type: none"> Board Procurement Committee Human Resources and Remuneration Committee
Mr JS Mngomezulu	Non-executive director	18-Sep-2013 Re-appointed on 12-Dec-2016		<ul style="list-style-type: none"> Chairperson of the Board Procurement Committee Social and Ethics Committee
Mr NW Mudau	Non-executive director	18-Sep-2013 Re-appointed on 12-Dec-2016		<ul style="list-style-type: none"> Audit, Risk and Compliance Committee ICT, Research, Development and Innovation Committee Acting Chairperson of the ICTRDI (from 15 October 2018)
Ms RC Rasikhinya	Chief financial officer	9-Nov-2015	31-Sep-2018 Resigned	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 A Pretorius	Chief Financial Officer (Acting)	Acting from 1-Oct-2018		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 MT Sadik	Non-executive director	12-Dec-2016		<ul style="list-style-type: none"> Chairperson of the Social and Ethics Committee Audit, Risk and Compliance Committee
Mr GA Víctor	Non-executive director	18-Sep-2013 Re-appointed on 12-Dec-2016		<ul style="list-style-type: none"> Chairperson of the Audit, Risk and Compliance Committee ICT, Research, Development and Innovation Committee

4.5 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 (delegated to for support as, when and where required) 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:

1. Audit, Risk and Compliance Committee (ARC);
2. Human Resources and Remuneration Committee (HR&REM);
3. Social and Ethics Committee (SEC);
4. Board Procurement Committee (BPC), and
5. Information and Communication Technology Research, Development and Innovation (ICTRDI) 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	ICTRDI	AGM	Strategy sessions	Notes
Number of meetings	4	6	5	7	3	6	4	1	1	
Mr ZD Nomvete	4	5						1	1	
Dr SJ Mohapi	4	6	4	6	3	6	3	1	1	Term ended on 31 March 2019
Ms SH Chaba	4	5		6	3			-	1	
Ms NN Ehrens	2	2		4			2	1	1	Resigned on 15 October 2018
Ms N Magubane	2	4		3		5		1	1	
Adv N Mahlangu	2	5		3		5		-	-	
Ms P Matlala	4	6		7		6		1	1	
Mr JS Mngomezulu	1	4			1	4		1	-	
Mr NW Mudau	4	4	5				4	1	1	
Ms R Rasikhinya	2	2	3	4	2	4	2	1	1	Resigned on 30 September 2018
Mr MT Sadik	4	5	5		3			1	1	
Mr G Victor	4	6	5				4	1	1	
Mr A Pretorius	2	4	2	2	1	2	2	-	-	Appointed as the Acting Chief Financial Officer on 01 October 2018

4.6 REMUNERATION OF BOARD MEMBERS

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

Non-executive directors and committee members who are employed by Government (National Treasury and DPSA) are not entitled to remuneration.

Executive directors are remunerated according to the policies of the organisation. Full disclosure on the remuneration of non-executive and executive directors is included in the annexure A on financial statements.

4.7 BOARD PROFILES



MR. ZUKILE NOMVETE

CHAIRMAN SITA BOARD OF DIRECTORS
12 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 Hermes Apollo Engineering, is also a Board member of SITA and also serves on the Board for the Foundation for Human Rights. He is a previous chairman of World Expo 2025 South Africa (NPC). He was previously a non-executive director at the South African Civil Aviation Authority and has served as its deputy chairman. He has also served as a 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.

Other previous board engagements include director at the Airports Company of SA, SUNAIR, the Tourism Business Council of SA, and One Connect. He previously served as executive director of Transnet responsible for SAA and its subsidiaries as well as Transnet's property portfolio, Propnet.

Mr Nomvete was also a coordinator/project manager of government's 2010 FIFA WC project management unit and is an honorary colonel of the South African Air Force. Mr. Nomvete has also worked Metrorail and Thebe Investment Corporation.

Mr Zukile Nomvete



DR. SETUMO MOHAPI

MANAGING DIRECTOR (CEO)

1 APRIL 2015 – 31 MARCH 2019

BSc in Electrical Engineering and Computer Science (MIT); Masters in Electrical Engineering (MIT); and PhD in Electrical Engineering (Wits)

Dr 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 of 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.

Dr Setumo Mohapi



MRS. NOKUZOLA EHRENS

NON-EXECUTIVE BOARD

MEMBER: 12 DECEMBER 2016

15 OCTOBER 2018

Mrs. Nokuzola Ehrens

BSc in Mathematical Statistics and Applied Mathematics (University of Zululand, 1981); Diploma in Public Relations (Birman Business College, 1994); B Phil 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. 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 BBBEE compliance requirements.

A considerable part of her earlier career after branching off from the IT field was spent as a family magazine programme presenter for the SABC's channel 1 (1990-1997).

She also worked in the following capacities: chairperson and 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 and 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. GRAEME VICTOR

NON-EXECUTIVE BOARD MEMBER:
12 DECEMBER 2016

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

Mr 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 Auditors (now Grant Thornton) and founded Kessel Feinstein Consulting, growing it into a highly successful consulting business for over 10 years.

Mr Graeme Victor



MS. SEADIMO CHABA

NON-EXECUTIVE BOARD MEMBER
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 Chaba is a business woman running a number of businesses. She 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.

Ms. Seadimo Chaba



MR. TALIB SADIK

NON-EXECUTIVE BOARD MEMBER:
12 DECEMBER 2016

Chartered Accountant, CA (SA) (1992); B Com (1987); Advanced Diploma in Accounting (1988); and a Certificate in Advanced Management Programme (1996)

Mr Talib Sadik was the chief financial officer of Basil Read Holdings Limited, a civil engineering, building and construction company (2016-2017). Prior to that, he worked as a consultant for PricewaterhouseCoopers (PwC) Advisory Services and Harrison & White Group (2012-2016). He occupied executive and senior management roles as group CEO and group chief financial officer/financial 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 lectured at the University of Natal (1992-1993).

He started his career as an article clerk at KPMG (1988-1991). He participated in the turnaround and growth 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 and Sunspray (Pty) Ltd. He was chairman of the St Katharine's Transformation Committee and member of the Board of Foskor Limited (2002-2004), and African Media Entertainment Limited (2002 - 2004).

Mr Talib Sadik



MS. PHUTI MATLALA

NON-EXECUTIVE BOARD MEMBER
12 DECEMBER 2016

Ms. Phuti Matlala

BA in Psychology (University of Limpopo, 1984); Honours in Clinical Psychology (University of Limpopo, 1985); Management Advancement Programme (Wits, 1995); Managing Economic Strategies (UWC, 2002) Senior Executive Development Programme (GIBS, 2003); and Programme in Corporate Governance (IOD, 2004)

Ms Matlala has worked in both private and public sectors as an employee and later as a business consultant in business and HR strategy, OD, and project management to mention but a few.



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 a candidate attorney at Ledwaba Mazwai Attorneys (2009-2010). While studying law at the University of Pretoria, he worked part-time as a BEE analyst at BEE2Business (2005-2008). He is a member of the Appeals Advisory Committee of the Gauteng Department of Health, and also the chairperson of the Board of Khulanathi Capital Holdings (since 2014).

Adv. Ndumiso Mahlangu



MR. WALTER MUDAU

NON-EXECUTIVE BOARD MEMBER
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 Mudau is a chief director at the DPSA responsible for ICT stakeholder management and ICT service management. He was initially director for the GITO Council Secretariat. 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. Walter Mudau



MR. ANDRE PRETORIUS

ACTING CHIEF FINANCIAL OFFICER:
01 OCTOBER 2018 TO DATE

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

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

Mr Andre Pretorius



MS. NELISIWE MAGUBANE

NON-EXECUTIVE BOARD

MEMBER: 12 DECEMBER 2016

Ms. Nelisiwe Magubane

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

Ms Magubane is currently an independent advisor to the Government of Tanzania on the design of their reverse auctions. She is also working with the TetraTech team in restructuring Tanesco, the Tanzanian electricity utility, as part of the 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 included acting Director-General (2009); Deputy Director-General of Electricity and Nuclear Energy (2002-2009); and Chief Director of Electricity Promotion (2000-2002). She is currently a director at Matleng Energy Solutions and non-executive director of Eskom Holdings SOC Ltd.

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 included being a 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 the 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).



MR STADI MNGOMEZULU

NON-EXECUTIVE BOARD MEMBER:
12 DECEMBER 2016

B Com (Vista University); Master's in Business Leadership (Unisa); Executive Development in Leadership (Gestalt International Study Centre, Massachusetts)

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, including as 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 at the Department of Education (1991-1993). He started his career as an article clerk at Ernst and Young (1989).

Mr Stadi Mngomezulu



MS RUDZANI RASIKHINYA

EXECUTIVE DIRECTOR AND CHIEF
FINANCIAL OFFICER: 9 NOVEMBER 2015
31 SEPTEMBER 2018

Chartered Accountant CA (SA)

Ms 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 was a Board member of the Accounting Standards Board for six years ending 28 February 2018, 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.

Ms Rudzani Rasikhinya



05

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 and monitored by the Internal Audit department.

Internal controls that were in place during the year, internal control weaknesses were identified by the 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 was established in terms of section 51(1) (a) (ii) of the PFMA and section 27.1.1 of the Treasury Regulations (PFMA 76(4) (d)), whereby the Board must establish an audit committee as a subcommittee of the Board. The committee monitors, inter alia, compliance with legislation and ensures that appropriate systems of internal control are implemented and maintained to protect SITA's interests and assets. The committee further reviews the activities and effectiveness of the internal audit.

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. Internal Audit is not responsible for the implementation and related controls of any business processes however, SITA management is responsible for the achievement of the business objectives, which includes the design, implementation and monitoring of adequate and effective internal controls.

Internal Audit evaluates processes with the view of providing assurance that the internal controls within 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.

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

Member	Qualifications	Internal/ external	Date of appointment	Number of meetings attended
Mr GA Victor	BSc in Engineering, cum laude (Wits), MSc (Stanford), MEng (Stanford), B Com Hons (Unisa), CA (SA) Non-executive Board member: 12-Dec-16	External	Appointed as the chairperson of the Audit, Risk and Compliance Committee on 14-Dec-2016 Re-appointed at the AGM of 31-Aug-2018	5
Mr NW Mudau	BSc Hons in Computer Science (University of Limpopo), University Education Diploma (University of Venda), MBA (University of North West/ Potchefstroom University for CHE) Non-executive Board member: 12-Dec-16	External	Appointed as a member of the Audit, Risk and Compliance Committee on 14-Dec-2016 Re-appointed at the AGM of 31-Aug-2018	5
Mr MT Sadik	Chartered Accountant (SA), B Com, Advanced Diploma in Accounting, Advanced Management Programme Non-Executive Board member: 12-Dec-16	External	Appointed as a Member of the Audit, Risk and Compliance Committee on 14-Dec-2016 Re-appointed at the AGM of 31-Aug-2018	5

06

COMPLIANCE WITH LAWS

The Board is responsible to ensure compliance with statutory, regulatory, supervisory and best practice requirements and are liable for the consequences of non-compliance. The Compliance unit was established to assist the Board in the management of compliance risks. The unit is based within the Legal Services Department.

In executing its duties, the Compliance unit has adopted the Generally Accepted Compliance Practice Framework (GACP) of the Compliance Institute of Southern Africa's methodology which consists of four phases. The GACP is aligned to ISO 19600:2014, ISO 31000:2009 and the King IV Report on Corporate Governance for South Africa (2016).

In accordance with the GACP, the Compliance unit performs its duties in accordance with an annually approved Compliance Programme. The Board has approved SITA's Risk-rated Regulatory Universe, the Compliance Policy and the Compliance Charter respectively. The Compliance Charter outlines the roles and responsibilities of the entire organisation as well as the authority of the Compliance unit. The Compliance unit has reported regularly to the Social and Ethics as well as the Audit, Risk and Compliance Committees during the year under review.

07

RISK MANAGEMENT

7.1 INTRODUCTION

The risk management process assists the Board to execute its fiduciary duties to actively manage risk that may otherwise affect or prevent SITA from achieving its strategic objectives and to ensure its long-term sustainability. The Board, through the Audit, Risk and Compliance Committee, ensures that effective risk management processes and procedures are in place to actively manage risks that may affect SITA's performance.

The Board has committed SITA to a process of risk management that is aligned to the requirements of the:

1. SITA Act; 88 of 1998;
2. Companies Act, 71 of 2008;
3. Public Finance Management Act, 1 of 1999;
4. Codes of good corporate governance, including the King IV Report on Corporate Governance for South Africa (2016) and the code issued by the Committee of Sponsoring Organisations (COSO), an internationally accepted framework for good governance;
5. ISO 31000:2009 (risk management principles and guidelines); and
6. other relevant legislation.

The Board has further approved the enterprise risk management policy and framework which is in line with ISO 31000:2009. Risk management activities are conducted in line with the policy and framework.

The roles and responsibility for risk management within SITA is clearly defined in the risk management policy and framework. The Board is ultimately accountable to ensure that SITA effectively manages risk. To this end, the Board has formally delegated its oversight role to the Audit, Risk and Compliance Committee.

The Risk Management division is accountable to the Audit, Risk and Compliance Committee and is responsible for the facilitation, embedding and monitoring of risk management in SITA in terms of the risk management policy and framework. Management is responsible for the day-to-day management of risks and ensuring that employees are aware of and carry out their risk management responsibilities in their operational areas.

Roles and responsibilities for Risk Management are illustrated in the figure below, demonstrating the fiduciary duties of the Board, executed by management responsibilities.

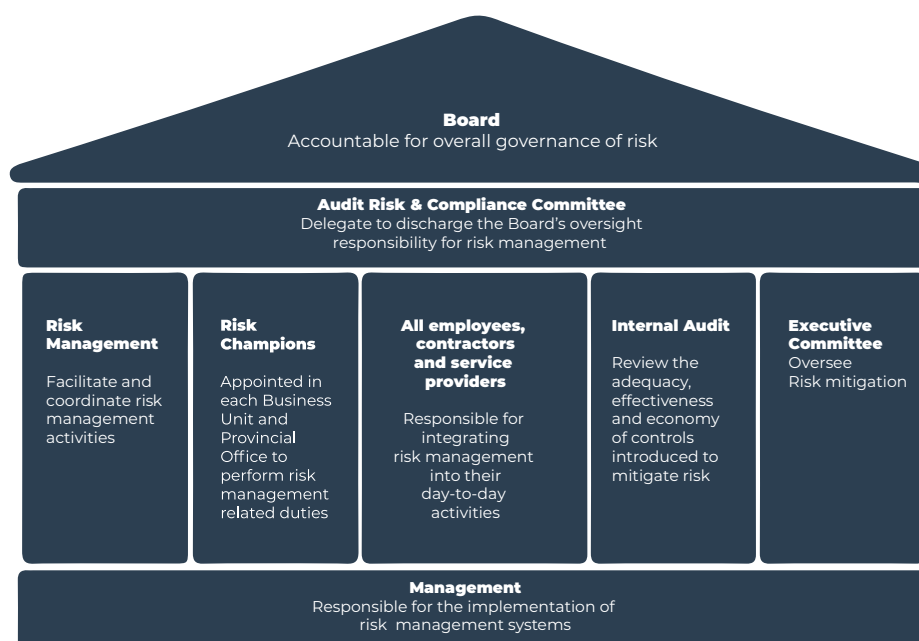


Figure 10: Risk management governance structures

The Risk Management division executed its roles in line with the approved operational plan for the 2018/2019 financial year. The focus was on the development of the strategic, operational and strategic programme risk profiles and the monitoring thereof through the use of key risk indicators for all the risks that are outside the SITA appetite and tolerance levels.

Progress on risk mitigation actions and controls was reported to the Executive Management Committee, the Audit, Risk and Compliance Committee, Social and Ethics Committee, HR and Remuneration Committee, ICTRDI, Board Procurement Committee and to the Board.

The integrity of the SITA's financial reporting relies upon a sound system of internal control and effective risk management processes. The Board declares that it has maintained sound risk management processes which have maintained the Board's insight to emerging and materialising risk. The environment has seen a significant increase in the reporting of materialising risk, with mitigation action being more reactive than preventative. Executive Management capability has been strengthened to ensure pro-active mitigation.

08

FRAUD AND CORRUPTION

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

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

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

09

MINIMISING CONFLICT OF INTERESTS

SITA subscribes to the principles of upholding the highest standards of conduct, ethical practice and good governance. One of the practices of good governance includes ensuring that all SITA employees and all SITA stakeholders have the confidence and assurance that every employee is executing their job functions without any influence or bias.

To this end, the SITA Conflict of Interests policy clarifies the legal and ethical obligations of all SITA employees to act in the best interests of SITA. The policy objectives are to:

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

In addition, the policy states that SITA employees are not allowed to conduct business with SITA or government and are also prohibited from having interests in IT or IT-related companies; companies that do or would do business with SITA or government; companies that subcontract, either directly or indirectly, with companies that engage with SITA; and any line of work that is in conflict or might be perceived to be in conflict with SITA's business operations.

The SITA Conflicts of Interest policy states that any SITA employee with a conflict must disclose this in writing to the Company Secretary. The determination is then made as to whether the employee is required to remove or divest himself/herself from the situation that resulted in the conflict of interest.

During the year under review, a total of 97.4% of all SITA employees submitted their conflict of interest declarations, which is an improvement on the submission rate of 94.33% received in the previous year.

Conflict of interests is a regular agenda item in all Board and Board committee meetings to routinely remind directors and employees of their responsibility to record and register conflicts.

10

CODE OF CONDUCT

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

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

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

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

11

OCCUPATIONAL HEALTH AND SAFETY

INTRODUCTION

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

SITA – as a responsible employer – is committed to compliance with the OHS Act 85 of 1993 and its Regulations. In this regard, SITA must, as far as is reasonably practicable, provide and maintain a working environment that is safe and without risk to the health and safety of its employees. Moreover, an employee must also take reasonable care for his or her own health and safety, and for the health and safety of others in this regard. The following status may be noted.

11.1 ESTABLISHMENT OF SHE COMMITTEES

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

The social and ethics subcommittee of the board monitors compliance and activities of the SHE committees. A continuous awareness campaign was implemented including employee engagements to sensitize employees about the risks in the workplace and the importance of observing good OHS practices in the workplace.

11.2 HEALTH AND SAFETY LEGAL APPOINTMENTS

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

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

During the year under review, occupational hygiene surveys were conducted to determine the quality of air and lighting within the building. Certificates of Compliance were issued for buildings to ascertain that electrical installations are safe.

Evacuation chairs have been installed across SITA buildings to ensure easy access of People with Disability.

There were a number of Injuries on duty incidences reported which resulted in loss of time where employees were booked off. An awareness programme has been put in place in order to minimise the risks identified including the above-mentioned and other work injuries. The fire protection systems in some buildings are not properly maintained. The Facilities Department has secured a service provider to maintain the systems to ensure that they comply with the OHS Act.

11.3 LEGAL COMPLIANCE WITH HEALTH AND SAFETY

During the year under review ,occupational hygiene surveys were conducted to determine the quality of air and lighting within the building. Certificates of Compliance were issued for buildings to ascertain that electrical installations are safe.

12

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:

1. 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;
2. 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;
3. inducting and orienting new directors and guiding directors as to their duties, responsibilities and powers, with particular reference to ethics and good governance;
4. providing legal advice to the Board and Board committees on issues pertaining to SITA;
5. assisting with Board strategy and APP development, as well as monitoring performance against predetermined objectives;
6. ensuring the Board has relevant, accurate, timely and complete information in order to monitor, review, make decisions and report to the shareholders;
7. 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;
8. 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;
9. 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;
10. 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;
11. ensuring that the Board has comprehensive communication and stakeholder management frameworks, strategies, policies and programmes, and
12. 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.

13

SOCIAL RESPONSIBILITY

SITA is a state owned entity that is obligated by legislation to promote service delivery to government through the provision of ICT in a secured environment to bring about cost-efficiencies and effectiveness to the government for the convenience of the citizens.

Given its mandate, the entity was better positioned to use its competencies to partner with the government for the realisation of policy objectives which are the bulwark of the NDP. Central to this was the adoption and use of ICT in the delivery of quality basic education to impact both the form and content for social development and economic growth.

In response to government's policy imperatives, not least the promotion of the digital society as envisioned in the National ICT Policy White Paper, SITA through its revised social corporate responsibility framework (policy, strategy and implementation plan) continued to collaborate with the government to bring about social, economic and human resources transformation at the community level.

For the year under review, buoyed by the President's call for government to take leadership in the digital transformation of both the state and the society, and also to lead skills development programmes aimed at the creation of the workforce of the future, the Agency working with the Free State Department of Education finalised the establishment of the School of Software Engineering, or an ICT Academy as popularly referred to.

Set to be launched early in 2019/2020, the School of Software Engineering was a national initiative aimed at the introduction of the schools' new digital curriculum in the country to promote digital access through ICT skills, and it stands as a physical manifestation of the Agency's ambition to roll-out new skills sets that were responsive to the much anticipated fourth industrial revolution.

Academic prosperity, job creation and industry transformation through the development of the SMMEs were some of the envisaged outcomes of the ICT Academy with the graduates specifically targeted to line up the Agency's existing youth and business development programmes, contributing to the national skills pipeline.

In complementing the work of the ICT Academy, the Agency broadened the appeal for ICT skills by undertaking community initiatives including the much-publicised national hackathon and coding workshops where various sectors of the society took part in coding competitions to generate ideas and other ICT solutions for consideration aimed at service delivery improvement for socio-economic upliftment.

Led by its employees in exuding the renewed spirit of public service activism, the Agency contributed to social cohesion by taking part in social alleviation programmes through the provision of both ICT and non-ICT services including the procurement and supply of computer equipment to the rural village of Ndevana in the Eastern Cape. The legacy of Mandela continued to "inspire to aspire."

14

THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Various legislative frameworks including the Broad-Based Black Economic Empowerment (B-BBEE) regulations requires state owned entities to advance economic transformation and enhance the economic participation of black people in the South African economy. There is further requirement from the regulations for state owned entities to report its compliance with B-BBEE regulations in the audited annual report within thirty (30) days post approval of annual report and financial statements to the B-BBEE commission.

SITA committed to advancing the government transformation agenda and bridge the digital divide by actively promoting access to ICT, stimulating and supporting growth within the ICT sector, advancing economic and social transformation within the ICT sector, diversifying supply chains, contributing towards the reduction of unemployment and poverty alleviation, and supporting skills development and training initiatives.

In order to fulfil this requirement, SITA has put in place enablers such as the enterprise and supplier development strategy, corporate social responsibility policy and strategy, human capital management strategy and related policies. During the year under review, SITA set a target to achieve a level 4 B-BBEE status and a fixed number of targeted points and implementation plans were established for each of the six B-BBEE elements. SITA successfully concluded its planned activities that were subsequently verified by a B-BBEE verification agency which is accredited by the South Africa National Accreditation Systems (SANAS); the outcome of the verification was that the Agency achieved a rating of level 4.

15

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

15.1 INTRODUCTION

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

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

15.2 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 with regard to the evaluation of the adequacy and efficiency of accounting policies, internal controls and financial and corporate reporting processes. In addition, the ARCC reviews and assesses the effectiveness of the Internal Audit function and the independence and effectiveness of the company's external auditors (Auditor General).

15.3 AUDIT, RISK AND COMPLIANCE COMMITTEE RESPONSIBILITY

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

15.4 THE QUALITY OF FINANCIAL INFORMATION PROVIDED

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

15.5 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 within the internal control environment.

The ARCC has continued to oversee specific investigations into areas with weak internal control and areas which are prone to unethical behaviour.

In particular, the forensic investigation into a number of sole supplier contracts has continued with the assistance of the Independent Police Investigative Directorate (IPID), Directorate for Priority Crime Investigation (Hawks) amongst others. SITA has also continued to share the findings of these investigations with the Standing Committee on Public Accounts (SCOPA).

SITA's executive management, with the full support from the Board, will continue to act decisively against the threat of corruption perpetrated within and against the organisation and implement appropriate remedial measures to strengthen SITA's internal control environment.

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

1. Cyber security and Information security governance; and
2. Supply Chain Management.

15.6 INTERNAL FINANCIAL CONTROL

During the year under review, 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

15.7 THE EFFECTIVENESS OF INTERNAL AUDIT

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

15.8 RISK MANAGEMENT

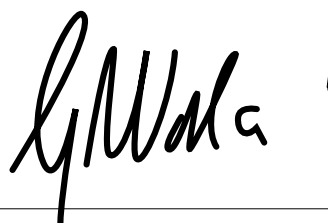
The risk management division assists the ARCC in discharging its responsibilities in relation to the management of risks within the company in line with the Committee's oversight responsibilities. The ARCC receives and considers regular reports in relation to risk management related activities, from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

15.9 COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

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

15.10 EVALUATION OF THE FINANCIAL STATEMENTS

The Committee has evaluated the annual financial statements of the Agency for the year ended 31 March 2019 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

16.1 INTRODUCTION

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 Companies Act, 71 of 2008 ("the Act"), and Regulation 43 of the Companies Regulations 2011 ("the Regulation").

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.

16.2 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. Mr. Talib Sadik serves as the Chairperson of the Committee. The committee met three times during the 2018/19 financial year. The Office of the Company Secretary provides secretarial services and support to the Committee.

Name	16 Apr 2018	17 Jul 2018	15 Jan 2018
Mr M T Sadik (Chairperson)	√	√	√
Ms Seadimo Chaba	√	√	√
Mr J S Mngomezulu	√	-	-

16.3 TERMS OF REFERENCE

The SEC operates within an approved framework set out in the Social and Ethics Committee Terms of Reference.

16.4 ROLE OF THE SOCIAL AND ETHICS COMMITTEE

As part of the Board's overall mandate to provide direction and establish the ethics and values pivotal to sustainable performance, the Committee performs an oversight and monitoring role in partnership with the Audit Risk & Compliance Committee (ARCC) to ensure that SITA's business both internally and externally is conducted in an ethical and appropriately governed manner.

SITA fully subscribes to good corporate citizenship and actively promotes it as part of its culture. Furthermore, the Committee develops and/or reviews policies and governance processes and their impact on expected acceptable practices and behaviours as they relate to the performance and the reputation of the Agency. In this manner, the Committee guides the company's approach in managing new and emerging social and ethics challenges.

The position of Head of Department: Social and Ethics (Ethics Officer) in the Office of the Company Secretary, was filled in October 2018.

The Ethics Officer's responsibilities include the development and implementation of the ethics management strategy, which includes the implementation of the following:

1. Appropriate structures, systems and processes are in place for ethics management;
2. Ethics performance within the Agency is tracked against agreed measures;
3. Employees are familiar with and adhere to the Agency's ethical standards, and
4. Ethics performance is reported to the SEC.

SITA launched its Ethics Office including the first edition of the EthicsTalk newsletter.

The ethics management plan is expected to be rolled out at the beginning of the 2019/2020 financial year. 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 and the developmental agenda of the State.

16.5 DISCHARGE OF RESPONSIBILITIES

During the 2018/2019 financial year, the committee considered the following:

1. Social and Ethics Dashboard for the Committee and the Agency;
2. Corporate Social Responsibility programmes, including details of donations and charitable giving, and the annual calendar commemorating proposed corporate social responsibility events;
3. The Agency's risk register, which addresses, inter alia, the risks associated with the Agency in addressing the statutory responsibilities of the Committee and how they are addressed, including combined assurance responses;
4. Non-Executive Directors' Code of Conduct, Conflict of Interest, Gifts and Entertainment policies;
5. Whistle-blowing policy;
6. Fraud prevention and awareness, and
7. The Ethics Strategy and Plan for roll-out in the new financial year.

16.6 CODES AND POLICIES

The committee commissioned several initiatives to mitigate the risks associated with bribery and corruption in the workplace. As a standard practice, all new employees' contracts include the conduct pledge, while – for existing employees – they are encouraged to continue with the voluntary endorsement of the good corporate citizen pledge.

16.7 ETHICS GOVERNANCE STRUCTURES

The committee has, in fulfilling its mandate, continued to promote collaboration between its own activities and those of other Board committees and operational structures, such as the ARCC and the Human Resource and Remuneration Committee. Specific Interventions to embed ethical behaviour and positively influence organisational culture, in support of the code of ethics, will be prioritised in the new financial year.

16.8 INSTITUTIONALISING AND REPORTING

Awareness creation remains crucial and the Agency accordingly continues with communication campaigns and other information sessions to draw attention to acceptable business conduct and educate them on a range of ethical issues. Part of that includes observing international days dedicated to combating fraud and corruption.

16.9 CONCLUSION

The committee is of the view that the Agency continues to take its environmental, social and governance responsibilities seriously. Appropriate policies, plans and programmes are in place to contribute to social, ethical and economic development, good corporate citizenship, environmental responsibility, fair labour practices and good client relations, and the nature (unqualified) of the Agency audit report is indicative of the best efforts in adhering to legislative and regulatory compliance.

The committee is aware of the ever-present risk of unethical behaviours represented through fraud, corruption and collusion. Allegations of wrongdoings continue to be raised through whistle-blowing systems currently in place. The Agency has been unrelenting in pursuing these allegations and intensive investigations continue to reveal and confirm prevalence of corruption often involving collusion between the employees, the clients and the service providers.

In response the Agency is prompted to proactively investigate certain information contained in the employees' declaration of interests to determine inherent risks.

The committee recognises that the areas within its mandate are evolving and that management's responses 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







HUMAN CAPITAL
MANAGEMENT

Part D **Part D:**



01

HUMAN CAPITAL MANAGEMENT

INTRODUCTION

The organisation's ambition is to optimally support government in the implementation of 4IR practices across their business operations. In order to do this, SITA needs to attract, develop and retain employees with the appropriate skill set, be aware of the overall requirements of talent management in the digital age, run its processes and systems largely through digital channels and tool sets such as Advanced Big Data HR Analytics, Artificial Intelligence sub-capabilities such as Machine Learning and Natural Language Processing.

During the period under review, SITA continued with the implementation of the revised business model which aims to radically transform not only the core value proposition of the organisation, but also the technical and human resource capabilities. This process required the redesign of the organisational structure starting with the Human Capital Management (HCM) function to address the weaknesses identified in this function and create a fortified unit to drive the rest of the organisational design program within the Agency. This method was recommended based on the realization that the new business model and the entire transformation journey would fail if the skills problem statement were not addressed upfront.

The redesign of the HCM function has commenced and will be completed in the next financial year, SITA will utilise the new HCM capabilities to transform the skills development regime, from principles, to focus areas that are less theory, more practical and business outcomes focused.

02

TALENT DEVELOPMENT

As an enabler of the digital transformation strategy of government, SITA must ensure that its workforce is equipped with the appropriate digital and soft skills set that can drive the implementation of the digital transformation strategy.

The MICT SETA conducted a sector skills plan, which revealed those skills that are scarce as well as those positions which are hard to fill in the ICT sector. This research was corroborated by the jobs identified for digital transformation by the DCDT. SITA HR strategy aims to ensure alignment to the national strategies such as the National Development Plan and the relevant policies that can impact on or support the delivery of the SITA objectives.

In response to the research findings, SITA embarked upon a skills development programme which was targeted internally at its own workforce and externally to deserving youth of our country.

To better equip SITA employees to support the Agency's future capabilities aligned to 4IR, SITA awarded 199 new bursaries to SITAZens and another 108 employees received ongoing bursary support. Of the bursaries issued, 54% were awarded for study in the field of ICT, while 46% were awarded in a non ICT field. In addition, 281 bursaries were awarded in the ICT environment to disadvantaged youth across various provinces.

In support of the NDP 2030 vision to reduce inequality and unemployment, 152 interns were appointed, and – out of this number – 73 have completed their internship programme and have been appointed as fixed term contractors.

Furthermore, 61 learners were appointed and of which 38 are persons with a disability/disabilities. These learners will be trained towards NQF level 5 qualifications in system development and system support, and will be considered for junior IT roles within the organisation.

03

EMPLOYEE SATISFACTION SURVEY

Employee and management behaviours are crucial to support the building of an agile organisation poised to support the achievement of strategic objectives. An annual employee satisfaction survey provides a clear picture of the level of satisfaction of employees across various organisational dimensions.

The survey dimensions were designed to reflect the level 4 satisfaction employees' experience on issues that are critical to their wellbeing and ongoing engagement. The results of the survey reflect a small upward trend when compared to the results of 2018, measuring at an overall 69% against a target of 70% planned for 2019.

The figure below depicts 2019 employee satisfaction survey results by dimension scores and importance weighting. The top 10 priority issues, in the figure, as identified by SITAzens will be addressed through an appropriate action plan.

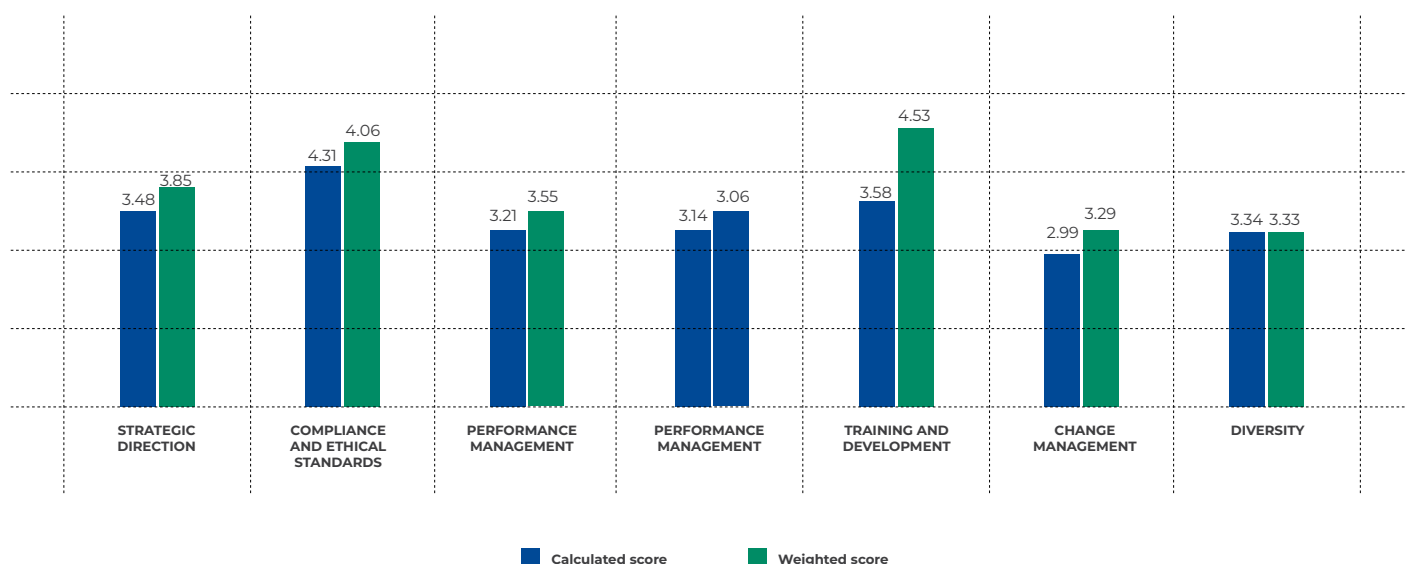


Figure 11: Employee Satisfaction Survey Results by Dimension Scores

Importance weights were calculated through an anonymous survey of senior management, and are shown beside the calculated performance scores (the individual factor scores within each category were also polled and applied to the calculated scores). This corresponds to the importance level assigned by the employees' survey responses in each dimension.

The dimensions which SITA performed highest on in this study are "Compliance and Ethical Standards" (4.31) as well as "Change Management" (3.58), which confirm that SITAzens place high importance on compliance ethics and the ability to change as the organisation transforms its business operations.

Dimensions which reflect the greatest gap between the calculated score and the importance rating are "Change Management" (.46) and "Training and Development" (.95). This could indicate that employees were not satisfied with how change management initiatives were implemented and there was a lack of initiatives; which would also be applicable in the area of training and development. The dimension of "Diversity" (3.34) reflected the smallest gap.

04

SITA EMPLOYEE WELLNESS

The SITA Employee Wellness Programme (EWP) demonstrates caring for our employees. It is primarily aimed at mitigating psychological, psycho-social and physical risks, as well as improving overall productivity in the company. This comprehensive health and wellness programme was targeted at employees and their immediate dependents to proactively deal with psychosocial ailments and other chronic, lifestyle diseases.

In line with SITA's vision to be the global leader in the ICT sector, the company recognises that employee health and wellness is an important component in achieving its objectives. International and national research has proven that recognising employees as the best asset for the organisation enhances productivity. The graph below depicts an average utilisation rate of 9.05%, compared to the benchmarks for the Government Sector (8.21%) and the Careways Client Benchmark (10.62%) for a period of five months.

Monthly EWP Utilisation Rate (Annualised)

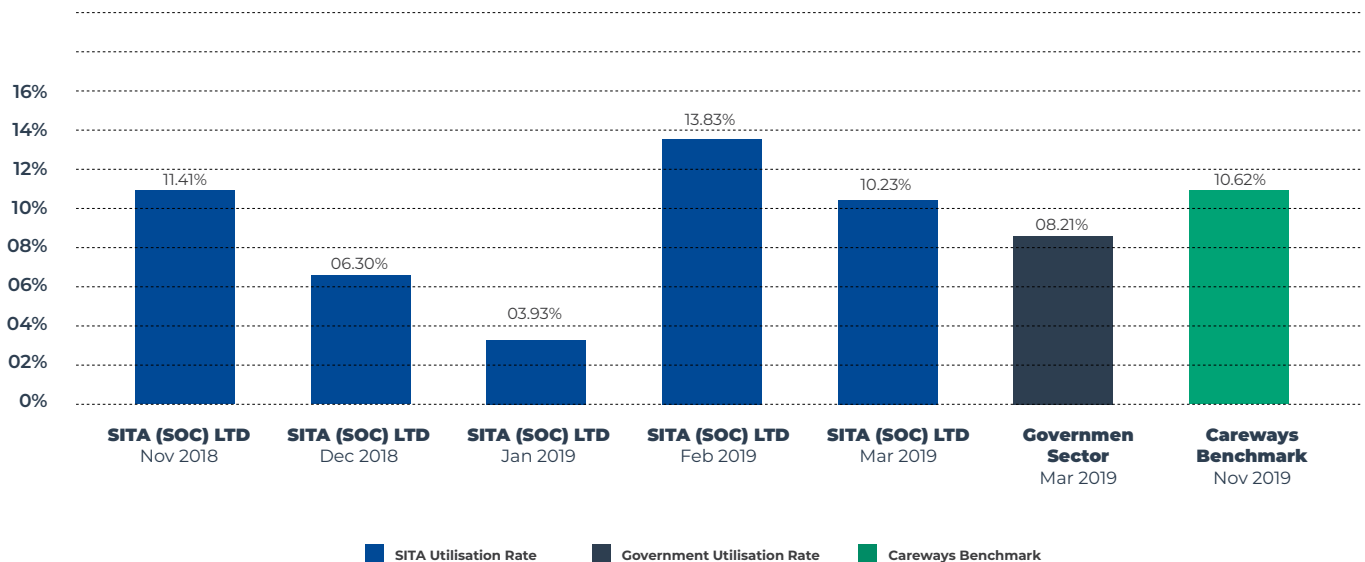


Figure 12: Employee Wellness Programme utilisation rate compared to the benchmarks

In addition to the employee support provided through Careways, SITA established various sporting codes such as athletics, aerobics, netball, volleyball. The Agency also held various wellness days in collaboration with the medical aids and financial institutions and implemented other wellness initiatives as discussed below. Such initiatives support the development of a health mind, body and overall healthy lifestyle which ensures work life balance.

4.1 Proactive Wellness Programme

The proactive wellness programme incorporates sports and recreation. Various sport clubs in the company demonstrate the benefits of a healthy lifestyle and employees participate in recreation events such as sports, spiritual and wellness days. The SITA Athletics club took part in the 2018 Comrades Marathon and 2018 Soweto Marathon. Employee health and wellness programmes are implemented with the intended outcome of an improved and productive workforce. It has been proven that healthy employees are more present and therefore more productive. Furthermore, the EWP is aimed at promoting a general wellness culture to employees through integrated wellness interventions and education programmes.

4.2 Employee Wellness

The Employee Wellness Day incorporated medical surveillance, as well as regular occupational health awareness sessions. These initiatives recognise the significance of linking employee health and wellness to optimal productivity. The other initiative was the National Cancer awareness campaign to raise awareness on the ongoing research into the cause, prevention, diagnosis, treatment and cure for cancer. The campaign also highlighted information and the need for support to those affected by cancer; educating SITAzens on the importance of early screening, testing and more. A few SITAzens affected by cancer were offered an opportunity to share their stories as part of raising awareness as well as promoting a responsive, healthy and productive workplace.

4.3 Heritage Day Programme

Diversity management is one of the programmes that is highly valued by SITAzens and generates a positive outlook of South Africa's rainbow nation. Annually, SITAzens participate in the national Heritage events held throughout the company which promote a culture of embracing a diverse workforce raising awareness of various unique racial and ethnic practices.

This programme has contributed to encouraging communication, appreciation of diversity, minimising stereotypes and promoting a positive step towards accelerating employee cohesion and improved staff morale.

4.4 Women's Month Programme

The Employment Equity Act no.55 defines designated groups as Black people, women and people with disability. This clearly suggests that gender based programmes should not be facilitated in isolation, as it forms part of the Employment Equity activities within SITA. An integrated approach which interfaces with Occupational Health, Training and Development, Organisational Development and Wellness was adopted.

These interventions included amongst others, the SITA Women's Day programme that was intended to empower women to influence as well as transform their "world of work". Focus groups were conducted to identify and discuss the issues that relate to the EE barriers within the company, as well as to enable women to positively influence their environments both internally and externally.

Furthermore, Cancer Awareness and Financial Wellness sessions were facilitated company-wide during the period under review. These programmes are intended to:

1. prepare SITA to be a family-friendly employer which will accommodate men and women in the workplace;
2. discuss Career opportunities and Advancement for women within SITA;
3. acknowledge work – life balance interventions required to empower women as caregivers and provisioning of options such as flexi-hours, crèche facilities, and
4. prepare women to be financially stable.



HUMAN CAPITAL MANAGEMENT OVERSIGHT STATISTICS

5.1 Employment Equity Statistics for Occupational Level

SITAs employment equity agenda is to ensure that the workforce is reflective of the countries' economically active population (EAP) demographics. To achieve this, programmes aimed at inclusivity and diversity are pursued, focusing on previously disadvantaged communities

The company's current statistics reflect an under-representation of employment equity (EE) candidates at the professional qualified, experienced specialist, mid-management and skilled, academic, junior management, supervisors and foremen occupation levels. SITA achieved a disability EE score of 2.17 against the planned target of 2.00 and an overall gender score of 46.76% against the planned target of 45.20%.

Occupation level	Africans		Females		Disability	
	Actual	Target	Actual	Target	Actual	Target
Top management	100%	90.10%	0.00%	45.20%	0.00%	2.00%
Prof qualified, experienced specialist and mid-management	71.79%	90.10%	33.33%	45.20%	2.56%	2.00%
Senior management	59.95%	90.10%	42.80%	45.20%	0.55%	2.00%
Skilled, academic, junior management, supervisors, foremen	79.20%	90.10%	45.75%	45.20%	0.89%	2.00%
Semi-skilled and discretionary decision-making	94.35%	90.10%	58.06%	45.20%	9.48%	2.00%
Unskilled and defined decision-making	100%	90.10%	22.22%	45.20%	0.00%	2.00%
Total	69.77%	90.10%	46.76%	45.20%	2.17%	2.00%

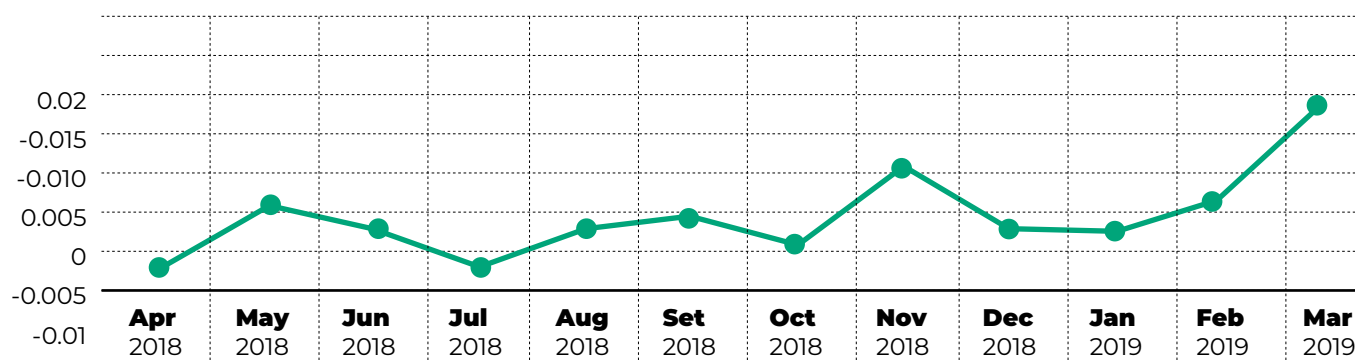
5.2 PERSONNEL COST

In FY2018/19 the total organisational expenditure was R1, 849,502,475. The headcount increased from 3157 to 3177. Personnel expenditure increased by R41,9m from R1.807bn to R1.849bn.

Occupation Level	Personnel cost by occupational level			
	FY2017/2018		FY2018/2019	
	Headcount per level	Personnel Expenditure ('000)	Headcount per level	Personnel Expenditure ('000)
Top Management	2	11, 424	1	4,471
Senior Management	36	60, 330	38	76,952
Prof Qualified and Experienced	785	784, 899	730	753,537
Skilled, Academic, technicians	1870	854, 949	1903	911,950
Semiskilled	455	94, 023	495	100,754
Unskilled	9	1, 908	9	1, 838
Total	3,157	R1,807,533	3,177	R1, 849,502

5.3 STAFF TURNOVER

The staff turnover rate for FY2018/19 reveals a general downward trend with the exception of the months of November 2018 and March 2019 where the number of employees appointed exceeded the number of employees that exited the organisation. The main reasons for this trend includes employees exiting the organisation for better career opportunities and some employees reaching retirement age.



The resignations tendered were received from employees with 0-5 years of service who cited new career opportunities as the main reason for exiting the company in the exit interviews. Termination statistics confirm that 51% black males and 40% black females resigned from the organisation during FY2017/18 and FY2018/19, with 63% citing new career opportunities as their reason for exit. This suggests that SITA does appoint EE candidates but that the retention of these candidates is challenging, which requires the organisation to review its retention strategy to prevent the employees from leaving the organisation. The voluntary terminations show a 14% increase when compared to FY2018/2019.

5.4 TRAINING COST

The Skills Development Act aims to develop the skills of the South African workforce and to improve the quality of life of employees and their prospects for work. To boost productivity in the workplace and build the internal capability of the organisation to support the new business model, the agency has developed a Workforce Skills Plan (WSP) which is based on the training and development requirements of the individual employees' as well as the organisational needs. A total of R37million was allocated for Training and Development for the FY2018/19; R29 753 743 of the budget was utilised which is inclusive of the budget for external bursaries and learnership contracts.

The following training initiatives formed part of the WSP, and was provided to SITA employees and Youth during the FY2018/19.

Initiative	Dependencies	Amount (m)
Internships	129	6 781 500
Internal Bursaries	302	3 792 120
External Bursaries	290	12 762 338
Learnerships	232	5 200 000
PDP Training	608 IT ICT Related and 503 OEM	1 217 784
Total		29 753 742

Out of all the planned training initiatives on the FY2018/19 workplace skills plan, SITA spent 67% of the total training budget. The 33% under expenditure on training budget is attributed to challenges experienced in SITA's internal processes to source relevant training initiatives.

5.5 EMPLOYEE AND LABOUR RELATIONS

The employee relations unit is tasked to deal with, amongst other matters, grievances and disputes that arose from the relationship between Employer and Employee. Of primary focus whilst dealing with the above-mentioned processes is the protection of the interest of SITA while simultaneously ensuring that the company applies fair and sound labour practices by means of its management practices. It also requires the management of SITA, whilst executing the above mandate, to remain within the constraints of the applicable legislative framework. The above occurs within a unionised working environment.

Section 23 of the South African Constitution affords every employee the right to form and join a trade union, to participate in the Union's activities and the right to strike.

It also affords every trade union the right to organise and to engage in collective bargaining, which gives effect to a wide range of rights within certain limitations. The Public Servants Association (PSA) represent the majority of SITA employees and act as the bargaining agent and representative of employees in the Bargaining Unit.

5.5.1 Disciplinary Matters

For the period under review, a total of 12 cases were dealt with by internal resources namely; line management supported by Human Resource Business Partners and Employee Relations officials. Four cases were finalised while 8 cases are still in progress as outlined in the graph below.

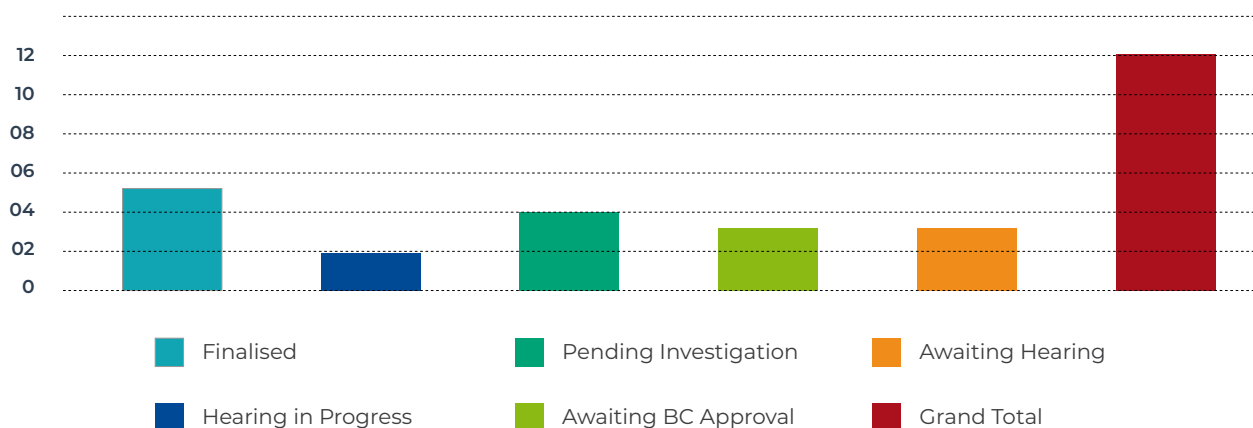


Figure 13: Disciplinary Cases

5.5.2 Loss Control

The Loss Control Committee has been established to ensure effective management of incidents of financial misconduct relating to irregular expenditure & fruitless and wasteful expenditure. This includes effecting the implementation of corrective action and consequence management relating to the incurrence of such expenditure.

In the financial year under review, disciplinary action was recommended in respect of 52 cases with 40 officials being implicated since the establishment of the committee. The status of disciplinary action of the cases as relating to the 40 implicated officials as depicted in the figure below consisted of 32 (80%) cases finalised, 3 (7.5%) cases where disciplinary action is in progress, 3 (7.5%) cases pending ER investigations and 2 (5%) cases not yet discharged.

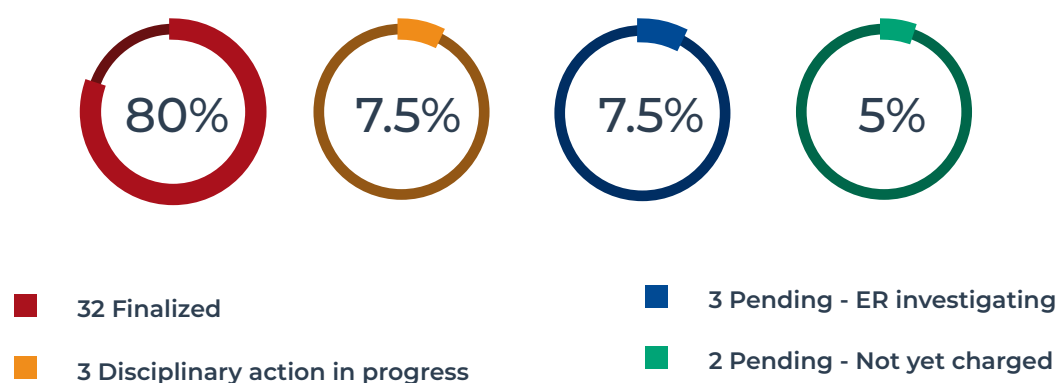


Figure 14: Loss Control Matters – 40 Implicated officials

The status of the outcome of the 32 finalised cases as represented in the figure below consisted of 16 (50%) written warnings being issued, 4 (13%) dismissals, 2 (6%) mutual separation agreements, 2 (6%) resignations, 2(6%) employees going on retirement, 3 (10%) employees found not guilty of charges and 3 (9%) cases that were withdrawn.

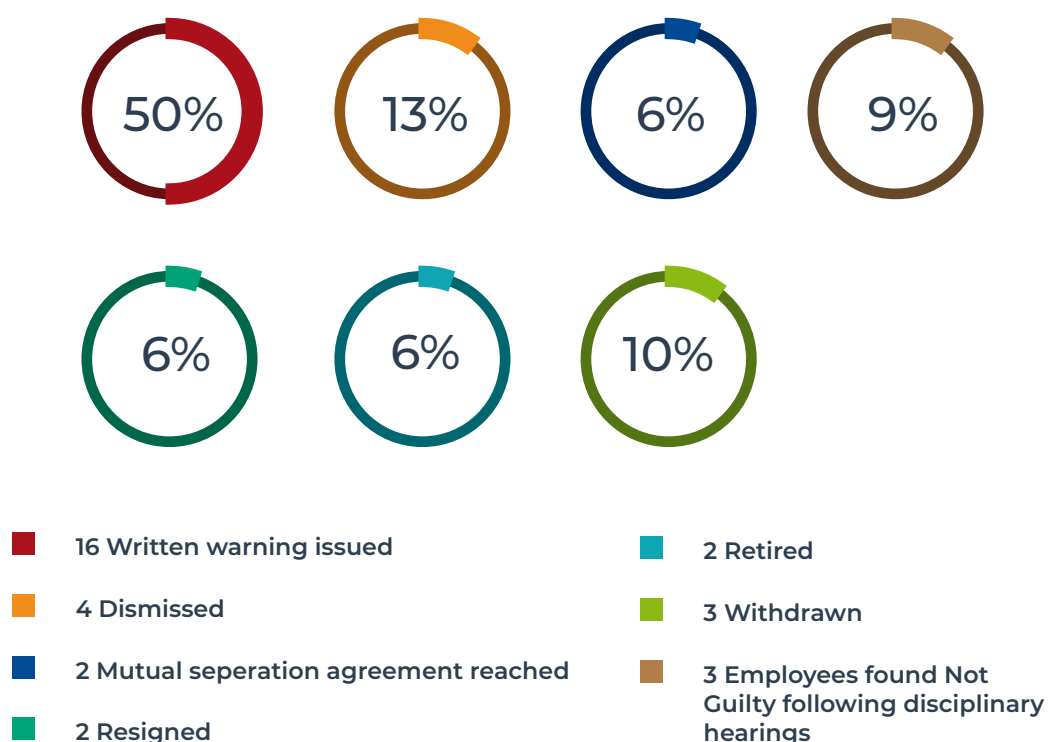


Figure 15: Outcomes of the 32 finalised cases



FINANCIAL
INFORMATION



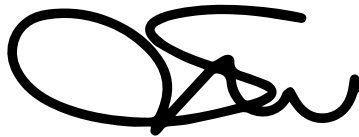
Part E **PART E:**

01

FINANCIAL INFORMATION

1. CERTIFICATE BY COMPANY SECRETARY

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



MS SHIRLEY KGOPE
Company Secretary (Acting)



DIRECTORS REPORT

The directors have pleasure in presenting their report, which forms part of the audited annual financial statements of the State Information Technology Agency SOC Ltd for the year ended 31 March 2019. This report and the annual financial statements comply with the requirements of the Public Finance Management Act No 1 of 1999 (PFMA), the SITA Act No 88 of 1998 (as amended by Act 38 of 2002) and the Companies Act No 71 of 2008. The Board of Directors is the accounting authority in terms of section 49(2) (a) of the PFMA.

2.1. NATURE OF BUSINESS

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

2.2 REGISTRATION DETAILS

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

2.3 OWNERSHIP

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

2.4 EQUITY CONTRIBUTED

There were no changes to either the authorised or issued share capital of the company during the year ended 31 March 2019. 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 106 to 165 of this report.

The group financial performance is summarised as follows:

	31 March 2019 Rand '000	31 March 2018 % change
Revenue	5 027 325	-12.70
Gross Surplus	958 027	-21.57
Surplus for the year – before tax	(137 017)	-144.12
Total asset	4 432 513	6.80
Net asset	2 859 857	-3.40
Cash generated from operations	(160 430)	-130.80

It is clear from the above that SITA has not performed well in the current year compared to the previous years. The company has had many challenges in the current financial year but still sustainable and financially sound.

2.6 DIVIDENDS

There were no dividends declared for the current financial year ended 31 March 2019.

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.

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. Refer to note 28 in the financial statements.

2.8.4 Internal Controls

The board has 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.

1.8.4.1. Accounts Payable

Management has identified accounts payable, specifically accounting for accruals as a risk having impacted on cost of sales as well during the 2018/19 financial year. Management has reinforced the internal control reviews in order to address the risk.

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.

1. Standards of GRAP that have been issued, but are not yet effective,
2. International Public Sector Accounting Standards (IPSAS)
3. International Financial Reporting Standards (IFRS)
4. 2.11 Events Subsequent to the Date of Financial Position

2.11 EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL POSITION

No events subsequent to the date of financial position was identified.

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:

Mr ZD Nomvete Chairperson

Members

Ms S H Chaba	
Mr GA Victor	
Ms N Ehrens	(Resigned 15 October 2018)
Mr M T Sadik	
Ms P Matlala	
Ms N Magubane	
Ms N Mahlangu	
Mr W Mudau	(DPSA representative)
Mr S Mngomezulu	(National Treasury representative)

Executive Directors:

Dr S J Mohapi	(Chief Executive Officer)	Term ended 31 March 2019
Mr N Tshenye	(Acting Chief Executive Officer)	Appointed 1 April 2019
Ms R C Rasikhinya	(Chief Financial Officer)	Resigned 31 September 2018
Mr A Pretorius	(Acting Chief Financial Officer)	Appointed 1 October 2018

Company Secretary

Mr T Mongwe		Employee's Services Terminated 10 May 2019
Ms SL Kgope	(Acting Company Secretary)	Appointed 15 July 2018



AUDITOR-GENERAL'S REPORT

Report on the audit of the financial statements

OPINION

1. I have audited the financial statements of the State Information Technology Agency SOC Limited (SITA) set out on pages 106 to 165, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, the statement of changes in net assets, the statement of cash flows and the statement of comparison of budget and actual amounts 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 2019, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP), and the requirements of the Public Finance Management Act of South Africa, 1999 (Act no. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act no. 71 of 2008) (the 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 this auditor's report.
4. I am independent of the public entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants*, parts 1 and 3 of the International Ethics Standards Board for Accountants' international code of ethics for professional accountants (including International Independence Standards) (IESBA codes) and 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 codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

EMPHASIS OF MATTER

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

Impairment — intangible assets

7. As disclosed in note 19 to the financial statements, material impairment loss of R157 127 000 was incurred as a result of a write-off of intangible assets.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

8. 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 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.
9. In preparing the financial statements, the accounting authority is responsible for assessing SITA's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole

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

11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditors report.

Report on the audit of the annual performance report

INTRODUCTION AND SCOPE

12. 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.
13. 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.
14. 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 2019.

PROGRAMMES	PAGES IN THE ANNUAL PERFORMANCE REPORT
Programme 1 service delivery	36 - 37
Programme 2 infrastructure	38
Programme 3 procurement	39

15. 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.
16. The material finding in respect of the usefulness and reliability of the selected programme is as follows:

Programme 3 — procurement

Percentage of tender awards completed within the targeted turnaround time

17. I was unable to obtain sufficient appropriate evidence for the reported achievement on the percentage of tender awards completed within targeted turnaround time. This was due to an inadequate record system to enable reliable reporting on the achievement of this indicator, I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustment was required to the achievement of 33,9% reported in the annual performance report.
18. I did not raise any material findings on the usefulness and reliability of the reported performance information for these programmes:

Programme 1 — service delivery

Programme 2 — infrastructure

OTHER MATTERS

19. I draw attention to the matters below.

Achievement of planned targets

20. Refer to the annual performance report on pages 36 to 42 for information on the achievement of planned targets for the year and explanations provided for the under/over achievement of a number of targets. This information should be considered in the context of the material finding on the reliability of the reported performance information in paragraph 17 of this report.

Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of programme 3: procurement. As management subsequently corrected only some of the misstatements, I raised a material finding on the reliability of the reported performance information. That was not corrected as reported above.

Report on the audit of compliance with legislation

Introduction and scope

22. In accordance with the PAA and the genera' 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.

23. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

24. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements on trade payables identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

25. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R1 030 465 000, as disclosed in note 28 to the annual financial statements, as required by section 51 (1) (b) (ii) of the PFMA. Of this amount,

R626 882 000 relates to irregular expenditure incurred in prior years that was identified in the current year.

26. Majority of the irregular expenditure was caused as a result of competitive bidding processes not followed for the awarding of a specific contract.

Procurement and contract management

27. Some bid documentation for procuring commodities designated for local content and production did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was reported in the previous year.

28. Some contracts were awarded to bidders that did not comply/meet evaluation/adjudication criteria that were stipulated in the original invitation for bidding, in contravention of treasury regulation 16A6.3(b).

Other information

29. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

30. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

31. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

32. If, based on the work I have performed, I conclude that there is a material misstatement in this other information; I am required to report that fact. I have nothing to report in this regard

Internal control deficiencies

33. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the finding on the annual performance report and the findings on compliance with legislation included in this report.
34. The public entity developed an audit action plan to address internal and external audit findings; however, actions implemented were not always effective to prevent non-compliance with supply chain management legislation, including detecting and correcting misstatements in the financial statements.
35. Contract management is not effectively implemented to prevent non-compliance with laws and regulations
36. The record keeping system is also inadequate to enable reliable reporting of achievements in the annual performance report.

Other reports

37. 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

38. An independent consultant investigated an allegation of possible fraudulent activities by a service provider that covered the period November 2009 to October 2017. The investigation was concluded in July 2018 and resulted in criminal cases against the service provider.
39. An independent consultant was investigating an allegation of the possible conflict of interest by employees of the public entity, at the request of the public entity, covering the period 2016/2017. The outcome of the investigation is expected by February 2020.

Auditor - General

Pretoria

31 July 2019



**AUDITOR - GENERAL
SOUTH AFRICA**

SOUTH AFRICA

Auditing to build public confidence

ANNEXURE — AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
- conclude on the appropriateness of the board of directors, which constitute the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the SITA'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 this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern
- 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, where applicable, related safeguards.



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FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 MARCH 2019

FINANCIAL
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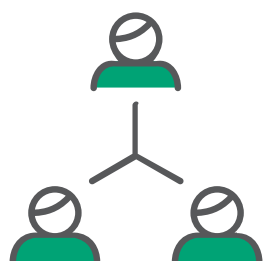
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FOR THE YEAR ENDED
31 MARCH 2019

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2019**





STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **STATEMENT OF FINANCIAL POSITION** AS AT 31 MARCH 2019

Figures in Rand Thousand

		Note	2019	2018
ASSETS				
Non-current assets			1 150 198	1 208 719
Property, plant and equipment	4		721 334	709 478
Intangible assets	5		373 022	457 100
Non-current portion of Prepayments	10		16 958	41 050
Deferred tax assets	7		38 884	1 091
Current assets			3 282 315	2 940 356
Cash and cash equivalents	8		1 173 156	1 605 114
Trade and other receivables	9		1 695 891	1 158 954
Income tax receivable			167 711	111 322
Current portion of Prepayments	10		66 601	64 966
Inventory	30		178 956	-
Total Assets			4 432 513	4 149 075
EQUITY AND LIABILITIES				
Net Assets			2 859 857	2 961 365
Share capital	11		-	-
Reserves	12		627 335	627 335
Accumulated surpluses			2 232 522	2 334 030
LIABILITIES				
Non-current liabilities			69 198	97 677
Post-retirement employee benefits	13		69 198	97 677
Current liabilities			1 503 458	1 090 033
Trade and other payables	14		1 367 710	856 293
Income received in advance	15		135 748	233 740
Total Liabilities			1 572 656	1 187 710
TOTAL EQUITY AND LIABILITIES			4 432 513	4 149 075



STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **STATEMENT OF FINANCIAL PERFORMANCE** FOR THE YEAR ENDED 31 MARCH 2019

Figures in Rand Thousand

	Note	2019	2018
Revenue	16	5 027 325	5 758 712
Cost of sales	17	(4 069 298)	(4 537 081)
Gross surplus		958 027	1 221 631
Other income	18	18 511	32 755
Operating expenses	19	(1 216 987)	(1 040 302)
Deficit from operating activities		(240 449)	214 084
Finance income	20	157 174	151 780
Finance expense	21	(53 742)	(55 336)
Deficit before income tax		(137 017)	310 528
Income tax	22	35 509	(83 649)
Deficit for the year attributable to shareholders		(101 508)	226 879



STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **STATEMENT OF CHANGES IN NET ASSETS** FOR THE YEAR ENDED 31 MARCH 2019

Figures in Rand Thousand

	Share capital	Reserve	Accumulated surpluses	Total
Balance as at 31 March 2017	-	627 335	2 107 152	2 734 486
Surplus for the year	-	-	226 878	226 879
Balance as at 31 March 2018	-	627 335	2 334 030	2 961 365
Deficit for the year	-	-	(101 508)	(101 508)
Balance as at 31 March 2019	-	627 335	2 232 522	2 859 857
Note	11	12		



STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **STATEMENT OF CASH FLOW** FOR THE YEAR ENDED 31 MARCH 2019

Figures in Rand Thousand

Cash flows from operating activities

	Note	2019	2018
Receipts		5 369 348	6 778 818
Sale of goods and services		5 295 604	6 690 600
Finance income received		73 744	62 727
Income tax receipt	29.1	-	25 491
Payments		(5 529 778)	(6 257 908)
Payment to suppliers and employees		(5 474 589)	(62 57 370)
Finance costs paid		-	(538)
Income tax paid	29.1	(55 189)	-
Net Cash flows from operating activities	29.2	(160 430)	520 910

Cash flows from investing activities

Purchase of property, plant and equipment		(120 556)	(90 201)
Purchase of intangible assets		(150 972)	(8 924)
Net Cash flows from investing activities		(271 528)	(99 125)

Cash flows from financing activities

(Repayment)/Receipt of interest-bearing borrowings		-	-
Net Cash flows from financing activities		-	-

(Decrease)/Increase in cash and cash equivalents		(431 958)	421 785
Cash and cash equivalents at beginning of year		1 605 114	1 183 329

Cash and cash equivalents at end of year	8	1 173 156	1 605 114
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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **STATEMENT OF COMPARISON OF BUDGET** AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2019

		Actual As Per Statement Of Financial Performance	Adjustment For Notional Interest	Actual Excl. Notional Interest	Budget (B)	Variance % (A-B)/B
Figures in Rand Thousand		Note				
Revenue	a.	5 027 325	82 916	5 110 241	6 204 611	(17.64%)
Agency revenue		901 545	14 869	9 16 414	1 311 270	-
Services revenue		4 125 780	68 047	4 193 827	4 893 341	-
Cost of sales	b.	(4 069 298)	(45 653)	(4 114 951)	(4 908 260)	16.16%
Agency cost of sales		1 006 479	-	1 006 479	1 217 770	-
Services cost of sales		3 062 819	45 653	3 108 472	3 690 490	-
Gross surplus		958 027	37 263	995 290	1 296 351	
Agency gross deficit		(104 934)	14 869	(90 065)	93 500	-
Services gross surplus		106 2961	22 394	1 085 355	12 02 851	-
Other income	c.	18 511	-	18 511	779	2276.37%
Operating expenses	d.	(1 216 987)	(10 021)	(1 227 008)	(1 274 798)	3.75%
Deficit from operating activities		(240 449)	2 7241	(213 208)	22 332	-
Net Finance income	e.	103 432	(29126)	74 306	74 464	-0.21%
(Deficit)/Surplus before income tax		(137 017)	(1 885)	(138 902)	96 796	-243.50%
Income tax		35 509	-	35 509	(27 103)	-231.02%
Deficit for the year attributable to shareholder		(101 508)	(1 885)	(103 393)	69 693	-248.35%

1. The budget represented above is the approved final budget that has been prepared on the accrual basis for a period of 1 year.
2. 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:

1. The variance is mainly due to services revenue that was not realised.
2. The variance is mainly due to revenue targets that were not met resulting in a lower cost of sales.
3. The variance is mainly due to income received that was not anticipated.
4. The variance is mainly as a result of cost saving initiatives that the company undertook during the year.
5. 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.

01

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

01. **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 2019 were authorised and approved in accordance with a resolution of the Board of Directors on 30 July, 2019.

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.

02. **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.

03. **SIGNIFICANT** ACCOUNTING POLICIES

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

3.1 **FOREIGN** CURRENCY TRANSACTIONS

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

3.2 **FINANCIAL** INSTRUMENTS

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

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

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

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

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

At the end of each reporting period, financial assets 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.

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 and fittings	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.

3.3 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.

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 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 equipment	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

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

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

Lessor

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

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

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

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 an 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).

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.

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 cost of these benefits are accrued for over the period of employment, using the projected unit credit method. Annual valuations of these obligations are carried out by independent qualified actuaries. Any actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised as an expense in the period in which the plan is amended.

c) 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.

3.7 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

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

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

1. the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
2. the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
3. the amount of revenue can be measured reliably;
4. it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
5. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

1. The amount of revenue can be measured reliably.
2. It is probable that the economic benefits or service potential associated with the transaction will flow to the company.
3. The stage of completion of the transaction at the reporting date can be measured reliably.
4. 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.

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

3.11 FINANCE EXPENSES

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

3.12 TAXATION

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided for is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The effects of deferred taxation of any changes in tax rates is recognised in the surplus or deficit, except to the extent that it relates to items previously charged and credited directly to the statement of changes in net assets.

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

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

3.10 FINANCE INCOME

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

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:

1. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
2. 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 dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence that is guaranteed for the different spheres of government, only parties within the national sphere of government are considered to be related parties.

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

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

All related party transactions that are 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(s) 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 INVENTORIES

Inventories are stated at cost, or the lower of cost or net realizable value. Cost includes materials, labour and all directly attributable costs to bring inventory to the intended use by management. Net realizable value is either the estimated selling price less estimated costs of completion, disposal, and transportation or the estimated replacement cost. We regularly review inventory quantities on hand, future purchase commitments with our suppliers, and the estimated utility of our inventory. These reviews include analysis of demand forecasts, product life cycle status, product development plans, and component cost trends. If our review indicates a reduction in utility below carrying value, we reduce our inventory to a new cost basis and any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

3.19 EVENTS AFTER REPORTING DATE

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

Two types of events can be identified:

1. those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
2. 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 2019 (CONTINUED)

04. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand Thousand

At 31 MARCH 2019

Cost

	Land	Buildings	Computer Equipment	Office furniture and fittings	Vehicles	Total
Balance at beginning of year	24 744	259 989	1 176 584	144 651	916	1 606 884
Additions and improvements	-	50 440	104 012	134	-	154 586
Disposals/Retirements/ Cost Adjustment	-	(12 881)	(5 595)	(941)	-	(19 417)
Balance at end of year	24 744	297 548	1 275 001	143 844	916	1 742 053

Accumulated depreciation

Balance at beginning of year	-	(126 914)	(673 660)	(96 111)	(721)	(897 406)
Adjustment	-	(306)	2 857	2 225	-	4 776
Impairment	-	(14)	(406)	(58)	-	(478)
Depreciation charge	-	(75 130)	(121 456)	(8 428)	(18)	(137 415)
Disposals/Retirements	-	9 148	629	27	-	9 804
Balance at end of year	-	(125 599)	(792 036)	(102 345)	(739)	(1 020 719)

Net carrying amount	24 744	171 950	482 965	41 499	177	721 334
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At 31 MARCH 2018

Cost

Balance at beginning of year	24 744	260 041	1 098 536	141 413	916	1 525 649
Additions and improvements	-	(52)	78 592	3 255	-	81 795
Disposals/Retirements	-	-	(544)	(17)	-	(561)
Balance at end of year	24 744	259 989	1 176 584	144 651	916	1 606 884
Accumulated depreciation						
Balance at beginning of year	-	(117 739)	(560 268)	(90 235)	(689)	(768 931)
Adjustment	-	534	832	(564)	-	802
Impairment	-	-	(5 592)	(394)	-	(5 986)
Depreciation charge	-	(9 709)	(108 971)	(4 932)	(32)	(123 644)
Disposals/Retirements	-	-	339	14	-	353
Balance at end of year	-	(126 914)	(673 660)	(96 111)	(721)	(897 406)

Net carrying amount	24 744	133 075	502 924	48 540	195	709 478
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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

05. INTANGIBLE ASSETS

Figures in Rand Thousand

	Intangible assets	Internally generated intangible asset	Total
At 31 MARCH 2019			
Cost			
Balance at beginning of year	552 583	501 395	1 053 978
Additions and improvements	57 658	154 235	211 893
Cost adjustment	(1 084)	-	(1 084)
Disposals/Retirements	(41 912)	-	(41 912)
Transfer to Asset Register	-	(71 007)	(71 007)
Balance at end of year	567 245	584 623	1 151 868
Accumulated amortisation			
Balance at beginning of year	(263 532)	(333 346)	(596 878)
Amortisation charge	(55 117)	-	(55 117)
Disposals/Retirements	34 576	-	34 576
Impairment	(157 130)	-	(157 130)
Adjustment	(4 297)	-	(4 297)
Balance at end of year	(445 499)	(333 346)	(778 846)
Net carrying amount	121 746	251 277	373 022
At 31 MARCH 2018			
Cost			
Balance at beginning of year	565 609	450 747	1 016 356
Additions and improvements	5 533	50 647	56 180
Cost adjustment	(15 750)	-	(15 750)
Disposals/Retirements	(2 8090)	-	(2 809)
Balance at end of year	552 583	501 394	1 053 977
Accumulated amortisation			
Balance at beginning of year	(191 821)	(310 104)	(501 925)
Amortisation charge	(73 456)	-	(73 456)
Disposals/Retirements	2 444	-	2 444
Impairment	-	(23 242)	(2 3242)
Adjustment	(698)	-	(698)
Balance at end of year	(263 531)	(333 346)	(596 877)
Net carrying amount	289 052	168 048	457 100



STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

06. CAPITAL AND OPERATIONAL COMMITMENTS

Figures in Rand Thousand

2019

2018

Budgeted and contracted for:

- Operational commitments	6 760 786	5 290 052
- Capital commitments	244 963	46 318
- Buildings	-	396
- Computer Equipment	213 399	34 110
- Intangible assets	31 564	11 812

7 005 749

5 336 370

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.



STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

07. DEFERRED TAX ASSET

Deferred tax assets are attributable to the following:

Figures in Rand Thousand

Reconciliation between opening and closing balance

	2019	2018
Deferred tax asset at beginning of year	1 091	35 857
Statement of financial performance movement	37 793	(34 766)
- current year	34 353	(34 766)
- Prior year under or over provision	2 457	-
- Assessed loss	983	-

Deferred tax asset/(liability) at end of year

Movement in impairment on trade receivables	23 118	17 028
Movement in intangible asset impairment	93 337	93 337
Accrual for leave pay benefits	24 233	19 438
Post-retirement medical benefits	19 375	27 349
Notional interest adjustment	113	(294)
Leases	1 230	728
Prepayments	(2 422)	(6 805)
Section 24C allowance	1 525	1 318
Depreciation/amortisation	(122 608)	(151 008)
Tax loss	983	-

38 884 **1 091**

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

08. CASH AND CASH EQUIVALENTS

Figures in Rand Thousand

	2019	2018
Cash with Banks	1 173 156	1 605 114
Current account balance	27 039	29 859
Interest accrual	333	321
Call account balance	2 000	14 603
Payroll account	20	36
CPD account	1 143 753	1 560 284
Cash float	11	11
Ring-fenced cash	(145 532)	(243 524)
Cash Float - SITA Cafeterias	11	11
IFMS	62 307	62 307
Income received in advance	73 441	171 433
Legal Disputes	9 773	9 773
Available Cash	1 027 624	1 361 590

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 7.21% (2018: 7.33%)



STATE INFORMATION TECHNOLOGY
AGENCY SOC LTD **NOTES TO THE ANNUAL
FINANCIAL STATEMENTS** FOR THE YEAR
ENDED 31 MARCH 2019 (CONTINUED)

09. TRADE AND OTHER RECEIVABLES

Figures in Rand Thousand

	2019	2018
Trade receivables	1 735 215	1 221 275
Doubtful debt allowance	(110 086)	(92 436)
	1 625 129	1 128 839
Other receivables	70 762	30 115
	1 695 891	1 158 954

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

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STATE INFORMATION TECHNOLOGY
AGENCY SOC LTD **NOTES TO THE ANNUAL
FINANCIAL STATEMENTS** FOR THE YEAR
ENDED 31 MARCH 2019 (CONTINUED)

10. PREPAYMENTS

Figures in Rand Thousand

Non-current portion

Current portion

2019**2018**

16 958

41 050

66 601

64 966

Prepayments**83 559****106 016**



STATE INFORMATION TECHNOLOGY
AGENCY SOC LTD **NOTES TO THE ANNUAL
FINANCIAL STATEMENTS** FOR THE YEAR
ENDED 31 MARCH 2019 (CONTINUED)

11. SHARE CAPITAL

Figures in Rand

2019

2018

Authorised and issued

Share Capital

1

1



STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

12. RESERVES

Figures in Rand Thousand

	2019	2018
Opening balance	627 335	627 335
Movement	-	-
Closing balance	627 335	627 335

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

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

13. POST-RETIREMENT EMPLOYEE BENEFITS

Figures in Rand Thousand

	2019	2018
Present value of unfunded obligations	69 198	97 677
	69 198	97 677

Movement in the present value of the defined benefit liability

Balance at beginning of year	97 677	114 302
Statement of financial performance movement	(28 479)	(16 625)
Service Cost - Post Retirement	3 123	3 537
Finance Cost - Post Retirement	9 722	12 412
Contribution Paid - Post Retirement	(985)	(922)
Actuarial (gain)/loss - Post Retirement	(40 339)	(31 652)

Balance at end of year	69 198	97 677
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Employee benefit expense:

Current service cost	3 123	3 537
Interest cost	9 722	12 412
Net actuarial gains recognised in surplus or deficit	(40 339)	(31 652)

Total employee benefit expense	(27 494)	(15 703)
---------------------------------------	-----------------	-----------------



STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

Principal Actuarial Assumptions

Discount Rate	10.76% p.a.	10.00% p.a.
CPI inflation	7.08% p.a.	7.00% p.a.
Healthcare Cost Inflation	9.08% p.a.	9.00% p.a.
Real discount rate	1.54% p.a.	1.00% p.a.
Increase in Rand Cap	9.08% p.a.	9.00% p.a.
Mortality Rates: Pre-retirement	SA85-90 L	SA85-90 L
Post-retirement	PA (90) rated	PA (90) rated
	down 2 year(s)	down 2 year(s)
	plus 1% future improvement 2006	plus 1% future improvement 2006
Withdrawal assumptions	0% to 15% from	0% to 15% from
	ages 20 to 45	ages 20 to 45
Expected retirement ages	65 for Ex Infoplan	65 for Ex
	employees ;	Infoplan employees;
	60 for other	60 for other
Percentage of members discontinuing medical aid at retirement	0%	0%
Percentage of in-service members married at retirement	90%	90%
Husband and wife age difference	4 years	4 years

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

1. Ex-Infoplan employees who transferred to the company on 1 April 1999 and who remain members of SITA approved medical aids.
2. Ex-SAPS employees who transferred to the company on 1 April 1999, and
3. 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 2019 using the projected unit credit method.

It is anticipated that the contributions to be paid in 2019/20 will amount to R754 000



STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

Sensitivity analysis relating to the assumed medical cost trend rates:

	Increase of 1%	Base	Decrease of 1%
Change in Liability in Rand	85 251 622	69 197 745	56 742 151
Change in Liability as a %	23.2%		-18.0%
Service cost and Interest cost in Rand	15 927 800	12 845 000	10 468 675

	2019	2018	2017	2016	2015
Experience adjustments	(12 112 0000	(17 649 000)	(18 145 000)	(14 027 000)	(12 050 000)
Present value of defined benefit obligation	69 197 745	97 676 745	129 328 745	122 627 745	127 445 745

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.

Current medical benefits:

The company contributes to three medical aid schemes for the benefit of permanent employees and their dependants. Contributions charged against income amounted to R69.2 million (2018: R97.7 million). The company's financial obligation is limited to the current company contributions.



STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

14. TRADE AND OTHER PAYABLES

Figures in Rand Thousand

	2019	2018
Trade payables	1 264 389	727 594
Leave pay accrual	86 545	69 423
Non-trade payables	16 776	59 276
	1 367 710	856 293

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

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STATE INFORMATION TECHNOLOGY
 AGENCY SOC LTD **NOTES TO THE ANNUAL
 FINANCIAL STATEMENTS** FOR THE YEAR
 ENDED 31 MARCH 2019 (CONTINUED)

15. INCOME RECEIVED IN ADVANCE

Figures in Rand Thousand

	2019	2018
Ring fenced cash (Refer to note 8)	135 748	233 740
Income received in advance	73 441	171 433
IFMS	62 307	62 307

135 748 233 740

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

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

16. REVENUE

Figures in Rand Thousand

2019**2018****Net Revenue**

Agency Revenue

901 545

1 414 574

Service Revenue

4 125 780

4 344 138

5 027 325**5 758 712****Gross Revenue**

Agency Revenue

9 164 141

1 432 860

Service Revenue

4 193 827

4 405 094

51 10 241**5 837 954****Notional interest allocated to revenue****82 917****79 242****Note:**

Agency Revenue: revenue earned mainly as a result of procurement-related transactions.

Service Revenue: revenue earned mainly from the provision of ICT and ICT-related services rendered to clients.

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STATE INFORMATION TECHNOLOGY
 AGENCY SOC LTD **NOTES TO THE ANNUAL
 FINANCIAL STATEMENTS** FOR THE YEAR
 ENDED 31 MARCH 2019 (CONTINUED)

17. COST OF SALES

Figures in Rand Thousand

	2019	2018
Agency cost of sales	1 006 479	1 302 670
Service cost of sales	3 062 819	3 234 411
-Direct depreciation	125 649	114 735
-Direct amortisation	46 482	51 503
-Direct labour	13 36 420	1292 419
-Service delivery expenditure	1 554 268	1 775 753
	4 069 298	4 537 081

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

18. OTHER INCOME

Figures in Rand Thousand

Profit on disposal of assets
Rental income
Foreign Exchange Gain
Sundry income

2019

2018

1	1
14 286	9 836
614	-
3 611	22 918

18 511**32 755**

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STATE INFORMATION TECHNOLOGY
AGENCY SOC LTD **NOTES TO THE ANNUAL
FINANCIAL STATEMENTS** FOR THE YEAR
ENDED 31 MARCH 2019 (CONTINUED)

19. OPERATING EXPENSES

The following separately disclosable items are included in operating expenses:

Figures in Rand Thousand

	2019	2018
Audit fees	10 935	11 888
Staff costs	499 992	462 293
Directors remuneration	2 649	3 834
Doubtful debt movement	14 733	(229)
* Impairment	157 127	29 228
Indirect depreciation and amortisation	20 400	36 849
Net loss on disposal of assets	11 360	572
Operating lease expense	35 460	29 326
Other expenses	464 331	466 542

1 216 987 1 040 302

*Impairment relates to PPE and intangible assets

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

20. FINANCE INCOME

Figures in Rand Thousand

	2019	2018
Notional interest earned	79 950	81 598
Foreign exchange gain	-	1 201
Interest on cash balance	73 745	62 727
Interest on Provisional tax overpayment	3 479	6 254
	157 174	151 780

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STATE INFORMATION TECHNOLOGY
 AGENCY SOC LTD **NOTES TO THE ANNUAL
 FINANCIAL STATEMENTS** FOR THE YEAR
 ENDED 31 MARCH 2019 (CONTINUED)

21. FINANCE EXPENSES

Figures in Rand Thousand

Notional Interest incurred
 Interest paid
 Foreign exchange loss
 Interest expense - other

2019**2018**

50 825

54 847

-

472

-

17

2 917

-

53 742**55 336**

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

22. INCOME TAX EXPENSE

Figures in Rand Thousand

	2019	2018
Current tax expense	2 284	48 883
Income tax charge	-	48 883
Prior year under provision	2 284	-
Deferred tax expense	(37 793)	34 766
Origination and reversal of temporary differences	(34 353)	34 766
Calculated tax loss	(983)	-
Prior period adjustment	(2 457)	-
Total income tax expense	(35 509)	83 649

Reconciliation of effective tax rate

Surplus/(Deficit) for the period	(101 508)	226 879
Total income tax expense	35 509	(83 649)

Surplus/(Deficit) excluding income tax **(137 017)** **310 528**

	2019		2018	
	%	R	%	R
Income tax using the company's domestic tax rate	28.00%	(38 365)	28.00%	86 947
Non-deductible expenses	-2.21%	3 028	-1.06%	(3 298)
Overprovision current tax	-1.67%	2 284	0.00%	-
Underprovision deferred tax asset	1.79%	(2 457)	0.00%	-

Effective income tax **25.92%** **(35 509)** **26.94%** **83 649**



STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

FINANCIAL INSTRUMENTS

a) Credit risk

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

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

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

	Note	Carrying amount	
		2019	2018
Figures in Rand Thousand			
Trade Receivables	9	1 625 129	1 128 839
Other receivables	9	70 762	30 115
Cash and cash equivalents	8	1 173 156	1 605 114
		2 869 047	2 764 068

Impairment losses

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

	Carrying amount	
	2019	2018
Not past due	984 108	819 294
Past due 0 - 30 days	141 668	172 547
Past due 31 - 90 days	398 326	38 554
Past due 91 - 360 days	80 165	62 396
Past due - more than 360 days	20 862	36 048
	1 625 129	1 128 839

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

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

Credit quality of financial assets

Trade receivables

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

Cash at bank

Zero risk (CPD)

Fitch BB+

Cash on hand

2019	2018
1 143 753	1 560 286
29 059	44 497
344	331

1 173 156 1 605 114

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

Balance at beginning of year

Impairment loss recognised

2019	2018
92 436	92 697
17 650	(261)

Balance at end of year

110 086 92 436

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

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (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 2019

Figures in Rand Thousand

	Carrying amounts	Contra- ctual cash flow	6 months or less	6 - 12 months	1 - 2 years
Trade and other payables	1 367 710	1 367 710	1 367 710	-	-
	1 367 710	1 367 710	1 367 710	-	-

31 March 2018

Figures in Rand Thousand

	Carrying amounts	Contra- ctual cash flow	6 months or less	6 - 12 months	1 - 2 years
Trade and other payables	856 293	856 293	856 293	-	-
	856 293	856 293	856 293	-	-

c) Currency risk

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

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

d) Interest rate risk

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

Figures in Rand Thousand	Carrying amount	
	2019	2018
Fixed interest rate		

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

Fair value sensitivity analysis for fixed rate instruments

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

Variable interest rate

Cash and cash equivalents	1 173 156	1 605 114
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Fair value sensitivity analysis for variable interest rate instruments

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

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

11 732	16 051
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e) Categories of financial instruments

Financial instruments at amortised cost:

Cash and cash equivalents	1 173 156	1 605 114
Trade and other receivables	1 695 891	1 158 954
Trade and other payables	1 367 710	856 293

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

24. RELATED PARTIES

Transactions with government

The company is 100% owned by the government of South Africa represented by the Minister of Communication and Telecommunication 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.

Transactions with key management personnel

The key management personnel are directors and executive managers of the company for the year ended 31 March 2019.

Transactions with key management personnel are disclosed in Annexure A.

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

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

Less than 1 year

Between 1 and 5 years

2019	2018
27 667	29 326
44 720	43 663

72 387

72 989

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

Less than 1 year

Between 1 and 5 years

More than 5 years

2019	2018
69	55
191	203
312	166

572

424

The average period for operating lease agreements is 5 years.

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

26. CONTINGENT LIABILITIES

Figures in Rand Thousand

Legal claims

Employee claims

2019

62 234

9 736

71 970

Legal claims relate to various claims against SITA arising from dispute between SITA and its service providers and employee claims relates to claims arising from labour disputes by the CCMA and with the courts. Based on legal advice, the probability is not determinable in the majority of these claims as the ruling could go either way.

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (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 its application has been made and it has been determined that this standard 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.

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

28. IRREGULAR EXPENDITURE AND FRUITLESS AND WASTEFUL EXPENDITURE

a) Irregular Expenditure

Opening Balance

Add: Irregular Expenditure - detected in prior years continuing in current year

Add: Irregular Expenditure - detected in the current financial year

- Amount relating to prior financial years

- Amount relating to current financial year

Less: Amounts condoned

Less: Amounts recoverable (not condoned)

Less: Amounts written off/removed

Closing Balance

Add/(Less): Prior year adjustment

2019	2018
R'000	R'000
638 414	486 154
8 064	25 349
1 030 465	308 464
626 882	219 064
403 583	89 400
(85 501)	(121 757)
-	-
(256 727)	(59 795)
1 334 714	638 414
3 860	-

Irregular expenditure awaiting condonation/write-off

1 338 574 638 414

Analysis of expenditure awaiting condonation per age classification

Current year

Amounts condoned

Prior year adjustment

Amounts written off/removed

Prior years

1 038 528	333 813
(85 501)	(121 757)
3860	-
(256 727)	(59 795)
638 414	486 154

Total

1 338 574 638 414

b) Fruitless and Wasteful Expenditure

Opening Balance

Add: Fruitless and Wasteful expenditure - detected in the current financial year

- Amount relating to prior financial years

- Amount relating to current financial year

Less: Amounts written off/removed

Less: Amounts recoverable (not condoned)

2019	2018
R'000	R'000
11 808	10 592
1 455	2 533
1 455	-
-	2 533
(8 536)	(1 317)
-	-

Fruitless and wasteful expenditure awaiting write-off/removal

4 727 11 808

Analysis of expenditure awaiting write-off/removal per age classification

Current year

Prior years

1 455	1 623
3 272	10 185

Total

4 727 11 808

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

Prior Years

The prior years fruitless and wasteful expenditure is made up of **R7 483 195** resulting from compounded interest accumulated over the previous 4 years in respect of back billing for the period March 2011 to March 2014, **R1 068 111** interest charged for late payments, **R1 617 588** resulting from interest charged on long outstanding disputed invoices where the court ruled in favour of the supplier, an amount of **R5 734** relating to fruitless and wasteful expenditure incurred when an employee left the organisation on the 15th of the month but was paid their full salary at the end of the month, and **R1 632 910** that relates to a matter that was under criminal investigation by the Serious Commercial Crime Unit (SCCU). The matter was finalised and ruled in favour of SITA.

Current year

An amount of **R1 454 544** represents fruitless and wasteful expenditure resulting from rental charged for the SITA Perseus Park office building for the period after officials vacated the premises due to delays in reinstatement of the building as required by the lease agreement.

Management has established the Loss Control Committee to ensure effective management of incidents of financial misconduct. Formal investigations relating to irregular expenditure and fruitless and wasteful expenditure have been initiated and disciplinary action has been instituted in respect of the majority of the cases.

An investigation with regards to the deployment of software licenses is currently in progress that indicates that fruitless and wasteful expenditure has been incurred. This is being investigated by external service providers appointed to assist.

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

01. DETAILS OF IRREGULAR EXPENDITURE - DETECTED AND/OR INCURRED DURING THE CURRENT YEAR

Item No.	Incident	Prior Year	Current Year		
		Detected in prior years incurred in current year	Detected in current year incurred in prior years	Detected in current year incurred in current year	Current Year Total
1	IE00120 Irregular expenditure due to broad band upgrades and new lines that were not properly approved by the delegated authority. This was due to inadequate contract management.	6 815	-	-	-
2	IE00147 Irregular expenditure incurred in respect of annual licence fees and maintenance of point of sale equipment without a valid contract in place.	13	-	-	-
3	IE00157 Irregular expenditure incurred due to the continued rental of a generator for the SITA Centurion Datacentre for 3 months after the contract expired.	3 90	-	-	-
4	IE00173 Irregular expenditure incurred as a result of an award to a consultancy firm for the provision of architectural consultancy services that should have been disqualified as incorrect information provided by the supplier resulted in unfair evaluation.	846	-	-	-
5	IE00149-IE00154, IE00156, IE00159 Irregular expenditure incurred due to the continued procurement of access links and bandwidth for various sites after the expiry of the respective contracts on 31 March 2018.	-	-	52 089	52 089
6	IE00158 Irregular expenditure incurred due to the continued use of an FTC's services for two months without renewing her contract after expiry on 31 March 2018.	-	-	34	34
7	IE00160 Irregular expenditure incurred due to exceeding the contract value in respect of a contract for maintenance of datacentres.	-	183	9 31	1 114
8	IE00161 Irregular expenditure incurred due to continued use of services in respect of consultants after the expiry of the contract with the supplier in March 2014. A contract was in place from June 2014 to April 2015 resulting in further irregular expenditure from May 2015 to December 2015.	-	2 532	-	2 532
9	IE00165 Irregular expenditure incurred from September 2017 to November 2017 due to exceeding the contract value in respect of the contract for backup and off-site storage services on behalf of various clients in the Western Cape.	-	141	-	141
10	IE00167 Irregular expenditure incurred due to continued occupation of the Perseus Park office accommodation for 3 months after the expiry of the contract in January 2016. Rental for 1 and a half months until officials vacated the premises is considered irregular expenditure. Further expenditure reported as fruitless and wasteful.	-	1 455	-	1 455

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

01. DETAILS OF IRREGULAR EXPENDITURE - DETECTED AND/OR INCURRED DURING THE CURRENT YEAR

Item No.	Incident	Prior Year	Current Year		Current Year Total
		Detected in prior years incurred in current year	Detected in current year incurred in prior years	Detected in current year incurred in current year	
11	IE00183 Irregular expenditure incurred as a result of continued support of the DE-STR Lab system on behalf of a customer without a valid contract in place.	-	653	6	659
12	IE00184 Irregular expenditure incurred as a result of continued use of licences and support without a valid contract in place.	-	-	23 604	23 604
13	IE00186 Irregular expenditure incurred as a result of the continued use of the switching centre in Welkom after the expiry of the lease agreement on 31 October 2018.	-	-	48	48
14	IE00187 Irregular expenditure incurred as a result of the irregular award of contracts for the procurement of maintenance and support of the SAPS Rofin, Nikon and Spheron equipment and maintenance and technical support of the Firearms Permit System.	-	558 294	-	558 294
15	IE00188 Irregular expenditure incurred as a result of the continued use of printing equipment after the expiry of the lease agreement on 31 October 2018.	-	-	997	997
16	IE00144 Irregular expenditure incurred within the contract period but exceeding the awarded value in respect of Hardware maintenance, selected software support and replacement of WAN and LAN on behalf of a customer.	-	14 897	86 931	101 828
17	IE00189 Irregular expenditure incurred due to the continued support and maintenance of leased computer equipment without an approved agreement in place since April 2015.	-	45 470	11 316	56 786
18	IE00190 Irregular expenditure incurred due the installation of licences over and above those SITA was entitled to in terms of the contract with the supplier.	-	-	11 335	11 335
19	IE00191 Irregular expenditure incurred due to overspending on the contract with the supplier providing diesel for the customer switching centres and Nodal points without obtaining appropriate approval.	-	-	540	540
20	IE00192 Irregular expenditure incurred due to the occupation of office premises for a period of three months without an approved extension of the lease agreement.	-	-	96	96

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

01. DETAILS OF IRREGULAR EXPENDITURE - DETECTED AND/OR INCURRED DURING THE CURRENT YEAR

Item No.	Incident	Prior Year	Current Year		
		Detected in prior years incurred in current year	Detected in current year incurred in prior years	Detected in current year incurred in current year	Current Year Total
21	IE00193 Irregular expenditure incurred due to the continued provision of mail cleansing service after the expiry of the contract on 31 December 2018.	-	-	690	690
22	IE00194 Irregular expenditure incurred due to the continued use of access links services after the expiry of the contract with the supplier on 10 February 2019.	-	-	74	74
23	IE00195 Irregular expenditure incurred due to the request for approval of expenditure after incurring the expenditure and SCM processes not being followed. This was for catering expenses whilst hosting a full day client meeting at SITA offices in WC.	-	-	4	4
24	IE00196 Irregular expenditure incurred due to entering into a contract with an existing supplier to provide critical cyber security services to a customer without following the required SCM processes.	-	-	24 120	24 120
25	IE00198 Irregular expenditure incurred due to entering into contracts with an existing supplier to provide critical cyber security" services to a customer without following the required SCM processes.	-	3 257	12 189	15 446
26	IE00208 Irregular expenditure due to the award of a contract to a supplier for the repair of broken Fibre Optic cables for a customer, where local content with stipulated minimum thresholds were not considered in the specification and evaluation processes as required.	-	-	445	445
27	IE00209 Irregular expenditure incurred due to the award of a contract to a supplier to conduct integrity review on customer national networking upgrade projects where the emergency procurement process followed was not justifiable.	-	-	147	147
28	IE00210 Irregular expenditure incurred due to the appointment of a service provider for the supply of equipment, software, professional services, training and maintenance for the establishment of a cloud capability built on hyper-converged infrastructure to SITA for a period of ten years where the technical evaluation requirements were relaxed.	-	-	24 408	24 408
29	IE00211 Irregular expenditure incurred due to the bid being awarded to a supplier that did not meet the minimum qualifying criteria.	-	-	212	212
30	IE00212 Irregular expenditure incurred due the overspending on a Master Services Agreement with a supplier without obtaining the relevant approval.	-	-	153 367	153 367
TOTALS		8 064	626 882	403 583	1 030 465

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

02. DETAILS OF IRREGULAR EXPENDITURE CONDONED

Item No.	Incident	Condoned by (condoning authority)	Amount
1	IE00146 Irregular expenditure incurred in respect of ASPECT licence maintenance and support without a valid contract in place.	Board of Directors	2 041
2	IE00160 Irregular expenditure incurred due to exceeding the contract value in respect of a contract for maintenance of datacentres.	Board of Directors	1 114
3	IE00161 Irregular expenditure incurred due to continued use of services in respect of consultants after the expiry of the contract with the supplier in March 2014. A contract was in place from June 2014 to April 2015 resulting in further irregular expenditure from May 2015 to December 2015.	Board of Directors	2 532
4	IE00165 Irregular expenditure incurred from September 2017 to November 2017 due to exceeding the contract value in respect of the contract for backup and off- site storage services on behalf of various clients in the Western Cape.	Board of Directors	141
5	IE00171 Irregular expenditure incurred as a result of an award to a consultancy firm that should have been disqualified and further extension of the contract which was in contravention of the security vetting policy.	Board of Directors	14 998
6	IE00172 Irregular expenditure incurred as a result of an award to a consultancy firm for the provision of procurement consultancy services that should have been disqualified as they did not comply with bid requirements.	Board of Directors	16 105
7	IE00175 Irregular expenditure incurred as a result of an appointment of an employee without complying with the requirements of relevant legislation and extending the contract of the employee without appropriate approval.	Board of Directors	1 578
8	IE00177 Irregular expenditure due to the award of a contract to a supplier without considering the requirement for local content in respect of the provision of power infrastructure support, critical repairs and maintenance services on an electrical plant.	Board of Directors	1 261
9	IE00178 Irregular expenditure due to the award of a contract to a supplier without considering the requirement for local content in respect of the provision of medium voltage support, critical repairs and maintenance services on an electrical plant.	Board of Directors	2 031
10	IE00179 Irregular expenditure due to the award of a contract to a supplier without considering the requirement for local content in respect of the provision of modular UPS units and battery systems.	Board of Directors	12 737

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

02. DETAILS OF IRREGULAR EXPENDITURE CONDONED

Item No.	Incident	Condoned by (condoning authority)	Amount
11	IE00183 Irregular expenditure incurred as a result of continued support of the DE-STRLab system on behalf of a customer without a valid contract in place.	Board of Directors	665
12	IE00176 Irregular expenditure due to the award of a contract to a supplier that was not tax compliant at the time of the award for the use of dataline and access links services.	Board of Directors	4 470
13	IE00098 Irregular expenditure incurred due to a deviation from SITA procurement processes for accommodation in respect of the GovTech 2015 event.	Board of Directors	1 156
14	IE00103 Irregular expenditure incurred due to booking accommodation at rates higher than the approved National Treasury rates in respect of GovTech 2015 event contrary to the Instruction Note on Cost Containment Measures.	Board of Directors	1 756
15	IE00111 Irregular Expenditure due to continued procurement of microfilm and archiving services after the contract expired.	Board of Directors	2 518
16	IE00133 Irregular expenditure due to SITA employees and client attending a conference without adhering to Treasury instruction Note 3. HoD approved without delegation to do so.	Board of Directors	30
17	IE00158 Irregular expenditure due to the continued use of an FTC's services for two months without renewing the employment contract after expiry on 31 March 2018.	Board of Directors	34
18	IE00168 Irregular expenditure incurred as a result of a deviation from SCM processes that should have been avoided had there been proper planning in respect of video conferencing equipment on behalf of a customer.	Board of Directors	20 075
19	IE00195 Irregular expenditure incurred due to the request for approval of expenditure after incurring the expenditure and SCM processes not followed. This was for catering expenses whilst hosting a full day client meeting at SITA offices in WC.	Board of Directors	4
20	IE00126 Irregular expenditure resulting from the installation of a business intelligence tool. This was due to the recommendation of a service provider to the customer by a SITA employee that did not have delegation to make such recommendation	Board of Directors	256
Totals			85 501

NOTE:

For the condoned irregular expenditure, value for money was received as services were rendered and either 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, or all recommended disciplinary action was finalised.

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

02. DETAILS OF IRREGULAR EXPENDITURE WRITTEN OFF/REMOVED

Item No.	Incident	Condoned by (condoning authority)	Amount
1	IE00093 The contract for VPN services for the customer expired on 31 March 2015 but continued to be utilised. There were delays in finalising the contract between SITA, the customer and the supplier.	Board of Directors	34 234
2	IE00138 Irregular expenditure resulting from the continued use of support and maintenance services (from 01 March 2017 to 31 October 2017) before obtaining the approval to renew the CIBECS licence contract which expired on 28 February 2017.	Board of Directors	1 511
3	IE00182 Irregular expenditure incurred as a result of the award to a supplier for repairs on backup generators without the required approval to obtain less than 3 quotations.	Board of Directors	60
4	IE00075 Irregular expenditure incurred as a result of continued procurement of repairs and maintenance services after expiry of the contract on 30 September 2013 due to inadequate contract management.	Board of Directors	18
5	IE00128 Irregular expenditure resulting from the continued occupation of office accommodation at SITA Potchefstroom after the expiry of the contracts.	Board of Directors	96
6	IE00129 Irregular expenditure resulting from the continued occupation of office accommodation at SITA Rustenburg after the expiry of the contract.	Board of Directors	64
7	IE00130 Irregular expenditure resulting from the continued occupation of office accommodation at SITA Mahikeng after the expiry of the contract.	Board of Directors	198
8	IE00137 Irregular expenditure arising from the continued use of vending machine services within the contract period but over the agreed contract value.	Board of Directors	635
9	IE00132 Irregular expenditure resulting from the continued use of hygiene services after the expiry of the contract on 31 March 2016.	Board of Directors	168
10	IE00187 Irregular expenditure incurred as a result of the irregular award of contracts for the procurement of maintenance and support of the SAPS Rofin, Nikon and Spheron equipment and maintenance and technical support of the Firearms Permit System.	Board of Directors	216 003
11	IE00167 Irregular expenditure incurred due to continued occupation of the Perseus Park office accommodation for 3 months after the expiry of the contract in January 2016. Rental for 1 and a half months until officials vacated the premises is considered irregular expenditure. Further expenditure reported as fruitless and wasteful.	Board of Directors	1 455
12	IE00169 Irregular expenditure incurred as a result of the rental of a vehicle that was not cost effective due to the method that was selected to procure the service.	Board of Directors	607
13	IE00181 Irregular expenditure incurred as a result of a single source deviation that should have been avoided had proper planning been done in respect IT business solutions.	Board of Directors	418
14	IE00083 Continued use of labour broker resource after expiry of contract on 31 December 2013 due to inadequate contract management.	Board of Directors	676
15	IE00157 Irregular expenditure due to the continued rental of a generator for the SITA Centurion Datacentre for three months after the contract expired on 28 February 2018.	Board of Directors	585
Totals			256 727

NOTE:

The basis for the write offs/removal was that value for money was received, measures have been put in place to prevent recurrence, the officials responsible for the irregular expenditure are either no longer within the employ of the entity and therefore disciplinary action would not be possible, or all recommended disciplinary action has been finalised.

2(c) Details of prior year adjustments

The amount in respect of the prior year adjustment relates to irregular expenditure that was understated in the notes to the annual financial statements for the 2014/2015 as identified in an external service provider report received in April 2019.

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

03. DETAILS OF FRUITLESS AND WASTEFUL EXPENDITURE WRITTEN OFF/REMOVED

Item No.	Incident	Condoned by (condoning authority)	Amount
1	IE00103 Irregular expenditure incurred due to booking accommodation at rates higher than the approved National Treasury rates in respect of GovTech 2015 event contrary to the Instruction Note on Cost Containment Measures.	Board of Directors	6
2	IE00111 Irregular Expenditure due to continued procurement of microfilm and archiving services after the contract expired.	Board of Directors	7 483
3	IE00133 Irregular expenditure due to SITA employees and client attending a conference without adhering to Treasury instruction Note 3. HoD approved without delegation to do so.	Board of Directors	1 047
Totals			8 536

NOTE:

The basis for the write off/removal was that measures have been put in place to prevent recurrence, and the F&WE is considered irrecoverable.

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STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

29. CASH FLOW NOTES

29.1 Normal tax (received)/paid

Figures in Rand Thousand

	2019	2018
Opening balance	(111 325)	(179 444)
Current year normal tax charge	2 284	48 883
Interest accrual on provisional tax over payment	(3 479)	(6 254)
Closing balance	167 709	111 325
	55 189	(25 490)

29.2 Reconciliation of net cash flows from operating activities

Figures in Rand Thousand

NET CASH INFLOW FROM OPERATING ACTIVITIES

	2019	2018
Surplus/(Deficit) before taxation	(137 017)	310 528
Adjustments for non-cash flow items:		
-Depreciation/Amortisation/Adjustments	192 532	197 102
-Impairment	157 127	29 228
-Increase/(Decrease) in provision for impairment - debtors	14 733	(229)
-Bad debt written-off	(32)	269
-Notional interest incurred - Circular 9 adjustment	35 632	-
-Loss on disposal or scrapping of property, plant and equipment	11 360	572
-Profit on disposal or scrapping of property, plant and equipment	(1)	(1)
-Increase/(Decrease) in provision for post-retirement employee benefits	(27 494)	(15 703)
-Other non cash items	(637)	2 357
-Finance Expense	53 742	55 336
-Finance income	(157 174)	(151 780)
-Increase in leave pay provisions	17 122	-

Operating profit before working capital changes

159 890 **427 679**

Working capital changes:

-(Increase)/Decrease in trade and other receivables	(554 587)	(49 847)
-Decrease/(Increase) in prepayments made	(1 635)	31 888
-(Decrease)/Increase in trade and other payables	494 295	14 596
-(Increase)/Decrease in Inventory	(178 956)	-
-(Decrease)/Increase in income received in advance	(97 993)	7 696

Cash generated in operations

(178 986) **432 013**

Normal taxation	(55 189)	25 491
Finance costs paid	-	(521)
Finance income received	73 745	63 927

(160 430) **520 910**

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STATE INFORMATION TECHNOLOGY
 AGENCY SOC LTD **NOTES TO THE ANNUAL
 FINANCIAL STATEMENTS** FOR THE YEAR
 ENDED 31 MARCH 2019 (CONTINUED)

30. INVENTORIES

The components of inventories were as follows:

Figures in Rand Thousand

Inventories on hand at year end

Carrying amount

2019	2018
178 956	-

178 956

-

STATE INFORMATION TECHNOLOGY
AGENCY SOC LTD **NOTES TO THE ANNUAL
FINANCIAL STATEMENTS** FOR THE YEAR
ENDED 31 MARCH 2019 (CONTINUED)

in Rand - 31 March 2019

POSITION	Duration	Period Ended	Fees as Director	Acting Allowance	Basic Salary	Ad-hoc payment	Travel Allowances	Other allowances	Contributions to pension, medical or insurance funds	Total
NON-EXECUTIVE DIRECTORS										
Chairperson										
Mr Z Nomvete	12 months	31-Mar-19	438 856	-	-	-	-	-	-	438 856
BOARD MEMBERS										
Ms S Chaba	12 months	31-Mar-19	432 634	-	-	-	-	-	-	432 634
Ms N N Ehrens	6 months	15-Oct-18	276 580	-	-	-	-	-	-	276 580
Ms N Magubane	12 months	31-Mar-19	198 708	-	-	-	-	-	-	198 708
Ms N Mahlangu	12 months	31-Mar-19	247 253	-	-	-	-	-	-	247 253
Ms P Matlala	12 months	31-Mar-19	468 447	-	-	-	-	-	-	468 447
Mr MT Sadik	12 months	31-Mar-19	306 222	-	-	-	-	-	-	306 222
Mr G Victor	12 months	31-Mar-19	388 185	-	-	-	-	-	-	388 185
			2 318 029		-	-	-	-	-	2 318 029
EXECUTIVE DIRECTORS										
Dr S Mohapi (Chief Executive Officer)	12 months	31-Mar-19	-	-	4 062 238	142 656	-	25 200	240 980	4 471 074
Ms R Rasikhinye (Chief Financial Officer)	6 months	30-Sep-18	-	-	1 365 020	247 610	-	11 100	169 593	1 793 322
Mr A Pretorius (Acting: Chief Financial Officer)	6 months	31-Mar-19	-	49 176	797 102	42 094	-	7 200	79 860	975 431
			-	49 176	6 224 359	432 359	-	43 500	490 433	7 239 828



STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

in Rand - 31 March 2019

POSITION	Duration	Period Ended	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 T Mongwe (Company Secretary)	12 months	31-Mar-19	-	-	1 383 052	67 687	180 000	14 400	211 127	1 856 266
Ms S Kgope (Acting: Company Secretary)	9 months	31-Mar-19	-	-	642 479	35 775	4 167	8 550	69 914	760 885
Ms M Le Roux (Executive: Risk Management)	12 months	31-Mar-19	-	195 146	1 892 586	64 578	-	14 400	55 404	2 222 114
Mr J Loubser (Chief Digital Officer)	2 months	31-Mar-19	-	-	613 182	-	-	2 400	-	615 582
Mr F Mitchel (Executive: Internal Audit)	3 months	31-Mar-19	-	-	494 621	-	-	3 600	65 364	563 585
Ms M Mkhwanazi (Executive: Human Capital Management)	12 months	31-Mar-19	-	-	2167 446	79 065	-	14 400	217 554	2 478 465
Mr S Ntsangani (Executive: Hosting and Secure Operations)	5 months	31-Mar-19	-	-	65 0571	42 376	100 000	6 000	112 948	911 896
Mr G Reddy (Acting Executive: Networks and Service Management)	4 months	31-Mar-19	-	35 096	367 065	36 099	46 445	3 800	87 868	576 374
Mr S Senti (Executive: Multi-Stakeholder Management)	12 months	31-Mar-19	-	-	2 481 124	82 252	-	14 400	-	2 577 776
Ms J Shibambu (Acting Executive: Strategy Management)	7 months	31-Mar-19	-	107 165	1 495 521	107 216	-	25 200	219 452	1 954 555
Ms J Tlhako (Executive: Supply Chain)	4 months	31-Jul-18	-	-	661 705	63 8175	-	4 800	45 245	1 349 925
Mr N Tshenye (Executive: Stakeholder Strategy Management)	7 months	31-Mar-19	-	-	1 263 908	52 731	140 000	-	215 016	1 671 654
Mr L Williams (Executive: Provincial and Local Consulting)	11 months	31-Mar-19	-	-	1 960 506	49 400	110 000	13 200	312 828	2 445 933
			-	337 408	16 073 765	1 255 354	580 612	125 150	1 612 721	19 985 010

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

in Rand - 31 March 2018

POSITION	Duration	Period Ended	Fees as Director	Acting Allowance	Basic Salary	Ad-hoc payment	Travel Allowances	Other allowances	Contributions to pension, medical or insurance funds	Total
NON-EXECUTIVE DIRECTORS										
Chairperson										
Mr Z Nomvete	12 months	31-Mar-18	541 585	-	-	-	3 064	-	-	544 649
BOARD MEMBERS										
Ms S Chaba	12 months	31-Mar-18	406 581	-	-	-	14 982	-	-	421 563
Ms N Ehrens	12 months	31-Mar-18	473 654	-	-	-	13 827	-	-	487 481
Ms N Magubane	12 months	31-Mar-18	218 430	-	-	-	2 244	-	-	220 674
Ms N Mhlangu	12 months	31-Mar-18	387 531	-	-	-	12 342	-	-	399 873
Dr V Mahlali	12 months	31-Mar-18	215 512	-	-	-	3 367	-	-	218 879
Ms P Matlala	12 months	31-Mar-18	371 374	-	-	-	12 903	-	-	384 277
Mr MT Sadik	12 months	31-Mar-18	285 818	-	-	-	10 940	-	-	296 758
Mr G Victor	12 months	31-Mar-18	485 093	-	-	-	23 120	-	-	508 213
			3 385 578	-	-	-	96 789	-	-	3 482 367

EXECUTIVE DIRECTORS

Dr S Mohapi (Chief Executive Officer)	12 months	31-Mar-18	-	-	3 832 107	-	-	25 200	267 636	4 124 944
Ms R Rasikhinya (Chief Financial Officer)	12 months	31-Mar-18	-	-	2 575 644	-	-	25 200	346 745	2 947 589
Mr M Ndlangisa (Deputy Chief Executive Officer)	2 months	31-May-17	-	-	377 941	130 398	40 000	4 200	5 701	558 240
			-	-	6 785 693	130 398	40 000	54 600	620 082	7 630 773

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



STATE INFORMATION TECHNOLOGY AGENCY SOC LTD **NOTES TO THE ANNUAL FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

in Rand - 31 March 2018

POSITION	Duration	Period Ended	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 T Mongwe (Company Secretary)	8 months	31-Mar-18	-	-	970 933	-	135 000	10 800	160 851	1 277 584
Mr S Senti (Executive: Multi-Stakeholder Management & Hosting and Secure Operations)	12 months	31-Mar-18	-	-	2 340 683	220 564	-	14 400	25 191	2 600 839
Ms Jabulile Tlhako (Chief Procurement Officer)	12 months	31-Mar-18	-	-	1 872 749	-	-	14 400	147 382	2 034 531
Ms M Le Roux (Executive: Risk Management)	12 months	31-Mar-18	-	-	1 786 423	-	-	14 400	71 465	1 872 288
Ms M Mkhwanazi (Executive: Human Capital Management)	3 months	31-Mar-18	-	-	510 510	-	-	3 600	57 478	571 588
Ms J Shibambu (Acting Executive: National Consulting & Provincial & Local Consulting)	12 months	31-Mar-18	-	130 585	1 456 926	-	-	25 200	223 164	1 835 876
Ms S Kgope (Acting: Company Secretary)	3 months	30-Jun-17	-	20 286	184 342	-	-	2 850	23 389	230 867
Mr P Coertze (Acting Executive: Operations)	8 months	30-Nov-17	-	34 002	1 946 027	-	24 000	14 400	298 148	2 316 578
Mr W Needham (Acting Executive: Products, Services and Solutions)	8 months	30-Nov-17	-	29 539	1 372 059	-	44 362	14 400	309 666	1 770 027
Mr L Mochalibane (Acting Executive: Human Capital Management)	8 months	30-Nov-17	-	22 243	1 208 317	-	-	14 400	189 558	1 434 518
Mr P Munyai (Chief Technology Officer)	3 months	30-Jun-17	-	-	569 844	134 206	90 000	6 300	47 350	847 700
Mr S Makola (Executive: Internal Audit)	5 months	30-Oct-17	-	-	707 040	101 229	29 613	6 650	7 0292	914 823
			-	236656	14 925 854	455 999	322 975	141 800	1 623 935	17 707 219

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