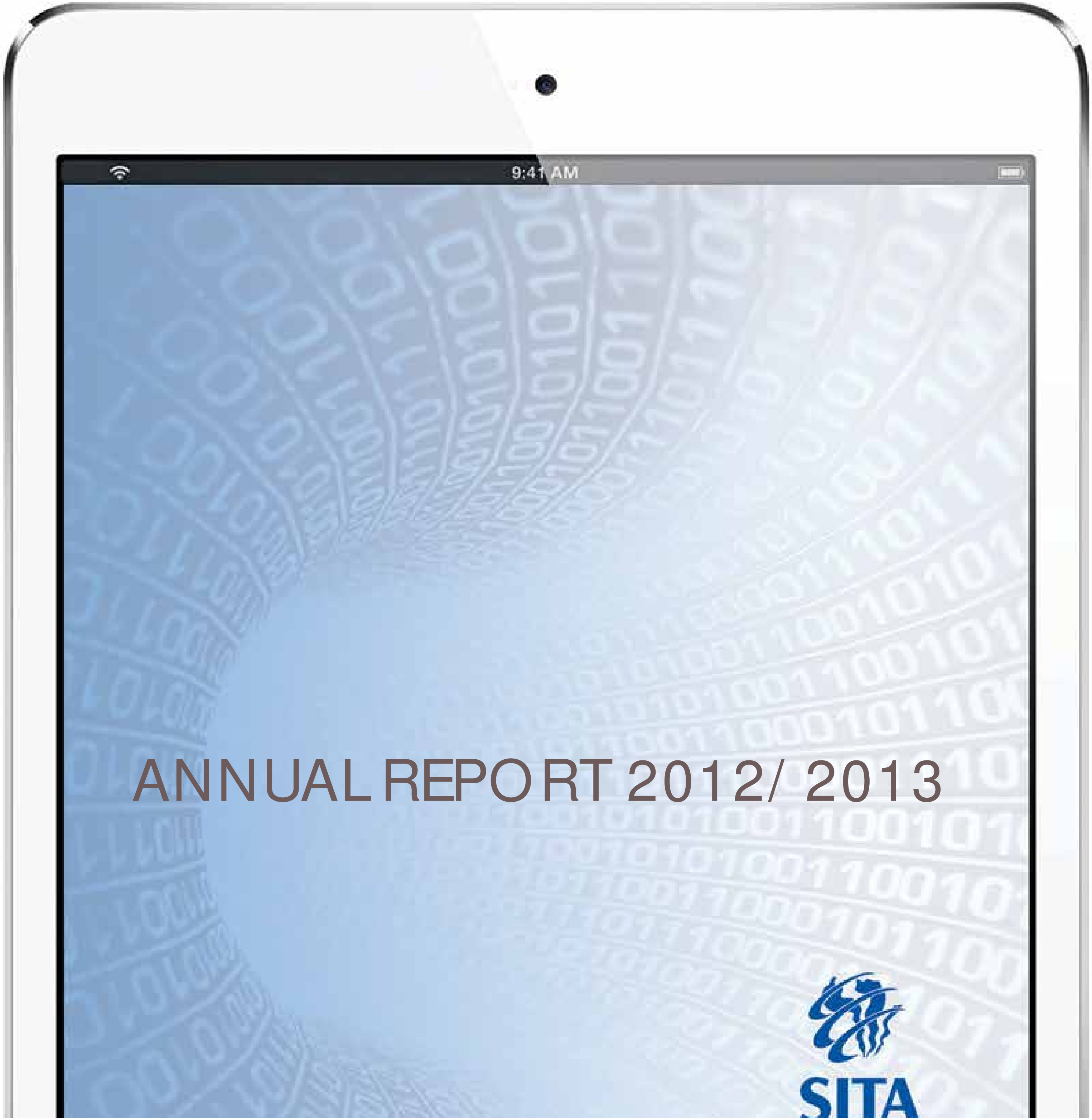


ANNUAL REPORT 2012/ 2013

SITA

Annual Report 2012/2013

Abbreviations

AFIS	Automatic fingerprint identification system
AG	Auditor-General
ARC	Audit and Risk Committee
ASB	Accounting Standards Board
BEE	Black economic empowerment
CEO	Chief Executive Officer
CMMI	Capability maturity model integration
CSI	Customer satisfaction index
DHA	Department of Home Affairs
DoCS	Department of Correctional Services
DoD	Department of Defence
DPSA	Department of Public Service and Administration
ECM	Enterprise content management
EOC	Employer of choice
ERP	Early retirement programme
GRAP	Generally Recognised Accounting Practice
HDI	Historically disadvantaged individual
HPO	High performance organisation
ICT	Information and communications technology
IFRS	International Financial Reporting Standards
IFMS	Integrated Financial Management System
IIA	Institute of Internal Auditors
IPPF	International Professional Practices Framework
IPSAS	International Public Sector Accounting Standards
ISACA	Information Systems and Control Association
IT	Information technology
LBC	Labour broker contractors
MoI	Memorandum of incorporation
MTTR	Mean time to respond
NDP	National Development Plan
NT	National Treasury
OA	Organisational architecture design
OAD	Organisational architecture
OEM	Original equipment manufacturer
PSI	Prime systems integrator
RFQ	Request for quotation
SAPS	South African Police Service
SARS	South African Revenue Service
SCCU	Specialised Commercial Crime Unit

tAbl e o f Co n t en t s

Vision, Mission and Corporate Values

Vision

"Be the lead ICT agency to enable public sector delivery."

Mission

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

Corporate Values

In seeking to promote good governance and a code of conduct, SITA has developed and promotes the following values:

- Service excellence - We shall strive to attain internationally recognised standards of service quality and maintain continuous improvement in service delivery;
- Innovation - We shall pursue innovation by demonstrating thought leadership and proactive behaviour on the use of information and communication technology to enhance public service delivery;
- Transparency - We shall always ensure transparency in everything we do to build trust and confidence with all our stakeholders;

MANDATE

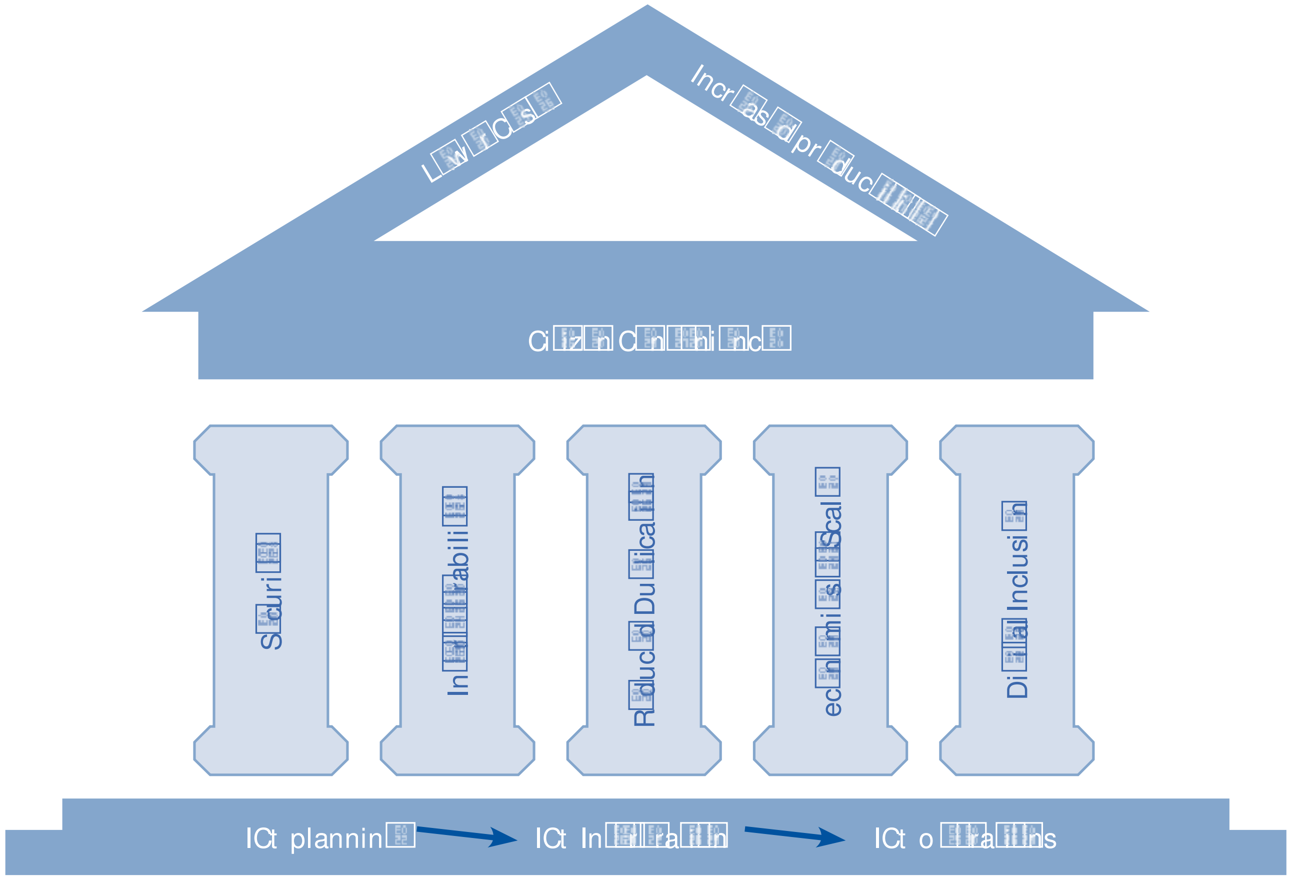
The State Information Technology Agency SOC Limited (SITA) was established in 1999 to consolidate and coordinate the South African government's information technology (IT) resources to achieve cost savings through economies of scale, increased delivery capabilities and enhanced interoperability of systems. SITA is committed to leveraging IT as a strategic resource for government, managing the IT procurement and delivery process to ensure that government receives value for money, and using IT to support the delivery of e-government services to all citizens.

SITA is governed by the SITA Act No 88 of 1998, as amended by the SITA Act No 38 of 2002. Section 6 of this Act states the objectives of the agency as follows:

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

Furthermore, the Act separates SITA's services into mandatory services (services that SITA must provide) and non-mandatory services (services that SITA may provide). SITA remains committed in all its activities to adhere to government's 'IT House of Values, which seeks to leverage economies of scale, enhance interoperability of government systems security, eliminate duplication and enhance black economic empowerment (BEE).

ICT House of Values



The Year under review: April 2012 - March 2013

"Collaborative government is the key to the future"

foreword by tHe Minist er

H[illegible]ln s[illegible]
Minister for Public Service and Administration

The National Development Plan (NDP) is government's blueprint for the future and its vision for development. Through the NDP, the government is committed to the eradication of poverty through multiple high-level policy and strategic interventions. These interventions include and rely on the broad category of information and communications technology (ICT) as a meaningful contributor to economic growth and social development. In essence, ICT is positioned as a catalyst for opportunity and growth.

ICT is an enabler of change. Through ICT, new things are possible. Ultimately ICT will reinvent the government, community interaction and service delivery. But the role of ICT as an enabling tool to improve service delivery and the modernisation of the state is but one side of the coin.

On the other side, while ICT is an enabling tool, it is also an industry. ICT as an industry explores opportunities of investing in ICT to promote growth, employment and prosperity. Here, the developmental state is premised on a rethink of how we, as a country, engage among the different sectors.

When SITA's turnaround was envisaged by the government, it was not only based on the thinking that change is needed in SITA, but it was to reconfigure the discourse and the engagement among SITA, government departments, industry and the small, medium and micro enterprise (SMME) sector.

While on the surface, the SITA turnaround appeared to speak to the operational elements within the organisation, such

The result has been an unhealthy disjuncture between a multibillion rand industry, muscling in on SMME terrain in a fight for profit, and SMME sector that is too underdeveloped and, therefore, too weak to withstand the muscle from the ICT industry. Unfortunately we have had public sector players consuming each other, failing to see the wood for the trees and becoming pawns in an industry fight for ICT market hegemony.

In SITA's history, nowhere has the organisation received such pull from its sister departments, which ironically are responsible for attaining the ICT vision for the country.

From a shareholder perspective, this transformation story has highlighted a clear theme that there needs to be important policy shifts to right the unhealthy imbalances emerging in this important sector.

Whilst industry approaches transformation as a choice, as a shareholder and as government, creating level playing fields, opening access and breaking down barriers are our mandates.

As government, which is a vehicle for development, we must reassess our form of engagement with and among each other, as our mandate and directive are not only clear, but are shared by all in the public sector.

SITA, as an organ of state, is bruised, inherently because its commercial side is consistently becoming contested terrain in the fight for the spoils of the ICT pie. And, because the ICT sector is playing at being a collection of deep-seated contradictions in the push and pull of organs of state, it remains our duty to provide the leadership for transformation and ICT development in the country.

The contested space outlined here, however, should be no excuse for failure or inefficiency. A failure to change the pervasive ICT culture that is being endorsed would be the creation of a perpetual cycle of inefficiency in the government.

A case in point is the Integrated Financial Management System (IFMS) project, which is a joint initiative between National Treasury (NT), the Department of Public Service and Administration (DPSA) and SITA, to modernise and integrate the transverse 'back office' information technology systems in the public service.

This change has been complex, as it requires multifaceted collaboration and a fast pace. SITA's vision has been on bespoke solutions for quick implementation, rather than on off-the-shelf products. This has been a source of tension between industry and the government. It is an area that requires serious intervention, so that government work is not dictated by the private sector, but rather by the need for development for the country.

Within the government, in replacing fragmented financial, supply chain, human resource management and business intelligence systems, product development has been marred by challenges of programme governance and intersectoral collaboration.

Furthermore, ICT is currently not deeply entrenched in the overall development planning framework and systems. The major

In the public sector, we do not have the luxury to renege on our collective mandate to the country. For the private sector, transformation might be a choice, but for the government, it is the mandate.

Members of the current SITA Board have considerable private sector backgrounds, but have been appointed as servants of democracy. The NDP confirms that a better life for all our citizens is possible only if the government partners with businesses and civil society, and through the innovative and harnessed energies of our communities.

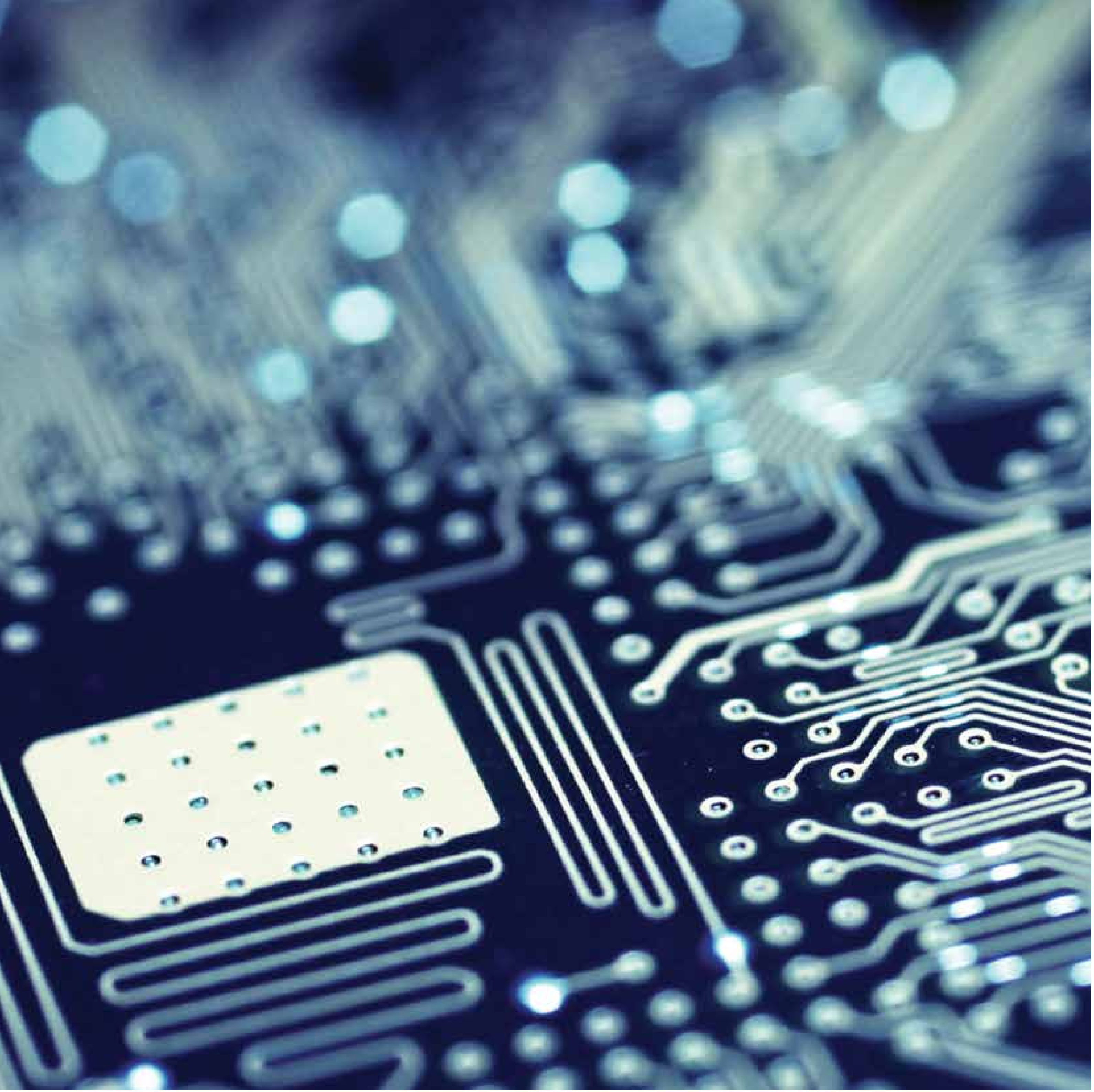
We are facing the complexities and increasing pressures of governance as a result of global economic and fiscal crises. A caring and developmental state is about more than improved systems and processes. It speaks to state administration at all levels, including the need for public servants who are effective, efficient, professional and capable.

This new SITA leadership is charged with the important responsibility of leading SITA in the professionalisation of ICT in the government. Our work is to create a public service that has organisational and service delivery systems, management systems and practices. Our behaviour in the public service must be consistent with policy programmes and the Constitution.

I wish to extend my deepest gratitude to the SITA Board for its commitment and contribution in this important transformation project. My thanks go, too, to SITA's Chief Executive Officer, the executive management team and employees of SITA for the legacy that they are creating for South Africans.

Ms Lindiwe Sisulu
Minister for Public Service and Administration
Republic of South Africa

Section 1



CHAirperson's stAteMent

M[illegible]
Chairperson, SITA Board of Directors

SITA operates in a multibillion rand ICT industry that is central to economic and social development in the country. This reality is framed by the philosophy that collaborative relationships must be established between the industry and the government to ensure that the contributions to development from this sector are realised.

In the latest World Economic Forum (WEF) Global Information Technology Report, in which the 'networked readiness index' was central, the South African ICT sector moved up two notches to 70. However, a number of factors still weighed on the industry's ability to accelerate growth.

The strategic relevance of SITA to the developmental agenda of the country can, therefore, not be overstated, and the need is crucial for the organisation to implement unusual initiatives to ensure that its clients tangibly experience improvement in value add from the organisation.

Despite the challenges, the organisation has, over the years, displayed a track record of reliability in its service offerings, which has ensured unbroken stability in its service offering to the government. Some of the information systems provided and maintained by SITA include Persal, which pays public servant salaries; BAS, which pays public service bills, and Logis, which manages government assets. Currently these systems are part of the modernisation of all government systems through the IFMS. To date, the IFMS has enabled 38 new services.

Whether it's a management system, AFIS (automated fingerprint identification) for criminal and non-criminal related

WASP

SITA has packaged the wireless application service provider (WASP) platform as a service to government departments with the corresponding architecture models. The WASP project is the establishment of a wireless applications service provider platform that enables the important communication link to mobile devices, to which phones more than 70% of South Africans have access.

The SITA WASP capability provides sms-notification and sms-query-and-response functionality to departmental mainframe applications to send notifications to system end-users. An example is the Department of Home Affairs (DHA) application that can track the status of a citizen's application and notify him or her about developments involving the government service requested. This is known as the "track and trace system".

Mobile Citizen (Mobizen)

On the back of the WASP service, SITA launched Mobizen, which is a citizen-centric mobile application platform designed to interact securely with the government's backend systems to enable citizens to access information and services from anywhere and at anytime. Government departments and other state organs offering services are now able to integrate their systems with Mobizen to ensure that they reach a wider audience of mobile phone users.

Working smartly to save government money

The economic landscape has made prudence the buzzword in utilising resources and SITA is driving ICT cost saving for government. Contracts with IBM and Microsoft are but some of the latest deals SITA has secured on behalf of the South African government to attain cost-effective preferential rates. In 2012/13, SITA recorded savings of R263 million through preferential agreements negotiated with suppliers. The largest contributor of this was in the area of software licences. Furthermore, these savings have been passed on back to clients either through the savings on approved budgets or through lower priced services quoted to our clients due to competitive bidding.

Taking a bold step towards addressing challenges

In spite of service delivery gains, SITA finds itself at a historical point where feedback from customers, stakeholders and staff indicates negative sentiment towards the organisation. Perception surveys indicate a stakeholder perception index of 43% and a customer satisfaction index of 35%.

The diagnosis

In its first three months, the new Board diagnosed the challenges facing the organisation and engaged extensively with internal and external stakeholders. It then developed a rapid response plan of action to correct some key problematic areas.

Taking the opportunity to correct and arrest the state of affairs, the Board involved the entire organisation in a campaign called Operation Siyashesha. This six-month initiative aimed to fast track key organisational initiatives and address other key issues deemed urgent by the Board to address institutional capabilities, service delivery and responsiveness to clients.

We have opened up lines of communication for improved relationships and to create a common understanding and vision from stakeholders, so that we move towards the Minister's vision of a 'Transformed professional public service to empower the nation'.

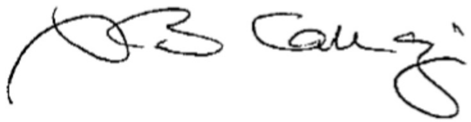
As part of Siyashesha, SITA is developing internally into an environment that fosters professionals who are committed to providing high-quality service to the country. A new policy environment is taking shape in the organisation.

Furthermore, SITA has made strides and has recorded successes in implementing, among others, effective e-government solutions that are crucial to government modernisation. We also have a vested interest in ensuring that healthy corporate relationships among ICT sector partners translate into improved service delivery for the government.

The SITA Board acknowledges the support and guidance given by the Hon Minister LN Sisulu, which made our task easier in a very challenging environment.

The Board thanks SITA management and staff for their dedication and commitment to ensuring that SITA navigates towards a brighter path.

SITA's ICT institutional knowledge, experience and importance to the government remain intact and create a firm foundation as we move into the future.



Mr Jerry Vilakazi
SITA Board Chairperson

boArd of direCtors At 31 MArCH 2013

INITIAL AND SURNAME	POSITION	TERM	QUALIFICATIONS
Mr J Vilakazi	Chairperson	21 November 2012 - 20 November 2015	BA MA MBA
Ms FC Potgieter-Gqubule	Deputy Chairperson Acting Chairperson	17 March 2010 - 16 March 2013 19 August 2011 - 20 November 2012	MA (Public and Development Management)
Ms SV Bvuma	Non-executive Board member	17 March 2010 - 16 March 2013	Diploma in Project Management MSc (Clinical Psychology)
Mr BK Mosley-Lefatola	Executive Board member	10 January 2011 - 9 January 2014	BA (African Political Studies and Industrial Sociology) BA Hons (Industrial Sociology)
Mr K Dlamini	Alternate Board member	21 November 2012 - 20 November 2015	BA Hons (Social Science) MA (Philosophy)
Mr PR Kgame	Non-executive Board member	17 March 2010 - 16 March 2013	BCom
Mr WS Mabena	Non-executive Board member	17 March 2010 - 16 March 2013	Political Science Diploma Management Advanced Programme
Adv BM Matlejoane	Alternate Board member	21 November 2012 - 20 November 2015	B Proc LLB
Ms K Mdlulwa	Non-executive Board member	17 March 2010 - 16 March 2013	BJuris LLB
Ms NM Mhlakaza	Non-executive Board member	17 March 2010 - 16 March 2013	National Diploma in HR Management BTech (HR Management)
Mr S Mngomezulu	Non-executive Board member	21 November 2012 - 20 November 2015	Bcom (Accounting) MBL
Dr A Mokgokong	Alternate member	21 November 2012 - 20 November 2015	BSc

INITIAL AND SURNAME	POSITION	TERM	QUALIFICATIONS
Ms KR Mthimunye	Non-executive Board member	1 May 2010 – 30 April 2013	BCompt (Hons) Higher Diploma in Tax Law Chartered Accountant (SA)
Mr Z Nomvete	Alternate Board member	21 November 2012 - 20 November 2015	MAP Diploma in Aeronautical Engineering Qualified flight engineer
Ms N Ntsinde	Non-executive Board member	1 May 2010 - 16 March 2013	Certificate in Treasury (Risk Management) B Proc MBA
Ms BM Malongete	Alternate Board Member	17 March 2010 - 16 March 2013	National Diploma in Food Science B Proc MSc (Financial Law)
Mr DC Niddrie	Alternate Board Member	17 March 2010 - 16 March 2013	Policy Development and Management Course BEd (Cum Laude) Masters in Education (in progress)
Mr G Pillay	Non-executive Board member	1 May 2010 - 30 April 2013	Non Graduate Higher Education Diploma B Ed Diploma in Specialised Education
Company Secretary			
Ms T Zide	Company Secretary	1 April 2011/ term ended 2013	B Proc

Chief Executive Officer's Report

M[illegible]
Chief Executive Officer

Performance Overview: A Case for the Future

The question on many minds is whether the SITA turnaround has transformed the organisation into an ICT vehicle for the future. I am reminded of the Emily Dickinson quote: "Dying is a wild night and a new road." During its turnaround journey, SITA has taken the road less travelled. The journey has yielded fruits it but also brought collisions with mountains.

It has taken the organisation down the uneasy road of truth, from which it openly and frankly shared with the public challenges and concerns, in terms of its business operations and its impact for the government. We chose to confront the reality that there needed to be a radical shift to improve SITA operations, validate its integrity and confirm its relevance in the public sector.

SITA Service Delivery Landscape

Within the knowledge economy, the government's drive towards economic prosperity, sustained sovereignty and social wellbeing is dependent on the confidentiality, integrity and availability of information and the underlying ICT infrastructure. The security of software systems, computers, data-processing centres and telecommunications networks is crucial to protect valuable assets.

Furthermore, SITA provides and maintains Persal, BAS and Logis. Currently these systems are part of the modernisation of all government systems through the IFMS. During this financial year, the inventory management, supply chain management (procurement management) and business intelligence vulindlela replacement modules were completed.

In addition, the business solution definition for asset management and procurement management implementation at DoD was completed timeously.

As part of the IFMS rollout, data has been migrated to 38 departments and 22 companies have been certified as SITA implementation partners to assist SITA with the national rollout.

The machinery of the South Africa government is powered by a complex and diverse arrangement of processes, structures, information systems and related technologies geared to improve service delivery and convenience to citizens, whilst enhancing public sector efficiency and accountability.

As part of the proactive drive to become a lead ICT agency, SITA recently launched a large-scale initiative to establish an integrated catalogue of all public services and information systems across national and provincial government departments. Currently, government renders almost 2 000 services to the public, with just over 700 services delivered by national departments.

SITA is South Africa's public sector answer to the shift from traditional, paper-based and cumbersome ways of doing business to integrated and smart solutions.

As part of its legacy, SITA has connected to 7 018 service centres on its new generation network, in line with the government's 2020 vision of 100% connectivity and a public service driven by a connected government. Going forward, SITA will pursue a strategic drive anchored by school connectivity, accessibility of social support grants, clinic and hospital connectivity through mobile/electronic health service and Home Affairs connectivity. This will improve population information for government planning and ensure ease of access to service for citizens.

The digital age has also transformed expectations of citizens to interact on platforms of enhanced communication, efficiency, convenience, participation and accessibility through e-government. In the financial year, SITA developed a platform for its vision for the future and successfully automated 29 e-services through the automation of paper-based forms.

Through the e-services platform, SITA designed smart forms so that citizens could complete electronic forms online through various devices, thus advancing the 'Anywhere-anytime-anyplace device' concept. The smart forms will be routed to departments for processing and a receipt notification will be sent to the applicant by whichever option he or she chooses. The forms will be available through the online government e-service portal. Currently, the SITA e-services engine is able to send smses to citizens.

- E-disclosure system, which allows senior management of the public service to declare electronically their business interests, is ready to be rolled out for government consumption. The system will be linked to systems such as CIPRO, the Deeds Office, E-natis and the IFMS procurement adjudication committee, which will make it proactive rather than punitive (picking up irregularities after the fact).

- Enterprise content management (ECM) - a dynamic solution architecture for the government. This transversal system seeks to address more directly the root causes of some of the findings by the Auditor-General that link key government weaknesses to poor document management and a lack of accountability.

driving An innovAted governMent for tHe future

To support the vision that SITA has for the future, the organisation has invested in an innovation centre that is grounded in:

- ICT research services;

- Technology innovation, including the technology laboratory, and

- Software innovation, including the SITA software development workbench.

In collaboration with partners in the government and industry, the innovation centre develops proof-of-concept solutions using innovative technologies to improve the service delivery of the state. It uses messaging hubs to integrate data sets from different departments, master data management techniques to link data sets with each other, particularly citizens' data; FOSS software wherever possible to develop cost-effective solutions and improve turnaround time; cloud computing technologies in the hosting environment to realise economies of scale, and telecommunication technologies to deliver services to citizens, particularly mobile technologies.

working sMArtly to sAve

The economic landscape has made prudence the buzzword in utilising resources. And SITA has worked to drive ICT cost saving for government. In 2012/13, SITA recorded savings of R263 million through preferential agreements negotiated with suppliers. The largest contributor of this was in the area software licences. Furthermore, these savings have been passed on back to clients either through the savings on approved budgets or through lower priced services quoted to our client due to competitive bidding.

SITA established four strategic partnerships to enhance its value add and offering to the government. The partnerships were concluded with Software AG, Stratum, Alfresco and Microsoft. Contracts with IBM and Microsoft are but some of the

The areas being assessed for its capability and maturity are configured around SITA's people, services, acquisitions and software development. The project is phased and we are currently working towards CMMI capability level 2. The scope for the SCAMPI and the CMMI capability level 2 measurement baseline has been established and the external SCAMPI A assessment will begin in June 2013.

In SITA's turnaround journey, progress has been made by redefining business strategies, models, and internal policies, and by renewed engagement with clients. The rationale was to align the business processes with the needs of customers, to improve customer focus and service.

It was essential to take all employees along on the journey of change.

Given the turmoil and instability of turnaround and its impact on individuals and the corporate morale of the organisation, performance dropped. Extra demand and load were placed on staff and, whilst meaningful engagement and turnaround support were evident, the organisation should have fared better.

An improvement plan has been developed to close the gaps, and all efforts will be geared to establishing SITA as a high-performance organisation and employer of choice.

The past 28 months has been characterised by consistent executive leadership with common purpose and commitment, leading SITA into a new future.

We remain committed to Minister Sisulu's vision of a 'Transformed professional public service - empowering the nation'.

Through the creation of a new policy environment, SITA is developing into an organisation that fosters professionals in service to the country and that celebrates the development of the professional.

Conclusion

This turnaround is not a race to the finish line - it is a journey to sustainability.

The organisation has broken new ground in its work and is becoming customer-centred and service-orientated.

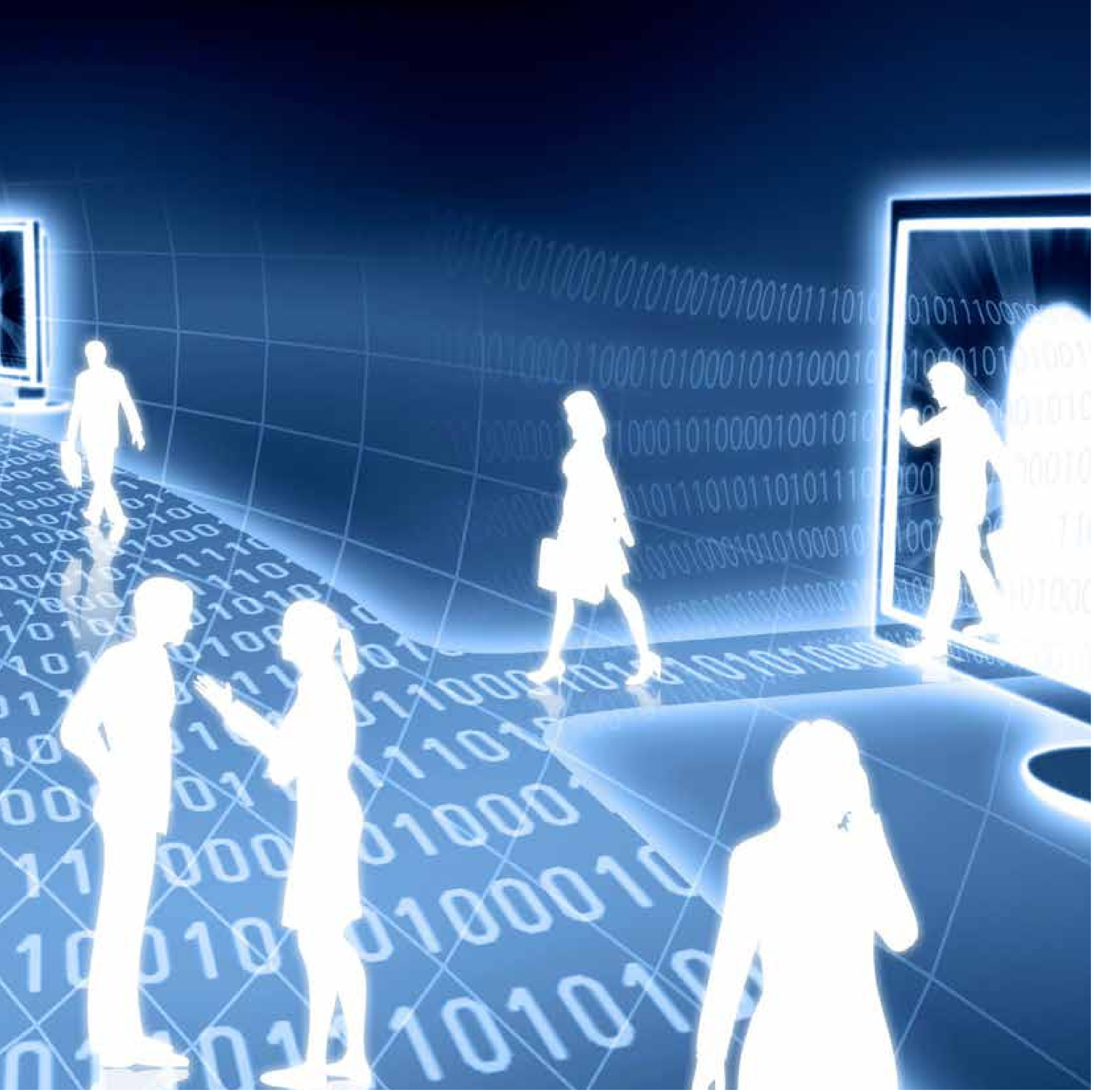
Given the complexities of organisational renewal, all credit must go to SITA employees for their service delivery contributions during a difficult time.

Our thanks go to the Ministry of Public Service and Administration for its support, guidance and commitment to SITA's future.

exeCut ive Co MMit t ee At 31 MAr CH 2013

INITIAL AND SURNAME	POSITION	TERM	QUALIFICATIONS
Mr BK M[illegible]s[illegible]L[illegible]al[illegible]la	Chief Executive Officer	10 January 2011 - 9 January 2014	BA (African Political Studies and Industrial Sociology) BA Hons (Industrial Sociology)
Mr R Alli	Acting Executive: Internal Audit Chief Audit Executive	Acting: 1 September 2009 - 31 January 2011 1 February 2011 - 31 January 2014	Chartered Accountant (SA) Certified Internal Auditor (CIA) IT Infrastructure Library (ITIL) Foundation
Ms KpS N[illegible]s[illegible]a[illegible]ni	Chief Operations Officer	1 November 2010	BA (Political Science) BA Hons (Development Studies and Labour Relations) MBA (with merit)
Mst L Mj[illegible]i	Executive: Supply Chain Management	1 March 2011 - 28 February 2014	BCom BCom (Hons) MA (Business Leadership)
Mr JC M[illegible]s[illegible]s[illegible]	Chief Financial Officer	1 July 2011 - 30 June 2014	BSc (Accounting) Certified Public Accountant (CPA)
Ms M M[illegible]su[illegible]i	Executive: ICT Service Delivery	1 November 2011 - 31 October 2014	BSc MBL
Mr BD Mus[illegible]wana	Executive: Corporate Services	1 February 2011 - 31 January 2014	BJuris LLB (in progress)
Mr N t u[illegible]anadar	Executive: Solutions, Norms and Standards	1 April 2011 - 31 March 2014	BSc Computer Statistics MSc Information Management Systems
Mst [illegible]andi Zid[illegible]	Executive: Company Secretary	1 April 2011/ term ended 2013	B Proc

section 2



HUMAN CAPITAL MANAGEMENT

The financial year 2012/13 was the most challenging year in the existence of the organisation. Human Capital Management, being at the forefront of the implementation of the organisation's turnaround, adapted to the challenges that accompany organisational restructuring, even though placement was a major challenge.

During the year, SITA was certificated as one of the best employers in the 'Best employer survey', improving its score of the previous year. It also participated in the 'Best company to work for' survey.

ORGANISATIONAL TRANSFORMATION AND EE STATUS

Organisational development is the pillar to transform SITA into a high-performance organisation (HPO) and an employer of choice (EOC).

Recently completed HPO and EOC climate surveys shed light on some important aspects in the organisation. Notably, SITAzens want to be involved in decision-making in the organisation and want to be informed so that they can be partners in change.

Interestingly, most SITAzens who responded are hopeful about the change that is currently underway and believe that change was inevitable and essential.

A comprehensive, integrated change strategy was developed and is being implemented throughout the organisation following extensive consultations with employees and interest groups.

The organisational architecture (OA) project presented the organisation with an opportunity to drastically transform its demographics. Strides have been made in this area after a delay in making appointments.

The total number of employees (permanent and fixed-term contractors) at the end of the financial year was 2 740, excluding labour broker contractors - LBC (165) and learners (130). Of the 2 740 employees, 2 294 (83,72%) were permanent employees and 446 (16,27%) were fixed-term contractors.

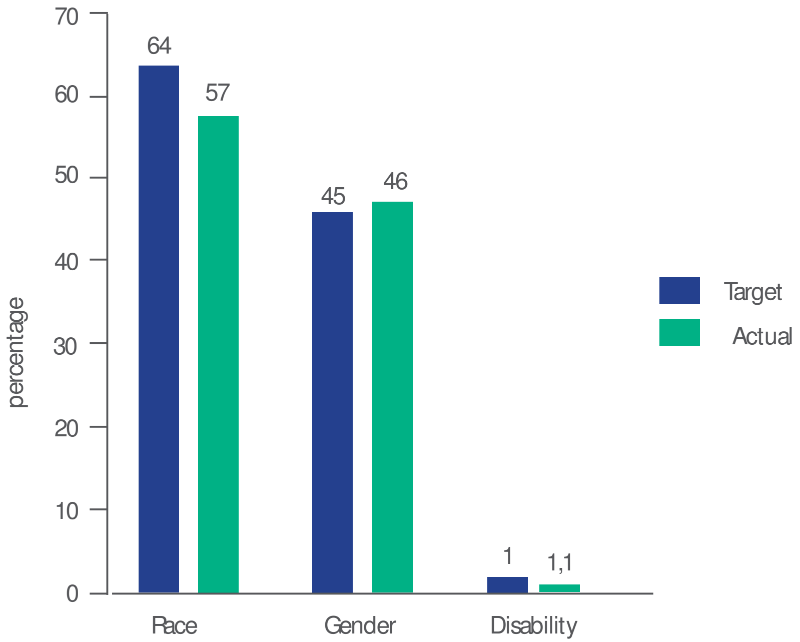
SITA has responded to the labour broker policy discourse by gradually phasing out the use of labour broker employees in its operations. The 165 contract employees, mainly from non-designated groups (65%), were offered fixed-term contracts starting from the beginning of the financial year. A skills transfer agreement was entered into with these employees to ensure that SITA retains the skills when their terms end.

In line with its transformation agenda, the organisation still strives to attract designated groups and female employees to

y stAt us

Coloured		Coloured	Indian		Indian	White		White	Grand	No of	%	%	%
emale	Male	Total	Female	Male	Total	Female	Male	Total	Total	Disabled	Gender	Race	Disabled
									54		37%	100.00%	0.00%
									1		100.00%	100.00%	0.00%
									4		50.00%	100.00%	0.00%
1		1							52		65.00%	100.00%	0.00%
2		2	1		1	8		8	26		100.00%	69.00%	0.00%
29	21	50	4	8	12	40	21	61	558	16	57.00%	89.00%	3.00%
									1		0.00%	100.00%	0.00%
						1		1	4		100.00%	75.00%	0.00%
									3		100.00%	100.00%	0.00%
12	25	37	4	9	13	55	49	104	508	7	47.00%	80.00%	1.00%
									1		100.00%	100.00%	0.00%
									1		0.00%	100.00%	0.00%
16	33	49	12	36	48	143	184	327	741	12	42.00%	56.00%	2.00%
									1		0.00%	100.00%	0.00%
									16		56.00%	100.00%	0.00%
						1	2	3	13		46.00%	77.00%	0.00%
8	13	21	12	20	32	129	207	336	550	5	39.00%	39.00%	1.00%
	1	1				1		1	21		57.00%	95.00%	0.00%
						1		1	10		60.00%	90.00%	0.00%
1	3	4	2	10	12	9	41	50	101	1	25.00%	50.00%	1.00%
2		2				6	1	7	22		59.00%	68.00%	0.00%
	1	1		1	1	1	1	2	5		40.00%	60.00%	0.00%
1	1	2		2	2	1	6	7	24		29.00%	71.00%	0.00%
							1	1	11		45.00%	91.00%	0.00%
				1	1		2	2	4		25.00%	50.00%	0.00%
				1	1				7		57.00%	100.00%	0.00%
									1		0.00%	100.00%	0.00%
72	98	170	35	88	123	396	515	911	2740	41	46.00%	67.00%	1.00%

eet Argets perforMAnCe



The organisation achieved some employment equity success, with in the race and gender areas, but appointment of people with disabilities remains a challenge. Strategies have been put in place to target those with disabilities and females.

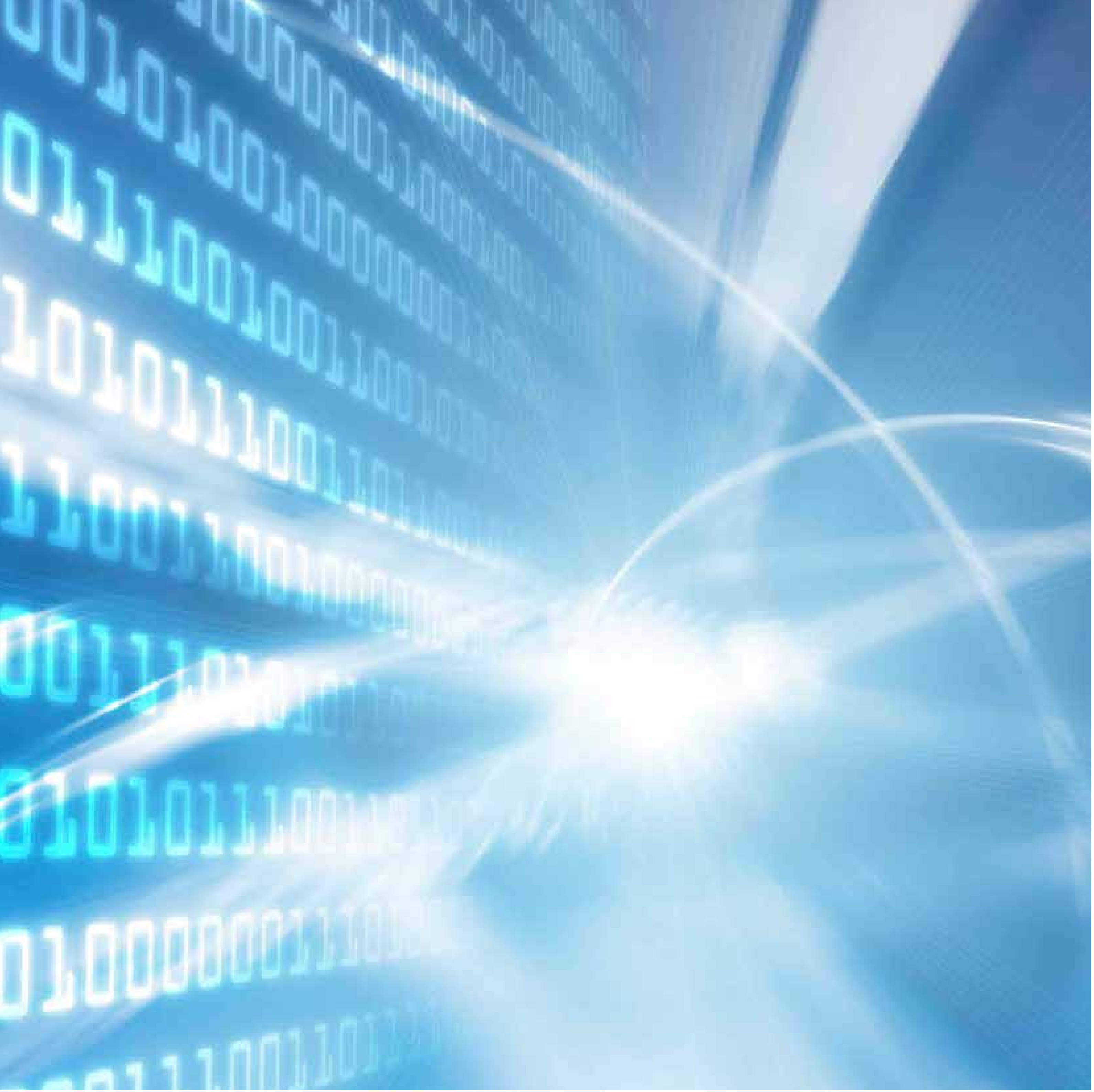
tAlent MAnAgeMent

YouTh developmenT

Youth development remained the focus of talent development in the organisation, with programmes introduced that are more directed and focused on the skills required first by the organisation and by the country. These skills include business analysis, system development and support. Theory is delivered by tertiary institutions, whilst SITA provides practical training.

In addition to internship programmes, the organisation offers systems support learnerships (MCSE and MCSA) programmes in collaboration with a number of government departments. The major aim is to equip the youth for employment through usable IT skills.

eMployee wellness



seCtion 3

Corporate Governance

Introduction

The SITA Board regards corporate governance as an essential tool that forms the basis of an organisation that is governed effectively and within the prescripts of relevant legislative and regulatory frameworks. SITA ensures that its processes and practices are regularly reviewed to ensure compliance with legal provisions, that funds are used in an economic, efficient and effective manner, and that good corporate governance practices are applied. The focus during the year under review was on implementing the organisation's overhauled strategies, models and policies.

On 7 September 2012, a Presidential Proclamation (Government Gazette no 35649) was published, tasking the SIU to investigate the affairs of SITA from 7 October 2003 to the date of the Proclamation, and, where necessary, beyond. The Board viewed this process as a mechanism to further strengthen the turnaround efforts and root out corruption, ensuring the institutional integrity of SITA.

The Proclamation made specific reference to the Board of SITA as the accounting authority of the Agency and its scope included the Board's term of office. The Board submitted a request to Cabinet, through the Minister of Public Service and Administration, to be granted leave of absence during the investigation. The investigation would then proceed speedily and without any perceived interference.

To ensure that there was no deficiency in institutional governance, the Minister of Public Service and Administration, after consultation with Cabinet, filled Board vacancies and appointed a chairperson, a representative from NT and four alternate members.

Shareholding

The government of the Republic of South Africa is the sole shareholder of SITA and the shareholder representative is the Minister of Public Service and Administration. A shareholder performance compact is concluded annually between SITA and its shareholder that details the agreed key performance objectives and indicators for the organisation.

Legislative Framework

SITA's legislative foundation is the SITA Act, 1998 (Act No 88 of 1998) as amended, the Companies Act, 2008 (Act No 71 of 2008) and Regulations, the PFMA, 1999 (Act No 1 of 1999) (PFMA) and National Treasury Regulations published in terms

Until the Board took leave of absence on 28 November 2012, it comprised 11 non-executive directors, two alternate directors and the Chief Executive Officer serving as an executive director, ex officio. The Chief Executive Officer remained in the position, but took leave of absence as an executive Board member. The directors appointed on 21 November 2012 were responsible for the governance and control of the Agency.

m 01 apr il 2012 To 31 mar Ch 2013

Ms F Potgieter-Gqubule	Ms K Mdlulwa	Ms S Bvuma	Ms K Mthimunye	Ms N Ntsinde	Prof M Mphahlele	Ms B Malongete	Ms N Mhlakaza	Ms T Moloko	Mr R Mabena	Mr P Kgame	Mr D Niddire	Mr G Pillay	Mr B Mosley - Lefatola
√	√	-	-	√	-	-	√	√	√	√	-	√	√
√	√	-	√	√	√	-	√	√	√	√	-	√	√
√	√						√						
√	√						√						
-	-	√	√	-	√	-	-	√	√	√	-	√	√
√	√	√	√	√	√	-	√	√	-	√	-	√	√
√	√	√	-	√	√	-	√	-	-	√	-	√	√
√	√	-	√	√	√	-	-	√	-	√	-	√	√
√	√					-	√				-		
√	√	√	√	√	√	-	√	√	√	√	-	√	√
√	√	-	√	√	-	-	√	√	√	√	-	√	√
-	√	-	√	√	√	-	√	√	√	√	-	√	√
√	√	√	√	√	√	-	√	√	√	-	-	√	-
-	-	√	-	√	-	√	-	√	√	-	-	√	√
-	√	√	√	√	-	-	-	√	√	√	-	√	√
-	-	√	√	√	√	-	√	-	-	√	-	√	√
-	-	√	√	√	√	-	-	√	√	√	-	√	-
√	-	√	√	√	√	-	-	√	√	√	-	√	√
12	13	10	12	14	11	1	12	13	11	13	0	15	13

s K Mdlulwa	Ms K Mthimunye	Prof M Mphahlele	Ms N Mhlakaza	Ms T Moloko	Mr G Pillay	Mr B Mosley -Lefatola[1]
√	√	-	-	√	√	√
√	√	√	-	-	√	√
√	√	-	√	√	√	-
√	√	√	√	√	√	√
√	√	√	√	-	-	√
5	5	3	3	3	4	4

ittee = 4 meetings

s K Mthimunye	Ms N Ntsinde	Mr R Mabena	Mr G Pillay	Ms B Malongete	Mr B Mosley-Lefatola
√	√	√	√	-	√
√	√	√	√	-	√
√	√	√	√	-	√
√	√	√	√	-	-
4	4	4	4	0	3

...meetings

Prof M ...phahlele	Mr S Bvuma	Mr R Mabena	Ms K Mdlulwa	Mr P Kgame	Ms N Ntsinde	Mr B Mosley-Lefatola*	Ms K Mthimunye*
√	√	√	-	-	√	√	
√	-	√	√	√	-	-	
√	-	√	√	√	√	√	
√	-	√	√	√	√	√	
√	√	√	-	√	√	-	
√	-	-	√	√	√	√	√
6	2	5	4	5	5	4	1

...muneration Committee = 6 meetings

Mr S ...vuma	Ms B Malongete	Ms N Mhlakaza	Ms T Moloko	Mr G Pillay	Mr S Mabena*	Mr P Kgame*	Ms K Mdlulwa*	Ms N Ntsinde*	Mr B Mosley-Lefatola
√	√	-	√	-					√
√	√	√	√	√					√
√	-	√	-	√					√
√	-	√	√	-	√	√	√	√	√
√	√	√	√	√					√
√	-	√	√	√					√
6	3	5	5	4	1	1	1	1	6

s

Ms F tgieter-qubule	Mr S Bvuma	Mr P Kgame	Prof M Mphahlele	Ms K Mdlulwa	Ms K Mthimunye	Mr R Mabena	Mr B Mosley-Lefatola	Ms N Ntsinde
√	√	√	√	-	√	√	√	-
√	√	√	√	√	√	√	√	-
√	√	√	√	-	√	√	√	√
3	3	3	3	1	3	3	3	1

s

Mr P Kgame	Ms K Mdlulwa	Ms K Mthimunye	Mr R Mabena	Prof M Mphahlele
√	√	√	√	√
√	-	√	√	√
√	-	√	√	-
√	-	√	√	√
√	√	-	√	√
5	2	4	5	4

Ro M 28 No v eMBeR 2013 t o 31 MARCh 2013

r J Vilakazi	Mr S Mngomezulu	Mr K Dlamini	Mr Z Nomvete	Dr A Mokgokong	Adv B Matlejoane	Mr B Mosley-Lefatola
√						
√	√	√	√	√	√	√
√	√	√	√	√	√	-
√	√	√	√	√	√	-
√	√	√	√	√	√	√
√	-	√	√	-	√	-
√	√	-	√	√	-	-
√	-	√	-	√	√	-
√	√	√	√	√	-	√
9	6	7	7	7	6	3

2
lid not attend

g

Mr J Vilakazi *	Mr S Mngomezulu	Mr K Dlamini	Mr B Mosley-Lefatola*
√	√	√	√
1	1	1	1

ment RDI Committee = 1 meeting

Mr K Dlamini	Mr Z Nomvete	Mr S Mngomezulu
√	√	√
1	1	1

muneration Committee = 1 meeting

Dr A Mokgokong	Adv B Matlejoane	Mr B Mosley-Lefatola
√	√	√
1	1	1

s

Mr Z Nomvete	Adv B Matlejoane
√	√
√	√
√	√
3	3

Role and Function of the Board

The Board is the accounting authority of SITA in terms of the PFMA. With the SITA Act and the memorandum of incorporation (MoI), the Board charter sets out clear direction on the roles and responsibilities of the Board, and composition of and requirements for Board meetings. These responsibilities include:

- Formulation and adoption of the strategic plan and an accompanying annual performance plan;
- Determination of the company's strategies, policies and processes, including risk management and internal controls;
- Ensuring the integrity of risk management and internal controls;
- Oversight of the monitoring and management of IT risk;
- Monitoring and approving the Agency's performance report;
- Orientation, induction, education and evaluation of directors, and
- Management of the affairs of the Agency in accordance with the MoI, the Act and all relevant legislation and regulations.

Executive management and the Board work closely together in determining SITA's strategic approach. A review is underway of the current delegation authority to formalise the delegation of authority to the Chief Executive Officer for the implementation of strategy and the ongoing management of the organisation. The directors are apprised of implementation progress through reporting at Board meetings and regular communications with executive management through the CEO.

Remuneration of the Board

Non-executive directors and Board committee members who are not employed by the government receive a fee for their contributions to the Board and Board committees on which they serve. Fees are determined by the shareholder. Refer to Annexure A for further disclosure on remuneration.

Board Committees

During the year under review, the Board reconstituted its committees to ensure compliance with the Companies Act 71

- Human Resources, Nomination and Remuneration;
- ICT, Stakeholder and Governance (refocused to provide specific attention to the business of the Agency and renamed ICT, Innovation and Research and Development), and
- Procurement.

Each of the Board committees comprises members of the Board and executives by invitation. In the case of the Human Resources, Nomination and Remuneration and the ICT, Innovation and Research and Development Committee, expert adviser members have been specifically appointed to augment skills. The responsibilities of the Board committees, as per their charters, are outlined below.

Audit and Risk Committee

The Audit and Risk Committee is established in terms of Section 51(1)(a)(ii) of the PFMA and Section 27.1.1 of the Treasury Regulations (PFMA 76(4)(d), whereby the Board must establish an audit committee as a sub-committee of the Board. The Audit and Risk Committee has a written charter that includes terms of reference. This is reviewed annually by the Board.

The committee monitors compliance with legislation and ensures that appropriate systems of internal control are implemented and maintained to protect SITA's interests and assets. It reviews the activities of internal audit and its effectiveness. It has also satisfied itself as to the adequacy and effectiveness of the Risk Management Division and that adequate mitigating plans are in place to reduce all risks to an acceptable level. It is also responsible for the evaluation of the independence, objectivity and effectiveness of the external auditors and the review of accounting and auditing concerns identified by internal and external audits. The committee reviews the accuracy, reliability and credibility of financial reporting, and recommends the annual financial statements and the annual report, together with the external auditors' report, for approval by the Board.

The committee is satisfied that it has discharged its responsibilities in terms of its charter and the Treasury Regulations.

The membership of committees is as follows:

1 April 2012 - 28 November 2012		9 January 2013 - 31 March 2013	
K Mdlulwa	Chairperson	S Mngomezulu	Chairperson
N Mhlakaza		K Dlamini	
T Moloko			
M Mphahlele			

The committee was responsible for guiding, leading and implementing the strategic direction of SITA. The committee's role included:

- Defining the SITA strategy in line with SITA's mandate;
- Guiding and leading the implementation of the strategy;
- Developing and managing the strategy capability requirements, and
- Managing business needs.

The membership of the committee was as follows:

F Potgieter-Gqubule	Chairperson
S Bvuma	
P Kgame	
K Mdlulwa	
M Mphahlele	
K Mthimunye	
R Mabena	

Finance and Risk Management Committee - discontinued in November 2012 during the restructuring of committees.

The Finance and Risk Management Committee comprised non-executive members of the Board. SITA management was invited to attend committee meetings when appropriate. The committee assisted the Board in discharging its responsibilities in the form of recommendations and reports submitted to Board meetings on financial matters, thus ensuring transparency and full disclosure of committee activities.

In terms of the King III Report on Corporate Governance, the Board may appoint a risk committee to review the risk management process and the significant risks facing the company, and to report on these matters to the Board. The Board delegated this responsibility to the Finance and Risk Management Committee. The committee reviewed the adequacy and overall effectiveness of the company's risk management strategy, policy, procedures and functions, as well as the implementation by management of internal risk control and risk recommendations, and ensured that appropriate actions were taken.

The membership of the committee was as follows:

HUMAN RESOURCES, NOMINATIONS AND REMUNERATION COMMITTEE

The Human Resources, Nominations and Remuneration Committee comprises non-executive directors. Management attends meetings by invitation.

The committee's responsibilities include:

- Making recommendations to the Board on the appointment of executive management;
- Oversight and monitoring of human capital management strategies and implementation in the company;
- Determination of the organisation's general policy on remuneration, and
- Recommending to the Board remuneration packages for executive management.

The membership of this committee is as follows:

31 March 2012 - 28 November 2012		9 January 2013 - 31 March 2013	
S Bvuma	Chairperson	A Mokgokong	Chairperson
B Malongete		B Matlejoane	
N Mhlakaza			
T Moloko			
G Pillay			

ICT, STAKEHOLDER AND GOVERNANCE COMMITTEE (REFOCUSED TO DEAL WITH AGENCY BUSINESS)

The ICT, Stakeholder and Governance Committee ensures that SITA's overall information technology systems are managed effectively, It monitors stakeholder relations and ensures compliance with corporate governance principles and governance practices. The refocused responsibilities of the committee put emphasis on establishing SITA as a leader in research, development and innovation in ICT across government to enhance service delivery and socioeconomic development.

The membership of this committee was as follows:

31 March 2012 - 28 November 2012		9 January 2013 - 31 March 2013	
M Mphahlele	Chairperson	K Dlamini	Chairperson
S Bvuma		Z Nomvete	

PROCUREMENT COMMITTEE

The Procurement Committee is chaired by a non-executive director supported by other non-executive director members. Members of management attend meetings by invitation. The Procurement Committee evaluates and approves all tenders recommended by management for award in line with the PFMA and Treasury Regulations, and renews expired contracts. Before tenders are awarded by this committee, tenders within the R30m threshold are processed by the Internal Audit Department and those beyond the threshold are externally reviewed.

The membership of this committee is as follows:

31 March 2012 - 28 November 2012		9 January 2013 - 31 March 2013	
P Kgame	Chairperson	Z Nomvete	Chairperson
W Mabena		B Matlejoane	
K Mdlulwa			
M Mphahlele			
K Mthimunye			

EXECUTIVE COMMITTEE

The Board has delegated the management of SITA to the Chief Executive Officer, who is supported by executive management. The Executive Committee is responsible for the implementation of strategy and the organisation's operational performance. It also ensures effective management of day-to-day operations. The Executive Committee meets at least once a month and special meetings are convened as and when needed. Details of Exco members appear on page 20.

The membership and attendance of this committee is as follows:

Mr B K Mosley-Lefatola	Chairperson
Mr R Alli	Chief Audit Executive
Ms T L Mjoli	
Mr J C Moshesh	
Ms M Mosupi	
Mr B D Mushwana	
Ms K P S Ntshavheni	
Mr N Tuganadar	

MEMBERS	TOTAL
Exco meetings for the period	21
Mr BK Mosley-Lefatola	20
Ms KP Ntshavheni	19
Mr BD Mushwana	17
Ms TL Mjoli	19
Mr N Tuganadar	17
Mr JC Moshesh	18
Ms AM Mosupi	16
Mr AR Alli	19
Ms T Zide	15
By invitation	
Mr G Lenepa	16
Ms NJ Shibambu	19
Mr M Dondolo[4]	9
Ms AJS Morulane[5]	2

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

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 also assists the Chairperson and Chief Executive Officer in determining the annual Board plan, Board agendas and governance and Board-related matters.

Conclusion

The Agency consistently strives for good corporate governance, namely good business management, effective relations

Internal Control

SITA Internal Audit

SITA Internal Audit was established in terms of Section 51(1) (a) (ii) of the PFMA, which requires the accounting authority to ensure that SITA has and maintains a system of internal audit under the control and direct supervision of the Audit and Risk Committee. Internal Audit has the authority to independently determine the scope and extent of its work, which is approved annually by the Audit and Risk Committee. The purpose, authority and responsibility of the function is formally defined in the internal audit charter, which is reviewed annually and, when necessary, submitted to the Audit Committee and the SITA Board for approval. In accordance with the overriding requirements of independence and objectivity, the Executive: Internal Audit reports functionally to the Chairperson of the Audit and Risk Committee and administratively to the Chief Executive Officer. Internal Audit provides assurance, consulting and advisory services to assist management and the Board to improve the overall effectiveness and efficiency of all implemented risk management, control and governance processes, policies and procedures.

Internal Audit conducts its audits and reviews in accordance with the standards set by the International Professional Practices Framework (IPPF) as promulgated by the Institute of Internal Auditors (IIA) Inc and the standards set by the Information Systems and Control Association (ISACA). All internal auditors are required at all times to apply and uphold the principles of integrity, objectivity, independence, confidentiality and competency under the IIA's formal code of ethics.

Internal Audit continually focuses on improving its operational efficiencies through the continued training of all its employees, development and retention of key personnel, providing opportunities for learning and growth; through refinement of its existing internal processes to ensure that high-quality and value-adding reviews are performed; through regularly assessing, reviewing and improving its internal and external quality assurance and improvement programmes, and through keeping abreast of new and emerging audit techniques and developments in the internal audit profession.

Specific effort and investments are been made to automate the audit processes on core business functions to achieve greater audit coverage of environments perceived and identified to be high risk. This approach, which was initiated during the past financial year, has resulted in more timely identification of control deficiencies, allowing management to further improve the internal control environment in SITA.

New automated and continuous audit and monitoring processes will reduce the number of audit findings reported by the external auditors and enable SITA to achieve clean audit reports. In 2011/12, the number of audit findings reported by the external auditors reduced substantially.

The internal audit plan for 2012/13, which was approved by the Audit and Risk Committee meeting on 25 April 2012, plan, including any significant matter that may need to be brought to the attention of the committee. The Internal Audit quarterly reports assist the Audit and Risk Committee in discharging its responsibilities in terms of the PFMA and National Treasury Regulations.

Internal Audit regularly meets with other assurance providers and governance bodies such as Risk Management, and external audit, to ensure that all identified risks are audited. This not only eliminates duplication of audit effort, but assists SITA in achieving the combined assurance model approach in which all risks that may impact on the achievement of business and strategic objectives are timeously identified and addressed.

Internal Audit is currently undergoing its mandatory external quality assessment, which is conducted every five years. The results received will be submitted to the Audit and Risk Committee for consideration.

INTEGRITY ASSURANCE SERVICES (FORENSIC INVESTIGATIONS)

In support of SITA's strategic intent, purpose and strategy, SITA Internal Audit has an in-house forensic capability to conduct forensic investigations at management or Board request. This capacity is supplemented with external resources when necessitated by the nature, complexity and type of investigation. SITA operates an independent and anonymous 24/7 complaints hotline, which allows the general public and employees to report allegations of fraud, corruption, improper conduct, unethical behavior and any other contraventions of SITA's code of ethics.

Results of investigations are forwarded to and discussed with management when disciplinary action or other interventions may be necessary. All investigations performed by Internal Audit are conducted independently and reported to the Audit and Risk Committee. Internal Audit also monitors the outcome of all actions taken by management on forensic investigations reported.

The SITA integrated anti-fraud and anti-corruption strategy was reviewed and updated where necessary to reduce the number of known incidents of possible risks, irregularities and fraud. Fraud awareness workshops were held in certain SITA offices during the year and more will follow during the next financial year.

The anti-fraud and anti-corruption strategy, whistleblowing policy, code of ethics and the fraud prevention implementation plan were submitted to the Social and Ethics Committee and are awaiting Board approval.

Internal Audit maintains a fraud risk register of all investigations to ensure that management takes appropriate action.

SITA has adopted a policy of 'zero tolerance' against any acts of fraud and corruption, and it is applied consistently.

RESPONSIBILITY OF REPORTING

considered and incorporated into the daily activities of all employees. The potential implications and impact of the new Companies Act of 2008 are also considered and, where necessary, implemented.

The Board is ultimately responsible for ensuring that a comprehensive enterprise-wide risk management strategy has been developed and implemented. The Board determines the acceptable risk appetite and risk tolerance levels annually, and the appropriate mechanisms have been implemented for the monitoring and reporting of risks by management.

SITA's risk management methodology is based on the guidelines of the risk management framework issued by NT and revised where necessary. Formal risk assessment is performed annually by the Board and management.

Risk management includes the identification and assessment of key risks and their design, and the continuous review and monitoring of processes to ensure that all risks are managed and mitigated to acceptable levels.

The SITA strategic risk profile, which comprises all risks that could have a material impact on the achievement of SITA's strategic objectives, is continuously evaluated and monitored at both Board and executive level.

During the year, a detailed and revised strategic risk assessment was conducted with management and is now being cascaded through the organisation to ensure that adequate and appropriate risk-mitigating mechanisms and processes are implemented.

Risk registers are maintained by the various lines of business to ensure that all identified risks are cascaded to operational level with proper mitigation strategies.

The Stakeholder, Ethics and Governance Committee ensures that an effective governance model is in place that includes the code of conduct and a delegation of authority framework. This is currently being reviewed to ensure that it is appropriate and responsive given the repositioning of SITA.

Communication with Stakeholders

SITA recognises the rightful interests of stakeholders in its affairs, including the government as shareholder, government departments, employees, consumers, suppliers, the media, and policy and regulatory bodies. Stakeholder communication and interaction are ongoing and are addressed through appropriate channels.

Section 4

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Annual Corporate Balanced Scorecard Performance as at March 2013

Objective	Measure/ indicator	Weights	Actual performance against target		Reasons for variance
			Annual target	Actual status	
FINANCIAL					
F1: Achieve sound financial management	M1: MLPs resolved	3%	100% MLPs resolved	Not achieved 98% (annual) 100% (2010/11) and 96% (2011/12) MLPs resolved	
	M2: Unqualified audit opinion (2012/13) with no emphasis of matter	2%	Unqualified audit opinion (2012/13) with no emphasis of matter	Not achieved	Unqualified audit opinion was received. However, the AG raised emphases of matter
	M3: Liquidity ratio	3%	L ≥ 1.2:1	Achieved L ≥ 4.10:1	No variance
	M4: Debtors days	3%	30 days	Not achieved 70,48 days 80% (20894/26125) of invoices raised year-to-date (YTD) were paid.	Business agreements not aligned to support the target. These are being revised at the moment. There has been escalation to MPSA and NT for assistance regarding departments that are not complying
	M5: Creditor payment days	3%	30 days	Not achieved 37,62 days	High volume of invoices received in the last quarter of the financial year
	M6: Creditor	3%	21 days	Not achieved	The system to classify

Objective	Measure/ indicator	Weights	Actual performance against target		Reasons for variance
			Annual target	Actual status	
F2: Achieve revenue growth	M8: 9.1% increase in revenue for 2012/13	5%	9,1% increase in revenue (year-on-year)	Not achieved Planned: R4,9bn Actual: R4,3bn 9,43% revenue decrease	Some business opportunities were not realised as planned, especially on Agency revenue
CUSTOMER					
C1: Re-engineering of government business processes for efficiency	M9: Number of IFMS selected modules developed	5%	Four IFMS selected modules developed	Not achieved 100% development work on three modules (SCM, FIN, BI)	Decision on architecture for payroll is still outstanding and is to be finalised in the second quarter of the new financial year
	M10: Number of IFMS rollout sites completed	5%	15 IFMS rollout sites completed	Not achieved Data migration completed in 38 departments	Rollout of the BI is dependent on all 146 departments migrating. Rollout started of the human resources model module in the Western Cape Department of Economic development, which will serve as a pilot site for the provincial government of Cape Town
	M11: Service level agreements (SLAs) signed with performance metrics	5%	≥90% of new SLAs signed with performance metrics	Achieved 92% SLAs signed	No variance
	M12: Level of performance against signed	5%	≥ 95% of SLA metrics	Achieved Overall aggregate of 96,23% based	No variance

Objective	Measure/ indicator	Weights	Actual performance against target		Reasons for variance
			Annual target	Actual status	
C2: Ensure citizen convenience	M13: Number of government services available online for citizen use	5%	15 government services available online for citizen use	Achieved SITA has developed 29 forms	SITA is awaiting government departments' processes to ensure that the forms are available online for citizen use
	M14: Implementation of cloud computing strategy	5%	Implement 100% of critical path milestones for the year	Not achieved 54% milestones achieved	Due to delays in the cloud bid adjudication. Awaiting guidance and opinion from the South African Revenue Service (SARS) and NT on how to respond to legal challenges to the bid
C3: Implement an ICT skills development plan	M15: ICT academy establishment	3%	100% implementation of ICT academy according to approved framework and development plan/ implementation plan	Not achieved	The framework has been developed and is under review
C4: Improve stakeholder satisfaction	M16: Stakeholder satisfaction index (SSI) improvement initiatives	5%	50% of SSI improvement initiatives implemented	Achieved 61.9% of improvement initiatives implemented	No variance
	M17: Customer satisfaction index (CSI)	5%	100% of CSI improvement initiatives	Achieved 100% of the milestones	No variance

Objective	Measure/ indicator	Weights	Actual performance against target		Reasons for variance
			Annual target	Actual status	
INTERNAL PROCESS					
P1: Establish effective internal processes and systems	M18: PSI CMMI certification at level 2	5%	Certified as PSI by external body at CMMI capability level 2	Not achieved CMMI capability 2 internal measurement is 83%	Some practices are partially implemented and need to be finalised, but certain practices have not been implemented
	M19: Enterprise resource planning (ERP) coverage of enterprise requirements	5%	60% ERP coverage of enterprise requirements as per plan	Achieved 67% of the functionality work has been done based on the completed URS	
LEARNING AND GROWTH					
L1: Be an HPO	M20: Improvement in the HPO survey established baseline score	5%	4% improvement on the HPO survey established baseline score	Not achieved 1,24 % improvement achieved	HPO baseline was established in November and 31% of the improvement plan has been implemented
	M21: Implementation of the knowledge management strategy	2%	Implementation of critical milestones for the year according to plan	Achieved 100% implementation according to 2012/13 plan.	No variance
L2: Be an EOC	M22: Implementation of the human capital strategy and plan	2%	Implementation 100% of critical milestones for the year according to plan	Achieved 100% according to plan	No variance
	M23: Ranking improvement in	3%	Rated position: 50	Not achieved Rated position: 65	Improvement initiatives are ongoing / those

Objective	Measure/ indicator	Weights	Actual performance against target		Achievement Status Evidence
			Annual Target	Actual status	
INDUSTRY					
I1: Partner with Industry to deliver quality services	M24: Number of industry partners established in the acquisition of ICT delivery of goods and services	2%	Eight partnerships established	Not achieved Four partnerships established	Awaiting finalisation of the bidding process for other partnerships
	M25: Savings on acquisition of ICT goods and services	2%	8% savings on acquisition of ICT goods and services	Achieved 8% savings	No variance
I2: Drive economies of scale in the acquisition of IT goods and services	M26: Improved SCM turnaround time	1%	90 days on bids	Not achieved 127,55 days	Backlog challenge – over 18% of the bids are over the 100-day period and this negatively impacts the overall turnaround time
		1%	90 days on preferred list request for quotations (RFQs)	Achieved 72,12 days	No variance
		1%	30 days for ad hoc RFQs	Achieved 17,17 days	No variance
		1%	45 days for contract finalisation	Achieved 37 days	No variance
I3 Improve SCM mean time to respond (MTTR)	M27: % of ICT acquisition spend through SMME	2%	At least 30% of acquisition spend through SMME	Achieved 30,4% of acquisition spend through SMME	No variance

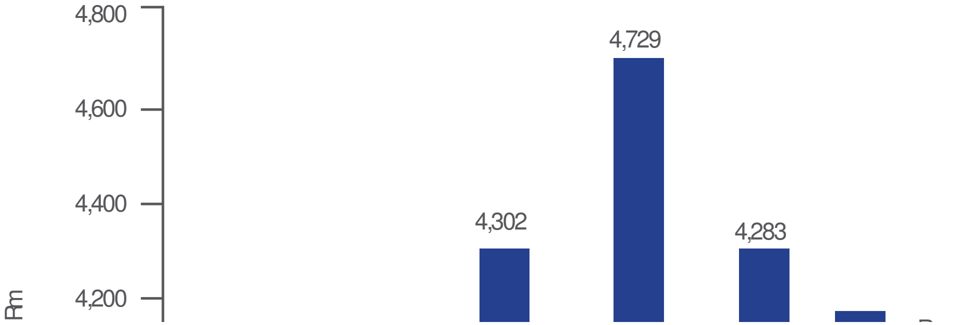
Section 5 - Salient Features

SALIENT FEATURES

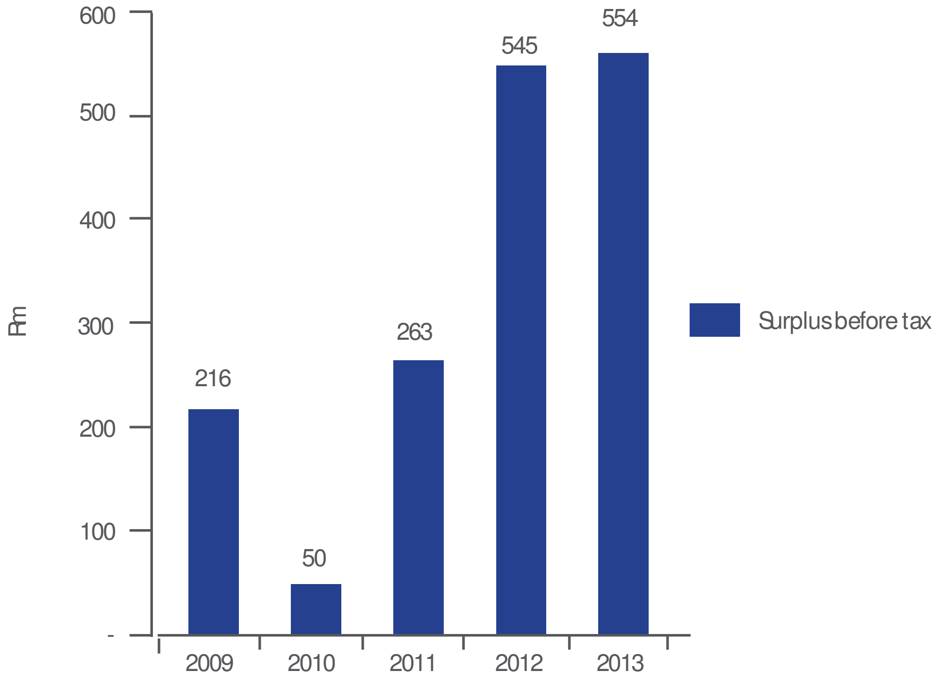
FOR THE YEARS ENDING 31 MARCH 2013

(in Rand million)	31-Mar-13	31-Mar-12	% change
Revenue	4,283	4,729	(9.43%)
Gross profit margin	1,021	1,274	(19.86%)
Operating surplus	442	450	(1.78%)
Net surplus for the year	391	388	0.77%
Total assets	3,242	3,341	(2.96%)
Total net assets	2,476	2,084	18.81%
Cash flow from operating activities	179	39	358.97%
Capital expenditure	220	47	368.09%
Gross profit margin (%)	23.84%	26.94%	
Liquidity ratio	4.09:1	2.52:1	
Solvency ratio	4.23:1	2.66:1	
Cash cover	1.97	1.23	
Operating surplus (%)	10.32%	9.52%	
Net surplus for the year (%)	9.13%	8.20%	

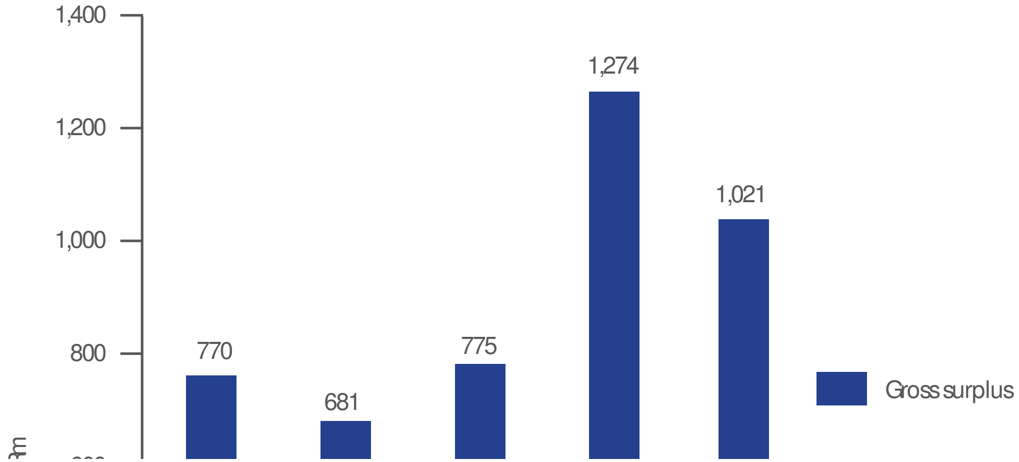
REVENUE



surplus before tAx



gross profit



CoMpAny vAlue Added stAteMent

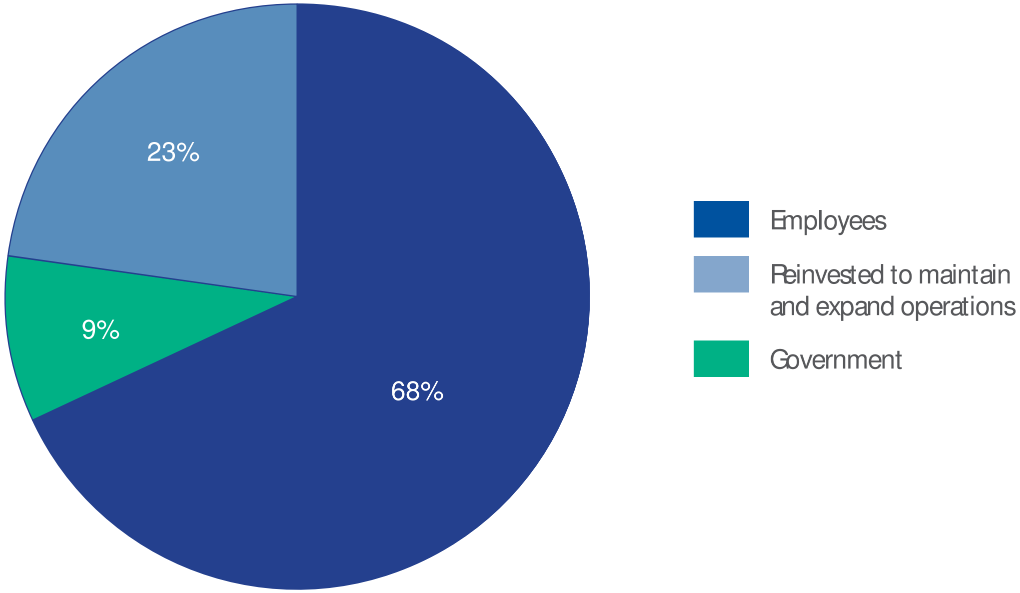
The statement shows the wealth the company has created through its provision of information technology, information systems and related services. The statement shows how wealth was created and how it was disbursed amongst stakeholders, leaving a retained amount which was reinvested in the company for the development of activities and the maintenance of required capabilities.

Value added statement in Rm

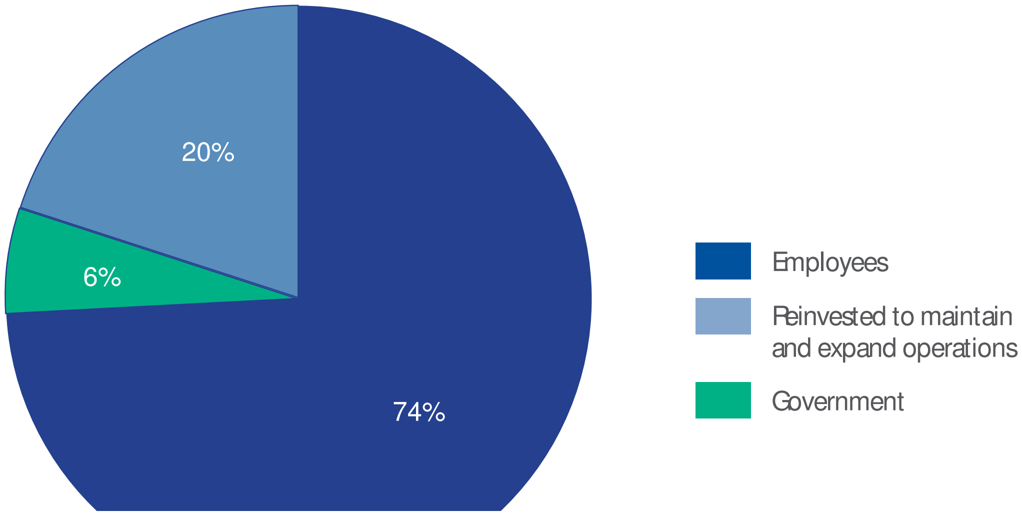
	Mar-13	%	Mar-12	%
Revenue	4,283		4,729	
Paid to suppliers for materials and services	2,397		2,575	
Value added by operations	1,886	91%	2,154	93%
Other income	42	2%	34	1%
Interest income	146	7%	129	7%
Total wealth created	2,074	100%	2,317	100%
Distributed as follows:				
Employees:	1,414	68%	1,710	74%
Salaries, wages and other benefits	1,414		1,710	
Government:				
Income tax	179	9%	148	6%
Reinvested to maintain and expand operations:	481	23%	459	20%
Depreciation/amortisation	82		93	
Accumulated surplus	399		366	

TOTAL WEALTH DISTRIBUTED:

MARCH 2013



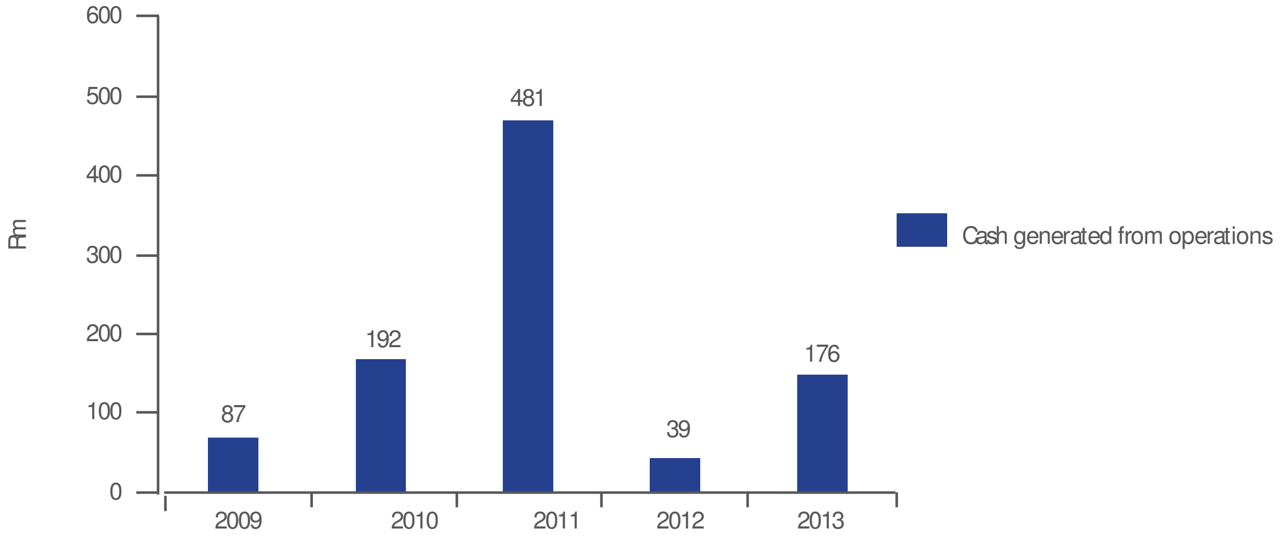
MARCH 2012



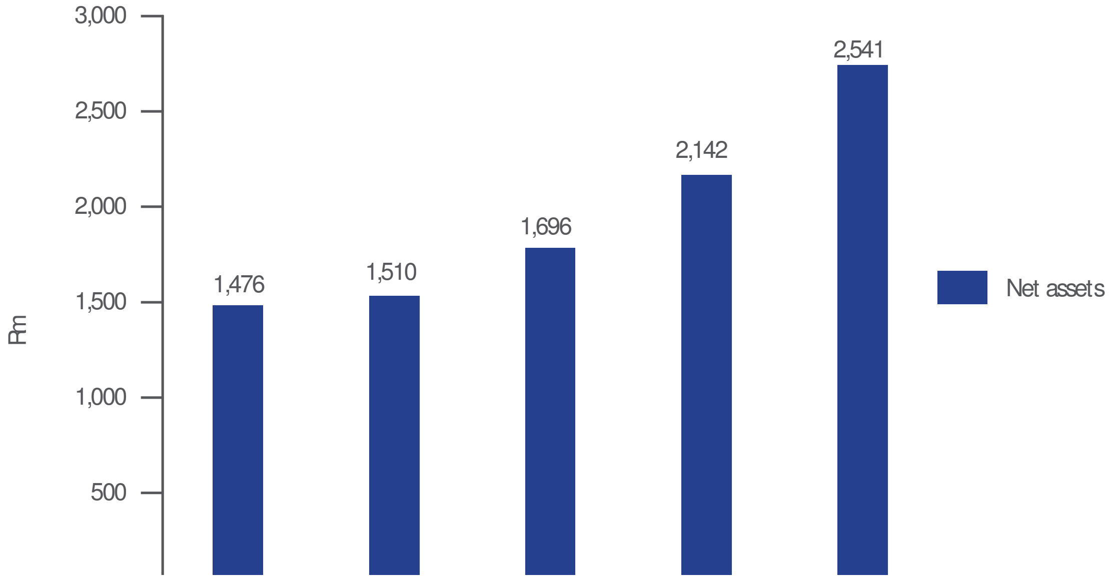
five-yeAr review

in Rand million	31-Mar-13	31-Mar-12	31-Mar-11	31-Mar-10	31-Mar-09
STATEMENT OF FINANCIAL PERFORMANCE AND CASH FLOW					
Revenue	4,283	4,729	4,302	3,942	3,977
Gross profit	1,027	1,245	775	681	770
Other income	42	34	44	28	51
Finance income	146	129	115	130	178
Finance costs	33	34	39	58	74
Operating expenses	603	860	632	732	709
Surplus before tax	579	514	263	50	156
Income tax expense	179	147	78	18	46
Surplus for the year	399	367	186	32	111
Cash generated from operations	176	39	481	192	87
STATEMENT OF FINANCIAL POSITION					
Current assets	2,604	2,837	2,543	2,197	1,930
Non-current assets	703	562	475	565	682
TOTAL ASSETS	3,307	3,399	3,018	2,762	2,612
Net assets	2,541	2,142	1,696	1,510	1,476
Current liabilities	641	1,129	1,205	1,136	1,023

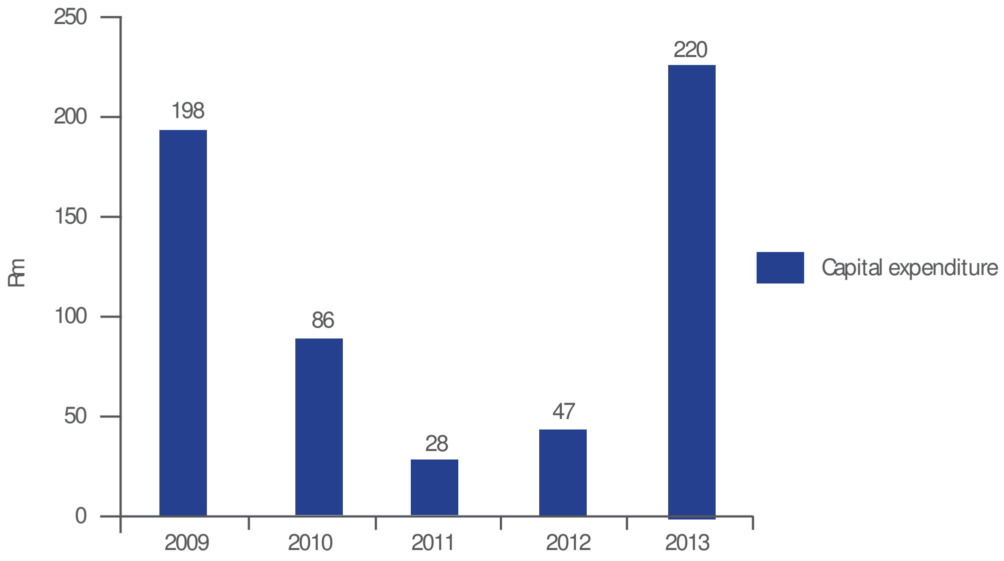
CASH GENERATED FROM OPERATIONS



NET ASSETS



CApitAl expenditure



Section 6 - Annual Financial Statements

SITA ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

Contents

Report of the Audit and Risk Committee

Audit and Risk Committee Members and Attendance

The Audit and Risk Committee (ARC) consists of the members listed hereunder and has met as reflected in the table below, in line with its approved terms of reference.

Audit Committee meetings 2012/13		
Name of member		* Number of meetings attended: 1 April 2012 – 28 November 2012
K Mdlulwa	(Chairperson)	5 of 6
M Maponya	(External member)	3 of 6
N Mhlakaza	(Member)	3 of 6
T Moloko	(Member)	3 of 6
M Mphahlele	(Member)	3 of 6
K Mthimunye	(Member)	5 of 6
G Pillay	(Member)	4 of 6
S Mngomezulu	(Chairperson)*	1 of 6
K Dlamini	(Member)*	1 of 6
* Note 1: Appointed from 9 January 2013 – 31 March 2013: to the Audit and Risk Committee		
* Note 2: Audit and Risk Committee meetings included one special meeting. The special meeting was held to discuss the entity's year-end financial statements.		

Audit and Risk Committee Responsibility

The Audit and Risk Committee is established in terms of Section 51(1)(a)(ii) of the PFMA and Section 27.1.1 of the Treasury Regulations (PFMA 76(4)(d). The committee monitors compliance with relevant legislation and ensures that appropriate systems of internal control are implemented and maintained to protect SITA's interests and assets. The Audit and Risk Committee operates in terms of a written charter that includes its terms of reference. It is reviewed annually and approved. The Audit and Risk Committee reports that it has regulated its affairs in compliance with this charter and has discharged all the responsibilities contained therein.

of Internal Audit, the audit report on the annual financial statements and the management letter of the Auditor-General, it was noted that no significant or material non-compliance with prescribed policies and procedures has been reported. Except for the areas reported below, we can report that the system of internal control for the period under review was effective.

However, attention is drawn to the following areas of concern:

- The effect of the organisational architecture design (OAD) project on operations and service delivery. The project, intended to restructure and reposition the company to enhance performance, was not completed during the year. As a result, many employees were displaced and many crucial and specialised staff were lost during the year, resulting in the company being unable to deliver core services to its clients. Client dissatisfaction with the quality of services increased significantly. Employee morale remains very low and will continue to affect the company's ability to provide acceptable levels of service to its clients until this placement and migration process is fully and successfully concluded.

- In terms of its mandate, SITA procures all information technology related goods and services. The Auditor-General has identified several instances of non-compliance with laws and regulations pertaining to the procurement process, contract management and adherence to internal control. These non-compliances could have caused modifications to the audit reports of government departments and other public bodies.

- The Audit and Risk Committee notes that 50% (15 of the 30 planned) of the targets were not achieved by the entity during the year on its corporate balanced scorecard as reported by the Auditor-General. The committee sees this non-achievement as a weakness in controlling performance and ensuring accountability and discipline.

Other than these matters, nothing significant has come to the attention of the Audit and Risk Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems occurred during the year under review.

The Effectiveness of Internal Audit

The Audit and Risk Committee reviewed the effectiveness of Internal Audit. The Audit and Risk Committee received a wide range of internal audit reports and feels comfortable that the areas covered provide the committee with a good insight into the adequacy and effectiveness of the company's internal controls. Audited areas identified as having poor controls and requiring improvement have been discussed with management and action plans agreed on to resolve the reported control deficiencies. The Audit and Risk Committee notes its concern about the number of internal audit findings that were not resolved by their agreed due dates. The committee will continue to oversee and monitor these.

The division also engaged with the different business units in SITA during the year to develop a risk profile and risk registers for the identification and monitoring of all known and emerging risks. Risk mitigating plans are also being drawn up to ensure that risks are reduced to an acceptable level. The division is currently capacitating itself to fulfil its responsibilities effectively.

Accounting and Auditing Concerns

In the reports submitted by Internal Audit, the audit report on the annual financial statements and the management letter of the Auditor-General for and during the year, there were no other significant or material accounting or auditing concerns that were identified.

The committee notes the following regarding compliance with legal and regulatory provisions:

- The company did not timeously establish a social and ethics committee as required by Regulation 43 of the Companies Act of 2008.
- Investigations into allegations of financial misconduct against officials were, in some instances, not instituted within 30 days of discovery as required by Treasury Regulation 33.1.2.
- SITA has accumulated surpluses without National Treasury approval, in contravention of Section 53(3) of the PFMA.

The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework required by Section 55(1)(b) of the PFMA and Section 29(1)(a) of the Companies Act of 2008. Material misstatements of non-current assets, current assets, cost of sales and revenue identified by the Auditor-General in the submitted financial statements were subsequently corrected.

Apart from the above, no other significant or material non-compliance with legal and regulatory provisions was reported, other than those already reported in the Auditor-General's report below.

Evaluation of Annual Financial Statements

The Audit Committee evaluated the annual financial statements of the company for the year ended 31 March 2013 and, based on the information provided to the Audit and Risk Committee, concurs and accepts the Auditor-General's conclusions and is of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General.

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

REPORT ON THE FINANCIAL STATEMENTS

INTRODUCTION

1. I have audited the financial statements of the State Information Technology Agency SOC Limited set out on pages 75 to117, which comprise the statement of financial position as at 31 March 2013, the statement of financial performance, statement of changes in net assets, the cash flow statement and the statement of comparison of budget to actual amounts for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The board of directors which constitutes the accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR-GENERAL'S RESPONSIBILITY

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes

comparison of budget and actual amounts for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA and the Companies Act of South Africa.

Emphasis of matters

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

Significant uncertainties

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

Restatement of corresponding figures

9. As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2012 have been restated as a result of an error discovered during 2013 in the financial statements of the entity at, and for the year ended, 31 March 2012.

Additional matters

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

SITA as the procurement agent on behalf of other government institutions

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

12. During the audit of procurement of information technology goods and services for government departments and other public bodies by SITA, I have identified several instances of non-compliance with laws and regulations pertaining to the procurement process, contract management and adherence to internal control. These non-compliance matters could have caused modifications to the government departments and other public bodies'

Report on other legal and regulatory requirements

14. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

15. I performed procedures to obtain evidence about the usefulness and reliability of the information in the Annual Corporate Balanced Scorecard Performance as set out on pages 46 to 50 of the annual report.

16. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

    The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

17. There were no material findings on the Annual Corporate Balanced Scorecard Performance concerning the usefulness and reliability of the information.

Additional matter

18. Although no material findings concerning the usefulness and reliability of the performance information were identified in the Annual Corporate Balanced Scorecard Performance, I draw attention to the following matter below.

Achievement of planned targets

19. Of the total number of 30 targets planned for the year, 15 targets were not achieved during the year under review. This represents 50% (>20%) of total planned targets that were not achieved during the year under review.

    For further details on the extent and reasons for deviations between planned targets and actual performance refer to section 4, pages 47 to 54 of the Annual Corporate Balanced Scorecard Performance.

Compliance with laws and regulations

Annual financial statements, performance and annual report

22. 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 and section 29(1)(a) of the Companies Act (Registered Companies). Material misstatements of non-current assets, current assets, cost of sales and revenue identified by the auditor in the submitted financial statements were subsequently corrected.

Procurement and contract management

23. Contracts were awarded to bidders based on preference points that were not allocated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its Regulations. Bids included both preference point scoring methods.

24. The existence of evergreen contracts for the procurement of goods and services above R500,000 results in non-compliance with Treasury Regulation 16A3.1.

25. The entity evaluated suppliers not on the bid closing register. Goods, works or service were not procured through a procurement process which is fair, equitable, transparent and competitive as required by the PFMA section 51(1)(a)(iii).

26. The request for bid document did not include the General Conditions of Contract as required by National Treasury Regulation 16A.6.3(a).

Financial misconduct

27. Investigations into allegations of financial misconduct against officials were not instituted within 30 days of discovery thereof, as required by Treasury Regulation 33.1.2.

Companies Act

28. The entity did not timeously establish a Social and Ethics Committee as required by regulation 43 of the Companies Act of South Africa.

Internal control

29. I considered internal control relevant to my audit of the financial statements, Annual Corporate Balanced Scorecard Performance and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on compliance with laws and

f[illegible]

31. The entity did not prepare regular, accurate and complete financial and performance reports that were supported and evidenced by reliable information.

32. The entity did not implement proper record keeping to ensure that complete, relevant and accurate information was accessible and available to support financial and performance reporting.

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

34. During the audit, we experienced the following difficulties that impacted the efficiency of the audit:

- Significant delays in receiving supporting documentation.
- The ERP system is not being utilised effectively to support compliance with the accounting framework necessitating the need for extensive management override of controls through the medium of manual journals.

OTHER REPORTS

INVESTIGATIONS

35. The special investigations unit is currently investigating one (1) case relating to procurement irregularities.

36. There are currently 26 investigations in progress by the internal audit department in respect of:

- Supply chain management;
- ICT delivery (service delivery);
- Finance;
- Information management systems; and
- Human resources.

Auditor-General

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for the preparation, integrity and fair presentation of the report on performance information and the annual financial statements of SITA. The financial statements presented on page 75-117 have been prepared in accordance with Generally Recognised Accounting Practice and South African Statements of Generally Accepted Accounting Practice and include amounts based on judgements and estimates made by management.

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

The directors have no reason to believe that the organisation will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of SITA.

The report on performance information and the annual financial statements have been audited by the Auditor-General, who was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board, committees of the Board and executives. The directors believe that all representations made to the Auditor-General are valid and appropriate.

The annual financial statements set out on pages 75-117, which have been prepared on the going concern basis, were approved by the Board of Directors on 31 July 2013 and were signed on its behalf by:

Jerry Vilakazi
Chairperson

BK Mosley-Lefatola
Chief Executive Officer

Certificate by the Company Secretary

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

Ms S Kgope

Acting Company Secretary

DIRECTORS' REPORT

1. The directors have pleasure in presenting their report of SITA SOC Ltd for the year ended 31 March 2013. This report and the annual financial statements comply with the requirements of the PFMA (as amended), the SITA Act No 88 of 1998 (as amended by Act 38 of 2002) and the Companies Act No 71 of 2008. The Board of directors is the accounting authority in terms of Section 49(2) (a) of the PFMA.

NATURE OF BUSINESS

2. 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. The company is an agent of the South African government in accordance with SITA Act. The company derives all its revenue from ICT services and goods.

OWNERSHIP

3. The company is wholly owned by the government of the Republic of South Africa, represented by the Minister for Public Service and Administration, Minister Lindiwe Sisulu.

EQUITY CONTRIBUTED

4. There were no changes to either the authorised or issued share capital of the company during the year ended 31 March 2013. Details of the authorised and issued share capital can be found in note 11 to the annual financial statements.

FINANCIAL HIGHLIGHTS

The financial performance is set out on pages 75 to 117 of this report.

The financial performance is as follows:

	31 March 2013	31 March 2012
	R a[illegible]	% cha[illegible]

Dividends

There were no dividends declared for the financial year (2011/12: RNil).

Internal Controls

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 environments were managed by management and monitored by the Internal Audit department. Important matters relating to weaknesses in the control environment are being addressed by management. Although internal controls were in place during the year, internal control weaknesses were identified, as noted in the audit report.

PFMA

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 quarterly to both Exco and the Board of directors.

Materiality and Significance Framework

A materiality and significance framework has been developed for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, as well as for significant transactions per Section 54(2) of the Act that require ministerial approval. The framework was approved by the Board and the Minister of Public Services and Administration for the 2012/13 financial year.

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.

Public Private Partnerships

and may consider the following pronouncements, in descending order, in developing an accounting policy for such a transaction, event or condition.

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

Events subsequent to the date of financial position

Subsequent to the date of financial position, the following matters have come to the attention of the Board of directors:

- The CEO, Mr Blake Mosley-Lefatola, has stepped down from his position as CEO. Mr Freeman Nomvalo has been appointed CEO for 12 months, and
- The company has approved and announced programmes for voluntary severance packages and early retirement options to its employees.

Going concern

The Board of directors confirms that it is satisfied that the company has adequate resources to continue in business for the 12-month period from the date of this report. For this reason, it continues to adopt the going concern basis for preparing the financial statements as confirmed in the statement of responsibility by the Board of directors on page 69.

directors

Disclosure of directors' remuneration is detailed in annexure A to the annual financial statements.

The following individuals were directors during the year under review:

non-executive directors:

Chairperson

Mr J Vilakazi

acting Chairperson/deputy Chairperson

Ms FC Potgieter-Gqubule

Board members

Ms SV Bvuma

Mr K Dlamini

Mr PR Kgame

Mr WS Mabena

Ms BM Malongete

Adv MB Matlejoane

Ms K Mdlulwa

Ms NM Mhlakaza

Mr S Mngomezulu

Ms T Moloko

Dr A Mokgokong

Prof M I Mphahlele

Ms KR Mthimunye

Mr DC Niddrie

Mr Z Nomvete

Statement of Financial Position
AS AT 31 MARCH 2013

in Rand	Note	2013	2012
Assets			
Non-current assets		702,853,943	561,822,602
Property, plant and equipment	4	379,352,132	437,588,537
Intangible assets	5	226,147,757	34,119,314
Non-current portion of prepayments	10	34,674,974	-
Deferred tax assets	7	62,679,080	90,114,751
Current assets		2,604,439,318	2,836,972,922
Cash and cash equivalents	8	1,508,852,635	1,549,020,199
Trade and other receivables	9	1,049,875,834	1,272,977,550
Income tax receivable		21,234,399	-
Current portion of prepayments	10	24,476,450	14,975,173
Total assets		3,307,293,261	3,398,795,524
Net assets and liabilities			
Net assets		2,541,205,172	2,142,089,368
Share capital	11	1	1
Reserves	12	627,334,546	627,334,546
Accumulated surpluses		1,913,870,625	1,514,754,821
Liabilities			
Non-current liabilities		124,987,745	129,151,713
Post-retirement employee benefits	13	124,987,745	129,151,713

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2013

in Rand	Note	2013	2012
Revenue	17	4,283,035,140	4,729,096,142
Cost of sales	18	3,255,927,059	3,483,787,373
Gross surplus		1,027,108,080	1,245,308,769
Other income	19	42,441,657	34,415,424
Operating expenses	20	603,372,984	860,027,136
Surplus from operating activities		466,176,753	419,697,057
Finance income	21	145,808,570	128,750,934
Finance expenses	22	33,441,105	34,229,188
Surplus before income tax		578,544,219	514,218,803
Income tax expense	23	179,428,415	147,655,440
Surplus for the year attributable to shareholder		399,115,804	366,563,363

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2013

in Rand	Note	Share capital	Reserve	Accumulated surpluses	Total
Balance at 31 March 2011 as previously reported		1	627,334,546	1,068,553,263	1,695,887,810
Prior period error		-	-	79,638,195	79,638,195
Balance at 31 March 2011 restated		-	-	1,148,191,458	1,148,191,458
Surplus for the year restated		-	-	366,563,363	366,563,363
Balance at 31 March 2012 restated		1	627,334,546	1,514,754,821	2,142,089,368
Surplus for the year		-	-	399,115,804	399,115,804
Balance at 31 March 2013		1	627,334,546	1,913,870,625	2,541,205,172
	Note	11	12		

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

in Rand	Note	2013	2012
Cash flows from operating activities			
Receipts		4,624,510,373	4,427,932,411
- Sale of goods and services		4,551,847,498	4,361,628,418
- Finance income received		72,662,874	66,303,993
Payments		(4,448,610,071)	(4,388,634,843)
- Payment to suppliers and employees		(4,212,500,886)	(4,275,743,779)
- Finance costs paid		(4,766,333)	(1,710,243)
- Income tax paid	30.1	(231,342,852)	(111,180,821)
Net cash flows from operating activities	30.2	175,900,301	39,297,568
Cash flows from investing activities			
Purchase of property, plant and equipment		(15,821,043)	(38,330,470)
Purchase of intangible assets		(200,271,933)	(8,429,310)
Proceeds from the sale of property, plant and equipment		25,112	8,600
Net cash flows from investing activities		(216,067,864)	(46,751,180)
Cash flows from financing activities			
Repayment of interest-bearing borrowings		-	(5,200,090)
Net cash flows from financing activities		-	(5,200,090)

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 31 MARCH 2013

in Rand	Note	ACTUAL	BUDGET	VARIANCE
Revenue	a	4,283,035,140	4,900,000,000	(12.59%)
Cost of sales	b	3,255,927,059	3,920,000,000	(16.94%)
Gross surplus		1,027,108,080	980,000,000	
Other income	c	42,441,657	28,104,406	51.01%
Operating expenses	d	603,372,984	1,002,885,000	(39.84%)
Surplus from operating activities		466,176,753	5,219,406	
Net finance income	e	112,367,466	50,000,000	124.73%
Surplus before income tax		578,544,219	55,219,406	
Income tax expense		179,428,415	15,461,434	
Surplus for the year attributable to shareholder		399,115,804	39,757,972	903.86%

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

Notes:

a. The budgeted revenue did not materialise due to resource constraints as the structure on which the revenue was based was not fully populated.

b. The variance in respect of cost of sales is in line with the revenue shortfall. There was also significant underspending on infrastructure, which contributed to the resource constraints.

c. The variance on 'other income' is mainly from facilities rentals and surplus on the hosting of the GovTech conference.

d. This was a result of restructuring costs that did not materialise as the restructuring process was not completed as planned, reversal of the provision for performance bonus and a lower than planned research projects undertaken.

e. The variance is mainly due to the net fair value adjustments on trade receivables and payables with regards to notional interest earned and incurred.

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

1 REPORTING ENTITY

The State Information Technology Agency SOC Ltd (SITA) is a state-owned company domiciled in South Africa. The company is primarily involved in the provision of information technology, information systems and related services in a maintained systems security environment on behalf of participating government departments, including provincial and local government departments .The financial statements for the year ended 31 March 2013 were authorised and approved in accordance with a resolution of the Board of directors on pages 14-15.

2 BASIS OF PREPARATION

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

a) Statement of compliance

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (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 that have been issued, but are not yet effective,
- IPSAS
- IFRS

b) Use of estimates and judgements

The preparation of financial statements in conformity with the basis of preparation requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which 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

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

3.1 FOREIGN CURRENCY TRANSACTIONS

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

3.2 FINANCIAL INSTRUMENTS

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

A financial asset or 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 they may incur on sale or other disposal, except for the following financial assets:

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

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

At the end of each reporting period, financial assets measured at amortised cost are assessed for whether or not 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

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

3.3 PROPERTY, PLANT AND EQUIPMENT

a) Recognition and measurement

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

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

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

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

b) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. Repairs and maintenance costs are not capitalised, but are recognised in surplus or deficit as incurred.

c) Depreciation

Depreciation is recognised in the surplus or deficit on a straight-line basis over the estimated useful life of each item of property, plant and equipment. Land is not depreciated. Depreciation begins when the item of property, plant and equipment is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases when the asset is derecognised.

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

	Original useful lives	Revised useful lives
• Buildings	17 - 53 years	5 - 57 years
• Computer equipment	3 - 13 years	3 - 19 years

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

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 is expected from its use or disposal. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset at the disposal date and is recognised in surplus or deficit.

3.4 INTANGIBLE ASSETS

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

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

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

Computer software

Computer software is initially recognised at cost. Subsequently it is carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over the estimated useful life of the software.

Annual licence fees on software are expensed in the year of accrual.
Software is amortised over a useful life of between 3 and 20 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

notes to tHe AnnuAl finAnCiAl stAteMent

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

3.5 Leases

Lessee

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

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

Lessor

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

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

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

a) Determining whether an arrangement contains a lease

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

- Fulfilment of the arrangement is dependent on the use of an asset or assets, and this fact is not necessarily explicitly stated by the contract but rather implied; and
- The arrangement conveys a right to use the asset or assets, if one of the following conditions is met:
  - the purchaser has the ability or right to operate the asset or direct others to operate the asset; or
  - the purchaser has the ability or right to control physical access to the asset; or
  - there is only a remote possibility that parties other than the purchaser will take more than an insignificant amount of the output of the asset, and the price that the purchaser will pay is neither fixed per unit of

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

3.6 IMPAIRMENT

The carrying amount of the company's tangible and intangible assets with a finite useful life, other than financial assets and deferred taxation assets, is 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 of 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-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

3.7 EMPLOYEE BENEFITS

a) Defined contribution plan

A defined contribution plan is a post-retirement benefit plan under which the company pays fixed contributions into a separate company and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in 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

Notes to the Annual Financial Statement

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

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

3.8 Provisions

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

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

3.9 Revenue

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

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

b) It is probable that the economic benefits or service potential associated with the transaction will flow to the company.

c) The stage of completion of the transaction at the reporting date can be measured reliably.

d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

3.10 FINANCE INCOME

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

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

3.11 FINANCE EXPENSES

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

3.12 TAXATION

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using the tax rates enacted or substantively enacted at the reporting date. The effects of deferred tax of any changes in tax rates is recognised in surplus or deficit, except to the extent that it relates to items previously

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

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 tax entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their assets and liabilities will be realised simultaneously.

3.13 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 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.

3.14 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

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

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

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

3.15 CASH AND CASH EQUIVALENTS

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

notes to tHe AnnuAl finAnCiAl stAteMent

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

4 property, plAnt And eQuipMent

in Rand	Land	Buildings	Computer equipment	Office furniture	Vehicles	Total
At 31 March 2013						
Cost						
Balance at beginning of year	24,743,595	259,966,520	592,295,794	109,587,478	1,148,757	987,742,144
Additions and improvements	-	1,969,503	11,302,144	2,549,396	-	15,821,043
Disposals/retirements	-	-	(18,527,230)	(227,188)	-	(18,754,418)
Balance at end of year	24,743,595	261,936,023	585,070,709	111,909,686	1,148,757	984,808,770
Accumulated depreciation						
Balance at beginning of year	-	85,261,822	397,760,851	66,327,710	803,224	550,153,607
Depreciation charge	-	8,056,346	57,616,617	8,384,254	27,976	74,085,193
Disposals/retirements	-	-	(18,527,230)	(224,392)	-	(18,751,621)
Adjustment	-	-	(30,541)	-	-	(30,541)
Balance at end of year	-	93,318,168	436,819,697	74,487,573	831,200	605,456,638
Net carrying amount	24,743,595	168,617,855	148,251,011	37,422,114	317,557	379,352,132
At 31 March 2012						
Cost						
Balance at beginning of year	24,743,595	258,320,709	568,777,464	107,999,665	1,148,757	960,990,190
Additions and improvements	-	1,645,811	34,967,115	1,717,544	-	38,330,470
Adjustment	-	-	-	-	-	-
Disposals/Retirements	-	-	(11,448,785)	(129,731)	-	(11,578,516)
Balance at end of year	24,743,595	259,966,520	592,295,794	109,587,478	1,148,757	987,742,144
Accumulated depreciation	-					
Balance at beginning of year	-	75,427,387	346,505,510	57,105,762	769,283	479,807,942
Depreciation charge	-	9,834,435	62,131,081	9,348,941	33,941	81,348,398
Impairment	-	-	-	-	-	-

Notes to the Annual Financial Statement

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

5 Intangible Assets

in Rand	Intangible assets	Internally generated intangible asset	Total
At 31 March 2013			
Cost			
Balance at beginning of year	181,570,768	-	181,570,768
Additions and improvements	31,329,168	168,942,765	200,271,933
Disposals/retirements	(9,849,431)	-	(9,849,431)
Balance at endof year	203,050,505	168,942,765	371,993,270
Accumulated amortisation			
Balance at beginning of year	147,451,454	-	147,451,454
Amortisation charge	8,231,579	-	8,231,579
Disposals/retirements	(9,849,431)	-	(9,849,431)
Adjustment	11,911	-	11,911
Balance at end of year	145,845,513	-	145,845,513
Net carrying amount	57,204,992	168,942,765	226,147,757
At 31 March 2012			
Cost			
Balance at beginning of year	173,167,110	-	173,167,110
Additions and improvements	8,429,310		8,429,310
Disposals/retirements	(25,652)		(25,652)
Balance at endof year	181,570,768	-	181,570,768
Accumulated amortisation			
Balance at beginning of year	135,151,235		135,151,235
Amortisation charge	12,325,871		12,325,871
Disposals/retirements	(25,652)		(25,652)

notes to tHe AnnuAl finAnCiAl stAteMent

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

6 CApitAl And operAtionAl CoMMitMents

in Rand	2013	2012
Budgeted and contracted for	203,126,485	899,205,127
	203,126,485	899,205,127

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

7 deferred tAx Assets

Deferred tax assets are attributable to the following:

in Rand	Statement of financial performance movement	2013	2012
Movement in impairment on trade receivables	(6,199,809)	58,373,262	64,573,071
Accrual for leave pay benefits	(2,418,031)	19,850,064	22,268,095
Post-retirement medical benefits	(1,165,911)	34,996,569	36,162,480
Income received in advance	(10,595,831)	18,965,563	29,561,394
Performance bonus	(20,494,010)	-	20,494,010
Circular 9 adjustment	843,913	1,796,958	953,045
Leases	676,472	2,137,903	1,461,431
Prepayments	766,345	(3,426,703)	(4,193,048)
Section 24C allowance	10,129,830	(18,965,563)	(29,095,393)
Depreciation/amortisation	1,021,361	(51,048,973)	(52,070,334)
	(27,435,670)	62,679,080	90,114,751

Reconciliation between opening and closing balance

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

8 CASH AND CASH EQUIVALENTS

in Rand	2013	2012
Ringfenced cash	126,805,153	155,096,090
- IFMS project	152,804	18,425,745
- Income received in advance	51,870,349	61,888,345
- Municipal guarantees	1,437,000	1,437,000
- Post-retirement medical benefits	73,345,000	73,345,000
Other surplus cash	1,382,047,481	1,393,924,109
	1,508,852,635	1,549,020,199
Analysis of other	1,382,047,481	1,393,924,109
- Current account balance	65,627,348	16,698,535
- Call account balance	48,156,820	23,716,679
- Investment account balance	1,268,251,713	1,353,497,295
- Cash float	11,600	11,600

Ringfenced cash represents cash received from customers to be utilised for specific projects in the future, deposits held for rental and municipalities and money that have been ringfenced 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 24.

The average rate of interest on the cash balances was 5.13% (2012: 5.56%)

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

9 TRADE AND OTHER RECEIVABLES

in Rand	2013	2012
Trade receivables	1,313,616,369	1,550,060,721
Less: Impairment of trade receivables	(267,036,592)	(295,398,478)
	1,046,579,777	1,254,662,243
Other receivables	3,296,057	18,315,307
	1,049,875,834	1,272,977,550

The company's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in note 24.

10 PREPAYMENTS

in Rand	2013	2012
Software maintenance costs - Non-current portion	34,674,974	-
Software maintenance costs - Current portion	24,476,450	14,975,173
	59,151,424	14,975,173

Prepayments relates to payments made for software maintenance costs. The non-current portion relates to software maintenance that would be rendered more than 12 months after the reporting date.

11 SHARE CAPITAL

in Rand	2013	2012
Authorised and issued		
One ordinary share at R1.00 each	1	1

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

13 POST-RETIREMENT EMPLOYEE BENEFITS

in Rand	2013	2012
Present value of unfunded obligations	124,987,745	129,151,713
Plan assets	-	-
Unrealised actuarial gains	-	-
	124,987,745	129,151,713

Movement in the present value of the defined benefit liability

	2013	2012
Balance at beginning of year	129,151,713	117,103,090
Statement of financial performance movement	(4,163,968)	12,048,623
Current service cost	6,085,129	2,102,423
Interest cost	8,545,236	7,593,097
Contributions paid	(734,688)	(661,898)
Negative past service costs	(3,777,687)	-
Realised actuarial (gain)/loss	(14,281,958)	3,015,001
Balance at end of year	124,987,745	129,151,713

Employee benefit expense

	2013	2012
Current service cost	6,085,129	2,102,423
Interest cost	8,545,236	7,593,097
Expected return on plan assets	-	-
Net actuarial losses/gains recognised in surplus or deficit	(14,281,958)	3,015,001
Negative/positive past service cost	(3,777,687)	-
Total employee benefit expense	(3,429,280)	12,710,521

Notes to the Annual Financial Statement

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

Principal actuarial assumptions

Gross discount rate	Zero-coupon South African bond yield curve (8%)	Zero-coupon South African bond yield curve (8.9%)
Healthcare cost inflation	0.5% lower than valuation discount rate at each term to maturity (7.9%)	0.5% lower than valuation discount rate at each term to maturity (7.9%)
Pre-retirement mortality assumptions:		
- Males	SA85-90 L	SA85-90 L
- Females	SA85-90 L rated down 3 years	SA85-90 L rated down 3 year(s)
Post-retirement mortality assumptions:		
- Males	PA(90) rated down 2 year(s)	PA(90) rated down 2 year(s)
- Females	PA(90) rated down 2 year(s)	PA(90) rated down 2 year(s)
Expected retirement ages:		
- Males	60.66 years	60.66 years
- Females	60.56 years	60.56 years
Continuation percentage	100%	100%

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

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

a) Ex-Infoplan employees who transferred to the company on 1 April 1999 and who remain members of SITA-approved medical aids;

b) Ex-SAPS employees who transferred to the company on 1 April 1999; and

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

The amounts due in respect of the company's liability regarding the post-retirement medical benefits have been

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

Sensitivity analysis relating to the assumed medical cost trend rates:

	Increase of 1%	Base	Decrease of 1%
Change in liability in Rand	101,147,145	124,987,746	156,664,084
Change in liability as a %	19.07%	0%	(25.34%)
Service cost in Rand	3,455,879	4,315,573	5,459,577
Interest cost in Rand	6,814,624	8,545,236	10,188,398

	2013	2012	2011	2010	2009
Experience adjustments	(23,274,000)	3,015,001	(1,887,674)	(4,349,021)	(5,475,122)
Present value of defined benefit obligation	124,987,745	129,151,713	114,230,403	84,010,040	78,264

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

14 TRADE AND OTHER PAYABLES

in Rand	2013	2012
Trade payables	405,024,519	764,302,969
Leave pay accrual	75,937,641	84,573,466
Accrual for 13th cheque	5,174,924	5,334,689
Non-trade payables	87,229,107	38,122,598
	573,366,191	892,333,722

The company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

15 PROVISIONS

in Rand	2013	2012
Balance at beginning of year	73,192,892	25,000,000
Additional provision (reversed)/raised during the year	(73,192,892)	70,645,200
Utilisation of provision during the year	-	(22,452,308)
Balance at end of year	-	73,192,892

The utilisation of the provision relates the payment of the performance bonuses for the previous financial year, which is dependent on compliance to the integrated performance management policy and approval being granted by the Board.

16 INCOME RECEIVED IN ADVANCE

in Rand	2013	2012
Unearned revenue	15,710,999	23,598,028
Ringfenced cash (refer to note 8)	52,023,153	80,314,090

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

17 REVENUE

in Rand	2013	2012
Acquisition management	995	17,738,500
BPO service desk	16,859,624	90,764,727
Commercial printing	32,417,985	17,793,514
Contract management	-	99,662
ICT advisory services	44,961,828	36,784,245
Information management	35,461,622	83,332,721
Managed applications	396,784,403	741,615,663
Managed desktop	392,226,468	715,807,242
Managed infrastructure	1,815,954,847	1,766,707,186
Project management	73,005,085	247,665,356
Requesting and fulfilment	1,263,238,797	926,248,049
Security management	27,478,329	22,059,714
Service management centre	24,679,327	26,314,988
Training	39,188,093	36,164,575
ICT research	83,223	-
Solution development	120,694,513	-
	4,283,035,140	4,729,096,142

18 COST OF SALES

in Rand	2013	2012
Direct depreciation	64,780,229	64,446,860
Direct amortisation	6,415,726	8,617,935
Direct labour	1,157,964,093	1,306,905,501
Service delivery expenditure	2,026,767,012	2,103,817,077
	3,255,927,059	3,483,787,373

notes to tHe AnnuAl finAnCiAl stAtement

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

20 operAting expenses

The following separately disclosable items are included in operating expenses:

in Rand	2013	2012
Auditor's remuneration		
- Audit fees	9,441,632	11,731,281
Amortisation		
Total amortisation	8,231,579	12,325,871
Included in cost of sales	(6,415,726)	(8,617,935)
Non-recoverable amortisation	1,815,854	3,707,936
Depreciation		
Total depreciation	74,085,193	81,348,398
Included in cost of sales	(64,780,229)	(64,446,860)
Non-recoverable depreciation	9,304,965	16,901,538
Impairment movement		
- Property, plant and equipment	-	-
- Trade and other receivables	(28,361,886)	191,012,767
Net Loss on disposal of assets	95,883	562,634
Operating lease expense	34,156,647	31,680,847
Staff costs	255,758,512	403,238,147

Refer to annexure A for directors' remuneration

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

22 FINANCE EXPENSES

in Rand	2013	2012
Notional interest incurred	27,453,308	32,518,945
Interest paid	4,766,333	1,710,243
Foreign exchange loss	1,221,463	-
	33,441,105	34,229,188

23 INCOME TAX EXPENSE

in Rand	2013	2012
Current tax expense		
Income tax charge	139,490,044	202,261,356
Prior year underprovision	12,502,700	
Deferred tax expense		
Origination and reversal of temporary differences	27,435,670	(54,605,916)
Calculated tax loss	-	-
Total income tax expense	179,428,415	147,655,440

Reconciliation of effective tax rate

	2013	2012
Profit for the period	399,115,804	366,563,363
Total income tax expense	179,428,415	147,655,440
Profit excluding income tax	578,544,219	514,218,803

	2013		2012	
	%	R	%	R

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

24 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. It 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:

		Carrying amount	
in Rand	Note	2013	2012
Trade receivables	9	1,046,579,777	1,254,662,243
Other receivables	9	3,296,057	18,315,307
Cash and cash equivalents	8	1,508,852,635	1,549,020,199
		2,558,728,469	2,821,997,749

Impairment losses

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

in Rand	2013	2012
Not past due	515,317,861	728,169,093
Past due 0 - 30 days	198,876,834	145,848,701

notes to tHe AnnuAl finAnCiAl stAteMent

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

Credit quality of financial assets

Trade receivables

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

in Rand	2013	2012
Cash at bank		
Zero risk (CPD)	1,394,942,385	1,490,185,440
Fitch BBB	113,735,984	58,823,159
Cash on hand	174,266	11,600
	1,508,852,635	1,549,020,199

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

in Rand	2013	2012
Balance at beginning of year	295,398,478	104,385,711
Impairment loss recognised	(28,361,886)	191,012,767
Balance at end of year	267,036,592	295,398,478

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.

notes to tHe AnnuAl finAnCiAl stAteMent

FOR THE YEAR ENDED 31 MARCH 2013 (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 2013

in Rand

	Carrying amounts	Contractual cash flow	6 months or less	6 - 12 months	1 - 2 years
Trade and other payables	571,702,161	571,702,161	571,702,161	-	-
	571,702,161	571,702,161	571,702,161	-	-

31 March 2012

in Rand

	Carrying amounts	Contractual cash flow	6 months or less	6 - 12 months	1 - 2 years
Trade and other payables	891,391,047	891,391,047	891,391,047	-	-
	891,391,047	891,391,047	891,391,047	-	-

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 dollars when dealing with foreign transactions.

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

Notes to the Annual Financial Statement

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

d) Interest rate risk

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

	Carrying amount	
in Rand	2013	2012
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	1,508,852,635	1,549,020,199

Fair value sensitivity analysis for variable interest rate instruments

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

If interest rates had been 100 basis points higher/lower and all other variables held constant, the company's surplus before taxation would increase/decrease by:	1,508,853	1,549,020

	2013 Carrying amount	2012 Carrying amount
e) Categories of financial instruments		
Financial instruments at amortised cost:		

notes to the Annual financial statement

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

25 related parties

Transactions with government

The company is 100% owned by the government of South Africa represented by the Minister for Public Service and Administration.

The company is a schedule 3A national public entity in terms of the Public Finance Management Act,1999 (Act No 1 of 1999). The related party disclosures are in terms of the requirements of IPSAS 20 (related party disclosures).

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.

Transactions with key management personnel

The key management personnel are directors and executive managers of the company for the year ended 31 March 2013.

Transactions with key management personnel are disclosed in annexure A.

26 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:

in Rand	2013	2012
Less than 1 year	31,095,144	22,373,135
Between 1 and 5 years	10,887,181	14,893,885
More than 5 years	-	-
	41,982,325	37,267,020

Operating lease income

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

27 CONTINGENT LIABILITIES

Litigations and claims:

The company has a possible liability of approximately R2.6 million towards former employees resulting from legal action taken by these employees. Based on legal advice, the probability is not determinable in all these claims as the ruling could go either way. It is not possible at this stage to estimate the exact potential damages and legal costs involved as the litigations are either still ongoing or SITA has not been formally notified of the outcome of the court proceedings. Legal costs in respect of these matters is expected to amount to at least R324 039.

There are various other claims against SITA estimated at approximately R205.2 million. Based on legal advice, the probability is not determinable in the majority of these claims as the ruling could go either way. Furthermore, it is not possible at this stage to estimate the exact potential damages and legal costs involved as it will have to be proved by the plaintiffs/defendants. Legal costs in respect of these matters are expected to amount to at least R7.5 million.

Contingent liability relating to surplus funds

In terms of section 53(3) of the Public Finance Management Act, SITA is required to remit back to National Treasury any surpluses at the end of its financial year. However, as SITA does not receive a vote from National Treasury and is a self-sustaining, self-funding entity, a submission is in the process of being made to National Treasury via DPSA for SITA to retain its accumulated surpluses at 31 March 2013. Until such time as this approval is granted, the accumulated surplus of R1,913,870,625 is considered to be a contingent liability. Based on previous experience, it is expected that the request to retain SITA's accumulated surplus at 31 March 2013 might be granted.

28 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 18	Segment reporting	N/A
GRAP 20	Related party disclosures	YES
GRAP 25	Employee benefits	YES
GRAP 27	Agricultural assets (replaces GRAP 101)	N/A
GRAP 31	Intangible assets (replaces GRAP 102)	YES

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

29 A) IRREGULAR EXPENDITURE

	2013 R	2012 R
Opening balance	118,495,295	266,736,980
Add: Irregular expenditure - current year	44,417,831	18,166,782
Less: Amounts condoned	(122,798,877)	(161,689,505)
Add/(Less): Prior year adjustment	14,335,240	(4,718,962)
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
Irregular expenditure awaiting condonation	54,449,489	118,495,295

Analysis of expenditure awaiting condonation per age classification

	2013 R	2012 R
Current year	6,325,691	18,166,782
Prior years	48,123,798	100,328,513
Total	54,449,489	118,495,295

b) FRUITLESS AND WASTEFUL EXPENDITURE

	2013 R	2012 R
Opening balance	2,051,707	2,044,707
Add: Fruitless and wasteful expenditure - current year	1,165,933	7,000
Less : Amounts written off	(215,454)	-
Less: Amounts not recoverable (not condoned)	-	-
Fruitless and wasteful expenditure awaiting write-off	3,002,186	2,051,707

Analysis of expenditure awaiting write-off per age classification

	2013 R	2012 R
Current year	1,165,933	7,000
Prior years	1,836,253	2,044,707
Total	3,002,186	2,051,707

Details of fruitless and wasteful expenditure

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

1. DETAILS OF IRREGULAR EXPENDITURE - CURRENT YEAR

Incident	Disciplinary steps taken/ criminal proceedings	Prior year 2012	Current Year	Totals
IE00055: Irregular expenditure arising from the continued procurement, without a contract, of courier services after expiry of the initial contract on 30 November 2012.	• The matter has been referred to Internal Audit for investigation in order to confirm the facts and to recommend the necessary process for finalisation. • The investigation is in reporting phase.	-	83,506	83,506
IE00054: Irregular expenditure arising from unauthorised deviation from the normal procurement processes and procedures when procuring emergency plumbing services from a supplier.	• The matter has been referred to Internal Audit for investigation in order to confirm the facts and to recommend the necessary process for finalisation.	114,239	-	114,239
IE00053: Irregular expenditure arising from unauthorised deviation from the procurement processes and procedures by: • The renewal of licences utilising a tender which provided for hardware maintenance only; • Procuring the licences from service providers without valid contracts in place. The service is considered critical in maintaining the security posture of the client.	• The matter has been referred to Internal Audit for investigation. Upon completion of the investigation the recommendations will be considered. • The investigation is in reporting phase.	928,222	-	928,222
IE00052: Irregular expenditure arising from the continued procurement, without a contract, of maintenance and support services for the networking equipment hosted at various switching centres throughout the country. The second extension of the initial contract expired on 31 December 2010.	• The matter has been referred to Internal Audit for investigation. Upon completion of the investigation the recommendations will be considered. • Investigation is in execution phase.	4,013,516	-	4,013,516
IE00051: Irregular expenditure arising from the continued procurement, without a valid contract, of hardware and software support	• Disciplinary action could not be instituted as the responsible officials are no longer in the company's	25,394,760	12,697,380	38,092,140

notes to tHe AnnuAl finAnCiAl stAteMent

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

2(A) detAils of irregulAr expenditure Condoned

Item No	Incident	Condoned by (condoning authority)	Amount
1	IE00028: Tender 398–RFQ 398-2007 Irregular expenditure arising from the continued procurement of maintenance and support services from the supplier, Waymark Infotech, for the period 1 August 2010 to 31 March 2011 after expiry of the initial contract. • The supplier continued with the maintenance service on instruction of the client, SAPS Systems Manager for JuDISS (Lt. Col. Carin Engelbrecht). • SAPS concern was that failure to continue with the provision of the services would hamper its core function of crime prevention. • Despite several reminders to the client to provide us with formal authorisation to renew this contract, it failed to do this in the required time, but still continued to task the supplier itself after the contract had expired. • The services rendered to the client were critical and could not be discontinued. • No further irregular expenditure is expected to occur.	Board of directors	2,606,580
2	IE00027: SUB 264/2009: Irregular expenditure incurred as a result of the continued procurement of Satellite Safe services for the period 1 April 2009 to 30 May 2009 after expiry of the initial contract. Internal Audit investigation revealed that the irregular expenditure resulted from delay by the original enterprise manufacturer (OEM) to confirm that the supplier was a sole supplier. Stopping the Satellite Safe Service to the DoD due to the renewal delays was not an option as this would have compromised DoD security. No further irregular expenditure is expected to occur.	Board of directors	8,931

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

Item No	Incident	Condoned by (condoning authority)	Amount
3	IE00026: Irregular expenditure arising from the continued procurement of maintenance and support services of the patient administration and billing (PAAB) system for the Mpumalanga Dept of Health without a valid contract in place. The irregular expenditure incurred earlier during the period Sept 2008 to 31 March 2010 was condoned in March 2011. However, as the contract has to date still not been concluded, expenditure subsequently incurred from 1 April 2010 to 31 July 2011 also constitutes irregular expenditure. A six months interim contract, covering the period 1 October 2011 to 31 March 2012, was concluded. The services rendered to the client were of a critical nature and could not be discontinued. A new contract has been concluded for one year from 1 April 2012 until 31 March 2013.	Board of directors	7,883,804
4	IE00025: Reakgona Commercial & Industrial Hygiene CTN-INT 023 Unauthorised expenditure in respect of office cleaning services incurred for the period 1 July 2009 to 30 August 2009. The irregular expenditure was incurred as a result of delays in renewal of the lease agreement with the landlord, IFOUR properties. The cleaning contract could not be renewed without a lease agreement in place. No further irregular expenditure is expected to occur.	Board of directors	13,658
5	IE00024: RFB 668/2008: Failure by senior officials to follow proper procurement processes when engaging the services of a consultant to supply consultancy services on the SITA's corporate balanced scorecard implementation. • The supplier was appointed using the single source procurement process without approval by the SSB or SRC as prescribed by SITA's own procurement policy (SOPP) • Two of the most senior officials who approved the business case at executive level are no longer in SITA's employ	Board of directors	184,210

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

2(b) DETAILS OF FURTHER IRREGULAR EXPENDITURE CONDONED

Item No	Incident	Condoned by (condoning authority)	Amount
1	IE00051: • Irregular expenditure arising from the continued procurement for nine months, without a valid contract, of hardware and software support from Gijima and LAN and cabling infrastructure maintenance from XON for KZN Dept of Health after expiry of the initial contract on 30 September 2011. • A business case requesting approval to engage Gijima and XON until 31 December 2012 to allow time for the RFQ process to run its course, was approved by the Recommendation Committee on 24 July 2012. • The service rendered to the KZN Dept of Health is considered critical.	Board of directors	38,092,140
2	IE00048: Irregular expenditure arising from the failure by the responsible officials to renew the maintenance licence with Compuware, the sole supplier of the Vantage software, while continuing to procure and utilise its solution and support services.	Board of directors	829,517
3	IE00047: Irregular expenditure arising from the continued procurement of the maintenance services of the PABX system for the Dept of Correctional Services (DoCS) from the suppliers (Gijima and Dimension Data) for the period 1 December 2010 to 31 March 2011 after expiry of the initial contract.	Board of directors	4,554,082
4	IE00046: Irregular expenditure arising from the contravention of procurement processes and procedures by procuring services from service providers without valid contracts in place.	Board of directors	59,597,220
5	IE00034: Irregular expenditure arising from the continued procurement of the maintenance services of the PABX system for the Dept of Correctional Services (DoCS) from the supplier (GijimaAST) for the period 1 May 2009 to 31 June 2009 after expiry of the initial contract.	Board of directors	2,749,123

notes to tHe AnnuAl finAnCiAl stAteMent

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

2(b)	detAils of fruitless And wAsteful expenditure written off		
Item No	Incident	Write-off approved by (condoning authority)	Amount
1	IE00022: Total interest and penalties paid for late payment of suppliers' invoices inrespect of rentals for North West, Potchefstroom Durban and Limpopo offices.	Board of directors	169,954
2	IE00050: Irregular expenditure arising from failure by the responsible officials to renew the maintenance contract with Beta Consulting (Pty) Ltd, a sole supplier of the Intelligible Business MAP, a software used by the SAPS. Further irregular expenditure is likely to be incurred as SAPS has continued to use the supplier. However, it has indicated that it will settle directly with the supplier. Confirmation thereof is being awaited. The service rendered to the SAPS is considered critical.	Board of directors	38,500
3	IE00020: (Learner employee) Fruitless and wasteful expenditure arising from the payment of a learner whose contract was terminated on 30 September 2011 but he continued to be paid for October and November 2011. HR admin maintains that it received a termination notification for this individual only in December 2011.	Board of directors	7,000
TOTAL			215,454

NOTES TO THE ANNUAL FINANCIAL STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013 (continued)

30 NON-ADJUSTING POST REPORTING DATE EVENT

On 30 April 2013, the Board approved the voluntary severance package (VSP) and early retirement programme.

This was communicated to employees on 3 May 2013, when employees were invited to participate in these programmes.

The programmes are anticipated to run from 3 May 2013 until 7 June 2013. It is anticipated that the cost relating to the active take-up of these programmes will be approximately R90 million.

31 RESTATEMENT OF COMPARATIVE INFORMATION

During the current financial year, it has come to management's attention that the classification of amounts as contract work in progress was not accurate and that these amounts should be disclosed as trade and other receivables. The effect of this reclassification is as follows:

	Currently stated	Previously stated	Difference
Trade and other receivables	1,272,977,550	1,258,172,280	14,805,270
Contract work in progress	-	14,805,270	(14,805,270)
	1,272,977,550	1,272,977,550	-

32 PRIOR PERIOD ERROR

in Rand

During the current financial year, it has come to management's attention that there were assets with a zero net book value that are still in use. As a result, the carrying value of these assets was adjusted to reflect their future economic benefits. The result of this is as follows:

Post tax increase in accumulated surplus opening balance at 1 April 2011	(79,638,195)
Decrease in depreciation charge for the year ended 31 March 2012	(30,331,111)

	Duration	Fees as director	Acting allowance	Basic salary	Annual payment: 13th cheque and leave	Travel allowances	Other allowances	Contributions to pension, medical or insurance funds	Total
4 months	31-Mar-13	192,426				5,028			197,454
n									
12 months	16-Mar-13	317,918				19,565			337,483
									-
12 months	16-Mar-13	226,298				3,509			229,807
4 months	31-Mar-13	85,509				2,802			88,311
12 months	16-Mar-13	388,133				8,576			396,709
12 months	16-Mar-13	443,510				11,671			455,181
12 months	16-Mar-13	20,800							20,800
4 months	31-Mar-13	147,132				2,059			149,191
12 months	16-Mar-13	438,979				5,468			444,447
12 months	16-Mar-13	222,716				9,235			231,951
4 months	31-Mar-13								-
12 months	31-Mar-13	241,146				1,216			242,362
4 months	31-Mar-13	79,609				842			80,451
12 months	16-Mar-13	419,344				8,501			427,845
12 months	31-Mar-13	333,990				9,072			343,062
12 months	31-Mar-13	-				-			-
4 months	31-Mar-13	155,632				6,124			161,756
12 months	31-Mar-13	318,360				3,103			321,463
12 months	31-Mar-13								-
		4,031,502	-	-	-	96,771	-	-	4,128,273

of directors do not receive compensation from the company.

der)	12 months	31-Mar-12			1,872,372		180,000	25,200	85,245	2,162,817
er)	12 months	31-Mar-13			1,792,656		-	25,200	99,698	1,917,554
	12 months	31-Mar-13			1,538,410		-	25,200	35,999	1,599,608
	12 months	31-Mar-13			913,362		168,000	25,200	112,001	1,218,563
	12 months	31-Mar-13			1,498,104		-	25,200	59,134	1,582,438
	12 months	31-Mar-13			1,158,652		-	25,200	92,771	1,276,623
	12 months	31-Mar-13			1,028,619		100,200	43,200	114,113	1,286,132
	12 months	31-Mar-13			1,059,107		151,795	14,400	19,646	1,244,948
	12 months	31-Mar-13			1,001,041		-	25,200	79,317	1,105,558
			-	-	11,862,322	-	599,995	234,000	697,923	13,394,240

	Duration	Fees as director	Other services	Basic salary	Annual payment: bonus and leave	Expense allowances	Petrol card	Contributions to pension, medical or insurance funds	Total
4	6-Aug-11	215,809	-	-	-	-	-	-	215,809
7	31-Mar-12	520,003	-	-	-	29,091	-	-	549,094
12	31-Mar-12	802,128	-	-	-	1,558	-	-	803,686
12	31-Mar-12	625,899	-	-	-	11,729	-	-	637,628
12	31-Mar-12	640,160	-	-	-	16,094	-	-	656,254
12	31-Mar-12	184,770	-	-	-	-	-	-	184,770
12	31-Mar-12	774,321	-	-	-	4,001	-	-	778,322
12	31-Mar-12	289,220	-	-	-	8,447	-	-	297,667
12	31-Mar-12	392,305	-	-	-	-	-	-	392,305
12	31-Mar-12	566,665	-	-	-	11,156	-	-	577,821
12	31-Mar-12	632,179	-	-	-	18,119	-	-	650,298
12	31-Mar-12	-	-	-	-	-	-	-	-
12	31-Mar-12	289,390	-	-	-	2,815	-	-	292,205
12	31-Mar-12	-				-			
12	31-Mar-12	-				-			
		5,932,849	-	-	-	103,010	-	-	6,035,859

	12	31-Mar-12		-	1,876,224	-	180,000	25,200	43,776	2,125,200
er)	3	30-Jun-11		18,701	256,946	-	-	3,600	39,705	318,952
er)	12	31-Mar-12		-	1,735,989	50,000	-	29,700	206,042	2,021,731
	9	31-Mar-12		-	1,163,576	-	-	18,900	36,424	1,218,900
vice	7	31-Oct-11		68,118	415,985	-	175,000	8,400	91,028	758,531
	5	31-Mar-12		-	370,452	-	70,000	10,500	85,798	536,750
	12	31-Mar-12		-	1,388,103	-	110,000	25,200	147,454	1,670,757
	12	31-Mar-12		-	1,161,673	-	-	25,200	211,451	1,398,324
	12	31-Mar-12		-	1,042,577	-	100,200	43,200	206,487	1,392,464
	12	31-Mar-12		-	1,027,803	35,325	151,795	14,400	185,077	1,414,400
	12	31-Mar-12		-	1,006,189	-	-	25,200	151,561	1,182,950
			-	86,819	11,445,519	85,325	786,995	229,500	1,404,803	14,038,960

New Appointments During the Period

Non-Executive Directors (21 November 2012)

Mr J Vilakazi (Chairperson)
Mr K Dlamini
Adv B Matlejoane
Mr S Mngomezulu
Dr A Mokgokong
Mr Z Nomvete

Executive

None

Resigned During the Period

Non-Executive Directors

None

Executive

None

Terms Expired During the Period

Non-Executive Directors (16 March 2013)

Ms FC Potgieter-Gqubule (Deputy-Chairperson)
Ms SV Bvuma

SHAREHOLDERS' DIARY

SCHEDULES

Thirteenth annual general meeting	
Submission of financial statements and annual report to the MPSA	
Submission of annual report to Parliament	September 2013
End of the new financial year	31 Mach 2014

ANNUAL BUDGET 2012/2013

Approval by the Board of directors	March 2012
Submission to DPSA	March 2012
Submission to National Treasury	March 2012

STRATEGIC PLAN 2012/13 TO 2014/15

Approval by the Board of directors	
Submission to DPSA	March 2013
Submission to National Treasury	March 2014

QUARTERLY REPORTS

Submission to DPSA	Quarterly

ADMINISTRATION

DIRECTORATE: 1 APRIL 2012 TO 31 MARCH 2013

NAME	STATUS
Mr J Vilakazi (Chairperson)	Appointed on 21 November 2012
Ms FC Potgieter-Gqubule (Deputy-Chairperson)	Term expired on 16 March 2013
Ms SV Bvuma	Term expired on 16 March 2013

ALTERNATE BOARD MEMBERS

Ms BM Malongete	Term expired on 16 March 2013
Mr DC Niddrie	Term expired on 16 March 2013
Mr K Dlamini	Appointed on 21 November 2012
Adv B Matlejoane	Appointed on 21 November 2012
Mr S Mngomezulu	Appointed on 21 November 2012
Dr A Mokgokong	Appointed on 21 November 2012
Mr Z Nomvete	Appointed on 21 November 2012

COMPANY SECRETARY

Ms T Zide	Appointed on 1 April 2011/term ended 2013
Telephone	+27 12 482 3245
Email	thandi.zide@sita.co.za.

SITA ADDRESSES

Postal address	PO Box 26100, Monument Park, Pretoria, 0105
Physical address	459 Tsitsa Street, Erasmuskloof, Pretoria, 0048

AUDITORS

Auditor-General	271 Veale Street (New Building), New Muckleneuk, Pretoria

BANKERS

Banking institute	Standard Bank of South Africa Limited

reader's notes

READER'S NOTES


SITA