SITA

State Information Technology Agency SOC Ltd

15 years of enabling democracy

SITA

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Abbreviations

AG	Auditor-General
AIDS	Acquired Immunodeficiency Syndrome
ARC	Audit and Risk Committee
ASB	Accounting Standards Board
BCTWF	Best Company To Work For
BEE	Black Economic Empowerment
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
COTS	Commercial Off-The-Shelf
COO	Chief Operations Officer
CMMI	Capability Maturity Model Integration
CSI	Customer Satisfaction Index
DHA	Department of Home Affairs
DPSA	Department of Public Service and Administration
DSD	Department of Social Development
ECM	Enterprise Content Management
ERP	Enterprise Resource Planning
EXCO	Executive Committee
GRAP	Generally Recognised Accounting Practice
HANIS	Home Affairs National Identification System
HIV	Human Immunodeficiency Virus
HPO	High-Performance Organisation
IASB	International Accounting Standards Board
IFMS	Integrated Financial Management System
ICT	Information and Communications Technology
IPSAS	International Public Sector Accounting Standards
ISACA	Information Systems and Control Association
ISAD	Information Society and Development
IT	Information Technology
KM	Knowledge Management
MoI	Memorandum of Incorporation
MIOS	Minimum Interoperability Standards
MLP	Management Letter Points
MTTR	Mean Time To Respond
NGN	New-Generation Network
NDP	National Development Plan
NPR	National Population Register
NT	National Treasury
OA	Organisational Architecture
PAMB	Public Administration and Management Bill
PFMA	Public Finance Management Act
PMBOK	Project Management Body of Knowledge
RFQ	Request For Quotation
SARS	South African Revenue Service
SASSA	South African Social Security Agency
SCM	Supply Chain Management
SOC	State-Owned Company
SITA	State Information Technology Agency
SLA	Service Level Agreement

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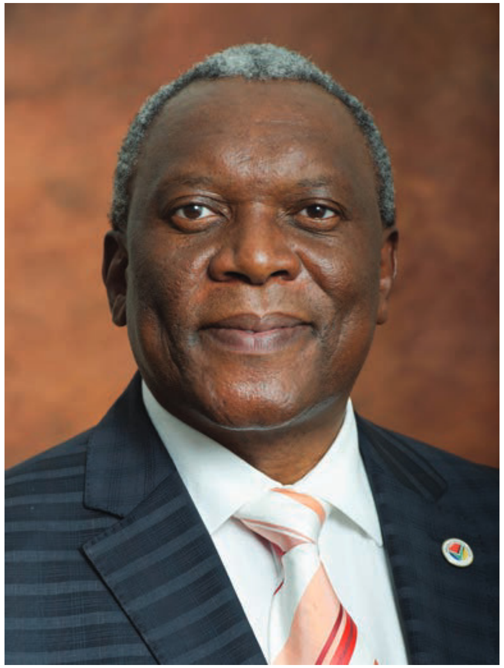

The Honourable Dr SC Cwele
Minister of Telecommunications and Postal Services
Republic of South Africa

The role of ICT

Information and communications technology (ICT) plays a critical role in enabling government to deliver services to citizens and support our country's socio economic development and competitiveness.

The explosive global growth of emerging technologies is set to increase the importance of the role that ICT plays, and it is imperative that SITA meets government expectations around modernisation, service delivery innovation and citizen access to government services, as well as citizen service participation in enhancing the democracy.

SITA has been pivotal in ensuring a secure ICT backbone of government service delivery. We are proud of SITA's milestones including the magnitude of network connectivity it owns and manages. This network has connected more than 7 000 government service access points, including hospitals and healthcare facilities, police stations, courts and social services offices.

We are also proud of the support and role SITA has played in deepening democracy during our electoral periods. Information and

> In reflecting on SITA's 15-year contribution to the nation's 20 years of democracy, we are indeed a country that is better off since our first democratic elections through the valuable contribution of ICT facilitated by SITA.

Government has adopted the National Development Plan (NDP) as its roadmap. The NDP advocates that technology can be the answer to some of the biggest challenges facing the country. It also advocates for state-owned entities to improve their role in advancing key national objectives. This is a critical challenge for SITA going into the future. The most serious challenges facing our country after 20 years of democracy remain the persistent triple challenges of poverty, inequality and unemployment. These triple challenges give rise to lack of access to quality services and infrastructure, the marginalisation of poor people and communities, and the continuing growing needs of South African citizens.

The role of ICT as a tool for socio-economic development has been on the world stage for a while now. South Africa's drop in ICT ranking raises serious concerns around not only our competitiveness in a global economy, but also our ability to improve the lives of our citizens through accessible and convenient ICT-enabled services and to put the country firmly on the road of sustainable ICT growth.

While we understand that ICT is complex and diverse, its potential must be fully utilised and mainstreamed as a tool to build, empower and benefit the country. Developing nations and advanced economies have become such extensive users of ICT that their economic success now depends on their continued promotion and deployment of these. ICT can no longer be considered marginal to the issues of economic growth, direct foreign investment, modernisation of the public sector and poverty reduction in South Africa.

South Africa has lost its status as the continental leader in internet and voice connectivity, and its place on global ICT indices has been usurped by former comparator countries such as Malaysia, Turkey and Korea (DBSA 2011b). Where Korea and South Africa were comparatively placed on the International Telecommunication Union (ITU) ratings 15 to 20 years ago, Korea is now a top global performer.

SITA should lead in government readiness to adopt emerging ICT trends and solutions. Furthermore, the relevance of specific technologies in the transformation agenda of government has to be continually evaluated. Using the applicability of emerging ICT trends in government as an approach to government transformation and ICT innovation in public service delivery is critical.

Our e-government model should move beyond the basic and elementary stages of on-line forms to making a meaningful difference in enriching citizens' lives by providing citizen-centred services and strengthening the economy. e-Government must be about bringing people and services together more effectively. And it must address the information, economic and social barriers that currently limit the development of both rural and underdeveloped areas.

The challenge is to realise the full potential of e-government, aligned with the circumstances and priorities within the country. At the same time we must improve the operation of the public sector, feed innovation and accelerate programmes of economic and social transformation. This calls for a dynamic, modern e-delivery model which contributes to the nation-building agenda.

In reflecting on SITA's 15-year contribution to the nation's 20 years of democracy, we are indeed a country that is better off since our first democratic elections through the valuable contribution of ICT facilitated by SITA.

State Information Technology Agency SOC Ltd

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Part A: Strategic Overview

Vision, Mission & 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 code of conduct, SITA has developed and promotes the following values:

a) Service excellence - We shall strive to attain internationally recognised standards of service quality and maintain continuous improvement in service delivery.

b) Innovation: We shall pursue innovation by demonstrating thought leadership and proactive behaviour on the use of information and communications technology to enhance public service delivery.

c) Transparency: We shall always ensure transparency in everything we do to build trust and confidence with all our stakeholders.

d) Integrity: We shall conduct our business with integrity at all times to inculcate a culture of honesty

LEGISLATIVE FRAMEWORK

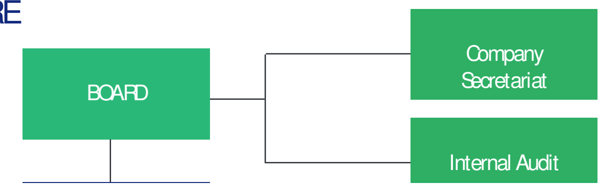
SITA's legislative foundation is the SITA Act No. 88 of 1998, as amended. The Public Finance Management Act No. 1 of 1999 (PFMA) and National Treasury Regulations published in terms thereof serve as the authority for the organisation's financial reporting requirements. Policies have been put in place to ensure that there is compliance with all relevant legislation. The organisation is further guided by the principles embodied in the King III Report on Corporate Governance for South Africa and the Protocol on Corporate Governance in the Public Sector 2002.

MANDATE

The State Information Technology Agency (Proprietary) 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 remains committed in all its activities to adhere to government's 'IT House of Value', which seeks to leverage economies of scale, enhance interoperability of government systems security, eliminate duplication and enhance black economic empowerment (BEE).

ORGANISATIONAL STRUCTURE



Executive Committee

as at 31 March 2014

EXECUTIVE MEMBER	POSITION	DATES	QUALIFICATIONS
Mr B Mosley-Lefatola	Chief Executive Officer	10 Jan 2011 – 31 May 2013	BA (Africa Political Studies and Industrial Sociology) BA Hons (Industrial Sociology)
Mr S F Nomvalo	Chief Executive Officer	1 June 2013 – to date	B Compt B Compt (Hons)
Mr J Moshesh (CFO)	Chief Financial Officer	1 July 2011 – to date	BSc (Accounting) Certified Public Accountant (CPA)
Mr N Tuganadar	Executive: Government Solutions, Norms and Standards	1 April 2011 – 31 March 2014	BSc Computer Statistics MSc Information Management Systems
Ms M Mosupi	Executive: ICT Service Delivery	1 Nov 2011 – to date	BSc MBL
Ms T Mjoli	Executive: Supply Chain Management	1 March 2011 – 20 Feb 2014	BCom BCom (Hons) MA (Business Leadership)
Ms K Ntshavheni	Chief Operations Officer	1 Nov 2010 – to date	BA (Political Science) BA Hons (Development Studies and Labour Relations) MBA (with merit)
Mr D Mushwana	Executive: Corporate Services	1 Feb 2011 – 31 Dec 2013	B Juris LLB (in progress)
Ms T Zide	Company Secretary	1 April 2011 – 06 Aug 2013	B Proc
Mr R Alli	Chief Audit	01 Feb 2011 –	CA (SA)

SITA

Acting Executives

as at 31 March 2014

EXECUTIVE MEMBER	ACTING POSITION	DATES	QUALIFICATIONS
Mr M Tisani	Executive: Corporate Services	07 August 2013 – to date	BA BA Hons (Industrial Sociology)
Mr S Mthethwa	Executive: Supply Chain Management	07 August 2013 – to date	BSc MBA
Dr D Mashao	Executive: Government Solutions, Norms and Standards	22 November 2013 – to date	PhD(Engineering) MSc(Electrical Engineering) MSc(Applied Mathematics) BSc(Cum Laude) Project Management
Mr M Lebelo	Executive: ICT Service Delivery	24 March 2014 – to date	Fundamental Management Programme Management Development Programme SITA Executive Management Development
Ms S Kgope	Acting: Company Secretary	18 June 2013 – to date	BA

SITA in the context of 20 years of democracy

Introduction

South Africa has characteristics of both an advanced and a developing economy. It has access to technology, it has sophisticated institutions including research bodies and universities, and it has a strong private sector and fiscal resources. The other side of the coin is that half of the 50 million people in South Africa live below the poverty line.

Thus, while South Africa is characterised by early adoption of leading-edge technologies by high-income users (both individuals and corporations) that are parallel to developed economies, the majority of the population, the public sector, and most small and micro

Reflection on some milestones

SITA has over its years of existence achieved several milestones of delivery which helped to propel the country into a positive trajectory of development.

SITA continues to strengthen democracy and support the integrity of key state information systems. And SITA prides itself on the fact that on its 15th-year anniversary and 20 years into the country's democracy, the agency has been the backbone of the South African government. SITA maintains and supports the Movement Control System that is responsible for the management of all the ports of entry and exit for the Republic's residents and citizens.

During this election year SITA continued to securely protect the voters roll by hosting voters' data on behalf of the Department of Home Affairs. The Agency also supports the National Population Register (NPR) and HANIS (Home Affairs National Identification System), which are the custodian systems of the identities of citizens and residents of the Republic.

SITA continues to play a crucial role in terms of the information and communications technology (ICT) needs and services of core government departments. SITA migrated the data of the Department of Social Development/SASSA to the new social services provider seamlessly, with no single beneficiary's information lost. The Agency maintains and supports the system that pays social grants, and also enables the banks to verify the authenticity of IDs of South Africans on the NPR through the government network.

To date, through SITA's vigilance, there has never been any loss of government data that is hosted and maintained by SITA.

Overcoming challenges

In the last few months of the financial year much time and energy was devoted to developing a new strategy that takes into consideration the unique opportunities for SITA, lessons learnt from the past, and building on the prevailing organisational strengths and capabilities to create a concrete and solid value proposition in line with government's service delivery aspirations.

SITA will play an increasing role in driving the demand for ICT collaboration applications, information and analytics, mobile technologies and cloud computing to improve business processes, realise insights and intelligence from hosting and securing government data for smarter results and to change and transform overall business operations in government.

Chief Executive Officer's Report

Today there are no longer any debates around the role of technology in government's ability to provide efficient and effective services to all the citizens of our country. It is a generally accepted fact that an integrated technology solution is the backbone of an efficient public sector.

To design, develop, provide and maintain that solution is the responsibility of the State Information Technology Agency (SITA). It is more than a responsibility – it is an honour and a privilege which we accepted with pride 15 years ago and which we will continue to pursue with vigour for decades to come.

SITA's road over the past 15 years has not been an easy one. Since our establishment, through the amalgamation of the information technology services of the National Defence Force's Infoplan, the South African Police Service's IT facility and the Central Computing Services (CSS) of the Department of State Expenditure (National Treasury), we have been constantly involved in major change processes, with little opportunity to bring sustained stability to the organisation. The fact that the Agency lived through 10 Board changes over that period, with no less than 17 chief executive officers at the helm, did not make things any easier. With this level of instability – and the concomitant insecurity – at the top, establishing a cohesive culture remained an unrealised ideal. Also, with this level of instability in our organisation, we have not been able to become the one-stop IT shop that government could and should expect us to be.

SITA has now taken the turn and is ready for the next upward curve towards much higher levels of operational and financial performance. With our newly adopted corporate strategy fully supported by a committed Board of Directors, we certainly are poised for growth. The successful implementation of our strategy will see significant enhancements to every aspect of our operations, ensuring that SITA becomes completely customer-centric, being fully equipped and capable to deliver top-end services to our customers.

Many of our government departments still operate in silos, with each of them having its own ICT unit that procures IT hardware, software and services to cater for its own immediate requirements, often with little or no future planning. With the consolidation and standardisation of the IT support function, government can vastly reduce the costs associated with it. In line with our new strategy, SITA is enhancing its infrastructure to increase the availability, flexibility, scalability, predictability and security of its offerings as that will give more departments greater comfort in entrusting their IT function with us. Ultimately, our aim is to become our customers' most valued and trusted partner, locking them in purely on the basis of our service excellence.

Admittedly, some of the shortcomings highlighted by the review were rather serious and cannot necessarily be fixed in the short term. However, we have already embarked on a process of ensuring a better skills match in all areas of the organisation, with an associated skills development programme to fill some of the gaps. We have already appointed a number of key executives in whom we have the required confidence to help us take SITA to the next level of performance.

As a leadership team we are 100% committed to the highest standards of corporate governance and ethical behaviour. Where our organisation has been plagued by incidents of fraud and corruption in the past, this leadership team does not hesitate to confront governance breaches, dealing with them decisively and swiftly. To minimise our risks on this front, we are putting in place stringent controls and monitoring systems.

The last leg of our strategy is financial performance. While SITA is financially speaking in good shape, there certainly is some room for improvement. We are constantly looking for opportunities to improve our systems, processes and controls to drive greater efficiency. SITA remains a fully self-funding, liquid and financially sustainable public entity, attaining unqualified audit reports for at least the past eight years.

Despite all the challenges, SITA did achieve some significant milestones during the past year. The internal programme Siyashesha, initiated by the Board to mobilise employees towards greater customer centricity and performance excellence, was a major driving force behind many of these achievements. We are, for example, very proud of our contribution to the smooth running of the April 2014 general election where we, among other things, took responsibility for securing the voters roll. We are equally proud of the support we are providing to local governments across the country – for instance, SITA has signed service level agreements with the municipalities of Matlosana and Thaba Chweu for the printing of their monthly rates invoices.

Grade 12 results and certificates are issued as per schedule annually through the systems hosted and maintained for Basic Education and Umalusi. Banks have been able to authenticate the identities of their clients on the National Population Register (Home Affairs) since 2011. Social grants beneficiaries were transferred to the single new payment contractor seamlessly.

In the past financial year SITA successfully printed an estimated 800 000 Umalusi Grade 12 certificates, as well as approximately 50 000 certificates for Higher Education and approximately 1 million images on the new secure certificate paper provided by the Department of Education for the Grade 12 Statement of Results for the 2013 academic year. SITA also printed various examination tasks for the Department of Education, as well as a total of 1.5 million images for Higher and Basic Education. We also successfully printed the Government IRP5 and IT3 certificates for the 2012/2013 financial year as well as bus tickets for Tshwane Bus Services.

SITA hosted a very successful GovTech 2013 and initiated a new ICT industry platform for engagements to create strong ICT partnerships, fostering greater levels of collaboration among industry role players.

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Part B: Performance Information

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Statement of Responsibility for Performance Information

The Chief Executive Office is responsible for the preparation of the Agency's performance information and for the judgements made in this information.

The Chief Executive Officer is responsible for establishing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the operation of the Agency for the financial year ended 31 March 2014.

Freeman Nomvalo
Chief Executive Officer

Performance against predetermined objectives as at 31 March 2014

Overview of SITA's Performance

Performance environment

The 2013-2014 year has been a challenging one on multiple levels. The SITA performance may present on face value a skewed view of the organisational work and its focus in the last year.

The challenges

When the Board assumed the reins of SITA in March 2013, it was against a backdrop of a looming storm – the organisation had been in the throes of a turnaround since 2010 and most of the strategic imperatives emanating from the turnaround were yet unrealised.

Since its inception in 1999, SITA has been faced with a number of challenges in delivering on its mandate as stated in the SITA Act of 1998. These challenges can broadly be categorised as follows:

- procurement
- IT service delivery capability and capacity
- organisational and human capital issues.

Previous attempts to adequately resolve these issues had been unsuccessful mainly because of frequent leadership changes, lack of clear strategic direction and focus, and overlapping solutions. The strategic programmes implemented did not produce the desired results.

Most of SITA's challenges are rooted in the legacy of an organisation plagued by allegations of collusion, tender rigging, maladministration and corruption. In November 2012 the cabinet took a decision to appoint a six-member board after the rest of the board took a voluntary leave of absence as per a previous ruling by Cabinet. This decision of Cabinet was precipitated by the Presidential proclamation appointing the Special Investigations Unit (SIU) to investigate allegations of corruption, fraud and maladministration in SITA. It was therefore very clear from the onset that the new board was presented with extraordinary circumstances that would require extraordinary interventions.

The new board made it a priority to engage with both internal and external stakeholders to get a sense of the prevailing issues and concerns. In their assessment, the company was not in good shape at the time, with numerous concerns expressed by external stakeholders – mostly around poor service delivery, inflated prices, allegations of fraud and corruption and unacceptable turnaround times.

Internally, it was evident that the staff morale was particularly low, mainly as a result of ongoing transformation processes which had displaced a large number of staff, leaving them feeling insecure and uncertain of their future with SITA. At the beginning of the 2013/2014 financial year at least 1 127 employees out of about 2 631 employees were in the pool (employees whose jobs were believed to have substantially changed). Staff also expressed concerns about the extensive use of labour brokers and consultants as well as the lack of investment in research and development. Staff echoed the concerns of external stakeholders about alleged fraud and corruption.

The previous migration and placement of staff into the revised SITA structure pointed to an ineffective process, as proven by

- Employees were placed in critical vacancies in an acting capacity without the full range of skills and experience required to perform optimally.
- Employees were debilitated by a deep uncertainty around the impact of the comprehensive external audit into alleged unfairness during the migration and placement processes.

The implementation of SITA's strategy is managed and monitored through a balanced scorecard (BSC) methodology which measures and manages corporate performance. However, while this methodology translates strategy into operational objectives to drive both behaviours and performance within SITA by means of a cascaded process, an independent audit also identified that the misalignment between strategic objectives continues to challenge the outcomes envisioned in the corporate strategy and its efforts to improve processes, motivate and educate employees, and enhance information systems.

An Organisational Health Index (OHI) survey, conducted in the 2013/2014 financial year, also identified challenges that might have contributed to the poor performance in this reporting period. The overall score of SITA's organisational health was 30%, denoting the level of employee engagement and commitment. The biggest gaps were in Motivation (14%) and Innovation and Learning (18%), while performance was stronger in Accountability (43%) and Capabilities (56%).

In June 2013 a new CEO was appointed on a one-year contract. While his arrival certainly contributed towards bringing some stability to the organisation, it also precipitated a change in management due to investigations into allegations of corruption and maladministration.

The remedial interventions

As an immediate intervention to close some of the gaps in relation to customer service, high turnaround times in procurement of ICT goods and services, and very low employee morale, the SITA Board introduced a short-term, high-impact programme – Siyashesha. The Siyashesha programme provided a fresh focus on critical issues and deliverables while also providing a basis on which some of the elements of the current strategy have been developed and adopted. Board subcommittees provided an oversight role on each of the focus areas of the programme, using a dashboard of deliverables that included changes in Supply Chain Management, Finance, Audit and Risk Management, Service Delivery, Organisational Architecture and ICT Research & Development and Innovation.

Human Resources and Corporate Affairs

In order to ensure stability within the organisation and ensure effective governance, the key priorities in this pillar, which achieved a 65% improvement in the selected areas, included:

- urgent finalisation of the migration of staff
- a comprehensive staff audit to ensure the integrity of employee records
- filling all critical vacant posts
- reviewing and terminating all forms of labour-broking
- introducing an effective performance management system
- effectively dealing with all matters of litigation.

Supply Chain Management

A 72% improvement was achieved in supply chain management through interventions such as:

ICT, R&D and Innovation

To position SITA as a leader in this area, the following interventions resulted in a 74% improvement:

- developing and finalising the SITA IT strategy and architecture
- appointing a Chief Technology Officer
- reviewing and implementing comprehensive R&D investment to keep SITA at the cutting edge of technology
- driving the urgent conclusion and signing of partnership agreements
- fast-tracking the institutionalisation of the ICT Academy
- ensuring sector-wide enterprise solutions, e.g. public health infrastructure.

Service Delivery

The biggest success area was undoubtedly client service delivery, with a 93% improvement. The key drivers of this success included:

- ensuring effective monitoring and implementation of the IFMS initiative
- driving client-focused service delivery through, among other things, the assignment of a dedicated executive level manager for the JCPS cluster
- focusing on the building and maintenance of broadband infrastructure
- reducing the cost of doing business for government
- introducing client service feedback channels.

The intervention plan also sought to address other key issues which the board had prioritised to address all aspects of good governance. These included Audit, Finance and Risk as well as the overall strengthening of the Chairperson's office.

Audit, Finance and Risk

With an 84% improvement in this area, the following key aspects were addressed:

- external audit
- debt collection
- invoicing
- SITA assets and licenses audit
- Internal Audit co-sourcing/in-sourcing
- ensuring financial sustainability through improved revenue management.

Chairmperson's Office

The strategic role that was played by the Chairperson's office in this process included the following:

- overall co-ordination
- communication and public relations
- cabinet/shareholder relationship
- stakeholder engagement
- SIU processes and engagement
- engagement with Parliament and industry
- implementation of board decisions
- international partnership agreements.

While the achievement of Siyashesha deliverables resulted in huge improvements in all the targeted areas, it skewed the performance paradigm of the organisation, as the contracted Corporate Balanced Scorecard (CBSC) objectives were somewhat neglected and thus only partially met while personnel were overstretched in key areas as they were trying to balance the priorities of Siyashesha and the contracted CBSC.

Also, the underperformance in some of the CBSC objectives was a result of policy changes such as:

- Following a resolution by Cabinet on 20 November 2012, the multi-disciplinary IFMS project between the DPSA, SITA and

SITA successes

Although SITA has experienced some challenges, the organisation has also celebrated some wins, which include:

- The Presidential Hotline has enabled citizens, foreigners and organisations to compliment, complain, enquire and make suggestions about service delivery by provincial departments, metros, districts, local municipalities and national departments. The service operates from Monday to Friday (excluding public holidays) from 06:00 to 22:00. The service is provided in all 11 official languages.
- During the 2014 national elections, SITA helped strengthen democracy and supported the integrity of the voters roll by hosting voters' data on behalf of the Department of Home Affairs. SITA maintains and supports the National Population Register (NPR) and HANIS (Home Affairs National Identification System), which are the custodian systems of the identities of citizens, residents and visitors to the Republic.
- SITA enables banks to verify the authenticity of identity documents of South Africans on the NPR through the government network.
- SITA maintains and supports the Movement Control System that is responsible for the management of all the ports of entry and exit for the Republic.
- SITA hosts the systems that pay the salaries of public servants and there has never been an instance when salaries have not been paid due to systems failure on the part of SITA.
- SITA maintains and supports the system that pays social grants without fail.
- SITA migrated the data of the Department of Social Development/SASSA to the new social services provider without losing a single beneficiary.
- SITA maintains and supports the matric exams and Umalusi certification systems that enable the Department of Basic Education and Umalusi to issue matric results and certificates annually without fail or delay.
- SITA, in partnership with Neotel, will roll out 384 Wi-Fi hotspots in the Western Cape using government buildings, which will cover almost every ward in the province.
- SITA is working with the Department of Basic Education to develop a system to track the provision of resources in all provinces.
- SITA has connected more than 7 000 government institutions, including: SAPS offices and police station; prisons and community correctional centres; magistrate's courts; Home Affairs service centres; SASSA service centres; social welfare offices; hospitals; clinics; health services centres (mortuaries, district offices & laboratories).

Moving forward

SITA has made great inroads as an ICT partner of choice for government, delivering services as per the mandate. In order to ensure that SITA achieves all its goals and objectives, the strategic drivers of the organisation will be implemented through the six strategic programmes which have been earmarked as imperative in ensuring the success of the organisation. These are:

Procurement: Address all issues relating to delayed procurement turnaround times, removing customer pain points and transforming the procurement organisation.
Service Delivery: Provide high-quality IT services to enable government to deliver efficient and convenient services through the use of ICT.
Infrastructure: Optimise the provision of SITA's IT infrastructure services in order to increase availability, flexibility, scalability, predictability and security.
Financial Sustainability: Ensure effective and efficient financial management and ensure financial growth and sustainability.
Organisational: Build and maintain organisational capability to enable SITA to achieve its strategic imperatives and become an employer of choice within the ICT industry.
Governance and Administration: Provide leadership, strategic management, governance, risk and resource management in line with government-accepted norms and standards.

SITA is geared towards becoming a client-focused organisation with clear milestones. The organisation will also endeavour to

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES as at 31 March 2014

Objective	Measure / indicator	Weights	Actual performance against target		Reason for variance (Non-achievement)
			Target	Actual status	
FINANCIAL					
F1: Achieve sound financial management	M1: Liquidity ratio	2%	L≥1.2:1	Achieved 2.8:1	More money was collected than anticipated
	M2: Debtors' days	3%	30 days	Not achieved 66.6 days	Due to unsigned SLAs, disputes raised by customers and customers not paying as committed
	M3: Creditors' payment days	3%	30 days	Partially achieved 45.4 days	Due to high amount of manual accruals made because of year-end closure
	M4: Creditors' days (SMME)	2%	21 days	Not achieved Zero	Proper calculation cannot be done due to limitations and challenges of the ERP database system
	M5: % Profitability (Net margin)	3%	3% profitability	Partially achieved 2.6% Net Surplus	The increased cross and unadjusted billing rates resulted in a lower gross margin which had a negative impact on profitability
	M6: % Expenditure against approved CAPEX	2%	100% expenditure against approved CAPEX	Not achieved 16.8% spent	Insufficient plans
F2: Achieve revenue growth	M7: % Increase in revenue (year-on-year)	3%	15% increase in revenue	Partially achieved 9.5% below target	SITA was not able to meet the customers' requests due to lack of capacity created by vacant positions. Billing was based on old rates due to non-approval of 2013/14 billing rates
	M8: % Gross Margin	2%	20% gross margin	Partially achieved 16.3% Gross Surplus	Due to increased costs and unadjusted billing rates

Legend	
Achieved	100% and above
Partially Achieved	50% - 99%
Not Achieved	0% - 49%

Objective	Measure / indicator	Weights	Actual performance against target		Reason for variance (Non-achievement)
			Target	Actual status	
CUSTOMER					
C1: Re-engineering of government business processes for efficiency	M9: Number of IFMS selected modules developed	5%	1 IFMS selected module developed	Not achieved Zero	The bespoke development was stopped based on a resolution by Cabinet on 20 November 2013, in which Cabinet mandated DPSA, SITA and National Treasury to source and implement an ERP COTS Solution for the Public Service
	M10: Number of IFMS roll-out sites completed	5%	20 IFMS roll-out sites completed	Not achieved Zero	Dependency on IFMS development
	M11: Number of companies trained and certified as IFMS implementation partners	3%	50 companies trained and certified as IFMS implementation partners	Partially achieved 34 companies trained and certified as implementation partners	Received nominations from only 39 companies, of which only 37 companies passed, but only 34 could be certified as the proof of their qualifications, (i.e. Prince/PMBOK etc.), is still outstanding from their side and without this proof SITA cannot certify them as it is a prerequisite by SITA
	M12: % of new SLA signed with performance metrics	3%	≥90% of SLA signed with performance metrics	Partially achieved 82% signed overall	SLA packages to be updated as and when SLA negotiations are concluded. Clients will only be able to sign SLAs as updated documents are presented
	M13: Level of performance against signed SLA metrics	5%	≥95% of SLA metrics	Achieved 97% SLA metrics met	Due to improved efficiencies
C2: Ensure citizen convenience	M14: Number of government services available online for citizen use	3%	50 government services available online for citizen use	Achieved 50 Forms developed and available on SITA portal; not yet online for citizen use	No variance
	M15: % Implementation of the cloud computing strategy	5%	Implement 90% of critical path milestones for the quarter	Not achieved 93% of quarter 1 work done 87% of quarter 2 work done	Project put on hold during quarter 3 due to delays in finalisation and awarding of the cloud bid tender
C3: Drives	M16: Number of	3%	30 government	Not achieved	Dependency on product development

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES as at 31 March 2014

Objective	Measure / indicator	Weights	Actual performance against target		Reason for variance (Non-achievement)
			Target	Actual status	
C4: Establish an operational ICT Academy	M18: Number of indigenous ICT companies participating in training	3%	40 indigenous ICT companies participating in training	Not achieved Zero	The ICT Academy project was put on hold and a new direction and approach regarding support to School of Government is in progress
	M19: Number of SMMEs developed as part of the ICT Academy Incubator programmes	3%	3 SMMEs developed	Not Achieved Zero	8 companies trained but the incubation delayed and will take place in next financial year
C4: Improve customer satisfaction	M20: % Customer Satisfaction Index (CSI) improvement initiatives implemented	3%	60% of CSI improvement initiatives implemented	Achieved 94% of CSI initiatives have been implemented	Establishment of task teams to accelerate the implementation of initiatives
	M21: % Reduction of customer complaints (repeat)	3%	100% reduction of customer complaints	Partially achieved 68% resolved	Delays in concluding the complaints due to resource constraints
C5: Improve Stakeholder Management	M23: % Stakeholder Satisfaction Index (SSI) improvement initiatives implemented	3%	100% of SSI improvement initiatives implemented	Partially achieved 85% of the improvement initiatives implemented	Attributed to the pending amendment to the legislation (PAM), the lack of local government strategy and delays regarding finalisation of SITA's SMME strategy

Legend	
Achieved	100% and above
Partially Achieved	50% - 99%
Not Achieved	0% - 49%

Objective	Measure / indicator	Weights	Actual performance against target		Reason for variance (Non-achievement)
			Target	Actual status	
INTERNAL PROCESS					
P1: Establish effective internal processes and systems	M24: Level of CMMI maturity attained	2%	Certified at CMMI Level 3	Not achieved Level 3 not achieved	CMMI CL2 SCAMPI was completed late. Implementation of initiatives for level 3 certification has commenced
	M25: % of SITA internal processes and practices integrated and automated	3%	80% of SITA internal processes and practices integrated and automated	Not achieved 39% of mapped processes has been automated	Resource constraints as well as lack of ERP capability
P2: Establish effective governance practice	M26: % MLPs resolved	3%	100% (FY2012-2013) MLPs resolved	Partially achieved 70% resolved and closed	Resource constraints MLPs relating to depreciation/fixed assets are dependent on the creation of a new asset book
	M27: Number of audit findings for FY 2013/2014	2%	Clean Audit for FY2013/2014 with no matter of emphasis	Achieved	

Legend	
Achieved	100% and above
Partially Achieved	50% - 99%
Not Achieved	0% - 49%

PERFORMANCE AGAINST PREDETERMINED OBJECTIVES as at 31 March 2014

Objective	Measure / indicator	Weights	Actual performance against target		Reason for variance (Non-achievement)
			Target	Actual status	
LEARNING & GROWTH					
L1: Be a high-performance organisation	M28: % improvement in the HPO survey established baseline score	2%	25% improvement on the HPO survey established baseline score (Overall rating of 3.75)	Not achieved 4.67% improvement	Low participation rate of some groups in the survey compared to 2012 i.e. 746 employees participated in the 2014 survey as compared to one thousand one hundred and forty five 1 145 employees who participated in the 2012 survey
	M29: % implementation of Knowledge Management	2%	100% delivery against the KM plan	Partially achieved 80% delivery against the plan	Resource constraints
	M30: Number of SITA innovated solutions implemented to departments	2%	3 innovated solutions implemented	Not achieved Zero	Resource constraints Innovations were identified and the software development for the three innovations were completed on schedule, but the systems were not put into production
L2: Be the employer of choice	M31: Employer Brand – Brand revitalisation	2%	50% implementation of Brand strategy initiatives	Achieved 86% implementation	Partnership with GCIS to implement the plan
	M32: % Improvement on the organisational ranking on the best employer	1%	Attainment of certification and 10% improvement on the baseline achievable score of 63%	Not achieved Certification attained with 3% improvement	Delays in implementing the improvement plan due to resource constraints
	M32.1: Participate in the best company to work for (BCTWF)	1%	Establish the baseline for SITA on BCTWF	Achieved 100%	No variance

Legend	

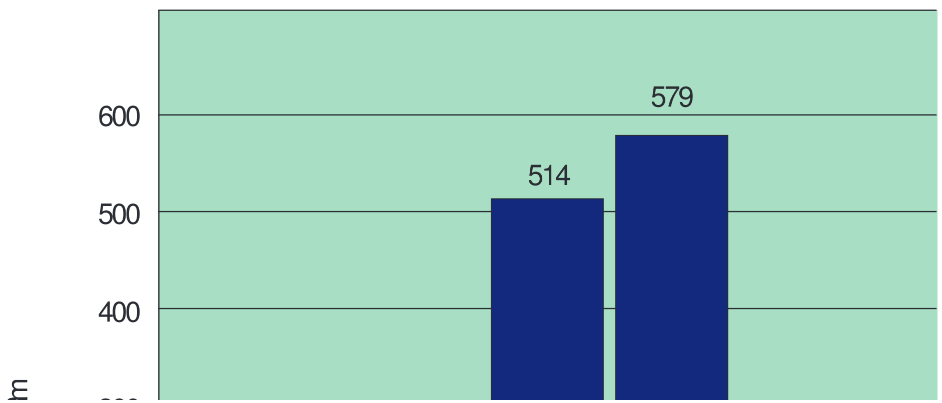
Objective	Measure / indicator	Weights	Actual performance against target		Reason for variance (Non-achievement)
			Target	Actual status	
INDUSTRY					
I1: Partner with the industry to deliver quality service	M33: % implementation of the supplier satisfaction index (SSI)	2%	20% implementation of SSI improvement plan	Not achieved 0%	There were a number of partnerships established, but the evaluation of the partners/ suppliers is still outstanding
I2: Drive economies of scale in the acquisition of IT goods and services	M34: % savings on acquisition of ICT goods and services	2%	12% savings	Achieved 18%	Set up new framework agreement with Microsoft
I3: Improve Supply Chain Management Mean Time to Respond (MTR)	M35.1: Improved SCM turnaround time (BIDS)	1%	90 days on bids	Not achieved 108.94 days	Resource constraints
	M35.2: Improved SCM turnaround time (Preferred list RFQs)	1%	80 days on preferred list RFQs	Achieved 67.10 days	Introduction of an express till, for commodities on the preferred list. This enabled quick response to customers
	M35.3: Improved SCM turnaround time (ad hoc RFQs)	1%	30 days on ad hoc RFQs	Achieved 14.55 days	Introduction of an express till, for the commodities on the preferred list. This enabled quick response to customers
	M35.4: Contract finalisation	1%	30 days of contract finalisation	Achieved 29.94 days	No variance
I4: Provide an enabling environment for ICT SMME and ICT industry growth	M36: % ICT acquisition spend through SMME	2%	At least 30% of acquisition spend through SMME	Not achieved 0%	Delays in finalising the vendor verification process

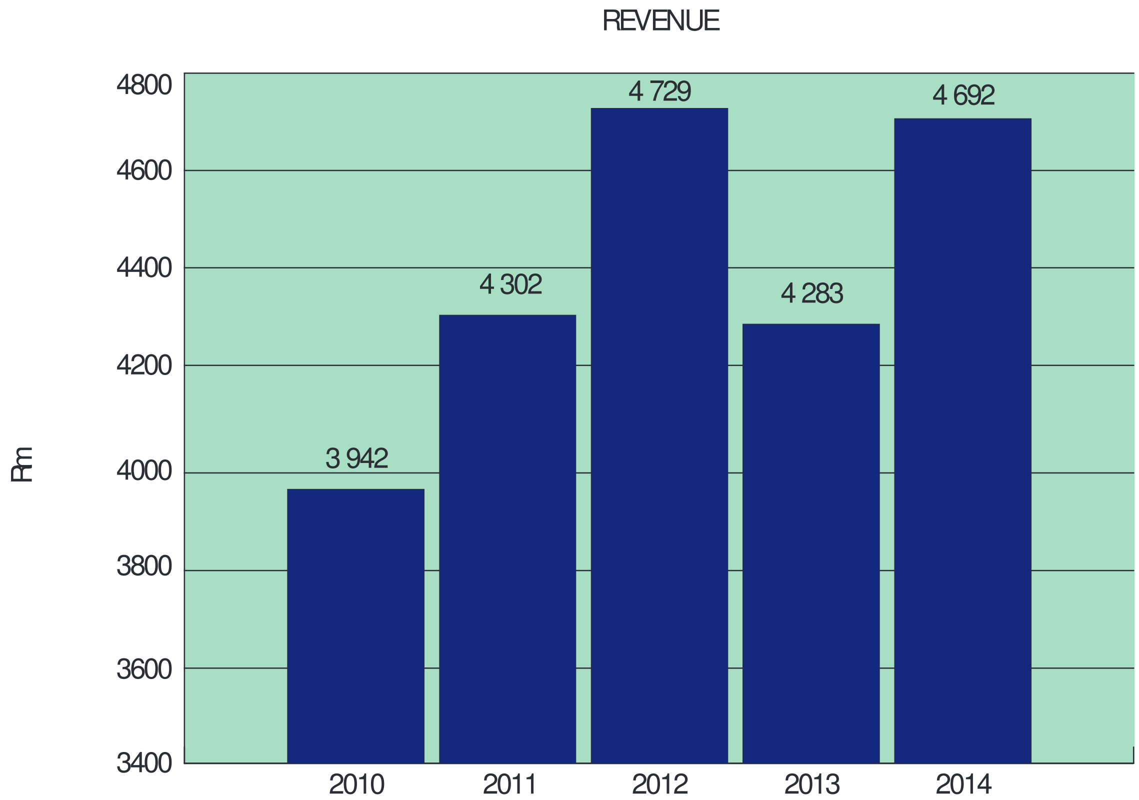
Legend	
Achieved	100% and above
Partially Achieved	50% - 99%

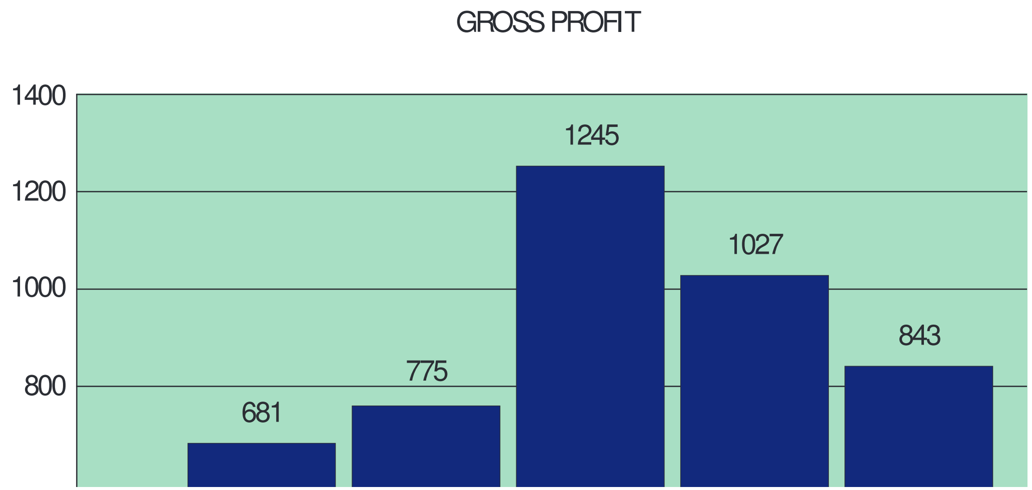
Salient Features for the year ending 31 March 2014

(in Rand million)	31-Mar-14	31-Mar-13	% change
Revenue	4 692	4 283	9.55%
Gross profit margin	843	1 027	(17.92%)
Operating (deficit)/surplus	(57)	466	(112.23%)
Net surplus for the year	45	399	(88.72%)
Total assets	3 697	3 307	11.79%
Total net assets	2 587	2 541	1.81%
Cash flow from operating activities	477	176	171.02%
Capital expenditure	356	216	64.81%
Gross profit margin (%)	17.97%	23.98%	
Liquidity ratio	2.81:1	4.09:1	
Solvency ratio	3.33:1	4.23:1	
Cash cover	1.47	1.97	
Operating surplus (%)	(1.21%)	10.88%	
Net surplus for the year (%)	0.96%	9.32%	

SURPLUS BEFORE TAX




REVENUE
Rm
4800
4600
4400
4200
4000
3800
3600
3400
3 942
4 302
4 729
4 283
4 692
2010
2011
2012
2013
2014


GROSS PROFIT
1400
1200
1000
800
681
775
1245
1027
843

Value-Added Statement

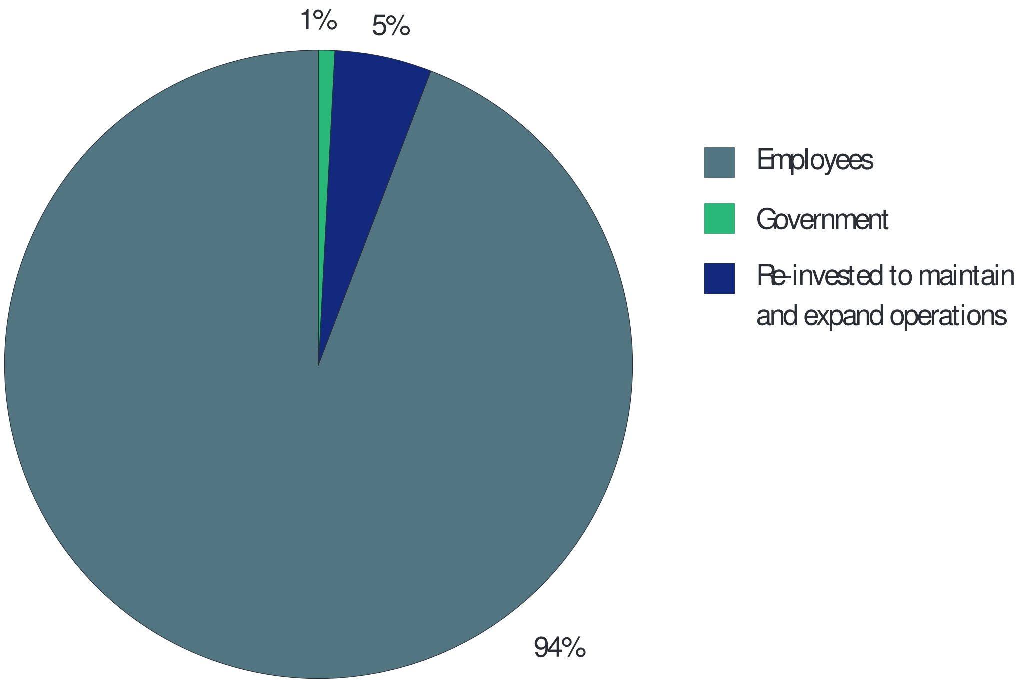
The statement shows the wealth the company has created through its provision of information technology, information systems and related services. The statement shows how wealth was created and how it was disbursed among stakeholders, leaving a retained amount which was re-invested in the company for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

Value-Added Statement in Rand million

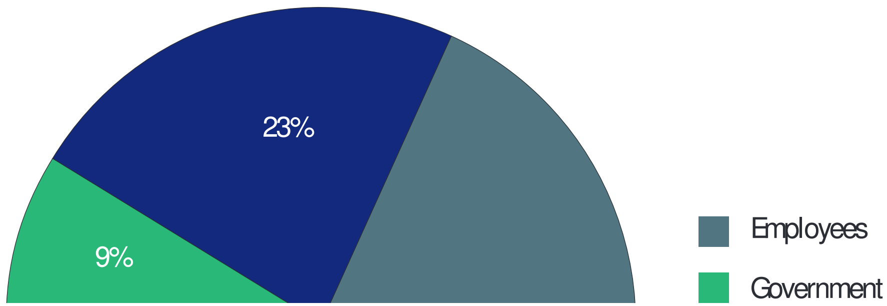
	Mar 2014	%	Mar 2013	%
Revenue	4 692		4 283	
Paid to suppliers for materials and services	3 431		2 397	
Value added by operations	1 261	87%	1 886	91%
Other income	37	3%	42	2%
Interest income	147	10%	146	7%
Total wealth created	1 445	100%	2074	100%
Distributed as follows:				
Employees:	1 355	94%	1 414	68%
Salaries, wages and other benefits	1 355		1 414	
Government:				
Income tax	22	1%	179	9%
Re-invested to maintain and expand operations:	68	5%	481	23%
Depreciation/Amortisation	23		82	

Total Wealth Distributed

MARCH 2014



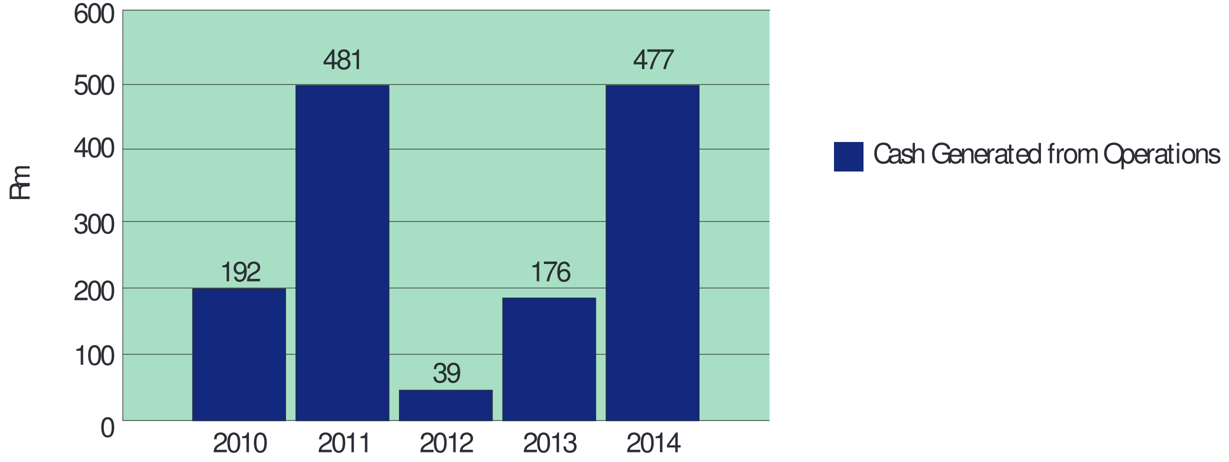
MARCH 2013



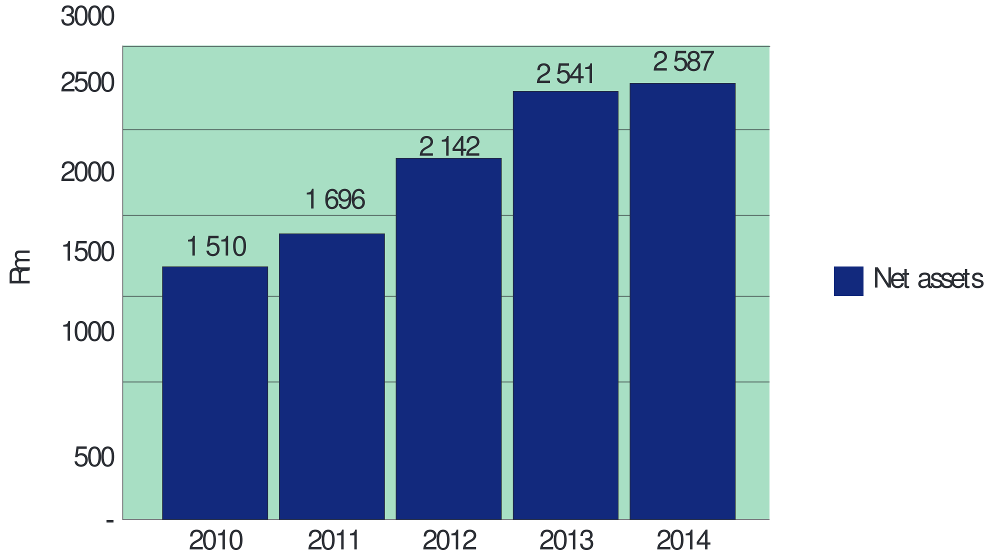
Five-Year Review

Five-year review in Rand million	31 Mar 14	31 Mar 13	31 Mar 12	31 Mar 11	31 Mar 10
STATEMENT OF FINANCIAL PERFORMANCE AND CASH FLOW					
Revenue	4 692	4 283	4 729	4 302	3 942
Gross profit	843	1 027	1 245	775	681
Other income	37	42	34	44	28
Finance income	147	140	129	115	130
Finance costs	23	33	34	39	58
Operating expenses	937	603	860	632	732
Surplus before tax	67	579	514	263	50
Income tax expense	22	179	147	78	18
Surplus for the year	45	399	267	186	32
Cash generated from operations	477	176	39	481	192
STATEMENT OF FINANCIAL POSITION					
Current assets	2 822	2 604	2 837	2 543	2 197
Non-current assets	875	703	562	475	565
TOTAL ASSETS	3 697	3 307	3 399	3 018	2 762
Net assets	2 587	2 541	2 142	1 696	1 510
Current liabilities	1 001	641	1 129	1 205	1 136
Non-current liabilities	109	125	128	117	116
TOTAL NET ASSETS AND TOTAL LIABILITIES	3 697	3 307	3 399	3 018	2 762

CASH GENERATED FROM OPERATIONS



NET ASSETS



CAPITAL EXPENDITURE

SITA

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Part C: Corporate Governance

SITA

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The SITA Board

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, the use of funds in an economic, efficient and effective manner, and adherence to good corporate governance practices. During the year ahead, governance issues will continue to receive the Board and its committees' consideration and attention.

Portfolio Committees

As part of its governance endeavour and oversight, SITA had numerous engagements with Parliament in providing briefings on the Agency's legislative mandate and related activities as well as responses to parliamentary questions.

From 17 to 19 April 2013, SITA appeared before the Portfolio Committee on Public Service and Administration's Strategic Planning Session with other MPSA portfolio entities to brief the committee on its strategic plan and progress on the implementation interventions raised by the AGSA on the previous Annual Report. From 8 to 10 October 2013 SITA also participated at the Budget Review and Recommendations Report (BRRR) forum to address mid-year review issues as well as the Money Bills Amendment Procedure (Section 5) performance assessment of each national department.

SITA's engagement with the Portfolio Committee on Police and the Portfolio Committee on Correctional Services has had a significant impact on the successful implementation of an integrated justice system.

SITA, jointly with SAPS (ISM) and the IJS Board, briefed the portfolio committee on the implementation plan of the Forensic Amendment Bill (DNA). In relation to Correctional Services, SITA, together with the Department of Correctional Services, briefed the portfolio committee on the lack of a functional system in the Remand Detainee and Offender Management System (RDOMS), which negatively impacts on government's expectation of implementation of the Correctional Services Amendment Act No 5 of 2011. SITA was instrumental in the conclusion of the Tripartite Agreement between DCS/SITA and service provider Dimension Data for the delivery of RDOMS.

During the financial year reported, SITA received more than 53 Parliamentary questions posed to the Minister for Public Service and Administration. SITA responded to all Parliamentary questions.

Shareholding

The Government of the Republic of South Africa is the sole shareholder of SITA and the shareholder representative is the Minister of Telecommunications and Postal Services. A shareholder performance compact is concluded annually between SITA and its shareholder and details the agreed key performance objectives and indicators for the organisation.

Composition of the Board of Directors

Board of Directors

Mr J Vilakazi

Chairperson: 22 November 2012 – 31 March 2014

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

Dr V Mahlati

Deputy Chairperson: 18 September 2013 – 31 March 2014

Dr Mahlati is the former chairperson of the South African Post Office Board (March 2006 to February 2012). She was also chair of the Capable/Development State and Spatial Working Group for the National Planning Commissioner, has served on advisory committees for government and for the United Nations Population Fund, as a South Africa Technical Advisor for the 2009 United Nations Commission on the Status of Women, and as a convener for the India Brazil South Africa Women's Forum Secretariat. Dr Mahlati has also been programme director for the W.K. Kellogg Foundation and programme manager for the Development Bank of Southern Africa.

Mr SF Nomvalo

Chief Executive Officer: 01 June 2013 – 31 March 2014

Sithembiso Freeman Nomvalo is currently CEO of SITA. He was accountant-general at the National Treasury for over nine years, where he pioneered a leadership development programme that has since been extended to other departments and government structures. Pursuant to this work he was invited, as faculty, to the

Ms N January-Bardill
Non-Executive Board Member: 18 September 2013 – 31 March 2014

Ms S Chaba
Non-Executive Board Member:18 September 2013 – 31 March 2014

Ms Seadimo Chaba is the CE of Seadimo Chaba Consulting, a management consulting company that she established in 2009. She specialises in human capital management, strategy, change management, leadership and performance monitoring and management. She has extensive experience at executive level in both the spheres of the public sector and the private sector where she has worked in the petrochemical, retail and financial industries.

Mr K Dlamini
Alternate Board Member: 28 November 2012 – 31 March 2014

Mr Z Malele

Non-Executive Board Member: 18 September 2013 – 31 March 2014

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

Adv T Masuku

Non-Executive Board Member: 18 September 2013 – 31 March 2014

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

Adv BM Matlejoane

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

Mr JS Mngomezulu

Non- Executive Board Member: 21 November 2012 – 31 March 2014
(Interim Board)
Non-Executive Board Member: Reappointed 18 September 2013 – 31 March 2014

Mr Mngomezulu is currently employed at the National Treasury as deputy director-general. During his tenure at Treasury he has held various positions, including that of chief risk officer and CFO, among others. He currently sits on the boards of the Government Employees Pension Fund (GEPF) and the Finance and Accounting Services Sector Education and Training Authority (FASSET). Before joining Treasury, he was employed at the South African Civil Aviation Authority as senior manager: Finance. He also had stints at Lucent Technologies as a financial accounts manager, at Mercedes-Benz as management accountant and at Colgate-Palmolive.

Dr A Mokgokong

Alternate Board Member: 21 November 2012 – 20 November 2015
(Interim Board)
Non-Executive Board Member: Reappointed 18 September 2013 – 31 March 2014

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

Mr Z Nomvete

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

Mr G Victor
Non-Executive Board Member: 18 September 2013 – 31 March 2014

Mr Graeme Victor is the group CEO of Du Pont Telecom (Pty) Ltd. He has a long and distinguished track record in senior management, having held the position of managing director at Tiscali World Online, Vodacom Service Provider and Computicket prior to joining Du Pont. Before his various stints in senior management, Mr Victor founded Kessel Feinstein Consulting in 1983 and grew it over the next 10 years into a highly successful consulting business.

Ms M Williams
Non-Executive Board Member: 18 September 2013 – 31 March 2014

Ms Michelle Williams has held a number of key positions in both the public and the private sector. Her career span includes being government CIO from 2007 to 2011. She has also previously worked for Siemens and been head of research at the Department of Communications. Other organisations for which she has worked include the National Institute for Economic Policy, the Education Policy Unit, the Economic Policy Research Project and the Southern Africa Labour and Development Research Unit.

Mr W Mudau
Alternate Board Member: 18 September 2013 – 31 March 2014

Mr D Niddrie
Alternate Board Member: 18 September 2013 – 31 March 2014

Ms T Zide
Company Secretary: 01 April 2011 – 31 March 2014

Ms S Kgope
Acting Company Secretary: 18 June 2013

Attendance of the Board

Meetings of the Board are scheduled in advance, as per the annual Board plan. Special meetings are convened as specific circumstances dictate. During the year under review, the attendance record of the respective Directors was as follows:

Board Member	Shareholder Meetings	Board Meetings	Special Board Meetings	Workshops and other meetings
	5	8[1]	6	9
Mr J Vilakazi (Chairperson)	4	8	6	6
Dr V Mahlati[2] (Deputy Chairperson)	1	3	2	4
Mr SF Nomvalo[3] (Managing Director)	4	6	5	7
Ms N January Bardill[4] (Non-Executive Director)	0	0	1	3
Ms S Chaba[5] (Non-Executive Director)	2	3	5	3
Mr K Dlamini [6] (Non-Executive Director)	0	1	1	0
Mr Z Malele[7] (Non-Executive Director)	3	5	6	6
Adv T Masuku[8] (Non-Executive Director)	0	3	4	3
Adv B M Matlejoane (Non-Executive Director)	2	6	3	3
Mr J S Mngomezulu	3	5	4	5

Audit and Risk	Human Resources, Nominations and Remuneration	Social and Ethics	Procurement	ICT, Research and Development
5	7	2	10	8
-	-	-	-	-
-	-	-	4	5
2	5	2	1	5
-	-	-	-	-
-	4	-	-	-
3	-	-	-	-
2	-	-	-	8
1	-	-	-	-
-	5	3	7	-
5	-	-	-	-

Board Member	Shareholder Meetings	Board Meetings	Special Board Meetings	Workshops and other meetings
	5	8[1]	6	9
Dr A Mokgokong (Non-Executive Director)	1	5	1	5
Mr Z Nomvete (Non-Executive Director)	5	7	4	7
Mr G Victor [9] (Non-Executive Director)	1	5	3	3
Ms M Williams[10] (Non-Executive Director)	1	5	4	3
Mr W Mudau[11] (Alternate Member)	1	5	3	1
Mr D Niddrie[12] (Alternate Member)	-	-	-	-

[9] Appointed on 18 September 2013
[10] Appointed on 18 September 2013
[11] Appointed on 18 September 2013 (Alternate Board Member)
[12] Appointed on 18 September 2013 (Alternate Board Member)

Audit and Risk	Human Resources, Nominations and Remuneration	Social and Ethics	Procurement	ICT, Research and Development
5	7	2	10	8
-	6	3	-	-
-	3	-	10	7
1	-	-	-	7
2	-	-	-	6
2	-	-	-	3
-	-	-	-	-

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Role and function of the Board

The Board is the accounting authority of SITA in terms of the Public Finance Management Act.

In conjunction with the SITA Act and the Memorandum of Incorporation, the Board charter sets out clear direction with regard to the role and responsibilities of the Board, composition and requirements for Board meetings. These responsibilities include the following:

a) formulation and adoption of the strategic plan and an accompanying Annual Performance Plan.
b) determination of the Company's strategies, policies and processes including risk management and internal controls.
c) ensuring the integrity of risk management and internal controls.
d) oversight of the monitoring and management of IT risk.
e) monitoring and approving the Agency's Performance Report.
f) orientation, induction, education and evaluation of Directors.
g) management of the affairs of the Agency in accordance with the Memorandum of Incorporation, the Act and all relevant legislation and regulations.

Remuneration of the Board

Non-executive Directors and Board Committee members who are not employed by 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 the notes from page 134 onwards of the Annual Financial Statements 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 of 2008.

This saw the introduction of new Committees and refocusing of existing Committees to comply with corporate governance best practice. The Board has five Committees to which it has delegated various matters in accordance with their respective charters. These Committees are:

a) Audit and Risk
b) Social and Ethics
c) Human Resources, Nomination and & Remuneration
d) ICT, Innovation and Research & Development
e) Procurement

Each of the aforementioned Board Committees comprises members of the Board, and executives attend by invitation. In the case of the Human Resources, Nomination and Remuneration and the ICT, Innovation and Research & Development committees, expert advisor members were specifically appointed to augment the skills resident in the Committee. The contracts of the expert advisers expired on 24 August 2013 and 31 October 2013. The responsibilities of the Board Committees, as per their charters, are outlined below.

Audit and Risk Committee

The SITA Audit and Risk Committee was established in terms of section 51(1)(a)(ii) of the PFMA and section 27.1.1 of the Treasury Regulations (PFMA 76(4)(d)) whereby the Board must establish an audit committee as a sub-committee of the board. The Audit and Risk Committee operates according to terms of reference which are reviewed by the Board on an annual basis.

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. It reviews the activities of the Internal Audit department and its effectiveness. It is also responsible for the evaluation of the independence, objectivity and effectiveness of the external auditors and the review of accounting

The membership of this committee is as follows:

1 April 2013 – 31 March 2014

Mr J S Mngomezulu	Chairperson
Mr K Dlamini	Member (resigned on 06 August 2013)
Mr Z Malele	Member (appointed on 18 September 2013)
Adv T Masuku	Member (appointed on 18 September 2013)
Ms M Williams	Member (appointed on 18 September 2013)
Mr G Victor	Member (appointed on 18 September 2013)
Mr W Mudau	Alternate Member (appointed on 18 September 2013)

Human Resources, Nominations and Remuneration Committee

The Human Resources, Nomination and Remuneration committee comprises Non-Executive Directors and Executive Management which attends meetings by invitation.

The committee's responsibilities include:

a) making recommendations to the Board on the appointment of Executive Management.

b) oversight and monitoring of the Human Capital Management strategies and implementation within the company.

c) determination of the organisation's general policy on remuneration.

d) recommending to the Board specific remuneration packages for Executive Management.

The membership of this committee is as follows:

1 April 2013 – 31 March 2014

Dr A Mokgokong	Chairperson
Adv B Matlejoane	Member
Mr Z Nomvete	Member
Ms S Chaba	Member (expert member until 24 August 2013 and appointed as a Board Member on 18 September 2013)

d) client relationships, including the Agency's advertising and public relations.
e) labour and employment, including:
   i) the company's standing in terms of the International Labour Organization Protocol on decent work and working conditions.
   ii) the Agency's employment relationships and its contribution towards the educational development of its employees.

The membership of this committee is as follows:
1 April 2013 – 31 March 2014

Adv B Matlejoane	Chairperson
Dr A Mokgokong	Member
Ms N January Bardill	Member (sabbatical from January 2014)

ICT, Innovation and Research and Development Committee

The ICT, Innovation and Research and Development Committee is a committee of the SITA Board of Directors and was established by the Board to assist it by:

a) ensuring that SITA's overall information technology systems and strategy are managed effectively.
b) monitoring the efficiency and effectiveness of stakeholder relations.
c) ensuring effective marketing of SITA's services, systems and products.
d) maintaining best practices in client services with world-class standards and turnaround times, sustaining a customer-centric organisational culture wherein SITA's clients come first.
e) establishing SITA as a leader in research and development and as a training corporate entity that will design local solutions which will enhance service delivery using the world's best practices.
f) ensuring that the ICT, Innovation and Research and Development Committee complies with the Public Finance Management Act, SITA Act, Companies Act, National Treasury Regulations, and any other applicable corporate governance requirements in the execution of its role.

The membership of this committee is as follows:
1 April 2013 – 31 March 2014

Procurement Committee

The Procurement Committee is chaired by a Non-Executive Director supported by other Non-Executive Directors as members. Members of Management are invited to attend meetings by invitation. The objective of the Procurement Committee is to:

a) provide the final evaluation and approval of all tenders that are recommended by Management for award in line with the PFMA and Treasury Regulations.
b) renewal of contracts that have expired.

Before tenders are awarded by this committee, the Internal Audit department executes agreed procedures on all the tenders within the R30m threshold; tenders beyond this amount are submitted for external review.

The membership of this committee is as follows:
1 April 2013 – 31 March 2014

Mr Z Nomvete	Chairperson
Adv B Matlejoane	Member until September 2013
Dr V Mahlati	(appointed as a Board Member on 18 September 2013)
Ms N January Bardill	(appointed as Board Member on 18 September 2013)

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 discharge the Board and its Directors of its 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 that established procedures and the relevant statutes and regulations are complied with. The Company Secretary also assists the Chairperson and Chief Executive Officer in determining the annual Board plan, Board agendas and addressing governance and Board-related matters.

Internal Control

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 are formally defined in the Internal Audit Charter, which is reviewed annually and submitted to the Audit Committee and the SITA Board for approval.

In accordance with the 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 evaluate and assist management and the Board in improving the overall risk, control and governance environment of SITA.

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 highest principles of integrity, objectivity, independence, confidentiality and competency under the IIA's formal code of ethics in conducting their responsibilities.

Internal Audit continually strives to improve its operational efficiencies through:

- continued and necessary training of all its employees
- development and retention of key personnel
- identification of new opportunities for learning and growth
- mentoring of its employees to improve audit performance
- refining of its processes to ensure that high quality and value-adding reviews are performed
- regularly assessing, reviewing and improving its internal and external quality assurance and improvement programmes
- keeping updated on new and emerging audit techniques and developments within the internal audit profession that can assist it in conducting all reviews more effectively.

The Internal Audit plan for 2014/15, which was approved by the Audit and Risk Committee meeting on 24 April 2014, was based on the identification of key high risks derived from SITA's strategic risk assessment, interviews and discussions with executive and senior management, external auditors, our understanding of the current business environment of SITA and its revised long-term strategic plan. This approach has also ensured greater coverage of the audit universe of SITA and reduced duplication of effort. Internal Audit follows a risk-based audit approach in developing its annual audit coverage plan. With recommendations from the King III report on Corporate Governance, the Public Finance Management Act and National Treasury Regulations, the requirements of the new Companies Act 71 of 2008 were considered and incorporated in developing the Internal Audit plan.

The Internal Audit plan is regularly reviewed and updated where necessary in response to any new and emerging risks identified that may impact on the changing risk profile of the company. The Executive: Internal Audit attends all Audit and Risk Committee meetings, at which quarterly reports are tabled on all identified material or significant control weaknesses, the actions taken by management to address them, and progress and performance on the approved audit plan, including any significant matters that may need to be brought to the attention of the Audit and Risk Committee. The Internal Audit quarterly reports assist the Audit and Risk Committee in discharging its responsibilities in terms of the Public Finance Management Act of 1999 and the National Treasury Regulations.

All Internal Audit departments are required in terms of the Internal Audit Standards to undergo a compulsory external quality assessment every five years. The Internal Audit division was reviewed by an external services provider during the year and a "Generally Confirms" opinion was achieved. This means that Internal Audit conducts its activities in accordance with the Internal Audit Standards, methodologies and practices as promulgated by the Institute of Internal Auditors (Inc.).The results of this review and the report thereon were tabled at the Audit and Risk Committee meeting in April 2014 and were approved by the committee.

Integrity Assurance Services (Forensic Investigations)

SITA Internal Audit has an in-house forensic capability to conduct forensic investigations requested by management, Board request and those received through its anonymous hotline. This capacity is supplemented by external resources when considered necessary, depending on the nature, complexity and type of investigations to be conducted. SITA operates an independent and anonymous complaints 24/7 ethics hotline, which allows the general public and employees to report any allegations of fraud, corruption, improper conduct, unethical behaviour and any other contraventions of SITA's code of ethics.

A fraud risk register of all investigations conducted is maintained by Internal Audit to ensure that appropriate action, where recommended, has been taken by management. In the above regard, 75 investigations (including of integrity reviews of the Supply Chain Management bid processes) were conducted during the financial year. Disciplinary action and/or corrective measures were instituted by management where appropriate.

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

Responsibility of reporting

To present a balanced and understandable assessment of its position, SITA continuously strives to ensure comprehensive, relevant, transparent, clear and effective reporting and disclosure to stakeholders. It places great emphasis on addressing both positive and negative aspects to demonstrate the long-term viability and sustainability of the organisation.

Risk management

In terms of Section 51 (1) of the PFMA, the Board maintains an effective, efficient and transparent system of, among others, risk management. The recommendations of the King III report on the Code for Corporate Governance have been considered, applied and integrated into the daily activities of all employees within the organisation. 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, 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 as issued by National Treasury 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 root causes, and the continual 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

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 Social & Ethics Committee is responsible for ensuring that an effective governance model is in place that includes the code of conduct, fraud and anti-corruption and a delegation of authority frameworks. This is currently being reviewed to ensure that it is appropriate and responsive, given the repositioning of SITA.

Conclusion

The Agency is consistently improving at achieving the objectives of good corporate governance, namely: good business management, effective relations with its shareholders and all stakeholders, consideration for staff and the environment, and compliance with laws and regulations. The Agency also strives to enhance its organisational performance for the benefit of its shareholders and all stakeholders, enhance information and decision-support processes, and provide a framework for the Board of Directors and Management to perform their duties better and meet the responsibilities for which they are accountable.

SITA

State Information Technology Agency SOC Ltd

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Part D: Human Capital

Human Capital Management

Organisational transformation

In its endeavour to become an employer of choice, SITA took part in both the "Best Employer" and "Best Company to Work for" surveys. The aim was to assess the current standing of the organisation compared to peers in the industry and how employees experience the application of SITA policies and benefits. SITA was certified for the third year in a row as one of the "Best Employers" by the international Top Employers Institute (previously known as CRF).

In addition to the above, SITA attained a mean score of 3.9 in the "Best Company to Work for" survey out of the possible score of 5. A total of 105 companies participated in the survey but only 40 achieved an average mean score of 3.7 and above, resulting in the achievement of Deloitte's Standard of Excellence seal. The results of both surveys are being used to improve HR policies and how employees perceive and receive benefits from the organisation.

The biggest challenge for SITA during this financial year was the finalisation of the restructuring project. As of the end of the second quarter a large number of employees were still in the corporate pool. By the end of the third quarter all employees on levels A1 to C5 were placed in their respective positions. This was made possible by the cordial relations between the employer and the employee representative. The organisation is in the process of placing employees in the upper D1 and above levels.

Organisational culture

Culture is known as a hidden hand that controls how we do what we do, while values drive organisations. Where the organisation does not have a common language and culture, individual behaviours may stand in the way of its success. SITA found itself in such a position where employees felt that their contributions and humanity were not valued. With the new SITA leadership, a decision was made to implement a culture initiative that seeks to create a common language and embed a culture of taking responsibility and customer centricity.

The Arbinger Institute was identified for this purpose and 10 SITAzens were trained as trainers. The service provider also trained SITA leadership, and to date 185 employees have been trained. Subsequent to this training, which has established a common language, will be the implementation of culture

Skills development

The development of employees is paramount to the achievement of SITA goals. The skills market in the country is constrained in that there are fewer organisations that develop skills and a lot more looking for skills. Organisations are in the race for skills, leading to a situation where rotation of the same individuals with skills happens among these organisations.

To this end the organisation, as a state-owned entity, has embarked on a project to empower its employees. Bursaries to the value of R6 403 175 were awarded to 208 employees during the 2013/14 financial year. Over and above the bursaries, SITA spent a further R6 460 124 on other technical training meant to equip employees with the requisite skills, covering 901 employees.

Employee wellness

SITA strives to continuously adopt internationally accepted best practices to create work-life balance and enhance productivity. In line with the National HIV Strategic Plan 2012–2016, SITA has developed and is implementing a Rights-Based, Gender-Sensitive HIV and AIDS Plan, which includes among others upscaling HCT and promoting adherence to ARV medication to strengthen its corporate health profile.

The SITA Transformation Project created a level of uncertainty among staff. Through its in-house well-being programme, trauma support programmes, financial wellness and psychosocial interventions were put in place to assist employees in coping with challenges posed by organisational changes and support them during the transition. A Health and Lifestyle programme was also driven as a key intervention to mitigate an increase in diseases caused by lifestyle.

Human Resource Oversight Statistics

ALL EMPLOYEES: EMPLOYMENT EQUITY PROFILE

Job Grade	African		African Total	Coloured		Coloured Total	Indian		Indian Total
	Female	Male		Female	Male		Female	Male	
A1A3	1	1	2						
A2		4	4						
B1	42	34	76	6	1	7			
B1B2	3	5	8						
B2	12	3	15						
B3	3	7	10						
B3B5	136	123	259	5	15	20	2	5	7
B4	21	34	55	3		3			
B5	61	17	78	17	7	24	2	1	3
C1	61	88	149		5	5		6	6
C1C2	87	102	189	7	19	26	1	3	4
C2	40	22	62	2		2	1	1	2
C3	23	12	35	1		1	2	2	4
C3C5	52	75	127	5	16	21	3	11	14
C4	26	25	51	6	6	12	4	4	8
C5	81	95	176	4	7	11	2	18	20
D1	24	21	45		4	4	3	4	7
D1D3	42	62	104	6	11	17	8	14	22
D2	44	46	90	4		4	2	3	5
D3	2	5	7						
D4	10	9	19	1		1		2	2
D4D5	6	18	24		1	1	1	8	9
D5	8	15	23	5	2	7			
E1	4		4		2	2		1	1
E1E3	3	7	10					2	2
E2	6	7	13						
E3	1		1					1	1

White		White Total	Grand Total	Disabled Total	% Black	% Female	% Disabled
Female	Male						
			2		100%	50%	0%
			4		100%	0%	0%
	1	1	84		99%	57%	0%
			8		100%	38%	0%
			15		100%	80%	0%
			10		100%	30%	0%
21	18	39	325	10	88%	50%	3%
2		2	60	1	97%	43%	2%
17	1	18	123	4	85%	79%	3%
11	19	30	190	3	84%	38%	2%
35	36	71	290	3	76%	45%	1%
11	2	13	79	2	84%	68%	3%
8	2	10	50		80%	68%	0%
65	105	170	332	5	49%	38%	2%
28	19	47	118		60%	54%	0%
53	56	109	316	6	66%	44%	2%
11	12	23	79		71%	48%	0%
88	165	253	396	2	36%	36%	1%
45	32	77	176		56%	54%	0%
	8	8	15		47%	13%	0%
2	5	7	29	1	76%	45%	3%
6	30	36	70		49%	19%	0%
5	2	7	37		81%	49%	0%
1	1	2	9	1	78%	56%	11%
	6	6	18		67%	17%	0%
	1	1	14		93%	43%	0%
	2	2	4		50%	25%	0%

PERMANENT EMPLOYEE PROFILE

Job Grade	African		African Total	Coloured		Coloured Total	Indian		Indian Total
	Female	Male		Female	Male		Female	Male	
A1A3	1	1	2						
A2		4	4						
B1	22	2	24	1		1			
B1B2	3	5	8						
B2	12	3	15						
B3	3	7	10						
B3B5	50	61	111	5	7	12	1	5	6
B4	16	33	49	3		3			
B5	61	17	78	17	7	24	2	1	3
C1	54	78	132		4	4		6	6
C1C2	44	35	79	7	16	23	1	1	2
C2	30	19	49	2		2	1	1	2
C3	22	10	32	1		1	2	2	4
C3C5	48	54	102	5	13	18	3	9	12
C4	25	21	46	6	5	11	4	4	8
C5	79	91	170	4	7	11	2	16	18
D1	24	20	44		4	4	2	4	6
D1D3	40	47	87	4	10	14	8	11	19
D2	42	42	84	4		4	2	3	5
D3	2	5	7						
D4	10	9	19	1		1		2	2
D4D5	5	16	21		1	1	1	8	9
D5	8	15	23	5	2	7			
E1	4		4		2	2		1	1
E1E3	3	7	10					2	2
E2	6	7	13						

SITA

White		White	Grand	Disabled	%	%	%
Female	Male	Total	Total	Total	Black	Female	Disabled
			2		100%	50%	0%
			4		100%	0%	0%
			25		100%	92%	0%
			8		100%	38%	0%
			15		100%	80%	0%
			10		100%	30%	0%
18	10	28	157	10	82%	47%	6%
2		2	54	1	96%	39%	2%
17	1	18	123	4	85%	79%	3%
11	19	30	172	3	83%	38%	2%
28	24	52	156	3	67%	51%	2%
11	2	13	66	2	80%	67%	3%
8	2	10	47		79%	70%	0%
46	81	127	259	5	51%	39%	2%
27	19	46	111		59%	56%	0%
50	55	105	304	6	65%	44%	2%
11	12	23	77		70%	48%	0%
74	106	180	300	2	40%	42%	1%
41	30	71	164		57%	54%	0%
	7	7	14		50%	14%	0%
2	3	5	27	1	81%	48%	4%
5	23	28	59		53%	19%	0%
5	2	7	37		81%	49%	0%
1	1	2	9	1	78%	56%	11%
	6	6	18		67%	17%	0%
	1	1	14		93%	43%	0%

CONTRACT EMPLOYEES: EMPLOYMENT EQUITY PROFILE

Job Grade	African		African Total	Coloured		Coloured Total	Indian		Indian Total
	Female	Male		Female	Male		Female	Male	
B1		3	3						
B3B5	86	62	148		8	8	1		1
B4	5	1	6						
C1	7	10	17		1	1			
C1C2	43	67	110		3	3		2	2
C2	10	3	13						
C3	1	2	3						
C3C5	4	21	25		3	3		2	2
C4	1	4	5		1	1			
C5	2	4	6					2	2
D1		1	1				1		1
D1D3	2	15	17	2	1	3		3	3
D2	2	4	6						
D3									
D4									
D4D5	1	2	3						
Grand Total	164	199	363	2	17	19	2	9	11

LEARNERS: EMPLOYMENT EQUITY PROFILE

Job Grade	African		African Total	Coloured		Coloured Total	Indian		Indian Total
	Female	Male		Female	Male		Female	Male	
B1	20	29	49	5	1	6			
Grand Total	20	29	49	5	1	6			

EMPLOYMENT AND VACANCIES

Division	Totals as at 31 March 2014	Vacancies Remaining
Office of the CEO	21	6
Corporate Services	289	77
Finance	76	11

White		White	Grand	Disabled	%	%	%
Female	Male	Total	Total	Total	Black	Female	Disabled
			3		100%	0%	0%
3	8	11	168		93%	54%	0%
			6		100%	83%	0%
			18		100%	39%	0%
7	12	19	134		86%	37%	0%
			13		100%	77%	0%
			3		100%	33%	0%
19	24	43	73		41%	32%	0%
1		1	7		86%	29%	0%
3	1	4	12		67%	42%	0%
			2		100%	50%	0%
14	59	73	96		24%	19%	0%
4	2	6	12		50%	50%	0%
	1	1	1		0%	0%	0%
	2	2	2		0%	0%	0%
1	7	8	11		27%	18%	0%
52	116	168	561	0	70%	39%	0%

White		White	Grand Total	No	% Race	% Gender	%
Female	Male	Total		Disabled			Disasbled
	1	1	56		98%	45%	0%
	1	1	56		98%	45%	0%

EMPLOYMENT CHANGES

REASON	NUMBER
Deceased	10
Dismissal	3
End of contract	25
Ill health	2

SITA

State Information Technology Agency SOC Ltd

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Part E:
Additional Financial Statements

SITA

State Information Technology Agency SOC Ltd

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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 pages 90-141 have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) 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 90-141 which have been prepared on the going concern basis, were approved by the Board of Directors and were signed on its behalf by:

Jerry Vilakazi
Chairperson

Freeman Nomvalo
Chief Executive Officer

Report of the Audit 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 2013/14	
Name of member	Number of meetings attended: 01 April 2013 – 31 March 2014
J S Mngomezulu (Chairperson)	5 of 5
K Dlamini (Member) (see Note[1])	3 of 5
M Williams (see Note[2])	2 of 5
Z Malele (see Note[2])	2 of 5
G A Victor (see Note[2])	1 of 5
Advocate T Masuku (see Note[2])	1 of 5
W Mudau (Alternate to M Willams) (see Note[2])	2 of 5
* Note 1: resigned 06 August 2013 * Note 2: appointed 18 September 2013 to September 2016	

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 terms of reference which are reviewed annually and approved. The Audit and Risk Committee report that it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Audit and Risk Committee is also responsible for its oversight activities over Finance and Risk Management.

The effectiveness of Internal Controls

The Audit and Risk Committee is of the opinion, based on the information and explanations given to it by management, internal audit, and discussions with the independent external auditors (Auditor-General) on the results of all audits conducted during the year, that the internal accounting controls are operating to ensure that the financial records may be relied upon for preparing the annual financial statements, and that accountability for assets and liabilities has been maintained.

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

a) In terms of its mandate, SITA is required to ensure that every national and provincial government procures all their information technology related goods and services through SITA. Both internal and external audits continue to identify 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 will cause modifications to the government departments and other public bodies' auditors' reports.

b) The Audit and Risk Committee noted with concern that only 28% of the approved Corporate Balance Scorecard was achieved by the entity during the year on its corporate balance scorecard as reported by the Auditor-General. The Committee sees this non-achievement as a weakness in controlling performance and ensuring accountability and discipline throughout the company. In addition, the information used to measure the achievement of economies of scale in the acquisition of large ICT goods and services and the improvement of supply chain management mean time to respond was not reliable.

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 has occurred during the year under review.

The effectiveness of Internal Audit

The Audit and Risk Committee reviewed the effectiveness of internal audits during the year under review. The Audit and Risk Committee received many internal audit reports covering various functions of the business and is comfortable that the areas as covered provides the Committee with a good insight into the adequacy and effectiveness of the implemented internal controls within the company. Audited areas that were having poor controls requiring improvement have been discussed with management and action plans to resolve the reported control deficiencies have been agreed. The Committee has expresses its concern on the number of audit findings identified and reported and has requested that the follow-up processes on the resolution of these findings be accelerated and where necessary escalated.

The Committee has also noted that the approved internal audit plan is being reviewed to align it with the risk profile of the company to ensure its relevance and responsiveness to changes taking place within the company. The previously approved internal audit plan was revised during the year to reflect the changing risk profile of the company and was approved by the Committee.

The risk areas of the institution's operations

The Risk Management division previously resided within Internal Audit. Since October 2012, this function was separated with the appointment of Chief Risk Officer. The existing risk management strategy and framework was revised and approved by the committee. Risk Management has conducted a Strategic Risk Assessment of the company that will be submitted to the Board for approval.

The division also engaged with the different business units in SITA during the year in developing 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

Accounting and auditing concerns identified as a result of internal and external audits

From the various 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, it was noted that apart from the matters already indicated above, there were no other significant or material accounting or auditing concerns that were identified.

The institution's compliance with legal and regulatory provisions

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

a) Instances of non-compliance with procurement legislation were identified.

b) Internal controls to prevent irregular expenditure were not effective and instances of irregular expenditure were identified.

c) 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 Public Finance Management Act and section 29(1)(a) of the Companies Act of 2008. Material misstatements of noncurrent 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 and from a review of the various reports submitted by Internal Audit, the Audit Report on the Annual Financial Statements, and the management letter of the Auditor-General, it was noted that no other significant or material non-compliance with legal and regulatory provisions has been reported other than those already reported in the Auditor-General's report below.

Evaluation of the Annual Financial Statements

The Audit Committee has evaluated the Annual Financial Statements of the company for the year ended 31 March 2014 and, based on the information provided to the Audit and Risk Committee, concurs and accepts the Auditor-General's conclusions on the Annual Financial Statements and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.

Mr S Mngomezulu
Chairperson of the Audit Committee

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 Ltd set out on pages 90 - 141, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

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

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with 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 evaluating the appropriateness of accounting policies used and the reasonableness of accounting

Emphasis of matter

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

Significant uncertainties (other than going concern)

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

Additional matters

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

SITA as the procurement agent on behalf of other government institutions

10. According to section 7(3) and (5) of the State Information Technology Agency Act, 1998 (Act No. 88 of 1998) (SITA Act), every department must, and while other public bodies may, procure information technology related goods and services through SITA.

11. 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, we have identified several instances of non-compliance with laws and regulations pertaining to the procurement process, contract management and adherence to internal control. The details of these findings are included under paragraphs 36-44 of this report. These non-compliance matters may cause modifications to the government departments and other public body's auditors' reports.

Other reports required by the Companies Act

13. As part of our audit of the financial statements for the year ended 31 March 2014, I have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements in respect of which I have expressed an unqualified opinion. I have not audited the reports and accordingly do not express an opinion on them.

Report on other legal and regulatory requirements

Predetermined objectives

15. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2014:
    - Re-engineering of government business processes for efficiency on page 27
    - Ensure citizen convenience on page 27
    - Drive economies of scale through the reduction of duplication in government systems on page 28
    - Establish an operational ICT academy on page 28
    - Improve customer satisfaction on pages on page 28
    - Improve stakeholder management on page 28
    - Being a high-performance organisation on page 30
    - Partner with the industry to deliver quality service on page 31
    - Drive economies of scale in the acquisition of large ICT goods and services on page 31
    - Improve supply chain management mean time to respond on page 31
    - Provide an enabling environment for ICT SMME and ICT industry growth on page 31.

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

17. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time-bound and relevant, as required by the National Treasury's Framework for Managing Programme Performance Information (FMPPI).

18. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

19. The material findings in respect of the selected objectives are as follows:

Re-engineering of government business processes for efficiency

Usefulness and reliability of reported performance information

20. I did not identify any material findings on the usefulness and reliability of the reported performance information for re-engineering of government business processes for efficiency.

Ensure citizen convenience

Usefulness and reliability of reported performance information

21. I did not identify any material findings on the usefulness and reliability of the reported performance information for ensure citizen convenience.

Improve customer satisfaction

Usefulness and reliability of reported performance information

24. I did not identify any material findings on the usefulness and reliability of the reported performance information for improving customer satisfaction.

Improve stakeholder management

Usefulness and reliability of reported performance information

25. I did not identify any material findings on the usefulness and reliability of the reported performance information for improving stakeholder management.

Be a high-performance organisation

Usefulness and reliability of reported performance information

26. I did not identify any material findings on the usefulness and reliability of the reported performance information for being a high-performance organisation.

Partner with the industry to deliver quality service

Usefulness and reliability of reported performance information

27. I did not identify any material findings on the usefulness and reliability of the reported performance information for partnering with the industry to deliver quality service.

Drive economies of scale in the acquisition of large ICT goods and services

Usefulness of reported performance information

28. I did not identify any material findings on the usefulness of the reported performance information for driving economies of scale in the acquisition of large ICT goods and services.

Reliability of reported performance information

29. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information.

Improve supply chain management mean time to respond

Usefulness of reported performance information

30. I did not identify any material findings on the usefulness of the reported performance information for improving supply chain management mean time to respond.

Reliability of reported performance information

Additional matters

I draw attention to the following matter:

Achievement of planned targets

33. Refer to the annual performance report on pages 26 to 31 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the reliability of the reported performance information for the selected objectives reported in paragraphs 29 and 31 of this report.

Compliance with legislation

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

Annual financial statements, performance and annual reports

35. 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 28(1)(a) of the Companies Act of South Africa. Material misstatements of non-current assets, current assets, current liabilities, revenue and operating expenses identified in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Procurement

36. Goods and services with a transaction value below R500 000 were procured without obtaining the required price quotations as required by Treasury Regulation 16A6.1.

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

38. Deviations were approved by the accounting authority even though it was not impractical to invite competitive bids, in contravention of Treasury Regulations 16A6.4.

39. Persons in service of the public entity who had a private or business interest in contracts awarded by the public entity failed to disclose such interest, as required by Treasury Regulation 16A8.4.

40. Persons in service of the public entity whose close family members, partners or associates had a private or business interest in contracts awarded by the public entity failed to disclose such interest, as required by Treasury Regulation 16A8.4.

41. Contracts were awarded to bidders who did not submit a declaration on whether they are employed by the

Expenditure management

43. The accounting authority did not take effective steps to prevent irregular expenditure as per the requirements of section 51(1)(b)(ii) of the Public Finance Management Act.

Internal control

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

Financial and performance management

45. The entity did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

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

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

Other reports

Investigations

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

49. There are five (5) cases where potential irregularities in respect of supply chain management and ICT service delivery are being investigated that may result in financial misconduct.

50. The Internal Audit department has completed fifty-eight (58) investigations in the current year in respect of supply chain management, ICT service delivery and corporate services.

Auditor-General

Pretoria
31 July 2014

CERTIFICATE

Certificate by the Company Secretary

I, Ms S Kgope, 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 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. Introduction

The directors have pleasure in presenting their report, which forms part of the audited Annual Financial Statements of the State Information Technology Agency SOC Ltd for the year ended 31 March 2014. This report and the Annual Financial Statements comply with the requirements of the Public Finance Management Act No 1 of 1999 (as amended), the SITA Act No 88 of 1998 (as amended by Act 38 of 2002), and the Companies Act No 71 of 2008. The Board of Directors is the accounting authority in terms of section 49(2) (a) of the PFMA.

2. Nature of business

The 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 governance departments, provincial government departments and local government. The company is an agent of the South African government, in accordance with SITA Act No 88 of 1998 (as amended by Act 38 of 2002). The company derives all its revenue from ICT services and goods.

3. Registration details

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

4. Ownership

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

5. Equity contributed

There were no changes to either the authorised or issued share capital of the company during the year ended 31 March 2014. Details of the authorised and issued share capital can be found in Note 12 to the Annual Financial Statements.

6. Financial highlights

The financial performance is set out on pages 90 to 141 of this report.
The group financial performance is summarised as follows:

	31 March 2014	31 March 2013
	Rand	% change

7. Dividends

There were no dividends declared for the current financial year (2013: R Nil).

8. Internal controls

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

9. Public Finance Management Act (PFMA)

PFMA compliance

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

10. Materiality and Significance Framework

A Materiality and Significance Framework has been developed for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, as well as for significant transactions per section 54(2) of the Act, that require ministerial approval. The framework was approved by the Board of Directors and the Minister of Public Services and Administration for the 2013/14 financial year.

11. 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.

12. Public-private partnerships

The company did not enter into any public-private partnerships during the current financial year.

13. Basis of presentation

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 International Accounting Standards Board (IASB). In terms of GRAP standards, 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

14. Events subsequent to the date of financial position

The following events took place subsequent to the date of financial position:

- On 15 July 2014, President Jacob Zuma signed a proclamation transferring the powers and functions of certain government departments and entities to newly created ministries and departments. Based on this proclamation, SITA moves from the Ministry of Public Service and Administration to the newly-created Ministry of Telecommunications and Postal Services.

- SITA's executive responsible for Internal Audit resigned.

15. Going concern

The directors confirm that they are 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 they continue to adopt the going concern basis for preparing the financial statements as confirmed in the Statement of Responsibility by the Board of Directors on page 76.

16. 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
Deputy Chairperson:
Mr F Nomvalo
Dr V Mahlati
Board Members:
Ms N January-Bardill
Ms S Chaba
Mr K Dlamini (resigned 06 August 2013)
Mr Z Malele
Adv T Masuku
Adv MB Matlejoane
Mr S Mngomezulu
Dr A Mokgokong
Mr Z Nomvete
Mr G Victor
Ms M Williams
Mr W Mudau (Alternate Member)

Statement of Financial Position
as at 31 March 2014

in Rand	Note	2014	2013
Assets			
Non-current assets		874 700 690	702 853 943
Property, plant and equipment	4	475 657 828	379 352 132
Intangible assets	5	245 649 295	226 147 757
Non-current portion of prepayments	10	64 211 206	34 674 974
Deferred tax assets	7	89 182 361	62 679 080
Current assets		2 821 828 139	2 604 439 318
Cash and cash equivalents	8	1 630 152 938	1 508 852 635
Trade and other receivables	9	1 021 490,046	1 049 875 834
Income tax receivable		91 696 017	21 234 399
Current portion of prepayments	10	78 489 137	24 476 450
Total assets		3 696 528 828	3 307 293 261
Net assets and liabilities			
Net assets		2 586 626 536	2 541 205 172
Share capital	11	1	1
Reserves	12	627 334 546	627 334 546
Accumulated surpluses		1 959 291 989	1 913 870 625
Liabilities			
Non-current liabilities		109 266 745	124 987 745

Statement of Financial Performance
for the year ended 31 March 2014

in Rand	Note	2014	2013
Revenue	17	4 692 013 369	4 283 035 140
Cost of sales	18	3 849 400 431	3 255 927 059
Gross surplus		842 612 938	1 027 108 080
Other income	19	37 317 228	42 441 657
Operating expenses	20	936 570 443	603 372 982
(Deficit)/Surplus from operating activities		(56 640 277)	466 176 755
Finance income	21	147 289 814	145 808 570
Finance expenses	22	23 336 437	33 441 105
Surplus before income tax		67 313 100	578 544 221
Income tax expense	23	21 891 736	179 428 415
Surplus for the year attributable to shareholder		45 421 364	399 115 806

Statement of Changes in Net Assets
for the year ended 31 March 2014

in Rand	Share capital	Reserves	Accumulated surpluses	Total

Cash Flow Statement
for the year ended 31 March 2014

in Rand	Note	2014	2013
Cash flows from operating activities			
Receipts		4 795 897 586	4 624 510 372
- Sale of goods and services		4 716 913 183	4 551 847 498
- Finance income received		78 984 403	72 662 874
Payments		(4 318 622 078)	(4 448 610 074)
- Payment to suppliers and employees		(4 199 381 387)	(4 212 500 886)
- Finance costs paid		(384 055)	(4 766 333)
- Income tax paid	30.1	(118 856 636)	(231 342 856)
Net cash flows from operating activities	30.2	477 275 508	175 900 298
Cash flows from investing activities			
Purchase of property, plant and equipment		(148 620 890)	(15 821 043)
Purchase of intangible assets		(207 383 333)	(200 271 933)
Proceeds from the sale of property, plant and equipment		29 019	25 112
Net cash flows from investing activities		(355 975 204)	(216 067 864)
Cash flows from financing activities			
Repayment of interest-bearing borrowings		-	-
Net cash flows from financing activities		-	-
Increase /(Decrease)in cash and cash equivalents		121 300 304	(40 167 565)
Cash and cash equivalents at beginning of year		1 508 852 634	1 549 020 199
Cash and cash equivalents at end of year	8	1 630 152 938	1 508 852 634

Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2014

in Rand	Note	Actual	Budget	Variance
Revenue	a	4 692 013 369	5 635 000 000	(16.73%)
Cost of sales	b	3 849 400 431	4 508 000 000	(14.61%)
Gross surplus		842 612 938	1 127 000 000	
Other income	c	37 317 228	29 369 104	27.06%
Operating expenses	d	936 570 443	907 941 175	3.15%
Surplus from operating activities		(56 640 277)	248 427 929	
Net finance income	e	123 953 377	52 250 000	137.23%
Surplus before income tax		67 313 100	300 677 929	(77.61%)
Income tax expense		21 891 736	56 189 820	(61.04%)
Surplus for the year attributable to shareholder		45 421 364	244 488 109	(81.42%)

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

Notes:

a. The budgeted revenue did not materialise due to resource constraints which resulted in shortfalls for various services.

b. The variance in respect of cost of sales is mainly due to the cost of sales that is not in line with the revenue generated as a result of billing rates which were not adjusted and costs that were escalating irrespective.

c. The variance on " other income" is mainly from facilities rentals.

Notes to the Annual Financial Statements
for the year ended 31 March 2014

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 2014 were authorised and approved in accordance with a resolution of the Board of Directors on 31 July 2014.

2. Basis of preparation

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

a) Statement of compliance

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

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

b) Use of estimates and judgements

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

3. Significant accounting policies

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

3.1 Foreign currency transactions

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

3.2 Financial instruments

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

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

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

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

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

At the end of each reporting period, financial assets measured at amortised cost are assessed whether or

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

3.3 Property, plant and equipment

a) Recognition and measurement

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

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

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

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

b) Subsequent costs

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

c) Depreciation

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

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

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

d) Derecognition

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

3.4 Intangible assets

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

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

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

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

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

3.5 Leases

Lessee

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

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

Lessor

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

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.

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

In 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 output nor equal to the current market price at the time of delivery.

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

3.6 Impairment

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

An impairment loss is recognised in surplus or deficit whenever the carrying amount of an asset exceeds the recoverable amount. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and it's 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,

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

3.7 Employee benefits

a) Defined contribution plan

A defined contribution plan is a post-retirement benefit plan under which the company pays fixed contributions into a separate company and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the surplus or deficit when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

b) Defined benefit plan

The post-retirement benefit plan is a defined benefit plan. Medical benefits are provided for all permanent employees via three medical funds. All contributions paid are charged to the surplus or deficit in the year to which they relate. The company provides post-retirement health care benefits to a closed group of qualifying employees and retirees. The entitlement to post-retirement health care benefits is based on the qualifying employee remaining in service up to retirement age. The expected cost of these benefits are accrued for over the period of employment, using the projected unit credit method. Annual valuations of these obligations are carried out by independent qualified actuaries. Any actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised as an expense in the period in which the plan is amended.

c) Termination benefits

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

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

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

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 transferred to the buyer;
- recovery of the consideration is considered probable;
- the associated costs and possible return of goods can be estimated reliably; and
- there is no continuing management involvement with the goods.

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

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the company;

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

3.10 Finance income

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

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

3.11 Finance expenses

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

3.12 Taxation

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

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

3.13 Related parties

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

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

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

All related party transactions are disclosed in terms of the requirements of IPSAS 20 Related Party Disclosures. The objective of the standard and the financial statements is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

3.14 Irregular, fruitless and wasteful expenditure

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

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

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

Notes to the Annual Financial Statements

for the year ended 31 March 2014 (cont.)

4. Property, plant and equipment

in Rand	Land	Buildings	Computer equipment	Office furniture	Vehicles	Total
At 31 March 2014						
Cost						
Balance at beginning of year	24 743 595	261 936 023	585 070 709	111 909 686	1 148 757	984 808 770
Additions and improvements	-	2 256 532	141 669 266	4 695 092	-	148 620 890
Disposals/Retirements	-	(29 576)	(88 563 232)	(3 636 239)	-	(92 229 047)
Balance at end of year	24 743 595	264 162 979	638 176 743	112 968 539	1 148 757	1 041 200 613
Accumulated depreciation						
Balance at beginning of year	-	93 318 168	436 819 697	74 487 573	831 200	605 456 638
Depreciation charge	-	9 574 904	9 841 264	1 771 643	(77 525)	21 110 286
Disposals/Retirements	-	(22 759)	(58 052 044)	(2 949 336)	-	(61 024 138)
Balance at end of year	-	102 870 313	388 608 917	73 309 880	753 675	565 542 785
Net carrying amount	24 743 595	161 292 666	249 567 826	39 658 659	395 082	475 657 828
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
Impairment	-	-	(18 527 230)	(224 392)	-	(18 751 621)
Disposals/Retirements	-	-	(30 541)	-	-	(30 541)

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

5. Intangible assets

in Rand	Intangible assets	Internally generated intangible assets	Total
At 31 March 2014			
Cost			
Balance at beginning of year	203 050 505	168 942 765	371 993 270
Additions and improvements	30 082 690	177 300 643	207 383 333
Disposals/Retirements	(39 860 501)	-	(39 860 501)
Balance at end of year	193 272 694	346 243 408	539 516 102
Accumulated amortisation			
Balance at beginning of year	145 845 513	-	145 845 513
Amortisation charge	2 085 566	-	2 085 566
Disposals/Retirements	(29 178 680)	-	(29 178 680)
Impairment	-	175 114 408	175 114 408
Balance at end of year	118 752 399	175 114 408	293 866 807
Net carrying amount	74 520 295	171 128 999	245 649 295
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 end of year	203 050 505	168 942 765	371 993 270
Accumulated amortisation			
Balance at beginning of year	147 451 454	-	147 451 454

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

6. Capital and operational commitments

in Rand	2014	2013
Budgeted and contracted for	329 076 990	203 126 485
	329 076 990	203 126 485

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	2014	2013
Movement in impairment on trade receivables	2 657 714	61 030 976	58 373 262
Movement in asset impairment	49 032 034	49 032 034	-
Accrual for leave pay benefits	(1 519 682)	18 330 382	19 850 064
Post-retirement medical benefits	(4 401 880)	30 594 689	34 996 569
Income received in advance	45 074 783	64 040 346	18 965 563
Notional interest adjustment	(1 028 116)	768 842	1 796 958
Leases	(1 702 885)	435 018	2 137 903
Prepayments	(7 561 776)	(10 988 479)	(3 426 703)
Section 24C allowance	(45 074 785)	(64 040 346)	(18 965 563)
Depreciation/amortisation	(8 972 128)	(60 021 101)	(51 048 973)
	26 503 281	89 182 361	62 679 080

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

8. Cash and cash equivalents

in Rand	2014	2013
Ring-fenced cash	286 122 601	126 805 153
- IFMS Project	100 159 755	152 804
- Income received in advance	111 180 846	51 870 349
- Municipal guarantees	1 437 000	1 437 000
- Post retirement medical benefits	73 345 000	73 345 000
Other surplus cash	1 344 030 337	1 382 047 481
	1 630 152 938	1 508 852 635
Analysis of other	1 344 030 337	1 382 047 481
- Current account balance	127 465 162	65 627 348
- Call account balance	2 000 209	48 156 820
- Surplus cash	1 214 553 366	1 268 251 713
- Cash float	11 600	11 600

Ring-fenced cash represents cash received from customers to be utilised for specific projects in the future, deposits held for rental and municipalities and money that has been ring-fenced to manage the immediate risk of an uncovered post-retirement medical benefit liability.

The company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 24.

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

9. Trade and other receivables

in Rand	2014	2013
Trade receivables	1 275 463 890	1 313 616 369
Less: Impairment of trade receivables	(279 194 675)	(267 036 592)
	996 269 215	1 046 579 777
Other receivables	25 220 831	3 296 057
	1 021 490 046	1 049 875 834

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

10. Prepayments

in Rand	2014	2013
Software maintenance costs: Non-current portion	64 211 206	34 674 974
Software maintenance costs: Current portion	78 489 137	24 476 450
	142 700 343	59 151 424

Prepayments relate 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.

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

11. Share Capital

in Rand	2014	2013
Authorised and issued		
One ordinary share at R1.00 each	1	1

12. Reserves

in Rand	2014	2013
Opening balance	627 334 546	627 334 546
Movement	-	-
Closing balance	627 334 546	627 334 546

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

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

13. Post-retirement employee benefits

in Rand	2014	2013
Present value of unfunded obligations	109 266 745	124 987 745
Plan assets	-	-
Unrealised actuarial gains	-	-
	109 266 745	124 987 745

Movement in the present value of the defined benefit liability

Balance at beginning of year	124 987 745	129 151 713
Statement of financial performance movement	(15 721 000)	(4 163 968)
Current service cost	3 921 000	6 085 129
Interest cost	7 031 000	8 545 236
Contributions paid	(1 070 000)	(734 688)
Negative past service costs	-	(3 777 687)
Curtailments	(13 487 000)	-
Realised actuarial (gain)/loss	(12 116 000)	(14 281 958)
Balance at end of year	109 266 745	124 987 745

Employee benefit expense

Current service cost	3 921 000	6 085 129
Interest cost	7 031 000	8 545 236

Principal actuarial assumptions

Gross discount rate	Zero-coupon South African bond yield curve -9.7%	Zero-coupon South African bond yield curve -8%
Healthcare cost inflation	0.5% lower than valuation discount rate at each term to maturity - 9.0%	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	SA85-90 L rated down 3 years
Post-retirement mortality assumptions:		
- Males	PA(90) rated down 2 year(s) plus 0.5% future improvement	PA(90) rated down 2 years
- Females	PA(90) rated down 2 years plus 0.5% future improvement	PA(90) rated down 2 years
Expected retirement ages:		
- Males	65 years - ex Infoplan; 60 years - others	60.66 years
- Females	65 years - ex	60.56 years

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

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 benefit has been determined by independent actuaries as at 31 March 2014 using the projected unit credit method.

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

It is anticipated that the contributions to be paid in 2014/15 will amount to R961 809.

Sensitivity analysis relating to the assumed medical cost trend rates:

	Increase of 1%	Base	Decrease of 1%
Change in liability in Rand	87 889 000	109 267 000	137 375 000
Change in liability as a %	(19.56%)		25.72%
Service cost and interest cost in Rand	18 290 000	14 458 000	11 554 000

2014 2013 2012 2011 2010

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

13.1 Employee benefits

All permanent employees are members of the following independent funds:

Denel Retirement Fund

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

Government Employees Pension Fund

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

SITA Pension Fund

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

The contributions charged against income for the above-mentioned pension funds amounted to R75.8 million (2013: R71.7 million).

Current medical benefits

The company contributes to three medical aid schemes for the benefit of permanent employees and their dependants. Contributions charged against income amounted to R80.3 million (2013: R77.8 million). The company's financial obligation is limited to the current company contributions.

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

14. Trade and other payables

in Rand	2014	2013
Trade payables	632 478 946	405 024 519
Leave pay accrual	70 510 205	75 937 641
Accrual for 13th cheque	5 043 178	5 174 924
Non-trade payables	63 887 695	87 229 107
	771 920 024	573 366 191

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

15. Provisions

in Rand	2014	2013
Balance at beginning of year	-	73 192 892
Additional provisions (reversed)/raised during the year	-	(73 192 892)
Utilisation of provisions during the year	-	-
Balance at end of year	-	-

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

16. Income received in advance

in Rand	2014	2013
Unearned revenue	17 374 922	15 710 999
Ring fenced cash (Refer to note 8)	211 340 601	52 023 153
- Income received in advance	111 180 846	51 870 349
- IFMS	100 159 755	152 804
	228 715 523	67 734 152

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

Unearned revenue represents amounts that have been billed and received as per the contract with the customer, but relate to future activity of the contract.

17. Revenue

in Rand	2014	2013
Acquisition Management	-	995
BPO Service Desk	34 016	16 859 624
Commercial Printing	47 557 562	32 417 985
ICT Advisory Services	50 760 104	44 961 828
Information Management	34 253 062	35 461 622
Managed Applications	521 638 308	396 784 403
Managed Desktop	393 551 075	392 226 468
Managed Infrastructure	1 528 785 564	1 815 954 847
Project Management	226 295 992	73 005 085

Notes to the Annual Financial Statements
for the year ended 31 March 2014 (cont.)

18. Cost of sales

in Rand	2014	2013
Direct depreciation	20 232 341	64 780 229
Direct amortisation	2 085 308	6 415 726
Direct labour	981 137 832	1 157 964 093
Service delivery expenditure	2 845 944 950	2 026 767 012
	3 849 400 431	3 255 927 059

19. Other income

in Rand	2014	2013
Profit on disposal of assets	29 019	24 424
Operating lease income	14 553 749	11 251 975
Income from GovTech conference	20 744 373	15 998 147
Sundry income	1 990 087	15 167 112
	37 317 228	42 441 657