ANNUAL REPORT
2015 / 2016

SITA
State Information Technology Agency SOC Ltd

STATE INFORMATION TECHNOLOGY AGENCY SOC LIMITED

ANNUAL REPORT
2015/2016 FINANCIAL YEAR

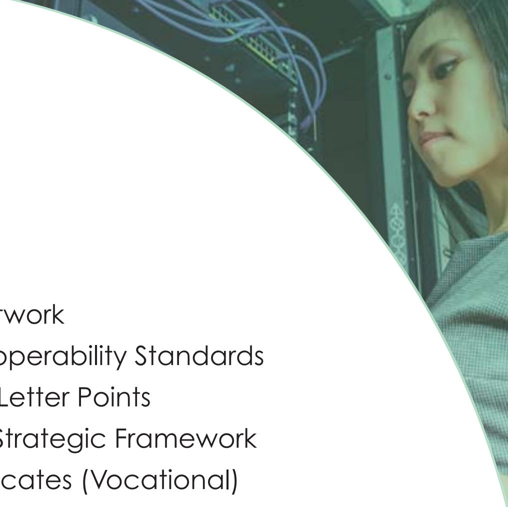
Contents

PART A:

GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME	State Information Technology Agency (SITA) SOC Limited
REGISTRATION NUMBER	1999/001899/30
PHYSICAL ADDRESS	459 Tsitsa Street Erasmuskloof Pretoria South Africa
POSTAL ADDRESS:	P O Box 26100 Monument Park 0105 South Africa
TELEPHONE NUMBER	+27 12 482 3000
FAX NUMBER	+27 12 367 5151
EMAIL ADDRESS	Shirley.Kgope@sita.co.za
WEBSITE ADDRESS	http//www.sita.co.za
EXTERNAL AUDITORS	Auditor-General of South Africa
BANKERS	Standard Bank of South Africa P O Box 62325 Marshalltown Gauteng, 2107
COMPANY/BOARD SECRETARY	Shirley L Kgope (Acting)



2. LIST OF ABBREVIATIONS/ACRONYMS

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

3. FOREWORD BY THE CHAIRPERSON

The period under review saw considerable progress being made in the second year of advancing our strategic aspirations as set out in our key strategic priorities over the Medium Term Strategic Framework (MTSF). Driven by passion to succeed, the Agency had stated its intent of Building for Sustainability towards realising the company objectives, and the progress recorded was heartening, confirming that we were on course.

Taking inspiration from the National Development Plan(NDP), the State Information Technology Agency (SITA) has heeded the call from the Shareholder and continues to focus its attention on infrastructure rollout, the creation and acceleration of the expansion of e-Government services, and on Information, Communication and Technology (ICT) Security, hence the development of a renewed approach, complete with a programme of action to radically improve e-Government in fulfillment of the SITA vision e.g. the automation of the procurement services.

In addition, the modernisation of SITA's infrastructure capability was started in the period under review and the project will go a long way in ensuring business continuity and the evolution of the technology landscape for SITA's existing data centres capability. It is through this modernisation that government will further consolidate the current ICT investments through centralisation, resulting in better economies of scale.

The belief in capable technology and innovative systems was further entrenched through international benchmarks. A study tour to peer ICT developing countries was undertaken and the lessons learnt indicated, among others, that we have more work to do in embracing the latest methodologies and technology trends to be on par with global standards.

In particular, developments in big data, cloud computing, mobile applications, broadband communications and internet of things, all provide tantalising opportunities to leapfrog our capacity to impact decisively on the challenges that lie ahead for government service delivery. We are confident that the foundation has been laid to secure the appropriate partnerships to make rapid progress in this regard.

On partnerships and relationship building, the Agency has accordingly worked earnestly at adapting the operating model with the view of managing down the financial sustainability risk and improving customer centricity, whilst continuing to give effect to the Shareholder's requirements to create better focus on e-Government, Security and general ICT architecture, based on formalised norms and standards. All this was prioritised without losing control of delivery of our overall mandate to Government.

In the past year, the economic vicissitudes brought by the prolonged recession and economic stagnation remained a challenge to the business of the Agency and imposed the imperative to adapt to current realities. As the Board of Directors, we heeded the clarion call to institute appropriate measures to drive down the costs and realise savings, while mindful of not compromising the quality of ICT service delivery efforts to the Government and its people. The support and cooperation from management and staff have been phenomenal.

The Board remains heartened and is committed to cost-effectively deliver value to the Shareholder, Stakeholders and Customers. To this end, efforts to build stronger stakeholder relations were intensified through continued engagements and consequently, headway was recorded in normalising relations.

The goal remains to be the ICT lead Agency of choice to all our stakeholders, epitomised by SITA service delivery capability that has a direct bearing on the quality of life of the citizens of the Republic of South Africa.

In realisation thereof, we stepped up on vigorous engagements with key stakeholders across the ICT industry, bringing to attention the role of the Agency in service delivery improvement and promotion of good governance to improve relations and collaboratively address the challenges faced by SITA's customers. It is our earnest belief that we have succeeded to instill a measure of confidence in the Agency and instituted other measures to make SITA more agile and resilient to current challenges.

SITA was tasked by the Parliamentary Portfolio Committee on Higher Education and Training in June 2015, to drive and ensure the elimination of the backlog of the National Certificates (Vocational) (NC(V)) as an extremely urgent priority. The backlog at that time, affected more than 129 000 candidates (and many more dependents) who wrote the related examinations between 2007 and 2014 and to-date, have not received their curriculum and/or subject certificates, even though in probably most cases, they should have. SITA, together with the Department of Higher Education and Training(DHET), and Umalusi implemented robust collaborative service delivery mechanisms to reduce the backlog. This resulted in 69 628 certificates being successfully processed as at the end of March 2016. Considerable progress was made in the months after the end of the financial year and by the middle of August 2016, a total of 234 697 certificates had been successfully processed, leaving only 2 124 outstanding certificates.

Going forward, SITA will focus on further fulfilling the Shareholder's vision, by directing the Agency's attention to the expansion of e-Government services to ensure acceleration of service delivery, key infrastructure rollout, together with relevant ICT Security solutions.

Behind every successful system and technology there are always dedicated teams of competent people. In recognition, the Board has placed emphasis on the people (and their development) as assets in the company. Accordingly, the Board has ensured stability within the organisation by eradicating the so-called excess pool, maintaining that people are placed and matched within the ambits of labour legislation. Good work has been done to properly place employees in positions that ensure maximum engagement of all employees in the pursuit of our objectives. Our business is a people's business and the attainment of our vision can only be assured if all hands are on deck.

Furthermore, the Board focused on rewards policies in order to improve employee morale which was reflected in the High Performance Organisation (HPO) survey. Further work continues to alleviate the load and fill key strategic executive and other positions to develop a new cadre of ICT professionals for succession and capacity planning purposes.

Given the lucrative procurement environment that the Agency operates in, the Board has relentlessly focused its attention on improving governance and eradicating any fraud and/or corruption. The Agency has adopted a risk management approach in the prevention, detection and investigation of suspected fraudulent activities. The Board has also approved a Fraud Prevention and Anti-corruption Strategy which provides a guideline of activities to be performed by different divisions within the Agency to prevent, detect and report fraud and corruption activities. This is part of the zero tolerance culture to fraud and corruption.

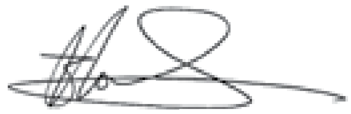
I take this opportunity to express my appreciation for the ongoing hard work of my colleagues, members of the SITA Board of Directors.

My thanks also goes to the SITA Executive Committee led by the Chief Executive Officer, Dr Setumo Mohapi for their splendid contribution to the success of the organisation and I congratulate them on their ethos that is contributory in the Agency's improved ICT delivery and increased customer-centricity. The processes and policy changes that we have made in SITA will forever change the service experience of both our clients and business partners. This is further evidenced by the renewed zeal to deliver on strategic projects for government, for example, e-Portal, e-Cabinet and the foundation for G-Commerce platforms that will substantially move government procurement to a different level.

As the Board began to engage in direct developmental communication with the SITAzens(employees) to manage anxieties and build on expectations, we became awe struck by the quality of the people we are leading. The Board thanks the staff for their honesty, maturity and willingness to make a difference, despite the challenges we all faced. Their hard work and passion are commendable.

Finally, I would like to take this opportunity to thank the Shareholder representative, Minister of Telecommunications and Postal Services, Dr Siyabonga Cwele (MP), for his leadership and for entrusting us with the responsibility to preside over SITA as its Board of Directors, and the Deputy Minister, Prof Hlengiwe Mkhize (MP) for her guidance and stewardship. They both made the Board's performance of SITA's task lighter.

I also extend my gratitude to the Chairperson of the Portfolio Committee on Telecommunications and Postal Services, Honourable Ms Mmamoloko Kubayi (MP) and members of the Committee for their continued support and counsel.



Mr Z D Nomvete

Chairperson of the SITA Board of Directors (Acting)

State Information Technology Agency SOC Limited (SITA)

11 August 2016

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Overview

A first year in any tenure, particularly in an environment undergoing transformation, presents unique challenges for any leader. Whilst the organisation is still beset with many operational and even strategic challenges, it is heartwarming to note that at a minimum, there is better, deeper and wider appreciation of not only the details of the challenges, but also the acceptance that it is not tenable that public services should continue to be negatively affected by inefficiencies and ineffectiveness in the acquisition and operations of information and technology goods and services. In this respect, one fully believes that the 2015/2016 financial year represented a special and positive turning point in the organisation's history and future.

The operational programme for the financial year was founded on the 2014-2019 strategy and through our Board of Directors, the organisation created an operational annual plan that not only closed implementation gaps from the previous financial year, but also drew lessons learnt and aligned objectives closer to outcomes, meaningful to customer aspirations, and particularly aspirations linked to improvements in the delivery of public service. Moreover, the organisation created programmes that laid the foundation for better insight into the operational environments in finance, supply chain and certain technical operations, enabling management to implement certain improvements.

Early in the financial year, we reflected on the fact that in spite of knowing the demand for and benefits of high bandwidths and more robust network operations, more than 60% of the bandwidth offered to Government departments was equal to or less than 512Kbps and without redundancy. We therefore revised our product offering to Government and launched a campaign in October 2015 that provided an attractive and cost effective incentive for our customers to upgrade their bandwidth. As at the end of the financial year, we had sent 504 proposals to clients, of which 252 have been accepted. Noting that the offer was made in the middle of a financial year, we believe that the acceptance rate represents a significantly positive response from our customers.

SITA has also contributed meaningfully to the country's broadband strategy i.e. SA Connect. We assisted the Western Cape Government with their requirement to provide a high-speed broadband telecommunications network and provide connectivity for the transmission of data, voice and video. To date, we have activated 1 090 Layer 2 sites and 1 001 Layer 3 sites.

Furthermore, the Department of Home Affairs (DHA) requested SITA to provide end-to-end connectivity for the nine banking institutions for the DHA Modernisation Project for new identity (ID) cards to the South African public, through offices situated within the nine banking institutes identified by DHA, making it easier for the public to attain the new ID card. SITA has successfully connected eight banking sites.

We were also able to make significant progress in solving an old problem. Specifically, as far back as 2011, a significant number of students who wrote examinations for the NC(V), were not able to receive their certificates. One cannot understate the hurt and damage that this situation has caused to the 129 000 affected students and their families.

We have been able to confront this problem. By 31 March 2016, there were still 54 149 students affected. By the middle of August 2016, the number affected students had been reduced to 1 936. We are confident that we will be able to eradicate the backlog completely within the next coming weeks and we have put considerable measures in place to ensure that this and any similar issue does not occur ever again. Most importantly, the work on the NC(V) has also allowed us to look

critically at our operating model and as a result, we have restructured our teams and created a new operating unit that looks at the entire education portfolio, and ensures that the lessons learnt on the NC(V) project are disseminated to other systems. We view the education IT systems as being integral pieces of one value chain of public services that prepare young people to be active and productive members of society.

On procurement, we continued to make modest improvements in our operating environment. The entire transformation of the environment is however limited by the manual nature of the operations. In response to this, during the financial year, we adopted a new programme that will accelerate the changes through the introduction of extensive automation in almost all aspects of the supply chain of goods and services for both SITA's internal consumption and on behalf of our customers. In addition, during the financial year, we created a new function to specifically drive the development of policies and programmes to ensure greater participation of Small Medium Micro Enterprises (SMMEs) throughout the country.

We have done a great deal as management to improve the performance of the organisation, improving staff moral and building a trusting working relationship with our employees and all stakeholders.

We revised the macro structure of the organisation. This revision has assisted the organisation to address service delivery issues through optimisation of certain functions within the structure. We have also conducted a High Performance Organisation (HPO) survey to determine employee perceptions relating to the Employer of Choice or the HPO model as implemented by SITA and to determine if any changes occurred since the 2012 and 2014 surveys. The survey measured SITA in nine dimensions i.e. building a high performance organisation, change and renewal, diversity, employer brand, employer engagement, employee satisfaction, Employer of Choice, knowledge management and leadership.

The survey results showed marked improvement of 10% from the baseline of the financial year 2014/2015 Organisational Health Index (OHI) results. Overall, the assessment indicates employee satisfaction increased with SITA from 28.6% in 2014 to 35.4% in 2016; dissatisfaction decreased from 40.1% to 30.9%. Overall, 51.4% of respondents experience the HPO dimensions positively versus 48.4% (2014) and 44.9% (2012).

To ensure that all staff share a common vision of SITA going into the future, the Chief Executive Officer (CEO) engaged in face to face strategic conversations with all staff on the direction of the organisation. The key themes of his conversations have been that SITA as a collective must pull together as a corporate team in showing value to government and citizens through ICT's. The message to leadership, management, and staff was that South Africa needs SITA to shape and showcase the value of ICT.

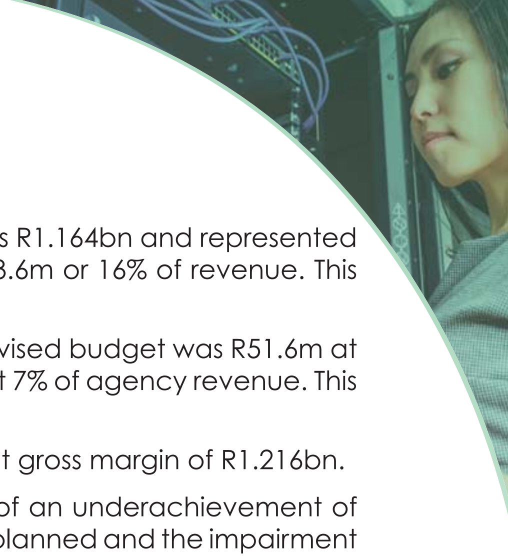
All these changes are designed to shape SITA into a new level of dynamism, guided and supported by leadership and management, genuine skill and capabilities and enhanced systems and processes to create improved services, an ethos of best practice and excellence in our work ethics, value for government and leadership in ICT so that there is development and growth for the institution and the country.

Financial review

The financial year under review was a defining moment for SITA .We conducted a detailed analysis of the finances of the organisation with the aim of improving how we cost our products, services and projects. We put measures in place to ensure efficient financial management, transparency and accountability.

The Board approved a revised budget at the end of October 2015. This was considered by the Board and management to be a proper projection of the business of SITA for 2015/2016 financial year, instead of SITA continuing to measure itself against the Annual Performance Plan (APP) budget numbers only.

The revenue for the year of R5.459bn is R133.7m (2.39%) below the revised budget of R5.592bn. The actual year to date service revenue performance was under the revised budget by R517.8m, while the agency revenue over performed by R384.1m.



The expected gross margin on services based on the revised budget was R1.164bn and represented a margin of 25% on services revenue. The actual gross margin was R653.6m or 16% of revenue. This left a gross margin shortfall on services revenue for the year of R510.4m.

The expected gross margin on agency related sales according to the revised budget was R51.6m at 5% of revenue. The actual margin for the year on agencies was R94.7m at 7% of agency revenue. This was a positive variance of R43.1m as per the revised budget.

The actual gross surplus was R748.3m which is R467.3m below the budget gross margin of R1.216bn.

The under performance in the finances was a combination in respect of an underachievement of labour based revenue , business opportunities that did not materialise as planned and the impairment of two discontinued projects.

We have introduced a strategic initiative to ensure effective and efficient financial management and to ensure financial growth and sustainability. We are also improving our customer engagement process, to ensure that better service offerings are delivered to customers. The Agency's internal service delivery processes are being optimised, which will entail a new service delivery model, including pricing and innovative product lifecycle management. A renewed drive has begun to improve debt collection by engaging with debtors around reasons for non-payment and exploring alternative means of recovery.

Looking forward

SITA is strategically positioned to succeed, we have support from the Shareholder and our customers have renewed their trust in us to deliver as promised. We will continue to increase our focus on information technology procurement, e-Government and data security as defined in our revised 2015-2019 strategic plan. We will implement the initiatives in our customer satisfaction index to improve service delivery and meet customers' expectations.

We will also implement a customer relationship management strategy and a new customer centric engagement model. The key thrust of the strategy is the placement of customer challenges, fears and unsatisfied desires as a primary area of focus. This emphasis is informed by the understanding that the comprehension of customer needs define new market opportunities, drives innovation and ultimately growth.

We are all focused, dedicated and well-structured to deliver on the mandate of SITA, to make it more successful and better equipped to thrive in a challenging future.

I would like to extend my sincerest appreciation to the SITA Board for their continued support. I would like to pay special tribute to the Ministry of Postal Services and Telecommunications and all key stakeholders and lastly, I would like to sincerely thank SITA employees for their dedication and diligence.

Dr S Mohapi

Managing Director and Chief Executive Officer

State Information Technology Agency SOC Limited (SITA)

11 August 2016

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

We the undersigned do hereby confirm that:

- The information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statement (AFS) audited by the Auditor-General
- The Annual Report is complete, accurate and is free from any omissions
- The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by National Treasury
- The Annual Financial Statement (Part E) has been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the public entity
- The Accounting Authority of the entity is responsible for both the preparation of the Annual Financial Statement and for the judgements made based on the information contained in the Annual Financial Statement
- The Accounting Authority is responsible for establishing and implementing a system of internal control, which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements
- The external auditors are engaged to express an independent opinion on the Annual Financial Statements
- In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2016.

Chairperson of the Board (Acting)
Mr Z D Nomvete
11 August 2016
State Information Technology Agency SOC Ltd

Chief Executive officer
Dr S Mohapi
11 August 2016
State Information Technology Agency SOC Ltd

6. STRATEGIC OVERVIEW

VISION

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

MISSION

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

VALUES

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

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

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

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

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

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

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

7. LEGISLATIVE AND OTHER MANDATES

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

- SITA Regulations of 2005
- Electronic Communications Act (No. 36 of 2005)
- Public Finance Management Act (No. 1 of 1999)
- Companies Act (No. 71 of 2008)
- Public Service Act (No. 103 of 1994), as amended by Public Service (Amendment) Act (No. 30 of 2007)
- Electronic Communication and Transactions Act (No. 21 of 2002)
- National Key Points Act (No. 102 of 1980), as amended by National Key Points Amendment Act (No. 47 of 1985)
- Preferential Procurement Policy Framework Act (No. 5 of 2000)
- Government IT House of Values, as contained in e-Government Policy1
- The Machinery of Government (May 2003)
- Minimum Interoperability Standards (MIOS)
- Minimum Information Security Standards (MISS)
- National Treasury Regulations

CONSTITUTIONAL MANDATES

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

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

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

a. A high standard of professional ethics must be promoted and maintained
b. Efficient, economic and effective use of resources must be promoted
c. Public administration must be development-oriented
d. Services must be provided impartially, fairly, equitably and without bias
e. People’s needs must be responded to, and the public must be encouraged to participate in policy-making
f. Public administration must be accountable
g. Transparency must be fostered by providing the public with timely, accessible and accurate information
h. Good human resource management and career-development practices, to maximise human potential, must be cultivated
i. Public administration must be broadly representative of the South African people with employment and personnel management practices based on ability, objectivity, fairness, and the need to redress the imbalances of the past to achieve broad representation

Section 217: Procurement

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

SITA ACT 88 OF 1998, AS AMENDED BY ACT (NO. 38 OF 2002)

SITA is listed as a Schedule 3A National Public Entity in terms of the Public Finance Management Act (PFMA). Government is the sole Shareholder of SITA, and the Minister of Telecommunications and Postal Services exercises the custodian rights attached to the Shareholder on behalf of the State.

The mandate of SITA as stated in the Act is:

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

Figure 1 provides a list of SITA's mandatory and non-mandatory services as defined in the SITA Act

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

POLICY MANDATES

Presidential Review Committee (PRC)

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

a. Lack of clear roles, responsibilities and coordination for information technology (IT) in the public sector

b. Incompatibility of systems and architecture

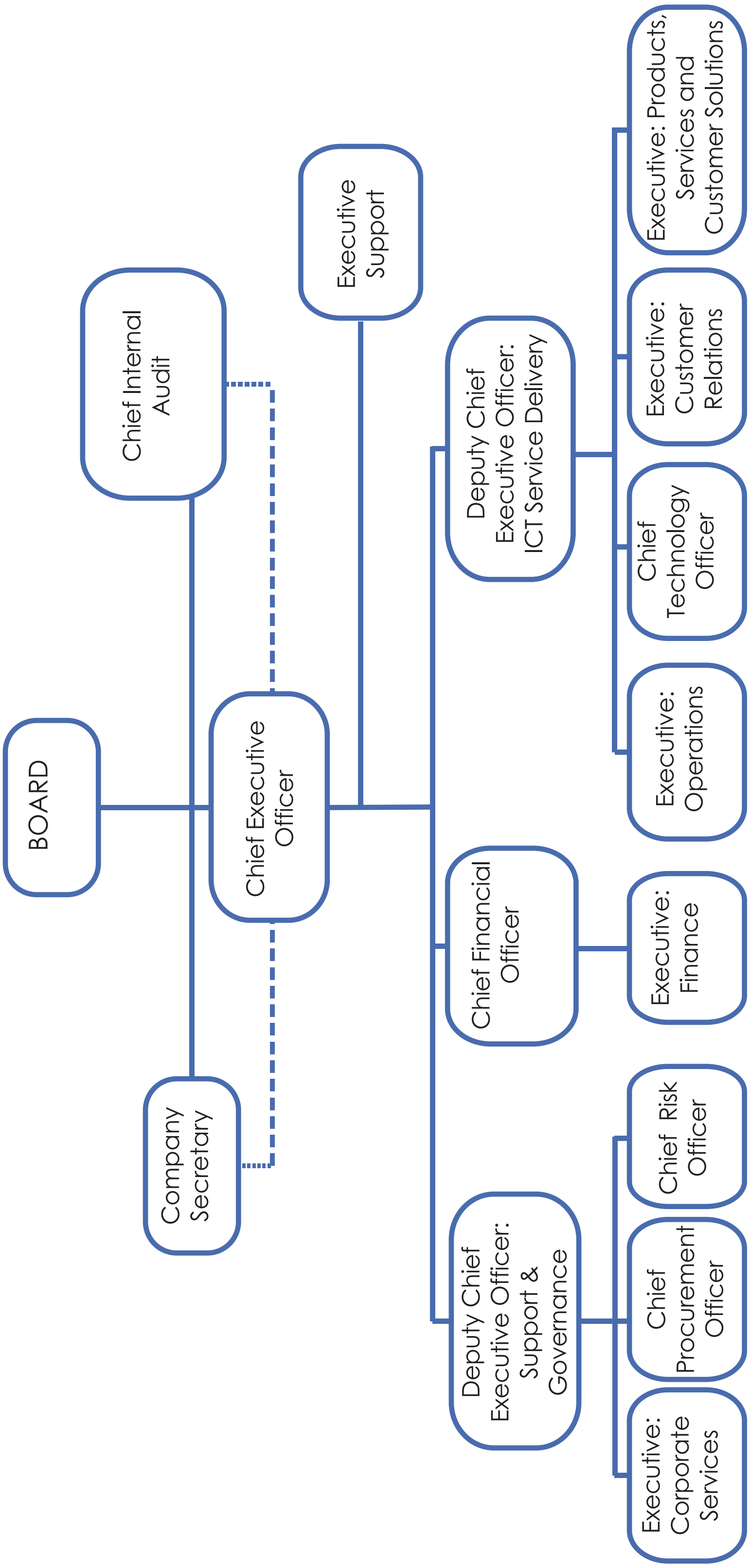
c. Wastage of resources

d. Lack of IT knowledge and skills and the fact that IT was not driven by the business processes of government.

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

8. ORGANISATIONAL STRUCTURE

The organisational structure has been revised to support the implementation of the corporate strategy. The revised organisational structure is depicted in the figure below:



PART B:

PERFORMANCE INFORMATION

1. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

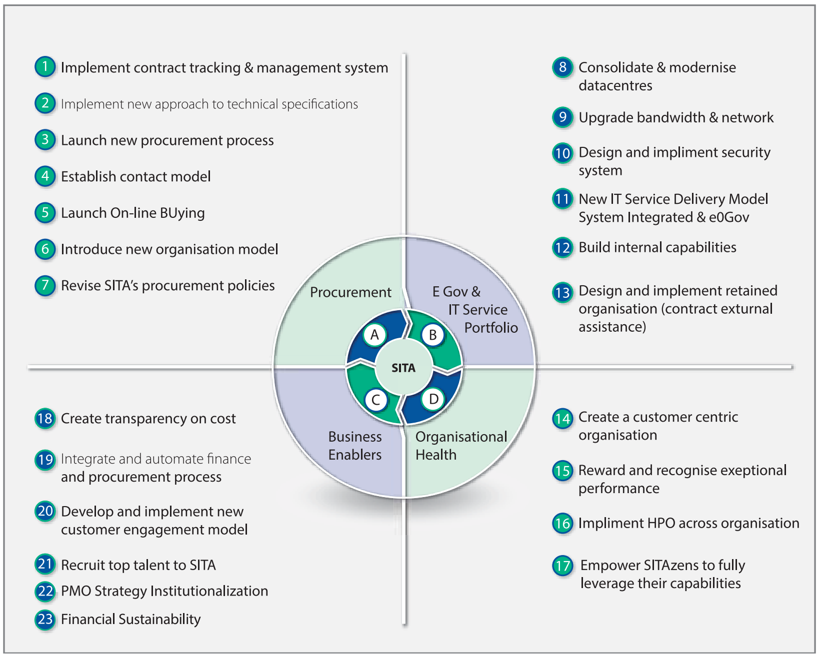
The Auditor-General has conducted audit procedures on some of the predetermined objectives for usefulness and reliability, compliance with laws and regulations and internal control, but an opinion is not been expressed on the performance information.

Refer to page 76 of the Auditor-General's Report, included in Part E: Financial Information.

2. PERFORMANCE OVERVIEW

2.1. SITA's 23 Strategic Transformation Initiatives Progress

Achievement of the strategic goals and objectives are realised through the implementation of the 23 strategic initiatives as depicted in the picture below.



2.2. Strategic Outcome Orientated Goals

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

The strategic goals are defined below:

- **Goal 1**: To provide high-quality IT services to enable Government to deliver efficient and convenient services through the use of ICT.
- **Goal 2**: To optimise the provision of SITA's IT infrastructure services in order increase availability, flexibility, scalability, predictability and security.
- **Goal 3**: To address all issues relating to delayed procurement turnaround times, removing customer pain points and transforming the procurement function.
- **Goal 4**: To ensure effective and efficient financial management and ensure financial growth and sustainability.
- **Goal 5**: To build and maintain organisational capability to enable SITA to achieve its strategic imperatives and become an Employer of Choice within the ICT industry.
- **Goal 6**: To provide leadership, strategic management, governance, risk and resource management in line with government-accepted norms and standards.

2.3. Procurement

A high priority area was the re-engineering of its Supply Chain Management (SCM) environment. A new supply chain management ethos, with updated policies, processes and procedures for quicker turnaround times, reduction of backlogs and providing qualitative bid information and advice - was at the heart of the procurement transformation.

In essence, there were three key themes driving work in procurement. These were improving procurement turnaround times, working with government clients as a key and strategic business partner, and meaningful transformation of the procurement function.

SITA's emphasis is on being a partner with all of its clients to create a lasting and meaningful impact in achieving government's development goals. A part of the transformation process was the development of a new SMME strategy to promote the growth of ICT industry from a Black Economic Empowerment (BEE) and provincial perspective; and to have more dynamism in the local ICT sector; noting that the preferential procurement interventions are critical.

SITA's goal is for government and citizens to truly experience the benefits of its transformation.

2.4. Service Delivery Environment

2.4.1. e-Cabinet

The e-Cabinet system/solution was tested and signed-off for implementation by the Presidency and the State Security Agency (SSA). The e-Cabinet solution entails the management of the Cabinet phase in the office of the Cabinet Secretariat in the Presidency on behalf of all ministries.

2.4.2. DTPS Infrastructure and Services

The Department of Telecommunication and Postal Services (DTPS) ICT infrastructure and services were upgraded and implemented successfully, inclusive of complex domain migrations. The new hyper virtualisation, server, storage, wireless and core communication infrastructure caters for the current and future applications being hosted on the department's premises. With the modernised infrastructure in place, a Disaster Recovery Infrastructure and Service was also established at SITA Centurion for the DTPS.

2.4.3. DPSA Relocation

The Department of Public Service and Administration's (DPSA) ICT was successfully relocated to their new building without affecting any of the users IT services or any notable downtime. All IT services were available to the department on the new premises upon occupation ensuring business continuity.

2.4.4. DHA HANIS

The Department of Home Affairs (DHA) Home Affairs National Identification System (HANIS) project is about the technology refresh of the Home Affairs National Identification System. The HANIS system is used in the process to issue ID documents and passports, as well verification at banks and other institutions. SITA started the project in July 2015 and on 31 March 2016 all the planned deliverables were delivered on time and within budget. The project was done in partnership with Council for Scientific and Industrial Research (CSIR) and includes a few high-level technical documents that were presented to the Department of Home Affairs (DHA), accepted and approved.

2.4.5. ICDMS

The Investigation Case Docket Management System (ICDMS) project aims to replace the current Crime Administration System (CAS) with a comprehensive and effective electronic case management solution for the South African Police Services (SAPS). The system will resolve the past problems experienced on case dockets getting lost.

All information on a case docket will be captured electronically. It will improve the efficiency of case docket management within SAPS. SITA was responsible for changing configurations (internet security settings and Java) and installing PDI device drivers on the workstations to enable access to the ICDMS and scanner operability. The system was rolled out to 32 SAPS Community Service Centres.

2.4.6. SAMHS

The deployed health system for the South African Military Health Service (SAMHS) was successfully implemented. The solution provides an offline capability for officials of the Department of Defence (DoD) involved in South African National Defence Force (SANDF) military missions (both within and outside the borders of the Republic of South Africa) to manage the clinical and health data which is generated by Health Care Professionals (HCPs) from all health disciplines deployed with the combat groups/teams in the military operation.

The Digital Scanning Solution for the SAMHS was successfully implemented into production at six DoD sites. The solution provides the capability for all clinical paper-based records to be digitally stored on a central repository to ensure real time availability for DoD medical professionals nationally.

2.4.7. Western Cape Broadband

The Western Cape Government (WCG) Broadband Project is of a strategic nature as the scope entails the connectivity of 1 936 sites including schools, clinics and public libraries. The project is aligned to the SA Connect broadband targets and ensures a minimum of 10 Mbps connectivity speed. After an initial delay of four months as a result of the procurement of the Layer 3 network equipment, the execution on Layer 3 could only commence on 1 June 2015. The first critical target was to meet the contractual 50% project milestone for Layer 2 and Layer 3 activation by 30 November 2015 and 31 January 2016 respectively. On 1 December 2015 - a day later – the Layer 2 target was met. Furthermore, SITA exceeded the Layer 3 target by delivering 15 additional sites than the required target on 31 January 2016.

2.4.8. e-Government Programme

The e-Government programme is delivered through the following streams. The following was achieved for the year under review:

a. The modernisation of the Natural Adabas platform as a foundation of e-Government upon which 15 business intelligence services were developed.

b. MSTF-5 e-Enablement Programme – e-Education: The Department of Basic Education (DBE) and SITA have been involved in a planning process for e-Education (computer based training and teacher assessment). Following a formal request for a proposal, the programme will start in 2016/2017.

c. SITA e-Services on other platforms: SITA developed an Application Architecture Definition that is used for the development of all Transversal e-Services, aligned with MTSF outcomes. SITA completed nine e-Services by 31 March 2016.

2.5. Organisational environment

SITA conducted a detailed review of its five year strategic plan to establish the progress towards the implementation of the 23 strategic initiatives. A key area of concern remained the lack of implementation and institutionalisation of these critical strategic initiatives. The areas that were prioritised for improvement included service turnaround times; a clear value proposition to government and value for money on all service delivery initiatives. The SITA organisational structure also needed to be aligned to the SITA strategic plan and its APP. As a result of this analysis, a business optimisation exercise, approved by the Board of Directors was undertaken. The key purpose of this exercise was to enable the organisation to address these service delivery issues through optimisation of key functions.

The revised structure will yield high-level coordination between the service delivery functions and better coordination and monitoring and evaluation of all the strategic programmes of the organisation. The exercise is still being implemented and will be done by the first quarter of the 2017/2018 financial year.

SITA's drive is to become a High Performance Organisation (HPO). A survey was conducted to determine employee perceptions relating to Employer of Choice or HPO model, as implemented by SITA; and to determine if any changes occurred since the 2012 and 2014 surveys. This survey measured an organisation in nine dimensions: building a high performance organisation, change and renewal, diversity, employer brand, employer engagement, employee satisfaction, employer of choice, knowledge management and leadership.

The survey results this year showed a marked improvement of 10% from the baseline of the 2014/2015 OHI results. Overall, the assessment indicates an employee satisfaction increase with SITA from 28.6% in 2014 to 35.4% in 2016; dissatisfaction decreased from 40.1% to 30.9%. Overall, 51.4% of respondents experienced the HPO dimensions positively versus 48.4% (2014) and 44.9% (2012).

3. REVENUE COLLECTION

3.1 Table 1: Summary of revenue collection

	2015/2016			2014/2015		
Sources of revenue	Actual amount collected R'000	Revised Estimated amount R'000	Over/ (Under) collection R'000	Actual amount collected R'000	Estimated amount R'000	Over/ (Under) collection R'000
Commercial Printing	9,558	7,164	2,394	8,073	17,419	(9,346)
Contract Management	-	-	-	-	12,800	(12,800)
ICT Advisory Services	55,869	57,004	(1,135)	34,504	62,742	(28,238)
Information Management	33,520	42,794	(9,274)	41,940	36,570	5,370
Managed Applications	630,992	711,208	(80,216)	535,588	783,293	(247,705)
Managed Desktop	829,748	1,301,816	(472,068)	397,211	679,412	(282,201)
Managed Infrastructure	2,203,742	2,063,654	(140,088)	2,077,342	2,085,889	(8,547)
Project Management	33,486	45,165	(11,679)	50,050	63,645	(13,595)
Requesting and Fulfillment	1,338,204	961,155	377,049	1,563,705	1,056,714	506,991
Security Management	20,089	24,674	(4,585)	24,068	43,333	(19,265)
Service Management Centre	178,042	180,606	(2,564)	179,968	123,606	56,362
Training	37,027	154,632	(117,605)	28,650	40,484	(11,834)
ICT Research	4,956	42,447	(37,491)	-	-	-
Solution development	83,368	-	83,368	148,580	176,566	(27,986)
TOTAL	5,458,603	5,592,318	(133,715)	5,089,678	5,182,473	(92,795)

In 2015/2016, the main reason for the underperformance was a combination in respect of an underachievement of labour-based revenue as well as business opportunities that did not materialise as planned. The estimate is based on the revised budget by the Board of Directors in October 2016.

3.2 Summary of payments by programme

Table 2: Summary of payments by programme

	2015/2016			2014/2015		
Programme Name	Budget R'000	Actual R'000	(Over)/ Under Expenditure R'000	Budget R'000	Actual R'000	(Over)/ Under Expenditure R'000
Administration	1,118,889	905,528	213,362	917,552	1,200,971	(283,419)
Business Operations	4,461,101	4,893,251	(432,150)	4,145,978	3,891,257	254,721
TOTAL	5,579,990	5,798,779	(218,789)	5,063,530	5,092,228	(28,698)

3.3 Capital investment, maintenance and asset management plan

Table 3: Capital investment, maintenance and asset management plan

	2015/2016				2014/2015		
Infrastructure Projects	Budget	Revised Budget	Actual	(Over)/ Under Expenditure	Budget	Actual	(Over)/ Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Infrastructure: Network	126,650	59,904	21,628	38,276	175,000	112,833	62,167
Infrastructure: Switching Centres	214,111	250,380	372,444	(121,951)	100,000	-	100,000
Infrastructure: Data Centres	294,412	176,037	132,247	43,790	100,000	35,231	64,769
Infrastructure: Modernisation	5,467	5,881	3,667	2,213	200,000	2,616	197,384
Solution Development: Transversal	31,291	12,687	11,525	1,162	30,000	7,019	22,981
Solution Development: IFMS	-	-	-	-	100,000	16,345	83,655
Solution Development: Customer Unique	22,496	20,931	8,046	12,886	117,000	-	117,000
Solution Development: Modernisation	33,973	7,605	1,576	6,029	100,000	1,009	98,991
Solution Development: Integration	5,000	-	-	-	65,000	-	65,000
Solution Development: R&D Capex	36,000	8,935	24,531	(15,596)	115,000	22,890	92,110
Solution Development: IT Security	55,200	22,000	-	22,000	25,000	245	24,755

	2015/2016				2014/2015		
Infrastructure Projects	**Budget**	**Revised Budget**	**Actual**	**(Over)/ Under Expenditure**	**Budget**	**Actual**	**(Over)/ Under Expenditure**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Service Management: Contact Centres	4,665	4,165	2,077	2,088	40,000	4,234	35,766
Service Management: DSS & 1st Line	16,629	12,309	99	12,210	40,000	-	40,000
Operational Support: Internal IT	64,199	54,792	32,028	22,765	40,000	40,110	-110
Operational Support: Facilities	25,381	20,345	12,396	7,949	125,000	23,993	101,007
Operational Support: Production Toolset	1,455	1,435	-	1,435	20,000	-	20,000
Operational Support: Integrated Security	19,338	3,358	279	3,079	146,000	-	146,000
TOTAL	**956,266**	**660,765**	**622,430**	**38,334**	**1,538,000**	**266,525**	**1,271,475**

Comment:

1. The Capex Budget was reviewed and reduced in January 2016 by the Executive Committee (EXCO) and the Board to R661 million due to projects reprioritisation and limited funds within the organisation.
2. An additional amount was spent on the infrastructure switching centre programme as a result of the strategic Western Cape Broadband project that commenced during the year under review. The cost of the project is recoverable as per the Service Level Agreement (SLA) with the Western Cape Provincial Government.

4. PERFORMANCE INFORMATION BY PROGRAMME

4.1 Programme1: Procurement

The purpose of this programme is to address all issues relating to delayed procurement turnaround times, removing customer pain points and transforming the procurement function. SITA has progressively maintained a positive performance against the majority of its targets.

Strategic Objectives	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target for 2015/2016	Reason for Variance
C3: Review and improve performance of SCM	**M10:** % of tender awards completed within the targeted turnaround time	-	70% of tender awards completed within the targeted turnaround time	Not achieved 55%	-15%	Mostly due to the unavailability of evaluators from client and numerous clarifications required from bidders during evaluation.
	M11: % of tender contracting completed within the targeted turnaround time of 30 days	-	40% of tender contracting completed within the targeted turnaround time	Achieved 58%	18%	a)Due to streamlined processes and the allocation of dedicated resources. b)Improved collaborative working relationship with the designated department.
	M12: % of tenders published completed successfully/ awarded	-	75% of tender published completed successfully/ awarded	Achieved 92%	17%	Due to current work done by management to address bid specification deficiencies and improved approach to RFQ supplier engagement.

Strategic Objectives	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target for 2015/2016	Reason for Variance
C4: Drive economies of scale in the acquisition of large ICT goods and services	**M13:** % savings on acquisition of ICT goods and services with major OEMs	16%	12% savings on acquisition of ICT goods and services with major OEMs	Achieved 24%	12%	Due to negotiated deals and discounts.
C5.Drive transformation agenda	**M14:** % of ICT acquisition spend through SMME entities	6%	10% of ICT acquisitions spend through SMME entities	Achieved 11%	1%	More spend realised on SMME.
	M15: % of ICT acquisition spend through BBBEE-L1-4 compliant entities	71%	60% of acquisitions spend through BBBEE entities	Achieved 85%	25%	Due to the majority of suppliers who have BBBEE accreditation within level 1-4.
P2: Curb fraud and corruption in procurement-process-related activity	**M18:** Number of findings per interim external audit with respect to fraud and corruption in procurement-process-related activities	-	0 findings	Achieved 0 findings	None	N/A

4.2 Programme 2: Service Delivery

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

Strategic Objectives	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target for 2015/2016	Reason for Variance
C1: Enhance efficiency of government business processes	**M5:** No. of e-Government services implemented	97% implementation of e-Government plan	15 vertical integrated e-Services implemented for 2015/2016	Achieved 24 e-Services developed for 2015/16	9	Development of e-Queries were fast-tracked.
	M6: % implementation of e-Cabinet lead site implementation	95% implementation of e-Cabinet plan	50% of national government departments trained on e-Cabinet	Achieved 77%	27%	The Presidency nominated more departments/ resources than initially planned to be trained.
	M7.1: Approval of the award recommendation for the new IFMS project	100% of award recommendation to the client	Lead site implementation	Not achieved	-100%	The delay in awarding the tender adversely impacted this target and other APP targets related to IFMS.
	M7.2: Approval of the award recommendation for the new IFMS project	-	Configuration completed for testing	Not achieved	-100%	The delay in awarding the tender adversely impacted this target and other APP targets related to IFMS.

Strategic Objectives	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target for 2015/2016	Reason for Variance
	M8: % level of performance against signed SLA metrics contracted	95%	95% performance against contracted SLA metrics	Achieved 96%	1%	Positive progress is being recorded as a result of weekly SLA committee meetings and process forums tracking, monitoring, reporting and driving continual improvement.
C2: Improve security of government data assets	**M9: %** of ICT controls implemented according to plan	97%	>90% of security ICT controls, plan implemented	Not achieved 45%	-45%	Cybersecurity implementation timelines were not met due to delays in the approval of business cases, tender publications and bid award process. The physical security tender had to be cancelled due to an unfavourable audit report.
P1: Enhance efficiency of government business processes	**M17: %** implementation of process automation and integration	91%	90% milestones completed as per plan	Achieved 99%	9%	All planned modules were developed as per plan.

4.3 Programme 3: Infrastructure

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

Strategic Objectives	Performance Indicator[1]	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target for 2015/2016	Reason for Variance
P1: **Enhance efficiency of government business processes**	**M16: %** implementation of infrastructure upgrades and modernisation plan	100%	90% of milestones completed as per annual plan	Not achieved 80%	-10%	Implementation was impacted by the revised implementation approach due to prioritisation and reduction in Capex funding.

Note: This programme formed part of service delivery in the Annual Performance Plan.

4.4 Programme 4: Financial Sustainability

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

Strategic Objectives	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target for 2015/2016	Reason for Variance
F1: Achieve revenue growth	**M1: %** increase in revenue (year-on-year)	8.6%	R5.390 m (6% of forecast revenue for 2014/2015 of R5.086)	Achieved 7.25%	1.25%	The increase in revenue is mainly attributable in growth in the sale of licenses.
F2: Achieve sound financial management	**M2: %** profitability	2.3%	3% surplus after tax	Not achieved 2.9% deficit	-5.9%	This is mainly due to the accounting impairment of the IFMS and JIG intangible assets.
	M3: Liquidity ratio	3.1:1	≥1.2:1	Achieved 2.3:1	1.1	The higher than expected liquidity ratio is mainly due to the capital expenditure budget that had not been utilised fully and cash received in advance for specific projects that is ring-fenced.
	M4: Expenditure against approved Capex budget	16.5%	60% expenditure against approved Capex	Achieved 95.8%	35.8%	This is mainly due to monitoring controls put in place during the year to ensure that capital expenditure is spend on projects with the best possible impact.

4.5 Programme 5: Organisation

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

Strategic Objectives	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target for 2015/2016	Reason for Variance
L1: Build a performing organisation	**M21: %** improvement on HPO baseline	10 points increase on OHI	10% improvement on HPO baseline (6 dimensions as per plan)	Achieved 10%	None	N/A

4.6 Programme 6: Governance and Administration

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

Strategic Objectives	Performance Indicator	Actual Achievement 2014/2015	Planned Target 2015/2016	Actual Achievement 2015/2016	Deviation from planned target for 2015/2016	Reason for Variance
P3: Establish effective governance practice	**M19:** Compliance with Internal Control Framework	Unqualified audit report	100% 2014/2015 MLPs resolved	Not achieved 81.5%	-18.5%	The remedial actions have been identified and will be implemented in the next financial year.
	M20: Maturity level of risk management implementation	-	Maturity level 4	Achieved Maturity level 4	None	N/A

5. Strategies to Overcome Areas of Underperformance

5.1 Procurement

Bid specifications are being scrutinised more closely with "blind" evaluations being done prior to approval to ensure specifications are clear. Clients are engaged to ensure that evaluators selected will be available as part of the procurement project plan.

5.2 Service Delivery

Focus is being placed on an effective process of planning to ensure that procurement is done in line with set timeframes. Security implementation is prioritised.

5.3. Infrastructure

The revised implementation approach alluded to, will be addressed in the 2016/2017 Annual Performance Plan (APP). This will include business continuity requirements matched with available CAPEX funding.

5.4 Financial Sustainability

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

6. Changes to planned targets

There were no "in-year" changes to the planned performance indicators and/or targets.

PART C:

GOVERNANCE

1. INTRODUCTION

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

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

2. PORTFOLIO COMMITTEES

2.1 Composition of the Parliamentary Portfolio Committee

As part of its governance endeavour and oversight, SITA briefs Parliament on it legislative mandate and related activities as well as responds to parliamentary questions. The Portfolio Committee on Telecommunications and Postal Services oversees the activities of SITA.

2.2 Portfolio Committee Engagements with SITA

In 2015/2016, SITA briefed the Portfolio Committee on:

- 2015/2019 Strategic Plan and 2015/2016 Annual Performance Plan
- Quarterly Performance Reports
- SITA 2014/2015 Annual Report
- Progress in respect to the Broadband rollout

In the 2015/2016 financial year, SITA also briefed the following Portfolio Committees:

- Portfolio Committee on Police on the Criminal Justice System (CJS)
- Portfolio Committee on Higher Education and Training on the elimination of the NC(V) backlog, challenges relating to IT systems for data consolidation and progress report on procurement of new IT systems for the Department of Higher Education and Training certification.

3. EXECUTIVE AUTHORITY

All reports, as prescribed in terms of the PFMA and Treasury Regulations, were submitted to the Executive Authority during the period under review. Additional reports submitted related to the elimination of the NC(V) backlog, Senior Executive appointments and a report on the burglary at the SITA Erasmuskloof Offices.

4. ACCOUNTING AUTHORITY

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

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

- State Information Technology Act (No. 88 of 1988), as amended
- Public Finance Management Act (No. 1 of 1999) (PFMA)
- National Treasury Regulations issued in terms of the PFMA (March 2005)
- Companies Act (No. 71 of 2008)
- SITA Board Charter as approved on 28 January 2016
- Memorandum of Incorporation
- King III Report on Governance for South Africa (King III)

4.1 The role of the Board is as follows:

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

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

4.2 Board Charter

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

Its departure point is that governance in any context reflects the value system of the society in which it operates. In the South African context, this means collectiveness over individualism, consensus rather than dissension, humility instead of criticism, and inclusiveness as opposed to prejudice. It acknowledges that corporate governance thrives on co-existence, consultation, and high standards of morality and trust. It further recognises that corporate governance is essentially about leadership – leadership for efficiency, leadership for probity, leadership with responsibility and leadership that is both transparent and accountable. These are the ideals that inform the SITA Board Charter.

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

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

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

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

4.3 Composition of the Board

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

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

a. A non-executive Chairperson

b. Executive members, one of whom must be designated as the Managing Director

c. Additional non-executive members, consisting of:

   i. One person representing the DPSA

   ii. One person representing the National Treasury

   iii. One person as a legal expert

   iv. Other persons on the grounds of their expertise.

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

The table below provides details of the Board of Directors

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/ term expired	Other Committees
Mr S J Vilakazi	Chairperson	21 November 2012	20 November 2015 Term Expired	
Mr Z D Nomvete	Non-Executive Member	18 September 2013	21 November 2015 Stepped down as the AR Chairperson	Audit, Risk and Compliance Committee Human Resource, Remuneration and Nominations Committee Social and Ethics Committee
	Acting Chairperson	21 November 2015	Appointed as the Acting Chairperson of the Board	
Dr S J Mohapi	Managing Director (CEO)	01 April 2015		Ex-officio on the following Board Committees: Audit, Risk and Compliance Committee Human Resource, Remuneration and Nominations Committee Social and Ethics Committee ICT, Research, Development and Innovation Committee Board Procurement Committee

NOTE: All members serve on the Board.

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/ term expired	Other Committees
Mr M Ndlangisa	Deputy CEO	01 June 2014		Ex-officio on the following Board Committees: Audit, Risk and Compliance Committee Social and Ethics Committee ICT, Research, Development and Innovation Committee Board Procurement Committee
Lieutenant General. J T Nkonyane (Retired)	Deputy CEO	01 June 2014	Resigned 31 March 2016	Ex-officio on the following Board Committees: Audit, Risk and Compliance Committee Human Resource, Remuneration and Nominations Committee Social and Ethics Committee ICT, Research, Development and Innovation Committee Board Procurement Committee
Ms R C Rasikhinya	Chief Financial Officer	09 November 2015		Ex-officio on the following Board Committees: Audit, Risk and Compliance Committee Human Resource, Remuneration and Nominations Committee Social and Ethics Committee ICT, Research, Development and Innovation Committee Board Procurement Committee
Ms S H Chaba	Non-Executive Director	18 September 2013		Human Resource, Remuneration and Nominations Social and Ethics Committee Board Procurement Committee

NOTE: All members serve on the Board.

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/ term expired	Other Committees
Mr G Z Malele	Non-Executive Director	18 September 2013		Human Resource, Remuneration and Nominations Social and Ethics Committee Board Procurement Committee ICT, Research and Development Committee
Ms MB Matlejoane	Non-Executive Director	18 September 2013	23 July 2015 Resigned	Human Resource, Remuneration and Nominations Social and Ethics Committee
Mr J S Mngomezulu	Non-Executive Director	18 September 2013		Board Procurement Committee
Mr G Victor	Non-Executive Director	18 September 2013		Audit, Risk and Compliance Committee Human Resource, Remuneration and Nominations Committee Social and Ethics Committee

NOTE: All members serve on the Board.

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/ term expired	Other Committees
Ms MO Williams	Non-Executive Director	18 September 2013		Audit, Risk and Compliance Committee Social and Ethics Committee ICT, RDI Committee
Mr N Gosebo	Non-Executive Director	19 May 2014		ICT, RDI Committee Board Procurement Committee
Mr W Mudau	Non-Executive Director (Alternate)	18 September 2013		Audit, Risk and Compliance Committee ICT, RDI Committee
Adv J de Lange	Non-Executive Director (Alternate)	19 May 2014		Audi, Risk and Compliance Committee Human Resource, Remuneration and Nominations

NOTE: All members serve on the Board.

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned/ term expired	Other Committees
Ms R Mokoena	Non-Executive Director (Alternate)	19 May 2014		Audit, Risk and Compliance Committee (until 10 Dec 2015) Human Resource, Remuneration and Nominations Social and Ethics Committee Board Procurement Committee
Mr GM Ncanywa	Non-Executive Director (Alternate)	19 May 2014		ICT, RDI Committee Social and Ethics Committee Board Procurement Committee
Mr D Niddrie	Non-Executive Director (Alternate)	18 September 2013		N/A

NOTE: All members serve on the Board.

4.4 Board and Board Committees

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

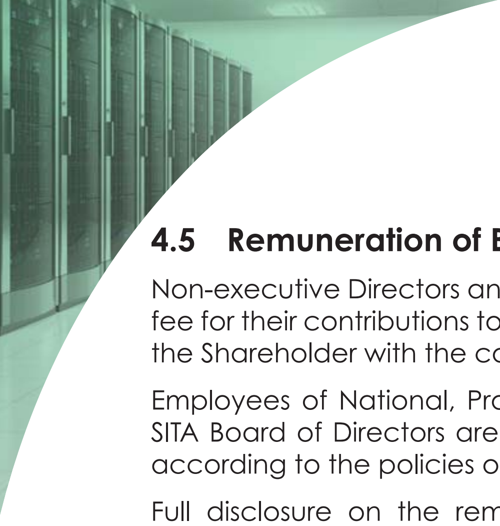
During the period under review, the Board organised itself in terms of various committees. The Board retained all the committees, which constitute the following:

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

Members	Board	Special Board	ARC	HR&REM	S&E	BPC	ICT RDI	AGM	Strategy Sessions	Notes
Number of Meetings	4	6	6	5	2	12	10 + 1 workshop	1	1	
Mr J S Vilakazi	2	4						1	0	Term expired on 20 November 2015
Mr Z D Nomvete	4	4	4	1	1		Invited to the meeting on 17 April 2015	1	1	Appointed Acting Chairman on 21 November 2015
Dr S D Mohapi	4	6	6	4	2	11	10 + 1 workshop	1	1	
Mr M Ndlangisa	2	5	5				7 +1 workshop	1	1	
Lt. Gen J T Nkonyane (Ret)	4	4	6	4	1			0	1	Resigned on 31 March 2016
Ms R C Rasikhinya	1	3	1	1		4	1	0	1	Joined SITA on 9 November 2015
Ms S H Chaba	3	6		4	1	9		0	1	

Members	Board	Special Board	ARC	HR&REM	S&E	BPC	ICT RDI	AGM	Strategy Sessions	Notes
Number of Meetings	4	6	6	5	2	12	10 + 1 workshop	1	1	
Mr G Z Malele	4	6		3	1	12	10 +1 workshop	1	1	Appointed to the HR, Nominations & Remuneration Committee on 10 December 2015
Mr J S Mngomezulu	4	2				7		1	1	
Mr G A Victor	3	4	6	2	2		10 +1 workshop	1	1	Appointed as Acting ARC Chairman on 10 December 2015
Ms M O Williams	3	5	6	2	1		4 +1 workshop	0	1	
Mr N Gosebo	3	5				3	5 +1 workshop	1	1	Appointed to the Board Procurement Committee on 10 December 2015
Mr K W Mudau	2	4	5				10 +1 workshop	1	1	Alternate Member
Adv JH de Lange	0	1	0					0	1	Alternate Member
Ms R Mokoena	1	3	1	4	2			0	1	Alternate Member
Mr M G Ncanywa	2	3			1	5	3	0	0	Appointed to the Board Procurement Committee and ICT, RDI Committees on 10 December 2015
Adv M B Matlejoane	0	0		0	0					Resigned on 23 July 2015
Mr D Niddrie	0									Alternate Member

NOTE: Non-members are marked in grey.



4.5 Remuneration of Board Members

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

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

Full disclosure on the remuneration of Non-Executive and Executive Directors are included in Annexure A on pages 117-121.

4.6 Board Profiles

Mr J S Vilakazi

BA (Unisa), MA (Thames Valley), MA (London), MBA (California Coast University), Non-Executive Chairperson: 21 November 2012 – 20 November 2015.

Mr Jerry Vilakazi is the founder and Chair of the Palama Group, an investment holding company with a diversified portfolio of interests in listed and non-listed companies. For over six years, he served as CEO of Business Unity South Africa, representing South African businesses on international business councils and structures. He is also an Independent Non-Executive Director for Sibanye Gold, Bleu Label Telecom and Goliath Gold Mining.

Mr Z D Nomvete

Certificate in Aeronautical Engineering (Ireland), Diploma and Licence in Aviation Maintenance (Ethiopia), Diploma as Flight Engineer B727 (Ethiopia) with 3 300hrs, Management Advancement Programme (Wits Business School).

Alternate Board Member: 21 November 2012 – 17 September 2013 (interim Board), Non-Executive Board Member: Reappointed 18 September 2013 .

Appointed as the Acting Chairperson of the SITA Board from 21 November 2015 to date.

Mr Zukile Nomvete is the Chairperson of World Expo 2025 South Africa, a Non-Executive Director at Dragon Pride International, and Director at the Foundation for Human Rights. He was past Chairperson of the Board for the Great North Transport, South African Rail Commuter Corporation (now PRASA), the Gauteng Tourism Authority, 1Time Airlines, Moving into Dance Mophathong and Pekwa Travel. He was also previously Deputy Chairperson of the Civil Aviation Authority and a Director at the Airports Company of South Africa, SUNAIR and the Tourism Business Council of South Africa. He also served as an Executive Director of Transnet responsible for South African Airways and its subsidiaries as well as Transnet’s property portfolio, Propnet. Mr Nomvete also worked for Atlas Aviation (Denel Aviation) before being promoted to Director Marketing: Africa and Europe for the Denel Group. He was also Project Coordinator for the 2010 World Cup Government’s 17 Guarantees that ensured the successful hosting of the event. He spent five years working for Ethiopian Airlines and he is an Honorary Colonel of the South African Air Force.

Dr S D Mohapi

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

Managing Director and Chief Executive Officer: 1 April 2015

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

Ms S H Chaba

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

Non-Executive Board Member: 18 September 2013

Ms Seadimo Chaba is the Chief Executive and owner of Seadimo Chaba Consulting, a management consulting company that specialises in human capital management, strategy, change management, leadership, and performance monitoring and management. She has extensive experience at executive level in the public and private sectors. In the public sector she has done work at the three spheres of government as well as state owned enterprises. In the private sector, she worked in the petrochemical, retail and financial industries. She sits on a number of Boards of state-owned enterprises, private sector companies and non-governmental organisations.

Mr Z G Malele

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

Non-Executive Board Member: 18 September 2013

Mr Zeth Malele is Non-Executive Chairman of Sandford (Pty) Ltd and Non-Executive Deputy Chairman of the Gauteng Growth and Development Agency, Meadow Star Investments 28 (Pty) Ltd and Sec-Itech (Pty) Ltd. He also serves on the ICT Governance Committee of the Ubank (Pty) Ltd Board and has held directorship positions 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 was also part of the Presidential National Commission on Information Society and Development, and Limpopo Premier's Advisory Council on Technology.

Adv B M Matlejoane

B Proc. LLB

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

Non-Executive Board Member: Reappointed 18 September 2013. Resigned on 23 July 2015

Advocate Beatrice Matlejoane started her judicial career at D.H Zondi Attorneys, after which she became a practising advocate of the High Court from 2003 to date. The nature of her work includes, litigation, drafting of pleadings including opinions, as well as appearances in the Constitutional Court.

Mr J S Mngomezulu

B.Com. (Acc.) (Unisa), Master of Business Leadership (MBL) (Unisa), Non-Executive Board Member: 21 November 2012 – 20 November 2015 (interim Board), Non-Executive Board Member: Reappointed 18 September 2013

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

Mr G A Victor

BSc (Engineering) (cum laude) (Wits), MSc (Stanford), MEng (Stanford), B.Compt Hons (Unisa), CA (SA), Non-Executive Board Member: 18 September 2013

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

Ms M O Williams

BA (University of KwaZulu-Natal) Honours Degree in African Studies (University of Cape Town) Masters Degree in Economic Development (Institute of Social Studies – The Hague), MBA (Bond University), Non-Executive Board Member: 18 September 2013

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

Mr N Gosebo

MSc (Computer Science) (New Jersey Institute of Technology), Non-Executive Board Member: 19 May 2014

Mr Ntjatji Gosebo is Deputy Director-General in the Government Chief Information Office within the DPSA. With over 30 years' experience in Information Technology, he coordinates and consolidates public administration IT efforts across the three spheres of government. He was the Information Technology Advisor to the Minister of Public Service and Administration between 1999 and 2003, and played a leading role in conceptualising and establishing the Government IT Officers' Council, as well as the SITA Amendment Act of 2002 and the e-Government Policy Framework of 2001. He is a thought leader in the adoption of Information Technology as a strategic tool of public administration, particularly in developing economies. He has presented papers at international and domestic conferences and been published in peer-reviewed journals.

Mr M Ndlangisa

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

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

Lt General J T Nkonyane (Ret.)

BSc (Statistics and Financial Accounting) (University of Toronto, Canada), MBL (Unisa) Executive Director: 1 June 2014. Resigned on 31 March 2016

Lt General (Ret.) Justice Thulile Nkonyane is the former Chief of Logistics of the South African National Defence Force in which he served from 1998 to 2014. He has held various strategic positions, from serving as a commander during the liberation struggle, to being a financial administrator in various private sector entities in Canada. His areas of specialisation are strategic management, leadership, financial accounting and logistics.

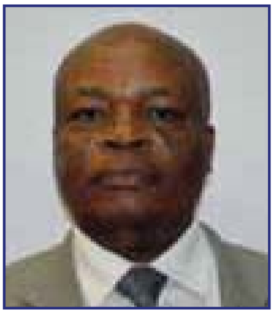
Ms RC Rasikhinya

Chief Financial Officer: 9 November 2015

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

Mr K W Mudau

BSc Hons (Computer Science) (University of Limpopo), UED (University Education Diploma) (University of Venda), MBA (University of North West – Potchefstroom University for CHE) Alternate Board Member: 18 September 2013



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

Mr D C Niddrie

B.Ed (University of Durban Westville)

Alternate Board Member: 18 September 2013

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

Ms R Mokoena

B.Juris. (University of Zululand), LLB (Natal)

Alternate Board Member: 19 May 2014

Ms Refiloe Mokoena was admitted as an Attorney of the High Court of South Africa in 1990. She practises for her own account as an attorney, regulator, liquidator, estate agent, auctioneer and alternative dispute resolution practitioner. She has worked as a member of the Broadcasting Complaints Commission of South Africa. She has also served on the Independent Communications Authority of South Africa Complaints and Compliance Committee.

Mr. M G Ncanywa

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

Alternate Board Member: 19 May 2014

Mr Gracious Mnikelo Ncanywa is an Applications Development and Maintenance Manager at Standard Bank Limited. He held the same portfolio at the South African Revenue Service (SARS) until being appointed Chief Architect for SARS modernisation strategy. An avid ICT professional, he is also a founding member of the local Microsoft subsidiary responsible for building the local technical capacity for support structures in Southern Africa. He was also a founder member of the elite Microsoft Enterprise Strategy team that focused on assisting large enterprises such as Liberty Life, Nedbank and Telkom to migrate their networking systems to Microsoft Windows Server networks. Mr. Ncanywa was one of the very first few people who obtained the Microsoft Systems Engineer certification in 1993. Prior to joining Microsoft, he worked as an IBM Systems Engineer Mainframe Systems at companies such as General Motors, Ford Motor Company, BP Southern Africa, SAB Miller and Daimler Chrysler.

Adv J H De Lange

BA (Stellenbosch), LLB (UCT)

Alternate Board Member: 19 May 2014

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

5. RISK MANAGEMENT

SITA's risk management is guided by the Board approved Risk Management Policy and Framework. The risk management strategy which details the initiatives and activities is approved by the Chairman of the Audit, Risk and Compliance (ARCC) Committee which is the sub-committee of the Board.

Corporate Risk Management (CRM) provides a framework which involves proactive identification of risks or opportunities pertinent to the organisation's objectives and assessing them according to likelihood, impact and severity of occurrence.

The risk assessment of the organisation is performed annually in the first quarter of the financial year and the Risk Management Division performs follow-ups on the implementation of the risk mitigation plans to ensure that there is implementation of the plans to manage the risks and reduce the exposure be it operational or financial.

In the current financial year, risks assessments were conducted in the first quarter of the financial year as per the Risk Management Plan of the Division. Departments own their operational risk registers to monitor and implement the mitigation plans as per the agreed dates.

Risk mitigation plans are reported on quarterly to the ARCC which provides an independent oversight on the effectiveness of risk management at SITA. The committee recommends the risk management quarterly reports to the Board for approval.

To ascertain the current level of SITA's risk management maturity, an organisation-wide survey was conducted by an independent international risk management assessing body, Corporate Executive Board (CEB) in 2015/2016 financial year.

Based on the assessment conducted by CEB in 2015/2016 financial year, the current risk maturity level of SITA is at 4 which is an improvement that was targeted by the organisation moving from the base of 3+ in the previous financial year.

6. INTERNAL CONTROL

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

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

7. INTERNAL AUDIT AND AUDIT COMMITTEES

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

Internal and external audit's work is monitored/evaluated by the Audit, Risk and Compliance Committee. Internal Audit has a forward-looking orientation and is futuristic in nature. It evaluates processes with a view to providing assurance that they assist in achieving the strategic objectives of SITA and to ensure that any identified weaknesses in controls, governance and risk are adequately and timeously resolved.

Internal Audit Comprises of the following sub-divisions:

- Internal Audit Assurance Services (IAAS)
- Information Technology Assurance Services (ITAS)
- Integrity Assurance Services (IAS)
- Performance Audit Services (PAS)
- Professional Technical Audit Service (PTAS)

During the financial year 2015/2016, Internal Audit conducted 162 projects (94 planned and 68 ad-hoc projects) in, amongst others, the following areas:

- Supply Chain Management
- IT and Cyber Security
- Key Financial Controls
- Data Centres and Provincial Operations
- Project Management
- Payroll Management.

Internal Audit is also involved in performing advisory and consulting services for management in relation to control systems in general.

The results of the audits conducted for the financial year 2015/2016, identified control deficiencies in certain areas within SITA. The current governance levels therefore need to be further improved to provide Management and the Board with the appropriate level of assurance that all implemented controls are operating as intended.

7.1 Audit, Risk and Compliance Committee Membership

Name	Internal or External	Date Appointed	Date Resigned	No. of Meetings Attended
Mr ZD Nomvete	External	14 August 2015	20 Nov 2015 Appointed as the Acting Chairperson of the Board	4
Mr GA Victor	External	14 August 2015	Formally appointed as Acting Chairperson of ARC Committee on 10 December 2015 to date	6
Ms MO Williams	External	14 August 2015		6
Mr KW Mudau	External	14 August 2015		5
Adv J H de Lange	External	14 August 2015		0

8. COMPLIANCE WITH LAWS AND REGULATIONS

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

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

9. FRAUD AND CORRUPTION

9.1 Fraud Prevention Plan

SITA has adopted a risk management approach in the prevention, detection and investigation of suspected fraudulent activities. This approach is incorporated into the business processes, management practices, internal controls and related activities.

SITA has an approved Fraud Prevention and Anti-Corruption Strategy which provides a guideline of activities to be performed by different divisions within SITA to prevent, detect and report fraud and corruption activities. The strategy is implemented by means of a Fraud Prevention and Anti-Corruption Implementation Plan that is informed by the risk assessment process that was conducted to all divisions of SITA.

Fraud prevention systems that have been implemented in SITA include the fraud hotline or whistle blowers' mechanism, declaration of interest, risk assessments, fraud awareness and resolutions.

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

9.2 Mechanisms to report fraud and corruption

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

The Ethics Line operates 24/7/365 and the operators are able to take calls in all official languages. The other reporting channels include, SMS, Fax, email and Free Post.

SITA's Ethics Line is supported by SITA's Whistle Blowers Policy which is based upon and aligned to the Protected Disclosures Act, Act 26 of 2000.

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

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

10. MINIMISING CONFLICT OF INTEREST

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

- To enable directors, executives, prescribed officers, managers, employees and consultants to acquire and maintain personal outside interests, provided that these interests do not interfere, or have potential to interfere, with their obligations to SITA,or improperly influence the judgement expected of them when acting on behalf of SITA.

- To protect directors, executives, prescribed officers, managers, employees and consultants from real or perceived charges of conflict of interest, by providing mechanism for the objective review and approval of any personal outside interests held by them and establishing a formal procedure for dealing with any possible conflicts of interest.
- To protect and manage the reputational risks of SITA, by avoiding any real or perceived bias or self-interest by directors, executives, prescribed officers, managers, employees and consultants acting in situations where SITA has approved the holding of personal outside interests.
- To allow transactions to be treated as valid and binding, even though an affected person has, or may have a conflict of interest with respect to that transaction.

The policy objectives are:

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

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

In the case where the contract or transaction will be considered at a Board or Board Committee meeting, any person with a conflict of interest must disclose all material facts to the Chairman of the Board or the Board Committee prior to the meeting. Any person with a conflict of interest will not participate nor be permitted to hear the Board's or Committee's discussion of the matter except to disclose material facts and to respond to questions. There is an obligation to report all incidents which are clearly in contravention of the SITA's Conflict of Interest, the SITA's Code of Ethics, the SITA's Gifts and Entertainment Policy, or the Prevention and Combating of Corrupt Activities Act (No. 12 of 2004). Any person who suspects that the Act has been contravened should immediately report it to the Office of the Company Secretary, the Chief Executive Officer or the Chairperson of the Social and Ethics Committee. If *prima facie* evidence exists that the Act has been transgressed, the matter should be reported to the SITA ethics officer or legal adviser who may, if necessary, and after appropriate consultation with the Company Secretary, Chief Executive Officer or the Chairperson of the Social and Ethics Committee, have the matter reported to SAPS.

11. CODE OF CONDUCT

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

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

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

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

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

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

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

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

12. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

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

- **Risk Assessments**: Environmental risk assessment has been conducted with the aim of identifying health hazards, improving working conditions and preventing the risk of employees contracting infectious diseases. Assessments focused on noise levels, ventilation and airborne infections, sanitation, offices/building etc.
- **First Aid services:** First Aid training has been provided to occupational health and safety representatives who inspect and manage first aid boxes.
- **Legal Appointments:** All Occupational Health and Safety Act related appointments were made (16.1 CEO; 16.2 CEO delegate; 17 (1) SHE Reps; 19 (2) SHE Committee; GAR 9 (2) Incident Investigators and GSR 3 (1)First Aiders as well as ER 9 Fire Fighters.
- **The SHE Management Systems** are based on the OHSAS 18000 as well as ISO 1400.
- **Medical services:** A room has been designated for sick staff members to retire to in order to take a moment, monitor chronic medical cases and have a rest before returning to work.

13. COMPANY SECRETARY

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

14. SOCIAL RESPONSIBILITY

In support of government outcomes on quality basic education, skilling and sustainable rural communities, SITA continues to promote an ethos of good corporate citizenship in support of government outcomes to alleviate the socio-economic challenges. In this regard, the Agency prioritised the rollout of ICT infrastructure in mainly rural and historically disadvantaged communities. ICT laboratories for schools are identified in consultation with the Shareholder, clients and other critical stakeholders and is a key driver in this programme. To contribute to government's South Africa Connect programme, the school ICT laboratory initiative is part of a macro agenda to improve the lives of the citizens by facilitating connectivity and digitalisation of communities. SITA also contributes to the national skills pipeline through awarding bursaries and the implementation of the youth development programmes that targets women to contribute to gender representivity and empowerment as enshrined in the Millennium Development Goals (MDG). Job shadowing opportunities under the TechnoGirl programme to guide their career choices and contribute to the MDG by affirming the girl child; is also a key initiative.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

Audit, Risk and Compliance Committee Responsibility

The Committee has complied with its responsibilities arising from the requirements of the Companies Act of 2008, the Public Finance Management Act of 1999, and National Treasury Regulations of 2005. The Committee has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

The Adequacy, Reliability and Accuracy of the Financial Information Provided to Management and Other Users of Such Information

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

The Effectiveness of Internal Control

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

- Financial Sustainability (Billing and Collections)
- Human Capital Management
- Supply Chain Management

The Effectiveness of Internal Audit

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

The Risk Areas of the Institution's Operations

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

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

No additional accounting and auditing concerns have been reported.

The Institution's Compliance with Legal and Regulatory Provisions

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

Evaluation of Financial Statements

The Committee has evaluated the annual financial statements of the Agency for the year ended 31 March 2016 and, based on the information provided, concurs and accepts the Auditor-General's conclusions on the annual financial statementsand is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor-General.

Independence of External Auditors

In terms of the PFMA, the Auditor-General is responsible for the external audit of the affairs of the Agency.

Issues raised in prior year

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

- Financial Sustainability (Billing and Collections)
- Supply Chain Management

Mr Graeme Victor

Chairperson of the Audit, Risk and Compliance Committee (Acting)

State Information Technology Agency SOC Limited

11 August 2016

PART D:

HUMAN CAPITAL MANAGEMENT

1. INTRODUCTION

1.1 Human Capital Management

The primary objective of the SITA Human Capital Management (HCM) includes the identification of resource requirements, attraction, recruitment, development, deployment and motivation of appropriate talent for the organisation. The HCM strategy focuses on four key areas namely: Building Organisational Capacity, Management of Talent, Creating a High Performance Organisation and a Customer Centric Organisation; whilst acting as a strategic business enabler and partner.

1.2 Overview of HCM

Attraction and retention of critical skills remained a key challenge for the organisation in particular; and the ICT sector in general. In the year under review, an HPO survey was conducted to gauge the level of improvement against the last survey undertaken 18 months previously. A 10% improvement was achieved, and key intervention plans were implemented for improved employee productivity and organisational wellness.

SITA's strategic objectives to enable Public Sector Service Delivery is highly dependent on critical skills and capabilities. The Talent Management programme focused on Competency-Based Management activities to assess existing skills and identify skills gaps, thus helping the organisation to identify both their competitive strengths and the new skills that must either be recruited or developed in order to achieve the organisation's objectives.

To this end, the SITA Competency Dictionary and the associated Certification and Capability Development Programme were developed. This document outlined the leadership, core, generic and technical competencies. It emphasises IT competencies and certification that matches the relevant technologies and capabilities required to deliver on the new SITA strategy.

The recruitment process for the position of Executive: Internal Audit is at an advanced stage. A comprehensive plan is being implemented for key positions, which will bear fruit in filling other key positions.

The vacant ICT technical positions were prioritised and a total of 40% (410 critical positions) of existing vacancies were successfully filled to stabilise service delivery.

1.3 Impact of HCM priorities

The four strategic focus areas were:

Building Organisational Capacity

As part of the organisational responsibility to assist in the development of ICT skills and the high level of unemployment among the youth, SITA participated in the training and development of 210 youth. The programme emphasised women empowerment with 60% of the learners and interns being young female candidates.

During the period, 106 employees were awarded bursaries for studies during the 2016 academic year.

Management of Talent

The development of a leadership pipeline to ensure operational continuity, career and succession management. Skills pools from the internship and learnership programmes were created. Core, critical and scarce skills have been identified and career maps for the various career paths have been compiled in all key service delivery departments. These initiatives should position SITA as an Employer of Choice in the ICT space.

Creating a High Performance Organisation

The improvement of organisational health is a key focus, as it has a direct correlation to the achievement of the strategic objectives. The organisation identified nine dimensions for improvement to fast-track building better morale within the organisation.

Customer Centric Organisation

The company's training programme is linked to developing a customer centric culture; and 1 030 employees participated in this programme.

Strategic Business Enabler and Partner

To constantly improve company performance, a Business Alignment Tool (BAT) survey was conducted to assess the performance of the HCM activities within SITA, against best practices. The results from the assessment were incorporated into an improvement plan.

1.4 Employee Wellness Programmes

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

The programme also supports business environments to improve productivity and environmental safety. The result is healthier employees with better personal and business relations, which leads to increased productivity. The utilisation of wellness services for the period of 1 April 2015 to 31 March 2016 was 11.02% compared to the government sector's utilisation of 8.55%.

The key activities that assisted to record positive changes is that managers were trained on the early identification of troubled employees in the workplace; and EWP awareness campaigns were implemented.

1.5 Policy development

A number of HCM related policies were developed in consultation with relevant stakeholders. These were:

- Organisational Design and Development Policy
- Human Capital Planning Policy
- Competency Management Policy
- Career Management Policy
- SITA Secondment, Transfers and Relocation Policy
- Succession Management Policy
- Talent Sourcing and Retention Policy

1.6 Highlights and Achievements

- SITA showed a 10% improvement in the HPO survey. This is indicative of an improvement in the general health and employee morale within SITA
- HCM policies were revised, improved and approved by the SITA Board to set a new tone around HCM practices
- Roadshows and meetings with SITA Senior Management teams were held to engage meaningfully around the responsibility management has to ensure that policies and procedures are effectively implemented
- Several internal and external audits were commissioned during the financial year to identify gaps in the implementation of the HCM policies and procedures.

1.7 Improvements Areas for the Future

The following challenges were identified in respect of SITA's HCM performance:

- The scarcity of ICT skills in the country and its consequences for SITA remains a constraint for business
- SITA is working to improve its approach to integrated talent management, effective career and succession management, training and development, and the attraction and retention of employees to get the right ICT capabilities
- Improvement of SITA's performance by building on the foundation set in this financial year
- Understanding, compliance and implementation of SITA policies
- Human Capital Planning must be implemented and institutionalised in the business.

1.8 Future HCM Goals

The SITA Human Capital Strategy and Annual Performance Plan defines focus areas that support the SITA Corporate Strategy from a people perspective. The main focus of the Human Capital Strategy for the next five years is to build a talent culture for SITA to become a lead ICT Agency, and one which supports and enables public sector service delivery.

Strategic HCM interventions include:

- A comprehensive response to the scarcity of ICT skills necessitates a sound staffing model that provides a balance between buying and building talent. It includes a strong employee value proposition that serves to both attract and retain top talent
- Build a high performance and customer centric culture
- Building organisational morale through an effective recognition and reward programme that will enhance individual, team and organisational performance
- Implementing key programmes whilst maintaining a balance in the implementation of consequence management that is corrective and fosters discipline and accountability
- The implementation of an integrated talent management strategy to position SITA as a premier employment destination within the ICT industry, is our destination.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

2.1 Personnel cost by programme

Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp.
5,842,766	1,737,840	30%

2.2 Personnel cost by salary band

Level	Personnel Expenditure (R'000)	% of personnel exp. to total personnel cost
Top Management	20,090	1%
Senior Management	174,862	10%
Professional qualified	242,488	14%
Skilled	1,142,868	66%
Semi-skilled	148,499	8%
Unskilled	9,034	1%
TOTAL	1,737,840	100%

2.3 Training Costs

Occupational Level	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	Number of people trained	Average training cost per employee (R'000)
Top Management	20,090	61	0.3%	9	6.7
Senior Management	174,862	1,921	1.1%	201	9.6
Professional qualified	242,488	1,396	0.6%	188	7.4
Skilled	1,142,868	17,590	2%	2143	8.2
Semi-skilled	148,499	3,213	2.2%	533	6.0
Unskilled	9,034	33	0.4%	32	1.0
TOTAL	1,737,840	24,213.07	1.4%	3106	7.8

2.4 Reasons for staff leaving

The greater number of employees who resigned from the organisation cited better career prospects as the reason for resignation. SITA tries to retain critical skills by offering counter offers. In instances where the skill is lost, the SITA internship programme is also utilised to replace lost skills.

Reason	Number	% of total no. of staff leaving
Abscondment	1	0.46%
Contractor Resignation	63	29.17%
Deceased	12	5.56%
Dismissal	6	2.78%
End of Contract	34	15.74%
Environmental Factors	1	0.46%
Full-Time Studies	3	1.39%
Home - Personal Problems	1	0.46%
ILL Health	1	0.46%
New Career Opportunities	47	21.76%
Own Business	2	0.93%
Personal - Reason Not Disclosed	27	12.50%
Relocate	2	0.93%
Retirement	15	6.94%
Spouse Transferred	1	0.46%
Grand Total	216	**100.%**

Notes:

- The above-mentioned terminations do not include Board of Directors.

The number of dismissals due to misconduct reduced drastically during 2015/2016. This is attributed to a level of stability and improved adherence to policies.

2.5 Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	Nil
Written Warning	1
Final Written Warning	4
Dismissal	3
TOTAL	8

2.6 Equity Target and Employment Equity Status

SITA achieved the Employment Equity (EE) target for Africans, where the actual performance was 72.1% against a target of 70%. The target for female and disabled employees were not achieved. Programmes to address women in leadership are being initiated. In order to address the variance in disability, we have initiated negotiations with organisations for the disabled.

Levels	MALE								Total
	African	Coloured	Indian	Actual %	Target %	White	Actual %	Target %	
Top Management	6	0	0	100%	70%	0	0%	30%	6
Senior Management	59	4	8	72%	70%	28	28%	30%	99
Professional Qualified	55	5	11	42%	70%	98	58%	30%	169
Skilled	741	77	85	71%	70%	366	29%	30%	1269
Semi-skilled	207	15	3	94%	70%	15	6%	30%	240
Unskilled	33	1	0	100%	70%	0	0%	30%	34
Grand Total	1101	102	107	72%	70%	507	28%	30%	1817

Levels	FEMALE								Total
	African	Coloured	Indian	Actual%	Target %	White	Actual %	Target %	
Top Management	1	0	0	100%	70%	0	0%	30%	1
Senior Management	46	7	2	76%	70%	17	24%	30%	72
Professional Qualified	40	2	4	60%	70%	31	40%	30%	77
Skilled	583	38	25	67%	70%	316	33%	30%	962
Semi-skilled	349	20	6	92%	70%	33	8%	30%	408
Unskilled	13	0	0	100%	70%	0	0%	30%	13
Grand Total	1032	67	37	74%	70%	397	26%	30%	1533

STAFF WITH DISABILITIES

	Male			Female			Total
	Current	Actual %	Target %	Current	Actual %	Target %	
Top Management	3	75%	2%	1	25%	2%	4
Senior Management	2	67%	2%	1	33%	2%	3
Professional Qualified	16	67%	2%	8	33%	2%	24
Skilled	5	63%	2%	3	37%	2%	8
Semi-skilled	0	0%	2%	0	0%	2%	0
Unskilled	0	0%	2%	0	0%	2%	0
Grand Total	26	67%	2%	13	33%	2%	39

PART F:

FINANCIAL INFORMATION

Certificate by the Company Secretary

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

Shirley L Kgope

Company Secretary (Acting)

11 August 2016

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 2016. This report and the annual financial statements comply with the requirements of the Public Finance Management Act No. 1 of 1999 (PFMA), the SITA Act No. 88 of 1998 (as amended by Act 38 of 2002) and the Companies Act No. 71 of 2008. The Board of Directors is the Accounting Authority in terms of section 49(2) (a) of the PFMA.

2. Nature of business

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

3. Registration details

The company's registration number is 1999/001899/30. The registered office is 459 Tsitsa Street, Erasmuskloof, Pretoria, 0181.

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, Dr. Siyabonga Cwele.

5. Equity Contributed

There were no changes to either the authorised or issued share capital of the company during the year ended 31 March 2016. Details of the authorised and issued share capital can be found in note 11 to the annual financial statements.

6. Financial Highlights

The financial performance is set out on pages 82 to 85 of this report.

The financial performance is summarised as follows

	31 March 2016	31 March 2015
	Rand	% change
Revenue	5,458,602,601	7,25
Gross surplus	748,289,585	(34,06)
Deficit for the year – before tax	(207,955,309)	(199,98)
Total assets	3,792,180,034	1,78
Net assets	2,573,646,745	(5,76)
Cash generated from operations	124,202,610	(22,45)

A growth in agency related sales has resulted in an increase in revenue year-on-year. This however, resulted in higher agency cost of sales. An increase in service delivery and labour related costs, as well as the impairment on internally generated intangible assetes, resulted in a net deficit before tax.

7. Dividends

There were no dividends declared for the current financial year (2015: 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)

9.1 PFMA compliance

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

9.2 Materiality and Significance Framework

A Materiality and Significance Framework has been developed for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, as well as for significant transactions per section 54(2) of the Act, that require ministerial approval. The framework was approved by the Board of Directors and the Minister of Telecommunications and Postal Services for the 2015/16 financial year.

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

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

10. Public Private Partnerships

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

11. Basis of presentation

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

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

12. Capital Commitments

During the audit, the completeness of contractual commitments was raised by the auditors. Management subsequently amended the amounts disclosed in the financial statements as supported by contracts and/or other legal documents.

13. Events Subsequent to the Date of Financial Position

Subsequent to the reporting date, management became aware of circumstances whereby the valuation of internally generated intangible assets were required to be reassessed. Based on the information at our disposal, a decision was made to fully impair these assets in our accounting records. The financial effect of the impairment is disclosed in note 5 of the Annual Financial Statements.

14. Going Concern

The Directors confirm that they are satisfied that the company has adequate resources to continue its business operations for the twelve month period from the date of this report. For this reason, they continue to adopt the going concern basis for preparing the financial statements as confirmed in the Statement of Responsibility by the Board of Directors on page 10.

15. 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 SJ Vilakazi	21 November 2012 – 20 November 2015 (term expired)
Mr ZD Nomvete (Acting)	21 November 2015 – Current

Deputy Chairperson

Vacant

Members

Ms N January-Bardill	Resigned 19 May 2015
Ms SH Chaba	
Adv J de Lange	
Mr N Gosebo	
Mr GZ Malele	
Adv MB Matlejoane	Resigned 23 July 2015
Mr JS Mngomezulu	
Mr GA Victor	
Ms MO Williams	

Alternate Directors

Mr W Mudau

Mr G Ncanywa

Mr D C Niddrie

Ms R Mokoena

Executive Directors:

Dr SJ Mohapi (Chief Executive Officer)	1 April 2015 – Current
Mr M Ndlangisa (Deputy Chief Executive Officer)	1 June 2014 – Current
Lt-Gen JT Nkonyane (Ret.) (Deputy Chief Executive Officer)	Resigned 31 March 2016
Ms RC Rasikhinya (Chief Financial Officer)	9 November 2015 – Current

Company Secretary

Mr M Mzaidume	Resigned 30 June 2016
Ms SL Kgope (Acting)	

Report of the auditor-general to Parliament on the State Information Technology Agency SOC Limited

Report on the financial statements

Introduction

1. I have audited the financial statements of the State Information Technology Agency SOC Limited (SITA) set out on pages 81 to 121, which comprise, the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in equity, cash flow statement and statement of comparison of budget and actual amounts 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 these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
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 estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the State Information Technology Agency SOC Ltd as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

Emphasis of matters

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

Significant uncertainties

8. With reference to note 26 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.

Restatement of corresponding figures

9. As disclosed in note 6 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of an error discovered during 2016 in the financial statements of SITA for the year ended, 31 March 2016. It relates to the disclosure of contractual commitments entered into by the entity in prior periods.

Material impairments

10. As disclosed in note 5 to the financial statements, material losses to the amount of R134 986 121 were incurred as a result of impairment of internally generated intangible assets.

Additional matters

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

Other reports required by the Companies Act

12. As part of our audit of the financial statements for the year ended 31 March 2016, 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.

SITA as the procurement agent on behalf of other government institutions

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

14. 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.

15. 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. These non-compliance matters may cause modifications to the government departments and other public body's auditors' reports.

Report on other legal and regulatory requirements

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

Predetermined objectives

17.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 public entity for the year ended 31 March 2016:

a. Programme 1: Procurement pages 25 and 26

- Strategic Objective: Review and improve performance of SCM

b. Programme 2: Service Delivery on pages 27 and 28

- Strategic Objective: Enhance efficiency of government business processes

18. 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).

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

20. I did not identify any material findings on the usefulness and reliability of the reported performance information for the objectives indicated above.

Additional matters

21. Although we did not identify any material findings on the usefulness and reliability of the reported performance information for the selected programmes, we draw attention to the following matter:

Achievement of planned targets

22. Refer to the annual performance report on pages 25 to 31 for information on the achievement of planned targets for the year.

Compliance with legislation

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

Financial statements, performance and annual reports

24. The commitments disclosure in the financial statements submitted for auditing was 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. This material misstatement identified by the auditors in the submitted financial statements was subsequently adjusted, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

25. Effective steps were not taken to prevent irregular expenditure, amounting to R63 418 508 as disclosed in note 28 to the financial statements, as required by section 51(1)(b)(ii) of the Public Finance Management Act.

26. Effective steps were not taken to prevent fruitless and wasteful expenditure, amounting to R1 272 407 as disclosed in note 28 to the financial statements, as required by section 51(1)(b)(ii) of the Public Finance Management Act.

Internal control

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

Financial and performance management

28. Key controls implemented have not been fully assessed through comprehensive review and monitoring of preparation of financial statements and expenditure management to ensure compliance with applicable laws and regulations.

Other reports

29. I draw attention to the following engagements that could potentially impact on the public entity's financial, performance and compliance related matters. My opinion is not modified in respect of these engagements that are either in progress or have been completed.

Investigations

30. The special investigation unit performed three investigations, per referral of the public entity, which covered the periods 2012 until date. These investigations were initiated based on allegations of possible unlawful, irregular or unapproved transactions by employees of the public entity. Only one of the investigations concluded during the financial period and resulted in disciplinary proceedings being instituted against twelve employees. These proceedings are currently in progress.

Auditor-General

Pretoria

12 August 2016

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

in Rand	Note	2016	2015
Assets			
Non-current assets		1,249,749,321	1,008,780,868
Property, plant and equipment	4	839,191,465	613,913,014
Intangible assets	5	331,994,474	291,785,142
Non-current portion of prepayments	10	13,723,977	-
Deferred tax assets	7	64,839,405	103,082,712
Current assets		2,542,430,713	2,717,061,257
Cash and cash equivalents	8	1,152,485,518	1,539,404,636
Trade and other receivables	9	1,038,188,549	1,022,868,657
Income tax receivable		322,622,972	140,478,942
Current portion of prepayments	10	29,133,674	14,309,022
Total assets		**3,792,180,034**	**3,725,842,125**
Net assets and liabilities			
Net assets		2,573,646,745	2,730,915,672
Share capital	11	1	1
Reserves	12	627,334,546	627,334,546
Accumulated surpluses		1,946,312,198	2,103,581,125
Liabilities			
Non-current liabilities		122,627,745	127,445,745
Post-retirement employee benefits	13	122,627,745	127,445,745
Current Liabilities		1,095,905,544	867,480,708
Trade and other payables	14	873,743,959	688,444,211
Income received in advance	15	222,161,585	179,036,497
Total net assets and liabilities		**3,792,180,034**	**3,725,842,125**

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2016

In Rand	Note	2016	2015
Revenue	16	5,458,602,601	5,089,678,442
Cost of sales	17	(4,710,313,016)	(3,954,846,525)
Gross surplus		748,289,585	1,134,831,917
Other income	18	57,419,222	34,457,302
Operating expenses	19	(1,139,152,306)	(1,083,613,962)
(Deficit)/Surplus from operating activities		(333,443,499)	85,675,257
Finance income	20	169,474,785	160,654,579
Finance expenses	21	(43,986,595)	(38,333,766)
(Deficit)/Surplus before income tax		(207,955,309)	207,996,070
Income tax	22	50,686,382	(63,706,934)
(Deficit)/Surplus for the year attributable to shareholder		**(157,268,927)**	**144,289,136**

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2016

in Rand	Share capital	Reserve	Accumulated surpluses	Total
Balance as at 31 March 2014	1	627,334,546	1,959,291,989	2,586,626,536
Surplus for the year	-	-	144,289,136	144,289,136
Balance as at 31 March 2015	1	627,334,546	2,103,581,125	2,730,915,672
(Deficit) for the year	-	-	(157,268,927)	(157,268,927)
Balance as at 31 March 2016	1	627,334,546	1,946,312,198	2,573,646,745
Note	11	12		

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

in Rand	Note	2016	2015
Cash flows from operating activities			
Receipts		5,513,729,864	5,162,983,377
- Sale of goods and services		5,445,164,099	5,088,469,135
- Finance income received		68,565,765	74,514,242
Payments		(5,389,527,253)	(5,002,827,361)
- Payment to suppliers and employees		(5,290,365,858)	(4,863,307,114)
- Finance costs paid		(5,947,054)	(13,130,037)
- Income tax paid	29.1	(93,214,341)	(126,390,210)
Net Cash flows from operating activities	29.2	124,202,611	160,156,016
Cash flows from investing activities			
Purchase of property, plant and equipment		(309,621,490)	(194,400,037)
Purchase of intangible assets		(201,794,610)	(59,994,211)
Proceeds from the sale of property, plant and equipment		294,371	3,489,930
Net Cash flows from investing activities		(511,121,729)	(250,904,318)
Cash flows from financing activities			
(Repayment)/Receipt of interest-bearing borrowings		-	-
Net Cash flows from financing activities		-	-
(Decrease) in cash and cash equivalents		(386,919,118)	(90,748,302)
Cash and cash equivalents at beginning of year		1,539,404,636	1,630,152,938
Cash and cash equivalents at end of year	8	1,152,485,518	1,539,404,636

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 MARCH 2016

In Rand	Note	ACTUAL	REVISED BUDGET	VARIANCE
Revenue	a	5,458,602,601	5,592,317,853	(2.39%)
- Agency revenue		1,338,203,652	954,154,795	
- Services revenue		4,120,398,949	4,638,163,058	
Cost of sales	b	(4,710,313,016)	(4,376,694,969)	(7.62%)
- Agency cost of sales		(1,243,532,407)	(902,537,219)	
-Services cost of sales		(3,466,780,609)	(3,474,157,750)	
Gross surplus		748,289,585	1,215,622,884	
- Agency gross surplus		94,671,245	51,617,576	
- Services gross surplus		653,618,340	1,164,005,308	
Other income	c	57,419,222	29,945,000	91.75%
Operating expenses	d	(1,139,152,306)	(1,165,622,353)	2.27%
(Deficit)/Surplus before income tax		(333,443,499)	79,945,531	
Net Finance income	e	125,488,190	54,601,250	129.83%
(Deficit)/Surplus before income tax		(207,955,309)	134,546,781	(254.56%)
Income tax		50,686,382	(37,673,099)	(234.54%)
(Deficit)/Surplus for the year attributable to shareholder		**(157,268,927)**	**96,873,682**	**(262.34%)**

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

Notes:

The variance is due to notional interest that is not considered for budget purposes and lower than expected

a. labour based revenue.

b. The variance is mainly due to income received that was not anticipated.

c. The variance is mainly as a result of cost saving initiatives that the company undertook during the year.

d. The variance is mainly due to the net fair value adjustments on trade receivables and payables with regards to

e. Notional interest earned that is not considered for bugeting purposes.

f. The variance is mainly due to unplanned Agency transactions that resulted in a corresponding increase in Agency

g. Related costs as a result of higher foreign exchange rates.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (Continued)

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 2016 were authorised and approved in accordance with a resolution of the Board of Directors on 28 July 2016.

2 Basis of preparation

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

a) Statement of compliance

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

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

b) Use of estimates and judgements

The preparation of financial statements in conformity with the basis of preparation requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results thereof form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

3 Significant accounting policies

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

3.1 Foreign currency transactions

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

3.2 Financial instruments

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

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

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

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

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (Continued)

3.3 Property, plant and equipment

a) Recognition and measurement

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

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

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

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

b) Subsequent costs

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

c) Depreciation

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

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

	Original useful lives	**Revised useful lives**
- Buildings	5 - 54 years	6 - 64 years
- Computer equipment	3 - 25years	3 - 29 years
- Office furniture	3 - 36 years	3 - 41 years
- Vehicles	4 -19 years	16 - 22 years

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

d) Derecognition

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

NOTES TO THE ANNUAL FIN ANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (Continued)

3.4 Intangible assets

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

Intangible assets with finite useful lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation is charged to surplus or deficit on a straight line basis over the estimated useful lives of intangible assets. The amortisation period and the amortisation method is reviewed annually and any changes are accounted for in terms of GRAP 3 (Standard on Accounting Policies, Changes in Accounting Estimates and Errors), as a change in accounting estimate.

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

Computer software

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

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

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

Research and development

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

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

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

3.5 Leases

Lessee

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

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

Lessor

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

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

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

a) Determining whether an arrangement contains a lease

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

• Fulfilment of the arrangement is dependent on the use of an asset or assets, and this fact is not necessarily explicitly stated by the contract but rather implied; and

• The arrangement conveys a right to use the asset or assets, if one of the following conditions is met:

-the purchaser has the ability or right to operate the asset or direct others to operate the asset; or

-the purchaser has the ability or right to control physical access to the asset; or

-there is only a remote possibility that parties other than the purchaser will take more than a insignificant amount of the output of the asset, and the price that the purchaser will pay is neither fixed per unit of output nor equal to the current market price at the time of delivery.

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

3.6 Impairment

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

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

The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and 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, the expected future cash flows from the asset are discounted to their net present values using a pre-taxation discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (Continued)

3.7 Employee benefits

a) Defined contribution plan

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

b) Defined benefit plan

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

c) Termination benefits

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

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

d) Short-term benefits

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

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

3.8 Provisions

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

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

3.9 Revenue

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

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

(a) the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods

(b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold

(c) the amount of revenue can be measured reliably

(d) it is probable that the economic benefits or service potential associated with the transaction will flow to the entity

(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

(a) The amount of revenue can be measured reliably

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

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

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

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

3.10 Finance income

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

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

3.11 Finance expenses

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

3.12 Taxation

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

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

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

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

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

3.13 Contingent Liabilities

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

a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation

b) the amount of the obligation cannot be measured with sufficient reliability.

3.14 Capital Commitments

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (Continued)

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 GRAP 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 to surplus or deficit in the period in which they are incurred.

3.15 Cash and cash equivalents

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

3.15 Events after reporting date

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

Two types of events can be identified:

(a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date)

(b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

4 Property, plant and equipment

in Rand	Land	Buildings	Computer Equipment	Office furniture	Vehicles	Total
At 31 MARCH 2016						
Cost						
Balance at beginning of year	24,743,595	266,567,911	791,095,779	134,936,907	916,301	1,218,260,493
Additions and improvements	-	2,243,047	301,760,616	5,617,827	-	309,621,490
Disposals/Retirements	-	(10,023,799)	(23,840,778)	(353,176)	-	(34,217,753)
Balance at end of year	24,743,595	258,787,159	1,069,015,617	140,201,558	916,301	1,493,664,230
Accumulated depreciation						
Balance at beginning of year	-	(108,007,685)	(416,999,388)	(78,742,392)	(598,014)	(604,347,479)
Impairment	-	-	(1,213,350)	(13,533)	-	(1,226,883)
Depreciation charge	-	(5,043,352)	(64,266,908)	(5,126,123)	(33,237)	(74,469,620)
Disposals/Retirements	-	5,561,867	19,958,632	50,718	-	25,571,217
Balance at end of year	-	(107,489,170)	(462,521,014)	(83,831,330)	(631,251)	(654,472,765)
Net carrying amount	**24,743,595**	**151,297,989**	**606,494,603**	**56,370,228**	**285,050**	**839,191,465**
At 31 MARCH 2015						
Cost						
Balance at beginning of year	24,743,595	264,162,979	638,176,743	112,968,539	1,148,757	1,041,200,613
Additions and improvements	-	2,465,907	169,367,048	22,567,083	-	194,400,038
Disposals/Retirements	-	(60,975)	(16,448,012)	(598,715)	(232,456)	(17,340,158)
Balance at end of year	24,743,595	266,567,911	791,095,779	134,936,907	916,301	1,218,260,493
Accumulated depreciation						
Balance at beginning of year	-	(102,870,313)	(388,608,917)	(73,309,880)	(753,675)	(565,542,785)
Depreciation charge	-	(5,183,049)	(37,486,844)	(5,870,067)	(49,122)	(48,589,082)
Disposals/Retirements	-	45,677	9,096,373	437,555	204,783	9,784,388
Balance at end of year	-	(108,007,685)	(416,999,388)	(78,742,392)	(598,014)	(604,347,479)
Net carrying amount	24,743,595	158,560,226	374,096,391	56,194,515	318,287	613,913,014

None of the items of property, plant and equipment are held under finance lease.

A register of land and buildings is available for inspection at the registered office of the company.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

5 Intangible assets

in Rand	Intangible assets	Internally generated intangible asset	Total
At 31 MARCH 2016			
Cost			
Balance at beginning of year	199,327,651	400,138,374	599,466,025
Additions and improvements	157,440,399	44,354,211	201,794,610
Disposals/Retirements	(7,100,271)	-	(7,100,271)
Balance at end of year	349,667,779	444,492,585	794,160,364
Accumulated amortisation			
Balance at beginning of year	(132,566,475)	(175,114,408)	(307,680,883)
Amortisation charge	(24,961,218)	-	(24,961,218)
Disposals/Retirements	5,462,332	-	5,462,332
Impairment	-	(134,986,121)	(134,986,121)
Balance at end of year	(152,065,361)	(310,100,529)	(462,165,890)
Net carrying amount	**197,602,418**	**134,392,056**	**331,994,474**
At 31 MARCH 2015			
Cost			
Balance at beginning of year	193,272,694	346,243,408	539,516,102
Additions and improvements	6,099,245	53,894,966	59,994,211
Disposals/Retirements	(44,288)	-	(44,288)
Balance at end of year	199,327,651	400,138,374	599,466,025
Accumulated amortisation			
Balance at beginning of year	(118,752,399)	(175,114,408)	(293,866,807)
Amortisation charge	(13,852,566)	-	(13,852,566)
Disposals/Retirements	38,490	-	38,490
Balance at end of year	(132,566,475)	(175,114,408)	(307,680,883)
Net carrying amount	**66,761,176**	**225,023,966**	**291,785,142**

Intangible assets comprises of software and licenses.

Internally generated intangible assets relate to the development of IFMS and solutions for Transversal Solutions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

6 Capital and Operational commitments

in Rand	2016	2015
Budgeted and contracted for	6,757,212,578	6,458,057,610
	6,757,212,578	6,458,057,610

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

There has been a change with regards to the amount disclosed in the prior financial year. During the current financial year, it has come to management's attention that a change in the manner of determining the amount for disclosure would result in more meaningful representation. The amount previously disclosed was R255 974 751.

All operating lease commitments are disclosed separately on the Annual Financial Statements under note 25.

7 Deferred tax assets

Deferred tax assets are attributable to the following:

in Rand	Statement of financial performance movement	2016	2015
Movement in impairment on trade receivables	(47,836,376)	18,633,944	66,470,320
Movement in IFMS impairment	37,796,114	86,828,148	49,032,034
Accrual for leave pay benefits	(965,326)	19,242,353	20,207,679
Post-retirement medical benefits	(1,349,040)	34,335,769	35,684,809
Income received in advance	12,075,025	62,205,244	50,130,219
Notional interest adjustment	(2,197,079)	(1,373,090)	823,989
Leases	(652,791)	(347,395)	305,396
Prepayments	2,003,264	-	(2,003,264)
Section 24C allowance	(12,440,450)	(62,205,244)	(49,764,794)
Depreciation/amortisation	(24,676,648)	(92,480,324)	(67,803,676)
	(38,243,307)	64,839,405	103,082,712
Reconciliation between opening and closing balance			
Deferred tax asset at beginning of year		103,082,712	89,182,361
Statement of financial performance movement		(38,243,307)	13,900,351
- current year		(38,243,307)	13,900,351
Deferred tax asset at end of year		64,839,405	103,082,712

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

8 Cash and cash equivalents

in Rand	2016	2015
Cash with Banks	1,152,485,518	1,539,404,636
- Current account balance	34,447,379	33,214,317
- Unidentified receipts	-	(2,758,230)
- Interest Accrual	229,612	247,552
- Call account balance	2,000,000	2,000,000
- Monies held in trust	34,814,197	32,914,754
- Payroll account	24,882	9,922
- CPD account	1,080,958,848	1,473,762,721
- Cash float	10,600	13,600
Ring-fenced cash	(321,185,328)	(239,890,840)
- Cash Float - SITA Cafeterias	(10,600)	-
- Committed Funds	(18,645,388)	-
- IFMS Project	(62,306,586)	(100,162,242)
- Income received in advance	(132,063,557)	(64,946,598)
- Monies held in Trust	(34,814,197)	-
- Municipal guarantees	-	(1,437,000
- Post retirement medical benefits	(73,345,000)	(73,345,000)
Available Cash	831,300,190	1,299,513,796

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

The company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 23.

The average rate of interest on the cash balances was 6.32% (2015: 5.89%)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

9 Trade and other receivables

in Rand	2016	2015
Trade receivables	1,080,805,979	1,284,426,934
Less: Impairment of trade receivables	(85,243,563)	(304,077,708)
	995,562,416	980,349,226
Other receivables	42,626,133	42,519,431
	1,038,188,549	1,022,868,657

Debtor's amounts worth R218 834 145 (incl. VAT) were written off during the current financial year as irrecoverable and this resulted in a decrease in the debtors impairment as compared to the previous year.

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

10 Prepayments

in Rand	2016	2015
Non-current portion:	13,723,977	-
Current portion	29,133,674	14,309,022
- Software maintenance costs	29,070,432	14,309,022
- Marketing, Communication and PR services costs	63,242	-
Total Prepayments	42,857,651	14,309,022

11 Share Capital

in Rand	2016	2015
Authorised and issued		
One ordinary share at R1.00 each	1	1

12 Reserves

in Rand	2016	2015
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 National Treasury to transfer the difference to reserves.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

13 Post-retirement employee benefits

in Rand	2016	2015
Present value of unfunded obligations	122,627,745	127,445,745
Plan assets	-	-
Unrealised actuarial gains	-	-
	122,627,745	127,445,745
Movement in the present value of the defined benefit liability		
Balance at beginning of year	127,445,745	109,266,745
Statement of financial performance movement	(4,818,000)	18,179,000
Current service cost	4,412,000	3,889,000
Interest cost	11,442,000	10,569,000
Contributions paid	(683,000)	(634,000)
Settlement (gain)	-	(2,953,000)
Curtailments	-	-
Realised actuarial (gain)/loss	(19,989,000)	7,308,000
Balance at end of year	122,627,745	127,445,745
Employee benefit income/(expense):		
Current service cost	(4,412,000)	(3,889,000)
Interest cost	(11,442,000)	(10,569,000)
Settlement gain	-	2,953,000
Curtailments	-	-
Net actuarial gains/(losses) recognised in surplus or deficit	19,989,000	(7,308,000)
Negative/Positive past service cost	-	-
Total employee benefit income/(expense)	4,135,000	(18,813,000)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

Principal actuarial assumptions

Gross Discount Rate	Zero-coupon South African bond yield curve - 11.5%	Zero-coupon South African bond yield curve - 9.0%
Healthcare Cost Inflation	2% higher than CPI inflation - 11%	2% higher than CPI inflation - 8.7%
Pre-retirement mortality assumptions:		
- Males	SA85-90 L	SA85-90 L
- Females	SA85-90 L	SA85-90 L
Post-retirement mortality assumptions:		
-Males	PA(90) rated down 2 year(s) plus 1% future improvement	PA(90) rated down 2 year(s) plus 1% future improvement
- Females	PA(90) rated down 2 year(s) plus 1% future improvement	PA(90) rated down 2 year(s) plus 1% future improvement
Expected retirement ages:		
- Males	65 years - ex Infoplan; 60 years - others	65 years - ex Infoplan; 60 years - others
- Females	65 years - ex Infoplan; 60 years - others	65 years - ex Infoplan; 60 years - others
Continuation percentage	100%	100%
Percentage married at retirement	90%	90%

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

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

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

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 2016, 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 2016/2017 will amount to R802 000.

Sensitivity analysis relating to the assumed medical cost trend rates:

	Increase of 1%	Base	Decrease of 1%
Change in Liability in Rand	153,912,000	122,627,745	98,891,000
Change in Liability as a %	25.5%		-19.4%
Service cost and Interest cost in Rand	20,303,000	15,854,000	12,539,000

	2016	2015	2014	2013	2012
Experience adjustments	(14,027,000)	(12,050,000)	(28,536,000)	(23,274,000)	3,015,001
Present value of defined benefit obligation	122,627,745	127,445,745	109,266,745	124,987,745	129,151,713

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 R95.3 million (2015: R83.5 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 R103.1 million (2015: R84.5 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 2016 (continued)

14 Trade and other payables

in Rand	2016	2015
Trade payables	730,457,374	439,675,296
Leave pay accrual	68,722,690	77,214,837
Payroll accrual	5,289,402	5,191,539
Non-trade payables	69,274,493	166,362,539
	873,743,959	688,444,211

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

15 Income received in advance

in Rand	2016	2015
Unearned Revenue	27,791,442	13,927,657
Ring fenced cash (Refer to note 8)	194,370,143	165,108,840
- Income received in advance	132,063,557	64,946,598
- IFMS	62,306,586	100,162,242
	222,161,585	179,036,497

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

16 Revenue

in Rand	2016	2015
Agency Revenue	1,338,203,652	1,563,704,580
Services Revenue	4,120,398,949	3,525,973,862
	5,458,602,601	5,089,678,442

Agency transactions represent the senario whereby the company procures goods and services on behalf of its customers. There is a value-added service that the company provides with regards to these transactions which carries a foreign exchange exposure that is also managed by the company.

Service transactions include those transactions whereby the company provides goods and services directly to its customers.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

17 Cost of Sales

in Rand	2016	2015
Agency Cost of Sales	(1,243,532,407)	(649,900,601)
Services Cost of Sales	(3,466,780,609)	(3 ,304,945,924)
	(4,710,313,016)	(3 ,954,846,525)

18 Other income

in Rand	2016	2015
Profit on disposal of assets	36,667	19,039
Operating lease income	8,189,926	11,534,190
Income from GovTech conference	23,888,640	20,070,483
Sundry income	25,303,989	2,833,590
	57,419,222	34,457,302

19 Operating expenses

The following separately disclosable items are included in operating expenses:

in Rand	2016	2015
Auditor's remuneration		
- Audit fees	(13,129,890)	(9,805,349)
Amortisation		
Total amortisation	(24,961,218)	(13,852,566)
Included in cost of sales	23,391,190	10,661,614
Non-recoverable amortisation	(1,570,028)	(3,190,952)
Depreciation		
Total depreciation	(74,469,620)	(48,589,082)
Included in cost of sales	69,955,845	44,667,149
Non-recoverable depreciation	(4,513,775)	(3,921,933)
Impairment movement		
- Trade and other receivables	191,959,776	(21,827,222)
- Impairment of Property, Plant and Equipment	(1,226,883)	-
- Impairment of Intangible assets	(134,986,121)	-
Software written-off	-	(86,703,914)
Bad debt written-off	(195,829,996)	(45,248,975)
Net Loss on disposal of assets	(10,026,771)	(4,090,675)
Operating lease expense	(46,750,694)	(40,963,924)
Staff costs	(528,788,754)	(476,794,268)

Refer to Annexure A for Directors' remuneration

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

20 Finance income

in Rand	2016	2015
Notional Interest earned	93,822,279	86,084,990
Foreign exchange gain	356,225	55,347
Interest on cash balances	68,565,765	74,514,242
Interest on Provisional tax overpayment	6,730,516	-
	169,474,785	160,654,579

21 Finance expenses

in Rand	2016	2015
Notional Interest incurred	(33,959,067)	(24,170,595)
Interest paid	(5,947,054)	(13,130,037)
Foreign exchange loss	(4,080,474)	(1,033,134)
	(43,986,595)	(38,333,766)

22 Income tax expense

in Rand	2016	2015
Current tax expense		
Income tax charge	88,139,736	(77,607,285)
Prior year under provision	789,953	-
Deferred tax expense		
Origination and reversal of temporary differences	(38,243,307)	13,900,351
Income tax per Statement of Financial Performance	50,686,382	(63,706,934)
Reconciliation of effective tax rate		
(Loss)/Profit for the period	(157,268,927)	144,289,137
Total income tax	50,686,382	(63,706,934)
(Loss)/Profit excluding income tax	(207,955,309)	207,996,069

	2016		2015	
	%	R	%	R
Income tax using the company's domestic tax rate	28.00%	58,227,487	28.00%	(58,238,899)
Non-deductible expenses	(3.63%)	(7,541,105)	2.63%	(5,468,035)
Effective income tax	24.37%	50,686,382	30.63%	(63,706,934)

23 Financial instruments

a) Credit risk

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

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

		Carrying amount	
in Rand	Note	2016	2015
Trade receivables	9	995,562,416	980,349,226
Other receivables	9	42,626,133	42,519,431
Cash and cash equivalents	8	1,152,485,518	1,539,404,636
		2,190,674,067	2,562,273,293

Impairment losses

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

in Rand	2016	2015
Not past due	681,172,687	572,606,452
Past due 0 - 30 days	81,879,288	71,112,135
Past due 31 - 90 days	76,933,322	147,549,922
Past due 91 - 360 days	94,710,575	144,300,591
Past due - more than 360 days	60,866,544	44,780,126
	995,562,416	980,349,226

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

Credit quality of financial assets

Trade receivables

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

Cash at bank	2016	2015
Zero risk (CPD)	1,080,958,848	1,473,762,721
Fitch BBB+	71,286,457	65,380,763
Cash on hand	240,212	261,152
	1,152,485,517	1,539,404,636

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

	2016	2015
Balance at beginning of year	(304,077,708)	(279,194,675)
Impairment loss for the year	218,834,145	(24,883,033)
Balance at end of year	(85,243,563)	(304,077,708)

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

b) Liquidity risk

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

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

31 March 2016					
in Rand	**Carrying amounts**	**Contractual cash flow**	**6 months or less**	**6 - 12 months**	**1 - 2 years**
Trade and other payables	873,743,959	873,743,959	873,743,959	-	-
	873,743,959	873,743,959	873,743,959	-	-

31 March 2015					
in Rand	**Carrying amounts**	**Contractual cash flow**	**6 months or less**	**6 - 12 months**	**1 - 2 years**
Trade and other payables	688,444,211	688,444,211	688,444,211	-	-
	688,444,211	688,444,211	688,444,211	-	-

c) Currency risk

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

d) Interest rate risk

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

Carrying amount		
	2016	**2015**
in Rand	0	0
Fixed interest rate		

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

Fair value sensitivity analysis for fixed rate instruments

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

Variable interest rate		
Cash and cash equivalents	1,152,485,518	1,539,404,636

Fair value sensitivity analysis for variable interest rate instruments

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

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

by:	1,152,486	1,539,405

e) Categories of financial instruments

Financial instruments at amortised cost:

Cash and cash equivalents	1,152,485,518	1,539,404,636
Trade and other receivables	1,038,188,549	1,022,868,657
Trade and other payables	873,743,959	688,444,211

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

24 Related parties

Transactions with government

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

The company is a schedule 3A National Public Entity in terms of the Public Finance Management Act,1999 (Act No.1 of 1999). The related party disclosures is in terms of the requirements of GRAP 20 (Related Party Disclosures).

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

Transactions with key management personnel

The key management personnel are Directors and Executive Managers of the company for the year ended 31 March 2016.

Transactions with key management personnel are disclosed in Annexure A.

25 Operating leases

Operating lease expense

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

in Rand	2016	2015
Less than 1 year	(22,245,690)	(35,766,033)
Between 1 and 5 years	(26,785,404)	(21,618,268)
More than 5 years	-	-
	(49,031,094)	(57,384,301)

Operating lease income

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

in Rand	2016	2015
Less than 1 year	35,670	52,174
Between 1 and 5 years	182,099	-
More than 5 years	318,681	-
	536,450	52,174

The average period for operating lease agreements is five years.

26 Contingent liabilities

Litigations and claims:

There are various claims against SITA estimated at approximately R29.2 million. Based on legal advice, the probability is not determinable in the majority of these claims as the ruling could go either way. Furthermore, it is not possible at this stage to estimate the exact potential damages and legal costs involved as it will have to be proved by the plaintiffs/defendants. Legal costs in respect of these matters is expected to amount to approximately R4 million.

27 Standards issued but not yet effective

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

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

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

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

28 a) Irregular Expenditure

	2016	2015
	R	R
Opening Balance	(56,804,088)	(65,399,354)
Add: Irregular Expenditure - current year	(63,418,508)	(13,980,190)
Less: Amounts condoned	-	22,751,178
Add/(Less): Prior year adjustment	-	(175,722)
Less: Amounts recoverable (not condoned)	-	
Less: Amounts not recoverable (not condoned)	-	-
Irregular expenditure awaiting condonation	**(120,222,596)**	**(56,804,088)**
Analysis of expenditure awaiting condonation per age classification		
Current year	(63,418,508)	(13,980,190)
Prior years	(56,804,088)	(42,823,898)
Total	**(120,222,596)**	**(56,804,088)**

b) Fruitless and Wasteful Expenditure

	2016	2015
	R	R
Opening Balance	(10,392,359)	(1,861,517)
Add: Fruitless and Wasteful Expenditure - current year	(1,272,407)	(8,530,842)
Less : Amounts written off	-	-
Less: Amounts not recoverable (not condoned)	-	-
Fruitless and wasteful expenditure awaiting write-off	**(11,664,766)**	**(10,392,359)**
Analysis of expenditure awaiting write-off per age classification		
Current year	(1,272,407)	(8,530,842)
Prior years	(10,392,359)	(1,861,517)
Total	**(11,664,766)**	**(10,392,359)**

Details of Fruitless and Wasteful Expenditure

Prior Years

The prior years fruitless and wasteful expenditure is made up of R8 530 842 resulting from compounded interest accumulated over the past four years in respect of back billing for the period March 2011 to March 2014 as well as R1 861 517 that relates to a matter under criminal investigation by the Serious Commercial Crime Unit (SCCU). Recovery of the loss is not certain and can only be initiated upon conclusion of the criminal investigation.

Current year

The amount of R1 272 407 represents fruitless and Wasteful expenditure resulting from interest charged for late payments amounting to R822 407 as well as a settlement amount of R450 000 paid in respect of contract termination with a supplier.

Management has initiated a number of formal investigations relating to irregular expenditure and fruitless and wasteful expenditure and the majority of the cases were still under investigation at year-end. As a result, no disciplinary cases were concluded during the year. Appropriate action will be taken as soon as the investigations have been finalised

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

1. Details of Irregular Expenditure - Detected during the current year

In Rand

Incident	Prior Year 2015	2016	Total
IE00091 Irregular expenditure arising from the continued procurement of systems maintenance services, including rental of the required backhaul service without a valid contract in place, after expiry of the initial contract extension on 31 January 2014	(1,041,030)	--	(1,041,030)
IE00092 Irregular expenditure arising from the continued leasing of desktops and laptops after expiry of the contract extension on 31 March 2015	-	(6,039,805)	(6,039,805)
IE00093 Irregular expenditure arising from continued procurement of service (VPN Supreme Services) after expiry of the contact	-	(39,026,891)	(39,026,891)
IE00094 Irregular expenditure arising from the continued procurement of office cleaning services without a valid contract in place, after expiry of the initial contract extension on 30 June 2015	-	(33,227)	(33,227)
IE00095 Irregular expenditure arising from the continued procurement of security services without a valid contract in place, after expiry of the initial contract extension on 30 June 2015	-	(95,388)	(95,388)
IE00096 Irregular expenditure arising from the continued procurement of systems security services, after expiry of the contract	(6,973,842)	-	(6,973,842)
IE00097 Irregular expenditure due to deviation from the SITA procurement process in respect of acquisition of diesel for DATA centres generators	-	(166,291)	(166,291)
IE00098 Irregular expenditure due to deviation from SITA procurement process with regards to the procurement of accommodation in respect of GovTech 2015 event	-	(1,317,555)	(1,317,555)
IE00099 Irregular expenditure due to continued procurement of mail cleansing services, from the service provider after contract expired	-	(807,500)	(807,500)
IE00100 Irregular expenditure arising from procurement of maintenance and support services in respect of the Track and Trace System IT requirements, outside the contract period	(919,494)	-	(919,494)
IE00101 Irregular expenditure arising from continued occupation of office premises after expiry of the lease contract	-	(774,119)	(774,119)
IE00102 Irregular expenditure due to exceeding of the contract amount in respect of provision of Business Analysis services	-	(1,837,972)	(1,837,972)
IE00103 Irregular expenditure due to booking of accommodation at rates higher than the approved National Treasury rates in respect of GovTech 2015 event	-	(2,001,600)	(2,001,600)
IE00104 Irregular expenditure due to quatation period being shorter than required by policy	-	(13,242)	(13,242)
IE00105 Irregular expenditure due to lack of clarity on the request for quatation that was sent to prosctive suppliers which resulted in other bidders being disqualified	(155,982)	-	(155,982)
IE00106 Irregular expenditure due to the price adjustment on the extention of the original contract being more than the allowable threshold	(2,214,570)	-	(2,214,570)
Total	(11,304,918)	(52,113,590)	(63,418,508)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

29 Cash flow notes

29.1 Normal tax paid

in Rand	2016	2015
Opening balance	(140,478,942)	(91,696,017)
Current year normal tax charge	(88,929,689)	77,607,285
Closing balance	322,622,972	140,478,942
	93,214,341	126,390,210

29.2 Reconciliation of net cash flows from operating activities

in Rand	2016	2015
NET CASH INFLOW FROM OPERATING ACTIVITIES		
(Deficit)/Surplus before taxation	(207,955,309)	207,996,069
Adjustments for non-cash flow items:		
-Depreciation/Amortisation	99,430,838	62,441,648
-Increase in provision for impairment - intangible assets	134,986,121	-
-(Decrease)/Increase in provision for impairment - debtors	(191,959,776)	21,827,222
-VAT on provision for impairment - debtors	(26,874,369)	3,055,811
-Increase in provision for Impairment of property, plant and equipment	1,226,883	-
-Loss on disposal or scrapping of property, plant and equipment	10,026,771	4,090,675
- Profit on disposal or scrapping of property, plant and equipment	(36,667)	(19,039)
-Increase in provision for impairment - intangible assets	-	86,703,914
-(Decrease)/Increase in provision for post-retirement employee benefits	(4,818,000)	18,179,000
-Finance costs paid	33,959,067	24,170,595
-Finance income received	(93,822,279)	(86,084,990)
Operating profit before working capital changes	(245,836,720)	342,360,905
Working capital changes:		
-Decrease/(increase) in trade and other receivables	203,514,253	(26,261,643)
-(Increase)/decrease in prepayments made	(28,548,630)	41,687,407
-Increase/(decrease) in trade and other payables	185,299,748	(83,475,813)
-Increase/(decrease) in income received in advance	43,125,089	(49,679,025)
Cash generated in operations	157,553,740	224,631,831
Normal taxation	(93,214,341)	(126,390,210)
Finance costs paid	(33,959,067)	(24,170,595)
Finance income received	93,822,279	86,084,990
	124,202,611	160,156,016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

30.1 Change in accounting estimate - Useful lives of property and equipment

SITA SOC Ltd reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, management determined that the useful lives of certain items of equipment should be increased, due to the expected increased utility of these assets.

The financial effect of this reassessment on each class of property, plant and equipment, assuming that the assets are held until the end of their estimated useful lives, is to decrease the consolidated depreciation expense in the current financial year by the amounts shown below. Depreciation for each of the remaining useful years is expected to be similarly affected by these changes in accounting estimates.

	Buildings	Computer Equipment	Office Furniture	Vehicles
Depreciation based on new estimates	5,025,056	63,150,774	6,075,304	33,237
Depreciation based on previous estimates	5,622,933	64,448,629	6,972,476	39,770
Effect of the change in the accounting estimates	(597,877)	(1,297,855)	(897,172)	(6,533)

30.2 Change in accounting estimate - Useful lives of intangible assets

SITA SOC Ltd reviews the estimated useful lives of intangible assets at the end of each reporting period. Duringthe current year, management determined that the useful lives of certain items of equipment should be increased, due to the expected increased utility of these assets.

The financial effect of this reassessment on the assets, assuming that the assets are held until the end of their estimated useful lives, is to decrease the consolidated amortisation expense in the current financial year by the amounts shown below. Amortisation for each of the remaining useful years is expected to be similarly affected by these changes in accounting estimates.

	Computer Software
Depreciation based on new estimates	24,029,050
Depreciation based on previous estimates	24,418,363
Effect of the change in the accounting estimates	(389,313)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

31 Events after the balance sheet date

Subsequent to the reporting date, management became aware of circumstances whereby the valuation of the IFMS and JIG CIP asset was required to be reassessed. Based on the information at our disposal, a decision was made to fully impair the IFMS and Open JIG CIP assets in our accounting records.

The effect of the impairment has resulted in the following:

	Originally stated	Currently stated	Movement
Intangible Assets	466,980,594	331,994,472	134,986,122
Operating expenses	-	134,986,122	(134,986,122)

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

Annexure A

in Rand - 31 March 2016

POSITION	Duration		Fees as Director	Acting Allowance	Basic Salary	Ad-hoc Payment	Travel Allowances	Other Allowances	Contributions to pension, medical or insurance funds	Total
NON-EXECUTIVE DIRECTORS										
Chairperson										
Mr J Vilakazi	8 months	30-Nov-15	296,382	-	-	-	6,298	-	-	302,680
Mr Z Nomvete	4 months	31-Mar-16	205,251	-	-	-	9,289	-	-	214,540
Deputy Chairperson										
Vacant			-	-	-	-	-	-	-	
MEMBERS										
Ms N January Bardill	2 months	30-May-15	-	-	-	-	-	-	-	-
Ms S Chaba	12 months	31-Mar-16	369,932	-	-	-	8,050	-	-	377,982
Adv J De Lange**	12 months	31-Mar-16	18,486	-	-	-	-	-	-	18,486
Mr N Gosebo*	12 months	31-Mar-16	-	-	-	-	-	-	-	-
Mr Z Malele	12 months	31-Mar-16	552,285	-	-	-	11,979	-	-	564,264
Adv B Matlejoane	4 months	31-Jul-15	-	-	-	-	-	-	-	-
Mr S Mngomezulu*	12 months	31-Mar-16	-	-	-	-	545	-	-	545

Ms R Mokoena**	12 months	31-Mar-16	135,095	-	-	-	3,267	-	-	138,362
Mr W Mudau**	12 months	31-Mar-16	-	-	-	-	-	-	-	-
Mr G Ncanywa**	12 months	31-Mar-16	192,430	-	-	-	3,993	-	-	196,423
Mr D Niddrie**	12 months	31-Mar-16	-	-	-	-	-	-	-	-
Mr Z Nomvete	8 months	30-Nov-15	281,503	-	-	-	11,036	-	-	292,539
Mr G Victor	12 months	31-Mar-16	348,865	-	-	-	11,979	-	-	360,844
Ms M Williams	12 months	31-Mar-16	298,099	-	-	-	4,682	-	-	302,781
			2,698,328	**-**	**-**	**-**	**71,118**	**-**	**-**	**2,769,446**
EXECUTIVE DIRECTORS										
Dr S Mohapi (Chief Executive Officer)	12 months	31-Mar-16	-	-	3,492,993	-	-	25,200	261,084	3,779,277
Mr F Nomvalo (Chief Executive Officer)	0 months	31-Mar-15	-	-	-	351,000	-	-	-	351,000
Mr M Ndlangisa (Deputy Chief Executive Officer)	12 months	31-Mar-16	-	-	2,136,918	-	240,000	25,200	25,074	2,427,192
Lt-Gen J Nkonyane (Ret.) (Deputy Chief Executive Officer)	12 months	31-Mar-16	-	-	2,088,226	-	360,000	25,200	25,547	2,498,973
Ms R Rasikhinya (Chief Financial Officer)	5 months	31-Mar-16 -	-	-	927,764	-	-	8,400	122,769	1,058,934
			-	**-**	**8,645,901**	**351,000**	**600,000**	**84,000**	**434,474**	**10,115,375**

*State employees that serve on the Board of Directors do not receive compensation from the company.

** These are Alternate Directors of the company.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016 (continued)

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

STATE INFORMATION TECHNOLOGY AGENCY SOC LTD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ending 31 MARCH 2015 (continued)

Annexure A

in Rand - 31 March 2015

POSITION	Duration		Fees as Director	Acting Allowance	Basic Salary	Ad-hoc Payment	Travel Allowances	Other Allowances	Contributions to pension, medical or insurance funds	Total
NON-EXECUTIVE DIRECTORS										
Chairperson										
Mr J Vilakazi	12 months	31-Mar-15	514,642	-	-	-	9,826	-	-	524,468
Deputy Chairperson										
Dr V Mahlati	4.5 months	13-Aug-14	223,666	-	-	-	2,276	-	-	225,942
MEMBERS										
Ms N January Bardill	12 months	31-Mar-15	-	-	-	-	-	-	-	-
Ms S Chaba	12 months	31-Mar-15	416,728	-	-	-	13,424	-	-	430,152
Adv J De Lange**	11 months	31-Mar-15	77,344	-	-	-	-	-	-	77,344
Mr N Gosebo*	11 months	31-Mar-15	-	-	-	-	-	-	-	-
Mr Z Malele	12 months	31-Mar-15	509,868	-	-	-	15,299	-	-	525,167
Adv T Masuku	3 months	25-Jun-14	48,286	-	-	-	-	-	-	48,286
Adv B Matlejoane	12 months	31-Mar-15	127,596	-	-	-	1,483	-	-	129,079
Mr S Mngomezulu*	12 months	31-Mar-15	-	-	-	-	-	-	-	-
Dr A Mokgokong	2 month	31-May-14	45,446	-	-	-	304	-	-	45,750
Ms R Mokoena**	11 months	31-Mar-15	232,730	-	-	-	8,184	-	-	240,914
Mr W Mudau**	12 months	31-Mar-15	-	-	-	-	-	-	-	-
Mr G Ncanywa**	11 months	31-Mar-15	225,944	-	-	-	12,473	-	-	238,417
Mr D Niddrie**	12 months	31-Mar-15	-	-	-	-	-	-	-	-
Mr Z Nomvete	12 months	31-Mar-15	451,826	-	-	-	17,624	-	-	469,450
Mr G Victor	12 months	31-Mar-15	323,060	-	-	-	13,424	-	-	336,484
Ms M Williams	12 months	31-Mar-15	416,532	-	-	-	13,631	-	-	430,163
			3,613,668	**-**	**-**	**-**	**107,948**	**-**	**-**	**3,721,616**

EXECUTIVE DIRECTORS

Mr F Nomvalo (Chief Executive Officer)	12 months	31-Mar-15	-	-	2,719,167	-	-	28,200	1,785	2,749,152
Mr M Ndlangisa (Deputy Chief Executive Officer)	10 months	31-Mar-15	-	-	1,633,333	-	200,000	21,000	1,487	1,855,820
Lt-Gen J Nkonyane (Ret.) (Deputy Chief Executive Officer)	10 months	31-Mar-15	-	-	1,435,833	-	300,000	21,000	1,487	1,758,320
			-	**-**	**5,788,333**	**-**	**500,000**	**70,200**	**4,759**	**6,363,292**

POSITION	**Duration**		**Fees as Director**	**Acting Allowance**	**Basic Salary**	**Ad-hoc Payment**	**Travel Allowances**	**Other Allowances**	**Contributions to pension, medical or insurance**	**Total**
EXECUTIVE COMMITTEE MEMBERS										
Ms C Houvet (Office of the CEO)	9 months	31-Mar-15	-	-	1,277,769	-	30,000	18,900	261,070	1,587,739
Mr J Moshesh (Chief Financial Officer)	12 months	31-Mar-15	-	-	1,677,432	-	-	25,200	61,388	1,764,020
Mr V Mlokothi (Executive: Corporate Services)	9 months	31-Mar-15	-	-	1,374,272	-	96,102	18,900	88,564	1,577,838
Mr M Tisani (Acting Executive: Corporate Services)	3 months	30-Jun-15	-	36,257	223,306	-	39,000	2,850	57,142	358,555
Mr R Alli (Chief Audit Executive)	4 months	31-Jul-15	-	-	712,450	-	45,294	4,800	65,376	827,920
Mr D Boucher (Acting Chief Audit Executive)	8 months	31-Mar-15	-	51,099	808,480	-	42,420	9,600	174,677	1,086,276
Mr S Tshibubudze (Chief Procurement Officer)	9 months	31-Mar-15	-	-	791,215	-	225,000	18,900	140,236	1,175,351
Mr S Mthethwa (Acting Executive: Supply Chain Management	3 months	30-Jun-15	-	34,362	206,401	-	75,000	3,600	31,250	350,613
Mr P Munyai (Chief Technology Officer)	9 months	31-Mar-15	-	-	1,511,951	-	270,000	18,900	107,047	1,907,898
Ms M Mosupi (Executive: Customer Services)	12 months	31-Mar-15	-	-	1,293,040	-	168,000	25,200	200,720	1,686,960
Dr D Mashao (Acting Executive: Solution Development, Norms & Standards)	12 months	31-Mar-15	-	95,697	1,224,868	-	-	14,400	188,641	1,523,606
Mr M Dondolo (Acting Chief Risk Officer	12 months	31-Mar-15	-	-	954,358	-	-	14,400	119,910	1,088,668
Mr M Mzaidume (Company Secretary)	11 months	31-Mar-15	-	-	1,031,493	-	40,452	23,100	171,673	1,266,718
Ms S Kgope (Acting Company Secretary)	1 month	31-May-15	-	16,433	53,150	-	-	950	5,689	76,222
			-	233,848	13,140,185	-	1,031,268	199,700	1,673,383	16,278,384

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