ANNUAL REPORT 2011/2012

SITA

stateinformationtechnologyagency

TABLE OF CONTENTS

VISION, MISSION AND CORPORATE VALUES

VISION

Be the lead ICT agency to enable public sector delivery.

MISSION

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

CORPORATE VALUES

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

- Service excellence - We shall strive to attain internationally recognised standards of service quality and maintain continuous improvement in service delivery;
- Innovation - We shall pursue innovation by demonstrating thought leadership and proactive behaviour on the use of information and communication technology to enhance public service delivery;
- Transparency - We shall always ensure transparency in everything we do to build trust and confidence with all our stakeholders;
- Integrity - We shall conduct our business with integrity at all times to inculcate a culture of honesty, respect and accountability among all our employees;
- Fairness - We shall treat all our partners, our suppliers and our employees with fairness and equity at all times, and
- Prudence - We shall exercise prudence and economy in running the business of SITA.

MANDATE

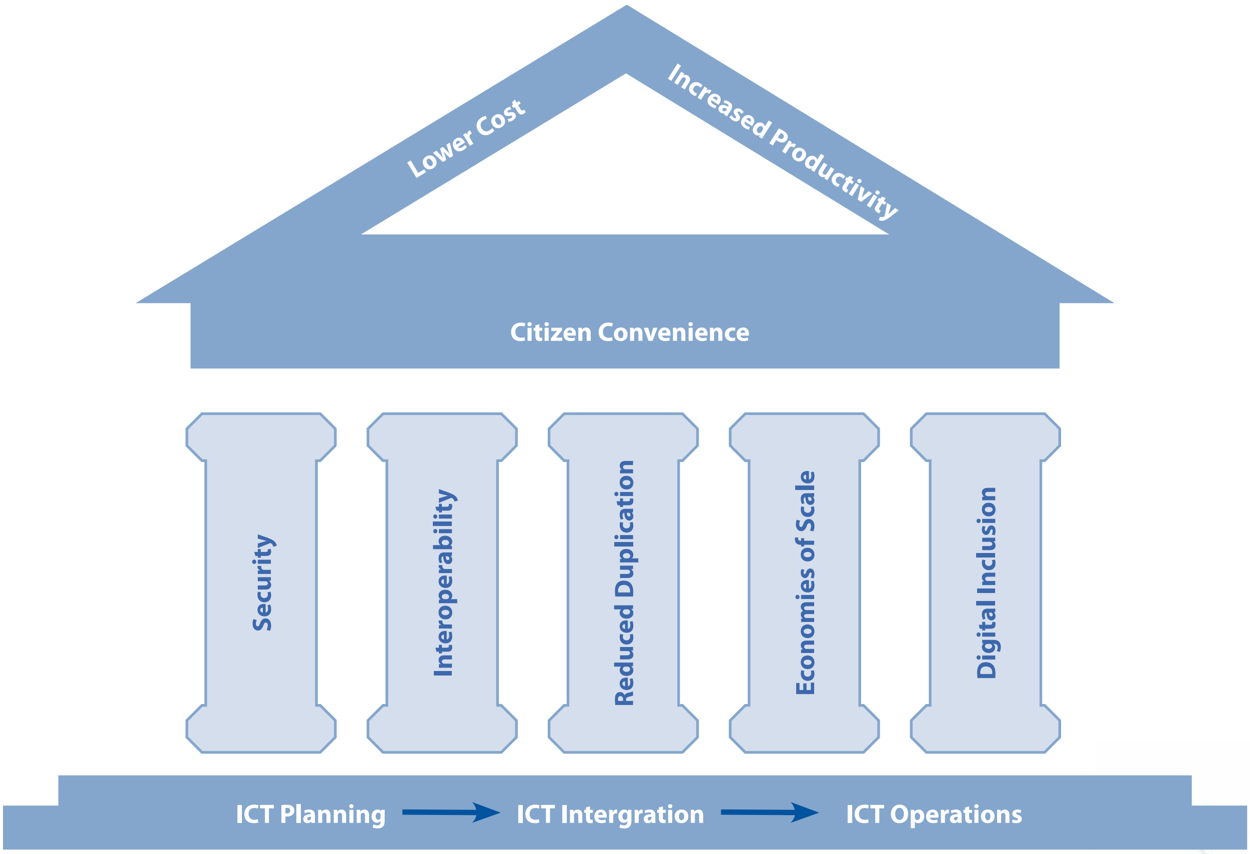
The State Information Technology Agency (State Owned Company) Limited (SITA) was established in 1999 to consolidate and coordinate the South African government's information technology (IT) resources to achieve cost savings through economies of scale, increased delivery capabilities and enhanced interoperability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

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

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

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

ICT HOUSE OF VALUE



READER'S NOTES

THE YEAR UNDER REVIEW: APRIL 2011 – MARCH 2012

"Sustainable service delivery as Government's Prime System Integrator"

FOREWORD BY THE MINISTER

Hon LN Sisulu
Minister for Public Service and Administration

I submit this Annual Report to Parliament on behalf of my colleague and comrade the late Minister for Public Service and Administration, The Honourable Roy Padayachie who presided over SITA during the year under review.

Government's service delivery thrust is to advance its endeavours of transforming the public service within the broader framework of building a capable developmental state. Effective transformation of our country requires sustainable solutions to improve the capacity of all public service and administration portfolios.

The National Development Plan – Vision 2030 – is unequivocal: to eliminate poverty and reduce inequality, an effective and capable government must be the driver of development. Furthermore, Outcome 12 entrusts the Minister for Public Service and Administration (MPSA) to work towards "an efficient, effective and development-oriented public service, and an empowered, fair and inclusive citizenship".

The task of the portfolio for public service and administration in relation to SITA and information communication technology (ICT) is to, amongst others, ensure that the public sector improves its services, systems and administration processes.

SITA is on a turnaround journey that began in the 2010/11 financial year. The 2011/12 financial year, under review in this report, was the second year of this journey to build the business and operational capabilities of the organisation so that it supports the vision of government. The main objective of the turnaround strategy is to rebuild SITA into a high performance, customer-focused government entity in service to the public sector.

The turnaround principles of SITA are to ensure the modernisation of the public service through the implementation of ICT projects and solutions that achieve economies of scale, reduced ICT cost, minimised procurement bottlenecks and improved efficiency and effectiveness of the state.

These principles are aligned to ministerial strategic focus areas, which include the creation of an effective, efficient and development-oriented public service; strengthening service delivery to the citizens; improving internal efficiencies of government and realising value through the implementation of the SITA turnaround strategy. The success of the turnaround implementation will be measured against, amongst others, efficiency and effectiveness characterised by services that are rendered with speed, easily accessible to citizens and provided at lower cost.

The transformation of the public service is a mammoth task that will be achieved through clearly defined milestones. SITA is reorganising itself to contribute effectively towards public sector transformation through ICT services. One of the milestones during the year under review was the finalisation of the appointments of the executive management team to stabilise the organisation and lead the turnaround.

From a financial perspective, SITA has, for and on behalf of government, realised a cost saving of around 13% through the acquisition of ICT goods and services. This translates into a significant saving in line with the ICT House of Values, which emphasises reduced costs and economies of scale.

The organisation has also put in place the building blocks needed to ensure that government leverages ICT as a strategic resource through several initiatives. These include continued work to replace outdated legacy systems, standardise technology and develop ICT plans to ensure efficiency in government. This would modernise government in line with international standards and would improve the ICT development ranking of the country and the continent.

The organisation must continue on this trajectory and lead the development of common transversal solutions for government, facilitate online government services and ensure connectivity that moves government into a new era of modernisation.

I wish to extend my deepest gratitude to the Acting SITA Board Chairperson, Ms Febé Potgieter-Gqubule, and her fellow Board members for their commitment and contribution to this important transformation project. My thanks go to the Chief Executive Officer, Mr Blake Mosley-Lefatola, the executive management team and employees of SITA for the legacy that they are creating for South Africans.

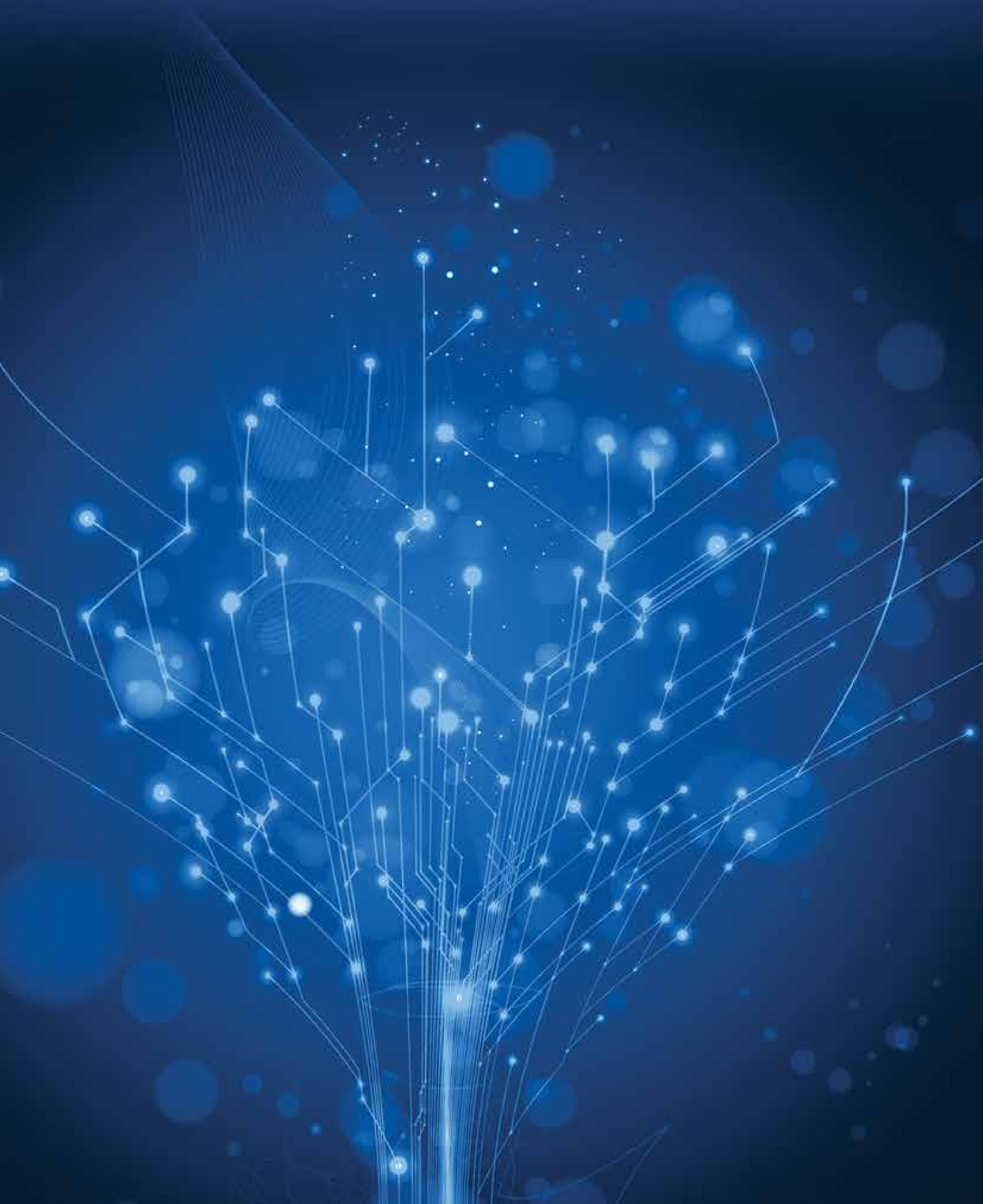
Honour the memory of Minister Roy Padayachie, a colleague, comrade, freedom fighter and friend, who was dedicated to the growth of the South African ICT sector, recognising the contribution it can make to innovation, job creation and the effectiveness of government.

Honourable LN Sisulu

Minister for Public Service and Administration

Republic of South Africa

READER'S NOTES



SECTION 1
PERFORMANCE OVERVIEW

CHAIRPERSON'S STATEMENT

Ms Febé Potgieter-Gqubule
Acting Chairperson, SITA Board of Directors

This financial year saw the State Information Technology Agency completing the second year of its three-year turnaround strategy. During 2011/12, the focus on the internal transformation of SITA continued, with the finalisation of policies, strategies and systems that reflect the new direction of the agency. The main outcome of this internal transformation is to ensure that SITA fulfils its core mandate as set out in the SITA Act and Regulations; which is that of facilitating improved service delivery and government efficiency through information technology (IT).

The SITA Board, therefore, recognised the urgency to transform SITA into a customer service orientated organisation, in service to the public sector. This Board started its work just after SITA celebrated its tenth anniversary. SITA's achievements during its first decade included the first generation of e-governance, providing and embedding the backbone of government information technology services and contributing to the development of the information communication technology (ICT) sector in the country.

During its second decade, SITA aims to achieve economies of scale, improve the quality of its services to become the IT agency of choice, achieve and maintain interoperable and converged government IT systems, and root out inefficiencies and corruption in its procurement of goods and services. These were the main drivers behind Cabinet's decision for a SITA turnaround in March 2010.

During the first year of the strategy, this vision of SITA as 'the lead ICT agency to enable public sector service delivery' was anchored in realising the following outcomes:

- High-quality service delivery to the public sector;
- Proficient lead agency in public sector ICT;
- Effective and integrated public sector supply chain management (SCM);
- Effective pricing and financial stability;
- Effective ICT regulator;
- Effective governance and monitoring, and
- Employer of choice.

We can record progress in all of the above high-level objectives during this financial year. The Board finalised the appointment of an executive team to operationalise the new strategy and repositioning of the agency. It also approved and monitored the implementation of an organisational structure that more closely reflects a knowledge-based public agency. In addition, greater emphasis was placed – in structure, strategy and budget – on investment in research, innovation and training. During this year, SITA also took significant steps to improve its prime systems integrator (PSI) capability. We can also report progress in rooting out corruption in SITA's procurement processes, and towards ensuring compliance.

In the past, SITA's relationship with its key stakeholders was characterised by conflict and poor communication. We are making progress in normalising relations with key government departments and provinces, in strengthening our participation in the Government Information Technology Officers Council (GITOC), in engaging with the industry, including ICT small, medium and micro enterprises (SMMEs), and in accounting to Parliament through presentations in key portfolio committees. These engagements help SITA to refine its approaches and to build channels of communication for problem solving. Our engagements with Parliament assist, in particular, with SITA's service improvement programmes, since members of Parliament play a crucial oversight role through monitoring not only expenditure and performance, but also coal-face service delivery to the public.

SITA recorded progress in key service delivery areas, including reducing turnaround times on procurement, improving quality of services, achieving economies of scale and addressing pricing issues. Given the stark challenges the agency faced in these areas, these constitute small, but significant, steps. As a lead ICT agency, SITA, during this financial year, also engaged in a number of policy and programme initiatives that aims to elevate South Africa's e-governance. These include its work to accelerate the integrated financial management system (IFMS) programme, its Cloud computing strategy and investment plans, building partnerships with industry, embedding and supporting open source technology in the public sector, plans to establish an IT academy, building GovTech as a learning and knowledge platform and its general contribution towards the conceptualisation of e- and m-governance over the next two decades.

During the year, SITA's corporate social responsibility (CSR) programme continued to support those who have been economically marginalised and previously disadvantaged. Recognising that modern technology is crucial and a powerful vehicle to drive transformation, the programmes have focused on equipping teachers and pupils in secondary schools through ICT. The main focus in the year was on completing ICT integration training as well as meeting ongoing technology requirements for a cluster of schools. All these elements are designed to advance SITA to a new level of dynamism, guided and supported by leadership, genuine skill and capabilities, and enhanced systems and processes to ensure service excellence, value for money, innovation and thought leadership.

In summary, the focus for the second year of the turnaround strategy was on the internal corporate turnaround tasks: strategy, policies and organisational restructuring to position SITA to play its role as a lead ICT agency. Although we made progress on these issues, the third year should see SITA evolve to a point where its customers, government and stakeholders experience the positive impact of the turnaround. A key task for 2012/13 is to shift the organisation from this inward focus to recognition by external stakeholders as a high performance and customer-centered organisation.

Going forward, SITA will conclude the organisational restructuring project and build its PSI capability, and focus on customer services and customer relations management to ensure tangible service delivery improvement. Another crucial area will be to ensure that the value proposition of SITA's new Supply Chain Management (SCM) is experienced by customers.

Notwithstanding the complexities associated with organisational renewal, we recognise the role of SITA's management in ensuring the stability of the organisation and of SITA employees, who continue to be the agency's most important resource. While the Board provided strategic direction and oversight, we give credit to the management and staff who coped with the waves of change. We are also grateful for the inputs and support we continue to receive from the Portfolio Committee on Public Service and other committees. I take this opportunity to thank the Ministry for Public Service and Administration for its support, guidance and confidence in the Board. Finally, we are proud that SITA once again received an unqualified report from the Auditor-General. My thanks go to all Board members for discharging their duties with dedication and for their unwavering commitment to setting SITA en route to taking its place among the most successful public sector organisations.

Potgieter-Gqubule

Ms FC Potgieter-Gqubule

Acting Chairperson, SITA Board of Directors

BOARD OF DIRECTORS FOR THE YEAR ENDED 31 MARCH 2012

In front (left to right): Ms T Moloko, Mr PR Kgame, Ms FC Potgieter-Gqubule (Acting Chairperson), Mr BK Mosley-Lefatola (Chief Executive Officer), Ms KR Mthimunye. Second row (from left to right): Prof MI Mphahlele, Ms K Mdlulwa, Mr G Pillay, Mr WS Mabena, Ms N Ntsinde

BOARD OF DIRECTORS FOR THE YEAR ENDED 31 MARCH 2012

INITIAL AND SURNAME	POSITION	TERM	QUALIFICATIONS
Ms ZP Manase	Chairperson	7 August 2008 - 6 August 2011	BCompt (Hons) HDip Tax Chartered Accountant (SA)
Ms FC Potgieter- Gqubule	Deputy Chairperson Acting Chairperson	17 March 2010 - 16 March 2013 19 August 2011	MM (Public and Development Management)
Mr BK Mosley-Lefatola	Executive Board member	10 January 2011 – 9 January 2014	BA (African Political Studies and Industrial Sociology) BA Hons (Industrial Sociology)
Ms SV Bvuma	Non--executive Board member	17 March 2010 - 16 March 2013	Diploma in Project Management MSc (Clinical Psychology)
Mr PR Kgame	Non-executive Board member	17 March 2010 - 16 March 2013	BCom
Mr CCW Kruger	Non-executive Board member	1 September 2008 - 31 August 2011	BCom (Hons) (Economics)
Mr WS Mabena	Non-executive Board member	17 March 2010 - 16 March 2013	Political Science Diploma Management Advanced Programme P and DM Public Administration Programme (Wits Business School)
Ms K Mdlulwa	Non-executive Board Member	17 March 2010 - 16 March 2013	Bluris LLB
Ms NM Mhlakaza	Non-executive Board member	17 March 2010 - 16 March 2013	National Diploma in HR Management BTech (HR Management)
Ms T Moloko	Non-executive Board member	17 March 2010 - 16 March 2013	Edward G Mason Programme in Public Policy and Management MPA
Professor MI Mphahlele	Non-executive Board member	17 March 2010 - 16 March 2013	SSTC (Teacher's Diploma) BSc (Computer Science) MSc (Computer Science) DTech (Computer Science)
Ms KR Mthimunye	Non-executive Board member	1 May 2010 – 30 April 2013	BCompt (Hons) Higher Diploma in Tax Law Chartered Accountant (SA)
Ms N Ntsinde	Non-executive Board member	1 May 2010 – 30 April 2013	Certificate in Treasury (Risk Management) BProc MBA

BOARD OF DIRECTORS FOR THE YEAR ENDED 31 MARCH 2012

INITIAL AND SURNAME	POSITION	TERM	QUALIFICATIONS
Ms BM Malongete	Alternate Board member	17 March 2010 - 16 March 2013	National Diploma in Food Science BProc MSc (Financial Law)
Mr DC Niddrie	Alternate Board Member	17 March 2010 - 16 March 2013	Policy Development and Management Course BEd (Cum Laude) Masters in Education (in progress)
Mr G Pillay	Non-executive Board Member	1 May 2010 - 30 April 2013	Non Graduate Higher Education Diploma B Ed (Cum Laude) Diploma in Specialised Education
Company Secretary			
Ms T Zide	Company Secretary	1 April 2011 – 31 March 2014	B Proc

BOARD OF DIRECTORS FOR THE YEAR ENDED 31 MARCH 2012

Ms ZP Manase
Chairperson
Term expired: 6 August 2011

Ms FC Potgieter-Gqubule
Acting Chairperson

Mr BK Mosley-Lefatola
Chief Executive Officer

Ms SV Bvuma

Mr PR Kgame

Mr CCW Kruger
Term expired: 31 August 2011

Mr WS Mabena

Ms KT Mdlulwa

Ms NM Mhlakaza

BOARD OF DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2012

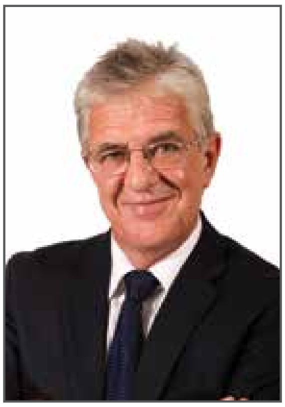

Ms T Moloko


Professor MI Mphahlele


Ms KR Mthimunye


Ms N Ntsinde


Ms BM Malongete


Mr DC Niddrie


Mr G Pillay

CHIEF EXECUTIVE OFFICER'S REPORT

Mr Blake Mosley–Lefatola
Chief Executive Officer

SITA is in the second year of its three-year turnaround strategy, to realise its vision of becoming a lead ICT agency to enable public sector service delivery. The SITA transformation agenda is to ensure efficient and effective ICT service delivery that is customer-centred, qualitative, cutting edge, relevant and offers value for money.

The organisation has adopted a visionary outlook to transform SITA into a PSI for government. On this PSI journey, key ICT touchpoints are interoperability of systems, reducing duplication, integration and security of assets.

SITA PSI DIRECTION

In this drive to become a PSI for government, the organisation is going through a rigorous and internationally recognised appraisal for process improvement called the CMMI (capability maturity model integration). CMMI is recognised as the premier international framework for process improvement in the ICT world. The areas being assessed for its capability and maturity are configured around SITA's people, services, acquisitions and software development.

During the year under review, a number of crucial milestones were achieved. These include the completion of the operating model, capability model, industry and partnership models, costing and pricing model, and accreditation and certification model. SITA's organisational architecture project is also well underway, with much work having been done.

A key reform is SITA's emphasis on strategic partnerships with industry in the development and acquisition of government IT goods and services. The organisation is committed to creating a new era for real and meaningful SMME opportunities, through partnerships. SITA partnerships with the industry aim to create lasting and meaningful impact for achieving government's development goals, particularly complementary strengths, technology, competencies and value add. The new partnership approach will promote the local ICT sector, empower the SMME sector, promote indigenous technologies and be based on a risk and reward sharing basis.

INSTITUTIONAL CHANGES

SITA is transforming into a new organisation, with key institutional reforms that include new business models, supported by transformed policies, procedures and structure. The organisation's foundations are stronger and SITA will now stand on firm ground.

A complex phase of the turnaround was organisational restructuring to ensure alignment of SITA's structure, human capital (skills and competencies) and the ability to deliver on client expectations for high-quality products and services.

Given the nature of a turnaround and the challenges associated with change, such as the impact on employees' morale and the ripple effect on performance, priority was given to engagement, communication, consultation and employee wellness.

SITA's adopted mantra was communication all the way, horizontal and vertical, top-down and/or bottom-up. This approach was instrumental in creating stability, common understanding and buy-in to build SITA into a lead ICT agency for the State. The essence of the transformation story has been the shared understanding that SITA needed to change to be aligned to pursue government's national agenda. SITA also prioritised the reengineering of its SCM environment through a new SCM system and new policies, processes and procedures for quicker turnaround times and reduction of backlogs.

Whilst the process of reengineering the SCM is ongoing, progress has been made in clearing the legacy issues around tender backlogs. To date, 97% of tender backlogs have been reduced. SITA also reduced its turnaround times for tenders from up to two years to 116 days, moving towards a target of 78 days. In the last financial year, government also began to experience the benefits of the transformation, through cost savings on the acquisition of ICT goods and services for and on behalf of the public service.

Another element core to the transformation process is the new SMME strategy to promote the growth of the ICT industry from BEE and provincial perspectives. During provincial roadshows, SITA updated SMMEs on the transformation and strategic intent of contributing significantly towards transforming the ICT industry to enable economic development and growth for these businesses.

Effective pricing and financial stability

To date, SITA has been financially stable. To build on this foundation and to ensure competitiveness, a costing and pricing model was developed to benchmark the organisation's prices for goods and services in the ICT industry. SITA tariffs were revised accordingly and submitted to DPSA for approval.

An overview of SITA's financial status

As part of the turnaround strategy vacancies were not filled during the year in anticipation of the filling of positions in terms of the organisational architectural project. This is to ensure that strategy is supported by resources with the necessary skills and competencies skills set to improve service delivery. This resulted in a slight decrease in labour included under cost of sales amounting to R16,2m. As services were still delivered by the current appointed staff, this did not affect revenue materially.

Revenue increased by 9,92% from R4,302bn to R4,729bn and fell short of the targeted 15%.

During the year under review, capital expenditure amounted to R46,8m compared to the budgeted R944,6m. This underspending was mainly due to delays in approving the capital investment plan. This has resulted in a decrease in depreciation included under cost of sales amounting to R60,5m from the previous year. The related revenue streams were not affected by the underspending on capex.

As a result of the above, SITA generated higher than expected surplus after tax amounting to R388m. Capital expenditure requirements currently exceed surpluses generated and the company is looking at different options to fund its capital investment programme.

A high volume of activity in the fourth quarter resulted in a high volume of invoices and as a result debtors' days was calculated at 82,88 days. Debt management has always posed a challenge to SITA and has a direct impact on its ability to fund capital infrastructure requirements. During the year under review, a Debt Management Unit was established to collect outstanding debt. Due to the high volume of activity referred to above, a high volume of invoices received from suppliers in the last quarter resulted in a high creditor year-end balance and related creditor days of 101,57 days. As part of our initiative to improve on the time it takes to pay our creditors, a new accounts payable policy was developed to address weakness in and compliance with the procure-to-payment process.

High-quality service delivery to the public sector

To rebuild SITA into a high-performance, customer focused ICT lead agency for the State, the organisation is committed to seven outcomes: High-quality service delivery, proficient lead agency, effective and integrated SCM, competitive pricing and financial sustainability, effective ICT regulatory role, effective governance and monitoring, and being an employer of choice.

Eighteen objectives were formulated to support the strategic outcomes. During the turnaround, the organisation has had to walk a fine line to meet its balanced scorecard targets and transform the agency, while ensuring that services rendered to clients are qualitative.

During the year under review, SITA developed a customer relations strategy to attract and retain customers through qualitative products and services. This strategy is the touchstone for customer service in the organisation. A customer satisfaction survey was conducted to obtain baseline information for an improvement plan. SITA also staged roadshows to encourage provincial governments to contribute to this baseline

Employer of choice for 2011/12

During the year under review, SITA was certified 'best employer' with the Corporate Research Foundation (CRF). The agency chose five certified companies against which to benchmark: Dimension Data, IBM, Microsoft, SAP and MTN.

The SITA improvement plan linked to its 'best employer' status is based on salaries, working conditions, training and development, career development and organisational culture. In keeping with the principles of transparency and accountability, an extensive change management and communication programme was implemented to ensure staff buy-in and ownership.

Lead agency in public sector ICT

SITA's GovTech conference in September 2011 promoted the theme 'connected government – working together to do more'. The concept was used to promote technology as a strategic tool and as an enabler for public service innovation and productivity growth. Resolutions from GovTech 2011 included development of a hybrid FOSS migration strategy to promote free open-source software in government, setting up of the SCM to improve public sector IT infrastructure acquisition, improved contract management, partnership certification framework, Cloud computing strategy for government, development of a smart city ICT development plan/ framework for local government, adoption of social media platforms to facilitate collaboration in the public sector, establishment of a single view of government and of the citizen for improved connectivity and access to services.

Other issues flowing from GovTech were creating an SMME and BEE monitoring desk/hotline through SITA, consolidating and integrating government data centres, and increased broadband. SITA also completed a government information system (IS) security framework. The turnaround work following SITA's assessment on how to become a recognised and esteemed ICT agency of government, combined with the ICT sector stakeholder inputs from this conference, will result in major changes that will see SITA emerge as the lead ICT agency for government.

One of SITA's core values is the pursuit of innovation and it set the stage for the continued implementation of the following strategic projects:

- IFMS
- E-Government (webfying ten key government services – government-to-citizen – G2C).
- CabEnet (electronic Cabinet).
- SITA as a PSI.
- SITA enterprise resource planning (ERP).
- Thusong centres and school connectivity.

Integrated Financial Management System (IFMS)

The IFMS project is a joint initiative of National Treasury, Department of Public Service and Administration (DPSA) and SITA, which serves as a PSI. The project is intended to replace the current legacy transversal applications that include the basic accounting system (BAS), the personnel and salary system (PERSAL) and the logistics management system (LOGIS).

As a key flagship transversal project, IFMS demonstrates government's commitment to modernising, consolidating and integrating its historically fragmented administrative environment into one that is fully integrated and, above all, highly effective and efficient.

IFMS consists of SCM, human resources management (HRM), financial and business intelligence (BI). The blueprinting phase of the procurement management and asset management modules is in progress at the Department of Defence and Limpopo Department of Health and Social Development. The procurement process was completed for software development partners for two of the remaining modules – financial management (FIN) and data exchange.

On completion, the IFMS project will provide government with a cost-effective, standardised and interoperable system that will eliminate duplication, and offer economies of scale and legal compliancy, whilst enabling a single-view of all departmental operations.

E-government overview for the year under review

E-government or digital government is 'the utilisation of IT, ICT and other web-based telecommunication technologies to improve and/or enhance the efficiency and effectiveness of service delivery in the public sector'. E-government offers citizens a single window of access to information. At the advanced level that SITA wants to reach, e-government can offer citizens direct interaction and transaction with government for services.

An e-government strategy has been completed for debate and deliberation. The strategy proposes initiatives to e-enable government via a software-as-a-service (SaaS) approach. It features a central government master data application, to enable the successful implementation of a SaaS e-form and e-query initiatives, and defines the basis for the modernisation of government systems. It also includes multiple parallel phases that would provide for both quick wins and long-term realisation of an e-Government end state.

Phase one of this strategy will focus on government-to-customer (G2C) and government-to-business (G2B). A key initiative is the e-form that will e-enable G2C and G2B application forms servicing six departments, namely the Department of Social Development, the South African Police Service (SAPS), Department of Basic Education, Department of Labour, Department of Justice and Department of Home Affairs. The e-query initiative will make current back office information available and transactional data available online to citizens and businesses. Phase two will be the roadmap for the modernisation of legacy government systems.

Another initiative is the e-government gateway solution architecture, a base platform for government departments to send messages to citizens, including electronic forms through text (SMS and MMS), email, fax and social media. The e-disclosure system being developed by SITA and the DPSA will allow senior managers in the public service to electronically declare their business and other interests.

SITA has finalised the solution architecture for an enterprise content management (ECM) system as a transversal system. Requests for this solution have been received from more than twenty departments. Proposals have been given to seven departments with adequate funds during the 2011/12 financial period and implementation has begun, with the Department of Arts and Culture (DAC) as a lead site.

The acceleration of e-government, which began with the completion of high-level designs for an entire solution, is on the cards. This includes the messaging gateway comprising wireless application service provider (WASP), e-service gateway, billing system and e-citizen system.

CabEnet (electronic Cabinet)

CabEnet is one of SITA's strategic projects, in conjunction with the Presidency as project owner, and the DPSA as project sponsor. The infrastructure functional design specifications for the project have been completed and the Presidency has accepted the proposed pilot implementation plan.

PSI for government

Being a PSI for government will mean that SITA has the strategic, management and core technical capabilities to integrate all the various production inputs, including business (legislative, policy, functional), management (governance) and technical (components, sub-systems, software) with the relevant skills and knowledge to produce a system (product, construct, network or service) that is of value to government.

SITA's commitment towards PSI certification is a journey headed for self-enablement to ensure high performance and customer-focused service delivery. The PSI model and benefits associated with SITA being accredited as PSI include:

- Improving service delivery and operational excellence;
- Optimising overlaps in service and product coverage (central service portfolio management);
- Generating a holistic view of product development;
- Integration across all points of contact in both sales and service delivery;
- Enabling availability and access of shared resources (people, hardware, software, data centres etc);
- Controlling the release of services and technology into the customer environment (standardisation, convergence etc);
- Effective management of customer demands and service delivery capabilities;
- Implementing balanced project prioritisation towards implementation success and customer value;
- Clearly defining functions that will be centralised and decentralised as well as roles and responsibilities of centralised and decentralised capabilities;
- Determining the capabilities required to apply the model, and
- Determining the organisational structure and talent required to execute the processes and functions.

Thusong service centres

Thusong service centres (formerly multipurpose community centres) are one-stop integrated community development centres managed by the Government Communication and Information Service (GCIS). The community participates to render services, while SITA provides connectivity. Currently, there are 171 Thusong centres throughout the country, providing infrastructure for access to information and services to about 5 million citizens.

There are 123 sites planned for network connectivity in Thusong centres. To date, 96 sites have been completed, 15 are being worked on and 27 sites are planned for completion. The school connectivity project covering data, voice and video is an end-to-end solution to connect 27 000 schools.

We also need to acknowledge and thank our customers and client departments for their willingness to engage with us and for their understanding that the work being done, is in service to government and will bear fruit in the future.

In meeting government's objectives and our vision, we need to thank the Minister for Public Service and Administration, the MPSA, the SITA Board of Directors, Executive and employees. Without the valuable contributions of each of you, we would not achieve our goals.

Mr BK Mosley–Lefatola

Chief Executive Officer

EXECUTIVE COMMITTEE FOR THE YEAR ENDED 31 MARCH 2012

In front (left to right): Ms T Zide, Ms KPS Ntshavheni (Chief Operations Officer), Mr BK Mosley-Lefatola (Chief Executive Officer), Ms AM Mosupi, Ms TL Mjoli. Second row (from left to right): Mr BD Mushwana, Mr N Tuganadar, Mr JC Moshesh, Mr R Alli

EXECUTIVE COMMITTEE FOR THE YEAR ENDED 31 MARCH 2012

Mr. BK Mosley-Lefatola
Chief Executive Officer

Ms KPS Ntshavheni
Chief Operations Officer

Mr JC Moshesh
Chief Financial Officer

Mr AR Alli

Ms TL Mjoli

Ms AM Mosupi

Mr ST Mthethwa

Mr BD Mushwana

Mr A Pretorius

Mr N Tuganadar

EXECUTIVE COMMITTEE FOR THE YEAR ENDED 31 MARCH 2012

INITIAL AND SURNAME	POSITION	TERM	QUALIFICATIONS
Mr BK Mosley-Lefatola	Chief Executive Officer	10 January 2011 – 9 January 2014	BA (African Political Studies and Industrial Sociology) BA Hons (Industrial Sociology)
Ms KPS Ntshavheni	Chief Operations Officer	1 November 2010	BA (Political Science) BA Hons (Development Studies and Labour Relations) MBA (with merit)
Mr JC Moshesh	Chief Financial Officer	1 July 2011 – 30 June 2014	BSc (Accounting) Certified Public Accountant (USA)
Mr AR Alli	Acting Executive: Internal Audit Chief Audit Executive	Acting: 1 September 2009 – 31 January 2011 1 February 2011 – 31 January 2014	BCompt (Hons) Chartered Accountant (SA) Certified Internal Auditor (CIA) IT Infrastructure Library (ITIL) Foundation certificate
Ms TL Mjoli	Executive: Supply Chain Management	1 March 2011 – 28 February 2014	BCom BCom (Hons) MA (Business Leadership)
Ms AM Mosupi	Executive: ICT Service Delivery	1 November 2011 – 31 October 2014	BSc MBL
Mr ST Mthethwa	Acting Executive: ICT Service Delivery	5 November 2010 – 31 October 2011	BSc MBA
Mr BD Mushwana	Executive: Corporate Services	1 February 2011 – 31 January 2014	Bluris LLB (in progress)
Mr A Pretorius	Acting Chief Financial Officer	1 January 2008 – 30 June 2011	BCompt (Hons) Chartered Accountant (SA) Member of the Institute of Directors LLB
Mr N Tuganadar	Executive: Solutions, Norms and Standards	1 April 2011 – 31 March 2014	BSc Computer Statistics MSc Information Management Systems

READER'S NOTES

SECTION 2
HUMAN CAPITAL MANAGEMENT

HUMAN CAPITAL MANAGEMENT

During the financial year under review, the turnaround strategy spurred transformation of the various divisions of SITA. The organisation also reviewed existing competencies and skill applications in all environments to ensure effective service delivery to internal and external customers. This resulted in development of a new management competency framework, and management competency assessments were conducted throughout the organisation.

As part of SITA's 'employer of choice' strategy, a career path model has been defined and developed for the organisation. A remuneration differentiation strategy has also been developed as part of the broader human capital strategy to ensure that SITA remunerates its employees equitably and in line with the market.

SITA was also certified as one of the best employers in South Africa. Numerous organisations enter the selection process, but only 70 are ultimately selected, certified and profiled. SITA was ranked 65th in this, its first year of participation. The objective for the next financial year is to improve this ranking.

TALENT MANAGEMENT

SITA is committed to attracting and retaining employees, and ensuring that they are motivated to perform optimally, whilst having the space to be creative and innovative. To enhance and develop skills and talent, SITA is developing an ICT academy and introducing bursaries for selected IT students. Leadership development is also a priority in alignment with SITA's new succession policy. To reach a common understanding of SITA processes and its new SCM approach, the organisation will provide training to provinces. Gauteng provincial procurement officials and chief information officers (CIOs) have already undergone SITA-facilitated training.

EMPLOYMENT EQUITY STATUS

Paterson Grad	African		African Total	Coloured		Coloured Total	Indian	
	Female	Male		Female	Male		Female	Male
A1A3	24	33	57					
B1B2	35	25	60	1		1		
B3	16		16	2		2	1	
B3B5	225	184	409	28	18	46	5	9
B4B5	3		3					
C1C2	174	188	362	12	26	38	4	9
C3C5	151	190	341	18	33	51	14	39
D1D3	86	128	214	9	15	24	12	23
D4D5	19	30	49	2	4	6	3	12
E1E3	6	11	17	1	1	2		3
F1F2	4	2	6					1
F3		1	1					
Total	**743**	**792**	**1535**	**73**	**97**	**170**	**39**	**96**

ORGANISATIONAL ARCHITECTURE

The project's objective is to align the organisational structure to strategic objectives, and to improve service delivery and operational effectiveness to current and potential clients. The foundation has been created for future organisational sustainability.

With the employee competency framework completed, the organisation was able to complete the development and grading of job profiles in line with the new organisational structure. The profiles were used to dovetail existing positions with newly created job profiles and to position employees into future positions that complement SITA's growth and productivity.

Organisational employment equity profile

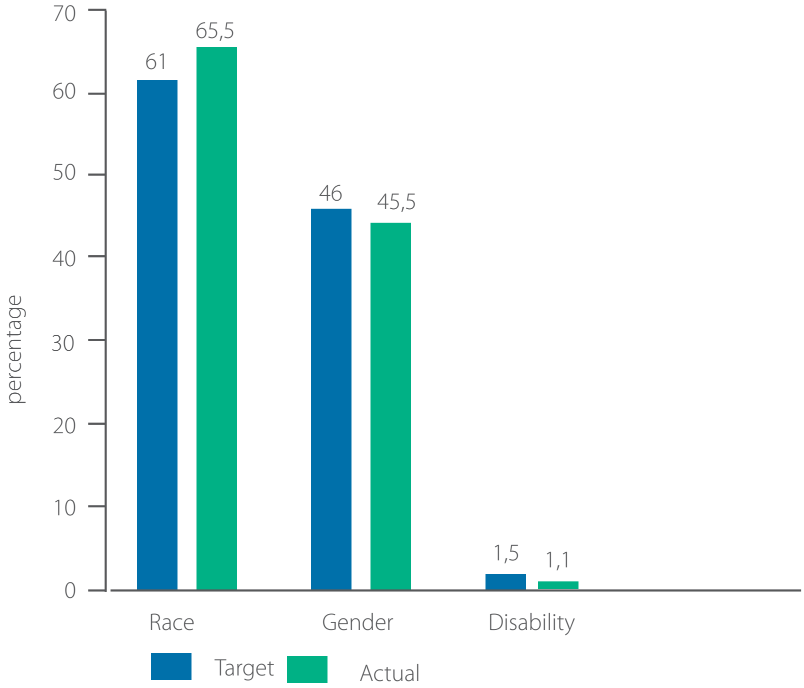
The organisation's commitment to transformation includes ensuring employment equity targets. In the ICT industry, an inadequate number of women are in positions of influence.

There are few qualified female candidates for available high-level positions, whilst the number of female candidates employed in lower-graded positions is relatively high. The challenge lies in the transition to higher levels in management. The representation of women in the D4-D5 and E1-E3 level positions is 30% and 27% respectively. The employment targets for this financial year were 61%, 46% and 1,1% for race, gender and disability respectively. The graph on the next page indicates the organisation's employment equity (EE) status as at the end of the financial year under review.

The D1-D3 level posts have (in descending order) 359 white employees, 214 african employees, 35 indian employees and 24 coloured employees. This is due to unique and/or legacy ICT systems where maintenance is executed by individuals with scarce skills and where limited cross training has occurred. There is greater representation from different groups in the C3-C5 position band, as the majority of these employees have adequate experience and are in entry level managerial/supervisory positions. Fewer than half of the employees with disabilities are below the D1-D3 grading levels.

Indian Total	White		White Total	Grand Total	No of Disabled	%	%	% Disabled
	Female	Male				Gender	Race	
				57		42.10%	100.00%	0.00%
				61		59.00%	100.00%	0.00%
1	9		9	28		100.00%	67.90%	0.00%
14	46	20	66	535	16	56.80%	87.70%	3.00%
	1		1	4		100.00%	75.00%	0.00%
13	58	51	109	522	8	47.50%	79.10%	1.50%
53	152	196	348	793	11	42.20%	56.10%	1.40%
35	138	221	359	632	4	38.80%	43.20%	0.60%
15	15	45	60	130	2	30.00%	53.80%	1.50%
3	2	9	11	33		27.30%	66.70%	0.00%
1				7		57.10%	100.00%	0.00%
				1		0.00%	100.00%	0.00%
135	**421**	**542**	**963**	**2803**	**41**	**45.50%**	**65.60%**	**1.50%**

EE TARGET PERFORMANCE

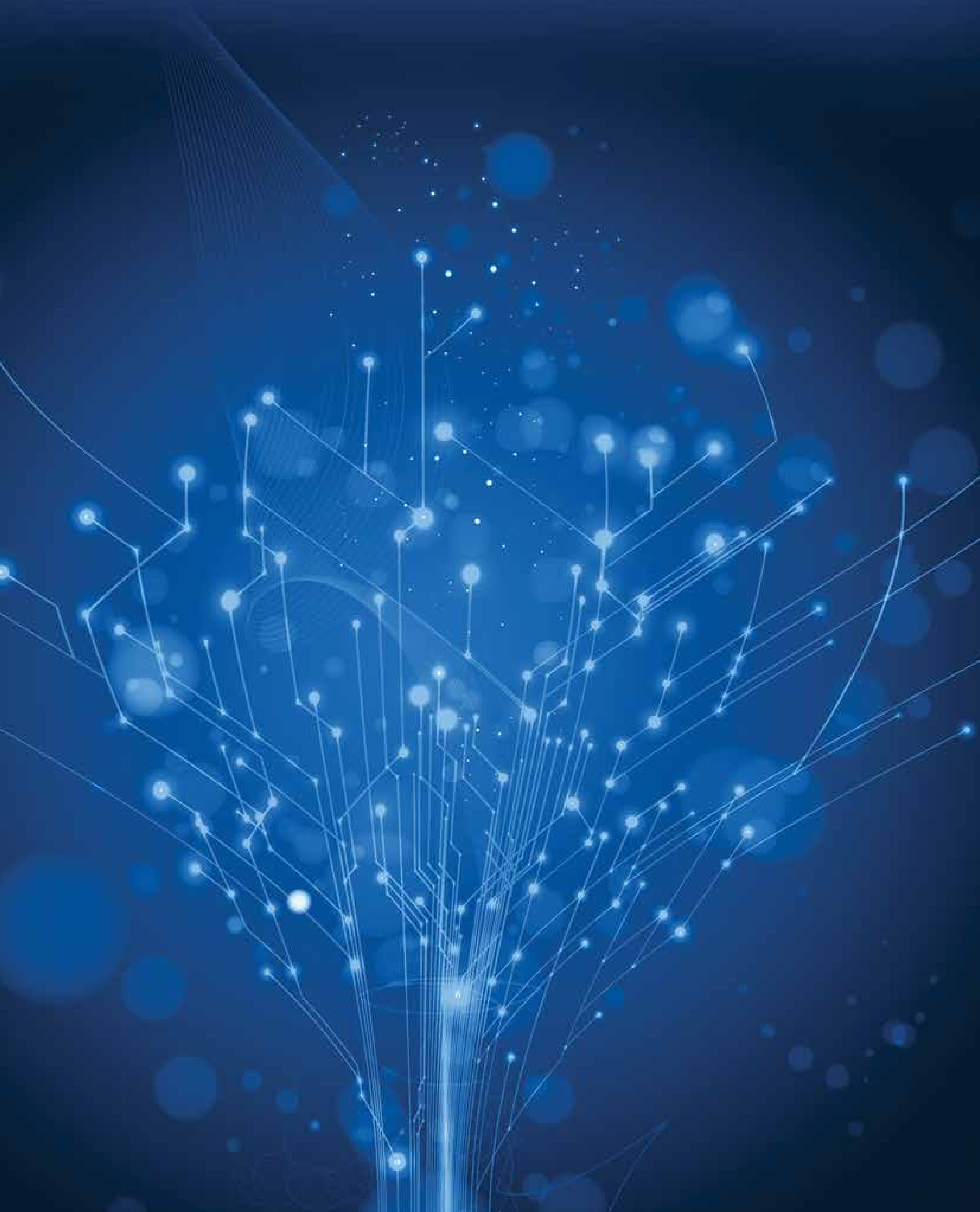


EMPLOYEE WELLNESS

SITA strives to continuously adopt internationally accepted best practices to create a working environment conducive to employee wellbeing, creativity and productivity. The organisational HIV/Aids strategy is aligned to the National HIV Strategic Plan. During the reporting period, SITA ran voluntary confidential testing and counselling (VCT) sessions to strengthen its corporate health profile. The SITA transformation project created a level of uncertainty among staff. The organisation put in place several interventions to help employees cope with the challenges of the organisational changes. Through the in-house wellbeing programme, a number of counsellors assisted employees experiencing tension and anxiety during the transition.

PERSONNEL SECURITY VETTING

Information security is prioritised in the organisation as an agency for government that is declared a national key point. The organisation maintains a healthy working relationship with the National Intelligence Agency (NIA) and defence intelligence to ensure compliance with the vetting legislative framework and to attract and retain employees who meet all security requirements. To maintain high security awareness, the vetting unit has developed an in-house security vetting administration system (SVAS). This system has been so successful that the organisation started to roll it out to government departments. It is fully functional in the Department of Justice and Constitutional Development and is currently being tested with the Department of International Relations and Cooperation. The South African Revenue Service (SARS) and the National Prosecuting Authority (NPA) have indicated interest.



SECTION 3
CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

INTRODUCTION

The SITA Board regards corporate governance as an essential tool that forms the basis of an organisation that is governed effectively and within the prescripts of relevant legislative and regulatory frameworks. As reported in the previous year, SITA regularly reviews its processes and practices to ensure compliance with legal provisions, the use of funds in an economic, efficient and effective manner, and adherence to good corporate governance practices. The year under review saw an overhaul in the organisation's strategies, models and policies to ensure that they remain relevant and in line with best practice. The SITA Board ensured that the organisation functions within a credible governance framework and processes to enable delivery on its mandate. This improved state of corporate governance signals the beginning of an evolutionary process as SITA endeavours to continually advance corporate governance. The Board has committed itself to ensuring that the solid foundation that has been laid aids the organisation in accelerating implementation of its objectives.

SHAREHOLDING

The Government of the Republic of South Africa is the sole shareholder of SITA and the shareholder representative is the Ministry of Public Service and Administration (MPSA). A shareholder performance compact is concluded annually between SITA and its shareholder which details the agreed key performance objectives and indicators for the organisation.

LEGISLATIVE FRAMEWORK

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

BOARD OF DIRECTORS

Composition of the Board

Section 8(1) of the SITA Act No 88 of 1998, as amended, provides that SITA will be governed and controlled by a Board of Directors appointed by the Minister after consultation with Cabinet.

The Board comprises 11 non-executive directors, two alternate directors and the Chief Executive Officer serving as a Managing Director. The alternate directors participate in all activities of the Board for continuity and are invited to Board meetings when the full-time members they represent are unable to attend.

This Board appointed with effect from March 2010 is serving the second year of its three-year term. The directors have extensive experience across a diverse range of sectors, which enables the Board to provide balanced and independent advice and judgement in the decision-making process. Profiles of each director appear on page 13 to 14 in the report. The year under review saw the expiry of term of the Chairperson of the Board and that of the Non-executive Director representing National Treasury. Ms Febe Potgieter-Gqubule was appointed as Acting Chairperson of the Board.

Attendance of the Board

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

Name	BOARD MEETINGS	AUDIT COMMITTEE	CHAIRPERSON'S COMMITTEE	FINANCE AND RISK MANAGEMENT COMMITTEE	HUMAN RESOURCES, REMUNERATION AND NOMINATIONS COMMITTEE	ICT, STAKEHOLDER AND GOVERNANCE COMMITTEE	PROCUREMENT COMMITTEE
Number of meetings held	**16**	**10**	**6**	**6**	**16**	**9**	**12**
Ms ZP Manase (Chairperson)[1]	6	4				2	1
Ms FC Potgieter-Gqubule (Acting Chairperson)	13	3	6		4	3	
Ms SV Bvuma	15		6		16	8	
Mr PR Kgame	13		5			8	12
Mr CCW Kruger[2]	6			2			
Mr WS Mabena[3]	15		4	2		7	11
Ms BM Malongete				3	8		
Ms K Mdlulwa	13	10	5			5	10
Ms NM Mhlakaza[4]	13	6			3		
Ms T Moloko	11	8			10		
Prof MI Mphahlele	15	7	6			9	1
Ms KR Mthimunye	13	8	5	6			10
Ms N Ntsinde	13			6		2	
Mr G Pillay[5]	12	5		1	12		
Mr BK Mosley-Lefatola	15						

[1]Term expired on 6 August 2011

[2]Term expired on 31 August 2011

[3]Appointed to Finance and Risk Management Committee in November 2011

[4]Appointed to Human Resources, Remuneration and Nominations Committee in February 2012

[5]Appointed to Finance and Risk Management Committee in November 2011

Role and function of the Board

The Board is the accounting authority of SITA in terms of the PFMA. In conjunction with the SITA Act and the Memorandum and Articles of Association, the Board charter sets out clear direction on the role and responsibilities of the Board, and composition and requirements for Board meetings. These responsibilities include the:

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

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

Remuneration of the Board

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

Board Committees

The Board has six committees to which it has delegated various matters in accordance with their respective charters. These committees are:

- Audit Committee;
- Chairperson's Committee;
- Finance and Risk Management Committee;
- Human Resources, Remuneration and Nominations Committee
- ICT, Stakeholder and Governance Committee, and
- Procurement Committee.

Each of these committees comprises members of the Board, executives by invitation and, in the case of the Audit Committee, an independent member specifically appointed for the skills she brings to the committee. The responsibilities of the Board committees, as per their charters, are outlined below.

Audit Committee

The SITA Audit Committee is established in terms of Section 51(1)(a)(ii) of the PFMA and Treasury Regulation 27.1.1 whereby the Board must establish an audit committee as a sub-committee of the Board. The Audit Committee operates according to terms of reference that are reviewed by the Board annually.

The committee monitors compliance with legislation and ensures that appropriate systems of internal control are implemented and maintained to protect SITA's interests and assets. It reviews the activities and effectiveness of the internal audit department. It is also responsible for the evaluation of the independence, objectivity and effectiveness of the internal and external auditors and the review of accounting and auditing concerns identified by internal and external audits. The committee reviews the accuracy, reliability and credibility of financial reporting, and recommends the annual financial statements and the annual report, together with the external auditors' report, for approval by the Board.

Members of this committee are:

Ms K Mdlulwa	Chairperson
Ms M Maponya	Independent external member
Ms NM Mhlakaza	
Ms T Moloko	
Prof MI Mphahlele	
Ms KR Mthimunye	
Mr G Pillay	

Chairpersons' Committee

The Chairpersons' Committee is chaired by the Acting Chairperson of the Board and comprises the Chairperson of the Board and all the chairpersons of the Board committees. The Chief Executive Officer and executive management attend the meetings by invitation.

The committee is responsible for guiding and leading the strategic direction of SITA and the implementation of strategy. Its role includes:

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

Members of this committee are:

Ms FC Potgieter-Gqubule	Chairperson
Ms SV Bvuma	
Mr PR Kgame	
Ms K Mdlulwa	
Prof MI Mphahlele	
Ms KR Mthimunye	
Mr WS Mabena	

Finance and Risk Management Committee

The Finance and Risk Management Committee comprises non-executive members of the Board. SITA management is invited to attend meetings when appropriate.

The committee assists the Board in discharging its responsibilities by recommending action and submitting reports to Board meetings on financial matters. Transparency and full disclosure of committee activities are ensured.

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

Members of this committee are:

Ms KR Mthimunye	Chairperson
Mr WS Mabena	
Ms BM Malongete	
Ms N Ntsinde	
Mr G Pillay	

Human Resources, Remuneration and Nominations Committee

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

The committee's responsibilities include:

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

Members of this committee are:

Ms SV Bvuma	Chairperson
Ms BM Malongete	
Ms NM Mhlakaza	
Ms T Moloko	
Mr G Pillay	

ICT, Stakeholder and Governance Committee

The ICT, Stakeholder and Governance Committee's objectives include ensuring that SITA's overall information technology systems are managed effectively. In addition, it monitors efficient stakeholder relations and ensures compliance with corporate governance principles and governance practices.

Members of this committee are:

Prof MI Mphahlele	Chairperson
Ms SV Bvuma	
Mr PR Kgame	
Mr WS Mabena	
Ms K Mdlulwa	
Ms N Ntsinde	

Procurement Committee

The Procurement Committee is chaired by a non-executive director supported by other non-executive directors as members. Members of management attend meetings by invitation. The objective of the Procurement Committee is to provide the final evaluation and approval of all tenders that are recommended by management for award, and to renew expired contracts. Before tenders are awarded by this committee, the internal audit department undertakes agreed procedures for tenders.

Members of this committee are:

Mr PR Kgame	Chairperson
Mr WS Mabena	
Ms K Mdlulwa	
Prof MI Mphahlele	
Ms KR Mthimunye	

Executive Committee

The Board has delegated the management of SITA to the Chief Executive Officer, who is supported by the executive management. The Executive Committee is responsible for the implementation of strategy and for the organisation's operational performance, and for ensuring effective management of its day-to-day operations. The Executive Committee meets at least once a month and special meetings are convened as and when necessitated by operational requirements.

Members of this committee are:

Mr BK Mosley-Lefatola	Chairperson
Ms KPS Ntshavheni	Chief Operations Officer
Mr JC Moshesh	Chief Financial Officer
Mr AR Alli	Chief Audit Executive (by invitation)
Ms TL Mjoli	Executive: Supply Chain Management
Ms AM Mosupi	Executive: ICT Service Delivery
Mr ST Mthethwa	Acting Executive: ICT Service Delivery
Mr BD Mushwana	Executive: Corporate Services
Mr A Pretorius	Acting Chief Financial Officer
Mr N Tuganadar	Executive: Solutions, Norms and Standards
Ms T Zide	Company Secretary (by invitation)

Executive Committee

MEMBERS	ATTENDANCE
Number of meetings held	**34**
Mr B K Mosley-Lefatola	31
Ms KPS Ntshavheni	24
Mr JC Moshesh (1)	29
Mr AR Alli (by invitation)	32
Ms T Mjoli	26
Ms AM Mosupi (2)	9
Mr S Mthethwa (3)	18
Mr BD Mushwana	31
Mr A Pretorius (4)	5
Mr N Tuganadar (5)	27
Ms T Zide (by invitation)	18

[1] Mr JC Moshesh was appointed on 1 July 2011
[2] Ms AM Mosupi was appointed on 1 November 2011
[3] Mr S Mthethwa's acting capacity ended on 31 October 2011
[4] Mr A Pretorius's acting capacity ended on 30 June 2011
[5] Mr N Tuganadar was appointed on 1 April 2011

The Board recognises that it is ultimately accountable and responsible for the performance and affairs of SITA and that delegated authorities to Board committees and management in no way dilute the duties of the Board and its directors.

Company Secretary

The company secretary is appointed as required by Section 86(1) of the Companies Act of 2008. All directors have access to the advice and services of the SITA Company Secretary, who is responsible to the Board for ensuring compliance with established procedures, statutes and regulations.

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

Conclusion

SITA strives to enhance its organisational performance for the benefit of its shareholder and all stakeholders by working to achieve the objectives of good corporate governance, namely good business management, effective relations with shareholder and stakeholders, consideration for staff, environmental responsibility and compliance with laws and regulations. The agency further strives to enhance information and decision-support processes and provide a framework for the Board of Directors and management to perform their duties better and to meet the responsibilities for which they are accountable.

MATERIALITY AND SIGNIFICANCE FRAMEWORK

SECTION	REQUIREMENT	MATERIALITY/SIGNIFICANT
Section 50(1)	The accounting authority for a public entity must – (c) on request, disclose to the executive authority responsible for that public entity or the legislature to which the public entity is accountable, all material facts, including those reasonably discoverable, which in any way may influence the decisions or actions of the executive authority.	SITA submits quarterly reports to the executive authority, which include all relevant information which may influence the decisions or actions of the executive authority. These reports cover all transactions/ventures not included in the SITA strategic plan and SITA mandate and all other information as requested/required by the Minister.
Section 51(1)(g)	An accounting authority for a public entity must promptly inform the National Treasury on any new entity which that public entity intends to establish or in the establishment of which it takes the initiative.	SITA will inform the National Treasury of individual transactions covered by this section irrespective of the materiality or significance of the transaction. The application will be done simultaneously with the section 54 application to the DPSA.
Section 54(2)	Before a public entity concludes any of the following transactions, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction and submit relevant particulars of the transaction to its executive authority for approval of the transaction:	1. Quantitative factors 1.1 Sections 54(2)(a)-(e): Any transaction will be regarded as significant if its rand value exceeds R43 million. This materiality figure is based on a percentage of 1,5% (the recommended range is 1% - 2%) applied to the total assets value of R2,9 billion. The asset value was used because the transactions to which the materiality limit relates are asset-based. 1.2 Section 54(2)(f): Any change in interest will be regarded as significant if the rand value exceeds R30 million. This figure is based on a percentage of 0,7% (the recommended range is 0,5% - 1%) applied to the total revenue of R4,3 billion. Revenue was used as a basis to determine the materiality limit because it is more appropriate to the nature of transactions than assets.
	(a) establishment or participation in the establishment of a company;	2. Qualitative factors The following qualitative factors will be taken into account when determining the significance of transactions: 2.1 Any transaction of this nature that causes any interest (equity or loans) to be taken by SITA in the company to be established requires approval from the executive authority irrespective of its materiality or significance. 2.2 Concerning participation in the establishment of a company, where an interest (equity or loans) is to be taken by SITA in the company to be established, any involvement by SITA in the establishment process will necessitate an application for approval, regardless of the degree of involvement by SITA.

SECTION	REQUIREMENT	MATERIALITY/SIGNIFICANT
		1.1 Flowing from 1 and 2 above, where no interest (equity or loans) is to be held by SITA in the company to be established, for instance, where SITA is only facilitating the formation on behalf of or with other parties in pursuance of a social objective, such participation need not necessitate an application for approval. 1.2 The establishment (or participation in the establishment) by SITA of any company that is domiciled outside the Republic of South Africa requires approval from the executive authority irrespective of the materiality or significance of the transaction. 1.3 For purposes of establishment of an entity as envisaged under section 51(1)(g), the above principles will also apply.
	(b) Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;	1.1 Any transaction that entails incorporation under the Companies Act (or similar foreign legislation) should be dealt with under 2.1 to 2.5 above. 1.2 For transactions not entailing incorporation, any transaction will be considered as significant - 1.2.1 If participation is in any partnership, trust, unincorporated joint venture or similar arrangement that is located outside the Republic.
	(a) acquisition or disposal of a significant shareholding in a company;	1.1 Transactions are to be regarded as significant where - 1.1.1 ownership control is affected or 1.1.2 SITA's right to pass or block a special resolution is affected or 1.1.3 there is a change in shareholding of at least 20% or 1.1.4 for an acquisition, any transaction results in a shareholding of at least 20% in a company.
	(b) acquisition or disposal of a significant asset;	1.2 Although the acquisition or disposal of shares or of an interest in an unincorporated vehicle, as envisaged by sections 54(2)(b), (c) and (f), would also be an acquisition or disposal of an asset, such transactions are more appropriately dealt with under the guidelines for those sections. 1.3 Assets classified as current assets according to Generally Accepted Accounting Practice (GAAP) are not regarded as falling under this subsection. 1.4 Regarding the acquisition of assets through a finance lease, the principles in 2.10 above will apply.

SECTION	REQUIREMENT	MATERIALITY/SIGNIFICANT
	(c) commencement or cessation of a significant business activity; and	1.5 A business activity that falls within SITA's core business is not regarded as falling under this subsection.
	(a) a significant change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.	1.1 The significance of a change in interest should be considered if the only participation in the partnership, trust, unincorporated joint venture or similar arrangement was originally regarded as significant per 2.12 above. 1.2 Where the nature changes between any of the vehicles (that is between a partnership, trust, unincorporated joint venture or similar arrangement), this will be regarded as significant. 1.3 Any transaction that results in a cumulative interest of at least 20% in the vehicle (partnership, trust, unincorporated joint venture or similar arrangement) is regarded as significant. 1.4 Any subsequent transaction that results in an increase of the cumulative interest by at least 10% in the vehicle (partnership, trust, unincorporated joint venture or similar arrangement) is regarded as significant.
Section 55(2)	The annual report and financial statements referred to in subsection 55(1)(d) must – (b) include particulars of – (i) any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year;	1.1 Losses in excess of R50 000 arising from criminal conduct are considered to be material and will be reported in accordance with the provisions of section 55(2) of the PFMA. 1.2 Any individual transaction arising from irregular expenditure and fruitless and wasteful expenditure will be considered to be material and will be dealt with in accordance with the provisions of section 55(2) of the PFMA, irrespective of the rand amount involved.

INTERNAL AUDIT

The Internal Audit was established in terms of Section 51(1)(a)(ii) of the PFMA and Treasury Regulation 27.2, which requires the accounting authority to ensure that SITA has and maintains a system of internal audit under the control and direct supervision of the Audit Committee. Internal Audit has the authority to independently determine the scope and extent of its work. The purpose, authority and responsibility of the function is formally defined in the internal audit charter, which is reviewed annually and, when necessary, submitted to the Audit Committee and the SITA Board for approval. In accordance with the overriding requirements of independence and objectivity, the Executive: Internal Audit reports functionally to the Chairperson of the Audit Committee and administratively to the Chief Executive Officer. Internal Audit provides assurance consulting and advisory services to evaluate and assist management and the Board in improving the effectiveness and efficiency of all risk management, control and governance processes.

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

Internal Audit strives continually to improve its operational efficiencies through continued training, development and retention of its staff, refinement of its internal processes to perform high quality and value-adding reviews, strengthening of its internal and external quality assurance and improvement programmes, and remaining updated with developments in the profession.

Ongoing effort is directed to developing and implementing more sophisticated and automated audit procedures to further enhance its value proposition to focus on high-risk priority areas, and on continuous auditing and monitoring.

As SITA works towards reducing items reported under other matters in the audit report, the automated in-house developed solution and process for following up on all audit findings was strengthened, resulting in quicker turnaround times on the resolution of audit findings. A 'clean' audit strategy was developed during the year under review.

The internal audit plan for 2011/12 was based on identification of key high risks derived from SITA's strategic risk assessment interviews and discussions with management, and understanding of the current business environment and SITA's long-term strategic plan. Internal Audit follows a risk-based audit approach. The best practice recommendations of the King III report on Corporate Governance and the requirements of the new Companies Act of 2008 were considered in developing the internal audit plan.

The plan was approved by the Audit Committee at the beginning of the financial year, and is regularly reviewed and updated where necessary in response to any new and emerging risks identified that may impact on the risk profile of the company. The Executive: Internal Audit attends all Audit Committee meetings, at which reports are tabled on all identified material or significant control weaknesses, actions taken by management to address control deficiencies, and progress and performance made on the audit plan, including any significant matter that may need to be brought to the attention of the Audit Committee. The Internal Audit quarterly report assists the Audit Committee in discharging its responsibilities in terms of the National Treasury Regulations.

Internal Audit also co-coordinates with other assurance providers and governance bodies such as risk management, compliance management and external audit in the baseline for the combined assurance model to ensure that the risk universe within SITA is adequately covered. Internal Audit is currently undergoing its external quality assessment, which is mandatory for all internal audit environments every five years. The results will be submitted to the Audit Committee for consideration.

INTEGRITY ASSURANCE SERVICES (FORENSIC INVESTIGATIONS)

In support of the strategic intent of SITA, Internal Audit has an in-house forensic capability to conduct forensic investigations at management or Board request. SITA also operates an independent and anonymous complaints ethics hotline, which allows the public and employees to report any allegations of fraud, corruption, improper conduct and other contraventions of SITA's code of ethics.

Investigations are conducted independently and reported to the Audit Committee. Internal Audit monitors the outcome of actions taken by management on all forensic investigations reported. The integrated anti-fraud and prevention strategy is reviewed annually and updated where necessary to reduce the number of incidents, possible risks, irregularities and fraud.

SITA has adopted a policy of 'zero tolerance' against any acts of fraud and corruption.

RESPONSIBILITY OF REPORTING

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

RISK MANAGEMENT

In terms of Section 51(1) of the PFMA, the Board maintains an effective, efficient and transparent system of, among others, risk management. The recommendations of the King III report on the Code for Corporate Governance have been considered, applied and integrated into the daily activities of all employees within the organisation. The potential implications and impact of the new Companies Act of 2008 are also considered and, where necessary, implemented.

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

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

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

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

During the year, a detailed and revised strategic risk assessment was conducted with both the Board and management and is now being cascaded through the organisation to ensure that adequate and appropriate risk mitigating mechanisms and processes are implemented. Risk registers are maintained by the various lines of business to ensure that all identified risks are cascaded to operational level with proper mitigation strategies.

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

COMMUNICATION WITH STAKEHOLDERS

SITA recognises the rightful interests of stakeholders in its affairs, including government as shareholder, government departments, employees, consumers, suppliers, the media, and policy and regulatory bodies. Communication and interactive initiatives with stakeholders are ongoing and are addressed through appropriate channels depending on the needs of the various stakeholders.

READER'S NOTES

SECTION 4
PERFORMANCE AGAINST STRATEGIC OBJECTIVES

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

ANNUAL CORPORATE BALANCED SCORECARD PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2012

OBJECTIVE	MEASURE/ INDICATOR	WEIGHTS	ACTUAL PERFORMANCE AGAINST TARGET		REASONS FOR VARIANCE
			ANNUAL TARGET	ACTUAL STATUS	
FINANCIAL					
F1: Achieve sound financial management	M1: Unqualified audit opinion with no emphasis of matter	5%	% MLPs resolved	Not achieved 58,6 (annual) 82% (2009/10) and 31% (2010/11) MLPs resolved	Revisit and reassess management comments for implementation and the inter-dependencies from external stakeholders
			Unqualified audit opinion (2011/12) with no emphasis of matter	Not achieved	An unqualified audit opinion has been received from the Auditor-General. However, an emphasis of matter drawing the users' attention to a change in the manner in which certain items were previously disclosed in the Annual Financial Statements was also received.
	M2: Liquidity ratio	3%	L ≥ 1.5:1	Achieved L ≥ 2.52:1	No variance
	M3: Creditor payment days	3%	30 days	Not achieved Creditors payment days = 101,57 days	High volume of invoices in the last quarter of the financial year
	M4: Debtors days	3%	45 days	Not achieved Debtors days = 82,88 days	High volume of activity from billing and services in the last quarter of the financial year
	M5: Approved and implement long-term financial sustainability model	2%	Approved funding model and strategy, capital investment plan and budget plan	Not achieved 10% progress made	Dependent on finalising complementary strategies
F2: Achieve revenue growth	M6: 15% increase in revenue for 2011/12	4%	15% increase in revenue (year on year)	Not achieved 9,92% revenue increase	Business commitments compromised due to resource constraints

OBJECTIVE	MEASURE/ INDICATOR	WEIGHTS	ACTUAL PERFORMANCE AGAINST TARGET		REASON FOR VARIANCE
			TARGET	ACTUAL STATUS	
CUSTOMER					
C1: Ensure citizen convenience service (deliver e-government)	M7: Approved and implement e-gov strategy	3%	Approve e-gov strategy	Achieved 100% approved e-gov strategy	No variance
			Implementation of the e-government strategy according to plan	Achieved 100% implementation as per plan	No variance
C2: Enable integrated planning government	M8: Approved national ICT strategy and plan	3%	Approved national ICT strategy and plan	Achieved 100% approved national ICT strategy and plan	No variance
C3: Ensure interoperability of government systems	M9: Draft a national data paper	2%	Produce draft national data paper for approval by Board	Achieved 100% approved national data framework	No variance
	M10: Improved SCM turnaround time	3%	78 days (tender award)	Not achieved Year to date - 134,60 days	Quality of specification impacted on evaluation process
			30 days for contract finalisation	Not achieved Year to date - 43 days	Terms and conditions are not agreed upfront before the procurement process is embarked upon hence the delays in the negotiations
			30 days for requests for quotations (RFQs)	Achieved Year to date - 20,08 days	No variance
C4: Reduction of duplication of government systems	M11: Approved government system convergence strategy	3%	Approved convergence strategy	Achieved 100% approved convergence strategy	No variance
			At least one convergence of systems between government departments	Achieved One system convergence	No variance
C5: Security of government data assets	M12: Availability of IS security strategy (draft)	3%	Availability of IS security strategy (draft) approved by Board	Achieved 100% approved IS security strategy	No variance

OBJECTIVE	MEASURE/ INDICATOR	WEIGHTS	ACTUAL PERFORMANCE AGAINST TARGET		REASON FOR VARIANCE
			TARGET	ACTUAL STATUS	
CUSTOMER					
C6: Reengineering government business processes for efficiency (quality of service delivered)	M13: Implement IFMS	4%	Implement IFMS as per the service-level agreement (SLA) or development	Achieved	No variance
			Implement IFMS as per approved rollout plan	Achieved	No variance
	M14: % of new SLA signed with performance metrics to manage service quality	6%	100% of new SLAs signed with performance metrics and monitor implementation	Not achieved 84% signed (new and recontracted) SLAs and project charters	Delay in clients transitioning to SITA'S new and improved SLA model
	M15: Approved customer focused strategies	2%	Customer service delivery strategy, customer relations management (CRM) strategy, distribution model and strategy approved by the Board	Achieved 100% approval of all strategies/ models	No variance

OBJECTIVE	MEASURE/ INDICATOR	WEIGHTS	ACTUAL PERFORMANCE AGAINST TARGET		REASON FOR VARIANCE
			TARGET	ACTUAL STATUS	
CUSTOMER					
C7: Implement an ICT skills development plan	M16: Establish ICT academy framework	2%	Establish ICT academy	Not achieved 25% completion	The complexity in defining and conceptualising a multi-stakeholder academy remains work in progress
			Implement ICT academy programme as per plan	Not achieved	The complexity in defining and conceptualising a multi-stakeholder academy remains work in progress.
	M17: Approved ICT skills development strategy (human resources development strategy)	2%	Approved ICT skills development strategy and plan	Achieved 100% approved ICT skills development strategy and plan	No variance
			Implement ICT skills development strategy as per plan	Not achieved 75% implementation achieved	Defined new competencies as per new organisational architecture

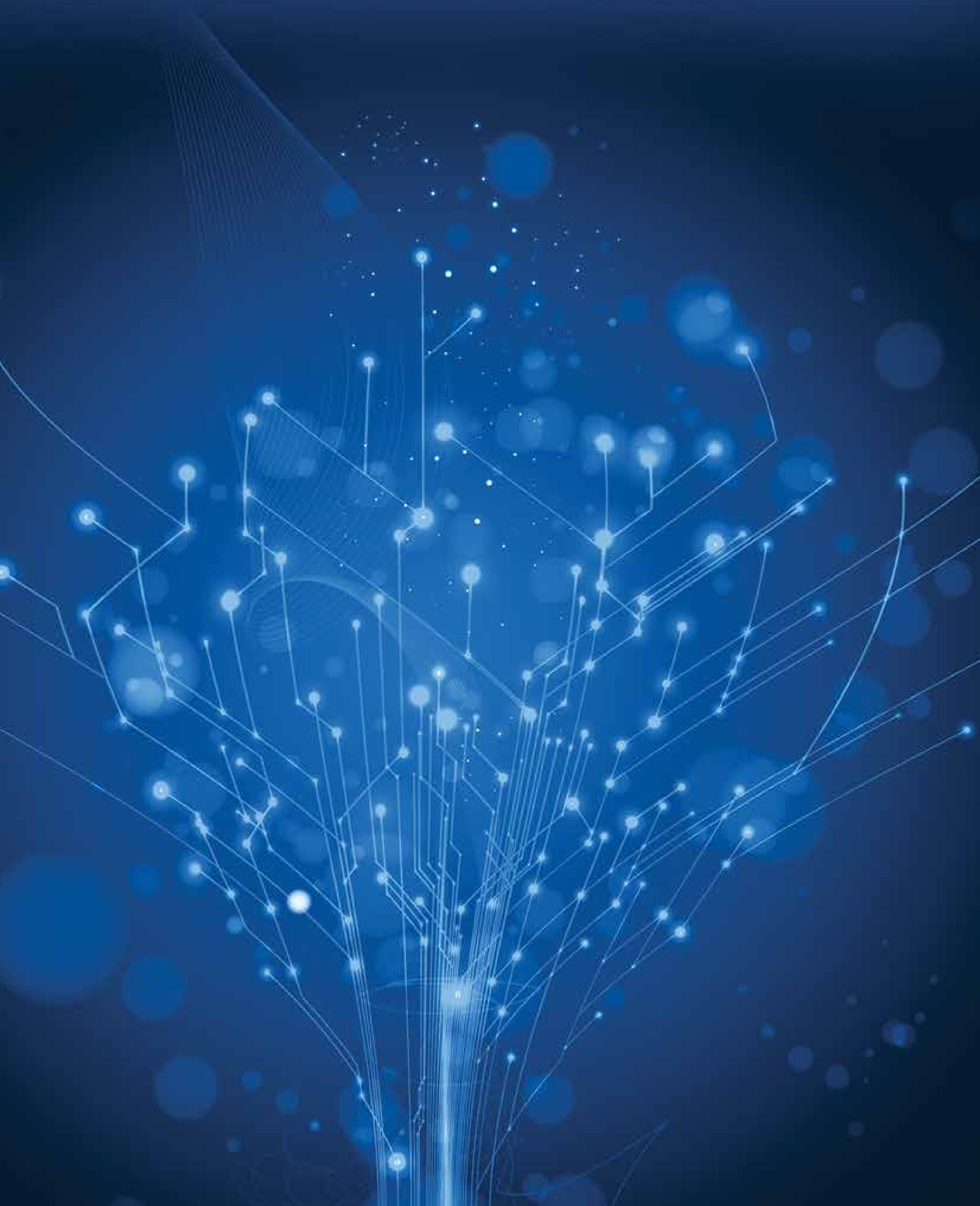
OBJECTIVE	MEASURE/ INDICATOR	WEIGHTS	ACTUAL PERFORMANCE AGAINST TARGET		REASON FOR VARIANCE
			TARGET	ACTUAL STATUS	
CUSTOMER					
C8: CRM	M18: Customer satisfaction index (CSI)	2%	Establish CSI baseline	Achieved 100% CSI baseline established	No variance
			Improvement plan developed and approved by Board	Not achieved 50% plan available	The impact of redefining the improvement plan in the third quarter
			75% of improvement initiatives implemented	Achieved 75% of initiatives implemented	No variance
	M19: Stakeholder satisfaction index (SSI)	2%	Establish SSI baseline	Not achieved 25% of the survey finalised	Non-responsiveness to the SSI survey to establish the baseline
			50% of improvement initiatives implemented	Not achieved	Dependent on establishment of baseline

OBJECTIVE	MEASURE/ INDICATOR	WEIGHTS	ACTUAL PERFORMANCE AGAINST TARGET		REASONS FOR VARIANCE
			TARGET	ACTUAL STATUS	
INTERNAL PROCESS					
P1: Establish effective internal processes and systems	M20: PSI CMMI certification	5%	Certified as PSI by external body at CMMI capability	Not achieved CMMI capability 1 achievement 98% achievement	Preliminary results from JSE indicate achievement of CMMI capability 1. Awaiting certification and validation by external panel
	M21: 100% fully functional ERP system	5%	Reliable financial information (100% fully functional financial module)	Achieved as per plan	No variance
			100% fully functional SCM module and reliable SCM information	Achieved as per plan	No variance
			100% fully functional BI module, complete and reliable management information	Achieved as per plan	No variance
P2: Establish effective governance model	M22: Approved and implement governance model	5%	Approved governance model	Not achieved 50% of the model available	Developing a suitable model that enabled SITA's transformation requirements
			Ensure 100% organisation-wide compliance	Not achieved 50% compliance	Full compliance is dependent on an approved governance model

OBJECTIVE	MEASURE / INDICATOR	WEIGHTS	ACTUAL PERFORMANCE AGAINST TARGET		REASON FOR VARIANCE
			TARGET	ACTUAL STATUS	
LEARNING AND GROWTH					
L1: Be a high performance organisation (HPO)	M23: Approved and implement SITA model of high performance	2%	Approved integrated corporate performance management policy	Achieved 100% policy approval	No variance
			Monitoring of performance and standardised reporting processes implemented.	Achieved 100% implementation	No variance
			Strategic, focused organisation baseline established	Not achieved	Conversion to an HPO model that encompasses SITA PSI vision
			2% improvement on strategic, focused organisation survey baseline	Not achieved	Dependency on the strategic, focused baseline
	M24: Approved competency model	2%	Approve competency model	Achieved 100%	No variance
			Implementation of competency model according to plan	Achieved 100% implementation according to plan	No variance

OBJECTIVE	MEASURE / INDICATOR	WEIGHTS	ACTUAL PERFORMANCE AGAINST TARGET		REASON FOR VARIANCE
			TARGET	ACTUAL STATUS	
LEARNING AND GROWTH					
L2: Be an innovative and a learning organisation	M25: Approve and implement strategy for innovation and learning organisation	2%	Approved strategy for innovation and learning organisation	Achieved 100% approval of innovative and learning strategy	No variance
			Implement the innovation strategy according to plan	Achieved 100% implementation as per plan	No variance
			Measurement of SITA as an innovative and a learning organisation	Not achieved	Dependency on HPO model. Learning and innovation measured in relation to HPO
	M26: Approve and implement innovation and knowledge management strategy	2%	Approve the innovation and knowledge management strategy	Achieved 100% approved knowledge management strategy	No variance
			Implement 100% of critical path milestones for the year	Not achieved 40% implementation of critical path milestone	This function was newly established and will be resourced as part of the organisational architecture project
L3: Be the employer of choice	M27: Approve and implement employer of choice model	2%	Approved employer of choice model	Achieved 100% approved employer of choice model	No variance
			Implement 100% of critical path milestones for the year	Achieved 100% implementation of cricital path milestones as per plan	No variance
	M28: Approved and implement human capital strategy and plan	2%	Approve human capital strategy and plan	Achieved 100% approved human capital strategy and plan	No variance
			Implement 100% of critical path milestones for the year	Achieved	No variance

OBJECTIVE	MEASURE/ INDICATOR	WEIGHTS	ACTUAL PERFORMANCE AGAINST TARGET		ACHIEVEMENT STATUS EVIDENCE
			TARGET	ACTUAL STATUS	
INDUSTRY					
I1: Drive economies of scale in the acquisition of IT goods and services	M29: % increase in savings on sourcing of ICT goods and services	3%	8%	Achieved 13,61% savings	No variance
	M30: Approved and implement acquisition strategy	3%	Approved acquisition strategy	Achieved SCM acquisition strategy implementation report	No variance
			50% implementation of acquisition strategy	Achieved 50% of acquisition strategy implemented	No variance
	M31: Approved costing recovery and pricing model	4%	Approval of costing, recovery and pricing models and revised tariffs by DPSA and National Treasury	Achieved SITA standards rates were submitted for MPSA approval	No variance
I2: Partner with industry to deliver high-quality services	M32: Number of industry partners established in the delivery of ICT goods and services	4%	Four industry partners	Achieved Four industry partners	No variance
I3: Providing an enabling environment for SMME growth	M33: Approved SMME development strategy	2%	Approved SMME development strategy	Achieved 100% approved SMME development strategy	No variance
			Roll out ICT SMME strategy according to plan	Achieved 100% rollout as per plan	No variance

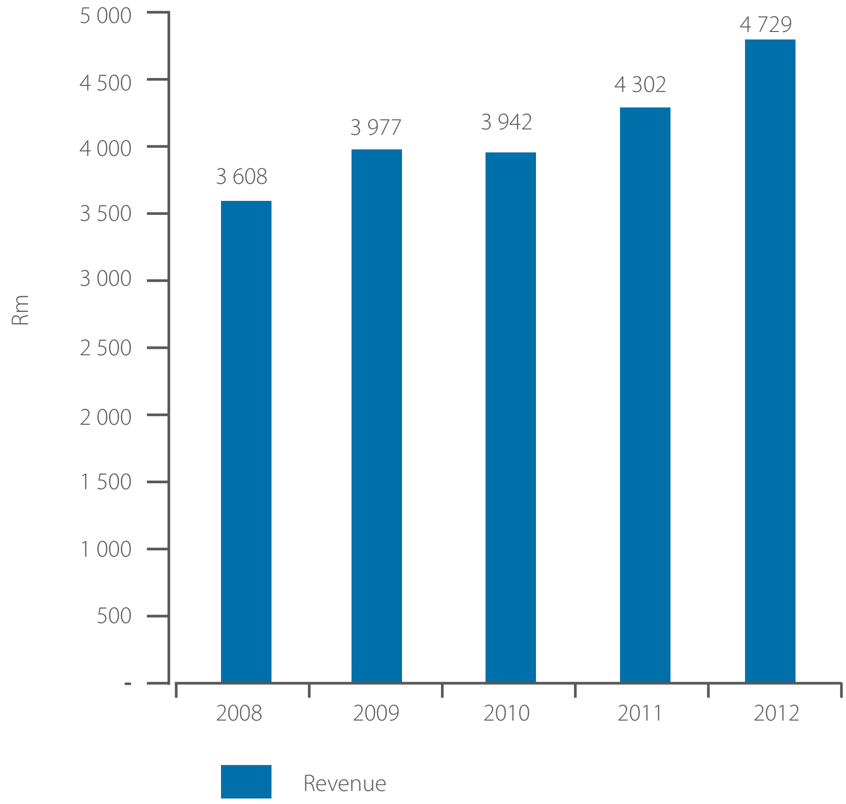


SECTION 5
SALIENT FEATURES

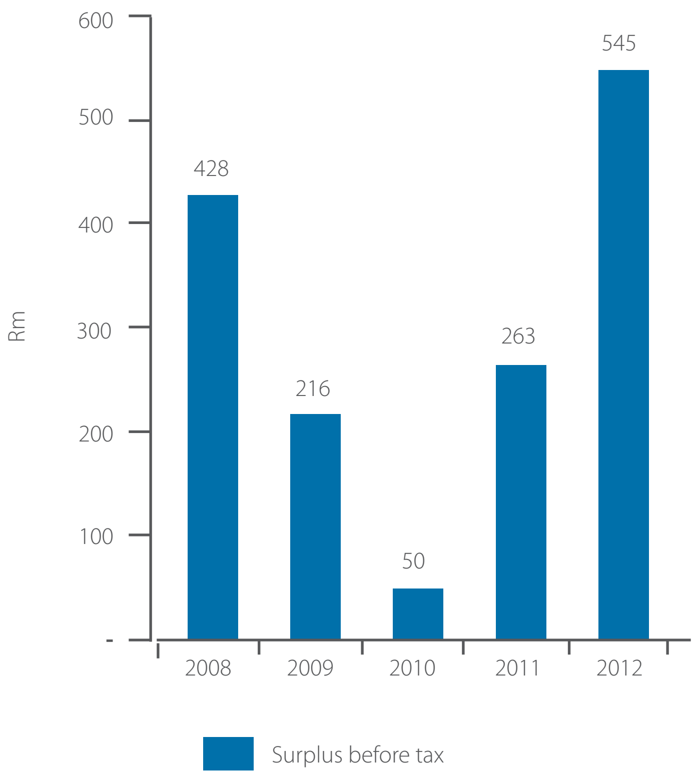
SALIENT FEATURES FOR THE YEAR ENDING 31 MARCH 2012

(in Rand million)	31-Mar-12	31-Mar-11	% change
Revenue	4 729	4 302	9,92%
Gross surplus margin	1 274	775	64,37%
Operating surplus	450	187	140,64%
Net surplus for the year	388	186	108,60%
Total assets	3 341	3 018	10,69%
Total net assets	2 084	1 696	22,90%
Cash flow from operating activities	39	481	-91,82%
Capital expenditure	47	28	67,86%
Gross surplus margin (%)	26,94%	18,01%	
Liquidity ratio	2,52:1	2,11:1	
Solvency ratio	2,66:1	2,28:1	
Cash cover	1,23	1,18	
Operating surplus (%)	9,52%	4,35%	
Net surplus for the year (%)	8,20%	4,32%	

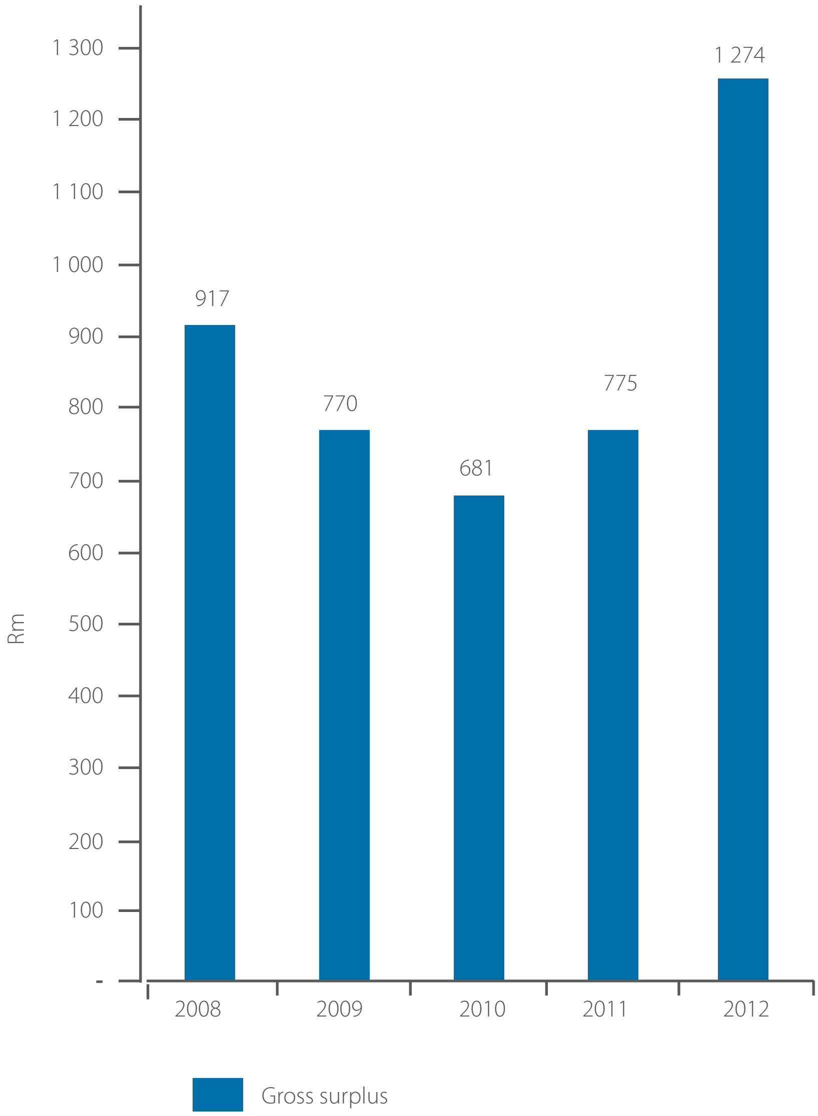
REVENUE



SURPLUS BEFORE TAX



GROSS SURPLUS



VALUE - ADDED STATEMENT

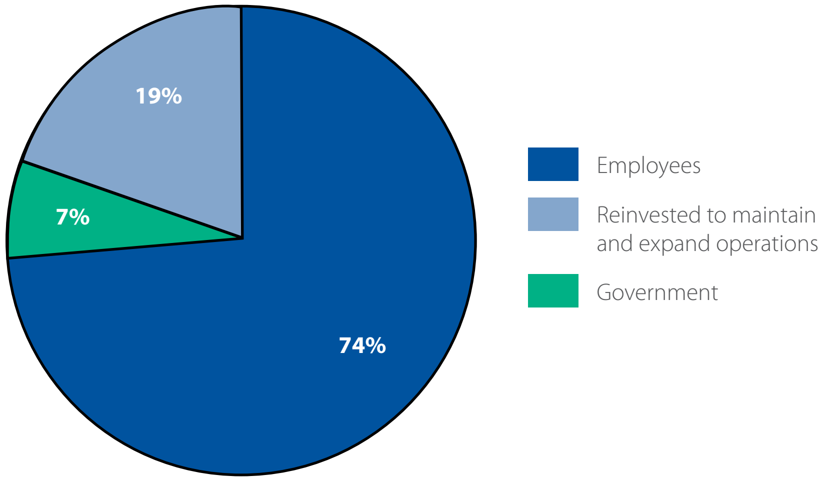
The statement shows the wealth the company has created through its provision of information technology, information systems and related services. The statement shows how wealth was created and how it was disbursed among stakeholders, leaving a retained amount which was reinvested in the company for the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

Value added statement in Rm

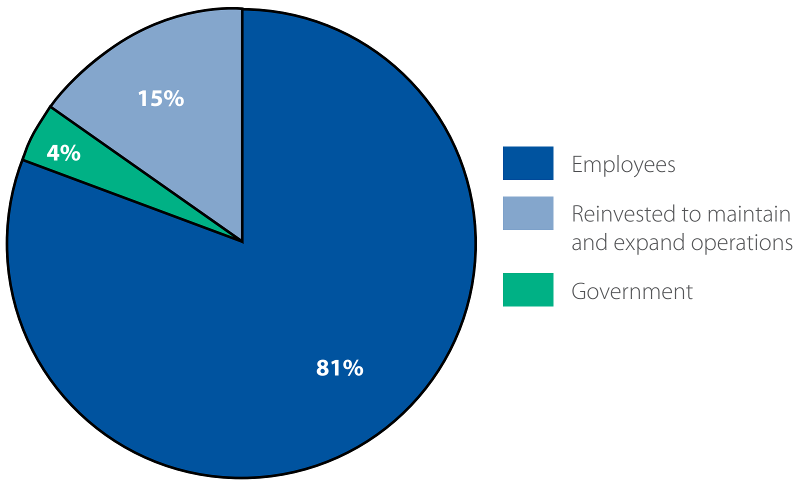
	Mar-12	%	Mar-11	%
Revenue	4 729		4 302	
Paid to suppliers for materials and services	2 575		2 367	
Value added by operations	2 154	93%	1 935	92%
Other income	34	1%	44	2%
Interest income	129	6%	115	5%
Total wealth created	**2 317**	**100%**	**2 094**	**100%**
Distributed as follows:				
Employees:	1 710	74%	1 695	81%
Salaries, wages and other benefits	1 710		1 695	
Government:				
Income tax	156	7%	78	4%
Reinvested to maintain and expand operations:	451	19%	321	15%
Depreciation/amortisation	63		135	
Accumulated surplus	388		186	
Total wealth distributed	**2 317**	**100%**	**2 094**	**100%**

TOTAL WEALTH DISTRIBUTED

MARCH 2012



MARCH 2011



FIVE-YEAR REVIEW

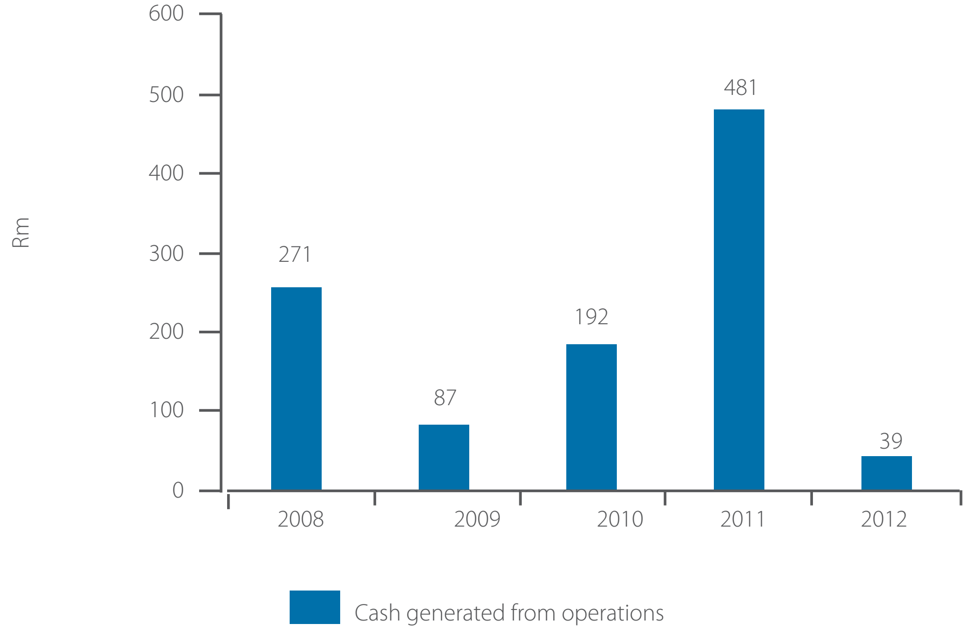
STATEMENT OF FINANCIAL PERFORMANCE AND CASH FLOW

	31-Mar-12	31-Mar-11	31-Mar-10	31-Mar-09	31-Mar-08
	R	R	R	R	R
Revenue	4 729	4 302	3 942	3 977	3 608
Gross surplus	1 274	775	681	770	917
Other income	34	44	28	51	42
Finance income	129	115	130	178	124
Finance costs	34	39	58	74	48
Operating expenses	858	632	732	709	607
Surplus before tax	545	263	50	156	428
Income tax expense	156	78	18	46	129
Surplus for the year	388	186	32	111	299
Cash generated from operations	39	481	192	87	271

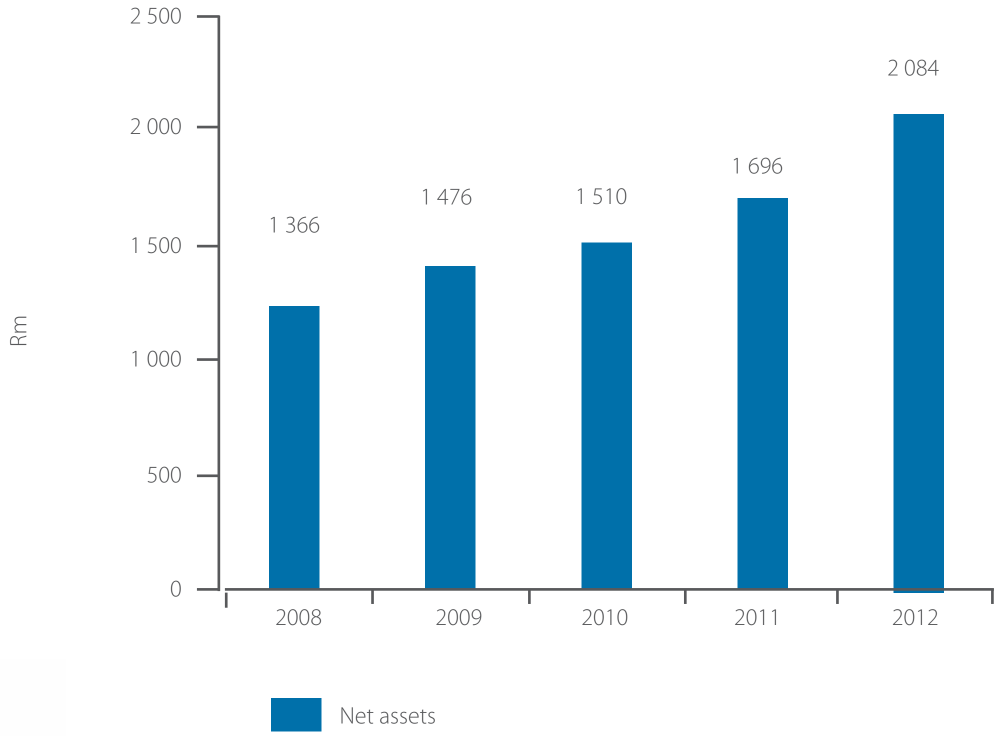
STATEMENT OF FINANCIAL POSITION

	R	R	R	R	R
Current assets	2 837	2 543	2 197	1 930	1 927
Non-current assets	504	475	565	682	634
TOTAL ASSETS	3 341	3 018	2 762	2 612	2 561
Net assets	2 084	1 696	1 510	1 476	1 366
Current liabilities	1 129	1 205	1 136	1 023	1 086
Non-current liabilities	128	117	116	113	109
TOTAL NET ASSETS AND TOTAL LIABILITIES	3 341	3 018	2 762	2 612	2 561
CAPITAL EXPENDITURE	47	28	86	198	149

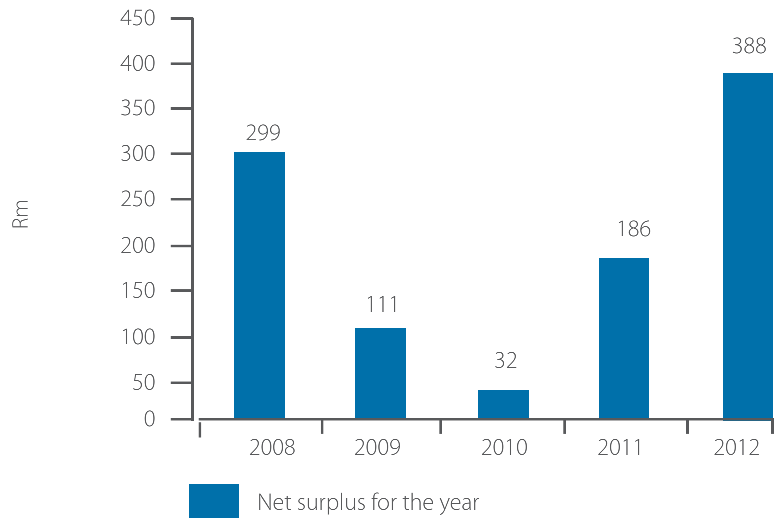
CASH GENERATED FROM OPERATIONS



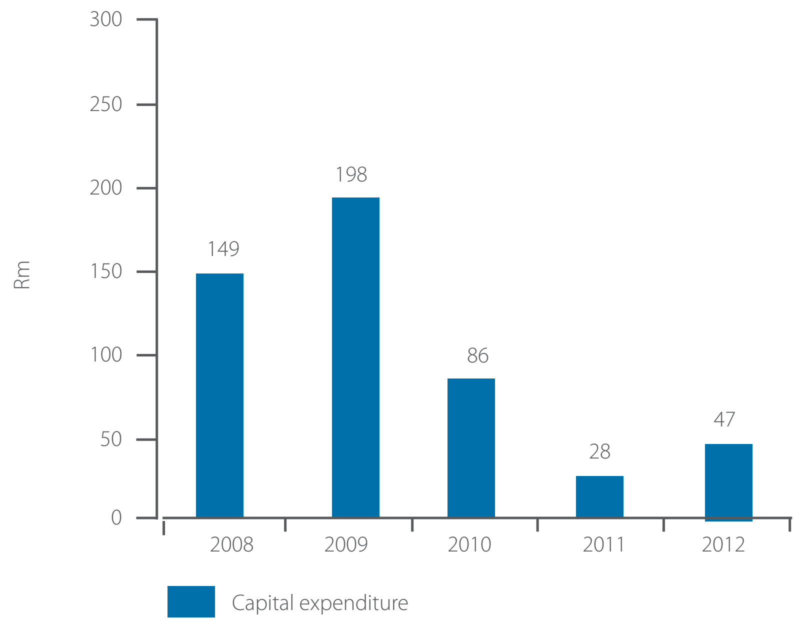
NET ASSETS



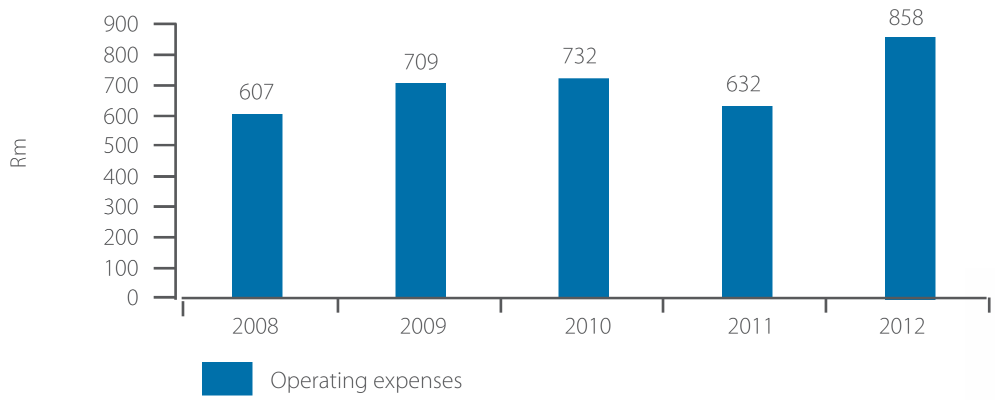
NET SURPLUS FOR THE YEAR



CAPITAL EXPENDITURE

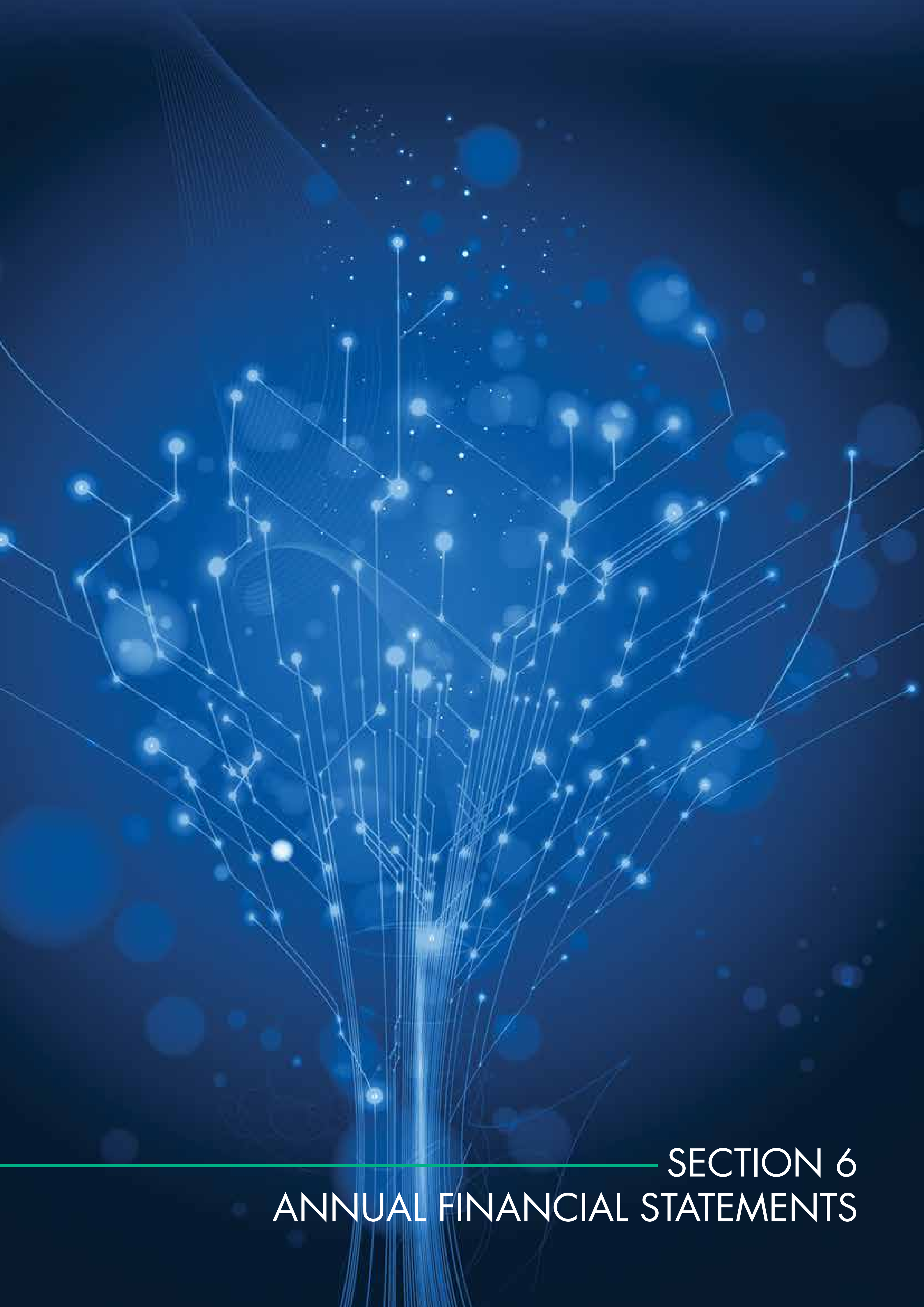


OPERATING EXPENSES



SITA ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

TABLE OF CONTENTS



SECTION 6
ANNUAL FINANCIAL STATEMENTS

REPORT OF THE AUDIT COMMITTEE

In terms of Treasury Regulation 27(1)(10)(b) and (c) the Audit Committee is required to comment on the effectiveness of internal control and comment on its evaluation of the financial statements in the annual report.

The Audit Committee is pleased to report that it 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 of its responsibilities contained therein.

In conducting its duties, the Audit Committee has, inter alia, reviewed the following:

- The effectiveness of the internal control systems;
- The activities and effectiveness of SITA's Internal Audit division, including its activities, its annual internal coverage plan, cooperation with the Auditor-General, the reports of significant audits and investigations conducted and the response of management to specific recommendations;
- The risk areas of the entity's operations covered in the scope of internal and external audits;
- The independence and objectivity of the Auditor-General;
- The adequacy, reliability and accuracy of financial information provided by management and other users of such information;
- Accounting and auditing concerns identified as a result of internal and Auditor-General reports, and
- The entity's compliance with legal and regulatory provisions.

Based on the information and explanations provided by management and Internal Audit and discussions with the Auditor-General on the results of their audits, the Audit Committee is of the opinion that the internal accounting controls are in place to ensure that the financial records may be relied upon for preparing the annual financial statements, and that accountability for assets and liabilities is maintained.

Where important matters relating to weaknesses in the control environment have been identified by Internal Audit and the Auditor-General during the financial year under review, these matters have been reported to the Board and management for remedial action.

The Audit Committee has evaluated the annual financial statements of the company for the year ended 31 March 2012, and, based on the information provided to the committee, considers that it complies, in all material respects, with the requirements of the Companies Act No 71 of 2008, as amended, the Public Finance Management Act No 1 of 1999, as amended, the SITA Act No 88 of 1998, as amended, and the South African Statements of Generally Accepted Accounting Practice (GAAP), including the Statements of Generally Recognised Accounting Practice (GRAP) issued by the International Accounting Standards Board (IAS).

Ms KT Mdlulwa

Chairperson of the Audit Committee

REPORT FROM THE AUDITOR – GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the State Information Technology Agency SOC Limited (SITA) set out on pages 77 to 133 which comprise the statement of financial position as at 31 March 2012, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

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

Auditor-General's responsibility

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

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting 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 SITA as at 31 March 2012, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP, and the requirements of the PFMA and the Companies Act.

Emphasis of matters

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

Restatement of corresponding figures

8. As disclosed in note 31A, 34.1 and 34.2 to the financial statements, the corresponding figures for 31 March 2011 have been restated as a result of a reclassification and an error discovered during 31 March 2012 year-end audit.

Additional matters

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

SITA as the procurement agent on behalf of other government institutions

10. According to section 7(3) and (5) of the State Information Technology Agency Act, 1998 (Act No.88 of 1998) (SITA Act), every department must, while other public bodies may, procure information technology goods and services through SITA. In instances where requests are received from government departments and 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), while the accounting officer or accounting authority retains the right to accept or reject SITA's recommendation.

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

Other reports required by the Companies Act

12. As part of my audit of the financial statements for the year ended 31 March 2012, 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. I have not audited the reports and accordingly do not express an opinion on them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

13. 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 report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the information in the Performance against strategic objectives section as set out on pages 48 to 56 of the annual report.

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

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

16. There were no material findings on the performance against strategic objectives concerning the usefulness and reliability of the information.

Additional matter

17. Although no material findings concerning the usefulness and reliability of the performance information were identified in the performance against strategic objectives section. I draw attention to the following matter:

Achievement of planned targets

18. Of the 58 planned targets, 63% were achieved during the year under review. This represents 37% of total planned targets that were not achieved during the year under review.

19. The reason for the nonachievement of planned targets has been included on pages 48 to 56 of the report on performance against strategic objectives.

Compliance with laws and regulations

20. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Annual financial statements

21. The accounting authority submitted financial statements that were not in all material aspects in accordance with generally accepted accounting practice as required by section 55(1)(a) and (b) of the PFMA. Material misstatements on non-current assets and liabilities identified during the audit were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

SITA Act

22. Of the 744 service level agreements currently in place, 206 of the SLAs with government departments and other public bodies were not signed or concluded as required by section 20(2) of the SITA Act. Services were, however, rendered in respect of these service level agreements.

Procurement and contract management

23. The audit in respect of compliance with procurement and supply chain management laws and regulation has yielded a number of findings as noted below. Unless otherwise stated these findings relate to the current year service level agreements, tenders, request for quotations and contracts selected for testing. The findings are considered material based on their qualitative nature and/or on the number of instances of non-compliance identified.

24. Contrary to the requirements of section 55(1)(a) of the PFMA the accounting authority did not maintain full and proper records of the affairs of the public entity, as in some cases bid responses and master files for request for quotations awarded during the financial year could not be provided on my request.

25. Instances were identified where contracts were awarded to bidders who did not submit a declaration of past supply chain practices such as fraud, abuse of SCM system and non-performance. Such a declaration is prescribed in terms of Treasury Regulation 16A9.1.

26. Sufficient appropriate audit evidence could not, in all instances, be obtained that contracts or quotations were awarded to bidders based on points awarded for criteria that were stipulated in the original invitation for bidding or quotations, as required by Treasury Regulations 16A6.3(b) as well as the Preferential Procurement Regulations.

27. Contrary to the provisions of TR 16A3.2(a), a contract without an expiry date ie evergreen contract was awarded to a supplier. This contract has not been reviewed in the current year, nor re-issued for tender.

28. Sufficient audit evidence could not, in all instances, be obtained that suppliers submitted the required certificate of independent bid documentation (SBD 9) for tenders or quotations, as prescribed by National Treasury Regulations 16A9.1(a).

Internal control

27. I considered internal control relevant to my audit of the financial statements, performance against strategic objectives and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for the findings on compliance with laws and regulations included in this report.

Leadership

28. Ongoing monitoring and supervision undertaken to enable management to determine whether internal controls over financial reporting is present and functioning were not adequate, which led to material adjustments to the financial statements and non-compliance with laws and regulations.

29. Sufficient controls to ensure compliance with procurement laws and regulations have not been designed and implemented effectively, resulting in poor risk management, increased exposure to fraud and irregular expenditure.

30. Action plans developed to address the IT internal audit and external audit findings and recommendations identified in the previous year, were not implemented timeously.

Financial and performance management

31. The information systems used for recording and processing of transactions are not always used to produce reliable information without extensive manual intervention for preparation of the annual financial statement at year-end.

32. The following internal control deficiencies were identified in the management of financial reporting:

    - Difficulties were experienced during the audit concerning delays and the availability of requested information. In the procurement environment some of the requested information could not be provided at all.
    - Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised and are completely and accurately processed.
    - Monthly management accounts are incomplete and therefore decision-making by management is impacted negatively.

33. General, hardware and application controls have not been implemented to ensure the reliability of the SITA's internal operating system, the accuracy of the data outputs, and the protection of equipment and files.

34. SITA's financial information system has control weaknesses that could negatively impact on the reliability of transactions recorded and reported for some revenue streams.

Governance

35. SITA does not have a dedicated risk management department. This function currently resides with the internal audit department. This is considered not to be ideal as internal audit is meant to be independent from the operations of the entity.

OTHER REPORTS

INVESTIGATIONS

Investigations in progress

36. The special investigation unit is currently investigating one case relating to procurement irregularities.

37. As at 31 March 2012, there were twenty two cases under investigation by internal audit. These investigations related to:

- Procurement irregularities
- Conflicts of interest
- Alleged irregularities in the human resource and payroll departments.

38. The financial impact of the above investigations has not been quantified at this stage as the investigations are still in progress.

Investigations finalised

39. As at 31 March 2012, internal audit had completed fifteen investigations for the period under review. The completed investigations related to:

- Procurement irregularities
- Conflicts of interest
- Alleged irregularities in the human resource and payroll departments

31. Of the abovementioned investigations there were two investigations that led to disciplinary action, nine where the recommendations were actioned and four were closed due to the unavailability of information.

Auditor-General

Pretoria

30 July 2012

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The directors are responsible for the preparation and fair presentation of the annual financial statements of the State Information Technology Agency SOC Limited, comprising the statement of financial position at 31 March 2012 and the statements of financial performance, changes in equity and cash flows for the year then ended, and the notes to the financial statements. These include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Public Finance Management Act of South Africa, 1999 (Act No 1 of 1999) (PFMA) and Companies Act of South Africa, 2008 (Act No 71 of 2008) (Companies Act).

The directors are also responsible for such internal control as the directors determine it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the State Information Technology Agency (SOC) Limited, as identified in the first paragraph, were approved by the Board of Directors on 30 July 2012 and signed on its behalf by:

Ms FC Potgieter-Gqubule

Acting Chairperson

Mr BK Mosley-Lefatola

Chief Executive Officer

CERTIFICATE BY THE COMPANY SECRETARY

I, Ms T Zide, in my capacity as Company Secretary of SITA (SOC) Ltd, hereby certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies all such returns as are required of it in terms of the Companies Act No 71 of 2008, and that all such returns are true, correct and up to date.

Ms T Zide

Company Secretary

DIRECTORS' REPORT

The directors have pleasure in presenting their report, which forms part of the audited annual financial statements of SITA for the year ended 31 March 2012. This report and the annual financial statements comply with the requirements of the Public Finance Management Act No 1 of 1999 (as amended), the SITA Act No 88 of 1998 (as amended by Act 38 of 2002) and the Companies Act 71 of 2008. The Board of Directors is the accounting authority in terms of Section 49(2)(a) of the PFMA.

NATURE OF BUSINESS

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

REGISTRATION DETAILS

The company's registration number is 1999/001899/07. The registered office is 459 Tsitsa Street, Erasmuskloof, Pretoria, 0001.

OWNERSHIP

The company is wholly owned by the Government of the Republic of South Africa as represented by the Minister for Public Service and Administration, Hon LN Sisulu.

EQUITY CAPITAL CONTRIBUTION

There were no changes to either the authorised or issued share capital of the company during the year ended 31 March 2012. Details of the authorised and issued share capital can be found in note 12 to the annual financial statements.

FINANCIAL HIGHLIGHTS

The financial performance is set out on page 82 of this report.

The financial performance is summarised as follows:

	31 March 2012	31 March 2011
	Rand	**% change**
Revenue	4 729 096 144	9,92
Gross surplus	1 273 999 649	64,37
Surplus for the year – before tax	544 549 915	106,67
Total assets	3 340 995 728	10,69
Net assets	2 084 89 576	22,90
Cash generated from operations	39 297 566	-91,82

DIVIDENDS

There were no dividends declared for the current financial year (2011: R nil).

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. Where important matters relating to weaknesses in the control environment have been identified, these are in the process of being addressed by management. Although internal controls were in place during the year, internal control weaknesses were identified as noted in the audit report.

PUBLIC FINANCE MANAGEMENT ACT (PFMA)

PFMA compliance

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

Materiality and significance framework

A materiality and significance framework has been developed for reporting losses through criminal conduct and irregular, fruitless and wasteful expenditure, as well as for significant transactions per Section 54(2) of the PFMA Act, which require Ministerial approval. The framework was approved by the Board of Directors for the 2011/12 financial year.

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

Section 55(2)b of the PFMA requires that SITA include in the annual report particulars of any material losses through criminal conduct and any irregular expenditure, and fruitless and wasteful expenditure during the financial year. There were no confirmed instances of losses through criminal conduct discovered during the year under review.

PUBLIC PRIVATE PARTNERSHIPS

The company did not enter into public private partnerships during the year.

BASIS OF PRESENTATION

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

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

EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL POSITION

Subsequent to the date of financial position, the directors are not aware of any matters or circumstances that may materially affect the financial statements.

GOING CONCERN

The directors confirm that they are satisfied that the company has adequate resources to continue in business for the 12-month period from the date of this report. For this reason they continue to adopt the going concern basis for preparing the financial statements as confirmed in the statement of responsibility by the Board of Directors on page 75.

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

The following individuals were directors during the year under review:

DIRECTORS

NON – EXECUTIVE DIRECTORS:

Ms ZP Manase (Chairperson)
Ms FC Potgieter-Gqubule (Appointed as Acting Chairperson on 19 August 2011) (Deputy Chairperson: 17 March 2010 - 18 August 2011)
Ms SV Bvuma
Mr PR Kgame
Mr CCW Kruger
Mr WS Mabena
Ms K Mdlulwa
Ms NM Mhlakaza
Ms T Moloko
Prof MI Mphahlele
Ms KR Mthimunye
Ms N Ntsinde
Mr G Pillay
Ms BM Malongete (Alternate)
Mr DC Niddrie (Alternate)

COMPANY SECRETARY

Ms T Zide

TERMS EXPIRED DURING THE PERIOD UP TO SITA'S ANNUAL GENERAL MEETING (AGM)

NON-EXECUTIVE DIRECTORS

Ms ZP Manase	Term expired on 6 August 2011
Mr CCW Kruger	Term expired on 31 August 2011

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

in Rand	Note	2012	2011	2010
Assets				
Non-current assets		504 022 807	475 068 763	565 523 355
Property, plant and equipment	4	357 311 044	370 573 644	463 749 908
Intangible assets	5	34 119 314	38 015 875	53 473 112
Deferred tax assets	7	112 592 449	66 479 244	48 300 335
Current assets		2 836 972 922	2 543 216 900	2 196 705 060
Cash and cash equivalents	8	1 549 020 199	1 561 673 901	1 114 414 631
Trade and other receivables	9	1 258 172 280	839 259 072	831 479 322
Contract work in progress	10	14 805 270	58 403 516	67 633 835
Income tax receivable		-	32 964 824	96 321 270
Prepayments	11	14 975 173	50 915 587	86 856 002
Total assets		**3 340 995 729**	**3 018 285 663**	**2 762 228 415**
Net assets and liabilities				
Net assets		2 084 289 573	1 695 887 810	1 510 209 597
Share capital	12	1	1	1
Reserves	13	627 334 546	627 334 546	627 334 546
Accumulated surpluses		1 456 955 026	1 068 553 263	882 875 050
Liabilities				
Non-current liabilities		129 151 713	117 103 090	116 034 829
Interest-bearing borrowings		-	-	5 200 090
Post-retirement employee benefits	15	129 151 713	117 103 090	110 834 739
Current Liabilities		1 127 554 443	1 205 294 763	1 135 983 989
Trade and other payables	16	892 333 722	948 385 381	670 284 796
Current portion of interest-bearing borrowings	14	-	5 200 090	5 200 080
Income tax payable		58 115 711	-	-
Provisions	17	73 192 892	25 000 000	-
Income received in advance	18	103 912 118	226 709 292	460 499 113
Total net assets and liabilities		**3 340 995 729**	**3 018 285 663**	**2 762 228 415**

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2012

In Rand	Note	2012	2011
Revenue	19	4 729 096 142	4 302 402 597
Cost of sales	20	3 455 096 496	3 527 332 690
Gross surplus		1 273 999 646	775 069 907
Other income	21	34 415 424	44 904 304
Operating expenses	22	858 386 902	633 130 037
Surplus from operating activities		450 028 168	186 844 174
Finance income	23	128 750 934	115 185 809
Finance expenses	24	34 229 188	38 536 865
Surplus before income tax		544 549 914	263 493 118
Income tax expense	25	156 148 151	77 814 905
Surplus for the year attributable to shareholder		**388 401 763**	**185 678 213**

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2012

in Rand	Share capital	Reserve	Accumulated surpluses	Total
Balance at 31 March 2010	1	627 334 546	882 875 050	1 510 209 597
Surplus for the year	-	-	185 678 213	185 678 213
Balance at 31 March 2011	1	627 334 546	1 068 553 263	1 695 887 810
Surplus for the year	-	-	388 401 763	388 401 763
Balance at 31 March 2012	1	627 334 546	1 456 955 026	2 084 289 573
Note	12	13		

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

in Rand	Note	2012	2011
Cash flows from operating activities			
Receipts		4 427 932 411	4 361 361 739
- Sale of goods and services		4 361 628 418	4 295 578 255
- Finance income received		66 303 993	65 783 484
Payments		(4 388 634 843)	(3 880 684 200)
- Payment to suppliers and employees		(4 275 743 779)	(3 844 384 763)
- Finance costs paid		(1 710 243)	(3 662 068)
- Income tax paid	32.1	(111 180 821)	(32 637 369)
Net cash flows from operating activities	**32.2**	**39 297 568**	**480 677 539**
Cash flows from investing activities			
Purchase of property, plant and equipment		(38 330 470)	(21 923 377)
Purchase of intangible assets		(8 429 310)	(6 298 359)
Proceeds from the sale of property, plant and equipment		8 600	3 547
Net cash flows from investing activities		**(46 751 180)**	**(28 218 189)**
Cash flows from financing activities			
Repayment of interest-bearing borrowings		(5 200 090)	(5 200 080)
Net cash flows from financing activities		(5 200 090)	(5 200 080)
(Decrease)/increase in cash and cash equivalents		(12 653 702)	447 259 270
Cash and cash equivalents at beginning of year		1 561 673 901	1 114 414 631
Cash and cash equivalents at end of year		1 549 020 199	1 561 673 901

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 2012 were authorised and approved in accordance with a resolution of the Board of Directors on 30 July 2012.

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 International Accounting Standards Board (IASB). In terms of these standards (GRAP), in the absence of a standard or pronouncement comprising the GRAP financial reporting frameworks that specifically applies to a transaction, other event or condition, management should apply judgement and may consider the following pronouncements, in descending order of the hierachy listed below, in developing an accounting policy for such a transaction, event or condition.

- Standards of GRAP (Generally Recognised Accounting Practice) that have been issued, but are not yet effective,
- IPSAS (International Public Sector Accounting Standards)
- IFRS (International Financial Reporting Standards)
- South African Statements of GAAP (Generally Accepted Accounting Practice)

GRAP 24: Presentation of financial statements requires entities to provide information in their financial statements on whether resources were obtained and used in accordance with the legally adopted budget. In order to ensure full compliance with GRAP 24, National Treasury has prescribed the inclusion of a reconciliation between actual surplus and budgeted surplus in the notes to the financial statements.(Refer to note 33).

b) Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing 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 principal accounting policies adopted in the preparation of these financial statements are set out below. The accounting policies are consistent with those used to present previous years financial statements unless specifically stated.

3.1 Foreign currency transactions

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

3.2 Financial instruments

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

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

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

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

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

At the end of each reporting period, financial assets measured at amortised cost are assessed, whether or not there is any objective evidence of impairment. If objective evidence exists that an impairment loss has been incurred, such loss is recognised in surplus or deficit. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

3.3 Property, plant and equipment

a) Recognition and measurement

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

Where an asset is acquired at no cost, or for a nominal amount , its cost is its fair value 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment at disposal date and are recognised in surplus or deficit.

b) Subsequent costs

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

c) Depreciation

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

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

	Prior year useful lives	Revised useful lives
- Buildings	17 - 50 years	17 - 53 years
- Computer equipment	3 - 8 years	3 - 13 years
- Office furniture	7 - 10 years	7 - 13 years
- Vehicles	9 - 10 years	9 - 13 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 is accounted for in accordance with the Standard on Accounting Policies, Changes in Accounting Estimates and Errors as a change in estimate.

d) Derecognition

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

3.4 Intangible assets

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

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis.

An estimate of an asset's residual value is based on the amount recoverable from disposal using prices prevailing at the date of the estimate for the sale of a similar asset that has reached the end of its useful life and has operated under conditions similar to those in which the asset will be used. The residual value is reviewed at least at each reporting date.

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 straightline basis over the estimated useful life of the software not exceeding three years. Annual licence fees on software are expensed in the year of accrual.

The useful lives of software has been revised to an average of five 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.

There are no development costs.

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.

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

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.

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

a) Determining whether an arrangement contains a lease

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

- Fulfilment of the arrangement is dependent on the use of an asset or assets, and this fact is not necessarily explicitly stated by the contract but rather implied and
- The arrangement conveys a right to use the asset or assets, if one of the following conditions is met:
  - the purchaser has the ability or right to operate the asset or direct others to operate the asset or
  - the purchaser has the ability or right to control physical access to the asset or
  - there is only a remote possibility that parties other than the purchaser will take more than 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.

3.6 Contract work in progress

Contract work in progress is stated at cost plus profit recognised to date, less provisions for foreseeable losses and less progress billings. Costs include all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the company contract activities based on normal operating activities.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

As soon as the outcome of a contract can be estimated reliably, contract revenue is recognised in surplus or deficit in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

3.7 Impairment

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

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

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

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

3.8 Employee benefits

a) Defined contribution plan

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

b) Defined benefit plan

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

c) Termination benefits

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

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

d) Short-term benefits

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

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

3.9 Provisions

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

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

3.10 Revenue

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

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer, recovery of the consideration is considered probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

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

(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.

3.11 Finance income

Finance income comprises interest income earned on funds invested and adjustments in terms of IAS 39 (AC 133) interpreted in Circular 9/2006 issued by SAICA.

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.

3.12 Finance expenses

Finance expenses comprise interest payable on borrowings and is calculated and recognised in surplus or deficit using the effective interest method.

3.13 Taxation

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

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

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

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

3.14 Related parties

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

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

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

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

3.15 Irregular, fruitless and wasteful expenditure

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

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

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

3.16 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.

4 PROPERTY, PLANT AND EQUIPMENT

in Rand	Land	Buildings	Computer equipment	Office furniture	Vehicles	Total
At 31 March 2012						
Cost						
Balance at beginning of year	24 743 595	258 320 709	568 777 464	107 999 665	1 148 757	960 990 190
Additions and improvements	-	1 645 811	34 967 115	1 717 544	-	38 330 470
Disposals/retirements	-	-	(11 448 785)	(129 731)	-	(11 578 516)
Balance at end of year	24 743 595	259 966 520	592 295 794	109 587 478	1 148 757	987 742 144
Accumulated depreciation						
Balance at beginning of year	-	75 427 387	450 481 747	63 738 129	769 283	590 416 546
Depreciation charge	-	9 834 435	33 062 825	8 086 086	33 941	51 017 287
Disposals/retirements	-	-	(10 875 740)	(126 993)	-	(11 002 733)
Balance at end of year	-	85 261 822	472 668 832	71 697 222	803 224	630 431 100
Net carrying amount	**24 743 595**	**174 704 698**	**119 626 962**	**37 890 256**	**345 533**	**357 311 044**
At 31 March 2011						
Cost						
Balance at beginning of year	24 743 595	255 881 969	583 728 871	107 546 145	1 148 757	973 049 337
Additions and improvements	-	2 657 084	17 832 337	1 433 956	-	21 923 377
Disposals/retirements	-	(218 344)	(32 783 744)	(980 436)	-	(33 982 524)
Balance at end of year	24 743 595	258 320 709	568 777 464	107 999 665	1 148 757	960 990 190
Accumulated depreciation	-					
Balance at beginning of year	-	59 784 420	400 679 024	48 106 346	729 639	509 299 429
Depreciation charge	-	15 857 947	81 276 911	16 571 565	39 644	113 746 067
Disposals/retirements	-	(214 980)	(31 474 188)	(939 782)	-	(32 628 950)
Balance at end of year	-	75 427 387	450 481 747	63 738 129	769 283	590 416 546
Net carrying amount	**24 743 595**	**182 893 322**	**118 295 717**	**44 261 536**	**379 474**	**370 573 644**

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

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

Property in Erasmuskloof with a carrying value of R36,1million (2011: R36,9million) was pledged as security for borrowings of Rnil for the current year (2011: R5,2 million). Refer to note 14.

5 INTANGIBLE ASSETS

in Rand	2012	2011
Cost		
Balance at beginning of year	173 167 110	179 581 913
Additions and improvements	8 429 310	6 298 359
Disposals/retirements	(25 652)	(12 713 162)
Balance at end of year	181 570 768	173 167 110
Accumulated amortisation		
Balance at beginning of year	135 151 235	126 108 801
Amortisation charge	12 325 871	21 752 402
Disposals/retirements	(25 652)	(12 709 968)
Balance at end of year	147 451 454	135 151 235
Net carrying amount	**34 119 314**	**38 015 875**

Intangible assets comprise of software and licences.

6 CAPITAL COMMITMENTS

in Rand	2012	2011
Capital commitments contracted for	-	142 671 702
Budgeted but not contracted for	899 205 127	157 917 581
	899 205 127	300 589 283

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

7 DEFERRED TAX ASSETS

Deferred tax assets are attributable to the following:

in Rand	Statement of financial performance movement	2012	2011
Movement in impairment on trade receivables	41 754 721	64 573 071	22 818 350
Accrual for leave pay benefits	2 830 435	22 268 095	19 437 660
Post-retirement medical benefits	3 373 615	36 162 480	32 788 865
Income received in advance	(33 917 206)	29 561 394	63 478 600
Performance bonus	13 494 010	20 494 010	7 000 000
Circular 9 adjustment	196 335	953 045	756 710
Leases	(1 003 331)	1 461 431	2 464 762
Prepayments	(4 193 048)	(4 193 048)	-
Section 24C allowance	33 879 394	(29 095 393)	(62 974 787)
Depreciation/amortisation	(10 301 720)	(29 592 636)	(19 290 916)
		112 592 449	66 479 244

Reconciliation between opening and closing balance

	2012	2011
Deferred tax asset at beginning of year	66 479 244	48 300 335
Statement of financial performance movement	46 113 205	18 178 909
- current year	46 113 205	18 178 909
Deferred tax asset at end of year	112 592 449	66 479 244

8 CASH AND CASH EQUIVALENTS

in Rand	2012	2011
Ring-fenced cash	155 096 090	268 100 506
- IFMS project	18 425 745	39 627 577
- Income received in advance	61 888 345	153 690 929
- Municipal guarantees	1 437 000	1 437 000
- Post-retirement medical benefits	73 345 000	73 345 000
Other surplus cash	1 393 924 109	1 293 573 395
	1 549 020 199	1 561 673 901
Analysis of other	1 393 924 109	1 293 573 395
- Current account balance	16 698 535	211 795 035
- Call account balance	23 716 679	126 401 664
- Investment account balance	1 353 497 295	955 364 996
- Cash float	11 600	11 700

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

The company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 26.

The average rate of interest on the cash balances was 5,56% (2011: 6,68%).

9 TRADE AND OTHER RECEIVABLES

in Rand	**2012**	**2011**
Trade receivables	1 535 255 451	933 408 296
Less: Impairment of trade receivables	(295 398 478)	(104 385 711)
	1 239 856 973	829 022 585
Other receivables	18 315 307	10 236 487
	1 258 172 280	839 259 072

Refer to note 27 for the breakdown of trade receivables due from related parties.

The company's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in note 26.

10 CONTRACT WORK IN PROGRESS

in Rand	**2012**	**2011**
Projects in progress	14 805 270	58 403 516

This amount has been determined with reference to the stage of completion of the contract activity to which they relate at the reporting date. This amount has been considered for impairment and is recoverable.

11 PREPAYMENTS

in Rand	**2012**	**2011**
Software maintenance costs	14 975 173	50 915 587
	14 975 173	50 915 587

Prepayments relate to payments made for software maintenance costs.

12 SHARE CAPITAL

in Rand	2012	2011
Authorised and issued		
One ordinary share at R1,00 each	1	1

13 RESERVES

in Rand	2012	2011
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 R625 333 736 to R1. Approval was granted by National Treasury to transfer the difference to reserves.

14 CURRENT PORTION OF INTEREST BEARING BORROWINGS

in Rand	2012	2011
Long term loan	5 200 090	-
Less: Current portion	(5 200 090)	5 200 090
Closing balance	-	5 200 090

Terms and repayment schedule

This loan represents the long-term loan from Denel (SOC) Limited in accordance with the business transfer agreement between Denel and the company on incorporation of SITA.

This loan is secured by a mortgage bond over Erasmuskloof property with a carrying amount of R36,1 million (2011: R36,9 million) (refer note 4).

It bears interest at a fixed rate of 9% per annum up to 31 March 2010, whereafter the rate will change to the government R186 bond coupon rate. The loan is repayable in equal annual instalments effective 1 April 2002. The last instalment is payable on 31 March 2012.

Interest-bearing borrowings are payable as follows:

In Rands	Future minimum loan payments 2012	Interest 2012	Present value of minimum loan payments 2012	Future minimum loan payments 2011	Interest 2011	Present value of minimum loan payments 2011
Less than one year	-	-	-	5 287 476	(87 386)	5 200 090
Between one and five years	-	-	-			-
More than five years	-	-	-	-	-	-
	-	-	-	5 287 476	(87 386)	5 200 090

15 POST-RETIREMENT EMPLOYEE BENEFITS

in Rand	2012	2011
Present value of unfunded obligations	129 151 713	114 230 403
Unrealised actuarial gains	-	2 872 687
	129 151 713	117 103 090
Movement in the present value of the defined benefit liability		
Balance at beginning of year	117 103 090	110 834 739
Statement of financial performance movement	12 048 623	6 268 351
Current service cost	2 102 423	2 806 047
Interest cost	7 593 097	5 850 277
Contributions paid	(661 898)	(500 299)
Realised actuarial gain	3 015 001	(1 887 674)
Balance at end of year	129 151 713	117 103 090
Principal actuarial assumptions		
Long term discount rate before tax	8,9%	8,9%
Long-term medical inflation rate	7,9%	7,4%
Normal retirement age	60 years	60 years

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 were transferred to Discovery medical aid when U-med ceased to exist,

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

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

The amounts due in respect of the company's liability regarding the post-retirement medical benefit have been determined by independent actuaries at 31 March 2012 using the projected unit credit method.

Sensitivity analysis

	Liability	Change in liability
	R	%
Increase of 1%	108 054 209	-17,47%
Base liability	129 151 713	0%
Decrease of 1%	162 434 314	24,07%

Experience adjustments

	2011	2010	2009	2008
Realised actuarial gain	(1 887 674)	(1 642 296)	(1 225 174)	(1 006 503)

15.1 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. 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. The Government of South Africa, as the employer, is responsible for any shortfall in this Fund. This responsibility is governed by the General Pensions Act 29 of 1979 and Government Employees Pension Law, Proclamation 21 of 1996.

SITA Pension Fund:

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

Current medical benefits:

The company contributes to three medical aid schemes for the benefit of permanent employees and their dependants. Contributions charged against income amounted to R89,7million (2011: R74,3 million). The company's financial obligation is limited to the current company contributions.

16 TRADE AND OTHER PAYABLES

in Rand	2012	2011
Trade payables	764 302 969	849 652 209
Leave pay accrual	84 573 466	74 464 771
Accrual for 13th cheque	5 334 689	5 350 931
Non-trade payables	38 122 598	18 917 470
	892 333 722	948 385 381

The company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 26.

17 PROVISIONS

in Rand	2012	2011
Balance at beginning of year	25 000 000	-
Additional provision raised during the year	70 645 200	25 000 000
Utilisation of provision during the year	(22 452 308)	-
Balance at end of year	73 192 892	25 000 000

The utility of the provision relates the payment of the performance bonuses for the previous financial year which was approved by the Board.

18 INCOME RECEIVED IN ADVANCE

in Rand	2012	2011
Unearned revenue	23 598 028	33 390 786
Ring fenced cash (refer to note 8)	80 314 090	193 318 506
- Income received in advance	61 888 345	153 690 929
- IFMS	18 425 745	39 627 577
	103 912 118	226 709 292

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

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

19 REVENUE

in Rand	2012	2011
Project related revenue	-	3 035 729 065
Agency revenue	-	308 079 714
Infrastructure	-	958 593 818
	-	4 302 402 597

As a result of the implementation of the business service catalogue, SITA (Pty) Ltd has changed the revenue categories for the current financial year, which provides information that is reliable and more relevant to users of the financial statements. However, the introduction of the new revenue categories has made it impracticable for SITA (Pty) to reclassify comparative amounts due to the current naming convention on the project management module it becomes impractical to recreate the revenue data using the prior year revenue categories.

The nature of the adjustments would relate to write up and write downs of project revenue, which cannot be matched to the current revenue categories.

	2012
Acquisition management	17 738 500
BPO mervice desk	90 764 727
Commercial printing	17 793 514
Contract management	99 662
ICT advisory services	36 784 245
Information management	83 332 721
Managed applications	741 615 663
Managed desktop	715 807 242
Managed infrastructure	1 766 707 186
Project management	247 665 356
Requesting and fulfillment	926 248 049
Security management	22 059 714
Service management centre	26 314 988
Training	36 164 575
	4 729 096 142

20 COST OF SALES

in Rand	2012	2011
Direct depreciation	35 755 983	87 565 797
Direct amortisation	8 617 935	17 283 491
Direct labour	1 306 905 501	1 323 095 184
Service delivery expenditure	2 103 817 077	2 099 388 218
	3 455 096 496	3 527 332 690

21 OTHER INCOME

in Rand	2012	2011
Sundry income	34 415 424	44 904 304
	34 415 424	44 904 304

A significant amount of sundry income relates to GovTech

22 OPERATING EXPENSES

The following separately disclosable items are included in operating expenses:

in Rand	2012	2011
Auditor's remuneration		
- Audit fees	11 731 281	11 397 848
Amortisation		
Total amortisation	12 325 871	21 752 402
Included in cost of sales	(8 617 935)	(17 283 491)
Non-recoverable amortisation	3 707 936	4 468 911
Depreciation		
Total depreciation	51 017 287	113 746 067
Included in cost of sales	(35 755 983)	(87 565 797)
Non-recoverable depreciation	15 261 304	26 180 270
Impairment movement		
- Property, plant and equipment	-	-
- Trade and other receivables	191 012 767	24 909 074
Net loss on disposal of assets	562 634	1 353 228
Operating lease expense	31 680 847	34 774 768
Operating lease income	1 572 178	6 746 642
Research costs	11 188 417	13 647 759
Staff costs	403 238 147	372 379 483

Refer to Annexure A for directors' remuneration

23 FINANCE INCOME

in Rand	2012	2011
Fair value adjustment on trade receivables in terms of SAICA Circular 9/2006	62 446 941	49 402 325
Foreign exchange gain	840 765	9 029 246
Interest on cash balances	65 463 228	56 754 238
	128 750 934	115 185 809

24 FINANCE EXPENSES

in Rand	2012	2011
Fair value adjustment on trade payables in terms of SAICA Circular 9/2006	32 518 945	34 874 797
Interest paid	1 710 243	3 662 068
	34 229 188	38 536 865

25 INCOME TAX EXPENSE

in Rand	2012	2011
Current tax expense		
Income tax charge	202 261 356	95 993 814
Deferred tax expense		
Origination and reversal of temporary differences	(46 113 205)	(18 178 909)
Calculated tax loss	-	-
Total income tax expense	156 148 151	77 814 905
Reconciliation of effective tax rate		
Profit for the period	388 401 763	185 678 213
Total income tax expense	156 148 151	77 814 905
Profit excluding income tax	544 549 914	263 493 118

	2012		2011	
	%	R	%	R
Income tax using the company's domestic tax rate	28,0%	152 473 976	28,0%	73 778 073
Non-deductible expenses	0,7%	3 674 175	1,5%	4 036 832
Effective income tax	28,7%	156 148 151	29,5%	77 814 905

26 FINANCIAL INSTRUMENTS

a) Credit risk

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

The company limits its counterparty exposure arising from money market instruments by dealing only with well-established financial institutions of high credit standing. Exposure relating to trade and other receivables, which mainly consist of national, provincial and local government departments, 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 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**	**2012**	**2011**
Trade receivables	**9**	1 239 856 973	829 022 585
Other receivables	**9**	18 315 307	10 236 487
Cash and cash equivalents	**8**	1 549 020 199	1 561 673 901
Contract work in progress	**10**	14 805 270	58 403 516
		2 821 997 749	2 459 336 489

The maximum exposure to credit risk for trade receivables at the reporting date by major customer cluster was:

	Carrying amount	
in Rand	**2012**	**2011**
Crime and prevention cluster	762 165 202	467 175 725
Economic and investment cluster	154 563 318	43 565 947
Government, administration and international cluster	71 208 267	93 045 593
Social cluster	142 694 959	155 231 112
Provincial and local departments	109 225 227	70 004 207
	1 239 856 973	829 022 585

The maximum exposure to credit risk for other receivables at the reporting date is not considered material

The maximum exposure to credit risk for contract work in progress at the reporting date by major customer cluster was:

	Carrying amount	
in Rand	**2012**	**2011**
Crime and prevention cluster	8 395 667	34 160 736
Economic and investment cluster	247 926	263 659
Government, administration and International cluster	-	1 552 216
Social cluster	286 812	8 231 163
Provincial and local departments	5 874 865	14 195 642
	14 805 270	58 403 416

Impairment losses

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

in Rand	**2012**	**2011**
Not past due	713 363 823	451 226 890
Past due 0 - 30 days	145 848 701	140 881 555
Past due 31 - 90 days	207 482 344	57 249 548
Past due 91 - 360 days	173 162 105	163 662 839
Past due - more than 360 days	-	16 001 753
	1 239 856 973	829 022 585

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

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

	2012	**2011**
Balance at beginning of year	104 385 711	79 476 637
Impairment loss recognised	191 012 767	24 909 074
Balance at end of year	295 398 478	104 385 711

The impairment loss is based on history on invoices over 365 days and specifically identified invoices that are considered doubtful based on information in the company's possession. Each invoice is analysed individually and a decision to impair is made.

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.

Cash flow forecasts are done on a weekly and monthly basis. They are tightly managed in order to accurately predict daily funding needs. Favourable interest rates on the current, call and investment accounts are negotiated with the banks.

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

31 March 2012

in Rand

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

31 March 2011

in Rand

	Carrying amounts	Contractual cash flow	6 months or less	6 - 12 months	1 - 2 years
Trade and other payables	923 915 291	923 915 291	923 915 291	-	-
Interest bearing borrowings	5 200 090	5 287 476	5 287 476	-	-
	929 115 381	929 202 767	929 202 767	-	-

c) Currency risk

Currency risk arises from exposure to foreign currencies when the value of the rand changes in relation to these currencies. In the previous year the company changed its policy and no longer hedges the foreign currency exposure against exchange rate fluctuations. As a result all losses incurred from foreign currency transactions are recovered from the clients. The company primarily transacts in US dollars when dealing with foreign transactions.

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

d) Interest rate risk

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

in Rand	Carrying amount 2012	2011
Fixed interest rate		
Interest bearing borrowings	-	5 200 090

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	1 549 020 199	1 561 673 901

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:	1 549 020	1 561 674

e) Fair values of financial instruments

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as flows:

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Trade and other receivables	1 258 172 280	1 258 172 280	839 259 072	839 259 072
Cash and cash equivalents	1 549 020 199	1 549 020 199	1 561 673 901	1 561 673 901
Contract work in progress	14 805 270	14 805 270	58 403 516	58 403 516
	2 821 997 749	2 821 997 749	2 459 336 489	2 459 336 489
Financial liabilities				
Trade and other payables	891 391 047	891 391 047	923 915 291	923 915 291
Loans payable	-	-	5 200 090	5 200 090
	891 391 047	891 391 047	929 202 767	929 202 767

		2012 Carrying amount	2011 Carrying amount
f)	**Categories of financial instruments**		
	Fair value through profit and loss		
	Cash and cash equivalents	1 549 020 199	1 561 673 901
	Loans and receivables		
	Loans payable	-	5 200 090
	Trade and other receivables	1 258 172 280	839 259 072
	Contract work in progress	14 805 270	58 403 516
	Trade and other payables	891 391 047	923 915 291

27 RELATED PARTIES

Transactions with national departments

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

The company is a schedule 3A national public entity in terms of the Public Finance Management Act,1999 (Act No 1 of 1999). The related party disclosures is in terms of the requirements of IPSAS 20 (related party disclosures) and the specific guidance given by the South African Institute of Chartered Accountants.

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.

Revenue for the year

in Rand	2012	2011
Crime and prevention cluster	2 494 450 329	2 331 555 490
Economic and investment cluster	360 781 257	297 756 847
Government, administration and international cluster	218 577 463	238 131 684
Social cluster	271 786 081	274 093 972
Local and provincial	-	-
Revenue from related parties	3 345 595 130	3 141 537 993
Revenue from other parties	1 383 501 012	1 160 864 604
Revenue per statement of financial performance	4 729 096 142	4 302 402 597

Amounts owed at year-end

in Rand	2012	2011
Crime and prevention cluster	762 165 202	467 175 725
Economic and investment cluster	154 563 318	43 565 947
Government, administration and international cluster	71 208 267	93 045 593
Social cluster	142 694 959	155 231 112
Other related parties	-	-
Total related parties	1 130 631 746	759 018 377
Balance of trade receivables	109 225 227	70 004 208
Trade receivables	1 239 856 973	829 022 585

in Rand	2012	2011
Crime and prevention cluster	8 395 667	34 160 736
Economic and investment cluster	247 926	263 659
Government, administration and international cluster	-	1 552 216
Social cluster	286 812	8 231 163
Other related parties	5 874 865	14 195 742
Contract work in progress	14 805 270	58 403 516
Amounts received in advance at year-end		
Crime and prevention cluster	73 144 406	176 476 761
Economic and investment cluster	22 781 949	34 761 032
Government, administration and international cluster	3 606 018	8 645 413
Total related parties	99 532 373	219 883 206
Balance of income received in advance	4 379 745	6 826 086
Income received in advance per statement of financial position	103 912 118	226 709 292

Transactions with key management personnel

The key management personnel are directors and executive managers of the company for the year ended 31 March 2012.

Transactions with key management personnel are disclosed in Annexure A.

28 OPERATING LEASES

Operating lease expense

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

in Rand	2012	2011
Less than 1 year	22 373 135	34 149 975
Between 1 and 5 years	14 893 885	33 766 467
More than 5 years	-	-
	37 267 020	67 916 442

Operating lease income

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

in Rand	2012	2011
Less than 1 year	2 577 418	849 926
Between 1 and 5 years	178 709	235 036
More than 5 years	-	-
	2 756 127	1 084 962

The average period for operating lease agreements is five years.

29 CONTINGENT LIABILITIES

Litigations and claims

The company has a possible liability of approximately R2,5 million towards three former employees resulting from legal action taken by these employees. Based on legal advice, the probability is not determinable in all these claims as the ruling could go either way. It is not possible at this stage to estimate the exact potential damages and legal costs involved as the litigations are either still ongoing or SITA has not been formally notified of the outcome of the court proceedings.

There are various other claims against SITA estimated at approximately R66 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.

Contingent liability relating to surplus funds

In terms of section 53(3) of the Public Finance Management Act, SITA is required to remit back to National Treasury, any surpluses at the end of its financial year. However, as SITA does not receive a vote from National Treasury and is a self-sustaining, self-funding entity, a submission is in the process of being made to National Treasury via DPSA for SITA to retain its accumulated surpluses at 31 March 2011. Until such time as this approval is granted, the accumulated surplus of R574 079 978 is considered to be a contingent liability. Based on previous experience, it is expected that the request to retain the 2012 surplus might be granted.

30 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

	STANDARD/INTERPRETATION	APPLICABLE TO SITA
GRAP 18	Segment reporting	N/A
GRAP 20	Related party disclosures	YES
GRAP 25	Employee benefits	YES
GRAP 105	Transfer of functions between entities under common control	YES
GRAP 106	Transfer of functions between entities not under common control	YES
GRAP 107	Mergers	N/A
IPSAS 28	Financial instruments: Presentation	YES
IFRS 1 (AC 138) amendment	Amendment to a retrospective application that require first-time adopters to apply IFRS 9 and IAS 20 accounting for government grants	N/A
IFRS 1 amendment	Severe hyperinflation and removal of fixed dates for first time adopters	N/A
IFRS 9 (2009) (AC 146)	Financial instruments	YES
IFRS 10	Consolidated financial statements	N/A
IFRS 11	Joint arrangements	N/A
IFRS 12	Disclosure of interest in other entities	N/A
IFRS 13	New guidance on fair value measurement and disclosure requirements	YES
IFRIC 14 (AC 447)	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction.	N/A
IFRIC 20	Stripping costs in the production phase of a surface mine	N/A

31A IRREGULAR EXPENDITURE

in Rand	2012	2011	2010
	Amount	Amount	Amount
Opening balance	266 736 980	214 286 857	19 022 955
Add: Irregular expenditure - current year	18 166 782	105 576 789	214 906 769
Less: Amounts condoned	(161 689 505)	(51 569 646)	-
Add/(less): Prior year adjustment	(4 718 961)		(19 642 867)
Less: Amounts recoverable (not condoned)	-	(1 557 020)	
Less: Amounts not recoverable (not condoned)	-	-	-
Irregular expenditure awaiting condonation	**118 495 296**	**266 736 980**	**214 286 857**

Analysis of expenditure awaiting condonation per age classification			
Current year	18 166 782	104 019 769	195 263 902
Prior years	100 328 514	162 717 211	19 022 955
Total	**118 495 296**	**266 736 980**	**214 286 857**

In the previous financial years, certain expenditure made to Telkom and IBM amounting to R243m and R76m, respectively, was considered irregular. This expenditure was condoned based on the premise that value was being received by the company notwithstanding the fact that contracts were not in place. In the current financial year, legal opinions were obtained regarding the validity of the classification of this expenditure as irregular. The legal opinions obtained suggest that these amounts are in fact not irregular as they were made in accordance with the provisions of relevant legislation. Based on these opinions, all amounts reported in previous years relating to Telkom and IBM have been excluded and the disclosure updated accordingly. It must, however, be noted that new agreements with both Telkom and IBM have been entered into during the 2012/13 financial year, which supersede all previous agreements.

31B FRUITLESS AND WASTEFUL EXPENDITURE

in Rand	2012	2011	2010
	Amount	Amount	Amount
Opening balance	2 044 707	2 689 673	2 005 662
Add: Fruitless and wasteful expenditure - current year	7 000	183 190	684 011
Less: Amounts condoned/recovered	-	(466 480)	-
Less: Amounts not recoverable (not condoned)	-	(361 676)	-
Fruitless and wasteful expenditure awaiting condonation	**2 051 707**	**2 044 707**	**2 689 673**

Analysis of expenditure awaiting condonation per age classification			
Current year	7 000	183 190	684 011
Prior years	2 044 707	1 861 517	2 005 662
Total	**2 051 707**	**2 044 707**	**2 689 673**

Details of fruitless and wasteful expenditure -

Current year

> R7,000: Fruitless and wasteful expenditure arising from the payment of a learner whose contract was terminated on 30 September 2011, but who was paid for the two months of October and November 2011 in which he did not work.

Prior years

The balance is made as follows:

> R186 517: Relates to a matter under criminal investigation by the Serious Commercial Crime Unit (SCCU) which is still in progress. Recovery of the loss is not certain and can be initiated only upon conclusion of the criminal investigation.

> R144 690: Interest on late payment levied by suppliers in respect of office rentals. Internal Audit investigation nearing completion.

> R38 500: Penalties incurred for cancellation of contract. Disciplinary action against the responsible officials is outstanding.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

in Rand

1. DETAILS OF IRREGULAR EXPENDITURE - CURRENT YEAR

INCIDENT	DISCIPLINARY STEPS TAKEN/ CRIMINAL PROCEEDINGS	YEARS PRIOR TO 2010	PRIOR YEAR 2010	PRIOR YEAR 2011	CURRENT YEAR	TOTALS
Irregular expenditure arising from failure by the responsible officials to renew the maintenance contract with the sole supplier of a software used by the client.	Awaiting conclusion of Internal Audit investigation the outcome of which will inform the decision concerning the institution of disciplinary action.	806 709	320 856	328 981	703 981	2 160 527
Irregular expenditure arising from the failure by the responsible officials to renew the maintenance licence with the sole supplier of the software, while continuing to procure and utilise its solution and support services. The irregular expenditure is not expected to recur.	An Internal Audit investigation is underway to establish facts and to recommend the necessary process for finalisation.	-	-	829 517	-	829 517
Irregular expenditure arising from the continued procurement of maintenance and support services from the supplier for the period 1 August 2010 to 31 March 2011 after expiry of the initial contract. The supplier continued with the maintenance service on instruction of the client, who was concerned with preventing the disruption of core functions.	Awaiting conclusion of Internal Audit investigation, the outcome of which will inform the decision concerning the institution of disciplinary action.	-	-	2 606 580	-	2 606 580

INCIDENT	DISCIPLINARY STEPS TAKEN/ CRIMINAL PROCEEDINGS	YEARS PRIOR TO 2010	PRIOR YEAR 2010	PRIOR YEAR 2011	CURRENT YEAR	TOTALS
Irregular expenditure arising from the continued procurement of the maintenance services of the PABX system from the suppliers on behalf of the client for the period 1 December 2010 to 31 March 2011 after expiry of the initial contract. No further irregular expenditure is expected to occur	An Internal Audit investigation is underway to establish facts and to recommend the necessary process for finalisation.	-	-	4 554 082	-	4 554 082
Irregular expenditure arising from the continued procurement of maintenance and support services for the client without a valid contract in place.	Awaiting conclusion of Internal Audit investigation the outcome of which will inform the decision concerning the institution of disciplinary action.	-	-	5 136 029	2 747 775	7 883 804
Irregular expenditure arising from the contravention, by a senior official, of procurement processes and procedures when procuring computer equipment for a client.	Disciplinary action recommended by Internal Audit has not yet been instituted.	-	-	132 272	-	132 272
Total		**806 709**	**320 856**	**13 587 461**	**3 451 756**	**18 166 782**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

in Rand

2. DETAILS OF IRREGULAR EXPENDITURE CONDONED

ITEM NO.	INCIDENT	CONDONED BY (CONDONING AUTHORITY)	AMOUNT
1	An employee irregularly utilised a non-transversal tender, contract 543 to purchase software on behalf of a client from the supplier is not listed as an approved vendor on the SITA supplier database.	The accounting authority	3 951 063
2	SITA procurement policies and procedures were contravened when a senior official signed a contract for the purchase of software for SITA and clients without Board approval.	The accounting authority	130 300 151
3	Irregular expenditure incurred when products were added to the existing contract without approval by the Supplier Selection Board.	The accounting authority	851 929
4	The Recommendation Committee exceeded its mandate when awarding a bid exceeding R30m without ratification by the Board as the accounting authority. Furthermore, an addendum was added to the master agreement without approval by the Board.	The accounting authority	21 089 644
5	Irregular expenditure arising from the procurement of professional services and stress testing and the installation and commissioning a recorder for a call centre without proper approval prior to incurring the expenditure.	The accounting authority	47 560
6	A sourcing specialist contravened the procurement policies and procedures by taking part in the actual evaluation of tenders, approve/sign the letter of award though he had no delegation of authority and also facilitate the procurement process.	The accounting authority	5 144 202
7	Irregular expenditure arising from the failure by senior officials to follow the procurement procedures when engaging a legal representative for the CCMA arbitration.	The accounting authority	64 259
8	Irregular expenditure arising from the continued procurement of services relating to the maintenance of data centres after expiry of the initial maintenance agreement.	The accounting authority	240 697
	Total		161 689 505

32 CASH FLOW NOTES

32.1 Normal tax paid

in Rand	2012	2011
Opening balance	(32 964 824)	(96 321 270)
Current year normal tax charge	202 261 356	95 993 815
Closing balance	(58 115 711)	32 964 824
	111 180 821	32 637 369

32.2 Reconciliation of net cash flows from operating activities

in Rand	2012	2011
NET CASH INFLOW FROM OPERATING ACTIVITIES		
Surplus before taxation	544 549 914	263 493 118
Adjustments for non-cash flow items:		
- Depreciation/amortisation	63 343 158	135 498 469
- Increase in provision for impairment	191 012 767	24 909 074
- Loss on disposal or scrapping of property, plant and equipment	567 183	1 353 228
- Increase in provision for post-retirement employee benefits	12 048 623	6 268 351
- Finance costs paid	32 518 945	34 874 797
- Finance income received	(62 446 941)	(49 402 325)
- Increase in provisions	48 192 892	25 000 000
Operating profit before working capital changes	829 786 541	441 994 712
Working capital changes:		
(Increase) in trade and other receivables	(609 925 975)	(32 688 831)
Decrease in prepayments made	35 940 414	35 940 415
Decrease in contract work in progress	43 598 246	9 230 320
Increase in trade and other payables	(56 051 659)	278 100 585
Decrease in income received in advance	(122 797 174)	(233 789 821)
Cash generated in operations	120 550 393	498 787 380
Normal taxation	(111 180 821)	(32 637 369)
Finance costs paid	(32 518 945)	(34 874 797)
Finance income received	62 446 941	49 402 325
	39 297 568	480 677 539

33 RECONCILIATION OF BUDGET SURPLUS WITH THE SURPLUS IN THE STATEMENT OF FINANCIAL PERFORMANCE

in Rand	2012	2011
Net surplus per the statement of financial performance	388 401 763	185 678 212
Adjusted for:		
- Fair value adjustments	94 965 887	84 277 122
- Impairments recognised	295 398 478	104 385 711
- Deficit on the sale of assets	(562 634)	(1 353 228)
- Decreases in provisions	(683 351 494)	(326 589 818)
- Leave pay provision	10 108 695	4 705 561
- Performance bonus provision	48 192 892	25 000 000
- Other	(741 653 083)	(356 295 379)
Net surplus per approved budget	94 852 000	46 397 999

34.1 Reclassification due to change in disclosure of bank balance

SITA (SOC) Ltd has previously disclosed its bank balances in the annual financial statements at its cash book balance which took into account cash in transit even though it was not yet reflecting on the bank statement. In order to more closely align to the treatment as required by IAS 39 and to ensure more useful, reliable information cash in transit not reflected in bank statements is no longer recognised. This resulted in the reclassification of the following comparatives in the 2011/12 financial year:

in Rand	2011		2010	
	As previously stated	Currently stated	As previously stated	Currently stated
Cash and cash equivalents				
Cash and cash equivalents	1 577 925 471	1 561 673 901	1 085 151 461	1 114 414 631
Reclassification		16 251 570		(29 263 170)
	1 577 925 471	1 577 925 471	1 085 151 461	1 085 151 461
Trade and other receivables				
Trade receivables	714 444 206	839 259 072	767 614 404	831 479 322
Reclassification		(124 814 866)		(63 864 918)
	714 444 206	714 444 206	767 614 404	767 614 404
Trade and other payables				
Trade payables	839 822 085	948 385 381	577 156 708	670 284 796
Reclassification		(108 563 296)		(93 128 088)
	839 822 085	839 822 085	577 156 708	577 156 708

34.2 Irregular expenditure

A specific transaction was reported in the 2010 financial year as irregular expenditure incurred during that period. However, subsequent investigations revealed that the amount did not constitute irregular expenditure as the services were suspended during the period between expiry of the old contract and subesequent renewal thereof.

in Rand	2011		2010	
Opening balance	268 648 300	266 736 980	216 198 177	214 286 857
Prior period error		1 911 320		1 911 320
	268 648 300	268 648 300	216 198 177	216 198 177

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

ANNEXURE A - 2012

in Rand - 31 March 2012

POSITION		Duration	Fees as director	Acting allowance	Basic salary	Annual payment: 13th cheque & leave
NON-EXECUTIVE DIRECTORS						
Chairperson						
Ms ZP Manase	4 months	6-Aug-11	215 809			
Acting Chairperson						
Ms FC Potgieter-Gqubule'	7 months	31-Mar-12	520 003			
BOARD MEMBERS						
Ms SV Bvuma	12 months	31-Mar-12	802 128			
Mr PR Kgame	12 months	31-Mar-12	625 899			
Mr WS Mabena	12 months	31-Mar-12	640 160			
Ms BM Malongete	12 months	31-Mar-12	184 770			
Ms K Mdlulwa	12 months	31-Mar-12	774 321			
Ms NM Mhlakaza	12 months	31-Mar-12	289 220			
Ms T Moloko	12 months	31-Mar-12	392 305			
Prof MI Mphahlele	12 months	31-Mar-12	566 665			
Ms KR Mthimunye	12 months	31-Mar-12	632 179			
Mr DC Niddrie	12 months	31-Mar-12	-			
Ms N Ntsinde	12 months	31-Mar-12	289 390			
Mr G Pillay	12 months	31-Mar-12	-			
Mr CC W Kruger	12 months	31-Mar-12	-			
			5 932 849	-	-	-

Travel allowances	Other allowances	Contributions to pension, medical or insurance funds	Commissions or profit sharing	Share options	Other - performance bonus	Total
-						**215 809**
						-
29 091						**549 094**
						-
1 558						**803 686**
11 729						**637 628**
16 094						**656 254**
-						**184 770**
4 001						**778 322**
8 447						**297 667**
-						**392 305**
11 156						**577 821**
18 119						**650 298**
-						**-**
2 815						**292 205**
-						-
-						-
103 010	**-**	**-**	**-**	**-**	**-**	**6 035 859**

in Rand - 31 March 2012

POSITION		Duration	Fees as director	Acting allowance	Basic salary	Annual payment: 13th cheque & leave
EXECUTIVE COMMITTEE MEMBERS						
Mr BK Mosley-Lefatola (Chief Executive Officer)	12 months	31-Mar-12	-		1 876 224	
Ms KPS Ntshavheni (Chief Operations Officer)	12 months	31-Mar-12	-		1 735 989	50 000
Mr A Pretorius (Acting Chief Financial Officer)	3 months	30-Jun-11	-	18 701	256 946	
Mr JC Moshesh (Chief Financial Officer)	9 months	31-Mar-12	-		1 163 576	
Mr ST Mthethwa (Acting Executive: ICT Service Delivery)	7 months	31-Oct-11	-	68 118	415 985	
Ms AM Mosupi (Executive: ICT Service Delivery)	5 months	31-Mar-12	-		370 452	
Mr BD Mushwana (Executive: Corporate Services)	12 months	31-Mar-12	-		1 388 103	
Ms TL Mjoli (Executive: Supply Chain Management)	12 months	31-Mar-12	-		1 161 673	
Mr N Tuganadar (Executive: Government Solutions & Standards)	12 months	31-Mar-12			1 042 577	
Mr AR Alli (Executive: Internal Audit)	12 months	31-Mar-12			1 027 803	35 325
Ms T Zide (Company Secretary)	12 months	31-Mar-12			1 006 189	
			-	86 819	11 445 519	85 325

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

A provision for bonuses for executive members has been raised under note 17. The amount has not been disclosed as per individual members as it is still subject to finalisation of the appraisal process and approval by the Board.

Travel allowances	Other allowances	Contributions to pension, medical or insurance funds	Commissions or profit sharing	Share options	Other - performance bonus	Total
180 000	25 200	43 776				2 125 200
	29 700	206 042				2 021 731
	3 600	39 705				318 952
	18 900	36 424				1 218 900
175 000	8 400	91 028				758 531
70 000	10 500	85 798				536 750
110 000	25 200	147 454				1 670 757
	25 200	211 451				1 398 324
100 200	43 200	206 487				1 392 464
151 795	14 400	185 077				1 414 400
	25 200	151 561				1 182 950
786 995	229 500	1 404 803	-	-	-	14 038 960

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012
ANNEXURE A - 2011

in Rand - 31 March 2011

Position		Duration	Fees as director	Other services	Basic salary	Annual payment: bonus & leave
NON-EXECUTIVE DIRECTORS						
Chairperson						
Ms ZP Manase	12	31-Mar-11	1 143 317	-	-	-
Deputy Chairperson						
Ms FC Potgieter-Gqubule	12	31-Mar-11	498 264	-	-	-
BOARD MEMBERS						
Ms SV Bvuma	12	31-Mar-11	944 573	-	-	-
Mr PR Kgame	12	31-Mar-11	527 098	-	-	-
Mr AM Luthuli	12	31-Mar-11	87 058	-	-	-
Mr WS Mabena	12	31-Mar-11	939 666	-	-	-
Ms M Makhekhe-Mokhuane	12	31-Mar-11	5 641	-	-	-
Ms BM Malongete	12	31-Mar-11	393 726	-	-	-
Ms K Mdlulwa	12	31-Mar-11	812 835	-	-	-
Ms NM Mhlakaza	12	31-Mar-11	155 357	-	-	-
Ms T Moloko	12	31-Mar-11	183 516	-	-	-
Prof MI Mphahlele	12	31-Mar-11	797 980	-	-	-
Ms KR Mthimunye	12	31-Mar-11	603 007	-	-	-
Mr DC Niddrie	12	31-Mar-11	87 362	-	-	-
Ms N Ntsinde	6	31-Mar-11	231 381	-	-	-
			7 410 781	**-**	**-**	**-**

Expense allowances	Petrol card	Contributions to pension, medical or insurance funds	Commissions or profit sharing	Share options	Other - performance bonus	Total
368	-	-	-	-	-	1 143 685
6 938	-	-	-	-	-	505 202
2 077	-	-	-	-	-	946 650
9 684	-	-	-	-	-	536 782
-	-	-	-	-	-	87 058
20 535	-	-	-	-	-	960 201
-	-	-	-	-	-	5 641
220	-	-	-	-	-	393 946
-	-	-	-	-	-	812 835
3 850	-	-	-	-	-	159 207
-	-	-	-	-	-	183 516
18 280	-	-	-	-	-	816 260
460	-	-	-	-	-	603 467
2 273	-	-	-		-	89 635
465	-	-	-	-	-	231 846
65 150	-	-	-	-	-	7 475 931

in Rand - 31 March 2011

Position		Duration	Fees as director	Other services	Basic salary	Annual payment: bonus & leave
EXECUTIVE COMMITTEE MEMBERS						
Mr BK Mosley-Lefatola (CEO)	3	31-Mar-11		-	422 829	-
Ms ER Magoma-Nthite	12	31-Mar-11		29 003	1 024 604	26 925
Mr M Mtimunye	12	31-Mar-11		33 670	1 101 164	-
Mr A Pretorius	12	31-Mar-11		73 091	974 301	-
Mr BE Ramfolo	6	31-Mar-11		-	693 000	-
Mr E Khan	12	31-Mar-11		28 233	822 022	50 000
Ms N Ntsinde (Acting CEO)		31-Jan-11		-	1 341 667	108 349
Mr A Pama	12	31-Mar-11		56 214	683 202	-
Dr DJ Mashao		31-Mar-11		16 285	326 388	104 068
Mr MV Tisani		31-Mar-11		16 117	273 960	-
Mr ST Mthethwa		31-Mar-11		-	275 006	-
Ms KPS Ntshavheni (COO)		31-Mar-11		-	687 167	4 167
Mr BD Mushwana		31-Mar-11		-	229 684	-
Ms TL Mjoli		31-Mar-11		-	127 815	-
			-	**252 613**	**8 982 809**	**293 509**

Expense allowances	Petrol card	Contributions to pension, medical or insurance funds	Commissions or profit sharing	Share options	Other - performance bonus	Total
40 645	6 300	10 719	-	-		480 493
70 951	6 000	183 912	-	-		1 341 395
107 676	-	307 753	-	-	-	1 550 263
-	6 000	94 312	-	-		1 147 704
-	-	-	-	-	-	693 000
192 000	6 000	207 688	-	-		1 305 943
-	-	-	-	-	-	1 450 016
64 000	1 200	82 685	-	-		887 301
-	1 200	42 507	-	-		490 448
52 000	950	52 283	-	-		395 310
125 000	6 000	38 226	-	-		444 232
-	6 000	42 000	-	-		739 334
20 000	4 200	24 667	-	-		278 551
-	2 100	11 470	-	-		141 385
672 272	**45 950**	**1 098 222**	**-**	**-**	**-**	**11 345 375**

SHAREHOLDERS' DIARY

SCHEDULES

Twelfth annual general meeting	21 September 2012
Submission of financial statements and annual report to the MPSA	30 August 2012
Submission of annual report to Parliament	28 September 2012
End of the new financial year	31 March 2013

ANNUAL BUDGET 2012/2013

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

STRATEGIC PLAN 2012/13 TO 2014/15

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

QUARTERLY REPORTS

Submission to DPSA	Quarterly

ADMINISTRATION

DIRECTORATE: 1 APRIL 2011 TO 31 MARCH 2012

NAME	TERM
Ms ZP Manase	Term expired: 6 August 2011
Ms FC Potgieter-Gqubule	Appointed on 17 March 2010 and as acting Chairperson on 19 August 2011
Mr BK Mosley-Lefatola [1]	Appointed on 10 January 2011
Ms SV Bvuma	Appointed on 17 March 2010
Mr P Kgame	Appointed on 17 March 2010
Mr CCW Kruger	Term expired: 31 August 2011
Mr WS Mabena	Appointed on 17 March 2010
Ms K Mdlulwa	Appointed on 17 March 2010
Ms NM Mhlakaza	Appointed on 17 March 2010
Ms T Moloko	Appointed on 17 March 2010
Prof M I Mphahlele	Appointed on 17 March 2010
Ms KR Mthimunye	Appointed on 1 May 2010
Ms N Ntsinde	Appointed on 1 May 2010
Mr G Pillay	Appointed on 1 May 2010

[1] Appointed an Executive Board member

ALTERNATE BOARD MEMBERS	
Ms BM Malongete	Appointed on 17 March 2010
Mr DC Niddrie	Appointed on 17 March 2010

COMPANY SECRETARY	
Ms T Zide	Appointed Company Secretary on 1 April 2011
Telephone	+27 12 482 3245
Email	thandi.zide@sita.co.za.

SITA ADDRESSES	
Postal Address	PO Box 26100, Monument Park, Pretoria, 0105
Physical Address	459 Tsitsa Street, Erasmuskloof, Pretoria, 0048

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

BANKERS	
Banking Institute	Standard Bank of South Africa Limited

CONTACT DETAILS OF THE EXECUTIVE COMMITTEE:

NAME	EXECUTIVE COMMITTEE	TELEPHONE	E-MAIL
Mr BK Mosley-Lefatola	Chief Executive Officer	+27 12 482 3321	vanessa.spitsbaard@sita.co.za
Ms KPS Ntshavheni	Chief Operations Officer	+27 12 482 2045	dorcas.mabidikama@sita.co.za
Mr JC Moshesh	Chief Financial Officer	+27 12 482 2886	mmabatho.phalatse@sita.co.za
Mr AR Alli	Executive: Internal Audit	+27 12 482 2639	morakane.motloi@sita.co.za
Ms TL Mjoli	Executive: Supply Chain Management	+27 12 482 2281	rene.bartsch@sita.co.za
Ms AM Mosupi	Executive: ICT Service Delivery	+27 12 482 2717	helen.hammond@sita.co.za
Mr BD Mushwana	Executive: Corporate Services	+27 12 482 2788	tshidi.tshotsho@sita.co.za
Mr N Tuganadar	Executive: Solution Development, Norms and Standards	+27 12 482 2223	louise.gilau@sita.co.za
Ms T Zide	Company Secretary	+27 12 482 3317	mmabatho.phuduhudu@sita.co.za

WEBSITE

www.sita.co.za

SWITCHBOARD

+27 12 482-3000

SITA

s t a t e i n f o r m a t i o n t e c h n o l o g y a g e n c y

ISBN: 978-0-621-41034-1
RP197/2012