

SITA Corporate Performance Report for Quarter 1 – 30 June 2016



stateinformationtechnologyagency

- 1. SITA Strategic Transformation Initiatives**
- 2. FY2016/2017 Quarter 1 Performance Results**
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SITA Strategic Transformation Initiatives

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

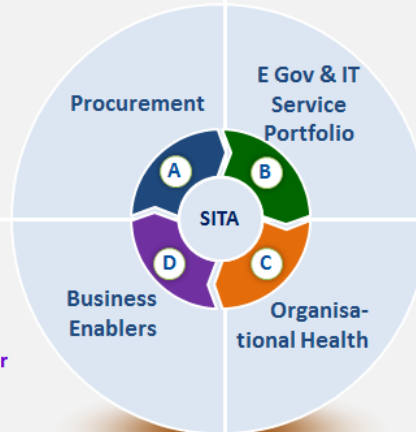
Procurement: The purpose of this programme is to address all issues relating to delayed procurement turnaround times, removing customer pain points, and transforming the procurement function.

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

Infrastructure: To optimise the provisioning of SITA's IT infrastructure services in order to increase availability, flexibility, scalability, predictability and security.

- 1 Implement contract tracking & management system
- 2 Implement new approach to technical specifications
- 3 Launch new procurement process
- 4 Establish contract model
- 5 Launch On-line Buying
- 6 Introduce new organisation model
- 7 Revise SITA's procurement policies

- 18 Create transparency on cost
- 19 Integrate and automate finance and procurement process
- 20 Develop and implement new customer engagement model
- 21 Recruit top talent to SITA
- 22 PMO Strategy Institutionalization
- 23 Financial Sustainability



- 8 Consolidate & modernise data centres
- 9 Upgrade bandwidth & network
- 10 Design and implement security system
- 11 System Integration & e-GOV
- 12 Build internal capabilities
- 13 Design and implement retained organisation (contract external assistance)
- 14 Create a customer centric organisation (include stakeholder)
- 15 Reward and recognise exceptional performance
- 16 Implement HPO across organisation
- 17 Empower SITAzens to fully leverage their capabilities

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

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

FY2016/2017 Quarter 1 Performance Results

QUARTER 1 Targets	Targets	Achieved	% Achieved	Not Achieved	% Non-Achievement	Non-Achievements - Comments
Financial	4	3	75.00%	1	25.00%	M1
Customer	15	8	53.33%	7	46.67%	M5, M9, M10, M13.1, M13.2, M16, M19 & M20
Internal Process	3	1	33.33%	2	66.67%	M21 & M22
Learning & Growth	2	0	0.00%	2	100.00%	M24 & M25
Total	24	12	50.00%	12	50.00%	

QUARTER 1	Targets	Achieved	% Achieved	Not Achieved	% Non-Achievement	Non-Achievements - Comments
Service Delivery	6	4	66.67%	2	33.33%	M5 & M9
Infrastructure	4	2	50.00%	2	50.00%	M13.1& M14
Procurement	5	2	40.00%	3	60.00%	M16, M19 & M20
Financial Sustainability	4	3	75.00%	1	25.00%	M1
Organisation	2	0	0.00%	2	100.00%	M24 & M25
Governance & Admin	3	1	33.33%	2	66.67%	M21 & M22
Total	24	12	50.00%	12	50.00%	

Performance by programme

- **SERVICE DELIVERY**

- ❖ 4 out of 6 APP Q1 performance targets achieved:
- ✓ Level of maturity of ICT security: External penetration test conducted.
- ✓ Compliance of SITA NKP Act with SAPS evaluation: Plan to address matters of non-compliance in SAPS NKP evaluation developed and approved.
- ✓ Personnel security clearance: 93.60% compliance to personnel security
- ✓ Performance against measured contracted SLA metrics: 95% level performance against measured contracted SLA metrics

Performance by programme

- **INFRASTRUCTURE**

- ❖ 2 out of 4 APP Q1 performance targets achieved:
- ✓ Business case for mechanical and civil construction approved: Business case for the replacement of the cooling towers at the Numerus data centre has been developed and approved.
- ✓ DR requirements and analysis: SITA DR plan for data centres has been developed.

Performance by programme

- **PROCUREMENT**

- ❖ 2 out of 5 APP Q1 performance targets achieved:
 - ✓ Development and sign-off of business case for the allocation of Capex.
 - ✓ 33% savings on acquisition of ICT goods and services with major OEMs

Performance by programme

- **FINANCIAL SUSTAINABILITY**

- ❖ 3 out of 4 APP Q1 performance targets achieved:

- ✓ Liquidity ratio of 2.1:1

- ✓ 10.5 % gross margin

- ✓ 13.6% expenditure against approved Capex budget

- ❖ 1% EBIT was not achieved – 0.8% was achieved for the quarter.

Performance by programme

- **ORGANISATION**

- ❖ 2 APP Q1 performance targets were not achieved

The high-level **HPO** improvement project plan which covers 13 dimensions has been developed; implementation will commence as soon as the detailed plan has been finalised in quarter 2

1. Leadership
2. strategy (vision, mission and values)
3. Culture
4. employee satisfaction (motivation)
5. Performance
6. employee engagement,
7. Diversity
8. employer brand
9. change and renewal
10. knowledge management
11. employer of choice
12. work environment, and
13. CMMI.

List of critical positions:

29% of the critical positions were identified and approved in March 2016

28% of the additional critical positions have been identified in quarter 1 of this financial year

Performance by programme

- **GOVERNANCE & ADMINISTRATION**

- ❖ 1 out of 3 APP Q1 targets achieved
- ✓ No finding with respect to fraud and corruption in the procurement process as per internal audit report.
- ❖ A new risk register for FY2016/17 is in the final stage of development and will be tabled at Exco and ARC in July 2016.
- ❖ 8.5 findings for 2014/15 FY are still not resolved.
- ❖ External audit is still in progress and envisaged to be completed by August 2016.

Remedial Actions for Quarter 1 non-achievements

- Remedial actions for non-achievements in the respective programmes have been identified and shall be implemented accordingly.
- Details are available in the SITA quarter 1 corporate performance report - CBSC performance as at 30 June 2016, pages 23-30.
- Close management and monitoring is done and risks are mitigated to ensure that both quarterly and annual targets are achieved.

Q1 2016/2017 Finance Presentation

Statement of Financial Performance

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Description	Actual	Aligned Webfin Budget	% Variance	Full Year Budget
Total Revenue	1 673 968	1 523 194	9.9%	6 395 449
Service Revenue	976 553	1 133 631	-13.9%	4 313 235
Agency Revenue	697 415	389 563	79.0%	2 082 214
Total Cost of sale	1 498 343	1 406 304	-6.5%	5 173 077
Agency Cost of Sale	694 521	414 745	-67.5%	1 518 922
Direct Labour	314 824	327 411	3.8%	1 309 642
Service Delivery Expenses	460 819	621 141	25.8%	2 123 592
Depreciation	28 179	43 009	34.5%	220 921
Gross Surplus/(Deficit)	175 626	116 890	50.2%	1 222 372
Gross Margin %	10.5%	7.7%	2.8%	19.1%
<i>Service Gross Margin %</i>	17.7%	12.5%		15.3%
<i>Agency Gross Margin %</i>	0.4%	-6.5%		27.1%
Other income	1 531	842	81.7%	21 370
Total Operating Expenses	190 700	284 682	33.0%	1 155 538
Indirect Labour	125 622	138 178	9.1%	552 711
Marketing Expenses	1 645	4 049	59.4%	30 157
Depreciation Expenses	6 251	3 202	-95.2%	21 875
Other Indirect Costs	51 803	126 672	59.1%	498 050
Research & Development	-	1 581	100.0%	4 744
Training	5 380	11 000	51.1%	48 000
Operating Surplus/(Deficit)	(13 544)	(166 950)	91.9%	88 203
Net Finance Income/(Expense)	22 634	14 366	57.6%	47 175
Surplus/(Deficit) before Tax	9 091	(152 584)	-106.0%	135 379
Less: Taxation	41 126	-		-
Net Surplus/(Deficit) after Tax	(32 035)	(152 584)	-79.0%	135 379
<i>Net Surplus/(Deficit) after Tax %</i>	<i>-1.9%</i>	<i>-10.0%</i>	<i>8.1%</i>	<i>2.1%</i>

Statement of Financial Position - Assets

in Rand	Note	Jun-16	Jun-15	Mar-16
Assets				
Non-current assets		1 465 152 601	1 182 546 388	1 344 797 576
Property, plant and equipment		837 830 466	613 424 434	839 191 466
Intangible assets		535 202 524	479 939 593	466 980 594
Non-current portion of Prepayments		92 119 611	-	13 723 977
Deferred tax assets		-	89 182 361	24 901 539
Current assets		2 521 752 585	2 916 908 704	2 540 989 319
Cash and cash equivalents		434 377 480	1 009 369 446	1 152 485 518
Trade and other receivables		1 731 001 306	1 617 600 142	1 036 931 436
Income Tax receivable		327 303 367	278 380 791	322 438 691
Current portion of Prepayments		29 070 432	11 558 325	29 133 674
Total assets		3 986 905 186	4 099 455 091	3 885 786 894

Statement of Financial Position – Net assets and Liabilities

Net assets and liabilities

Net assets

	2 644 119 472	2 658 728 416	2 668 510 717
Share capital	1	1	1
Reserves	627 334 546	627 334 546	627 334 546
Accumulated surpluses	2 016 784 926	2 031 393 870	2 041 176 170

Liabilities

Non-current liabilities

	137 066 514	127 445 745	122 627 745
Post-retirement employee benefits	126 961 995	127 445 745	122 627 745
Deferred tax liability	10 104 519	-	-

Current Liabilities

	1 205 719 200	1 313 280 930	1 094 648 432
Trade and other payables	1 030 583 941	1 075 576 173	872 486 847
Income Tax Payable	-	-	-
Provisions	-	13 747 573	-
Income received in advance	175 135 259	223 957 184	222 161 585

Total net assets and liabilities

	<u>3 986 905 186</u>	<u>4 099 455 091</u>	<u>3 885 786 894</u>
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Solvency	2.97	2.85	3.19
Liquidity	2.09	2.22	2.32
Cash cover	0.12	0.81	1.50

Cash Flow Statement

in Rand	YTD Jun-16	YTD Jun-15	Mar-16
Cash flows from operating activities			
Receipts	1 310 914 086	812 308 553	5 512 585 229
- Sale of goods and services	1 284 223 430	699 226 497	5 444 019 465
- Finance income received	26 690 656	113 082 057	68 565 765
Payments	(1 996 476 743)	(1 212 616 912)	(5 395 079 377)
- Payment to suppliers and employees	(1 993 205 994)	(1 195 566 594)	(5 302 648 498)
- Finance costs paid	(3 270 749)	(17 050 318)	(5 947 054)
- Income tax paid	-	-	(86 483 825)
Net Cash flows from operating activities	(685 562 656)	(400 308 358)	117 505 852
Cash flows from investing activities			
Purchase of property, plant and equipment	(23 482 837)	(91 162 248)	(318 817 859)
Purchase of intangible assets	(9 062 544)	(38 564 584)	(188 229 035)
Proceeds from the sale of property, plant and	-	-	3 848 807
Net Cash flows from investing activities	(32 545 381)	(129 726 832)	(505 651 854)
Cash flows from financing activities			
Repayment of interest-bearing borrowings	-	-	-
Net Cash flows from financing activities	-	-	-
(Decrease)/Increase in cash and cash equivalents	(718 108 038)	(530 035 190)	(386 919 118)
Cash and cash equivalents at beginning of month/year	1 152 485 518	1 539 404 636	1 539 404 636
Cash and cash equivalents at end of month/year	434 377 480	1 009 369 446	1 152 485 518

Management Letter Points (MLPs) Quarter 1 JUNE 2016

Status of resolution: 2014/2015 MLPs

Business unit	Total MLPs reported	Verified and closed by IA	IA verification in progress	Pending Exec/HOD approval	Not yet due	Outstanding
Company Secretary	7	7	0	0	0	0
Corporate Services	3	1	0	0	0	2
Customer Relations Management	1	1	0	0	0	0
Finance	9	9	0	0	0	0
Supply Chain Management	24	19	0	0	0	5
Facilities Management Infrastructure (FMILS)	1	0	0	0	0	1
Internal IT	3.5	3.5	0	0	0	0
Risk Management	0.5	0	0	0	0	0.5
Executive Support Strategic Planning	3	3	0	0	0	0
Total	52	43.5	0	0	0	8.5

Status of outstanding findings raised by the Auditor-General 2014/15

Business Area	Auditor-General Finding	Action Plan
Corporate Services	Critical Vacant Positions not filled	The CEO and CFO positions have now been filled. The Chief Audit Executive position remains unfilled and process has been put on hold pending the completion of the financial analysis of the organisation.
	Human resources / payroll business process controls	The latest update is that Internal IT is still working on resolving this finding. Resolution of this MLP is dependent on the implementation of the system capability to effect the required control (SoD).
Supply Chain Management	Evergreen Contracts	Evaluation has been completed and letters of recommendation of award have been submitted to the DPSA for signature. Implementation Date: 31 August 2016
	Limitation of scope—supporting documentation not provided	The Internal IT process to destroy copies in order to create space is in the approval process. This process is underway.
	Ad-hoc RFQs – lack of transparency in supplier selection	This has been addressed by National Treasury Practice Note A4 of 2016/17. By the establishment of Central Supplier Database (CSD) all suppliers registered against a commodity of their choice will receive invitations for quotations for those commodities, therefore creating transparency and fairness. Revised SCM processes will outline SITA SCM's role in terms of making sure that the process of selecting suppliers is transparent. The process is on track and the Vendor Management team is attending training at SITA. Implementation Date: 30 October 2016
	Contracts not monitored for performance	In progress Implementation Date: 31 August 2016
	Procurement schedule – deficiencies identified	A standard end-to-end SLA and template will be developed and published on the SITA Website to enable Client Relationship This will be implemented by beginning of 2016/17 Financial Year. Implementation Date: 31 August 2016
Facilities	Lease agreements not in place	In progress of updating all lease agreements within SITA

FY2016/2017 Quarter 2 Performance Focus Areas

Performance Focus Areas for FY2016/2017 Quarter 2

- Appointments of the vacant and critical Executive positions.
- FY2015/2016 performance management cycle closure.
 - ❖ Communication of FY2015/2016 audited APP performance results
 - ❖ FY2015/2016 performance assessment & evaluation.
- Finalisation of BSC contracting for FY2016/2017.
- Continued implementation of 23 strategic transformation initiatives including strategic projects.
- Implementation of other initiatives and activities supporting APP quarter 2 targets.
- Implementation of remedial actions for APP quarter 1 non-achievements

**Thank You
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